



Stem Holdings, Inc. Enters the California Cannabis Market with Cultivation, Processing and Distribution

BOCA RATON, April 1, 2019 - Stem Holdings, Inc. (OTCQB: STMH CSE: STEM) (the "Company" or "Stem") is pleased to announce it has executed a definitive agreement dated March 29, 2019 to acquire Western Coast Ventures, Inc. ("WCV). WCV has a joint venture (the "JV") with ILCA Holdings and a working capital surplus of approximately \$2,000,000. The JV will own one of 40 licensed cannabis facilities permitted in the city of San Diego, California. The consideration for the acquisition is expected to be 2,000,000 shares of Stem's common stock, having a value of approximately \$3,500,000 based on Stem's closing trading price on March 29, 2019. The acquisition of WCV is expected to be completed on or around April 12, 2019.

The JV is a corporate joint venture consisting of its own management team and all of the personnel, expertise, and other resources necessary to construct the Facility. WCV has a 51% interest in the JV, which it purchased for an aggregate price of \$1,500,000. ILCA holds the remaining 49% interest in the JV. Stem anticipates the JV will finance the cost of construction of the Facility, with its cash on hand and other non-dilutive sources of financing estimated at \$2,000,000. ILCA has previously invested \$500,000 in the build-out and permitting process. The construction of the facility has begun and will finish during the fourth quarter of 2019.

Upon issuance of related permits and the completed construction of the Facility, the JV will: (1) operate an advanced cannabis facility to grow and cultivate cannabis (2) distribute cannabis within California; and (3) manufacture cannabis-derived products.

"With a population of 39 million and the fifth largest GDP in the world, California cannabis market is an unparalleled state market which makes it a critical location for Stem's expansion," states Adam Berk CEO of Stem. "The agricultural expertise that both Stem and ILCA bring to this project will ensure that we execute a very successful cannabis operation."

The San Diego facility which encompasses 10,700 square feet will feature state of the art technology for cultivation manufacturing and distribution. A complex, sophisticated, portable racking system will create a 10,000 square foot canopy that has the potential to produce over 6,000 pounds of product per year with the help of high efficiency LED lights. The manufacturing sector of the property will deliver a large variety of cannabis-derived offerings such as flowers, pre-rolls, infused edibles, and topicals. Stem expects production from the Facility to begin during the fourth quarter of 2019.

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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