

“Ready to Roll!”: Taat Negotiates Favourable Commercial Production Terms with a North American Tobacco Cigarette Manufacturer

Taat has entered into a production agreement with a commercial-scale manufacturer in North America who also produces cigarettes on a contract basis for global and regional brands of both tobacco and hemp. Under this agreement for manufacturing Beyond Tobacco™ cigarettes, Taat will benefit from favourable pricing on a per-carton basis in comparison to industry averages. In addition to production services, the Manufacturer will also warehouse pallets of Beyond Tobacco™ cigarettes after they are produced and facilitate the shipment of finished product to the Company’s distributors.

LAS VEGAS and VANCOUVER, SEPTEMBER 2, 2020 - TAAT LIFESTYLE & WELLNESS LTD. (CSE: TAAT) (OTC: TOBAF) (FRANKFURT: 2TP2) (the “Company” or “Taat”) is pleased to announce that it has secured commercial-scale production capacity for Beyond Tobacco™ cigarettes with a manufacturer (the “Manufacturer”) in North America who also does production on a contract basis for global and regional brands of both tobacco and hemp cigarettes. Under the terms of its agreement with the Company, the Manufacturer’s business name cannot be publicized. The Company’s September 2, 2020 agreement with the Manufacturer provides terms for production of Beyond Tobacco™ cigarettes at pricing that is lower than tobacco industry averages for full-service cigarette production for an initial duration of one year, with renewal of such pricing terms conditional upon the Company meeting a first-year production quota. The Manufacturer has also agreed to warehouse Beyond Tobacco™ cigarettes after they are produced, while also providing outbound logistics services by coordinating the shipment of Beyond Tobacco™ pallets to the Company’s distributors. Because the Beyond Tobacco™ base cigarette material is to be processed by Taat in-house before being sent to the Manufacturer for production, Taat’s trade secrets remain closely guarded. After Taat has delivered its first shipment of base cigarette material for Beyond Tobacco™ cigarettes to the Manufacturer, production can begin shortly thereafter at a rate of up to 2,000 sticks per minute.

The Company has developed Beyond Tobacco™ cigarettes to provide a tobacco-free and nicotine-free alternative to tobacco cigarettes. According to data from the World Health Organization, the effects of tobacco use have a worldwide impact with a total of 1.3 billion tobacco users globally¹. In the United States, CDC data from 2018 indicates that 55.1% of adult smokers had attempted to quit in the past year, though only 7.5% successfully quit smoking in that timeframe². While many quitting attempts involve the use of non-combustible nicotine products (e.g., gums, lozenges, vaping), users of such alternatives often return to smoking tobacco cigarettes after a short period. While these alternatives deliver nicotine, frequent abandonment of such products in favour of returning to tobacco cigarettes suggests that nicotine is not the sole appeal of smoking tobacco. Beyond Tobacco™ cigarettes are designed to closely mimic the sensory experience of smoking a tobacco cigarette, with attention to details such as scent and taste through a proprietary blend of tobacco flavouring. Additionally, Beyond Tobacco™ cigarettes

contain cannabidiol (“CBD”, a non-psychoactive derivative of hemp), which has been shown to mitigate tobacco withdrawals and reduce dependency upon tobacco. Retail market testing of Beyond Tobacco™ cigarettes, which are also to be offered in a “Menthol” variety, has yielded highly positive feedback from users who regularly smoke tobacco. Sentiments from test subjects have generally reflected that Beyond Tobacco™ cigarettes do not have any significant experiential differences in comparison to tobacco cigarettes.

Leading up to the official launch of Beyond Tobacco™ cigarettes, which is set to occur in Q4 2020, the Company set out to procure a commercial-scale cigarette manufacturer to act as a business partner in Taat’s early stages. The Manufacturer’s experience with high-volume production of cigarettes for a variety of clients validates its capabilities as a production partner. In addition to rolling cigarettes using base material provided by the Company, the Manufacturer will package Beyond Tobacco™ cigarettes in a “pack and carton” format, and assemble transport-ready pallets for shipping. Pallets of Beyond Tobacco™ cigarettes are to be stored in the Manufacturer’s warehouse, from which distributor orders can be fulfilled.

Following extensive negotiations, the Company has finalized favourable pricing terms with the Manufacturer at a per-carton cost that is lower than the current industry average. The Company anticipates that between lower-than-expected manufacturing costs and potential cost savings from included warehousing and outbound logistics services, its agreement with the Manufacturer could stand to enhance Taat’s operating margins. Further, the Manufacturer’s production capacity of up to 2,000 sticks per minute can effectively ensure fulfillment of virtually any level of early-stage demand for Beyond Tobacco™ cigarettes.

Taat CEO Setti Coscarella commented, “In order for any new entrant to an industry to be competitive, establishing a capable and resourceful roster of suppliers is crucial. As we are seeking to build our supply chain to the standards of ‘Big Tobacco’, having a commercial-scale producer such as the Manufacturer is important when it comes to having the bandwidth to meet demand. Suppliers and service providers in the tobacco industry are not widely known, as tobacco companies tend to be secretive about who they use to carry out their business functions. This often prevents potential competitors from even attempting to enter the market, since there can be significant barriers to identifying or even entering into negotiations with vendors for raw materials and production, especially at the scale and price points you need to have in order to be competitive. Besides being familiar with the ecosystem of tobacco industry vendors, I have had to act as somewhat of a detective during my time in investment banking and private equity when it comes to finding the seemingly unfindable. While our agreement with the Manufacturer precludes me from going into too much detail, I can certainly say that I am very pleased to have them on board to manufacture Beyond Tobacco™ cigarettes for us. Aside from being able to produce at a much lower cost compared to our initial estimations, working with an established player in the cigarette production space enables us to benefit from their industry-leading standards in machinery, quality control, and efficiency. Taat is very pleased to have made this deal in advance of the launch of Beyond Tobacco™ cigarettes, and we look forward to entering the market with the Manufacturer on our side.”

Sources:

1 - <https://www.who.int/news-room/fact-sheets/detail/tobacco>

2 - https://www.cdc.gov/tobacco/data_statistics/fact_sheets/cessation/smoking-cessation-fast-facts/index.html

On behalf of the Board of Directors of the Company,

TAAT LIFESTYLE & WELLNESS LTD.

“Setti Coscarella”

Setti Coscarella, CEO

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About Taat Lifestyle & Wellness Ltd.

Taat Herb Co., the flagship brand of Taat Lifestyle & Wellness Ltd., is an early-stage life sciences company based in Las Vegas, Nevada innovating nicotine-free and tobacco-free alternatives to traditional cigarettes. With a unique proprietary blend of all-natural ingredients and meticulous engineering of the user experience, Taat Beyond Tobacco™ cigarettes are designed to emulate every aspect of legacy tobacco products with no significant difference to the user. Taat Beyond Tobacco™ cigarettes provide benefits that include mitigation of tobacco withdrawals, and reduction of tobacco dependency. With an expert-led go-to-market strategy, the Company's objective is to position itself in the US \$814 billion (2018)¹ global tobacco industry to capitalize on the growing worldwide demand for better-for-you alternatives to traditional cigarettes.

For more information, please visit <http://taatusa.com>.

References

¹ [British American Tobacco - The Global Market](#)

Statement Regarding Effects of CBD on Smoking Cessation

The Beckley/Exeter research program (University of Exeter) carried out a pilot study that found after several weeks following cannabidiol ("CBD") treatment, CBD helped tobacco smokers to

reduce the amount of cigarettes smoked by as much as 40%. A follow-on study is planned, which will include a brain imaging component to examine the brain activity patterns underlying the probable therapeutic effects of CBD.

Source: <https://beckleyfoundation.org/cbd-for-smoking-cessation/>

Link to Study: <https://www.sciencedirect.com/science/article/abs/pii/S030646031300083X>

Forward Looking Statements

This news release contains “forward-looking information” within the meaning of applicable Canadian securities legislation. Often, but not always, forward-looking information and information can be identified by the use of words such as “plans”, “expects” or “does not expect”, “is expected”, “estimates”, “intends”, “anticipates” or “does not anticipate”, or “believes”, or variations of such words and phrases or state that certain actions, events or results “may”, “could”, “would”, “might” or “will” be taken, occur, or be achieved. Forward-looking information in this news release includes statements regarding the potential launch of Taat hemp cigarettes, in addition to the following: Potential outcomes from the Company’s agreement with the Manufacturer for production of Beyond Tobacco™ cigarettes. The forward-looking information reflects management’s current expectations based on information currently available and are subject to a number of risks and uncertainties that may cause outcomes to differ materially from those discussed in the forward-looking information. Although the Company believes that the assumptions and factors used in preparing the forward-looking information are reasonable, undue reliance should not be placed on such information and no assurance can be given that such events will occur in the disclosed timeframes or at all. Factors that could cause actual results or events to differ materially from current expectations include: (i) adverse market conditions; (ii) changes to the growth and size of the tobacco and CBD markets; and (iii) other factors beyond the control of the Company. The Company operates in a rapidly evolving environment. New risk factors emerge from time to time, and it is impossible for the Company’s management to predict all risk factors, nor can the Company assess the impact of all factors on Company’s business or the extent to which any factor, or combination of factors, may cause actual results to differ from those contained in any forward-looking information. The forward-looking information included in this news release are made as of the date of this news release and the Company expressly disclaims any intention or obligation to update or revise any forward-looking information whether as a result of new information, future events or otherwise, except as required by applicable law.

The statements in this news release have not been evaluated by Health Canada or the U.S. Food and Drug Administration. As each individual is different, the benefits, if any, of taking the Company’s products will vary from person to person. No claims or guarantees can be made as to the effects of the Company’s products on an individual’s health and well-being. The Company’s products are not intended to diagnose, treat, cure, or prevent any disease.

This news release may contain trademarked names of third-party entities (or their respective offerings with trademarked names) typically in reference to (i) relationships had by the Company with such third-party entities as referred to in this release and/or (ii) client/vendor/service provider

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Statement Regarding Third-Party Investor Relations Firms

Disclosures relating to investor relations firms retained by Taat Lifestyle & Wellness Ltd. can be found under the Company's profile on <http://sedar.com>.