

Loon Energy Corporation Update on Timing of Shareholders Meeting to Approve Amalgamation with Pacific West Canopy Holdings Ltd.

Calgary, Alberta--(Newsfile Corp. - November 1, 2018) - On September 17, 2018, Loon Energy Corporation (TSXV: **LNE.H**) ("**Loon**") announced that it had entered into an Amalgamation Agreement (the "**Amalgamation Agreement**") with Pacific West Canopy Holdings Ltd. ("**PacWest**"), a privately held corporation existing under the *Business Corporations Act* (British Columbia), pursuant to which Loon and PacWest agreed to amalgamate (the "**Amalgamation**") and continue as "Pacific West Canopy Ltd." (the "**Resulting Issuer**"). PacWest is an emerging cannabis producer as described under "About PacWest" below and it is anticipated that the Resulting Issuer will carry on the current business of PacWest. The Amalgamation Agreement was negotiated at arm's length and is effective as of September 14, 2018. PacWest and Loon were, and continue to be, completely at arm's length to each other and they have no common insiders. It was amended effective October 29, 2018 to change the Outside Date to February 28, 2019 and to change the date by which each of Loon and PacWest must hold shareholder's meetings to approve the Amalgamation to January 25, 2019.

In conjunction with the Amalgamation, Loon will be seeking approval to de-list (the "**De-listing**") from the NEX Board ("**NEX**") of the TSX Venture Exchange (the "**TSXV**") where the common shares of Loon (the "**Loon Shares**") are currently listed. The resolution to de-list will require the approval of a Majority of the Minority of shareholders (as such term is defined in Exchange regulations) who are not insiders of Loon and who vote on the resolution. Additionally, in order to facilitate the Amalgamation, Loon will seek shareholder and regulatory approval to continue as a corporation out of the *Business Corporations Act* (Alberta) and into the *Business Corporations Act* (British Columbia) (the "**Continuance**"). The Continuance, together with the De-listing, the Amalgamation and the other transactions contemplated in the Amalgamation Agreement, constitute the transaction (the "**Transaction**"). The Transaction requires shareholder approval and on September 17th Loon announced that it would hold an annual and special meeting of its shareholders on November 21, 2018 to seek shareholder approval of the Transaction (the "**Meeting**").

Loon has determined that it is not desirable to hold the Meeting on November 21, 2018 and it anticipates that a new notice for the Meeting will be issued shortly after receipt from PacWest of its audited financial statements. PacWest have advised that the audited financial statements should be available by the middle of November in which case it is anticipated that the Meeting will be held in January, 2019.

Upon completion of the Transaction, it is the intention of the parties that the Resulting Issuer will continue to focus on the cannabis business currently being undertaken by PacWest and PacWest will be a reporting issuer listed on the Canadian Securities Exchange (the "**CSE**").

About PacWest

PacWest is an emerging vertically-integrated cannabis company with facilities being constructed and planned in Mission, British Columbia and Olds, Alberta as is further described below. Pursuant to a License Acquisition and Transfer Agreement between PacWest and Agro-Greens Natural Products JV Ltd. ("**Agro JV**"), PacWest is pursuing an extended site license under the *Access to Cannabis for Medical Purposes Regulations* ("**ACMPR**"). Agro JV is an affiliate of Agro-Greens Natural Products Ltd. ("**Agro Natural Products**"), a "licensed producer" under the ACMPR, which is based in Macklin, Saskatchewan. Pursuant to the License Acquisition and Transfer Agreement, Agro JV has agreed to transfer its interest in an extended site license, once received, to PacWest. Any transfer of a license under the ACMPR is subject to approval by Health Canada and there can be no assurance that such approval will be granted.

PacWest has commenced construction of a cannabis production facility on its 100% owned 22 acre property on Farms Road in Mission, British Columbia. Upon successful buildout of all phases, the planned facility could ultimately comprise approximately 600,000 square feet of indoor and greenhouse growing canopy which is expected to include processing and extraction labs. Omicron Canada Inc., one of the largest integrated development services, design and construction firms in Western Canada, has been engaged to oversee PacWest's Mission project. Phase 1 construction, which will include 6,700 square feet of modular units, at an estimated cost of \$1.45 million, is expected to be completed by the end of the first quarter of 2019.

PacWest has also secured a 100% interest in a four acre parcel in the Town of Olds, Alberta. A development permit has been issued by the Town of Olds and PacWest has contracted Associated Engineering, a Canadian consulting engineering firm providing planning, engineering, environmental science and project management services, to advise on the design phase and manage the construction of the planned multi-level 200,000 square foot steel facility.

PacWest was incorporated under the *Business Corporations Act* (British Columbia) in November, 2017 and it has expended more than \$5 million in the past ten months on site acquisition, design and initial construction costs and pre-ordering of equipment necessary for the growing of cannabis.

About Loon

Loon was incorporated under the *Business Corporations Act* (Alberta) in the fourth quarter of 2008 and carried on business as an international oil and gas exploration company until 2017. Its registered and head office is in Calgary, Alberta. Loon is a

"reporting issuer" within the meaning of the *Securities Act* (Alberta), the *Securities Act* (Ontario) and the *Securities Act* (British Columbia).

Terms of the Transaction

Upon completion of the Amalgamation and subject to regulatory approval, holders of the common shares of PacWest (the "**PacWest Shares**") will receive one common share of the Resulting Issuer (the "**Resulting Issuer Shares**") for each PacWest Share held and the PacWest Shares will be cancelled. Holders of the common shares of Loon (the "**Loon Shares**") will receive one Resulting Issuer Share for every ten Loon Shares held and, other than in the case of holders of Loon Converted Indebtedness (as herein defined), one warrant (the "**Resulting Issuer Warrants**") for each four Resulting Issuer Shares received as a result of the Amalgamation. Thereafter, the Loon Shares will be cancelled. The Resulting Issuer Warrants will not be listed, will have a term of three years and will enable the holder to purchase one Resulting Issuer Share at a price of CAD\$0.30 per Resulting Issuer Share for each Resulting Issuer Warrant exercised, subject to customary adjustments. It is a condition to the completion of the Transaction that certain directors and officers of Loon who hold unsecured debt in Loon totalling US\$371,622 and \$374,636 (approximately \$864,050), plus accrued but unpaid interest thereon as at June 30, 2018 (the "**Loon Converted Indebtedness**"), convert such indebtedness into Resulting Issuer Shares at a rate of one Resulting Issuer Share for every CAD\$0.30 of Loon Converted Indebtedness held as at the effective time of the Transaction.

As of the date hereof, Loon has 23,938,379 Loon Shares issued and outstanding and no options, warrants, or preferred shares outstanding and PacWest advises that it currently has 78,052,886 PacWest Shares to be issued and outstanding and no options, warrants, or preferred shares outstanding. Up to an additional 14,000,000 Resulting Issuer Shares could be issued to certain directors of the Resulting Issuer in the event that certain performance milestones are achieved. Upon completion of the Transaction, it is anticipated that the current holders of Loon Shares and the holders of Loon Converted Indebtedness will hold approximately 6.3% of the Resulting Issuer Shares on an undiluted basis, before the issuance of any Resulting Issuer Shares based on performance milestones or upon closing of the planned private placement.

Conditions to Transaction

The completion of the Transaction is subject to customary conditions for a transaction of this nature, including the following:

- a. the shareholders of Loon and PacWest shall each have approved the Amalgamation and the adoption of the Amalgamation Agreement and, in the case of Loon, approved the Continuance and the De-Listing;
- b. all regulatory approvals required to complete the Transaction shall have been obtained, including, without limitation, the conditional approval of the CSE for the listing of the Resulting Issuer Shares, The application for conditional listing approval on the CSE has not been made as of the date of this news release;
- c. PacWest shall have provided sufficient evidence that it is diligently pursuing its application to become a "Licensed Producer" under the ACMPR on commercially reasonable terms and that it can become the registered holder of licenses in respect of its facilities. PacWest must also provide satisfactory evidence that it has sufficient working capital to complete the process of becoming a Licensed Producer and obtaining licenses under the ACMPR on commercially reasonable terms; and
- d. the conversion of Loon Converted Indebtedness into Resulting Issuer Shares in the manner described above.

Financing for Transaction

In connection with the Transaction, Loon issued an unsecured promissory note with a principal amount of CAD\$100,000 to Cangrow Consultancy Ltd. ("**Cangrow**"), a non-arms length entity to certain persons expected to be insiders of the Resulting Issuer upon completion of the Amalgamation (the "**Note**"). Effective October 25, 2018, by agreement between Cangrow, PacWest and Loon, PacWest has replaced Cangrow as holder of the Note. The Note accrues interest at a rate of 12.00% per annum, compounding quarterly, and becomes due and payable on the earlier of two business days following completion of the Transaction and July 27, 2019. Additionally, pursuant to the Amalgamation Agreement, PacWest has agreed to subscribe for up to an additional CAD\$150,000 of unsecured promissory notes in three tranches of CAD\$50,000 beginning on the date that is seven days after the effective date of the Amalgamation Agreement and ending on the date that is thirty five days after the effective date of the Amalgamation Agreement (the "**Additional Notes**"). The Additional Notes accrue interest at a rate of 12.00% per annum, compounding quarterly, and will become due and payable on the earlier of two business days following completion of the Transaction and the date that is one year from the date of issuance of the respective Additional Note. To date CAD\$100,000 remains to be advanced by PacWest and will be advanced on completion of the PacWest private placement described below.

Timothy Elliott and Jock Graham, both of whom are directors of the Corporation, and Norman Holton, who is a director and Chief Executive Officer and President of the Corporation, have also agreed to provide additional funding for the Transaction by subscribing for promissory notes on substantially the same terms as the Additional Notes in the event that additional funding is required.

Additional Information Regarding the Transaction

Pursuant to the Amalgamation Agreement, Loon and PacWest are required to use their commercially reasonable efforts to obtain the necessary shareholder and regulatory approvals, and to satisfy other required conditions to closing, such that the Transaction can be approved by shareholders of Loon and PacWest by not later than February 28, 2019, or such later date as the parties may agree to in writing. It is the intention of the parties to complete the Transaction as soon as practicable thereafter.

In the event that the Transaction has not been completed by February 28th, 2019, each of the parties is entitled to terminate the Amalgamation Agreement.

PacWest Non-Brokered Private Placement Financing

It is anticipated that the non-brokered private placement that PacWest had planned to complete in conjunction with the Transaction, will now complete by the end of November. The private placement offering will consist of up to 10,000,000 Units of PacWest at a price of \$0.30 per Unit for gross proceeds of up to \$3,000,000, with each Unit consisting of one PacWest Share and ½ of a share purchase warrant giving the holder the right to acquire a Resulting Issuer Share for \$0.45 for a period of two years.

Further Information

All information contained in this news release with respect to Loon and PacWest was supplied by the parties respectively, for inclusion herein, and each party and its directors and officers have relied on the other party for any information concerning the other party.

For further information regarding the Transaction, please contact:

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Completion of the Amalgamation is subject to a number of conditions, including but not limited to, CSE approval of the listing of the Resulting Issuer Shares and approval of the shareholders of both Loon and PacWest. Pursuant to the rules of the TSX-V, the De-listing must also be approved by the disinterested shareholders of Loon. The Amalgamation cannot be completed until all required shareholder and regulatory approvals have been obtained. There can be no assurance that the Amalgamation will be completed as proposed or at all.

Investors are cautioned that, except as disclosed in the Loon management information circular that will be distributed by Loon in connection with the Loon Meeting or in the listing statement to be prepared in connection with the listing of the Resulting Issuer Shares on the CSE, any information released or received with respect to the Amalgamation may not be accurate or complete and should not be relied upon.

This press release does not constitute an offer to sell or a solicitation of an offer to sell any of the securities in the United States. The securities 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 unless registered under the U.S. Securities Act and applicable state securities laws or an exemption from such registration is available.

Neither NEX nor the CSE has in any way passed upon the merits of the Amalgamation or the listing of the Resulting Issuer Shares and has neither approved nor disapproved the contents of this press release.

NEITHER THE TSXV OR ITS REGULATION SERVICES PROVIDER (AS THAT TERM IS DEFINED IN THE POLICIES OF THE TSXV), NOR THE CSE OR ITS MARKET REGULATOR (AS THAT TERM IS DEFINED IN THE POLICIES OF THE CSE) ACCEPTS RESPONSIBILITY FOR THE ADEQUACY OR ACCURACY OF THIS RELEASE.

CAUTIONARY NOTE REGARDING FORWARD-LOOKING INFORMATION:

This news release contains "forward-looking information" and "forward-looking statements" (collectively, "forward-looking statements") within the meaning of the applicable Canadian securities legislation. All statements, other than statements of historical fact, are forward-looking statements and are based on expectations, estimates and projections as at the date of this news release. Any statement that involves discussions with respect to predictions, expectations, beliefs, plans, projections, objectives, assumptions, future events or performance (often but not always using phrases such as "expects", or "does not expect", "is expected", "anticipates" or "does not anticipate", "plans", "budget", "scheduled", "forecasts", "estimates", "believes" or "intends" or variations of such words and phrases or stating that certain actions, events or results "may" or "could", "would", "might" or "will" be taken to occur or be achieved) are not statements of historical fact and may be forward-looking statements. Except as required by law, Loon and PacWest assume no obligation to update the forward-looking statements or beliefs, opinions, projections, or other factors contained or described herein, should they change.

Although Loon and PacWest believe that the assumptions and expectations reflected in such forward-looking statements and

information are reasonable, it can give no assurance that such expectations will prove to be correct and such forward-looking statements should not be unduly relied upon. Since forward-looking statements and information address future events and conditions, by their very nature they involve inherent known and unknown risks and uncertainties. Actual results, performance or achievements could differ materially from those expressed in, or implied by, these forward-looking statements and, accordingly, no assurance can be given that any of the events anticipated by the forward-looking statements will transpire or occur in the manner described herein. Should one or more of these risks or uncertainties materialize, or should assumptions or expectations underlying such forward-looking statements prove incorrect, actual results may vary materially from those currently anticipated due to a number of factors and risks.

In this news release, forward-looking statements relate, among other things, to:

- the ability of the parties to obtain the requisite shareholder and regulatory approvals to complete the Transaction;
- the ability of the Resulting Issuer to have the ACMPR licenses assigned to it and pursuant to the License Acquisition and Transfer Agreement with Agro JV or to otherwise obtain licenses under the ACMPR;
- that the Resulting Issuer Shares will be listed on the CSE upon completion of the Transaction; and
- PacWest's ability to complete the proposed private placement and the final price and size of such offering.

Readers are cautioned that the foregoing list of factors is not exhaustive. The forward-looking statements contained in this release are made as of the date of this release for the purpose of providing the readers with Loon's and PacWest's expectations. The forward-looking statements and information may not be appropriate for other purposes. Neither Loon nor PacWest undertake an obligation to update publicly or revise any forward-looking statements or information, whether as a result of new information, future events or otherwise, unless so required by applicable securities laws.