



LiveWell Canada and Vitality CBD Natural Health Products Merger to Create a Global CBD Life Sciences Company

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One of the First Fully Integrated Companies to Address the Growing Demand for CBD Products from Hemp and Cannabis

OTTAWA, Dec. 3, 2018 /CNW Telbec/ - LiveWell Canada Inc. ("**LiveWell**" or the "**Company**") (CSE: LVWL) is pleased to announce that LiveWell has signed a binding letter of agreement to acquire 100% of Vitality CBD Natural Health Products Inc. and its wholly-owned U.S. subsidiaries ("**Vitality**"), which will result in a reverse takeover transaction by Vitality (the "**Transaction**").

The Transaction will enable the combined companies to become a new leader in the health and wellness market for CBD products from hemp and cannabis. Vitality, a cultivator and producer of hemp CBD, and LiveWell, a cannabidiol ("**CBD**") researcher, developer, marketer and distributor, will combine their U.S. and Canadian operations to address the anticipated growing demand for CBD and other cannabinoid products in North American and international markets.

The Transaction will bring together strategically aligned U.S. and Canadian assets to create one of the first fully integrated CBD companies: one of the largest hemp cultivation and CBD extraction operations in North America, which is anticipated to be producing 3,000 kilograms per day of CBD isolate by mid-2019; CBD research, product development and GMP manufacturing facilities; international sales networks; and experienced leadership. The new Canadian company ("**Merger Co**") will be headquartered in Ottawa, Ontario, with locations in Las Cruces, New Mexico, and Eureka, Montana, United States, in addition to Gatineau, Quebec, Canada.

Legalization and acceptance of CBD products for health and wellness is accelerating globally. CBD is most commonly used to treat anxiety, insomnia, pain and nausea, but is being investigated as a treatment for other conditions. Earlier this year, the U.S. FDA approved the CBD drug, Epidiolex, for treatment of childhood epilepsy. The World Health Organization has recommended that CBD be descheduled across its 194 nation members.

The market for hemp CBD products is rapidly emerging and is expected to eclipse recreational cannabis. CBD and other cannabinoids can be extracted from both hemp and cannabis, but hemp faces fewer legal restrictions worldwide and is more economical to cultivate than cannabis. The Brightfield Group of Chicago has estimated that the North American market alone for CBD from hemp could reach US\$22 billion by 2022.

On Nov. 29, 2018, the U.S. Senate and House Agriculture Committee Chairmen jointly announced an agreement in principle that would legalize hemp under the U.S. 2018 Farm Bill. The anticipated passage of the final Farm Bill is expected to dramatically impact the demand for hemp products in the United States -- and possibly beyond, therefore potentially positioning the Merger Co to capitalize on this opportunity. Although hemp cultivation, processing and sales are currently legal in the U.S. under the Agricultural Act of 2014 if conducted pursuant to a state Department of Agricultural pilot program, the passage of the 2018 Farm Bill would essentially grant industrial hemp the same unrestricted legal status federally as any other agricultural commodity.

Being able to address the full spectrum of this emerging market, from large-scale cultivation to safe and effective consumer outcomes, makes the Merger Co unique among its peers. "This transaction is about meeting and satisfying patient and consumer needs. We are transforming to a global life sciences company, leveraging a robust supply chain and production capacity, while focusing on a differentiated brand development strategy that prioritizes innovative and functional products and outcomes," said David Rendimonti, President and CEO of LiveWell.

"While North American markets are the primary focus for wholesale and consumer sales initially, European and South American markets are also on the horizon for the Merger Co.," Mr. Rendimonti said.

"As the cannabis and hemp industry grows and matures, we believe the combined organization better positions us for large-contract opportunities, greater market awareness and long-term success," said Robert Leaker, President and CEO of Vitality. He further added: "We'll have the resources to rapidly scale to meet the anticipated explosive demand in newly legalized CBD markets worldwide, we'll have broader management experience, and we already share a vision of excellence backed by research and science."

The two companies have a history of strategic joint ventures. As previously announced on October 30, 2018, Vitality and LiveWell signed a binding term sheet on October 27, 2018, for [a major CBD supply and marketing deal with Global Wellness Distributors LLC., a company controlled by a U.S. private equity firm \("**CBD Transaction**"\)](#). The CBD Transaction, anticipated to be finalized by December 31, 2018, is for 1,000 kg/month commencing in January 2019, increasing to 3,000 kg/month in April 2019.

SUMMARY OF NEW MERGER CO

- 20,000 acres of CBD hemp harvested in 2018.
- Two extraction facilities with capacity to produce an estimated 100 kg/day of CBD isolate starting in December 2018, increasing to 3,000 kg/day by the second half of 2019.
- Footprint in Canada and the United States.
- Personalized diagnostics and patented therapeutics R&D capabilities.
- 36,000-square-foot nutraceuticals development and manufacturing facility, including 20 pharmaceutical-grade clean rooms. Located close to Canada/U.S. border near Windsor, Ontario, the facility is certified by Health Canada, is FDA registered and has NSF certifications for GMP, for Sport, and is USDA-Certified Organic.
- Team of researchers and scientists specializing in CBD and other cannabinoids. Have completed a seven-month study and major market report on CBD, as well as a white paper on [CBD from Industrial Hemp](#).
- 540,000-square-foot greenhouse facility on 100 acres of land with 61,000 square feet completed for cannabis production (20,000 sq. ft. grow space and 41,000 sq. ft. support space).
- LiveWell's current market capitalization is floating at approximately \$110-\$120 million, which will represent 15% of the Merger Co.

As noted below under "Financial Terms of the Transaction", this Transaction will result in a reverse takeover of LiveWell by Vitality. Accordingly, this constitutes a fundamental change under CSE Policy 8 and therefore the Transaction and successful listing of the new Merger Co will be subject to CSE approval (see below "Transaction Conditions").

About Vitality CBD Natural Health Products Inc.

Vitality is a privately-owned Canadian company and one of North America's largest cultivators and producers of bulk CBD isolates from hemp. Vitality's hemp cultivation, processing and sale activities are fully certified and compliant under U.S. state and federal laws, as per the Montana Farm Act. It also has cultivation operations in Alberta. In 2018, Vitality planted and harvested 20,000 acres of industrial hemp, purposely planted for CBD production (19,000 in Montana across 33 farms and 1,000 acres at one farm in Alberta).

Vitality is currently producing CBD isolate in its facility at Eureka, Montana, with existing capacity to reach 100 kg/day of CBD isolate in December 2018. Vitality also acquired additional production capacity in Las Cruces, New Mexico, where it plans to retrofit the existing production/extraction equipment. By the second half of 2019, Vitality's total production capacity of CBD products, at both plants, is anticipated to reach more than 3,000 kg/ day. Vitality management anticipates a capital investment of up to US\$10 million for the New Mexico location, to be funded by future capital raise. The products offered include CBD isolate, CBD distillate and CBD full-spectrum soft gels.

About LiveWell Canada Inc.

LiveWell is an innovative Canadian hemp and cannabis company focused on advanced research on CBD and other cannabinoids, as well as developing, marketing and distributing consumer health and wellness products. The company is a late-stage cannabis cultivation applicant with two locations: Ottawa, Ontario, and Litchfield, Quebec. A Research and Innovation Centre is also planned for the site in Litchfield to further LiveWell's discovery in CBD and other cannabinoids.

LiveWell's team of researchers and scientists recently completed a seven-month study and major market report on CBD, has published a white paper on CBD from Industrial Hemp, is working on CBD product formulations and partnering with other research entities. LiveWell has leadership experience from the pharmaceutical, engineering, consumer marketing, food and grocery industries, and the ability to leverage commercial and strategic expertise in global markets.

In October 2018, LiveWell announced it was acquiring Acentzia Inc., a Windsor, Ont.-based developer and manufacturer of nutraceutical products for the health and wellness market. Acentzia specializes in patented therapeutics specific to particular medical conditions and personalized diagnostics. It also offers a manufacturing facility that is certified by Health Canada, is FDA registered and has NSF certifications for GMP, for Sport, and is USDA-Certified Organic. The acquisition is expected to close by the end of 2018.

FINANCIAL TERMS OF THE TRANSACTION

At the closing of the Transaction, LiveWell will issue sufficient number of common shares to shareholders of Vitality in order for Vitality shareholders to own 85% of the total fully diluted outstanding and issued common shares of LiveWell. Furthermore, Vitality shareholders are entitled to receive an additional 5% of the total fully diluted outstanding and issued common shares of LiveWell if Vitality achieves the performance milestone, as defined in the binding letter of agreement, by June 30, 2019. The Transaction will constitute a reverse takeover of LiveWell (see below for appointment of Directors and Officers). Because the Merger Co intends to list on one of the major stock exchanges in the United States shortly after the closing of the Transaction, the parties may consider a share consolidation at the closing of the Transaction, which will be determined at the time of the definitive agreement.

The following includes pertinent, relevant unaudited financial information of Vitality at October 31, 2018, as prepared by Vitality management:

- Current assets were approximately US\$400 million, virtually all related to the estimated carrying value of inventory (harvested hemp biomass) on 20,000 acres based on observable market transactions excluding volume discount.
- Total liabilities were approximately US\$30 million, including US\$0.7 million customer deposits.

For the ten months ended October 31, 2018, Vitality had not generated significant revenue (approximately US\$1 million) due to its start-up phase and new extraction facility that becomes fully operational in December 2018. Its operating expenses for the

same period were approximately US\$2 million.

Audited consolidated financial statements of Vitality for the period from August 1, 2017, to September 30, 2018, will be provided to LiveWell shareholders to approve the Transaction (see below Transaction Conditions).

DIRECTORS AND KEY EXECUTIVES

When the Transaction closes, the following directors and key executive officers will be appointed to lead the Merger Co:

Mike Mueller, Chairman of the Board

Mr. Mueller was President and CEO of MDS Capital Corp. from 2003 to 2005. Prior to that, he held a number of senior positions at TD Bank Financial Group, including Senior VP and Country Head of its USA Division, and Vice Chairman and Head of Global Investment Banking. Mr. Mueller has served on a number of corporate and non-profit boards, including as Chairman of PSP Investments. He is currently Chairman of Revera Inc., a privately held company in the seniors living space, with more than 50,000 residents worldwide.

Bill MacKinnon, Audit Committee Chairman

Mr. MacKinnon is a Chartered Professional Accountant. He was the CEO of KPMG from April 1999, until his retirement in December 2008. Post-retirement he has served on a number of corporate and non-for-profit boards, including Telus Corporation and The Public Sector Investment Board. He presently serves on the Audit Committee of both these organizations.

Owen Kenney, Director

The CEO of VitalPure Nutraceutical and co-founder of Vitality, Mr. Kenney has more than 20 years of experience in residential, agricultural, commercial and civil construction and operations, overseeing negotiations with municipalities, landowners, engineers, lawyers and other professionals.

Kent Hoggan, Director

Mr. Hoggan has more than four decades of experience in the United States as a real estate developer specializing in infrastructure and other projects involving zoning, government entitlements and clearance.

David Rendimonti, Director and Chief Executive Officer

Mr. Rendimonti has a 30-year track record in building and leading top brands in the life sciences sector through senior roles at some of the world's most prominent healthcare organizations, such as Johnson & Johnson and Wyeth Pharmaceuticals (a Pfizer company).

Robert Leaker, President and Chief Operating Officer

Mr. Leaker has more than two decades of leadership experience and a track record of creating and commercializing new business ventures, leveraging his unique background in science, engineering and business finance.

Steven Archambault, Chief Financial Officer and Chief Administrative Officer

Mr. Archambault is an accomplished finance executive with more than 20 years of experience with private and public companies, including companies listed on the NYSE and TSE senior exchanges.

The Board will also appoint two additional independent directors from the life sciences sector during the first half of 2019.

INDEPENDENT COMMITTEE AND ADVISORS

In light of the conflict of interests from certain executives and directors due to equity ownership in both LiveWell and Vitality, the Chairman of LiveWell also serving as a director of Vitality, and LiveWell's Chief Innovation and Science Officer also serving as the President and CEO of Vitality, the Board of Directors of LiveWell created an Independent Committee to review and preliminary approve the binding letter of agreement. The Independent Committee retained the services of Haywood Securities Inc. to obtain a fairness opinion on the Transaction and retained Lawson Lundell as legal advisors.

Given the conflict of interests described above, the Board of Directors of Vitality also created an Independent Committee to review and approve the binding letter of agreement. Vitality and the Independent Committee utilized Durham Jones & Pinegar, P.C. and the Law Office of David W. Steffensen, P.C. as U.S. legal advisors and will also retain a Canadian legal advisor.

TRANSACTION CONDITIONS

The Transaction is subject to the following key deliverables: execution of definitive agreement, following satisfactory due diligence by both LiveWell and Vitality; completion of the audited consolidated financial statements for Vitality; completion of the fairness opinion by Haywood Securities Inc.; final approval by LiveWell's Independent Committee; completion and consummation of the acquisition of Acentia Inc. by LiveWell; completion and consummation of the acquisition of all of the assets (free and clear of all liens and encumbrances) of Vitalpure LLC by Vitality; approval by LiveWell's shareholders at a Special Meeting to be scheduled; receipt of regulatory approval; and other customary closing conditions.

The Transaction is expected to close by March 31, 2019.

Cautionary Note Regarding Forward-Looking Statements

This release includes forward-looking statements about LiveWell and its business. Often, but not always, forward-looking statements can be identified by the use of words such as "plan", "continue", "expect", "schedule", "project", "intend", "believe", "anticipate", "estimate", "may", "will", "potential", "proposed" and other similar words, or statements (including negative

variations) that certain events or conditions "may" or "will" occur.

These forward-looking statements include, but are not limited to, statements regarding benefits and timing of the proposed Transaction, the completion of the CBD Transaction, the completion of LiveWell's acquisition of Acentzia Inc., the completion of Vitality's acquisition of Vitalpure LLC, the hemp production capacities of Vitality, the estimated value of Vitality's assets and liabilities, and the market demand and growth with respect to CBD and other cannabinoid products. There are a number of risks and uncertainties associated that could cause actual results to differ materially from the forward-looking statements included in this communication. For example, the expected timing and likelihood of completion of the pending Transaction, including the due diligence and the timing, receipt and terms and conditions of any required governmental and regulatory approvals of the pending Transaction that could reduce anticipated benefits or cause the parties to abandon the transaction, the ability to successfully integrate the businesses, the occurrence of any event, change or other circumstances that could give rise to the termination of the Transaction agreement, the possibility that LiveWell shareholders may not approve the Transaction, the risk that the parties may not be able to satisfy the conditions to the proposed transaction in a timely manner or at all, risks related to disruption of management time from ongoing business operations due to the proposed Transaction, and the risk that any announcements relating to the proposed Transaction could have adverse effects on the market price of LiveWell's common stock. All such factors are difficult to predict and are beyond our control.

Furthermore, the forward-looking events and circumstances discussed in this release may not occur by certain specified dates or at all and could differ materially as a result of unknown and known risk factors and uncertainties affecting LiveWell and Vitality. Accordingly, LiveWell cautions that this foregoing list of material factors is not exhaustive, and readers are encouraged to read all Risk Factors disclosed in the Company's Management Discussion & Analysis dated October 26, 2018.

The forward-looking information contained in this press release represents expectations of LiveWell as of the date of this press release and accordingly, is subject to change after such date. Readers should not place undue importance on forward-looking information and should not rely upon this information as of any other date. While LiveWell may elect to, it does not undertake to update this information at any particular time except as required in accordance with applicable securities laws.

Neither the Canadian Securities Exchange nor its Regulation Services Provider accepts responsibility for the adequacy or accuracy of this release.

For more information, visit livewellcorp.com



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