

Academy Issues News Release Clarifying Information Circular of August 7, 2018, Regarding Requirements for Minority Approval and Additional Disclosure Required Under Securities Laws

Toronto, Ontario--(Newsfile Corp. - August 24, 2018) - Academy Explorations Limited ("**Academy**" or the "**Company**") issues this clarifying news release, as requested by the Ontario Securities Commission ("**OSC**") with respect to the Company's notice of annual general and special meeting of shareholders to be held on September 5, 2018, and management information circular dated August 7, 2018 (the "**Information Circular**"). In the Information Circular, the board of directors ("**Board**") of the Company proposes several resolutions in preparation of the proposed reverse takeover of the Company by Dixie Brands, Inc. ("**Dixie**"), whereby Dixie will acquire 100% of the issued and outstanding securities of the Company (the "**RTO**"), including (each a "**Resolution**", and together the "**Resolutions**");

- a. subject to completion of the RTO, to consider and, if deemed advisable, to pass, with or without variation, a special resolution authorizing and approving the consolidation of the issued and outstanding common shares in the capital of the Company ("**Common Shares**") on the basis of one (1) post-consolidation Common Share for a minimum of every existing three (3) pre-consolidation Common Shares and a maximum of eight (8) pre-consolidation Common Shares issued and outstanding immediately prior to the consolidation (the "**Consolidation**"); and
- b. subject to completion of the RTO, to consider and, if deemed advisable, to pass, with or without variation, a special resolution approving the amendment to the current articles of incorporation of the Company to (i) create a new class of "**Non-Participating Voting Shares**", which shall entitle the holder to one hundred (100) votes per Non-Participating Voting Share; (ii) to amend the terms of and re-designate the Common Shares as "**Subordinate Voting Shares**", which shall entitle the holder to one (1) vote per Subordinate Voting Share; and (iii) to eliminate the existing non-voting special shares (the "**Share Reorganization**");

The OSC has requested that the Company provide clarifications in relation to omissions relating to: 1) the disclosure required under OSC Rule 56-501 and under National Instrument ("**NI**") 41-101; 2) the disclosure of the number of shares anticipated to be outstanding on a post-RTO basis; 3) the disclosure required under NI 51-102 and Form 51-102F5 for 'restricted securities'; and 4) the expected consequences of the non-approval of the Resolutions.

1. Disclosure under OSC Rule 56-501 and NI 41-101

The OSC advised that certain disclosure to be included in the Information Circular under OSC Rule 56-501 for "**restricted shares**" (as defined in OSC Rule 56-501) and under NI 41-101 for "**restricted securities**" (as defined in NI 41-101) was not provided.

a) Approval Required for Share Reorganization Resolution

OSC Rule 56-501 regulates the creation and distribution of restricted shares by reporting issuers governed by Ontario securities law. The definition of restricted shares includes equity shares to which are attached voting rights exercisable in all circumstances, irrespective of the number or percentage of shares owned, that are less, on a per share basis, than the voting rights attaching to any other shares of an outstanding class of shares of the issuer.

OSC Rule 56-501 provides, among other things, that the prospectus exemptions under Ontario securities law are not available in respect of a "**stock distribution**" (as defined in OSC Rule 56-501), unless either: (i) the stock distribution or (ii) the "**reorganization**" (as defined in OSC Rule 56-501) that resulted in the creation of the restricted shares, received "**minority approval**" (as defined in OSC Rule 56-501) in addition to any other required security holder approval. Minority approval means approval by a majority of the votes cast by holders of voting shares and, if required by applicable corporate law, by a majority of the votes cast by holders of a class of shares voting separately as a class, other than, in both cases, the votes attaching at the time to securities held directly or indirectly by: (A) "**affiliates**" (as defined in the *Securities Act* (Ontario)) of the issuer; or (B) "**control persons**" (as defined in OSC Rule 56-501) of the issuer. OSC Rule 56-501 provides an exemption from the foregoing requirements to obtain minority approval if the stock distribution is of securities of an issuer that was a private company immediately before the completion of the stock distribution or it is a subsequent distribution by such an issuer of securities of the same class.

NI 41-101 provides, among other things, that an issuer must not file a prospectus under which restricted securities are to be distributed unless: (i) the distribution has received prior majority approval of the securityholders of the issuer in accordance with applicable law, including approval on a class basis if required and excluding any votes attaching at the time to securities held, directly or indirectly, by affiliates of the issuer or control persons of the issuer (as such terms are defined under applicable securities laws); or (ii) at the time of any "**restricted security reorganization**" (as defined in NI 41-101, and which would include the Share Reorganization) related to the securities to be distributed: (A) the restricted securityholder reorganization received prior majority approval of the securityholders of the issuer in accordance with applicable law, including approval on a class basis if required and excluding any votes attaching at the time to securities held, directly or indirectly, by affiliates of the issuer or control persons of the issuer (as such terms are defined under applicable securities laws); (B) the issuer was a

reporting issuer in at least one jurisdiction; and (C) no purposes or business reasons for the creation of the restricted securities were disclosed in the relevant information circular that are inconsistent with the purpose of the distribution.

In connection with the Share Reorganization, the Subordinate Voting Shares are being created and distributed. The Subordinate Voting Shares will be restricted shares within the meaning of OSC Rule 56-501 and restricted securities within the meaning of NI 41-101. The distribution of the Subordinate Voting Shares is not exempt from the minority approval requirements of OSC Rule 56-501 because Academy is not a private company immediately prior to the Share Reorganization. Furthermore, there is no exemption applicable from the approval requirements under NI 41-101. Therefore, in order to: (a) create and distribute the Non-Participating Voting Shares and the Subordinate Voting Shares in connection with the Share Reorganization; and (b) effect distributions of Non-Participating Voting Shares and/or Subordinate Voting Shares in the future either pursuant to a prospectus or on a prospectus-exempt basis, in each case, without obtaining minority approval for any such distribution, the Company is seeking minority approval for the Share Reorganization.

In relation to the Share Reorganization Resolution, minority approval means approval by the affirmative vote of a simple majority of the votes cast by the holders of Common Shares, other than the votes attaching to the Common Shares held by affiliates or control persons. To the knowledge of the Company after reasonable inquiry, there are no affiliates or control persons as at August 24, 2018. Accordingly, no Common Shares are expected to be excluded for the purpose of confirming the requisite minority approval which is required for the Share Reorganization Resolution in accordance with OSC Rule 56-501 and NI 41-101.

2. Number of Shares Outstanding Post-RTO

The OSC has requested that the Company disclose the number of Subordinate Voting Shares and Non-Participating Voting Shares anticipated to be outstanding on a post-RTO basis, accounting for the Consolidation occurring with the expected consolidation ratio of 1:4, and the percentage of the voting power of each class of shares.

The Company had 26,567,234 Common Shares issued and outstanding, as of the date hereof.

Pursuant to the terms of the letter of intent dated July 18, 2018 among the Company and Dixie governing the proposed RTO ("**LOI**"), the Company will effect the Consolidation of its issued and outstanding Common Shares on a 4:1 basis resulting in approximately 6,641,808 Common Shares outstanding on a post-Consolidation basis. Subject to completion of the RTO and receipt of the requisite shareholder approval, the Common Shares will be re-designated as Subordinate Voting Shares pursuant to the Share Reorganization.

In accordance with the terms of the RTO, the holders of the issued and outstanding shares of common stock in the capital of Dixie (the "**Dixie Shares**") will be issued approximately ten and nine-twentieths of one (10.45) Subordinate Voting Shares in exchange for every one (1) Dixie Share held immediately prior to the completion of the RTO.

Senior management of Dixie has collectively awarded options to purchase Dixie Shares (the "**Management Options**") at the fair market value of the Dixie Shares at such time as they were awarded as an incentive to complete the RTO. The holders of the Management Options (the "**Holders**") will be issued, in exchange for their Management Options, an aggregate 500,000 Non-Participating Voting Shares such that the former holders of Management Options will hold approximately 40% of the voting securities of the resulting issuer that will exist upon completion of the RTO (the "**Resulting Issuer**").

Thus, the Company expects that following the completion of the RTO, there shall be approximately 102,000,000 Subordinate Voting Shares and 500,000 Non-Participating Voting Shares issued and outstanding. Under such a share structure, the aggregate voting rights attached to the Subordinate Voting Shares would constitute approximately 67% of the total votes available to shareholders of the Resulting Issuer.

The Share Reorganization Resolution will authorize an unlimited number of Non-Participating Voting Shares, such that the Company could issue more than 500,000 Non-Participating Voting Shares if, and only if, doing so is required to ensure the former holders of Management Options hold at least 35% of the voting securities of the Resulting Issuer. The Company does not expect that the Resulting Issuer will issue further Non-Participating Voting Shares following the completion of the RTO.

3. Disclosure Under NI 51-102 and Form 51-102F5

The OSC advised that certain disclosure to be included in the Information Circular under NI 51-102 and Form 51-102F5 for "**restricted securities**" (as defined in NI 51-102) was not provided. It is the opinion of the Company in providing this news release that the Subordinate Voting Shares are restricted securities. Thus, NI 51-102 requires that the Company disclose the extent of any rights provided in the constating documents or otherwise for the protection of holders of the Subordinate Voting Shares.

If the Resolutions are approved and the RTO occurs as planned, the Company expects that members of the senior management of Dixie will hold all the outstanding Non-Participating Voting Shares of the Company. The Board proposes to protect the holders of the Subordinate Voting Shares through the execution of a customary coattail agreement among all of Dixie's shareholders, the Company and a recognized trustee (the "**Coattail Agreement**"). Shares of Dixie may, at any time, only be held by employees of Dixie. The rights of shareholders under the proposed Coattail Agreement are further discussed below.

a) Coattail Provisions

Under applicable Canadian law, an offer to purchase Non-Participating Voting Shares would not necessarily require that an offer be made to purchase Subordinate Voting Shares. In accordance with the rules applicable to most senior issuers in Canada, in the event of a take-over bid, the holders of Subordinate Voting Shares will be entitled to participate on an equal footing with holders of Non-Participating Voting Shares. The holding company holding all the outstanding Non-Participating Voting Shares will enter into the Coattail Agreement. The Coattail Agreement contains provisions customary for dual class, listed corporations designed to prevent transactions that otherwise would deprive the holders of Subordinate Voting Shares of rights under applicable provincial take-over bid legislation to which they would have been entitled if the Non-Participating Voting Shares had been Subordinate Voting Shares.

The undertakings in the Coattail Agreement do not apply to prevent a sale by any holder of Non-Participating Voting Shares if concurrently an offer is made to purchase Subordinate Voting Shares that:

- a. offers a price per Subordinate Voting Share at least as high as the highest price per share to be paid pursuant to the take-over bid for the Non-Participating Voting Shares;
- b. provides that the percentage of outstanding Subordinate Voting Shares to be taken up (exclusive of shares owned immediately prior to the offer by the offeror or persons acting jointly or in concert with the offeror) is at least as high as the percentage of Non-Participating Voting Shares to be sold (exclusive of Non-Participating Voting Shares owned immediately prior to the offer by the offeror and persons acting jointly or in concert with the offeror);
- c. has no condition attached other than the right not to take up and pay for Subordinate Voting Shares tendered if no shares are purchased pursuant to the offer for Non-Participating Voting Shares; and
- d. is in all other material respects identical to the offer for Non-Participating Voting Shares.

In addition, the Coattail Agreement does not prevent the transfer of Non-Participating Voting Shares by a Holder to a Permitted Holder (as hereinafter defined), other than in a situation that would constitute a take-over bid for the Non-Participating Voting Shares. The Non-Participating Voting Shares will each automatically convert into one (1) Subordinate Voting Share upon any transfer in contravention of the conditions discussed above. The conversion of Non-Participating Voting Shares into Subordinate Voting Shares, whether or not such Subordinate Voting Shares are subsequently sold, would not constitute a disposition of Non-Participating Voting Shares for the purposes of the Coattail Agreement.

Under the Coattail Agreement, any disposition of Non-Participating Voting Shares (including a transfer to a pledgee as security) by a holder of Non-Participating Voting Shares party to the agreement will be conditional upon the transferee or pledgee becoming a party to the Coattail Agreement, to the extent such transferred Non-Participating Voting Shares are not automatically converted into Subordinate Voting Shares in accordance with the terms of the Non-Participating Voting Shares.

The Coattail Agreement contains provisions for authorizing action by the trustee to enforce the rights under the Coattail Agreement on behalf of the holders of the Subordinate Voting Shares. The obligation of the trustee to take such action is conditional on the Company or holders of the Subordinate Voting Shares, as the case may be, providing such funds and indemnity as the trustee may require. No holder of Subordinate Voting Shares has the right, other than through the trustee, to institute any action or proceeding or to exercise any other remedy to enforce any rights arising under the Coattail Agreement unless the trustee fails to act on a request authorized by holders of not less than 10% of the outstanding Subordinate Voting Shares and reasonable funds and indemnity have been provided to the trustee. The Company has agreed to pay the reasonable costs of any action that may be taken in good faith by holders of Subordinate Voting Shares pursuant to the Coattail Agreement.

The Coattail Agreement provides that it may not be amended, and no provision thereof may be waived, unless, prior to giving effect to such amendment or waiver, the following have been obtained: (a) the consent of the Canadian Securities Exchange ("CSE") and any applicable securities regulatory authority in Canada and (b) the approval of at least 66-2/3% of the votes cast by holders of Subordinate Voting Shares and 66-2/3% of the votes cast by holders of Non-Participating Voting Shares, in each case, excluding votes attached to Subordinate Voting Shares, if any, held by the holders of Non-Participating Voting Shares, their affiliates and related parties and any persons who have an agreement to purchase Non-Participating Voting Shares on terms which would constitute a sale or disposition for purposes of the Coattail Agreement other than as permitted thereby.

No provision of the Coattail Agreement limits the rights of any holders of Subordinate Voting Shares under applicable law.

The terms of the Coattail Agreement are subject to approval by the CSE. Upon completion of the RTO, a copy of the Coattail Agreement will be filed on SEDAR at www.sedar.com.

For the purposes of the foregoing:

"Members of the Immediate Family" means with respect to any individual, each parent (whether by birth or adoption), spouse, or child (including any step-child) or other descendants (whether by birth or adoption) of such individual, each spouse of any of the aforementioned Persons (as hereinafter defined), each trust created solely for the benefit of such individual and/or one or more of the aforementioned Persons and each legal representative of such individual or of any aforementioned Persons (including without limitation a tutor, curator, mandatary due to incapacity, custodian, guardian or testamentary executor), acting in such capacity under the authority of the law, an order from a competent tribunal, a will or a mandate in case of incapacity or similar instrument. For the purposes of this definition, a Person shall be considered the spouse of an individual if such Person is legally married to such individual, lives in a civil union with such individual or is the common law partner (as defined in the *Income Tax Act* (Canada) as amended from time to time) of such individual. A Person who was the spouse of an individual

within the meaning of this paragraph immediately before the death of such individual shall continue to be considered a spouse of such individual after the death of such individual.

"Permitted Holder" means (i) the Holder and any Members of the Immediate Family of the specified Holder and (ii) any Person controlled, directly or indirectly by one or more of the Persons referred to in clause (i) above.

"Person" means any individual, partnership, corporation, company, association, trust, joint venture or limited liability company.

A Person is **"controlled"** by another Person or other Persons if: (i) in the case of a company or other body corporate wherever or however incorporated: (A) securities entitled to vote in the election of directors carrying in the aggregate at least a majority of the votes for the election of directors and representing in the aggregate at least a majority of the participating (equity) securities are held, other than by way of security only, directly or indirectly, by or solely for the benefit of the other Person or Persons; and (B) the votes carried in the aggregate by such securities are entitled, if exercised, to elect a majority of the board of directors of such company or other body corporate; or (ii) in the case of a Person that is not a company or other body corporate, at least a majority of the participating (equity) and voting interests of such Person are held, directly or indirectly, by or solely for the benefit of the other Person or Persons; and "controls", "controlling" and "under common control with" shall be interpreted accordingly.

4. Consequences of Non-Approval of the Resolutions

The OSC has requested that the Company disclose the anticipated consequences of the non-approval of the Resolutions.

The Company believes that the Consolidation and the Share Reorganization are both anticipated conditions to the completion of the RTO. If the Consolidation and/or the Share Reorganization are not approved at the annual general and special meeting of shareholders to be held on September 5, 2018, the Company may not be able to proceed with the RTO. The Board believes that the Consolidation and the Share Reorganization are in the best interest of the Company and therefore unanimously recommends that the shareholders vote in favour of the special resolutions approving the Consolidation and the Share Reorganization.

Conflicting Information

In those instances where the Company has retracted, revised, clarified or updated previous disclosure, the Company advises readers not to rely on such statements as they may continue to be found in the public domain.

Further information

Further details about the RTO and the Resulting Issuer will be provided in a comprehensive news release when the parties enter into a definitive agreement.

Investors are cautioned that any information released or received with respect to the RTO in this press release may not be complete and should not be relied upon. Trading in the common shares of the Company should be considered highly speculative.

The securities to be issued in connection with the RTO have not been and will not be registered under the United States Securities Act of 1933, as amended (the "U.S. Securities Act") or any state securities laws and may not be offered or sold within the United States or to U.S. Persons (as defined in Regulation S promulgated under the U.S. Securities Act) unless registered under the U.S. Securities Act and applicable state securities laws or an exemption from such registration is available.

Completion of the RTO is subject to a number of conditions, including but not limited to, CSE acceptance and if applicable, disinterested shareholder approval. Where applicable, the RTO cannot close until the required shareholder approval is obtained. There can be no assurance that the RTO will be completed as proposed or at all.

Investors are cautioned that, except as disclosed in the management information circular or listing statement to be prepared in connection with the RTO, any information released or received with respect to the RTO may not be accurate or complete and should not be relied upon. Trading in the securities of Academy should be considered highly speculative.

Neither the CSE nor its Regulation Services Provider (as that term is defined in the policies of the CSE) accepts responsibility for the adequacy or accuracy of this release.

About Academy Explorations Limited

Academy Explorations Limited previously operated as a mineral exploration company but presently has no current activities or operations.

About Dixie Brands, Inc.

Dixie Brands, Inc., which has been formulating award-winning THC and CBD-infused products since 2009, is expecting to double its manufacturing and distribution capabilities in 2019 in the U.S. as well as expand internationally, including into Canada. Dixie leads the global industry in the development, packaging design, product innovation and quality control for the commercial production of cannabis infused products. While Dixie started with a single flagship product, the Dixie Elixir (a THC-infused

soda), it is now one of the industry's most recognized consumer brands, expanding to over 100 products across more than 30 different product categories representing the industry's finest edibles, tinctures, topicals and connoisseur grade extractions, as well as world-class CBD-infused wellness products and pet dietary supplements. Dixie's executive team has been instrumental in the formation of the marijuana industry for recreational and medicinal use, serving as founding members on several national regulatory and business-oriented industry organizations. To find out more about Dixie's innovative products, or about how Dixie is building the future of cannabis, visit www.dixiebrands.com.

Cautionary Statements Regarding Forward Looking Information

This news release contains "forward-looking information" within the meaning of applicable securities laws relating to the proposal to complete the RTO and associated transactions. Any such forward-looking statements may be identified by words such as "expects", "anticipates", "believes", "projects", "plans" and similar expressions. Readers are cautioned not to place undue reliance on forward-looking statements. Statements about, among other things, the expected terms of the RTO, the number of securities of Academy that may be issued in connection with the RTO, the ownership ratio of the Academy post-closing, the grant of Management Options, shareholder approval, Dixie's strategic plans and the parties' ability to satisfy closing conditions and receive necessary approvals are all forward-looking information. These statements should not be read as guarantees of future performance or results. Such statements involve known and unknown risks, uncertainties and other factors that may cause actual results, performance or achievements to be materially different from those implied by such statements. Although such statements are based on management's reasonable assumptions, there can be no assurance that the RTO will occur or that, if the RTO does occur, it will be completed on the terms described above. Academy and Dixie assume no responsibility to update or revise forward-looking information to reflect new events or circumstances unless required by applicable law.

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