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**ASX RELEASE**

**27 June 2020**

# Update on MMJ's investment in Harvest One

**MMJ Group Holdings Limited (ASX:MMJ) ("MMJ")**, an Australian-listed company that specialises in managing a portfolio of investments along the cannabis value-chain, in Australia, Canada, and Europe.

**MMJ's investment in Harvest One – Strategic Update**

On 26 June 2020, Harvest One Cannabis Inc. ("HVT" or "Harvest One" or the "Company") (TSX-V: HVT; OTCQX: HRVOF) has announced a number of key initiatives:

a) Sale of Duncan Facility and its related operations confirms Harvest One's strategic transition to a cannabis-focused Consumer Packaged Goods ("CPG") company

b) Duncan Facility sale streamlines Harvest One's operating model and significantly improves its cost structure and strengthens balance sheet

c) CAD1.5 million bridge financing secured to fund working capital in advance of the closing of sale of Duncan Facility and its related operations

d) Announcement of HVT financial and operating results for the three and nine months ended March 31, 2020.

A copy of the HVT announcement is attached to this ASX announcement.

HVT has entered into an acquisition agreement (the "Acquisition Agreement") to sell its United Greeneries' licensed cannabis cultivation and processing businesses (the "Transaction") located in Duncan, British Columbia (the "Duncan Facility") to Costa Canna Production Limited Liability Partnership ("Costa LLP") and 626875 B.C. Ltd. for total cash consideration of CAD8.2 million.

Harvest One will retain all assets and intellectual property associated with its Cannabis 2.0 product portfolio including, the Company's LivReliefTM cannabis-infused topicals currently on sale in British Columbia, Alberta, Saskatchewan, Manitoba and Ontario.

"The agreement to sell our Duncan Facility and its related operations represents a strategic step forward for Harvest One, further divesting from its capital intensive cultivation activities and firmly establishing ourselves as a cannabis-focused CPG company," said Andrew Bayfield, Chief Executive Officer of Harvest One. "We will continue to focus on expanding our core brands of LivRelief™, Dream Water™ and Satipharm together with the commercialization of Cannabis 2.0 product offerings in Canada."

In conjunction with the Acquisition Agreement, Harvest One has secured a CAD1.5 million bridge financing facility (the "Bridge Facility") from Costa LLP which will be made available to the Company upon signing the Acquisition Agreement. It is the intention of the parties thereto that the Bridge Facility will mature and be repaid in full upon the closing of the Transaction. In order to facilitate the availability of the Bridge Facility, MMJ has agreed to subordinate its security interest[1] in the Duncan Facility, to Costa LLP. MMJ's CAD2m loan facility will be repaid from the settlement of the Duncan Facility.

HVT also announced its financial and operating results for the three and nine months ended March 31, 2020.

[1] MMJ's facility has a maturity date of June 8 with a deferred repayment date of 17 July 2020.

**MMJ's investment in HVT**

MMJ is the largest shareholder holding approximately 26% of HVT which is one of the largest investments within the MMJ cannabis and hemp portfolio.

MMJ's investment in HVT comprises of:

a) 55,557,994 common shares of HVT (the "Common Shares") with a market value of approximately CAD5 million

b) A CAD2.0 million secured loan bearing interest of 15% per annum with a maturity date of June 8 with a deferred repayment date of 17 July 2020. HVT granted MMJ a security interest in all current and after acquired property of HVT and its subsidiaries, subject to certain permitted liens and the subordination of MMJ's security interest in the assets to be sold to Costa LLP.

c) 17,083,333 Common Share purchase warrants (the "Warrants"). Each Warrant will entitle the holder to purchase one Common Share at a price of CAD0.06 at any time until the earlier of:
   (i) the date of the further extension or renewal of the Loan; and
   (ii) April 3, 2022.

Harvest One is a global cannabis company that develops and provides innovative lifestyle and wellness products to consumers and patients in regulated markets around the world.

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**Investor and Media Enquiries**

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***About MMJ***

*MMJ is a global cannabis investment company (ABN 91 601 236 417). MMJ owns a portfolio of minority investments and aims to invest across the full range of emerging cannabis-related sectors including healthcare, technology, infrastructure, logistics, processing, cultivation, equipment and retail. For MMJ's latest investor presentation and news, please visit: https://www.mmjgh.com.au/investors/*

### *Glossary*

| ABBREVIATION | Definition |
|---|---|
| **AUD** | means Australian dollars. |
| **AASB** | Australian Accounting Standards Board. |
| **ACMPR** | means Access to Cannabis for Medical Purposes Regulations. |
| **ASX** | means ASX Limited (ACN 008 624 691) or the financial market operated by ASX Limited, as the context requires. |
| **ASX Listing Rules** | means the Listing Rules of ASX. |
| **B2B** | Business to business |
| **CAD** | means Canadian dollars. |
| **CBD** | means Cannabidiol (CBD) is a crystalline, nonintoxicating cannabinoid in cannabis and hemp. |
| **CBG** | means Cannabigerol is the non-acidic form of cannabigerolic acid, the parent molecule from which other cannabinoids are synthesized. |
| **Company or MMJ** | means MMJ Group Holdings Limited (ACN 601 236 417). |
| **EBITDA** | means Earnings before Interest, Tax, Depreciation and Amortisation. |
| **GMP** | GMP stands for Good Manufacturing Practices and refers to a system of manufacturing that guarantees reproducibility of product quality to set specifications. |
| **LPs** | Canada's Licensed Producers of Cannabis Products |
| **M** | means million |
| **MMPR** | means Marihuana for Medical Purposes Regulation |
| **MOIC** | means multiple on invested capital |
| **NTA** | means net tangible assets. |
| **Option** | means an option to acquire a Share usually at predetermined price. |
| **Share** | means a fully paid ordinary share in the capital of the Company. |
| **Shareholder** | means a registered holder of a Share. |
| **THC** | means THC is the principal psychoactive constituent of cannabis |
| **TSXV** | Toronto Stock Exchange Venture |
| **Warrant** | means an option to acquire a Share usually at predetermined price. |
| **WST** | means Western Standard Time as observed in Perth, Western Australia. |

# Harvest One Announces Sale of Duncan Facility for $8.2 million, Cannabis 2.0 Licence Agreement, $1.5 Million Bridge Financing and Q3 2020 Financial Results

- **Sale of Duncan Facility and its related operations confirms Harvest One's strategic transition to a cannabis-focused Consumer Packaged Goods ("CPG") company**
- **Duncan Facility sale streamlines Harvest One's operating model and significantly improves its cost structure and strengthens balance sheet**
- **Licence Agreement provides Harvest One with royalty stream for Cannabis 2.0 brands in Canada**
- **$1.5 million bridge financing secured to fund working capital in advance of the closing of sale of Duncan Facility and its related operations**

June 26, 2020 – Vancouver, British Columbia – Harvest One Cannabis Inc. ("**Harvest One**" or the "**Company**") (**TSX-V: HVT; OTCQX: HRVOF**) is pleased to announce, as part of the Company's previously announced Strategic Review, it has entered into a definitive agreement (the "**Acquisition Agreement**") to sell its United Greeneries' licensed cannabis cultivation and processing businesses (the "**Transaction**") located in Duncan, British Columbia (the "**Duncan Facility**") to Costa Canna Production Limited Liability Partnership ("**Costa LLP**") and 626875 B.C. Ltd. (together with Costa LLP, the "**Purchasers**") for total cash consideration of $8.2 million. Upon closing of the Transaction, Harvest One will also effect a licence agreement with the Purchasers, which will provide Costa LLP, through its licensed subsidiary, with the right to use certain licensed intellectual property of Harvest One to produce and distribute Cannabis 2.0 products in Canada in exchange for a royalty to be paid to Harvest One and, in turn, provide Harvest One with distribution for Cannabis 2.0 products in Canada.

"The agreement to sell our Duncan Facility and its related operations represents a strategic step forward for Harvest One, further divesting from its capital intensive cultivation activities and firmly establishing ourselves as a cannabis-focused CPG company," said Andrew Bayfield, Chief Executive Officer of Harvest One. "We will continue to focus on expanding our core brands of LivRelief™, Dream Water™ and Satipharm together with the commercialization of Cannabis 2.0 product offerings in Canada."

Mr. Bayfield continued, "When complete, this Transaction will significantly improve the Company's overall cost structure and will provide liquidity to strengthen our balance sheet. We are continuing to take necessary and decisive measures to streamline our operations, lower our cost structure and reduce our cash burn. I am confident we are on the right path and this Transaction serves to further reinforce the Company's plan to become cash flow positive in fiscal 2021."

## Terms of the Acquisition Agreement

Under the terms of the Acquisition Agreement the Company will sell all of the facilities, licences and assets comprising its United Greeneries' cannabis cultivation and processing businesses in Duncan, British Columbia, for total cash consideration of $8.2 million. The Purchasers will also issue to the Company's subsidiary, two promissory notes representing the value of certain existing cannabis and cannabis-related item inventories, to be calculated at closing. The Transaction is subject to a number of conditions, including the receipt of certain regulatory clearances and consents and the satisfaction or waiver of all conditions of closing under the Acquisition Agreement. The Transaction is anticipated to close on or around July 30, 2020.

Harvest One will retain all intellectual property associated with its Cannabis 2.0 product portfolio including, the Company's LivRelief™ cannabis-infused topicals currently on sale in British Columbia, Alberta, Saskatchewan, Manitoba and Ontario.

## Licence Agreement

Upon closing of the Transaction, Harvest One, through its wholly-owned subsidiaries, Dream Products Inc., Delivra Corp. and United Greeneries Holdings Ltd. (the "**Subsidiaries**"), will effect a licence agreement (the "**Licence Agreement**") with United Greeneries Ltd. ("**United Greeneries**") and Costa LLP. Under the terms of the Licence Agreement, United Greeneries, which will be owned by Costa LLP upon closing of the Transaction, will license and use certain intellectual property (the "**Licence**") owned by Harvest One, to produce and distribute various cannabis products including, cannabis topicals (notably Delivra's cannabis-infused LivRelief™ topical creams currently available in five provinces across Canada), cannabis extracts (including, but not limited to, cannabis vaping products), and cannabis edibles. In consideration of the Licence, the Purchasers will pay Harvest One a royalty in an amount equal to 95% of the revenue generated in relation to the Licence, less certain marked-up costs and expenses incurred by the Purchasers.

### *Increased Focus on Consumer Brands*

With the sale of the Duncan Facility and its related operations, the Company can enhance its focus on its leading CPG brands LivRelief™, Dream Water™ and Satipharm while leveraging its core capabilities of product development and distribution. Harvest One will continue to accelerate the commercialization of both infused and non-infused over-the-counter consumer products while leveraging its established distribution channels in North America and Europe and seeking additional partnerships to leverage the value of its portfolio of brands.

### *Improved Balance Sheet and Liquidity*

The sale of the Duncan Facility and operations will provide an immediate infusion of capital which will contribute to a reduction in outstanding debt load as well as result in further reductions in overhead expenses. Combined with recent improvements to the overall cost structure, this will contribute to improved cash flow capabilities for the Company.

### *Asset-Light Operating Model*

Through the Company's new asset-light operating model, the Company will concentrate on its core capabilities while outsourcing a significant portion of its operations, including the sourcing of raw materials and contract manufacturing. The repositioned Company will be a leaner, more efficient organization focused on the higher-margin segments of the cannabis value chain.

## Bridge Financing Facility

In conjunction with the Acquisition Agreement, Harvest One has secured a $1.5 million bridge financing facility (the "**Bridge Facility**") from Costa LLP which will be made available to the Company upon signing the Acquisition Agreement. It is the intention of the parties that the Bridge Facility will mature and be repaid in full upon the closing of the Transaction. The Bridge Facility is secured by general security agreements over the Company's, and its United Greeneries subsidiaries', assets (the "**Assets**"), as well as guarantees provided by the United Greeneries subsidiaries. In order to facilitate the availability of the Bridge Facility, MMJ Group Holdings Limited has agreed to subordinate its security interest in certain of the Assets, to Costa LLP. The Bridge Facility carries a commitment fee of $25,000 and, if not repaid in full upon closing of the Transaction, shall bear interest at a rate of 10% per annum.

## Third Quarter Financial Results

The Company today also announced its financial and operating results for the three and nine months ended March 31, 2020.

## Third Quarter Financial Highlights

- Net revenue of $3.3 million for the three months ended March 31, 2020, representing an 88% increase over the previous quarter, and a 10% increase over the same period in 2019;
- Adjusted earnings (loss) before interest, taxes, depreciation and amortization ("**Adjusted EBITDA**")(1) of ($2.4) million compared to ($5.0) million in the previous quarter representing a 51% improvement, and a 26% improvement over the same period in 2019;
- Reduction of cash operating expenses by $1.1 million or 22% from the previous quarter as a result of cost savings initiatives implemented; and
- Net loss of $35.4 million, which includes the impact of $27.5 million in non-cash goodwill impairment charges and $1.5 million in non-cash inventory write-downs.

HARVEST ONE

## Summary of Key Financial Results

| Select Financial Information<br>($000's, except share and per share amounts) | Three months ended March 31<br>2020<br>$ | <br>2019<br>$ | Nine months ended March 31<br>2020<br>$ | <br>2019<br>$(1) |
|---|---|---|---|---|
| Net revenue | **3,328** | 3,023 | **9,160** | 8,444 |
| Gross (loss) profit | **(1,030)** | 207 | **301** | 1,912 |
| Expenses | **5,671** | 5,308 | **18,275** | 15,711 |
| Loss from operations | **(6,701)** | (5,101) | **(17,974)** | (13,799) |
| Net loss | **(35,410)** | (5,131) | **(56,995)** | (14,258) |
| Net loss per share – basic and diluted | **(0.16)** | (0.03) | **(0.26)** | (0.08) |
| Weighted average number of common shares | **214,753,073** | 182,215,534 | **214,497,526** | 177,789,938 |
| Adjusted EBITDA(1) | **(2,441)** | (1,591) | **(10,854)** | (8,866) |

## Financial Commentary

Net revenue showed sequential growth of 88% quarter-over-quarter mainly due to a $1.6 million increase in our cultivation division from higher recreational cannabis and bulk cannabis sales, and fewer sales discounts and return provisions following a weak second quarter due to industry-wide factors. Our consumer division remained steady with a 2% decrease quarter-over-quarter despite the economic impact of COVID-19 in the latter part of the quarter. Net loss was impacted significantly by $27.5 million in non-cash goodwill impairment charges and $1.5 million in non-cash inventory write-downs.

Adjusted EBITDA(1) loss decreased quarter-over-quarter from ($5.0) million to ($2.4) million representing a significant improvement of 51%. This increase was primarily due to increased revenues as described above and ongoing efforts to reduce expenses, including a substantial reduction in headcount, professional and consulting services, rent and travel costs resulting in overall improvements in cash operating expenses.

## Outlook and Strategic Review Update

Management's outlook for sales volumes for both the consumer and medical divisions remain promising for the remainder of fiscal 2020 and into fiscal 2021 despite industry and economic headwinds. Cannabis 2.0 sales will be reflected in our fiscal Q4 2020 results as we continue to see strong demand from both our retail and provincial partners. The Company continues to focus on reducing overhead costs and is expected to report cash cost savings in fiscal Q4 2020 results compared to the same period a year ago.

The previously announced Strategic Review remains ongoing, as the Company continues to evaluate all strategic alternatives and potential sales of additional non-essential assets including the sale of the Company's 50.1% interest in Greenbelt Greenhouse and the Lucky Lake facility. The Company will continue to evaluate all transactions or financing alternatives available to support the growth and expansion of its CPG brands and product lines.

## About Harvest One

Harvest One is a global company that develops and distributes premium health, wellness and self-care products with a market focus on sleep, pain, and anxiety. Harvest One is a uniquely positioned company in the cannabis space with a focus on infused and non-infused consumer packaged goods. Harvest One owns and operates three subsidiaries; Satipharm (medical and nutraceutical); Dream Water Global, and Delivra (consumer); as well as a controlling interest in Greenbelt Greenhouse. For more information, please visit www.harvestone.com.

## Non-IFRS Measures, Reconciliation and Discussion

This press release contains references to "Adjusted EBITDA", which is a non-IFRS financial measure.

Adjusted EBITDA is a measure of the Company's overall financial performance and is used as an alternative to earnings or net income in some circumstances. Adjusted EBITDA is essentially net income (loss) with from operations before interest, taxes, depreciation and amortization and adjusted for share-based compensation, common shares issued for services, the fair value effects of accounting for biological assets and inventories, asset impairment and write-downs and other non-cash items. This measure can be used to analyze and compare profitability among companies and industries, as it eliminates the effects of financing and capital expenditures. It is often used in valuation ratios and can be compared to enterprise value and revenue. This measure does not have any standardized meaning according to IFRS and therefore may not be comparable to similar measures presented by other companies.

There are no comparable IFRS financial measures presented in Harvest One's financial statements. Reconciliations of the supplemental non-IFRS measures will be presented in the Company's management's discussion and analysis for the three and nine months ended March 31, 2020. These non-IFRS financial measures are presented because management has evaluated the financial results both including and excluding the adjusted items and believe that the non-IFRS financial measures presented provide additional perspective and insights when analyzing the core operating performance of the business. The Company believes that these supplemental measures provide information useful to shareholders and investors in understanding our performance and may assist in the evaluation of the Company's business relative to that of its peers.

These non-IFRS financial measures should not be considered superior to, as a substitute for, or as an alternative to, and should be considered in conjunction with, the IFRS financial measures presented in the Company's financial statements. For more information, please see "Adjusted EBITDA" and "Non-GAAP Measures" in the Company's management's discussion and analysis for the three and nine months ended March 31, 2020

**Notes:**

1. This is a non-IFRS reporting measure. For a reconciliation of this to the nearest IFRS measure, see "Adjusted EBITDA" and "Non-GAAP Measures" in the Company's management discussion and analysis for the three and nine months ended March 31, 2020, filed on SEDAR.

**Cautionary Note Regarding Forward-Looking Statements**

*Certain statements contained in this press release constitute forward-looking information. These statements relate to future events or future performance about Harvest One and its business and operations, which include, among other things, statements with respect to the closing of the Transaction, the Strategic Review, its corporate strategy moving forward, any transactions arising from the Strategic Review, certain financial operating metrics and financial results, and future opportunities available for the Company. The use of any of the words "could", "intend", "expect", "believe", "will", "projected", "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 Company's current belief or assumptions as to the outcome and timing of such future events. Actual future results may differ materially. The forward-looking information contained in this press release is made as of the date hereof, and the Company is 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.*

*Neither TSX Venture Exchange nor its Regulation Services Provider (as that term is defined in the policies of the TSX Venture Exchange) accept responsibility for the adequacy or accuracy of this release.*

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