



RMMI CORP. ANNOUNCES STRATEGIC SHIFT INTO HEMP PROCESSING AND CBD EXTRACTION

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Calgary, Alberta, June 2, 2020 – RMMI Corp. (“**RMMI**” or the “**Company**”) (**CSE: RMMI**), a licensed producer and processor under the *Cannabis Act* (Canada), is pleased to announce that it is undertaking a strategic shift in its business model away from cannabis cultivation to focus on processing and extraction of hemp biomass into CBD concentrates (the “**Strategic Shift**”). As part of the implementation of the Strategic Shift, RMMI has formed a strategic relationship with Clearwater CannGrow Ltd. (“**Clearwater**”), a leading supplier of high-CBD industrial hemp and CBD concentrates to Canada’s largest licensed producers with over 984 acres of licensed hemp cultivation lands in Alberta and British Columbia (the “**Strategic Relationship**”). In order to fund the Strategic Shift, the Company is also announcing a \$2,000,000 non-brokered private placement of common shares at a price of \$0.225 per common share (the “**Offering**”) for gross proceeds of \$2,000,000, with a 25% overallotment option at the discretion of the Company.

The basis of the Strategic Relationship is outlined in a signed letter of intent with Clearwater dated May 31, 2020 (the “**Agreement**”) with respect to: (1) the purchase of 136,077 kg (300,000 pounds) of high-CBD hemp biomass under favourable terms to RMMI (the “**Hemp Purchase**”); and (2) the potential acquisition of 100% of the issued and outstanding common shares of Clearwater (the “**Clearwater Acquisition**”).

Strategic Shift and Strategic Relationship Highlights:

- RMMI is focused on becoming the lowest cost producer of CBD concentrates for a rapidly expanding global market that is demonstrating an increasing demand for extracts.
- Shifting business model away from the capital-intensive business of cultivation in a market that is experiencing deteriorating economics for cannabis flower.
- Ability to leverage RMMI’s existing Health Canada licensed facility into large-scale extraction and processing in about 60 days with construction costs of approximately \$250,000.
- Leading hemp cultivation and sales partner Clearwater is contributing 135,077 kg of high-CBD biomass on favourable terms to RMMI which is expected to yield between 6,000 - 10,000 kg of CBD isolate.
- An alignment of interest as Clearwater is taking 48% of its consideration for the Hemp Purchase in common shares of RMMI and Joey Bedard-Brunet, Clearwater’s founder and CEO will become COO and Director of RMMI to assist in implementing the Strategic Shift of hemp biomass extraction to CBD concentrates.
- With a Clearwater Acquisition, RMMI intends to create a vertically integrated producer of hemp-derived CBD concentrates with attractive economics and a customer portfolio that includes Canada’s largest licensed producers.

"I am excited to join forces with RMMI to build a low cost, highly efficient, hemp processing and CBD extraction business focused on serving a premier set of customers in Canada and abroad. Earl Connors and his team at RMMI have built an outstanding licenced facility and it is a perfect fit with the Clearwater and RMMI business model moving forward." stated Mr. Bedard-Brunet, President of Clearwater.

"Our team built a fully functional facility for cultivation and processing and we realized that it made strategic sense to transform the focus of the Company in response to a rapidly changing cannabis industry and evolving markets. Our decision to take the time to find the right entity and the right person to lead RMMI into our new business direction was rewarded with the discovery of Clearwater and Joey Bedard-Brunet" said Earl Connors, outgoing President and CEO of the Company.

The Clearwater Transaction

To commence its processing and extraction operations, RMMI has entered into the Agreement to purchase 136,077 kg (300,000 pounds) of industrial hemp biomass with an average of 10% CBD from Clearwater. The Hemp Purchase of \$4,800,000 will be funded through the issuance of 10,222,222 common shares of RMMI (the "**Common Shares**") at a price of \$0.225 per share plus a deferred payment of \$2,500,000 in cash. The \$2,500,000 deferred payment shall be paid out of a portion of revenue from the sale of the processed hemp biomass. The Hemp Purchase is subject to a definitive hemp purchase agreement and RMMI expects to close the Hemp Purchase on or before June 12, 2020.

In addition to the Hemp Purchase, RMMI effectively has an option to acquire Clearwater on or before September 30, 2020 (the "**Clearwater Purchase Option**"). Clearwater is expected to have approximately 453,592 kg (1,000,000 pounds) of industrial hemp with an average 10% CBD by October 31, 2020. The purchase price for Clearwater (the "**Clearwater Purchase Price**") under the Clearwater Purchase Option is expected to be approximately \$15,000,000, subject to certain adjustments. The Clearwater Purchase Price shall be satisfied through the issuance of Common Shares priced within the context of the market at the closing of the Clearwater Purchase Option with a value of \$5,000,000 plus a \$10,000,000 deferred payment. The \$10,000,000 deferred payment shall be paid with a portion of the revenue from the sale of the hemp or the processed hemp biomass. Any potential acquisition of Clearwater is subject to a number of conditions including completion of due diligence, the harvesting of the 2020 hemp crop and standard corporate and regulatory approvals.

Clearwater is located in British Columbia and is one Canada's leading providers of hemp with high levels of CBD and hemp-derived CBD concentrates. It currently operates 984 acres of hemp cultivation lands licensed by Health Canada that is expected to yield approximately one million kg of high-CBD concentrates for the 2020 crop cycle. Its current clients for hemp biomass and CBD concentrates include Canada's largest licensed producers which it has been servicing for several years.

Processing Operations

RMMI and Mr. Bedard-Brunet have identified significant opportunities in processing cannabis material, starting initially with processing hemp biomass into CBD products. RMMI is expected to purchase a high-capacity ethanol extraction machine for approximately \$400,000 within the next few weeks with annual capacity of approximately 500,000 kilograms of biomass. The initial 136,077 kg Hemp Purchase is expected to produce approximately 6,000 kg - 10,000 kg of high-quality CBD isolate. Initially, RMMI will focus on processing its own hemp biomass and will consider third-party processing in the future, which could generate additional revenue streams.

The Newell facility includes additional rooms that are near completion. As cash flow and other financing becomes available, RMMI will complete the additional rooms to allow for expansion of activities including additional processing and manufacturing of hemp and cannabis consumer products.

Private Placement

RMMI intends to complete the Offering of 8,888,889 Common Shares at \$0.225 per share for gross proceeds of \$2,000,000 with a 25% over-allotment option at the discretion of the Company. The proceeds of the Offering will be used to fund the completion of the licenced area of RMMI's Newell facility, the potential purchase of large-scale ethanol extraction equipment and working capital. RMMI may pay finder's fees to eligible finders under the Offering.

The Common Shares will be offered and sold in Canadian jurisdictions to "accredited investors" pursuant to the exemption from the prospectus requirement under Section 2.3 of National Instrument 45-106 – *Prospectus Exemptions*. The Company is also making the Offering available to its existing shareholders or subscribers who receive suitability advice from a registered investment dealer pursuant to various prospectus exemptions in all jurisdictions in Canada. The exemption available to existing shareholders (the "**Existing Shareholder Exemption**") is available in Alberta (ASC Rule 45-516), British Columbia (BC Instrument 45-534), Ontario (Section 2.9 of OSC Rule 45-501) and Saskatchewan (General Order 45-926). The exemption available by virtue of receipt of suitability advice from a registered investment dealer (the "**Suitability Exemption**") is only available in Alberta (ASC Rule 45-516), British Columbia (BC Instrument 45-536), Saskatchewan (General Order 45-930), Manitoba (Blanket Order 45-503) and New Brunswick (Blanket Order 45-508).

With regard to the Existing Shareholder Exemption, the record date for subscribers who qualify is May 31, 2020 and subscriptions will be accepted by the Company on a "first-come-first-served" basis.

With respect to the Existing Shareholder Exemption and the Suitability Exemption, the Company states that: (i) there is no material fact or material change related to the Company which has not been generally disclosed; (ii) there is no minimum offering amount and the maximum offering is 8,888,889 Common Shares, subject to the over-allotment option; and (iii) the estimated distribution of gross proceeds under the Offering would be \$250,000 for completion of the licenced area of RMMI's Newell facility, \$700,000 for purchase of extraction equipment, \$950,000 for general corporate purposes and working capital and \$100,000 for transactional costs associated with the Offering including finder's fees.

Any securities issued under the Offering will be subject to the standard securities legislative hold period of four months plus one day from their issuance date.

Management and Board Changes

Mr. Earl Connors, founding CEO of the Company, has resigned as President, Chief Executive Officer and Director of the Company to facilitate the transition to new leadership, but has agreed to stay on as an advisor to the Company.

"We wish to thank Mr. Connors for his contributions to the Company since its founding in late 2016. Mr. Connors provided the leadership and vision in an ever-evolving regulatory environment to successfully guide RMMI to a Health Canada cultivation, processing and medical sales licence for RMMI's wholly-owned subsidiary, Rocky Mountain Marijuana Inc. He led the purchase of the Newell property and its renovations into a pharmaceutical-quality indoor cannabis facility as well as the Company's initial public offering in September 2018. Mr. Connors has graciously agreed to assist in the business transition as an advisor to the Company. We wish him all the best in his future endeavours." said Eugene Chen on behalf of the board of directors of the Company.

Mr. Peter Cheung, RMMI's Chief Financial Officer since November 2017, has been appointed interim-Chief Executive Officer.

At the completion of the Hemp Purchase, Mr. Bedard-Brunet will be appointed Chief Operating Officer, Mr. Bedard-Brunet shall be responsible to manage the final renovations of the licenced areas of Newell facility, the purchase and installation of the hemp and cannabis processing equipment, the ongoing processing operations and the sale of processed CBD to customers from Clearwater's existing and new relationships.

Concurrently with the completion of the Hemp Purchase and the Offering, the Company has agreed to grant up to 1,250,000 RMMI stock options to officers and directors of the Company at an exercise price of \$0.26 and issue up to 1,000,000 restricted share units.

RMMI will continue to maintain a small work-force and low-cost structure until increased activity and staffing levels are justified by meaningful third-party cannabis revenues. This is expected to maintain a low level of cash burn until RMMI has better visibility of revenues from the CBD concentrates.

At the closing of the Hemp Purchase, Mr. Bedard-Brunet shall be appointed to RMMI's Board of Directors, The Agreement allows for Clearwater the right to nominate up to two directors of the Company.

Closing Date of the Hemp Purchase

The Hemp Purchase is expected to close on or before June 12, 2020. The initial closing of the Offering is expected to be completed on or before June 12, 2020.

Secured Notes

The lenders of RMMI's \$1,000,000 secured notes have agreed to extend the maturity date of the notes to June 30, 2020. RMMI will immediately initiate discussions with the lenders to further extend or restructure the terms of the secured notes in light of the Strategic Shift.

Other terms and updates

Novus Merchant Partners is acting as financial advisor to RMMI on the Hemp Purchase.

In addition, the Company has agreed to issue Luminous Capital Inc. a finder's fee equal to 200,000 Common Shares upon completion of the Hemp Purchase.

The expiry date of 1,874,000 warrants with an exercise price of \$1.25, issued in late 2017 and early 2018 has been extended to June 30, 2021 from June 30, 2020. The exercise price of \$1.25 per warrant and all other terms of the warrants will remain unchanged for the extended exercise period. No action is required by warrant holders as a result of the extension of the warrant expiry date. A warrant holder who wishes to exercise warrants will be required to submit a warrant exercise form to the Company.

About RMMI Corp.

RMMI is an Alberta based company whose wholly owned subsidiary, Rocky Mountain Marijuana Inc., is licensed under the *Cannabis Act* (Canada) to cultivate, produce and sell marijuana in various forms.

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All information in this Press Release relating to Clearwater CannGrow Ltd. is the sole responsibility of Clearwater. Management of RMMI has not independently reviewed this disclosure nor has RMMI management hired any third-party consultants or contractors to verify such information.

Certain information set forth in this news release contains forward-looking statements or information ("**forward-looking statements**"), including details about the Hemp Purchase and the Clearwater Purchase Option. By their nature, forward-looking statements are subject to numerous risks and uncertainties, some of which are beyond the Company's control, including the impact of general economic conditions, industry conditions, volatility of commodity prices, currency fluctuations, environmental risks, operational risks, competition from other industry participants, stock market volatility, the risks that the parties will not proceed with the Hemp Purchase and the Clearwater Purchase Option, that the ultimate terms of the Hemp Purchase and the Clearwater Purchase Option will differ from those that currently are contemplated and the ability to access sufficient capital from internal and external sources. Although the Company believes that the expectations in its forward-looking statements are reasonable, its forward-looking statements have been based on factors and assumptions concerning future events which may prove to be inaccurate. Those factors and assumptions are based upon currently available information. Such statements are subject to known and unknown risks, uncertainties and other factors that could influence actual results or events and cause actual results or events to differ materially from those stated, anticipated or implied in the forward-looking statements. Accordingly, readers are cautioned not to place undue reliance on the forward-looking statements, as no assurance can be provided as to future results, levels of activity or achievements. Risks, uncertainties, material assumptions and other factors that could affect actual results are discussed in our public disclosure documents available at www.sedar.com. Furthermore, the forward-looking statements contained in this document are made as of the date of this document and, except as required by applicable law, the Company does not undertake any obligation to publicly update or to revise any of the included forward-looking statements, whether as a result of new information, future events or otherwise. The forward-looking statements contained in this document are expressly qualified by this cautionary statement.

Completion of the Hemp Purchase and the Clearwater Acquisition is subject to a number of conditions, including but not limited to, CSE acceptance.

There can be no assurance that the Hemp Purchase and Clearwater Purchase Option will be completed as proposed or at all.

Trading in the securities of RMMI should be considered highly speculative.