



August 21, 2019

Dear Fellow Shareholders,

I wanted to take the opportunity to provide a detailed update on the Company's progress and outlook for the remainder of 2019 and beyond. It has been just over four months since our initial capital raise and in this short time, our team has successfully crossed several business hurdles with carefully crafted initiatives. In turn, this has spurred a host of acquisitive activity that is laying the framework for us to build a leading cannabis operator.

As many of you are aware, the team behind Nabis is made up of cannabis industry leaders with dynamic backgrounds, providing a unique understanding of the cannabis industry that focuses on the strategic expansion of high performing assets that generate revenue and have the setup necessary to build out a continuously profitable enterprise.

In breaking away from the mainstream cannabis industry, Mark Krytiuk, President and Chairman of the Board and I, both previous Vice Presidents of Operations at industry-leading operator MPX Bioceutical, are building Nabis with a focus on the highest quality products, anchored by a nationwide brand and distribution.

### **Rapid Expansion of Footprint in the U.S.**

In conjunction with stringent standards for acquisitive activity, we have expanded the Nabis footprint at a breakneck pace following our initial capital raise. The Company has closed and/or signed definitive agreements on investments and acquisitions of assets in Michigan, Washington, Arizona and California.

#### ***Arizona***

Most recently, in Arizona, we entered into a definitive agreement to acquire 100% of the membership units of a fully-integrated medical marijuana business licensed under the Arizona Medical Marijuana Act. The acquisition includes a currently-operational dispensary that serves 132,000 patients in the Phoenix (Maricopa County) area. This asset has audited 2018 financials of \$8.7 million in revenue with gross margins in excess of 50%, and estimated \$9.0 million in revenue for 2019.

As part of our optimization plan, we are focused on increasing the net margins of the business while also expanding the revenue through its current wholesale distribution network. This asset has a line of edibles that serves more than 50% of all the Arizona dispensaries. We plan to introduce a host of new products through a lifestyle brand to be announced in the coming weeks. Nabis has also entered into a binding LOI to acquire a 44,000 sq ft facility that will allow for the expansion of cultivation and production in Arizona.

#### ***Anticipated Timeline by Fiscal Quarter (Year-End October 31):***

- **Q4 2019:**
  - Closing of the AZ vertical license and 44,000 sq ft building

- **1H 2020:**
  - Optimization of the retail operation by investing into local marketing and implementing efficient use of inventory and staff
  - Begin buildout of the expanded cultivation/production facility (drawings, permits, order and install equipment)
  - Completion of the facility buildout and planting of first harvest
- **2H 2020:**
  - Begin inaugural harvest and production
  - Optimize all business operations

### **California**

Our acquisition of Desert's Finest, a successful dispensary in Desert Springs, is anticipated to close at the end of September (depending on the timing of regulatory approval for license transfer). As of August 13, the City of Desert Hot Springs Planning Commission unanimously approved a Conditional Use Permit Amendment that allows for retail expansion from the current 2,076 sq ft to 3,977 sq ft. The retail space will be complemented by production and distribution space all in one facility. This is a cash flowing asset that had 2018 sales of \$5.7 million with 47% gross margins and is on track for a similar performance in 2019.

#### *Anticipated Timeline by Fiscal Quarter (Year-End October 31):*

- **Q4 2019:**
  - Closing of Desert's Finest dispensary
- **1H 2020:**
  - Optimization of the retail operation and begin buildout of the expanded retail space as approved by the city (drawings, permits, renovation)
  - Completion of the facility buildout, improvements to dispensary and launching of brand
- **2H 2020:**
  - Enhance retail operations and increase sales

### **Washington**

Our first investment in Washington State closed in May 2019 with the purchase of extraction and production equipment, as well as leasing rights for a currently-operational facility in Port Townsend, WA. Currently, we are in the process of expanding the facility further, which will include new highly specialized equipment, two new extraction lines, an extraction clean room and lab facility. The expansion requires a larger facility which we are currently seeking.

Included in our investment are licensing rights within Washington State for Chong's Choice brand products, a widely-known brand in the cannabis space. The licensing rights are an addition to our continued investment in intellectual property, which is an important aspect of our investment portfolio.

#### *Anticipated Timeline by Fiscal Quarter (Year-End October 31):*

- **Q4 2019:**
  - Continue existing operations and obtain rights to a new facility
- **1H 2020:**
  - Begin regulatory process of transferring license to new facility
  - Buildout of new facility (move existing equipment, new drawings, permits, and buildout)

- **2H 2020:**
  - Optimize production operations and increase sales
  - Introduce new lifestyle brand to the market

## **Michigan**

Michigan is another key state that we are very bullish about as it has a significant number of registered medical patients, second only to California, coupled with the fact that recreational cannabis will go live in 2020. We have closed on four retail locations and have two more under definitive agreements set to close in the fourth quarter of 2019. Our retail network will be partially supplied by our production and cultivation facility that will be housed in Bangor City where we have closed on 22 acres of land that is municipally approved with 10 cultivation licenses and one production license.

### *Anticipated Timeline by Fiscal Quarter (Year-End October 31):*

- **Q4 2019:**
  - Completion of drawings and building permits obtained for both retail and cultivation/production facilities
- **1H 2020:**
  - Buildout of the retail locations
  - Opening of retail dispensaries
  - Buildout of the 45,000 sq ft hybrid greenhouse and 20,000 production facility
  - Plant first harvest and begin production
- **2H 2020:**
  - Ramp up retail operations
  - Collect on first harvest sales as well as production/processing sales
  - Ramp up cultivation and processing capacity

## **Growing Portfolio of Innovative Technology**

In line with our goals of investing in high quality assets that will lead the future development of the cannabis industry, we recently completed our acquisition of 49% of Cannova Medical. The Israel-based business has developed an innovative alternative solution for cannabis consumption by utilizing a sublingual strip; not to be confused with a typical oral strip whose delivery method is similar to an edible (through the digestive system), the sublingual strip goes under the tongue and is absorbed into the bloodstream much quicker and more efficiently.

Additionally, Cannova Medical is developing the NovaJet Pro, an innovative, counter-top machine that enables clients to create customized film strips at the convenience of their homes, in real time while combining individual dosing that can include THC, CBD, and other active ingredients.

As outlined above, our team has been diligently working on building out the operations of Nabis and this is only the beginning. I remain confident in our commitment at Nabis to building a world-class, fully vertical cannabis operation, rooted in the principles of Good Manufacturing Practices and supported by a national brand that will provide only the highest quality products and service.

We continue to examine opportunities to inject capital into businesses that demonstrate proficiency in the industry and possess the framework to become an immediately profitable part of the Nabis brand.

Most of all, I am confident that, as our model has already demonstrated, we can create significant shareholder value now, and in the future.

I look forward to providing additional updates in the near future.

With best wishes,

A handwritten signature in black ink, appearing to read 'S. Shnet', written in a cursive style.

Shay Shnet  
Chief Executive Officer and Director  
Nabis Holdings Inc.