

LETTER FROM THE CEO

May 2019



Highlights

Shareholder vote

Cannex announces overwhelming support in favour of the transaction with 4Front.

CSE conditional approval

Canadian Securities exchange gives conditional approval to the transaction and the resulting issuer.

Operations matter

NWCS leads Washington state with exceptional yields, increasingly popular derivative brands, and launches several new products including Verdure Brand Tinctures and Crystal Clear Vape Pens.

Update from the CEO

Thank you very much to all Cannex shareholders who voted at our recent shareholder meeting, either in person or by proxy, to so resoundingly approve the transaction with 4Front Holdings LLC. It was very gratifying to have such overwhelmingly support with 99.97% of holders of common shares of Cannex, 100% of holders of Class A convertible restricted voting shares and 100% of the holders of senior convertible notes voting in favour of the transaction. This is a transformational event for Cannex and we are excited to move towards a final close and to building out our joint operational excellence and expertise with 4Front across the nation.

As reported in our recent disclosure, the Canadian Securities Exchange (the “CSE”) has also given conditional approval to the transaction and the resulting issuer. The last remaining issue is final clearance from the U.S. Department of Justice Antitrust Division (the “DOJ”) pursuant to the Hart-Scott-Rodino Antitrust Improvements Act of 1976. Cannex is confident the transaction does not raise any significant competitive concerns and is working closely with 4Front, and our respective advisors, to address the DOJ’s questions. However, as Cannex does not control the process, I’m unable to provide a timeline to closing.

On the cannabis operations front our Washington State strategic tenant, Northwest Cannabis Solutions (“NWCS”) continues its leadership in the state with exceptionally strong cultivation yields and a wide range of increasingly popular derivative production brands. In anticipation of the market growth of derivative products such as tinctures, edibles and vapes, NWCS invested a lot of time, effort and capital to its extraction and processing capabilities. This strategic decision is paying off as the Washington, and national market, is witnessing surging growth in edibles, vapes and all kinds of other derivative products. An April 2019 study, “Medical Cannabis Market Forecast 2019-2024”, published by Research and Markets, estimates that by 2022 derivative products could be 60% of the total cannabis market. NWCS anticipated this trend and is now capitalizing on its leadership in the processing, production, branding and distribution of a wide range of derivatives.

NWCS has recently launched several new products including Verdure Brand Tinctures and new Crystal Clear Vape Pens. New initiatives in the works also include the expansion of a range of R&D efforts and preparations for the introduction of multiple new edible varieties. This focus and leadership in extraction, processing, manufacturing and brand development will be very valuable once the transaction with 4Front has closed and we are able to leverage these skills across the joint company. The NWCS facilities have also recently been featured in an updated

Highlights

Pure Ratios

Cannex's portfolio company, the highly regarded Pure Ratios, represented their CBD products at the Kim Kardashian baby shower in California.

4Front expands

4Front management closes a US\$50 million secured loan to support expanding construction projects.

Power woman of cannabis!

Leise Rosman, COO of 4Front is named as one of the "Power Women of Cannabis". Congratulations Leise!

video which can be accessed [here](#).

On the CBD product front, one of Cannex's newest portfolio companies, California based Pure Ratios, was recently profiled across multiple media outlets such as USA Today, Good Morning America, Fashion Magazine and Buzzfeed as being a part of Kim Kardashian's CBD focused baby shower for her fourth child. E-Online has a [video of the event](#) which was well attended by friends of Kim Kardashian, her family and many influential CBD enthusiasts. This was a great honour for Pure Ratios and demonstrates how highly regarded their CBD products are in California. Cannex is working closely with Pure Ratios to leverage their brands and CBD expertise not only in California, but across the country.

I would also like to congratulate 4Front for having recently closed a US\$50 million secured loan to support its production related real estate purchases and capacity expanding construction projects. We believe that growth companies such as Cannex and 4Front, with bankable cash flows and hard assets, have significantly more options to access the capital markets for expansion capital, which is only confirmed by 4Front's recent loan. We look forward to building on this model of accessing market priced non-dilutive structured debt capital to fund our growth once we close the 4Front transaction.

And finally, a big shout out to Leise Rosman, the Chief Operating Officer of 4Front who has recently been named one of the "Power Women of Cannabis." Click [here](#) for more detail. Leise does amazing work at 4Front and is an integral member of their team and a big part of their success. We are extremely excited by the prospect of working with her and her team post-closing of our transaction. Her focus on developing human capital, empowering people and building teams is a big part of 4Front's success and will be key factors as our companies scale across the country.

Thank you again for all your support and patience of the last few months as we move to closing our transaction with 4Front. Looking around I see more investors, strategic partners and the market in general, paying increasing attention to operational excellence and management leadership. With our dedicated focus in these areas I am even more excited by the upcoming closing of our transaction with 4Front and look forward to working with them closely to create long term sustainable shareholder value and a company of which we can all be proud. Please click [here](#) to download our most recent and updated presentation for more detail.

To Moving Forward Together,

Anthony

