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Cannabis One Holdings Inc. Announces Definitive Agreement to Acquire Washington-based Green Lady IP Inc. to Progress Pacific Northwest Expansion Program

VANCOUVER, BRITISH COLUMBIA and DENVER, COLORADO – July 12, 2019 – **Cannabis One Holdings Inc. (CSE: CBIS)** ("**Cannabis One**", "**CBIS**", or the "**Company**"), an emerging, premier "House of Brands" in North America, is pleased to announce that the Company, through its wholly-owned subsidiary, has executed a definitive share purchase agreement (the "**Definitive Agreement**") to acquire all of the issued and outstanding securities of Green Lady IP Inc. ("**Green Lady IP**"), an entity providing infrastructure services to three (3) dispensaries operated by Green Lady Inc. and Green Lady Westside Inc. (the "**Dispensary Companies**"), with two locations situated in Olympia, WA and one in Lynnwood, WA. The Dispensary Companies are currently estimated by Green Lady IP management to collectively produce in excess of **US\$9.0MM** in aggregate unaudited annual revenue, at an approximate EBITDA margin of **11.8%**, inclusive of Washington State cannabis taxes.

Following the execution of the Definitive Agreement, Cannabis One Chief Executive Officer, Jeffery Mascio, commented, "Given the restrictive regulatory environment in Washington State, it appears most cannabis industry participants, particularly those operating in the public sphere, are hesitant to entertain expansion into this established Pacific Northwest market." Mr. Mascio continued, "This is an unfortunate situation for Washington State operators, since there appears to be a host of license holders that we believe could benefit from certain ancillary services. By coupling our progressive infrastructure services program with an option to purchase the underlying licensed assets upon a change in WSLCB regulations, Cannabis One has developed a creative and accretive framework through which it may continue to pursue its exciting Pacific Northwest expansion program, as Washington law allows."

Following the closing (the "**Closing**") of the proposed transactions contemplated in the Definitive Agreement (the "**Proposed Transaction**"), the Company anticipates the acquisition of Green Lady IP will:

- provide Cannabis One with diversified exposure – adjacent to the direct sale of cannabis or cannabis-related products – to the highly-regulated Washington State cannabis industry, which currently prohibits out-of-state ownership of licensed assets;
- allow the Company to explore new relationships and potential collaborations within Washington State's vibrant, yet relatively isolated, cannabis market, as jurisdictional regulations and legislations may permit, by expanding its infrastructure services program within the state;
- further bolster Cannabis One's management team with introduction of experienced cannabis industry member and Green Lady IP owner, Michael Redman, and former investment banker and M&A professional, Gavin Watson; and
- build upon the Company's progressive Pacific Northwest expansion program, which follows Cannabis One's recent announcement, dated May 14, 2019, related to the Company's securing of two (2) Oregon-based manufacturing and processing facilities, which Cannabis One anticipates to

begin production of CBD and THC-infused products, following receipt of all necessary governmental and regulatory approvals.

Michael Redman, President of Green Lady IP, stated, "Washington State is perhaps one of the most compelling, but often-overlooked, cannabis markets for out-of-state industry participants, due in no small part to the restrictive permissions around cannabis licensure in our home state." Mr. Redman continued, "Green Lady believes Cannabis One's forward-thinking approach to the diversification of its operations – away from simply focusing on licensed ownership – to additionally focus on intellectual property management, brand power, and now infrastructure services, breaks the Washington mould to provide the competitive advantage necessary to challenge local incumbents."

Terms of the Proposed Transaction

Under the terms of the Definitive Agreement, the Company, through its wholly-owned subsidiary, shall acquire all of the issued and outstanding securities of Green Lady IP. In accordance with Washington State regulations and legislation, neither the Company, nor its subsidiary, shall acquire any interest in or control over regulated inventory or licenses related to the cultivation, manufacture, distribution, or sale of cannabis or cannabis-related products in connection with the Proposed Transaction. Gross consideration payable to Green Lady IP in connection with the Proposed Transaction (the "**Consideration**") shall be an amount equal to US\$3,050,000, comprised of: (a) US\$300,000 in cash consideration; (b) US\$1,350,000 in Class "B" super voting shares in the capital of Cannabis One (the "**CBIS SVS Shares**") at a per CBIS SVS Share price equal to ten (10) times (given that each CBIS SVS Share is convertible into ten (10) Class "A" subordinated voting shares in the capital of Cannabis One (the "**CBIS SUB Shares**")) the greater of: (i) the maximum discount allowed under the policies of the Canadian Securities Exchange (the "**CSE**") to the closing price of the CBIS SUB Shares immediately prior to the date of execution of the Definitive Agreement and announcement of the same by Cannabis One; and (ii) the ten (10) day volume-weighted average price (the "**VWAP**") of the CBIS SUB Shares for the period immediately preceding the Closing, converted into United States dollars using a ten (10) day simple average of the USD:CAD Noon exchange rate for such period immediately preceding the Closing, as published on www.federalreserve.gov; and (c) US\$1,400,000 in deferred consideration, payable in monthly instalments of US\$50,000 per month.

In connection with the Proposed Transaction, each of the Dispensary Companies will grant Green Lady IP an option (the "**Option**"), which provides the right, but not the obligation, to acquire all assets from the Dispensary Companies, including those assets related to cannabis licenses and the sale of regulated products, following certain regulatory changes in the State of Washington that would allow out-of-state ownership of the assets held by the Dispensary Companies, or a portion thereof. Gross consideration that would be payable in respect of the exercise of the Option (the "**Exercise**") is US\$3,200,000, comprised of: (a) US\$1,600,000 in cash consideration; and (b) US\$1,600,000 in CBIS SVS Shares at a per CBIS SVS Share price equal to ten (10) times (given that each CBIS SVS Share is convertible into ten (10) CBIS SUB Shares) the greater of: (i) the maximum discount allows under the policies of the CSE to the closing price of the CBIS SUB Shares immediately prior to the date of the Exercise and announcement of the same by Cannabis One; and (ii) the ten (10) day VWAP of the CBIS SUB Shares for the period immediately preceding the Exercise, converted into United States dollars using a ten (10) day simple average of the USD:CAD Noon exchange rate for such period immediately preceding the Exercise, as published on www.federalreserve.gov. The Option will have an initial term of five (5) years (the "**Term**"), which Term may be extended for an additional three (3) years. The Exercise of the Option will be subject to state regulatory review and approval.

All CBIS SVS Shares (and the underlying CBIS SUB Shares which are issuable upon the conversion of the CBIS SVS Shares, collectively the "**Consideration Shares**") to be issued to Green Lady IP and the Dispensary Companies (each, a "**Recipient**") in connection with the Proposed Transaction or upon

Exercise, as the case may be, shall be subject to a trading restriction pursuant to applicable Canadian securities legislation of four (4) months and one (1) day, and trading restrictions pursuant to applicable United States securities legislation. Additionally, Cannabis One shall retain a right-of-first-refusal to purchase, or identify a third-party purchaser for, any Consideration Shares intended to be sold by a Recipient for a period of sixty (60) days following receipt of Cannabis One of written notice from a Recipient of any intent to sell such Consideration Shares.

About Cannabis One

IF WE BRAND IT, THEY WILL COME – Cannabis One Holdings Inc. (**CSE: CBIS**) is focused on aggregating and optimizing popular cannabis brands throughout North America. With its unique, franchise-ready retail brand, The Joint™, and through targeted acquisition and partnership opportunities, Cannabis One intends to become the premier, globally-recognized, "House of Brands", holding a client portfolio of award-winning products with an extensive market footprint. Through the Company's The Joint™ retail concept, Cannabis One intends to leverage the consumer and brand data harvested from its retail locations to bring data-driven analytics to an emerging, branded industry. For consumers, Cannabis One desires to become the definitive source for unparalleled product selection and renowned service in an otherwise fragmented market.

Disclaimer and Forward-Looking Information

Certain statements contained in this press release constitute forward-looking information. These statements relate to future events or future performance. The use of any of the words "anticipate", "could", "intend", "expect", "believe", "will", "projected", "potential", "estimated" and similar expressions and statements relating to matters that are not historical facts are intended to identify forward-looking information and are based on the parties' current belief or assumptions as to the outcome and timing of such future events. Actual future results may differ materially. These statements are only predictions. Readers are cautioned that the assumptions used in the preparation of such information, although considered reasonable at the time of preparation, may prove to be imprecise and, as such, undue reliance should not be placed on forward-looking statements. Forward looking statements include, but are not limited to: Closing of the Proposed Transaction contemplated in the Definitive Agreement; CBIS realizing the anticipated benefits of the Proposed Transaction; Green Lady IP management-estimated annual revenue and EBITDA margin, inclusive of Washington State cannabis taxes, remaining consistent; CBIS realizing the benefits of its diversified strategy within the Washington State market and abroad; CBIS advancing partnerships and relationships within Washington State and abroad, including in relation to its proposed infrastructure services; CBIS successfully integrating and realizing the benefits of the proposed new members of the Company's management team; CBIS realizing the anticipated benefits of the planned expansion into the Oregon CBD and THC market, including the receipt of all governmental and regulatory approvals; changes to Washington State regulations and legislation that may allow for the Exercise and subsequent acquisition of the remaining assets of the Dispensary Companies; and CBIS's ability to challenge Washington State incumbents. The Company assumes no obligation to update forward-looking statements, whether as a result of new information, future events or otherwise, except as required by applicable law.

The forward-looking information contained in this release is made as of the date hereof and the parties are not obligated to update or revise any forward-looking information, whether as a result of new information, future events or otherwise, except as required by applicable securities laws. Because of the risks, uncertainties and assumptions contained herein, investors should not place undue reliance on forward looking information. The foregoing statements expressly qualify any forward-looking information contained herein.

Cannabis is legal in certain States in the United States ("U.S."), however cannabis remains illegal under U.S. federal laws. Cannabis One intends to conduct its U.S. cannabis operations in a manner consistent with the applicable State laws and in compliance with regulatory and licensing requirements applicable in the applicable State. Unlike in Canada which has Federal legislation uniformly governing the cultivation, distribution, sale and possession of cannabis under the Cannabis Act (Federal), readers are cautioned that in the U.S., cannabis is largely regulated at the State level. To the knowledge of Cannabis One, there are to date a total of 33 states, plus the District of Columbia, that have legalized cannabis in some form. Notwithstanding the permissive regulatory environment of medical cannabis at the State level, cannabis continues to be categorized as a controlled substance under the Controlled Substances Act in the U.S. and as such, cannabis-related practices or activities, including without limitation, the manufacture, importation, possession, use or distribution of cannabis are illegal under U.S. Federal law. Strict compliance with State laws with respect to cannabis will neither absolve Cannabis One of liability under the U.S. Federal law, nor will it provide a defense to any Federal proceeding, which may be brought against Cannabis One. Any such proceedings brought against Cannabis One may materially adversely affect its operations and financial performance in the U.S. market.

"EBITDA" (earnings before interest, tax, depreciation and amortization) does not have any standardized meaning as prescribed by International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board, and, therefore, are considered non-GAAP measures and may not be comparable to similar measures presented by other issuers. Cannabis One believes the non-GAAP measure of "EBITDA", combined with IFRS measures, such as revenue and net income (loss), are useful measures to its shareholders as management relies on such measures to provide insight into future operations. Readers are cautioned, however, that "EBITDA" should not be construed as an alternative to financial measures determined in accordance with GAAP or IFRS as an indicator of the Company's financial performance. Readers are also advised that while Cannabis One realizes certain revenue through long-term service arrangements with its client brands, current state regulatory restrictions and U.S. federal restrictions may prevent Cannabis One from consolidating the financial results of such brands.

Further Information: For investment inquiries, please contact Scott Koyich, Investor Relations at Scott@briscocapital.com or (403) 619-2200.

Related Links

www.cannabisone.life