

Next Green Wave Holdings (NGW)

April 06, 2019

Next Green Wave is a fully integrated, seed-to-consumer, cannabis company that is licensed for medical and recreational cannabis operations in Coalinga, California. The Company has acquired four medical and recreational Conditional Use Permits (CUP's) for cultivation, nursery, volatile and non-volatile extraction and distribution.

It is well positioned to capitalize on a massive opportunity after completing a \$21 million raise. These proceeds allow the Company to acquire and complete three facilities, finalize the supply chain from seed-to-consumer, and execute its vision to be the world-class nursery and the number one consumer products goods cannabis company in California.

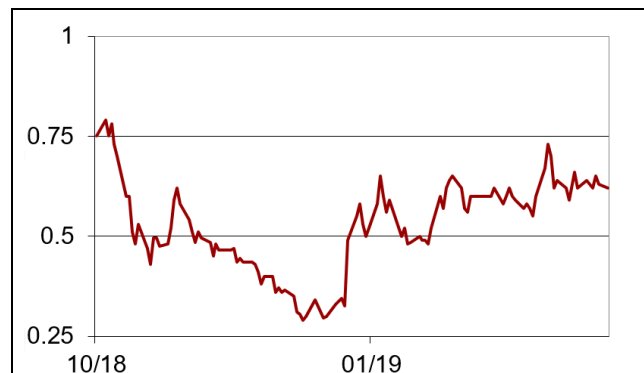
The Company launched its first CBD and revenue generating product, Loki Naturals Love Biscuits in cooperation with widely recognized brand partner Loki the Wolfdog. Loki has millions of loyal global social media followers, which is bound to generate a tremendous amount of interest for the biscuits.

Last month, Next Green Wave also acquired SD Cannabis, a premium cannabis consumer products goods, manufacturing and extraction leader, having 8 leading cannabis brands with 45 CBD and THC products that have a combined global social influencer reach of over 25 million people and with 100+ million YouTube views.

We reiterate our buy recommendation for Next Green Wave Holdings with a price target of \$1.78, which is 196% above today's stock price.



- ▣ Although many investors are closely monitoring the Canadian cannabis industry, we believe that the United States market is flying under the radar. Therefore, companies that focus on the U.S. cannabis market are undervalued compared with their Canadian peers. This creates a great opportunity for investors as the United States cannabis industry is in the early innings of a major growth cycle and markets like California represent massive opportunities.
- ▣ The Company took a strategic investment in Organic Medical Growth, a Canadian based company focused on producing and commercializing CBD products derived from medicinal and industrial cannabis in Colombia.



Market Data

Price	C\$0.60
Sector	Cannabis
52-Week Price Range	C\$0.27 - C\$0.85
Shares Issued (m)	120.7
Market Cap (m)	C\$72.4
Listings	NGW (CA) & NXGWF (US)
Website	www.nextgreenwave.com

THE COMPANY

Next Green Wave Holdings' vertically integrated seed-to-consumer operations enable it to maximize operational efficiency and deliver a premium quality and reliably sourced product. Upon completion of the facilities, the Company will be a fully integrated cannabis company with the ability to legally cultivate, extract and distribute cannabis and cannabinoid infused products.

Next Green Wave was the first company to purchase property in the green zone in Coalinga and holds four licenses that form the foundation of its vertically integrated business model:

- ❑ Nursery – Production and sales of proprietary seeds and clones as well as the production and sales of third party seeds and clones;
- ❑ Cultivation – Growing cannabis flowers for both sales and testing;
- ❑ Extraction – Includes **volatile extraction**, **non-volatile extraction** and product infusion; and
- ❑ Distribution – Implementing targeted marketing and sales strategies to sell both Next Green Wave produced products and those produced by its branded distribution partners. Services include transportation, processing, packaging, marketing and sales.

Through these four cornerstone operations, the Company is able to offer a variety of cannabis products and cannabis-related services.

VOLATILE / NON-VOLATILE EXTRACTION

- In volatile manufacturing solvents, such as ethanol, butane, pentane and propane extraction products are used in the extraction process, which produces flammable gas or vapor.
- In non-volatile manufacturing only non-petroleum solvent products are used, such as CO2.

Next Green Wave's world-class facilities are located on a wholly-owned 15 acre property that is ideally located between LA and San

Francisco. This allows for easy distribution across the entire State of California.



Next Green Wave's Coalinga property is strategically located between Los Angeles and San Francisco.

The Company continues to make significant progress. It is in the final stages of receiving the certificate of occupancy by the City of Coalinga for its 35,000 sq.ft production facility. Once received, growing operations will be activated.

In addition, NGW made an investment in Organic Medical Growth, a leader in the production and distribution of medical cannabis in Colombia, with a distribution channel of 7,300 pharmacies in the South American country.

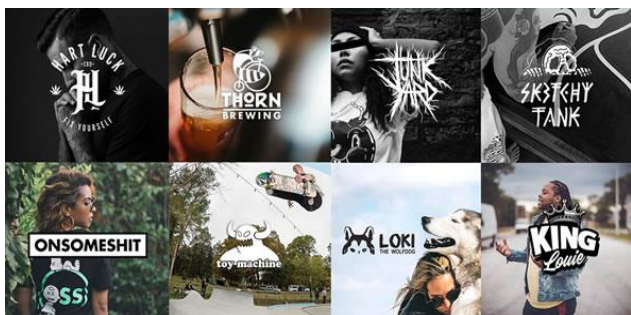
Moreover, the Company acquired SD Cannabis, and immediately launched Loki Naturals Love Biscuits, its first money generating product (Also read Recent Events).

SD Cannabis Acquisition

Last month, Next Green Wave continued its aggressive move to become an innovative cannabis conglomerate in California with a strategic acquisition. The Company purchased SD Cannabis "SDC" at a price tag of up to \$27 million CAD, contingent upon SDC achieving performance milestones.

SDC has eight cannabis brands with 45 CBD and THC products in market since 2018 and a social influencer network with a reach of over

25 million people worldwide. Moreover, SDC has the scientific expertise to protect and promote its brands as it develops extraction and manufacturing methods that focus on maintaining the quality and natural benefits of cannabis. Its processing technology captures all of the active available cannabinoids in the plant and then integrates those ingredients into products without adding artificial or dangerous fillers.



SDC's selection of eight exclusive licensing relationships are defined by their connection to a core loyal global audience, their reach across digital/social platforms and their ability to partner on product development and marketing.

SD Cannabis has the option to receive \$600,000 USD in cash or NGW stock as part of the acquisition, with the balance being in stock. All stock issued is held under a 36 month rolling escrow agreement. Through this structure, NGW saves its cash reserves for the construction of its cultivation facilities in Coalinga, CA or possibly for another acquisition if such an opportunity arises. The deal also shows how confident SDC is in both itself and NGW, as components of the deal are based on the 20 day volume weighted average price (VWAP) of the share price or at \$1.00 USD.

Only \$4 million USD on top of the \$600,000 USD is guaranteed upon closure of the deal with the rest being based on the execution of eight definitive partnership agreements and annual sales targets being met over the next two years.

The expectation is that in the first 12 months, revenues for SDC will be \$15-\$25 million and in year two, in excess of \$30 million. So this deal will substantially add to NGW's financial performance in the near-term, and that is before considering any possible synergies (Also read Recent Events).

When looking at the potential synergies between SDC and NGW, one can understand why SD Cannabis was willing to take the bulk of the acquisition amount in NGW shares with it heavily weighted towards contingent payouts. Ryan Lange, co-founder of SDC said that "Next Green Wave is arguably one of the leading cannabis innovators in California" and that "This transaction will allow the SDC team to capitalize on its decades of cannabis expertise in California and to rapidly expand our brands, distribution channels and manufacturing expertise across the state and into international markets". We think he is right, and it foreshadows the potential to accelerate growth for both parties once SDC's business has been integrated under the larger NGW umbrella.

Management at Next Green Wave and SD Cannabis both have the same goal of being the top cannabis consumer products goods company in California and understand that premium branding and social influencers will be imperative to reach their demographic. SDC has exclusive licensing relationships with multiple individuals and teams across a wide spectrum of categories including musicians and artists, BMX, motocross and skateboarding, an animal rights activist, and a craft brewer.

Operating Facilities

By 2020, the Company expects to have four operating cannabis facilities totalling 335,000 square foot on 15.34 acres of land in Coalinga, California to be used for the cultivation and distribution of cannabis and cannabis infused products. The Company is the sole owner of the piece of property. The combined production output of the facilities is expected to be between 100,000 to 125,000 pounds of premium cannabis per year.

Facility A (Indoor Cultivation) – In 2018, NGW entered into a construction contract to commence construction of a 35,000 square foot facility on Lot A to accommodate a 4,050 square foot nursery and a 24,300 square foot space for indoor cultivation of adult cannabis plants.

A couple of weeks ago, the Company announced that Pacific Gas and Electric

("PG&E") was in the final testing phase of the completion of the electrical installation. Thereupon, the Company can move forth with a scheduled final inspection of the facility conducted by the City of Coalinga in order to receive its occupancy permit. The permit is the final step to allow Next Green wave to begin production at the facility.

The facility comes equipped with proprietary fertigation, operational and security systems, and also hosts positive pressured, climate-controlled rooms to accommodate the full growth cycle of cannabis. All systems are currently being tested and calibrated. The Company anticipates Facility A to produce approximately 7,000 to 10,000 pounds of premium cannabis per year.



Next Green wave has already completed the installation of dehumidifiers, lights, rolling benches, irrigation manifolds, water filtration, security and Co2 distribution systems.

Facility B (Indoor Cultivation) - In 2019, the Company plans to commence construction of a 50,000 square foot facility, immediately adjacent to Facility A, to accommodate expansion of the Company's nursery, flower and trim operations.

Commercial operations for Facility B are expected to commence in Q2 2020 and the Company anticipates Facility B to produce approximately 12,000 to 14,000 pounds of premium cannabis per year.

Facility C (Manufacturing and Distribution) - Early March 2019, the Company was granted approval for Conditional Use Permits for its Extraction and Innovation Facility (Site C) by the City of Coalinga. These permits are critical because they enable the Company to immediately start retrofitting the existing facility, which will accommodate the commercial extraction, infusion and distribution operations for cannabis oils, cannabis extracts, and cannabinoid infused products. Once final occupancy approval is given by the City, revenue-generating operations will commence during Q2.

The Company anticipates Facility C to produce approximately 2,500 to 3,000 liters of cannabis oil per year.

Facility D (Greenhouse Cultivation) - The Company plans to build a 250,000 square foot greenhouse. The Company anticipates completion of Facility D in 2020. Commercial operations for Facility D are expected to commence in late 2020 and the Company anticipates Facility D to produce approximately 80,000 to 100,000 pounds of premium cannabis per year.

Cannabis Products

- ❑ **Nursery stock** - The Company intends to produce and sell premium medical grade clones. Using production techniques developed by Michael Jennings, the Company's COO and Head of R&D. Next Green Wave also intends to produce industry standard nursery stock for both its flower production operations and for other large-scale licensed cultivators in the State of California.
- ❑ **Dried Cannabis** - The Company intends to sell premium medical grade organic dried flowers and trim. Using its database of premium quality cultivars, the Company plans to gain a competitive advantage through innovation, brand awareness, ongoing research and development, quality assurance and analytically-driven operations.
- ❑ **Cannabis Oils** - Cannabis has over 140 different active compounds that interact

with the endocannabinoid system in the human body, which may produce a variety of medicinal effects, in addition to the known psychoactive effects.

As the medical and recreational cannabis markets in California progress, the Company expects a growing trend towards more subtle and healthier methods of consuming cannabis. The Company also expects the pricing of cannabinoid content to be significantly higher in oils than that for dried flowers.

Using high performance extraction equipment and manufacturing techniques, the Company intends on developing high quality cannabis oil concentrates that maintain the chemical profiles of their parent strains that the Company anticipates can be used in a variety of novel formulations and delivery methods.

- ❑ **Cannabis Edibles and Cannabis Oil-Infused Products** - The Company intends to manufacture edible products using raw cannabis oil extracts, wax, distillate and isolate as infused ingredients. Wax products will be made for direct consumption, while distillate and isolate will be used to manufacture edible cannabis products, including pills, lozenges, candies, beverages and baked goods, and oil infused cannabis products, including topical, tinctures and salves.
- ❑ **Seeds and Cultivars** – The Company’s seed bank comprises of over 120 different genetic varieties for cannabis originating from across the world. Next Green Wave will continue to analyze and catalogue these genetic varieties and seeds in order to offer unique cannabinoid profiles designed for a wide assortment of therapeutic effects.

Fully Licensed

Early 2019, Next Green Wave announced that it had obtained all necessary state and local licenses for its site A production facility in Coalinga, California.

It currently holds the following licenses:

- ❑ Indoor Cultivation - Adult Use (up to 15,000 ft²)
- ❑ Indoor Cultivation - Medical (up to 5,000 ft²)
- ❑ Nursery Adult
- ❑ Nursery Medical
- ❑ Distribution - Adult
- ❑ Distribution - Medical
- ❑ Volatile Extraction – includes non-volatile extraction, infusion and manufacturing

The newly issued licenses will allow Next Green Wave to carry out all its seed to sale operations in the State of California.

SEED TO CONSUMER

Next Green Wave is building state of the art facilities for cultivation, nursery/breeding, extraction, and distribution to produce and transport premium cannabis products to end users.

Below is an overview of these four crucial steps in the vertical seed to consumer process.

Nursery

Next Green Wave plans to cultivate premium cannabis in the flowering facility and will use the nursery to create hybrid strains and be a major supplier of clones, seeds and seedlings to retail and wholesale clients.

Early 2019, Next Green Wave announced that the Company's COO and Head of R&D, Michael Jennings, had assigned 100% of his interests to a cannabis genetics inventory, including 112 cultivars, to the Company's wholly owned subsidiary, Crossgate Capital US Holdings Corp.

The legalization of cannabis in California has added pressure on cultivators to produce new strain varieties for the fast-evolving market. The Company anticipates that these new cultivars will enable it to further execute on its strategy to build a world-class nursery and to develop new cannabis hybrids with desired traits for the California market.

"As a Company, our vision is to build a world-class nursery that pushes the innovation envelope in the cannabis industry," stated

Leigh Hughes, Executive Chairman and CEO. "We have one of the world's most exceptional breeders and cultivators who is determined to execute Next Green Waves' vision to develop a distinguished nursery for the medical and adult-use cannabis market in California."

The Company plans to integrate its newly acquired cultivars into its breeding program. The Company anticipates that this will have a positive impact on the products, which it can then introduce into the California market in 2019.

To advance its nursery even more, the Company partnered with Intrexon to advance tissue culturing technologies to develop pathogen free, consistent premium plantlets using the Botticelli™ Platform.

Thanks to its outstanding infrastructure and partnerships, Next Green Wave has the capacity to produce hundreds of thousands, and ultimately millions of seeds per month of both high THC, high CBD and THC/CBD hybrids of varying ratios.

CBD / THC

Although CBD and THC act on different pathways of the body, they seem to have many of the same medical benefits. Unlike THC, CBD however does not cause a high. While this makes CBD a poor choice for recreational users, it gives the chemical a significant advantage as a medicine, since health professionals prefer treatments with minimal side effects.

CBD is non-psychoactive because it does not act on the same pathways as THC. These pathways, called CB1 receptors, are highly concentrated in the brain and are responsible for the mind-altering effects of THC. Having exactly the right mix of THC and CBD in cannabis oil is essential to treat disorders, as many conditions require a different mix.

Cultivation

Cannabis cultivation is a term that refers to growing cannabis, either in a commercial

facility or in a home garden. Cannabis cultivation can occur outdoors, but it is much more likely to be indoors in a hydroponic (soilless) set-up.

Next Green Wave will cultivate globally recognized and award winning genetics in its 35,000 square foot advanced production facility, ensuring a premium product and quality. The facility will count 14 grow rooms with their proprietary climate control and watering system.

The Company knows as no other that cultivation of premium quality cannabis starts with industry leading state of the art fertigation, integrated pest management and cultivation techniques.

Extraction

In the cannabis industry, extraction refers to the process of extracting or concentrating the most potent compounds from the plants. Extraction essentially removes the oil found in the trichomes from the plant. The resulting products from the extraction process (the concentrates or extracts) are therefore a highly concentrated and potent form of THC and other cannabinoids.

The extracted concentrates can be in the form of oils, pills, and other forms, and can also be used to make edibles like baked goods, candies, and infused beverages.

Extraction is a common practice performed for a number of different reasons, ranging from increasing marijuana's medical benefits to producing a more potent recreational product.

Next Green Wave will process biomass grown from its facility to produce oils, waxes, tinctures, and other cannabis products that can be processed into edibles, topical products, drink products and vaporizers. In addition, the Company will provide toll extraction services for other licensed cultivators that seek extraction processing.

Target markets include vape and edible manufacturers, distributors, dispensaries and third-party cultivators.

Distribution

Distribution is a major aspect of the cannabis business and Next Green Wave plans to sell its own products throughout the State of California. In addition, the Company plans to contract high quality licensed producers and processors that do not have a distribution license to package, market, transport, and sell their respective products through its wholesale and retail network.

In order to do so, Next Green Wave will develop a network of licensed dispensaries to distribute its branded products and white label products throughout the State. The Company will assemble a qualified professional sales team to sell both Next Green Wave as well as third party products to these dispensaries.

Only state licensed transporters are permitted to move cannabis products legally in California. As a licensed provider of distribution, Next Green Wave will implement a fee for transporting third party goods.

THE MARKET

California Cannabis Market

In 2018, California legalized adult-use cannabis under the Medicinal and Adult-Use Cannabis Regulation and Safety Act (MAUCRSA). California is projected to be the largest cannabis market in the U.S., largely due to its population of 39.54 million residents, which is more than five times the size of the next largest state that has legalized adult use cannabis at the state level.

The latest figures show that around 5,000 licenses have been issued on a temporary basis, to thousands of cannabis businesses. This indicates that the market is highly fragmented with no true market leader yet emerging amongst the thousands of issued licenses.

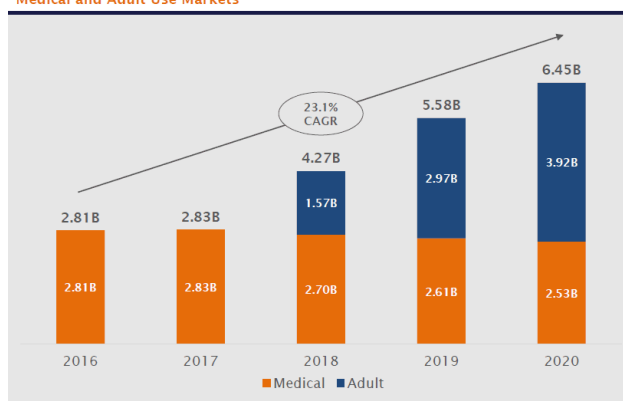
Businesses are pursuing vertical integration strategies, however almost every cannabis company is pursuing a variant of this strategy creating opportunities for companies with a highly focused corporate strategy with a

distinct value proposition such as Next Green Wave.

Overall, the California cannabis market grew significantly between 2016 and 2018 due to the introduction of the legal adult use cannabis market.

From 2018 to 2020, the medical cannabis market segment is projected to decline due to current patients / customers switching to the legal adult use segment to service their needs. By the second year of legalization, the adult use segment will become larger than the medical segment.

California Market Size (US\$B)
Medical and Adult Use Markets



Arcview Market Research and New Frontier Data.

The California regulated market alone reached approximately \$4.3 billion in sales in 2018, and is estimated to reach approximately \$6.45 billion in sales by 2020. As a reference point, the beer market in California hit US\$5 billion in 2017.

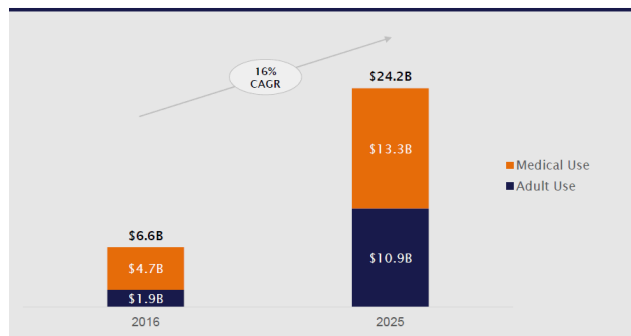
U.S. Cannabis Market

Despite legal, regulatory and political obstacles, the U.S. cannabis industry continues to experience substantial growth as States across the U.S. are moving to legalize adult-use cannabis, typically starting with medical use legalization. However, the senate is expected to pass a bill in the next 2-5 years to formalize the Cole Memorandum and effectively allow for a national industry.

According to Arcview Market Research, the legal cannabis market in the U.S. was estimated to have grown to \$9.7 billion in 2017. In the last year, approximately 2.3

million people in the U.S. consumed marijuana for medical purposes and an additional 1.8 million consumed marijuana recreationally (in states where recreational use has been legalized). However, Arcview estimates that the potential cannabis market will grow to approximately 44 million people in the U.S.

US Cannabis Market Size



Source: New Frontier Data.

The US legal cannabis market is expected to see a 16% CAGR and be worth over \$24B by 2025, ushering in a wealth of investment opportunity alongside it. Few, if any, multi-billion dollar industries are expected to grow that quickly.

Hemp, which is closely related to marijuana but has no psychoactive effect, has been classified as a controlled substance under federal law for decades. The Farm Bill, signed by President Trump late 2018, removes this designation and reclassifies hemp as an agricultural product, legally distancing hemp from pot, which is still illegal to grow in most states.

Hemp can either be grown as fiber, generally used to make clothing, rope and building materials, or to be harvested for its cannabidiol, or CBD, which has broad health benefits.

Worldwide Cannabis Market

Globally, countries are moving to legalize medical cannabis. The number of conditions treated with medical marijuana is growing rapidly. As new patients are added to the market, the demand for medical marijuana is expected to increase multiple folds over the forecast period.

Typically, medical cannabis legalization is seen as the first step towards full recreational / adult-use legalization. As such, globally-minded cannabis companies are building international businesses to capitalize on the forthcoming opportunity in both the medical and recreational cannabis markets.

Countries like Canada, the U.S., Germany and Australia are expected to emerge as leading markets in terms of sale, whereas, countries like Israel are focusing on research and technology development and are leveraging on knowledge transfer.

The global legal marijuana market is expected to reach USD 146.4 billion by end of 2025, according to a new report by Grand View Research, Inc.

GROWTH DRIVERS

Intrexon Partnership

Next Green Wave Holdings and Intrexon Corporation recently entered into a strategic licensing agreement to utilize the latter's Botticelli™ platform.

The Botticelli™ platform is an advanced tissue culture technology designed to enable efficient propagation of plants while maintaining genetic purity and product performance. When applied to cannabis, Botticelli™ offers potential for a sustainable, scalable, and more economical solution than conventional clones.

Growers currently rely on clonal propagation, which is labor intensive, requires lots of time and space, and is subject to phytosanitary risk. Botticelli™ on the other hand enables unlimited and rapid production of cannabis plants with product consistency.

The ability to rapidly multiply proprietary plant lines in smaller areas offers significant advantages to conventional methods. Moreover, the ability to generate disease-free plants potentially eliminates disease risks associated with mother clone maintenance.

Intrexon has demonstrated proof-of-concept data for high-throughput regeneration and is

already being commercialized across the globe in several agro products.

The collaboration between the companies will be two-staged:

- ❑ An optimization phase in which Intrexon will calibrate its Botticelli™ technology to Next Green Wave's specific cannabis cultivars and;
- ❑ A production phase in which Next Green Wave may utilize the technology in: (i) the production of cannabis plantlets for its downstream products and (ii) the sale of plantlets to third party producers in California.

Intrexon will be investing in the laboratory infrastructure in Next Green Wave's licensed Facility C. Intrexon will also be investing in providing its personnel to work on the research and development project.



Once regulatory approval and occupancy is granted, Site C will have an immediate impact on Next Green Wave's revenues and the ability to bring Intrexon Corporation into the nursery research and innovation project.

In return, Next Green Wave will enable Intrexon to use over 1000sqft of research and development space in Facility C, and also nursery and cultivation space in Facility A.

In addition, Intrexon will be entitled to royalties on Next Green Wave's own plantlet usage and the parties will split revenues from third party sales equally.

"This program enables Next Green Wave to improve its library of award-winning premium genetics through a next generation tissue culture platform, Botticelli™, and serves two vital functions for our company," stated Mike Jennings, COO at Next Green Wave. "First, it is step toward ensuring that all of our flowering facilities are filled with the highest quality of nursery stock resulting in higher yields and overall cannabinoid content than

traditional clones. Second, it offers the potential that our nursery will have state of the art top quality nursery stock to sell to other commercial growers, providing a long-term pathway to increase market share and revenue on a statewide scale."

RECENT EVENTS

Loki Naturals Love Biscuits Is The First Of 45 Products To Be Launched

Just two weeks after Next Green Wave acquired SD Cannabis, the Company is already making good on its promise for immediate revenue generation as it has announced the launch of its first CBD pet product, Loki Naturals Love Biscuits. These biscuits contain infusions with the full spectrum of CBD and quality oil extracted from U.S. grown hemp. In addition, they have 100% natural and locally sourced raw ingredients and are free of preservatives and fillers.

The branding and social media expertise, promised as part of the SD Cannabis acquisition, is already bearing fruit as NGW has put its cutest social influencer, Loki the Wolfdog, front and center to the sales launch campaign.



Next Green Wave has launched its first pet product, Loki Love Biscuits with widely recognized brand partner Loki the Wolfdog.

The pet industry has been an area of focus for a lot of companies as people are spending a greater amount of money on their pets. This industry is high-margin and recession-proof and Loki's Biscuits are no exception. While the intent is to get this product into pet food stores soon, it is currently selling online at www.lokinaturals.com for \$40. With that type of retail price, investors can imagine that

margins are healthy. If the biscuits help to keep customers' dogs active and healthy as the above ad shows with Loki, then these customers will keep coming back to buy this premium product.

Loki Biscuits is the first of 45 products to be launched by NGW as part of the SD Cannabis acquisition, with the expectation that all of these launches will occur over the coming months. This will ensure that there are plenty of near-term news catalysts for investors to chew on, enabling NGW to stand out from a rather packed crowd in the minds of cannabis investors.

Next Green Wave Makes Strategic Investment In Organic Medical Growth

In March 2019, Next Green Wave signed the definitive agreement to take a strategic investment in Organic Medical Growth (OMG), a Canadian based company focused on producing and commercializing CBD products derived from medicinal and industrial cannabis in Colombia.



The Colombia of today is nothing like the fictionalized and sensationalized Colombia of 25 years ago that was depicted in the Netflix series *Narcos*. Instead, Colombia is a strong, rapidly-growing nation that has delivered average GDP growth of 3.36% over the last six years. The country will serve as a beach head from where NGW will try to capture the South American market.

This deal gives NGW access to the Colombia cannabis market which has an estimated potential to supply 6 million patients. Through OMG's current distribution channel of 7,300 pharmacies, Next Green Wave has the opportunity to license its collection of brands and products into the Colombian market.

"We are excited to become a strategic partner of OMG as they position themselves to be a leader in the production and distribution of medical cannabis in Colombia," stated Leigh Hughes, CEO of Next Green Wave. "With the likes of PharmaCielo Ltd. and Khiron Life Sciences Corp gaining recent global exposure in the cannabis world, it is clear that Colombia has brilliant potential for a low-cost, high-margin business model. Our partnership will benefit both parties by accelerating OMG to become a leader in the Colombian market whilst giving Next Green Wave future licensing opportunities and distribution beyond the California market."

Under the terms of the Investment Agreement, Next Green Wave will participate as follows:*

- ❑ Invest in 2,000,000 common shares of OMG at CAD\$0.25 per share for a total amount of CAD\$500,000 under a subscription agreement with OMG;
- ❑ Receive an additional 4,300,600 common shares representing 10% of the share capital of OMG post it's first round of financing, in exchange for NGW's provision of collaborative and commercial strategic support services under a services agreement, as described further below;
- ❑ Receive an option to purchase 2,395,000 shares of OMG CAD\$0.50 per share, or such other number of shares equivalent to 5% of the share capital following its first round of financing.

* Note that the agreement is based on the expectation that OMG will complete its Initial Public Offering (IPO) in 2019.

We really like how the SDC deal is structured. Beyond the first \$4 million USD worth of shares, dilution only occurs upon successful achievement of milestones. Revenue growth should far outpace share issuance.

FINANCIALS

The Company currently does not have any source of revenue; however, this is expected to change in Q1 of 2019.

The net loss for the three-month period ended September 30, 2018 was \$1,300,383

compared to a net loss of \$27,426 for the same period in 2017.

Amounts in \$000's	09/30/18	09/30/17
General Office	107	1
IR & Communications	419	-
Legal & Accounting	292	27
Management Fees	171	-
Stock-Based Comp.	571	-
Travel	202	-
Total Expenses	1,998	27
Net Loss	1,908	27
Diluted Shares Outs.	120,544	2,500
Diluted EPS	(0.02)	(0.01)
Selected income statement data for the nine months ended September 30, 2018 and September 30, 2017. Source: Company Filings		

The net loss for the nine-month period ended September 30, 2018 was \$1,907,523 compared to a net loss of \$27,426 for the same period in 2017.

Balance Sheet As Of September 30, 2018

Amounts in \$000's	09/30/18	12/31/17
Cash and Cash Eq.	7,465	290
Short Term Investments	530	-
Receivable	83	-
Prepays & Deposits	522	5
Total Current Assets	8,601	378
Land	5,105	-
Construction in Progress	7,272	-
Intangible Assets	2,817	-
Total Assets	23,795	378
Accounts Payable	176	45
Total Liabilities	176	45
Total Stockholder Equity	23,619	334
Selected balance sheet data on September 30, 2018 and December 31, 2017. Source: Company Filings		

As at September 30, 2018, the Company's cash position was \$7,465,029 compared to \$290,421 at December 31, 2017. Working capital at September 30, 2018 was \$8,424,283 compared to \$333,601 at December 31, 2017. The increase in working capital was due primarily to \$20,038,725 in

net proceeds from several private placements between January 2018 and June 2018.

The Company used \$1,655,214 of cash in operating activities during the nine months ended September 30, 2018 compared to \$45,992 for the same period in 2017.

OUTLOOK & VALUATION

When you read the name Next Green Wave, you get a pretty good idea of what the Company is all about. It is yet another junior Canadian listing taking advantage of favorable cannabis legislation. Creating a catchy name is easy, but proving out a viable business model in a new industry that is very quickly becoming saturated with so many public listings is much harder.

For instance, the CSE recently put the symbol "POT" up for lottery at the end of January 2019. The company that won the right to use that symbol tripled in two days. However, just two months later, it has lost over 66% from its high; barely trading above its price before winning the lottery. Without putting any recommendation or warning on the company behind that symbol, this is a perfect example where the easy money in cannabis is no longer available. Investors want results, not hype.

A company can call itself whatever it wants, but it is action that cannabis investors will respect. Next Green Wave is a young start-up company so it still has a lot to prove to join the leaders in this industry like Aurora or Canopy, but it is backed by a motivated and highly experienced management team that has built a unique position in California. While a Californian focus would be enough to support the Company's business and stock price alone, it is not standing still.

While most of the larger companies in the cannabis industry got started in Canada, NGW's core operations are in California. The Company is in the final stages of developing a 35,000 square foot indoor facility in Coalinga, CA. It is fully licensed for nursery, cultivation, extraction and distribution for both medical and recreational use of cannabis which leaves no more obstacles for it to start generating

significant revenue in 2019. The Company is developing three additional facilities totalling 300,000 square feet at the same location with the crown jewel being a 250,000 square foot greenhouse set to open in 2020. For comparison, Aurora's Leduc facility in Edmonton is 800,000 square feet and Canopy's Tweed facility in Ontario is 350,000 square feet. Considering that NGW raised CAD \$21 million and currently sits at a CAD \$75 million market cap, these numbers compare quite favorably to the larger players in the industry.

A major advantage to producing in California is proximity to market. Coalinga sits between Los Angeles and San Francisco which would be like being situated between Toronto and Montreal, with easier access to all other markets within the state. California is also much closer to other legalized for recreational use states like Colorado and Washington compared to an operation in Ontario.

The Company has partnered with Intrexon to use its high-throughput plant regeneration Botticelli™ platform. The intent is to develop cannabis strains in a superior manner to conventional cloning that will result in plants which are immune to harmful pathogens with improved consistency and optimized traits. If the attempt is successful, this will create a massive opportunity for NGW.

Being a fairly new listing and with the U.S. focus, NGW is flying under-the-radar. It has 121 million shares outstanding, 155 million fully diluted. At \$0.62 it has a basic market cap of CAD \$75 million with a clean balance sheet that includes over \$8 million in liquid assets and over \$23 million in total assets with no debt.

Loki Love Biscuits is Next Green Wave's first initiative to bring over 45 products to market through its recent acquisition of California-based consumer products goods leader and innovator, SD Cannabis

Finally, it has made a strategic investment in Colombia with intent to leverage that into a continent-wide presence. There are numerous companies that are active at a global scale in cannabis. What is much harder to find is one that is active to the extent of NGW while still

trading at less than a \$100 million market cap.

Valuation

Given that Next Green Wave doesn't generate any earnings yet, a multiple-based valuation is not possible. Instead, we apply a Discounted Cash Flow (DCF) model.

Based on our estimate of 155 million shares outstanding fully diluted, the intrinsic value of Next Green Wave's shares derived from our model is \$1.78, up from \$1.61 in our previous report due to the SDC acquisition.

As such, we reiterate our buy recommendation for Next Green Wave Holdings with a price target of \$1.78, which is 196% above today's stock price.

SHARE DATA

As of January 2019, Next Green Wave had approximately 120.7 million common shares outstanding. More shares will be issued to pay for the SD Cannabis acquisition. However, The expectation is that in the first 12 months, revenues from SDC will be between \$15 and \$25 million, substantially adding to NGW's financial performance.

In addition, the Company had approximately 27.8 million warrants outstanding with an average exercise price of \$0.69. Each warrant entitles its holder to purchase one common share of the Company.

Finally, Next Green Wave had about 6.7 million stock options outstanding with a weighted average exercise price of \$0.37. Each stock option entitles its holder to purchase one common share of the Company.

MANAGEMENT

▣ MR. LEIGH HUGHES - EXECUTIVE CHAIRMAN & CHIEF EXECUTIVE OFFICER

Mr. Hughes is an integrated marketing communications and innovations professional of 15+ years. He has held board level positions for multiple companies and has

success and experience in venture capital services and the commercialization of private and public companies across the globe, in particular: North America, Australia, and the Asia Pacific Region. He is currently a corporate advisor to multiple listed companies on the CSE and TSXV.

▣ **MR. MIKE JENNINGS - CHIEF OPERATIONS OFFICER & HEAD OF R&D**

Mr. Jennings is a Californian native from the Central Valley who has been working in the cannabis industry for 20+ years. Aside from focusing on large cultivation projects, Mike has specialized in owning and operating dispensaries. Mike is the co-founder of Loud Seeds, a multiple High Times Cannabis Cup winning breeding and cultivation company. He

▣ **MR. DAVID WILSON - DIRECTOR**

Mr. Wilson is a Senior Financial Executive with 25+ years of experience as a strategic advisor focused on facilitating opportunities and solving problems. His career has covered all aspects of corporate finance, including mergers & acquisitions, public and private financings of equity and debt, and corporate governance both in USA and Canada, with an industry emphasis on liquor distribution, technology, electronics manufacturing international agriculture and consumer goods industries.

has been involved in cannabis cultivation, breeding, and marketing for 15+ years and has established brands in both the United States and Europe.

▣ **MR. PAUL CHOW - CO-FOUNDER & DIRECTOR**

For over 18 years, Mr. Chow has provided business advisory services for both public and private companies. He has founded, acted as a senior officer and director, and provided strategic planning for various companies in the marijuana, mining, oil and gas, and technology sectors during his career. Mr. Chow's experience working within the Canadian equities market will provide great assistance to the IPO and the business development for Next Green Wave.

▣ **MR. MATTHEW JEWELL - CPA-CA, VP FINANCE**

Mr. Jewell has spent the last several years assisting companies in emerging industries scale and grow from a financial reporting, treasury, HR, legal and operational perspective. Before joining Next Green Wave, Matt was involved with numerous tech companies of various sizes and international locations, including the State of California. Matt spent the first several years of his career at KPMG where he gathered his base knowledge of financial reporting, tax, compliance, process and control implementation.



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