



ONEnergy Inc. Announces Proposed Acquisition of GaiaCann Inc.

TORONTO, June 25, 2019 - ONEnergy Inc. ("ONEnergy" or the "Company") (TSXV: OEG) is pleased to announce that on June 20, 2019 it had entered into a letter of intent ("LOI") with GaiaCann Inc. ("GaiaCann"), which contemplates an acquisition of all of the common shares of GaiaCann in exchange for the issuance of common shares of a successor corporation to ONEnergy, as described below (the "Transaction"). Completion of the Transaction would result in a reverse takeover and change of business of the Company under the policies of the TSX Venture Exchange (the "Exchange").

As required under the policies of the Exchange, the Transaction will be subject to the approval of the Company's shareholders and the Exchange. It is expected that the combined entity, after completion of the Transaction, will qualify as a Life Sciences Issuer pursuant to the requirements of the Exchange.

The LOI will be followed by the negotiation of a definitive agreement (the "Definitive Agreement") setting forth the detailed terms of the Transaction and containing the terms and conditions set out in the LOI and such other terms and conditions as are customary for transactions of the nature and magnitude contemplated in the LOI.

About GaiaCann

GaiaCann Inc. is full spectrum, discovery focused medical Cannabis Company. In the spring of 2019, GaiaCann received its high-level review confirmation from Health Canada for two of its standard cultivation, processing and sales licenses under the Cannabis Regulations. With construction underway, GaiaCann expects its flagship cultivation, extraction and research facility to be fully licensed by March 2020 and expects development of its second site to be complete in late 2020. Upon completion, GaiaCann's 32,000 square foot flagship facility, named "The Innovation Project", will boast five different extraction methods, three phase power and expansion capabilities. The driving force behind GaiaCann's passion in the industry is leading drug discoveries, as well as product and process development that will educate and advance the medical cannabis industry world-wide. GaiaCann is in the process of obtaining specialized licensing from Health Canada in research and development as well as Analytical Testing. The main cultivation and extraction sites will be located in Espanola, Ontario.

GaiaCann was formed in 2018 and is a private corporation existing under the laws of Ontario. The following information of GaiaCann is derived from its unaudited financial statements for the fiscal year ending December 31, 2018. GaiaCann had total assets and liabilities of \$8 thousand and \$15 thousand, respectively as at December 31, 2018. GaiaCann had operating expenses of \$7 thousand for the fiscal year ending December 31, 2018. GaiaCann is beneficially owned and controlled by Jeffery Scharf, of Lively Ontario, the president of GaiaCann, through his holding company, which is a private corporation existing under the laws of Ontario and carries on business in Ontario.

Proposed Transaction

As part of the Transaction, it is currently contemplated that ONEnergy will transfer, to a newly incorporated subsidiary ("Newco"), certain assets and liabilities other than its loss carryforward tax attributes (the "Spin Out Assets") in order to allow for the efficient combination of Newco and GaiaCann, while preserving any benefits of the tax attributes for the current ONEnergy shareholders. Newco will issue common shares to ONEnergy in exchange for the transfer of the Spin Out Assets, and ONEnergy will distribute the common shares of Newco to the current shareholders of ONEnergy as a return of capital, dividend or a combination of the two. It is anticipated that as part of the Transaction, Newco, which will hold the Spin Out Assets, will complete a new listing application with the Exchange and will become a reporting issuer. ONEnergy will continue to hold only its loss carryforward tax attributes, certain liabilities and will be delisted from the Exchange. It is anticipated that the Transaction will proceed through a share exchange by way of a plan of arrangement, amalgamation or other similar form of transaction and a change of business of ONEnergy into that of Newco and then the business of GaiaCann, with the corporate name of the resulting public entity (the "Resulting Issuer") being changed to GaiaCann Medical Inc. or such other name acceptable to GaiaCann and the applicable regulatory authorities. The Transaction, if and when it is completed, will result in the shareholders of GaiaCann holding a majority of the outstanding common shares of the Resulting Issuer. Following the Transaction, the current shareholders of ONEnergy will hold both ONEnergy common shares and Resulting Issuer common shares.

Specifically, the LOI contemplates that the Resulting Issuer will issue an aggregate of 136.2 million common shares to the shareholders of GaiaCann at a deemed price of \$0.734 per Resulting Issuer share, resulting in an implied common equity purchase price of \$100 million. As a result, at closing of the Transaction, and prior to completion of the Proposed Financing, the Resulting Issuer will own 100% of the shares of GaiaCann, at which time there will be 160.2 million common shares of the Resulting Issuer issued and outstanding of which the current shareholders of GaiaCann will hold an aggregate of 136.2 million shares, representing 85%, and the current shareholders of ONEnergy will hold an aggregate of 24.0 million common shares, representing approximately 15%.

The LOI also contemplates that the board of directors of the Resulting Issuer will be comprised of nominees of GaiaCann and that Jeffery Scharf of GaiaCann will become the Chief Executive Officer of the Resulting Issuer.

The LOI contemplates that, under the Definitive Agreement, ONEnergy issues up to 15% of its current issued and outstanding shares to certain GaiaCann principals (the "GaiaCann Principals Shares") (subject to restrictions under the Cease Trade Order – see below), as consideration for entering into the transaction. The issuance of the GaiaCann Principals Shares are subject to the policies of the Exchange, and requires approval of the Exchange and if applicable, disinterested shareholders of ONEnergy.

The Transaction constitutes an Arm's Length Transaction, as defined under the Exchange rules.

Stephen Letwin, Chairman, ONEnergy stated, "We are pleased to be able to announce that we have finalized a Letter of Intent with the GaiaCann management team whose members are in the process of building and consolidating state-of-the-art world class medical cannabis growing and research facilities. GaiaCann has made significant progress over a short period of time with respect to building its growing facilities in northern Ontario and making its way to the final steps of becoming a licensed producer under the Cannabis Regulations. Its management team is to be commended for making significant progress towards its goal of becoming a world leader in medical cannabis by producing cannabis that will exceed medical and compliance grade standards. We are strongly of the view that this opportunity will provide significant value for our shareholders."

Jeffery Scharf, founder and CEO of GaiaCann Inc. stated, "We are delighted to have entered into a strategic relationship with ONEnergy, they have been such a valuable addition to our growing team, and we would like to thank them for their dedication and patience throughout this process. We have worked tirelessly to create the best group of uniquely skilled individuals to develop and implement GaiaCann's aggressive expansion plans and innovative research capabilities. We strongly believe GaiaCann will advance the cannabis industry to a new level of scientific growth and this transaction will be paramount in achieving that goal."

GaiaCann Convertible Debenture Financing

GaiaCann also announced its intention to complete a non-brokered private placement of up to \$10 million in Unsecured Convertible Debentures (the "Debentures") The Debentures will mature two years from closing and will bear interest at 10% per annum, payable in cash or, at the option of the Subscriber, in common shares of GaiaCann ("GC Common Shares") subject to certain conditions. The Debentures will be convertible at the option of the holder into two GC Common Shares beginning 12 months after their issuance but before maturity (the "Conversion Rate"). Subscribers will receive one common share purchase warrants ("Warrant") for each \$1,000 of principal amount of Debenture. Each Warrant will entitle the holder to acquire two GC Common Share for \$1,000 per GC Common Shares beginning on that date which is 12 months from the issuance date and ending on that date which is two years from the issuance date. Upon a change of control of GaiaCann, the Debentures and all outstanding interest thereon shall convert into GC Common Shares at the Conversion Rate.

GaiaCann intends to use the net proceeds from the Convertible Debentures to fund construction of its flagship facility and for general corporate purposes. GaiaCann intends to close the non-brokered private placement in several tranches between June and August 2019.

ONEnergy Bridge Financing

GaiaCann intends to provide a loan to ONEnergy to pay for costs associated with the Transaction. The proceeds of the loan will be used to fund transaction costs including, but not limited to, audit fees, legal fees, Exchange fees, financial advisory and transfer agent fees. The loan will be unsecured, interest-bearing and due on demand. Under the policies of the Exchange, ONEnergy will provide a submission, which details these costs, to the Exchange for its review and approval prior to any advancement of funds.

Proposed Financing

Prior to or concurrently with completion of the Transaction, and subject to Exchange approval, the Resulting Issuer expects to complete a private placement financing of subscription receipts (the "Proposed Financing"). The net proceeds from the Proposed Financing are expected to be used to finance transaction costs and provide additional capital to support growth going forward. Additional information regarding the Proposed Financing will be provided in due course.

Conditions to Closing the Transaction

Completion of the Transaction will be subject to several conditions, including, the negotiation and execution of the Definitive Agreement, which will include customary prohibitions on material changes to the business and operations of the parties, the completion of the Proposed Financing, the receipt of all regulatory, corporate and third party approvals, including the approval of the shareholders of the Company, and other conditions precedent customary for a transaction of this nature.

Trading in the common shares of ONEnergy is currently halted as a result of a Cease Trade Order by the Ontario Securities Commission ("OSC"). The Cease Trade Order is a result of the Company's failure-to-file the 2018 Audited Financial Statements, the management discussion and analysis thereof and related officer certificates. The Cease Trade Order is expected to remain in place until the Company files the Annual Filings and subsequent interim reporting period filings. Following the filing of the Annual Filings and interim filings, the common shares are expected to remain halted pending additional information relating to the Transaction being provided to the Exchange. ONEnergy will be completing a management information circular for the annual and special meeting of shareholders ("Shareholders' Meeting") to consider the Transaction. The Shareholders' Meeting is expected to be held in September 2019.

ONEnergy

Material information about ONEnergy can be found on SEDAR under the Company's issuer profile at www.sedar.com. ONEnergy's corporate website may be found at www.onenergyinc.com.

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Completion of the Transaction is subject to a number of conditions, including but not limited to, Exchange acceptance and if applicable, disinterested shareholder approval. Where applicable, the Transaction cannot close until the required shareholder approval is obtained. There can be no assurance that the transaction will be completed as proposed or at all.

Investors are cautioned that, except as disclosed in the management information circular or filing statement to be prepared in connection with the Transaction, any information released or received with respect to the Transaction may not be accurate or complete and should not be relied upon. Trading in the securities of the Company should be considered highly speculative.

The TSX Venture Exchange Inc. has in no way passed upon the merits of the proposed Transaction and has neither approved nor disapproved the contents of this news release. Neither the TSX Venture Exchange nor its Regulation Service Provider (as that term is defined in the policies of the TSX Venture Exchange) accepts responsibility for the adequacy or accuracy of this release.

Notice on forward-looking statements

This news release includes certain "forward-looking statements" under applicable Canadian securities legislation that are not historical facts. The words "expect", "believe", "anticipate", "will", "contemplate", "intend", "estimate", "forecast", "budget" and similar expressions identify forward-looking statements. Forward-looking statements involve risks, uncertainties, and other factors that could cause actual results, performance, prospects, and opportunities to differ materially from those expressed or implied by such forward-looking statements. Forward-looking statements in this news release include, but are not limited to, statements regarding the Transaction, the GaiaCann Convertible Debenture Financing, the Proposed Financing and the business and operations of the Company, GaiaCann and information regarding the management, business and operations of the Resulting Issuer. Forward-looking statements are necessarily based on a number of estimates and assumptions that, while considered reasonable, are subject to known and unknown risks, uncertainties and other factors which may cause actual results and future events to differ materially from those expressed or implied by such forward-looking statements. Such factors include, but are not limited to: general business, economic and social uncertainties; litigation, legislative, environmental and other judicial, regulatory, political and competitive developments; delay or failure to receive board, shareholder or regulatory approvals for the Transaction; an inability to complete the Proposed Financing; ONEnergy or GaiaCann management's ability to manage and to operate the business, and the equity markets generally; those additional risks set out in the Company's public documents filed on SEDAR at www.sedar.com; and other matters discussed in this news release. Although the Company believes that the assumptions and factors used in preparing the forward-looking statements are reasonable, undue reliance should not be placed on these statements, which only apply as of the date of this news release, and no assurance can be given that such events will occur in the disclosed time frames or at all. Except where required by law, the Company disclaims any intention or obligation to update or revise any forward-looking statement, whether as a result of new information, future events, or otherwise.

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