

Calgary, Alberta (FSCwire) - [Morro Bay Resources Ltd.](#) (TSXV: MRB OTCPink: MRRBF) is pleased to announce that it has made an offer (the "Offer") to acquire all of the issued and outstanding shares of a private company operating in the Canadian Medical Marijuana industry sector ("PrivateCo"). The Offer was made on May 15, 2017 and is open for acceptance by the PrivateCo shareholders within thirty (30) days after delivery (therefore being approximately June 16, 2017) unless otherwise extended by Morro Bay. Pursuant to the Offer, Morro Bay has offered to deliver to the PrivateCo shareholders 205,500,000 Morro Bay common shares in exchange for all of the issued and outstanding shares of PrivateCo. The deemed value per share is 0.1217 per Morro Bay Share (the total deemed value is \$25 million). The delivery of 205,500,000 Morro Bay common shares will result in the PrivateCo shareholders owning approximately 93% of Morro Bay's common shares. Morro Bay has received acceptance of the Offer by over 50% of the current PrivateCo shareholders. Pursuant to the Shareholder Agreement in place between PrivateCo and its shareholders a "drag along" provision exists--upon acceptance of a take-over offer by over 50% of the PrivateCo shareholders, all other shareholders are obligated to tender their shares to the take-over offer. In the event the Offer is duly accepted and completed, the Offer will result in a reverse take-over of Morro Bay by PrivateCo and is subject to the acceptance of the TSX Venture Exchange (the "TSXV") to list the shares of the resulting entity (the "Resulting Issuer") on the TSXV. Additional conditions must be met in order for the Offer to be completed.

Upon closing of the Offer, Morro Bay will cease to be a Mining Issuer and the Resulting Issuer will operate as a life sciences issuer continuing the business of PrivateCo.

#### The PrivateCo Business:

PrivateCo is a Canadian biotech company focused on two lines of business:

1. Completion and operation of a controlled substances laboratory through an affiliate company (the "Lab Business").
2. Obtaining a license to produce and to distribute medical cannabis products from Health Canada (the "Licensed Producer Business") pursuant to the *Access to Cannabis for Medical Purposes Regulations* (the "ACMPR").

PrivateCo is incorporated pursuant to the British Columbia *Business Corporations Act* and all of its assets are located in British Columbia. Further financial particulars of PrivateCo and a description of management and proposed directors will be disseminated by a further news release in the future.

**The Lab Business:** The Lab Business is expected to be in operation by July 2017. The Lab Business has obtained a Controlled Substance License from Health Canada. Upon commencement of its operations, the Lab Business will become a laboratory service provider for the Canadian medical cannabis industry. As has been recently reported, unauthorized pesticides in some cannabis products have been a cause for increased focus on the safety of the Canadian medical marijuana supply by levels of governments and end customers. The Lab Business is expected to help fill the current void in testing, and be available to licensed producers to test marijuana products. Testing is expected to include determination of chemical components and potency of products, physical testing, microbial analysis, and chemical contaminants testing.

**The Licensed Producer Business:** PrivateCo is proceeding to obtain all necessary licenses and authorizations permitting it to become a licensed producer of medical marijuana pursuant to the ACMPR. PrivateCo has applied to Health Canada for a license to cultivate medical marijuana and has successfully completed the "review" stage of the Health Canada licensing process. This means that PrivateCo has received a "Confirmation of Readiness" letter from Health Canada (also known as a "ready to build" letter). As a result, PrivateCo will next seek to complete the Pre-License Inspection Phase.

PrivateCo is completing construction of its state of the art indoor production, secure storage and processing facility. PrivateCo expects to have this facility available for inspection by Health Canada by July 31, 2017, and will thereupon be made available for the Health Canada inspection. Upon completion of a satisfactory Pre-License Inspection by Health Canada, PrivateCo expects to be authorized to commence the cultivation of medical marijuana. Management of PrivateCo is not aware of any ACMPR license applicant which reached the Pre-License Inspection stage and was not ultimately licensed pursuant to the ACMPR.

Upon receipt of its license, PrivateCo plans to commence the cultivation of medical-grade marijuana with a focus of growing whole plant "starter material" for sale to licensed growers and the production of dried cannabis flower for wholesale distribution. The current proposed facility is 8,300 square feet of which approximately 2,000 square feet will be used to grow medical-grade marijuana. PrivateCo also plans to expand its production facilities by constructing 40,000 square feet of greenhouse canopy, subject to Health Canada approval, and to expand its medical-grade cannabis production.

The above description of the Licensed Producer Business is conditional on PrivateCo receiving its license under the ACMPR. PrivateCo is essentially a late-stage license applicant.

Additional information concerning PrivateCo, including a summary of available PrivateCo financial information (including a summary of its historical liabilities, revenues and profits/losses) will be announced by Morro Bay in the future. In addition, additional information concerning the proposed PrivateCo directors, officers, and insiders will be announced by Morro Bay in the future.

#### Description of the Offer:

As described above, the Offer made by Morro Bay, if accepted, will result in Morro Bay becoming the owner of 100% of the issued and outstanding shares of PrivateCo. Details of the Offer and related transactions to occur upon acceptance by the PrivateCo shareholders include as follows:

- The Offer is open for acceptance by or before thirty (30) days after delivery to the PrivateCo shareholders or as otherwise extended by Morro Bay;
- Closing of the share purchase resulting from the Offer to occur within 3 days after TSXV final approval;
- Upon closing, delivery of 205,500,000 Morro Bay common shares (resulting in the PrivateCo shareholders owning approximately 93% of the issued and outstanding shares of Morro Bay) in exchange for 100% of the PrivateCo shares;
- The deemed acquisition value for the acquisition of 100% of the PrivateCo shares is \$25 million (approximately \$0.12 per Morro Bay share);
- The consolidation of the Morro Bay shares on an approximate 4.92 for 1 basis;
- The continuance of Morro Bay pursuant to the Canada *Business Corporations Act*;
- The re-naming of Morro Bay; and
- Closing is subject to a number of conditions including, but not limited to, the required acceptance of the PrivateCo shareholders, TSXV consent, completion of the Financing (described below), the opening of the Lab Business, and no material adverse change in the Lab Business or the ACMPR license application.

Additional terms and conditions are contained in the Offer. Morro Bay or the PrivateCo shareholders may waive conditions in their favour as they may determine.

Morro Bay does not intend to proceed with seeking shareholder approval for the transaction resulting from the Offer (the "Transaction") as permitted by TSXV Policy 5.2. In particular, the Transaction is not a Related Party Transaction (as defined in the TSXV Policy Manual) and no other circumstances exist which may compromise the independence of Morro Bay or other interested parties (in particular, Morro Bay's directors and senior officers) with respect to the transaction. The Transaction resulting from the Offer will be an Arm's Length Transaction, as defined in the policies of the TSXV. It is contemplated that John Zang (current CEO and director of Morro Bay) will remain as a director and officer of the Resulting Issuer after closing. Morro Bay is currently without active operations. Morro Bay is not and does not foresee it being subject to a cease trade order and will not otherwise be suspended from trading on completion of the Transaction. Morro Bay does not currently believe that Shareholder approval of the Transaction is required under applicable corporate laws and under applicable securities laws. Morro Bay will be proceeding with its General and Special Shareholders Meeting on July 14, 2017 at which time ancillary matters will be approved by the Morro Bay shareholders, including, but not limited to, the change of name of Morro Bay, the continuance of Morro Bay from the Alberta *Business Corporations Act* to the Canada *Business Corporations Act*, the appointment of directors, the approval of its Stock Option Plan and potential additional share incentive plans, and usual annual shareholders meeting matters. Additional information in regard to this Shareholders Meeting will be disclosed in the future.

#### Capitalization

As of the date hereof, Morro Bay has 9,180,096 common shares issued and outstanding. Morro Bay has applied to the TSXV for approval to convert certain debt amounts to common shares anticipated to result in the issuance of up to an additional 7,390,420 common shares. Assuming completion of the "debt for shares" financing Morro Bay will have 16,570,516. Assuming closing of the Offer, 205,500,000 shares will be issued to the PrivateCo shareholders resulting in the Resulting Issuer will have 222,070,516 shares outstanding. As discussed above, the Resulting Issuer shares will then be consolidated on a 4.92:1 basis, resulting in the Resulting Issuer forecast total shares outstanding of 45,133,898.

#### Concurrent Financing

In conjunction with the closing on the Offer, Morro Bay intends to complete a subscription receipt financing by way of brokered private placement and non-brokered private placement for aggregate proceeds between \$500,000 and \$3,000,000 (the "Financing"). The Financing will proceed on a subscription receipts basis (the "Subscription Receipts") at a price of \$0.60 per Subscription Receipt and will be subject to the rules of, and approval by the TSXV. Upon satisfaction of the escrow release conditions relating to the Financing (including all conditions precedent to the closing of

the Offer being satisfied), each Subscription Receipt will automatically convert without any further action on the part of the Subscription Receipt holder into one Resulting Issuer common share (i.e. after the consolidation) and one common share purchase warrant (the "Warrant"). Each Warrant will be exercisable for one-half of a common share of the Resulting Issuer for a period of 5 months from the closing date of the Offer at an exercise price of \$0.80 per share. The Warrants will not be listed for trading. Additional information concerning the Financing, including the name of the agent retained to conduct the Financing, the costs and commissions relating thereto, and a description of the intended use of the Financing proceeds will be announced by Morro Bay in the future.

Assuming completion of the consolidation of the Morro Bay common shares on a 4.92 for 1 basis, the Financing will result in share issuances of the Resulting Issuer as follows:

Forecast Resulting Issuer Shares Outstanding After Financing		
	Pre-Financing Shares Outstanding	Minimum F
Forecast Shares Outstanding at time of Offer Closing <sup>(1)</sup>	222,070,516	
Forecast Resulting Issuer Shares Outstanding post 4.92:1 Consolidation	45,133,898	
Financing Shares to be Issued and Percentage (basic)		833,333 (1
Total Forecast Shares (basic)		45,967,23
Shares to be Issued on Conversion of Warrants and Warrant Funds to be Received		208,334 S
		\$166,667
Total Forecast Shares (fully diluted) <sup>(2)</sup>		46,175,56

(1) Assuming the issuance of 7,390, 420 upon conversion of certain Morro Bay debt to shares;

(2) Does not include shares or other securities issuable pursuant to the Resulting Issuer Stock Option Plan, as a commission for the Financing, and any other share incentive plans.

## Sponsorship

Sponsorship of a Reverse Take-over Transaction is required by the TSXV unless an exemption or waiver from the sponsorship requirement is available. Morro Bay currently intends to apply for an exemption from the Exchange Sponsorship requirement. There is no assurance that such exemption or waiver will be granted by the TSXV.

## Trading Halt

Morro Bay's common shares are currently halted and Morro Bay anticipates they will remain halted for a period of time as required by the TSXV policies.

## Disclosure

*Completion of the Transaction is subject to a number of conditions, including but not limited to, TSXV 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 [Morro Bay Resources Ltd.](#) should be considered highly speculative.*

*The TSXV has in no way passed upon the merits of the proposed Transaction and has neither approved nor disapproved the contents of this news release.*

*This press release contains forward-looking information within the meaning of Canadian securities laws. Such information includes, without limitation, information regarding the completion of the proposed acquisition of Morro Bay and the Financing;*

*and the anticipated business plan of Morro Bay subsequent to completion of the transactions described herein. Although Morro Bay believes that such information is reasonable, it can give no assurance that such expectations will prove to be correct.*

*Forward looking information is typically identified by words such as: believe, expect, anticipate, intend, estimate, forecast, postulate and similar expressions, or are those, which, by their nature, refer to future events. Morro Bay cautions investors that any forward-looking information provided by Morro Bay are not guarantees of future results or performance, and that actual results may differ materially from those in forward looking information as a result of various factors, including, but not limited to: Morro Bay's ability to complete the proposed transaction; the state of the financial markets for Morro Bay's equity securities; the state of the market for gold or other minerals that may be produced generally by the resulting issuer in the event the transaction is completed; recent market volatility; Morro Bay's ability to raise the necessary capital or to be fully able to implement its business strategies; and other risks and factors that Morro Bay is unaware of at this time. The reader is referred to Morro Bay's most recent annual and interim Management's Discussion and Analysis for a more complete discussion of such risk factors and their potential effects, copies of which may be accessed through Morro Bay's page on SEDAR at [www.sedar.com](http://www.sedar.com).*

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