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CANADA HOUSE WELLNESS GROUP ENTERS INTO RESTATED SHARE EXCHANGE AGREEMENT FOR THE ACQUISITION OF MTL CANNABIS OVER TWO TRANCHES

Canada House also Enters into Amending Agreements to Restructure Certain Debt Obligations

Montréal, Québec – July 26, 2022 (CNW) - Canada House Wellness Group (CSE: CHV) (“**Canada House**” or the “**Company**”), a fully integrated medical cannabis company, and Montréal Cannabis Médical Inc. (“**MTL Cannabis**”), a Montreal based “flower-first” Licensed Producer, today have entered into a definitive restated share exchange agreement (the “**Restated Agreement**”) for Canada House’s previously announced acquisition of all of the issued and outstanding shares of MTL Cannabis (the “**Transaction**”) (see the press release of the Company dated August 9, 2021).

Originally contemplated as a transaction that would have been effected in a single-step, the parties Restated Agreement provides for the Transaction to be effected over two stages. The first stage of the Transaction (the “**Initial Closing**”) provides for the acquisition by the Company of approximately 24.99% of the issued and outstanding shares of MTL Cannabis in exchange for 49.99% of the issued and outstanding common shares (“**Common Shares**”) of the Company (currently anticipated to be 683,380,223 Common Shares) post-issuance. The second stage (the “**Subsequent Closing**”) will result in the Company’s acquisition of the remaining 75.01% of the issued and outstanding shares of MTL Cannabis in exchange for such number of Common Shares that when added to the Common Shares issued on the Initial Closing, is equal to 80.0% of the issued and outstanding common shares (“**Common Shares**”) of the Company.

The percentages of Common Shares noted above will be subject to anti-dilution adjustments in favour of the vendors of the MTL Cannabis shares wherein additional Common Shares will be issued up to 49.99% of the Common Shares prior to the Subsequent Closing and up to 80.0% following the Subsequent Closing in the event of the issuance of Common Shares upon the conversion of the principal and accrued interest of the Company’s \$6.5 million convertible debenture (the “**Archerwill Debenture**”) issued to Archerwill Investments Inc. (“**Archerwill**”) on August 5, 2020 and any other convertible debentures of the Company outstanding prior to the Initial Closing.

The parties have agreed to restructure the Transaction in this manner as MTL Cannabis has to date not been able to deliver the required audited annual and unaudited interim financial statements and related management’s discussion and analysis in order for the Company to proceed to a shareholder meeting to approve the Transaction, as is required by the rules and policies of the Canadian Securities Exchange (the “**CSE**”). To reflect the parties’ commitment to the Transaction and in light of the ongoing integration of the business of the Company with the business of MTL Cannabis, the parties have determined to proceed with the Initial Closing and the further integration of the two businesses while the necessary audited annual,

unaudited interim financial statements and pro forma financial statements together with the related management's discussion and analysis are prepared to allow the Company to call and hold a special meeting of Shareholders to approve the Subsequent Closing.

The Restated Agreement also provides for amendments to the criteria for the cash earnout payment of \$5 million (the "**Earnout**") that may be payable under the Restated Agreement. Originally, the Earnout was conditional upon MTL Cannabis and IsoCanMed Inc. (now employing the genetics and grow methodologies of MTL Cannabis) achieving stand-alone revenue of \$20M and production of 10,000 kilograms of merchantable dried flower in each of the first twelve months and the second twelve months following the closing of the Transaction. The Restated SEA provides for the Earnout to be achieved upon gross revenue from the production facilities of MTL Cannabis and of IsoCanMed Inc. net of excise tax being at least \$30,000,000 for each of the first twelve months and the second twelve months following the Subsequent Closing.

"We are very pleased with the outcome of the past 12 months of work to integrate Canada House's business with that of MTL Cannabis, including the recent completion of phase 1 of the retrofit and conversion of our ICM production facility in Louiseville, Quebec to deploy MTL Cannabis' grow methodologies," commented Chris Churchill-Smith, CEO of Canada House. "We have achieved record revenues on both the recreational and medical segments of our business and expect this growth to continue. We look forward to welcoming Rich and Mitch Clement as major shareholders of CHV and continuing to work closely together to complete one of the industries most high impact transactions."

"I want to reiterate our unwavering commitment to this Transaction," added Rich Clement, CEO of MTL Cannabis. "We continue to strongly believe bringing Canada House and MTL Cannabis together will result in a combined business that will change the way Canadian Cannabis companies are perceived both operationally and on the bottom line. I want to thank Chris and his team again for their continued support as we optimize our respective businesses."

"On behalf of the Canada House and IsoCanMed teams, I would like to thank MTL Cannabis for making this a successful project," added Erik Bertacchini, President of IsoCanMed and member of the board of directors of Canada House. "The phase 1 retrofit will allow IsoCanMed to produce up to 5,000 kg of high-quality dried cannabis flower annually. After completion of phase 2, IsoCanMed should produce up to 10,000kg annually. At present, more than half of IsoCanMed's production area has been retrofit and the mother room has been populated with carefully selected genetics. Our first harvest under MTL's grow methodology is expected early October 2022."

The Transaction constitutes a "reverse takeover" of the Company and it is anticipated that the Company will operate under the MTL Cannabis corporate name with shares trading on the CSE under a related ticker symbol following the Subsequent Closing. Trading in the common shares of the Company has been halted since the Transaction was initially announced on August 9, 2021 and is expected to remain halted until the Subsequent Closing.

A copy of the Restated SEA has been filed on SEDAR and is available under the Company's profile at www.sedar.com. For further information on the transaction see the press releases of the Company dated August 9, 2021, November 26, 2021 and March 22, 2022.

Transaction Timing

The parties anticipate that the Initial Closing will occur on or before August 31, 2022, following the annual and special meeting of the Company's shareholders scheduled for August 23, 2022 to approve the Archerwill Amendments (as described below). The Subsequent Closing will be subject to the preparation

of the required audited annual and unaudited interim financial statements and related management's discussion and analysis of MTL Cannabis in order for the Company to proceed to a shareholder meeting to approve the Subsequent Closing.

The Initial Closing and Subsequent Closing are subject to a number of conditions customary for a transaction of this nature, including but not limited to (i) approval by the shareholders of Canada House of the acquisition at a special meeting to be called for these purposes (in the case of the Subsequent Closing), (ii) the completion of the Share Consolidation, (iii) there being no material adverse change in the business of Canada House or MTL Cannabis (as applicable) prior to the Initial Closing, and (iv) receipt of applicable third party and regulatory approvals including the approval of the CSE.

Update on the Consolidation of the Common Shares

The Company anticipates effecting the previously announced consolidation of the Common Shares on the basis of thirty pre-consolidation shares for one post-consolidation share on or before the Initial Closing.

Amendments to Investment Instruments with Archerwill

The Company has entered into:

- (i) an amendment and restatement of the Archerwill Debenture (the "**A&R Archerwill Debenture**");
- (ii) an amendment to the Common Share purchase warrants issued to Archerwill (the "**Archerwill Warrants**") concurrently with the Archerwill Debenture to acquire 130,000,000 Common Shares (the "**Archerwill Warrants Amendment**"); and
- (iii) a termination of the Investor Rights Agreement between the Company and Archerwill (the "**Investor Rights Agreement**") and a mutual release of the parties in respect thereof (the "**Termination Agreement**") and, together with the A&R Archerwill Debenture and the Archerwill Warrants Amendment, the "**Archerwill Amendments**").

The Company negotiated the Archerwill Amendments with Archerwill because Archerwill has certain rights pursuant to the Archerwill Debenture and the Investor Rights Agreement which must be either cancelled, waived or amended for the Company to proceed with the Initial Closing as currently contemplated. Furthermore, the Company may be considered to be in technical default in respect of certain of its obligations under the Archerwill Debenture and without forbearance from Archerwill, Archerwill could seek to enforce the remedies available to it which would render the Initial Closing at a risk of not concluding.

The following are the material terms of the Archerwill Amendments, all of which is conditional upon the Initial Closing, except the amendments to the conversion price of the Archerwill Debenture and the exercise price of the Archerwill Warrants to \$0.90 and \$1.20 (on a post-Share Consolidation basis), respectively, which are conditional on completion of the Share Consolidation only:

- **Support the Transaction:** Archerwill agrees to vote in favour and otherwise support the completion of the Transaction and to waive its rights under the Archerwill Debenture and the Investor Rights Agreement relative to the Transaction.
- **Conversion Price:** The conversion price of the Archerwill Debenture will be amended from \$1.50 (post-Share Consolidation) to the lower of \$0.90 and the volume weighted average trading price of the

Common Shares over the first 20 trading days following the resumption of trading of the Common Shares on the CSE, subject to a minimum price of \$0.50 (the “**Amended Conversion Price**”). If the Share Consolidation is completed but the Restated Agreement is terminated prior to the Initial Closing, the Amended Conversion Price will be \$0.90.

- **Warrant Exercise Price:** The exercise price of the Archerwill Warrants will be amended from \$1.80 (post-Share Consolidation) to the lower of \$1.20 and 130% of the volume weighted average trading price of the Common Shares for the 20 day trading days following the resumption of trading of the Common Shares on the CSE (the “**Amended Exercise Price**”). If the Share Consolidation is completed but the Restated Agreement is terminated prior to the Initial Closing, the Amended Exercise Price will be \$1.20.
- **Termination of Investor Rights Agreement:** Archerwill and the Company will terminate and issue reciprocal releases with respect to the Investor Rights Agreement, effective upon the Initial Closing. As such, Archerwill’s right to nominate two directors for appointment to the Board of Directors, to match certain acquisition proposals received by the Company, to participate in future financings to maintain its *pro rata* ownership percentage and certain other governance rights under the agreement would be terminated as they currently exist under the Investor Rights Agreement, although certain of those rights will continue to exist in favour of Archerwill in the A&R Archerwill Debenture as described below.
- **Subordinate Debt:** The limitation on Permitted Subordinated Indebtedness (as defined in the A&R Archerwill Debenture), to a value of \$7,500,000 will be removed as will be any covenants in Archerwill’s favor with respect to incurring indebtedness, issuing guarantees or granting security by the Company or its subsidiaries which rank subordinate to security interests under the Archerwill Instruments. For greater certainty, such covenants will remain in place with respect to indebtedness, guarantees or the grant of security expressed to rank *pari passu* or superior to the Archerwill Instruments.
- **Prepayment Right:** The A&R Archerwill Debenture will provide the Company with the option to prepay the A&R Archerwill Debenture in full, including all accrued interest to the maturity date of August 5, 2025, subject to the issuance to Archerwill of additional warrants (the “**Prepayment Warrants**”) to purchase that number of Common Shares as is equal to the outstanding principal amount plus all accrued and unpaid interest on such principal amount to the date of prepayment plus all interest to accrue on such principal amount to the maturity date of the A&R Archerwill Debenture divided by the Amended Conversion Price. The Prepayment Warrants, if issued, would be exercisable up to maturity of the A&R Archerwill Debenture (currently August 5, 2025) and would be exercisable at a price per Common Share equal to the Amended Conversion Price.

Related Party Transaction

Archerwill is considered to be a Related Party under Multilateral Instrument 61-101 - *Protection of Minority Security Holders in Special Transaction* (“**MI 61-101**”) by virtue of having beneficial ownership of over 10% of all the outstanding voting securities of the Company. As the Common Shares issuable on conversion of the Archerwill Debenture and exercise of the Archerwill Warrants could have been so issued to Archerwill within 60 days of the date the Archerwill Amendments were entered into, they are deemed to be beneficially owned under National Instrument 62-104 – *Take-Over Bids and Issuer Bids* (“**62-104**”) for the purpose of the definition of “related party” under MI 61-101.

As such, the contemplated Archerwill Amendments may be considered to be a “related party transaction” requiring “minority approval” (each as defined in MI 61-101). As such, at the Company’s annual general

and special meeting of shareholders scheduled for August 23, 2022, the Company will be asking “disinterested shareholders” to approve the Archerwill Amendments. Please refer to the Company’s management information circular dated July 22, 2022 for more information regarding the Archerwill Amendments, including the effects of the Archerwill Amendments on the Company and on Archerwill’s ownership position in securities of the Company, certain risks related to the Archerwill Amendments and a description of the review and consideration of the Archerwill Amendments by the Company’s Board of Directors.

Amendments to Promissory Notes issued in Connection with the Acquisition of IsoCanMed

The Company also has entered into separate Note Tolerance and Forbearance Agreements (collectively, the “**Note Tolerance and Forbearance Agreements**”) with each of the holders of the 5% promissory notes due June 12, 2023 (the “**Promissory Notes**”) issued by Canada House in connection with its acquisition of IsoCanMed Inc. on June 12, 2020. The Note Tolerance and Forbearance Agreements provide for the extension of the maturity date of the Promissory Note issued to Gestion-R RB50 Inc. to December 12, 2023, and the extension of the maturity date of the Promissory Note issued to Gestion Eric Bouvier Inc. to June 12, 2024 and the extension of the maturity date of the Promissory Note issued to Gestion Erik Bertacchini Inc. to December 12, 2024. In addition, the Note Tolerance and Forbearance Agreements provide for the forbearance by such noteholders and the amendments to the repayment schedule of certain overdue interest obligations thereunder. In consideration for the entering into of the Note Tolerance and Forbearance Agreements, Canada House agreed to issue to each such holder 10,000,000 (333,333 post-Share Consolidation) common share purchase warrants exercisable into Common Shares at a price per share of \$0.04 (\$1.20 post-Share Consolidation), assuming the completion of the Share Consolidation (or such greater price as may be required by the Canadian Securities Exchange) for a term of three (3) years.

About MTL Cannabis:

MTL Cannabis is a privately owned Canadian License Holder located in Montreal, Quebec. As a flower-first company built for the modern street, MTL Cannabis is a 57,000 sq ft licensed facility with room to expand to 130,000 sq ft in the existing 2 buildings and possible expansion to over 300,000 sq ft. Under the existing footprint, the indoor facility uses proprietary hydroponic growing methodologies supported by handcrafted techniques to produce products that are truly craft for the masses. MTL Cannabis currently produces over 10,000 kgs annually, yielding over 2kg per light. With supply deals in all ten Canadian provinces, the company is currently in the top 5 in dried flower sales in almost all markets.

MTL Cannabis’ goal has been clear from the start, be the brand that brings the best of the street to the shelves by staying committed to the craft. Please visit <http://www.mtlcannabis.ca/>

About Canada House Wellness Group

Canada House Wellness Group is the parent company of Abba Medix Corp., a Licensed Producer in Pickering, Ontario that produces high quality medical grade cannabis; IsoCanMed Inc., a Licensed Producer in Louiseville, Québec growing best-in-class indoor cannabis, in its 64,000 sq. ft. production facility employing state-of-the-art vertical, aeroponic production methodologies; Canada House Clinics Inc., with clinics across the country that work directly with primary care teams to provide specialized cannabinoid therapy services to patients suffering from simple and complex medical conditions; and Knalysis Technologies, a provider of fully customizable, cloud-based software that links physician, provider, and patient to data that supports treatment with medical cannabis.

Canada House Wellness Group's goal is to become the leading cultivator of premium craft cannabis and provider of cannabinoid therapy, targeting the medical cannabis markets globally. Please visit www.canadahouse.ca or the Company's public filings at www.sedar.com.

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Cautionary Statement Regarding Forward-Looking Information. This press release contains forward-looking statements, including statements that relate to, among other things, the Company's clinic, production and technology businesses, its future plans, the Company's markets, objectives, goals, strategies, intentions, beliefs, expectations and estimates, and can generally be identified by the use of words such as "may", "will", "could", "should", "would", "likely", "possible", "expect", "intend", "estimate", "anticipate", "believe", "plan", "objective" and "continue" (or the negative thereof) and words and expressions of similar import. Although the Company believes that the expectations reflected in such forward-looking statements are reasonable, such statements involve risks and uncertainties, and undue reliance should not be placed on such statements. Certain material factors or assumptions are applied in making forward-looking statements, and actual results may differ materially from those expressed or implied in such statements. Material assumptions used to develop forward-looking information in this news release include, among other things, the closing of the transaction with Montreal Cannabis and the receipt of all necessary regulatory and shareholder approvals associated therewith, the regulations related to cannabis use under the Access to Cannabis for Medical Purposes Regulations and the act respecting cannabis and to amend the Controlled Drugs and Substances Act, the Criminal Code and other Acts, passed by the Canadian Federal government, making cannabis and cannabis based edibles, vapes and oils legal for recreational use on October 17, 2018 and October 17, 2019; Company liquidity and capital resources, including the availability of additional capital resources to fund its activities; level of competition; the ability to adapt products and services to the changing market; the ability to attract and retain key executives; and the ability to execute strategic plans. Additional information about material factors that could cause actual results to differ materially from expectations and about material factors or assumptions applied in making forward-looking statements may be found in the Company's most recent annual and interim Management's Discussion and Analysis under "Risk and Uncertainties" as well as in other public disclosure documents filed with Canadian securities regulatory authorities. The Company does not undertake any obligation to update publicly or to revise any of the forward-looking statements contained in this document, whether as a result of new information, future events or otherwise, except as required by law.

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.