



FOR IMMEDIATE RELEASE

Stem Holdings Inc., Strengthens Craft Cannabis Portfolio Through the Acquisition of the Assets of Yerba Oregon, LLC d/b/a Yerba Buena

This Press Release Includes Additional Information From the October 9, 2018 Press Release

BOCA RATON, Oct. 10, 2018 - Stem Holdings Inc. (OTCQB: STMH CSE: STEM) (the "Company" or "Stem"), is pleased to announce the execution of definitive agreements for the acquisition of Yerba Buena, signed October 8, 2018, an award-winning Oregon cannabis brand, pending Oregon Liquor Control Commission's (OLCC) approval.

Under the terms of the agreement, Stem will acquire from Yerba Buena all the assets comprising Yerba Buena's business and assume the related liabilities. The consideration to be paid by Stem includes: (i) US\$350,000 in cash payable on closing; (ii) a US\$400,000 non-negotiable promissory note (iii) US\$3.86 million in common share of Stem to be issued in two tranches, with US\$1.58 million to be issued on closing at the then prevailing market price and US\$2.28 million to be issued in June 2019 at the then prevailing market price. Closing of the transaction is expected to occur in January 2019 and is subject to regulatory approvals.

The 29-acre Yerba Buena property, located in Hillsboro, Oregon, features state-of-the-art LED lighting and 9,000 square feet of indoor cultivation canopy. At full production, the cultivation facility can produce 4,000 pounds of clean cannabis annually. Yerba Buena has also developed an advanced, in-house genetics program that has generated a cannabis seed stock collection of a few hundred strains.

"Oregon is home to one of the most competitive cannabis markets in the country. Yerba Buena's success in the Pacific Northwest demonstrates their ability to strongly execute large-scale cultivation operations while maintaining a consistent, high-quality product," said Stem's CEO Adam Berk.

Upon OLCC approval, the acquisition of Yerba Buena directly supports Stem's plans for nationwide expansion. While Stem's operational affiliates have developed partnerships with a number of widely recognized cannabis brands and licensees across the country, the acquisition of Yerba Buena solidifies Stem's commitment to providing shareholder value through strategic mergers and acquisitions within the cannabis space.

"This transaction with Stem is an opportunity for Yerba Buena's cannabis to reach more consumers in Oregon while promoting our platform of sustainable and progressive labor practices on a broader scale," says Preston Greene, General Manager of Yerba Buena. "Stem shares our mission, as we look forward to setting the industry standard for best business practices and sustainable cannabis products achieving the ultimate goal of creating a multi-national footprint," says Laura Day, Director of Operations.

Yerba Buena is widely recognized as a cannabis industry leader in stewardship and cultivation. Led by its management team of respected industry experts and composed of a first-in-class staff, Yerba Buena is one of the only cannabis farms in the country to hold both Clean Green™ and Certified Kind responsible agriculture credentials. Yerba Buena delivers naturally-grown products that have garnered numerous industry awards including, the Best Indoor Grow by the Dope Industry Awards, Best Cannabis Farm in Portland two years running, Best Sativa at the Oregon Dope Cup, and Best CBD strain at the Cultivation Classic.

Yerba Buena has also been honored for their exemplary workplace practices. Its cultivation facility was the first cannabis company to ever receive the 100 Best Green Companies award by Oregon Business Magazine, winning in both 2017 and 2018, placing 9th and then 6th respectively across all industries. Yerba Buena is committed to building a diverse workforce as women make up half of the business's employee base, as well as people of diversity comprise a third of the staff.

“As we continue to expand into other states and markets, partnering with experienced leaders holding similar values as Stem is key to our success,” says Berk. “Together, we will continue to build one of the country's most prosperous and sustainable cannabis cultivation brands.”

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About Stem Holdings Inc.

Stem has positioned itself as a leader in the U.S. cannabis industry by building state-of-the-art licensed solutions that include: cultivation, processing and retail properties across multiple U.S. markets. As an innovative company, Stem acquires and improves properties for cannabis industry operators and provides turn-key solutions for vetted, marijuana-based businesses including but not limited to edibles, marijuana and hemp cultivation, extraction, and processing. These cannabis companies have developed an extensive portfolio of award-winning consumer-facing brands, partnering with well known, branded cannabis operators with a proven track record of success, such as TJ's Gardens, Cannavore, incredibles, Dose-ology and Green T-Farms. *For more information, visit www.stemholdings.com.*

About Yerba Buena

Yerba Buena is one of the world's finest and most innovative cannabis companies. It created a diverse and inclusive work environment where individuals can thrive sharing in the business' success and passion within the communities and the planet they serve.

Yerba Buena is on the board of the Cannabis Certification Council, a non-profit entity that focuses on promoting awareness for organic cannabis, creating a standard for organic cultivation methods, and fair labor standards in the cannabis industry. Additionally, Yerba Buena is on the Technical Advisory Council (TAC) for the Research Innovation Institute (RII), an international organization setting standards and supporting the innovation of new sustainable technologies. Yerba Buena is also on the board of the Oregon Cannabis Association (OCA), the only statewide organization devoted to protecting and promoting the interests of the Oregon cannabis industry to state legislators. *For more information, visit www.yerbabuena.com.*

Forward-Looking Statements: This press release contains "forward-looking statements" as defined in applicable securities legislation. These statements, which express management's current views concerning future events, trends, contingencies or results, appear at various places in this press release. Any statement addressing future events or conditions necessarily involves inherent risk and uncertainty. Actual results can differ materially from those anticipated by management at the time of writing due to many factors, the majority of which are beyond the control of Stem and its management. In particular, this news release contains forward-looking statements pertaining, directly or indirectly, to the following: Stem's transaction with Yerba Buena and the timing for closing thereof, business operations and strategies, and the expectation and timing for regulatory approvals. Readers are cautioned that the foregoing list of factors should not be construed as exhaustive. These statements speak only as of the date of this release. Stem undertakes no obligation to publicly update or revise any forward-looking statements except as expressly required under applicable securities laws.

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