



January 4, 2018

Dear Sugarmade Shareholders:

As we close out another successful year at Sugarmade and move into 2018, I feel it is the perfect opportunity to provide all of you with an update on the Company. We have big plans for the coming year and we could not be happier to invite all of you to share in our success during 2018.

Simply put, we expect major growth in 2018, likely moving us into the status of one of the world's largest publicly traded suppliers to the cannabis cultivation industry. Preparing Sugarmade to capitalize on this growth will not be easy and it will require a lot of flexibility from our current staff and from those individuals we are planning to bring on board to join the new organization. It is a challenge we are well prepared to meet.

All of us at Sugarmade are very pleased you have chosen to embark on this journey with our employees, suppliers, vendors and our other stakeholders.

Here is what to expect from Sugarmade during the coming year:

- Capitalizing on California Cannabis Legalization - As most of you know, as of January 1, 2018, California legalized the recreational usage of cannabis, which will allow more than 20 million Californians of legal age to purchase cannabis with little to no restrictions. With this market opening, and recent recreational legalizations in Washington, Oregon and Nevada, a large segment of the Western United States is now open for substantial market growth. We view this as a major opportunity for our Company, which we plan to fully exploit during 2018 and beyond, especially relating to our new agreement with BizRight and our market opportunity for the patented, BudLife cannabis storage system.
- BizRight Marketing Agreement – The BizRight agreement will make us one of the largest publicly traded suppliers to the growing cannabis sector. As a result of this agreement, the number of products offered by Sugarmade will grow substantially, as will our revenues. While we are planning to offer formal revenue guidance over the coming few weeks in a press release and filing, we certainly believe revenues for 2018 will easily exceed the \$30

million BizRight is expected to produce during 2017. We see substantial growth for 2018.

- **Scaling Up Our Organization** – As we recently announced, growing a business infrastructure capable of expanding by more than 500% during 2018 is certainly a challenge, however the process is well underway. We are excited to announce today we have now settled on a new chief financial officer who will be joining the organization over the coming weeks. We are also beefing up our other staff functions in preparation for this major business expansion. This expansion will also involve a move of our headquarters location into a much larger office space capable of accommodating all of our personnel. This consolidation will not only allow us to grow to our full potential, but will also allow for important cost synergies relating to warehousing and logistics that will have a positive impact across all our product lines.
- **BudLife Product** - In November we announced the final prototype testing for the BudLife product line, which is the first patented storage container system for cannabis. Sugarmade has secured the distribution rights for what is arguably the fastest growing single cannabis market in the world, the U.S. states of California, Oregon and Washington. We suspect all of our investors, and the marketplace, will hear a lot more about this innovative product over the coming months. With the coming significant changes in the supply/demand situation due to legalizations and increased demand, we believe effective storage of cannabis will be growing area and we think we have an optimal solution. We think BudLife is this solution!
- **Sriracha Seasoning Stix and Seasoning Stix** - Over the past few months, the Company has successfully launched Sriracha Seasoning Stix, a new culinary seasoning technology, using the real Sriracha Hot Chili Sauce from Huy Fong Foods, Inc. We could not be more excited about this patented product line as we believe it represents a true innovation. While we have already seen considerable success, we believe our investors should be prepared for us to further demonstrate the viability of this new way to season food. We are in the process of expanding our relationships relative to this product line and while we do not believe the revenue potential will eclipse the faster growing cannabis oriented products, we do believe continued pursuit of the culinary space will not only provide revenue growth, but also important diversification of our product lines. Look for a lot of action relative to Seasoning Stix during 2018. We also plan moves into retail during 2018 for these products.
- **Financial Reporting** - With the pending significant business expansion and our need to meaningfully increase our staff, we have fallen a bit behind our normal financial reporting schedule. We have now completed all of the internal reporting functions with both the fiscal year-end and the most recently ending quarter's financials now receiving financial review from our

auditors. We expect to return to full reporting status over the short run and with the staff additions we referenced above, we believe we can continue to report in a timely manner.

- Future Initiatives - As we have alluded to publicly over the past few weeks, we are currently working toward other marketing agreements and acquisitions, most of which are in the fast-growing cannabis sector. We believe we have several advantages relative to attracting the best deals and business partners in the sector, including our prime Los Angeles area location, public company status, an experienced management team with specific expertise in manufacturing, importation and distribution, along with a growing number of personnel who are highly skilled in e-commerce marketing.

In summary, we continue to believe there are strong growth opportunities for the Company in 2018, and beyond.

Thank you for the trust you have granted to this management team.

Sincerely,

Jimmy Chan
CEO