

ASX RELEASE

21 September 2021

MMJ RECEIVES AN OFFER TO ACQUIRE ITS INVESTMENT IN EMBARK HEALTH

Specialist Investment Company, MMJ Group Holdings Limited (ASX: MMJ) ("MMJ"), wishes to advise that Bevcanna Enterprises Inc. (CSE: BEV) ("BEV" or "Bevcanna") has announced an offer (the Offer) to acquire 100% of Embark Health Inc. ("Embark"). MMJ's investment in Embark consists of shares and warrants with a current book value of CAD2.4m.

Subject to a review of the Offer documentation, MMJ expects that its share of the Initial Consideration (refer below) would approximate the current book value of MMJ's investment¹.

In commenting on the transaction, MMJ's Chairman, Mr. Wall said "*This proposed acquisition of Embark Health Inc. is beneficial for MMJ investors. It would allow MMJ to exit its investment at its book value and retain a share in the potential upside of the larger merged Bevcanna business.*"

MMJ was a foundation investor in Embark in July 2018 – the investment now comprises 3.697m common shares (approximately 12% shareholding) in Embark with warrants that provide the option for MMJ to acquire further Embark shares.

In 2018 MMJ was an early investor in Bevcanna and sold its investment following its initial public offering in 2019.

Details of the Offer are included in the attached announcement by Bevcanna to the Canadian Stock Exchange.

Under the terms of the Offer:

- Bevcanna would acquire all of the issued and outstanding shares of Embark (the "Shares") from its shareholders.
- Bevcanna will acquire the Shares in consideration for a purchase price of 46.7million Bevcanna shares², plus potential future earn-outs, which will be subject to the adjustments (the "Purchase Price"). Bevcanna will satisfy the Purchase Price as follows:
 - a) The issuance of 46.7 common shares of Bevcanna to Embark Shareholders at closing (the "Initial Consideration").
 - b) A further amount upon earn-out milestones in respect of Embark's post-acquisition financial performance (the "Earn-Out") being achieved. At this point MMJ is not in a position to provide a reasonable estimate of the value of the Earn-Out.

MMJ has been advised that the issue of the Bevcanna Shares pursuant to the Initial Consideration will be completed following the satisfaction of all conditions in the acquisition agreement and on a date mutually agreeable to the parties. It is expected that the Offer would be completed by the end of 2021.

The Bevcanna Shares received by Embark Shareholders as part of the Initial Consideration, including MMJ, will be subject to voluntary resale restrictions, with 1/12th of the Bevcanna Shares received being released from the resale restriction on the last day of each month following closing of the Offer for a period of one year.

Ends.

¹ Based on Bevcanna share price of CAD34 cents on 21 September 2021

² 100% of Embark Health valued at CAD15.9m based on Bevcanna share price of CAD34 cents on 21 September 2021

About MMJ

MMJ Group Holdings Limited is an Australian-listed specialist investment company which offers the opportunity to invest in a globally diversified portfolio holding investments in private (typically pre-IPO) and public companies in high growth industries. MMJ's current investments are largely minority holdings in Australian and offshore cannabis-related businesses with investments being added in other high growth industries such as but not limited to natural resources, healthcare and the digital economy.

Investor and Media Enquiries

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Important Notice

This announcement contains reference to certain intentions, expectations, future plans, strategy and prospects of MMJ. Those intentions, expectations, future plans, strategy and prospects may or may not be achieved. They are based on certain assumptions, which may not be met or on which views may differ and may be affected by known and unknown risks. The performance and operations of MMJ may be influenced by a number of factors, many of which are outside the control of MMJ. No representation or warranty, express or implied, is made by MMJ, or any of its directors, officers, employees, advisers or agents that any intentions, expectations or plans will be achieved either totally or partially or that any particular rate of return will be achieved. Given the risks and uncertainties that may cause MMJ's actual future results, performance or achievements to be materially different from those expected, planned or intended, recipients should not place undue reliance on these intentions, expectations, future plans, strategy and prospects. MMJ does not warrant or represent that the actual results, performance or achievements will be as expected, planned or intended. Nothing in this material should be construed as either an offer to sell or a solicitation of an offer to buy or sell securities. It does not include all available information and should not be used in isolation as a basis to invest in MMJ. This document does not constitute any part of any offer to sell, or the solicitation of an offer to buy, any securities in the United States or to, or for the account or benefit of any "US person" as defined in Regulation S under the US Securities Act of 1993 ("Securities Act"). MMJ's shares have not been, and will not be, registered under the Securities Act or the securities laws of any state or other jurisdiction of the United States, and may not be offered or sold in the United States or to any US person without being so registered or pursuant to an exemption from registration including an exemption for qualified institutional buyers.

BevCanna Announces Definitive Agreement to Acquire Embark Health Inc.

VANCOUVER, British Columbia -- (Business Wire) --

Emerging leader in innovative health and wellness beverages and products, [BevCanna Enterprises Inc. \(CSE:BEV,Q:BVNNF,FSE:7BC\)](#) (“BevCanna” or the “Company”) announces today that it has entered into a definitive agreement dated September 19, 2021 (the “Agreement”) to acquire [Embark Health Inc.](#) (“Embark”).

Embark has extensive manufacturing and intellectual property (“IP”) assets related to high-end solventless cannabis extracts, such as bubble hash, traditional pressed hash, rosin, dry sift and its innovative and best-selling Hazel Hash Stick. Embark is also equipped to produce a range of cannabis concentrates, liquid and powder beverage mixes, topicals and edible products. With four adult-use brands, across all three cannabis 2.0 product categories, in the Canadian marketplace that feature the solventless and enhanced delivery, Embark boasts a complete adult-use product offering that includes beverages, topicals, solventless extracts and hash. Embark is also the majority owner of ProteinQuest, which applies Embark’s innovative and proprietary technology to the protein-enhanced and functional food industries with initial commercial products utilizing hemp seed, positioning it for further growth in the health and wellness industry.

“The acquisition of Embark significantly accelerates BevCanna’s evolution into a diversified health and wellness company,” said John Campbell, CFO of BevCanna. “Our unique and diverse portfolio will now include an even broader range of adult-use and wellness channels and innovative product categories. The acquisition will unlock significant value for both organizations and brings together two exceptionally experienced teams, forming one of the most diverse and innovative health and wellness companies in the industry.”

Deal Highlights:

- The acquisition is accretive for BevCanna, and the combined entity will have over \$100M in assets on the balance sheet.
- Adds a unique range of valuable brands, across all three cannabis 2.0 categories, that enables BevCanna to sell differentiated and complementary adult-use and wellness products.
- Adds a state-of-the-art production facility in Delta, BC, with ~\$17M¹ in tangible & intangible assets including direct ownership of \$11M¹ in equipment.
- Deemed price represents a 33% premium to the volume weighted average trading price of the BevCanna Shares on the CSE for the five trading days preceding the date of this announcement.
- Gross revenue totaled \$790,000 and approximately 65% gross margin for the last three months of commercial production.
- Bolsters beverage portfolio with the addition of proprietary nanotechnology and rapid onset delivery technology for beverage, topical and edible products, allowing BevCanna to vertically integrate its supply for select in-house and white-label clients.
- Adds innovative solventless extraction technology that enables BevCanna to offer hash, bubble hash, live rosin and other highly sought-after adult-use cannabis products.
- Adds world class management and operations team members who are pioneers in cannabis, extraction, and drug delivery technology, including:

- *Bruce Dawson-Scully, Founder and Chief Executive Officer of WeedMD ([TSXV:ENTG](#))*
- *Marcus “Bubbleman” Richardson, best known for being the founding pioneer of bubble hash*
- *Michael West, global extraction expert who has developed, designed, and built over a dozen world class extraction facilities for companies such as Cresco Labs ([CSE:CL](#))*
- *Curtis Leifso, expert in enhanced bioavailability drug delivery technology*
- Diversifies the business between cannabis and wellness with an emphasis on cutting-edge technology and high growth product categories.
- Enables cross-utilization of existing licenses, including Health Canada issued adult-use sales license that gives BevCanna the ability to sell its products directly to provincial distribution boards across Canada. Its Health Canada-issued medical sales license allows for expanded distribution of direct-to-customer. A research and development sensory license also enables rapid product development with its existing and future white-label industry partners.
- Exposure to the protein-enhanced and functional food industry with majority ownership of ProteinQuest, which specializes in producing a wide range of proprietary hemp seed derived protein powders, cooking oils, and beverages.

Embark Facilities:

The acquisition of Embark also includes two world-class production facilities that together bring over \$17M¹ in tangible and intangible assets, including \$11M¹ in state-of-the-art equipment and nanotechnology IP.

1. **Embark Delta** is a 40,000 sq. ft. facility, purpose-built to GMP standard. Embark Delta is federally licensed and is actively producing concentrates, beverage mixes and topicals. It produces solventless concentrates for B2B contract manufacturing supply agreements and white-label services, as well as Embark-branded products for sale to provincial boards for adult-use recreational markets and medical markets. Embark Delta is centrally located in lower mainland British Columbia and provides turn-key and scalable growth capacity through reduced outsourced cannabis secured/licensed storage, shipping fees, manufacturing, packaging, and labelling.
2. **EmbarkNano** is a 4,600 sq. ft. facility located in Calgary, Alberta. Dedicated to the production of nano precursors, as well as delivery technology research and development on nano products, EmbarkNano is focused on manufacturing finished products from the “non-controlled” precursors produced in Calgary. EmbarkNano is not licensed under Cannabis Regulations and there is no plan at this time to license this facility.

Embark Brands

1. **Distilled and Infused - Liquid and powder beverage mixes**
One of the most flexible and accessible infused beverage options, Embark’s Distilled and Infused beverage mixes are offered in liquid and powder formats, with a powder line to be launched in early 2022. The underlying technology can be applied to various health and wellness products.
2. **The Hazel Hash Stick - Disruptive concentrate product**
Embark holds the exclusive and worldwide license to this product, which is the first-of-its-kind in the Canadian market. Originally created in the British Columbian interior by two passionate hash advocates, Embark is now expanding production capacity to keep up with surging demand.

3. **The Hank Hash** - *High quality, accessible concentrates*
Crafted by Marcus Richardson, an internationally recognized figure in the cannabis industry, *The Hank* line of concentrates is formulated to cater to a dedicated and passionate customer base. Mr. Richardson's substantial marketing reach has also generated significant demand for licensing and partnership agreements by international partners for the Embark line of products.
4. **Meridian Co.** - *Topicals infused with proprietary pharmaceutical delivery technology*
Another first-of-its-kind product, the Meridian topical line integrates delivery technology that allows active ingredients to pass through dermal layers and allows for a true systemic absorption of cannabinoids. The delivery technology is not limited to cannabinoids but has broad applications for other drugs and APIs within the health and wellness and pharmaceutical markets.
5. **ProteinQuest** - *Hemp seed derived protein powders, oils, and beverages through novel techniques*
These techniques deliver a unique powdery white protein and golden oil with the key benefits of hemp seed but without many of the drawbacks.

¹ Unaudited

The Transaction

The Agreement is among Embark Health Inc., an arm's length privately held corporation, 1323977 B.C. Ltd. ("Subco"), a wholly-owned subsidiary of BevCanna, Bruce Dawson-Scully, in his capacity as shareholder representative and not in his personal capacity, and certain shareholders of Embark, pursuant to which BevCanna will acquire all of the issued and outstanding securities of Embark (each an, "Embark Security") by way of a three-cornered amalgamation (the "Transaction"). Upon completion of the Transaction, Embark will become a wholly-owned subsidiary of BevCanna.

Pursuant to the Agreement, BevCanna will acquire all of the issued and outstanding Embark Securities by way of a "three-cornered" amalgamation (the "Amalgamation") whereby Subco, a wholly-owned subsidiary of BevCanna, and Embark shall amalgamate pursuant to the provisions of the *Business Corporations Act* (British Columbia) to form one corporation, which shall continue under the name "Embark Health Inc.", as a wholly owned subsidiary of BevCanna.

Pursuant to the Amalgamation, on closing of the Transaction ("Closing"), BevCanna will, subject to customary closing adjustments, issue to holders (each, a "Embark Shareholder") of common shares of Embark (each an "Embark Share") an aggregate of 46,666,666 common shares of BevCanna (each a "BevCanna Share", and such BevCanna Shares issued as consideration for the Transaction, the "Consideration Shares") issued at a deemed price of \$0.45 per share, equivalent to aggregate consideration of \$21,000,000. The deemed price represents a 33% premium to the volume weighted average trading price of the BevCanna Shares on the CSE for the five trading days preceding the date of this announcement of approximately \$0.34 per share. In addition to the Consideration Shares, the Amalgamation provides for the issuance of preferred shares of BevCanna to each Embark Shareholder which entitle the holders to receive earn-out payments of an aggregate of up to \$9,199,442, contingent upon Embark achieving up to \$92,178,280 EBITDA over the first three completed financial years following the Closing. The Consideration Shares will be subject to voluntary resale restrictions, with 1/12th of the Consideration Shares being released from the resale restriction on the last day of each month following Closing for a period of one year. The earn-out payments will be made by the issuance of BevCanna Shares pursuant to conversion of the preferred

shares (at a rate equal to the then current 5-day VWAP), redemption of preferred shares for cash, or a combination of both conversion and redemption, at BevCanna's sole discretion. The Agreement also provides for a post-closing price adjustment pursuant to which the net proceeds from the disposition of Embark's facility in Woodstock Ontario will be distributed to Embark Shareholders if such disposition occurs within 18 months of Closing.

Completion of the Transaction remains subject to, among other things: approval of the Canadian Securities Exchange (the "CSE"); shareholder approval by Embark; and other conditions which are customary for transactions of this nature.

All BevCanna Shares to be issued in the Transaction will be issued pursuant to an exemption from applicable securities laws. There will be no finder's fees paid in connection with the Transaction.

This news release does not constitute an offer to sell or a solicitation of an offer to buy the securities described herein in the United States. The securities described herein have not been and will not be registered under the United States Securities Act of 1933, as amended (the "Act"), or any state securities laws and may not be offered or sold in the United States or to the account or benefit of a U.S. person absent an exemption from the registration requirements of such Act.

About Embark Health Inc.

[Embark Health Inc.](#) is a leader in solventless cannabis extraction and enhanced delivery technology, with a focus on the formulation and production of advanced 2.0 products for the B2B, medical, and adult-use markets. Embark continues to be at the forefront of production of concentrate products, including bubble hash, traditional pressed hash, rosin, dry sift and the top-selling *Hazel Hash Stick*. Embark has also brought best-in-class drink mixes with rapid onset and enhanced bioavailability to market, as well as the market's first topical product with true systemic absorption of cannabinoids. Embark products are currently sold in BC, Alberta, Saskatchewan, Manitoba and Ontario.

Embark's 40,000 sq ft Delta, BC-based facility is fully licensed for the production of concentrates, beverages, edibles and topicals. Embark's medical sales license and research license bolster the innovative ecosystem attracting third-party brands and white label clients.

About BevCanna Enterprises Inc.

[BevCanna Enterprises Inc.](#) (CSE:BEV, Q:BVNNF, FSE:7BC) is a diversified health & wellness beverage and natural products company. BevCanna develops and manufactures a range of alkaline, plant-based, and cannabinoid beverages and supplements for both in-house brands and white-label clients.

With decades of experience creating, manufacturing and distributing iconic brands that resonate with consumers on a global scale, the team demonstrates an expertise unmatched in the nutraceutical and cannabis-infused beverage categories. Based in British Columbia, Canada, BevCanna owns a pristine alkaline spring water aquifer and a world-class 40,000-square-foot, HACCP certified manufacturing facility, with a bottling capacity of up to 210M bottles annually. BevCanna's extensive distribution network includes more than 3,000 points of retail distribution through its market-leading [TRACE](#) brand, its [Pure Therapy](#) natural health and wellness e-commerce platform, its fully licensed Canadian cannabis manufacturing and distribution network, and a partnership with #1 U.S. cannabis beverage company [Keef Brands](#).

Disclaimer for Forward-Looking Information

This news release contains forward-looking statements. All statements, other than statements of historical fact that address activities, events or developments that the Company believes, expects or anticipates will or may occur in the future are forward-looking statements. Forward-looking statements in this news release include statements regarding: the prospective synergies between the business of BevCanna and Embark and the business of the Company following the Closing of the Transaction; the terms of the Transaction, including the consideration to be payable in connection with the Closing; the addition of certain Embark management and operations team members to the Company following the Closing of the Transaction; future product offerings; and the Closing of the Transaction. The forward-looking statements reflect management's current expectations based on information currently available and are subject to a number of risks and uncertainties that may cause outcomes to differ materially from those discussed in the forward-looking statements.

Although the Company believes that the assumptions inherent in the forward-looking statements are reasonable, forward-looking statements are not guarantees of future performance and, accordingly, undue reliance should not be put on such statements due to their inherent uncertainty. Factors that could cause actual results or events to differ materially from current expectations include, among other things: that the CSE may not approve the Transaction as proposed or at all; that the parties may not be able to satisfy the conditions to Closing of the Transaction; general market conditions; risks associated with the COVID-19 pandemic; and other factors beyond the control of the parties. BevCanna expressly disclaims any intention or obligation to update or revise any forward-looking statements whether as a result of new information, future events or otherwise, except as required by applicable law, and the Company does not assume any liability for disclosure relating to any other company mentioned herein.

This news release contains future-oriented financial information and financial outlook information (collectively, "FOFI") about BevCanna's expected increase in assets on a post-Closing basis, all of which are subject to the same assumptions, risk factors, limitations, and qualifications as set out in the above paragraphs. The actual financial results of BevCanna on a post-Closing basis may vary from the amounts set out herein and such variation may be material. BevCanna and its management believe that the FOFI has been prepared on a reasonable basis, reflecting management's best estimates and judgments. However, because this information is subjective and subject to numerous risks, it should not be relied on as necessarily indicative of future results. Except as required by applicable securities laws, BevCanna undertakes no obligation to update such FOFI. FOFI contained in this news release was made as of the date hereof and was provided for the purpose of providing further information about BevCanna's anticipated future business operations on a post-closing basis. Readers are cautioned that the FOFI contained in this news release should not be used for purposes other than for which it is disclosed herein.

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