

## Leonovus to Acquire Colocation Company

OTTAWA, March 05, 2020 -- **Leonovus Inc.**, ("**Leonovus or the Company**") (TSXV: LTV) (OTC: LVNSF) today announced the signing of a Letter of Intent ("**LOI**") on February 27, 2020 to purchase PureColo Inc ("**PureColo**"). PureColo is a Canadian colocation (or "colo") company with headquarters at 390 March Road, Ottawa, Ontario. As of fiscal year-end, December 31, 2019, PureColo generated unaudited revenues of \$265,439 and net losses of \$241,298 with total net assets of \$412.972. PureColo customers are typically on three-year agreements. February 2020 monthly recurring revenues were \$32,000, and the Company expects a year over year growth rate of 45% and MRR to exceed \$50,000 per month by the end of 2020 along with positive EBITDA.

Under the terms of the LOI, Leonovus will acquire all the issued and outstanding shares of PureColo (the "**Proposed Transaction**"). The targeted closing date of the Proposed Transaction is May 1, 2019 (the "**Closing Date**").

The purchase price is \$3,000,000 (the "**Purchase Price**") plus the assumption of debts of approximately \$500,000. The Purchase Price will be paid as follows:

(a) On the Closing date:

- a. Cash in the amount of \$2,100,000; and
- b. the issuance of \$900,000 in Units (as defined below);

(b) a contingent equity payment of 70% of the Units (as defined below) issued on closing and the remaining 30% held in escrow by counsel to the Company, 50% of which will be released upon PureColo achieving quarterly revenues exceeding \$300,000 and 50% of which will be released upon PureColo reaching quarterly revenues exceeding \$400,000 before December 31, 2021 (the "**Contingent Equity**").

Closing of the Proposed Transaction is conditional upon Leonovus completing a concurrent private placement to raise a minimum of \$5,000,000 (the "**Offering**"). The Offering will be a non-brokered private placement or rights offering of units (the "**Units**") issued at a price to be set based on market conditions. Each Unit will consist of one common share in the capital of the Company (a "**Common Share**") and one warrant. Each warrant will entitle the holder to acquire one Common Share at an exercise price of \$0.10 for eighteen (18) months following the Closing Date. Once the price of the shares for the private placement is finalized, the Company will issue a news release with the Unit pricing details.

The Proposed Transaction is also conditional on the completion of due diligence, approval of the TSXV, obtaining any necessary consents, execution of employment agreements with key employees, and other conditions typical for transactions of this nature. The Proposed Transaction is not a Non-arm's length Transaction. No finder's fee is payable on the closing of the Proposed Transaction.

A colocation data centre, like the one operated by PureColo, permits customers to co-locate their IT infrastructure alongside those of other customers. It is considered a step between customers managing their own servers on-premises and moving their apps and data to the cloud. Adding Leonovus Vault and Smart Filer technology further differentiates the services of the colo by allowing customers to analyze their data and optimize where it is stored while ensuring it remains both available and secure.

### Why is Leonovus adding colocation to its business strategy?

The advent of 5G wireless, Internet of Things and Artificial Intelligence/Machine Learning is driving the need for Edge Computing (the processing and storage of data close to where it is generated and consumed). These activities are fundamentally changing the location of data centres and introducing the need for services in those data centres/colocation facilities. By adding colocation services to the Company, Leonovus will benefit from new streams of revenues. Additionally, it will own a distributed network of facilities it can use to offer software and infrastructure services for customers of the colo as well as third parties.

Due to integration and connectivity, colocation and/or cloud ecosystems will be critical for future corporate infrastructures. All workloads are not equal, and proper placement is key to unlocking their true potential to the business. Infrastructures are dynamic and must be able to change quickly, as markets and providers change Edge and IoT deployments that are stretching infrastructures, shifting priorities and adding complexity.

"We believe that with transformative technological advancements growing the need for Edge Computing, there is a compelling opportunity for small, nimble colocation centres with value-added services such as Leonovus Vault and Smart Filer technology," **said Michael Gaffney, Leonovus Chair and CEO.**

"We have started discussions with potential lead/strategic investors to finance this transaction and provide additional working capital for the Company. The Company expects that it will offer current shareholders a Rights Offering, which is then followed by a Private Placement. PureColo not only offers Leonovus immediate incremental revenues, but it also provides direct access to many potential new customers, which should decrease the length of the sales cycle and reduce selling expenses. Proceeds from the financing will be used to complete the purchase of PureColo, provide working capital and assist in the creation of a second colocation facility," **said Gaffney.**

"Three years ago, PureColo made a strategic shift from building yet another classical Data Center in a crowded market to addressing the requirements of customers with specialized needs in secondary markets," **said Rainer Paduch, PureColo, President and CEO.** "This shift showed us that customers were dissatisfied with high network latency, too many router hops and a high cost for basic infrastructure." **Paduch also added that** "We at PureColo are excited to be working with Leonovus to address another hurdle introduced by cloud computing. This is the high cost of basic storage and transit fees. The Leonovus products will give our customers greater architectural flexibility and much lower infrastructure costs."

All dollar amounts in this news release are in Canadian dollars.

#### **About PureColo**

The PureColo founders are data centre experts who have built and managed hundreds of thousands of square feet of white space across Canada. PureColo started colocation operations in 2017, in a 5,000 sq. ft facility in Kanata Ontario and it intends to disrupt the self-serve colocation market with a no-frills, carrier-neutral, wholesale priced model combined with decades of experience delivering to this industry. PureColo's vision is to be a leading supplier of carrier-neutral data centres across Canada, starting with the Nation's Capital. Currently, there are twenty customers including, major telecom carriers, managed service providers, multinational corporations and product development companies.

#### **About Leonovus**

Leonovus is a software provider that offers storage solutions that allow organizations to embrace cloud storage securely, simply and cost-effectively while giving them the flexibility to deal with the ever-evolving cloud storage landscape.

Designed with the IT manager in mind, Leonovus Vault uses patented algorithms to analyze, classify, encrypt, shred and spread data across a network of on-premises, hybrid or multi-cloud storage nodes – allowing for the most secure yet internally accessible form of object-based data storage across the entire solution. The advanced geo-distributed architecture minimizes latency, optimizes geo-availability, reduces remote backup costs and meets data sovereignty requirements. With its software and hardware agnostic design, Vault provides petabyte scalability. It allows the enterprise to use its existing idle storage resources, extend the useable lifespan of depreciated resources and improve the enterprise's overall ROI.

Leonovus Smart Filer is an information lifecycle management (ILM) solution that analyzes existing file storage and extends its capacity automatically and transparently. According to customer-defined policies, infrequently accessed files are automatically removed from high-cost, high-performance primary storage, and placed in secondary or cloud storage, without any changes to how users and applications access them.

*Neither TSX Venture Exchange nor its Regulation Services Provider (as that term is defined in policies of the TSX Venture Exchange) accept responsibility for the adequacy or accuracy of this release.*

This news release contains "forward-looking statements". Forward-looking statements can be identified by words such as: "anticipate," "intend," "plan," "goal," "seek," "believe," "project," "estimate," "expect," "strategy," "future," "likely," "may," "should," "will" and similar references to future periods. Examples of forward-looking statements include, among others, statements we make regarding the anticipated closing of the acquisition of PureColo or concurrent financing, potential benefits to adding colocation business, potential growth for the market for colocation.

Forward-looking statements are neither historical facts nor assurances of future performance. Instead, they are based only on our current beliefs, expectations and assumptions regarding the future of our business, future plans and strategies, projections, anticipated events and trends, the economy and other future conditions. Because forward-looking statements relate to the future, they are subject to inherent uncertainties, risks and changes in circumstances that are difficult to predict and many of which are outside of our control. There can be no assurance that the Proposed Transaction will be completed as proposed or at all. Our actual results and financial condition may differ materially from those indicated in the forward-looking statements. Therefore, you should not rely on any of these forward-looking statements.

Any forward-looking statement made by us in this news release is based only on information currently available to us and speaks only as of the date on which it is made. Except as required by applicable securities laws, we undertake no obligation to update any forward-looking statement publicly, whether written or oral, that may be made from time to time, whether as a result of new information, future developments or otherwise.

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