

Pharmadrug Inc. Plans to Enter the Psychedelic Space with An LOI To Acquire Super Smart and Provides Business Update

Toronto, Ontario--(Newsfile Corp. - May 20, 2020) - Pharmadrug Inc. (CSE: BUZZ) (OTC: LMLLF) ("Pharmadrug" or the "Company") is pleased to announce that it has entered into a non-binding letter of intent (the "Letter of Intent") dated May 20, 2020 with Interrobang Ltd. doing business as Super Smart (herein referred to as "Super Smart") which outlines the general terms and conditions of a proposed transaction (the "Proposed Transaction") that will result in Pharmadrug acquiring all of the issued and outstanding common shares (the "Super Smart Shares") and other securities of Super Smart.

Overview of Super Smart

Super Smart is an early-stage retail company focused on consolidating the fragmented Dutch smartshop market. Smartshops are retail establishments in The Netherlands that specialize in the sale of psychoactive substances including psychedelic truffles, which are an underground grown version of magic mushrooms that have psilocybin and are legal in The Netherlands. Super Smart will seek to acquire smartshops and deploy disciplined business expertise, retail best practices and consistent branding across multiple locations to capture in market share and improve margins in this rapidly growing segment. Super Smart's management team is well suited to pursue the smartshop consolidation strategy and brings a proven track record in retail, marketing, brand building, web sales and customer education. Current members of the Super Smart management team include:

Harry Resin - Chief Executive Officer

Mr. Resin has been worked in the cannabis industry for the last seventeen years. He first served as a supply chain consultant to the coffee-shop industry in Amsterdam and then as a founding member of an original Amsterdam seed company. This early participation in the cannabis industry also led to consulting work with Amsterdam's smartshop industry. Mr. Resin has also served as a staff writer for High Times and also wrote for numerous cannabis publications including Cannabis Now, Skunk and a Medical Cannabis Journal.

Joshua Kasakevich - Chief Operating Officer

Mr. Kasakevich is an experienced entrepreneur with a track record in the apparel and fashion industry. Mr. Kasakevich has strong skills in the areas of business development, brand building, corporate strategy, business planning, advertising, and retail sales.

Super Smart's fit into Pharmadrug

The Company views the Proposed Transaction as a complementary acquisition of a proposed business which the Company anticipates will be synergistic with Pharmadrug's existing European cannabis distributions business. The Company currently operates as a Medical Cannabis distributor in Europe and views psychedelics as part of the emerging natural based medicine trend. The Company is fully committed to its business in Germany and considers it to be the hub of its business activities in Europe. As mentioned in the press release dated April 24, 2020, German operation are seeing volume growth and the company expects volumes to continue to grow with plans to introduce medical cannabis under its own brand in the next 3 to 6 months. The acquisition of smartshops in The Netherlands is seen as a move towards vertical integration of its existing cannabis business insofar as smartshops act as retail outlets for cannabis products such as CBD products and cannabis paraphernalia. Furthermore, the Company believes the acquisition provides an opportunity to expand its existing operations into the psychedelics space as permitted by law. Management believes the Proposed Transaction is also a platform to potentially acquire synergistic assets.

More information about Super Smart is available on their website at slimwinkel.com

The Proposed Transaction

The Letter of Intent is to be superseded by a definitive agreement (the "Definitive Agreement") between Pharmadrug and Super Smart with such agreement to include representations, warranties, covenants and conditions typical for a transaction of this nature. The Proposed Transaction is subject to, among other things, receipt of all applicable shareholder and regulatory approvals, the final approval of the Exchange and the satisfaction of customary closing conditions, including the conditions described below.

It is anticipated that the Proposed Transaction will be completed by way of a three-cornered amalgamation pursuant to which a wholly-owned subsidiary of the Company will amalgamate with Super Smart such that, following completion of the Proposed Transaction, Super Smart will become a wholly-owned subsidiary of the Company.

It is expected that at the time of the closing of the Proposed Transaction Super Smart will have approximately 44,000,000 Super Smart Shares issued and outstanding together with \$2,500,000 principal amount of senior secured convertible debentures (the "Super Smart Debentures"). The Super Smart Debentures shall bear interest at a rate of 12% per annum from the date of issue and payable monthly in cash and shall rank *pari passu* with one another and senior to all other indebtedness. The Super Smart Debentures shall mature on the date (the "Maturity Date") which is three (3) years from their issuance (which is anticipated to be

on or about closing of the Proposed Transaction). Super Smart will have a right to prepay or redeem a part or the entire principal amount of the Super Smart Debentures at par plus accrued and unpaid interest at any time by providing written notice of the date (the "Redemption Date") for such redemption to the holder at least a minimum of 30 days and a maximum 60 days' prior to the Redemption Date.

Each Super Smart Debenture will be convertible into units (each, a "Unit") at the option of the holder at any time prior to the close of the third business day prior to the earlier of: (i) the Maturity Date, and (ii) the Redemption Date at a price of \$0.05 per Unit with each Unit consisting of one Super Smart Share and one-half of one Super Smart Share purchase warrant (each whole warrant, a "Warrant"). Each Warrant will entitle the holder thereof to purchase one Super Smart Share at an exercise price of \$0.05 for a period of 36 months from the date of issuance of the Super Smart Debentures. In the event that the Super Smart Shares have a closing price on such exchange on which the Super Smart Shares may be traded at such time of greater than \$0.15 per share for a period of 10 consecutive trading days, Super Smart will be able to cause the Super Smart Debentures to be converted into Units. The terms of the Super Smart Debentures will provide for the issuance on conversion of the Super Smart Debentures of equivalent securities of Pharmadrug in place of the securities of Super Smart following completion of the Proposed Transaction.

It is proposed that the Proposed Transaction will be completed on the basis that each Super Smart Share will be exchanged for one common share in the capital of the Company (a "Pharmadrug Share"). Assuming that Super Smart has 44,000,000 Super Smart Shares and \$2,500,000 principal amount of Super Smart Debentures outstanding at the time of closing of the Proposed Transaction the security holders of Super Smart and the Company will hold 47% and 53.0%, respectively, of the fully diluted share capital of the Company following completion of the Proposed Transaction.

It is expected that all Pharmadrug Shares (including Pharmadrug Shares issued upon conversion of Super Smart Debentures and the exercise of Super Smart Warrants) issued pursuant to the Proposed Transaction, except those issued to U.S. persons, will be freely tradable under applicable Canadian securities legislation.

Conditions to the Proposed Transaction

Completion of the Proposed Transaction is subject to certain conditions precedent including, among other things:

- the satisfactory completion of due diligence investigations by each of Pharmadrug and Super Smart;
- the receipt of all required approvals by the respective boards of directors of Pharmadrug and Super Smart;
- the receipt of approval of the Proposed Transaction by shareholders of Super Smart;
- the receipt of all required consents, approvals and authorizations of any regulatory authorities, including, without limitation, the Canadian Securities Exchange, as applicable; and
- the receipt of all required consents and approvals of third parties.

Management and Board of Directors

The Company does not anticipate reconstituting its executive management team or Board of Directors in connection with the Proposed Transaction. It is expected that current members of the Super Smart management team will join the Company and occupy roles as senior business unit managers.

The Company also announces that David Posner has resigned from the board of directors and the Company's Chief Executive Officer has been appointed by the board of directors as Mr. Posner's replacement. David Posner has stepped down to pursue other ventures. We thank him for his past contribution to Pharmadrug and wish him well with all his future endeavours.

Debt Restructuring

The Company also announced that it is planning to restructure the outstanding \$400,000 principal amount convertible note due in November, 2020 (the "Convertible Note") and the \$600,000 short term promissory note (the "Promissory Note"), owing by the Company to the holders thereof. It is anticipated that the Convertible Note together with the accrued interest thereon will be exchanged for \$400,000 principal amount of 12% convertible notes ("Replacement Notes") that mature on the third anniversary of their issuance and will be convertible into Units at the holder's option at a deemed issue price of \$0.07 per Unit.

Each Unit will be comprised of one Pharmadrug Share and one Pharmadrug Share purchase warrant with each such warrant being exercisable into one Pharmadrug Share at a price of \$0.07 per share at any time on or before the third anniversary of its issuance.

The Company anticipates that \$400,000 principal amount of the Promissory Note together with the accrued interest thereon will be exchanged for \$400,000 principal amount of Replacement Notes and the remaining \$200,000 principal amount of the Promissory Note will convert into Units at a deemed issue price of \$0.07 per Unit.

The Company also anticipates converting approximately \$200,000 in payables into Units at a deemed issue price of \$0.07 per Unit.

The foregoing debt restructuring is subject to receipt of applicable regulatory approvals.

Holders of \$200,000 principal amount of the Convertible Notes, \$400,000 principal amount of Promissory Notes and \$120,000 of the payables are held by insiders of the Company. The restructuring of the debt will therefore constitute a related party transaction under applicable securities laws. CEO Daniel Cohen holds \$200,000 principal amount of the Convertible Notes and \$200,000 principal amount of the Promissory Notes. COO Howard Brass holds \$200,000 principal amount of the Promissory

Notes.

The Company will be relying upon the exemptions in sections 5.5(b) (*Issuer Not Listed on Specified Markets*) and 5.7(1)(a) (*Fair Market Value Not More Than 25 Per Cent of Market Capitalization*) of Multilateral Instrument 61-101.

The restructuring is being completed to improve the financial situation of the Company and the Company believes that restructuring the debt in this manner will provide it with additional financial flexibility to pursue its business plans. The independent members of the board of directors of the Company have reviewed and approved the terms of the restructuring.

Further Information

At the present time the parties have entered into a non-binding letter of intent but have not yet entered into any binding agreement with respect to the Proposed Transaction but are in the process of negotiating the terms of such transaction and completing their respective due diligence. At this time there is no certainty that the Proposed Transaction will be completed in the near future or at all. As discussions with respect to the Proposed Transaction proceed the Company will provide further updates.

Termination of Prior Letter of Intent and Repayment of Loans

In connection with the execution of the letter of intent for the Proposed Transaction the board of directors have decided to terminate the letter of intent set forth in the Company's press release dated February 7, 2020. In connection with such termination the Company intends to repay the \$250,000 following completion of the Proposed Transaction.

About PharmaDrug Inc.

PharmaDrug Inc. is building an internationally focused cannabis business focused on Europe. The Company owns 80% of Pharmadrug GmbH, a German medical cannabis distributor, with a Schedule I European Union narcotics license allowing for the importation and distribution of medical cannabis to pharmacies in Germany and throughout the EU.

For further information, please contact:

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Caution Regarding Forward-Looking Information:

THE CANADIAN SECURITIES EXCHANGE HAS NOT REVIEWED NOR DOES IT ACCEPT RESPONSIBILITY FOR THE ADEQUACY OR ACCURACY OF THIS RELEASE.

This news release may contain forward-looking statements and information based on current expectations. These statements should not be read as guarantees of future performance or results of the Company. Forward looking statements in this press release relate to the potential to complete the Proposed Transaction and the timing thereof, the integration of the Smart Shop business and the completion of the debt restructuring. Such statements involve known and unknown risks, uncertainties and other factors that may cause actual results, performance or achievements to be materially different from those implied by such statements. Although such statements are based on management's reasonable assumptions, there can be no assurance that such assumptions will prove to be correct. We assume no responsibility to update or revise them to reflect new events or circumstances. The Company's securities have not been registered under the U.S. Securities Act of 1933, as amended (the "U.S. Securities Act"), or applicable state securities laws, and may not be offered or sold to, or for the account or benefit of, persons in the United States or "U.S. Persons", as such term is defined in Regulations under the U.S. Securities Act, absent registration or an applicable exemption from such registration requirements. This press release shall not constitute an offer to sell or the solicitation of an offer to buy nor shall there be any sale of the securities in the United States or any jurisdiction in which such offer, solicitation or sale would be unlawful. Additionally, there are known and unknown risk factors which could cause the Company's actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by the forward-looking information contained herein, such as, but not limited to dependence on obtaining regulatory approvals; the ability to locate additional supply of medical cannabis, owning interests in companies or projects that are engaged in activities currently considered illegal under United States federal law; changes in laws; limited operating history, reliance on management, requirements for additional financing, competition, hindering market growth; regulatory and political change. All forward-looking information herein is qualified in its entirety by this cautionary statement, and the Company disclaims any obligation to revise or update any such forward-looking information or to publicly announce the result of any revisions to any of the forward-looking information contained herein to reflect future results, events or developments, except as required by law.

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