

Form 62-103F1

Required Disclosure under the Early Warning Requirements

State if this report is filed to amend information disclosed in an earlier report. Indicate the date of the report that is being amended.

Not applicable.

Item 1 – Security and Reporting Issuer

1.1 State the designation of securities to which this report relates and the name and address of the head office of the issuer of the securities.

Common shares (the “Common Shares”) of C21 Investments Inc. (the “Issuer”)

Issuer’s head office address:

Suite 303, 595 Howe Street
Vancouver, British Columbia
Canada V6C 2T5

1.2 State the name of the market in which the transaction or other occurrence that triggered the requirement to file this report took place.

Not applicable.

Item 2 – Identity of the Acquiror

2.1 State the name and address of the acquiror.

Sonny L. Newman (“Newman”)
9455 Double R Blvd
Reno, Nevada
U.S.A. 89521

2.2 State the date of the transaction or other occurrence that triggered the requirement to file this report and briefly describe the transaction or other occurrence.

On January 15, 2019, Sonny L. Newman acquired control and direction over 12,500,000 common shares (the “Common Shares”) of the Issuer. The Common Shares were acquired by Newman Family 1999 Trust (the “Trust”), of which Mr. Newman and Kelli R. Newman act as co-trustees, upon immediate conversion of a Cdn.\$12,500,000 principal amount convertible note (the “Convertible Note”) issued on January 15, 2019 by the Issuer as partial consideration for the “Silver State” transaction (the “Transaction”) described in the Issuer’s news release dated December 12, 2018.

2.3 State the names of any joint actors.

Newman Family 1999 Trust (i.e. the Trust) / Kelli R. Newman (co-trustee of the Trust)

Item 3 – Interest in Securities of the Reporting Issuer

- 3.1 State the designation and number or principal amount of securities acquired or disposed of that triggered the requirement to file this report and the change in the acquiror’s securityholding percentage in the class of securities.**

Neither Newman nor the Trust had deemed beneficial ownership of, or control or direction over, any common shares of the Issuer prior to the Transaction.

Following completion of the Transaction, Newman acquired control and direction over the 12,500,000 Common Shares beneficially owned by the Trust, representing 21.7% of the outstanding common shares of the Issuer.

- 3.2 State whether the acquiror acquired or disposed ownership of, or acquired or ceased to have control over, the securities that triggered the requirement to file this report.**

Newman acquired control over the 12,500,000 Common Shares that the Trust beneficially owns.

- 3.3 If the transaction involved a securities lending arrangement, state that fact.**

Not applicable.

- 3.4 State the designation and number or principal amount of securities and the acquiror’s securityholding percentage in the class of securities, immediately before and after the transaction or other occurrence that triggered the requirement to file this report.**

See item 3.1.

- 3.5 State the designation and number or principal amount of securities and the acquiror’s securityholding percentage in the class of securities referred to in Item 3.4 over which**

- (a) the acquiror, either alone or together with any joint actors, has ownership and control:**

Not applicable.

- (b) the acquiror, either alone or together with any joint actors, has ownership but control is held by persons or companies other than the acquiror or any joint actor:**

Not applicable.

- (c) the acquiror, either alone or together with any joint actors, has exclusive or shared control but does not have ownership:**

12,500,000 Common Shares, representing 21.7% of the outstanding common shares of the Issuer.

- 3.6 **If the acquiror or any of its joint actors has an interest in, or right or obligation associated with, a related financial instrument involving a security of the class of securities in respect of which disclosure is required under this item, describe the material terms of the related financial instrument and its impact on the acquiror's securityholdings.**

Not applicable.

- 3.7 **If the acquiror or any of its joint actors is a party to a securities lending arrangement involving a security of the class of securities in respect of which disclosure is required under this item, describe the material terms of the arrangement including the duration of the arrangement, the number or principal amount of securities involved and any right to recall the securities or identical securities that have been transferred or lent under the arrangement.**

Not applicable.

State if the securities lending arrangement is subject to the exception provided in section 5.7 of NI 62-104.

Not applicable.

- 3.8 **If the acquiror or any of its joint actors is a party to an agreement, arrangement or understanding that has the effect of altering, directly or indirectly, the acquiror's economic exposure to the security of the class of securities to which this report relates, describe the material terms of the agreement, arrangement or understanding.**

Not applicable.

Item 4 – Consideration Paid

- 4.1 **State the value, in Canadian dollars, of any consideration paid or received per security and in total.**

The Trust received the 12,500,000 Common Shares upon conversion of the Cdn.\$12,500,000 Convertible Note at a conversion price of Cdn.\$1.00 per share. The Issuer issued the Convertible Note as partial consideration for the Transaction.

- 4.2 **In the case of a transaction or other occurrence that did not take place on a stock exchange or other market that represents a published market for the securities, including an issuance from treasury, disclose the nature and value, in Canadian dollars, of the consideration paid or received by the acquiror.**

See item 4.1 above.

- 4.3 **If the securities were acquired or disposed of other than by purchase or sale, describe the method of acquisition or disposition.**

See item 4.1 above.

Item 5 – Purpose of the Transaction

State the purpose or purposes of the acquiror and any joint actors for the acquisition or disposition of securities of the reporting issuer. Describe any plans or future intentions which the acquiror and any joint actors may have which relate to or would result in any of the following:

- (a) the acquisition of additional securities of the reporting issuer, or the disposition of securities of the reporting issuer;**
- (b) a corporate transaction, such as a merger, reorganization or liquidation, involving the reporting issuer or any of its subsidiaries;**
- (c) a sale or transfer of a material amount of the assets of the reporting issuer or any of its subsidiaries;**
- (d) a change in the board of directors or management of the reporting issuer, including any plans or intentions to change the number or term of directors or to fill any existing vacancy on the board;**
- (e) a material change in the present capitalization or dividend policy of the reporting issuer;**
- (f) a material change in the reporting issuer’s business or corporate structure;**
- (g) a change in the reporting issuer’s charter, bylaws or similar instruments or another action which might impede the acquisition of control of the reporting issuer by any person or company;**
- (h) a class of securities of the reporting issuer being delisted from, or ceasing to be authorized to be quoted on, a marketplace;**
- (i) the issuer ceasing to be a reporting issuer in any jurisdiction of Canada;**
- (j) a solicitation of proxies from securityholders;**
- (k) an action similar to any of those enumerated above.**

See items 2.2, 4.1 and 6.

Mr. Newman acquired control and direction over the Common Shares further to the Trust’s acquisition of the Common Shares in connection with the Transaction. There is no present intention for the Trust to acquire additional Common Shares. The Trust may dispose of the Common Shares (through market or private transactions) from time to time.

Item 6 – Agreements, Arrangements, Commitments or Understandings With Respect to Securities of the Reporting Issuer

Describe the material terms of any agreements, arrangements, commitments or understandings between the acquiror and a joint actor and among those persons and any person with respect to securities of the class of securities to which this report relates, including but not limited to the

transfer or the voting of any of the securities, finder’s fees, joint ventures, loan or option arrangements, guarantees of profits, division of profits or loss, or the giving or withholding of proxies. Include such information for any of the securities that are pledged or otherwise subject to a contingency, the occurrence of which would give another person voting power or investment power over such securities, except that disclosure of standard default and similar provisions contained in loan agreements need not be included.

In connection with the Transaction, on July 13, 2018, the Issuer and Newman signed an agreement (as amended and restated on September 7, 2018 and by amending agreements dated September 24, 2018, December 12, 2018 and January 10, 2019, respectively) in respect of the Issuer’s purchase of all of the issued and outstanding membership units in each of Silver State Relief, LLC and Silver State Cultivation, LLC (together, “Silver State”), private limited liability companies existing under the laws of Nevada involved in various cannabis-related businesses. In addition, the Issuer, through a wholly-owned subsidiary, also entered into a real property lease and option to purchase with NewJohn, LLC, a private limited liability company existing under the laws of Nevada (“NewJohn”) in respect of a provisional license for a retail dispensary in Fernley, Nevada that is currently under development. The Issuer is at arm’s length to Silver State, Newman and NewJohn.

Further to the restructured terms of the Transaction as of December 12, 2018, the total consideration for the Transaction was U.S.\$39,000,000 plus the Cdn.\$12,500,000 Convertible Note. In respect of the U.S.\$39,000,000 part of the consideration, the Issuer paid U.S.\$9,000,000 in cash by December 31, 2018 and issued on January 15, 2019 a U.S.\$30,000,000 secured promissory note, bearing interest at 10% per annum, payable in quarterly instalments to be amortized over the period ending June 2020. The Issuer also issued on January 15, 2019 the Convertible Note which was immediately converted into the 12,500,000 Common Shares held by the Trust. In addition, with the restructured Transaction, the parties had agreed to cancel a previously negotiated U.S.\$14,000,000 three-year convertible note from the Issuer.

Item 7 – Change in Material Fact

If applicable, describe any change in a material fact set out in a previous report filed by the acquirer under the early warning requirements or Part 4 in respect of the reporting issuer’s securities.

Not applicable.

Item 8 – Exemption

If the acquirer relies on an exemption from requirements in securities legislation applicable to formal bids for the transaction, state the exemption being relied on and describe the facts supporting that reliance.

Not applicable.

Item 9 – Certification

Certificate

I, as the acquiror, certify, or I, as the agent filing this report on behalf of an acquiror, certify to the best of my knowledge, information and belief, that the statements made in this report are true and complete in every respect.

DATED the 16th day of January, 2019.

“Sonny L. Newman”

Sonny L. Newman