



LETTER FROM THE CEO

December 2018

Update from the CEO

As 2018 draws to a close I am very pleased to report that Cannex's foundation is stronger than ever as we continue to make great strides in realizing our vision of becoming a leading and operationally focused Multi State Operator (MSO).

In the last few weeks alone Cannex announced two important new relationships making Cannex a company to watch in 2019. First, on November 21 Cannex announced that Gotham Green Partners, a leading cannabis investor, closed a US\$32 million investment into Cannex to support growth and accelerate the Company's multi-state expansion initiatives. Then several days later, Cannex and 4Front announced a proposed business combination effectively merging the two companies. This is a transformational and pivotal transaction that brings together the complementary talents and expertise of both companies and creates a new operations focused entity with significant capabilities, brands, and distribution.

With an unrivaled combination of operational, strategic and management leadership and proven core competencies across the value chain, from cultivation to processing, and manufacturing to distribution and retail, we believe this is an unmatched MSO platform for continued expansion and growth.

This proposed transaction provides Cannex immediate exposure to 5 states and an active M&A pipeline in 10 additional states.

Transaction Benefits

With this geographical growth, Cannex has immediately expanded from a one state operator to a multi state operator with a footprint in 5 states including the recreationally legal states of Washington and Massachusetts, with Illinois, we believe, following close behind. With applications pending, and an acquisition pipeline which includes California, Michigan, Nevada and Arizona among others, the combined platform establishes Cannex/4Front with a big footprint and even bigger potential.

Washington State has proven to be challenging for most operators, despite being recreationally legal and an almost \$2Bn market. But in spite of the competitive market Cannex/NWCS has not only proven itself, it has thrived. With NWCS having approximately US\$36million revenue and being cash flow positive, 4Front will be benefiting from the operational expertise, cultivation and processing excellence that Cannex/NWCS provides. We believe 2019 will be the year that operational excellence becomes increasingly important for all investors, including the public markets, and the proposed combination will provide unrivaled operational expertise to the merged company.

About Cannex/NWCS

The Cannex balance sheet remains extremely healthy. Our strategic operating tenant, NWCS, currently has an annual run rate of \$40⁽¹⁾ million, directly returning value to our shareholders.

Highlights

4Front/Cannex

Cannex announced that it has signed a binding agreement to enter into a business combination with 4Front, a primarily east-coast based company with current operations in 4 states

Gotham Green Partners

Gotham Green Partners Agrees to Invest US\$32 Million in Cannex Capital to Accelerate Growth & Support Multi-State Expansion Initiatives

Change to management

Josh Rosen, to assume role of CEO. Leo Gontmakher remains as COO, and Anthony Dutton will assume a senior business development position with the combined entity

Highlights

Substantial EBITDA

If NWCS were a stand alone company it would be generating substantial EBITDA even taking into account Washington price compression. Current 5 states target a near term \$300 ⁽¹⁾ million revenue and \$70 ⁽¹⁾ million EBITDA opportunity

M&A pipeline

4Front management has successfully closed 6 acquisitions, and is in active M&A talks with operators in California, Michigan, Pennsylvania, Arizona, and Nevada

Coast to coast footprint

Without accounting for any M&A the combined company would have the licenses and licensing agreements in place to allow it to operate 20 retail and cultivation facilities by year-end 2019

The best is yet to come!

Unrivaled combination of operational, strategic and management leadership



NWCS currently produces and sells 7 of the top 10 derivative brands in Washington State and also sells leading dried flower brands.

Cannex oversees the largest cultivation and production operations in Washington with approximately 8% wholesale market share. Our strategic operating tenant, NWCS occupies 180,000 ft² of space owned or controlled by Cannex including 60,000 ft² of flowering canopy across two cultivation facilities and 40,000 ft² of processing, production and distribution facilities, plus:

- Cultivation at scale with yields of >400g/ft²
- Production, packaging, and distribution of 320 SKUs and 16 brands including many top sellers
- Currently employs more than 190 people

About 4Front

4Front currently has retail and cultivation operations across 4 states and an active licensing and M&A pipeline. The company's roots are in retail, and it has invested more time and money in developing a scalable retail model, including a robust collection of SOPs and training programs, than any other U.S. competitor.

It currently operates 5 dispensaries in Massachusetts, Pennsylvania, Maryland and Illinois, most under the Mission brand. It is actively building out several additional locations and, with the licenses and licensing agreements already in place, expects to have 14 retail locations by year-end 2019. That number is likely to grow, as the company also has licensing applications and potential acquisitions pending in Michigan, Ohio, Pennsylvania, Nevada, Connecticut, Rhode Island and Arizona.

4Front operates cultivation facilities in Illinois and Massachusetts. They are both currently underdeveloped, but are located in very attractive markets going forward with Massachusetts recently opening for adult-use sales and Illinois expected to follow suit within the next two years. Applying Cannex's capabilities to these facilities will enable the combined company to take advantage of the significant market opportunity we believe exists.

About Gotham Green Partners

Gotham Green Partners, LLC (GGP) is a New York and California-based private equity firm focused on the global cannabis market. GGP has demonstrated exceptional success helping portfolio companies accelerate geographic expansion while improving operational efficiencies at scale. They are highly regarded as leading investors in the cannabis sector and have created significant shareholder value across a wide portfolio of investments.

Forward Together

Please be sure to download our recently updated corporate presentation to learn more about the proposed business combination. You can access it by clicking this [link](#).

Thank you for your continued support and wishing you and your families a happy holiday season and best wishes for 2019.

Sincerely,

A handwritten signature in blue ink, appearing to read 'Anthony Dutton', with a horizontal line extending to the right.

Anthony Dutton, CEO Cannex Capital Group