



Stem Holdings, Inc. Enters the Global Cannabis & Industrial Hemp Market with acquisition of South African Ventures, Inc.

BOCA RATON, March 25, 2019 - Stem Holdings, Inc. (OTCQB: STMH CSE: STEM) (the "Company" or "Stem") is pleased to announce it has executed a definitive agreement dated March 22, 2019 to acquire South African Ventures, Inc. ("SAV"). SAV has a joint venture (the "JV") with Profile Solutions, Inc. (OTC: PSIQ) and a working capital surplus of approximately C\$11 million. The JV has received preliminary approval to become the only licensed growing farm and processing plant for medical cannabis and industrial hemp (the "Facility") in The Kingdom of eSwatini f/k/a Swaziland ("eSwatini") for a minimum of 10 years. The consideration for the acquisition of SAV is expected to be 8,250,000 common shares of Stem, having a value of approximately C\$19 million based on Stem's closing trading price on March 21, 2019. The acquisition of SAV is expected to be completed on or around March 29, 2019.

The JV is a corporate joint venture with its own management team and all of the personnel, expertise, and other resources necessary to construct the Facility. SAV has a 49% interest in the JV, which it purchased for an aggregate purchase price of \$5,000,000. PSIQ holds the remaining 51% interest in the JV. Stem expects that the JV will finance the cost of construction of the Facility, estimated at \$7,000,000, with the JV's cash on hand and other non-dilutive sources of financing. Stem expects that the construction of the Facility will begin during the second quarter of 2019 and end during the fourth quarter of 2019.

Upon issuance of related permits and the construction of the Facility, the JV will: (1) operate an advanced hemp and medical cannabis manufacturing facility to grow and cultivate cannabis in accordance with strict Good Manufacturing Practices ("GMP") global health standards; (2) distribute hemp and medical cannabis within eSwatini; (3) be the exclusive exporter within eSwatini for hemp and medical cannabis worldwide; (4) operate a medical cannabis research and development lab; and (5) build a training facility to create jobs for local eSwatini citizens.

Adam Berk, CEO of Stem stated "We are very excited to expand our cannabis and industrial hemp operations globally through our partnership with The Kingdom of eSwatini. Products produced at the eSwatini Facility will initially be available for export to countries including but not limited to Australia and the European Union.

"With the experience and success we have accomplished to date growing, cultivating, processing, extracting and distributing hemp and medical cannabis in the United States, this venture in eSwatini will be potentially accretive for our shareholders and rewarding for its citizens," continued Adam Berk.

The eSwatini Facility will be located on 2,500 acres at The Science Park Matsapha for cannabis and industrial hemp cultivation and will adhere to strict GMP processing including a state-of-the-art research and development lab focused on genetic propagation. The implementation of this

project is expected to have a positive impact on this incredible South African country by bringing new jobs and new infrastructure. The eSwatini Facility has the potential to produce over 12,000 KG of product on annual basis. Stem expects production from the Facility to begin during the fourth quarter of 2019.

Unlike many other cannabis businesses and opportunities, the joint venture has already secured access to water rights, electricity, and banking for this project. All security plans and operations for the eSwatini Facility will be developed and managed by Golan Maimon, former Israeli Chief of Military police from 2013 to 2016.

ABOUT THE KINGDOM OF ESWATINI

The Kingdom of eSwatini, f/k/a Swaziland, is a country in Southern Africa bordered by Mozambique and South Africa. eSwatini is a member of the Southern African Development Community (SADC), the African Union, the Commonwealth of Nations and the United Nations.

ABOUT PROFILE SOLUTIONS, INC.

Profile Solutions, Inc., through its subsidiary Elite Products International, Inc., is a leading distributor and manufacturer in the cannabinoid (CBD) industry. The Company's products contain cutting-edge CBD industrial hemp extracts in the form of edibles, creams, oils and salves.

ABOUT STEM HOLDINGS, INC.

As a vertically integrated cannabis company, Stem has positioned itself as a pioneer in the industry with its state-of-the-art cultivation, processing, extraction, retail, and distribution operations. Stem owns cannabis facilities in Nevada, Oklahoma, and Oregon, and also participates in a research project in collaboration with Cornell University. Utilizing proprietary, sustainable cultivation techniques, Stem develops exceptional products that are safe and consist of lab-tested cannabis and CBD. Stem's partner consumer brands are award-winning and nationally known, and include: cultivators, TJ's Gardens and Yerba Buena; retail brands, Stem and TJ's; infused product manufacturers, Cannavore and Supernatural Honey; and a CBD company, Dose-ology. Stem's mission in supporting the health and happiness of people and the safety of our planet is evident through the Company's continued recognition for its community involvement, employee diversification and a top place to work in cannabis, dedication to environmental causes and outstanding leadership in the cannabis industry.

CAUTIONARY NOTE REGARDING FORWARD-LOOKING INFORMATION

This press release contains statements which constitute "forward-looking information" within the meaning of applicable securities laws, including statements regarding the plans, intentions, beliefs and current expectations of the management of Stem with respect to future business activities. Forward-looking information is often identified by the words "may", "would", "could", "should", "will", "intend", "plan", "anticipate", "believe", "estimate", "expect" or similar expressions and include information regarding: (i) the ability to construct and operate the eSwatini facility and the financing sources therefor; (ii) plans relating to the distribution of products from the JV; (iii) expectations regarding job creation in eSwatini; (iv) expectations for other economic, business, and/or competitive factors; (v) the purchase price and closing date for the SAV acquisition,

together with expectations around the accretive nature of the JV to Stem's shareholders; (vi) expectations around the exportation of products; and (vii) expectations around timing of the construction of the Facility and timing of the commencement of production from the Facility.

Investors are cautioned that forward-looking information is not based on historical facts but instead reflect the management of Stem's expectations, estimates or projections concerning future results or events based on the opinions, assumptions and estimates of management considered reasonable at the date the statements are made. Although Stem believes that the expectations reflected in such forward-looking information are reasonable, such information involves risks and uncertainties, and undue reliance should not be placed on such information, as unknown or unpredictable factors could have material adverse effects on future results, performance or achievements of the Company. Among the key factors that could cause actual results to differ materially from those projected in the forward-looking information are the following: changes in general economic, business and political conditions, including changes in the financial markets; the ability of the Company to raise debt and equity capital in the amounts and at the costs that it expects; adverse changes in the public perception of cannabis; construction delays; decreases in the prevailing prices for cannabis and cannabis products in the markets that the Company operates in; adverse changes in applicable laws; adverse changes in the application or enforcement of current laws, including those related to taxation; the inability to locate and acquire suitable companies, properties and assets necessary to execute on the Company's business plans; political risk; and increasing costs of compliance with extensive government regulation. This forward-looking information may be affected by risks and uncertainties in the business of Stem and market conditions.

Should one or more of these risks or uncertainties materialize, or should assumptions underlying the forward-looking information prove incorrect, actual results may vary materially from those described herein as intended, planned, anticipated, believed, estimated or expected. Although Stem has attempted to identify important risks, uncertainties and factors which could cause actual results to differ materially, there may be others that cause results not to be as anticipated, estimated or intended. Stem does not intend, and does not assume any obligation, to update this forward-looking information except as otherwise required by applicable law.

No securities regulatory authority has in any way passed upon the merits of the proposed transactions described in this news release or has approved or disapproved of the contents of this news release.

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