

# Pharmadrug Inc. Completes Acquisition of Super Smart with a New Added Focus on the Psychedelic Market

Toronto, Ontario--(Newsfile Corp. - June 15, 2020) - Pharmadrug Inc. (CSE: BUZZ) (OTC: LMLLF) ("Pharmadrug" or the "Company") is pleased to announce that it has completed its previously announced (see press release dated May 25, 2020) acquisition of all of the issued and outstanding shares of privately-held Interrobang Ltd. (doing business as Super Smart) ("Super Smart"). The acquisition was completed by way of a three-cornered amalgamation between Pharmadrug, Super Smart and a wholly-owned subsidiary of Pharmadrug (the "Transaction"). Following completion of the Transaction Super Smart is a wholly-owned subsidiary of Pharmadrug.

## *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.

The Company views the 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, the Company's German operations are seeing volume growth and the Company expects volumes to continue to grow with the introduction of new supply in the next quarter or two. The Company also plans to introduce medical cannabis under its own brand before year end. 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 Transaction is also a platform to potentially acquire synergistic assets.

At the time of the Transaction, Super Smart's assets consisted of a brand and strategy to acquire smartshops in The Netherlands and approximately CAD \$2.6 million of cash with liabilities of CAD \$1.479 million consisting of convertible debentures that were amalgamated into Pharmadrug's capital structure as per terms discussed below.

## *Terms of Acquisition Agreement*

Pursuant to the terms of the Transaction, each issued and outstanding share of Super Smart (a "Super Smart Share") was exchanged for one common share in the capital of the Company (a "Pharmadrug Share"). At the time of the closing of the Transaction, Super Smart had 64,420,000 Super Smart Shares issued and outstanding together with \$1,479,000 principal amount of senior secured convertible debentures (the "Super Smart Debentures"), 33,000,000 common share purchase warrants ("Placement Warrants") and 3,478,400 finder options (the "Finder Options").

The Super Smart Debentures were exchanged pursuant to their terms into debentures of Pharmadrug (the "Pharmadrug Debentures") which bear interest at a rate of 12% per annum from the date of issue payable monthly in cash and ranking *pari passu* with one another. The Pharmadrug Debentures are secured by first ranking security of Super Smart and second ranking security of Pharmadrug. \$1,190,000 principal amount of Pharmadrug Debentures mature on May 19, 2023 and \$289,000 principal amount of Pharmadrug Debentures Mature on May 22, 2022 (each a "Maturity Date"). Pharmadrug has a right to prepay or redeem a part or the entire principal amount of the Pharmadrug 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 Pharmadrug 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 common share of Pharmadrug (a "Pharmadrug Share") Share and one-half of one Pharmadrug Share purchase warrant (each whole warrant, a "Warrant"). Each Warrant will entitle the holder thereof to purchase one Pharmadrug Share at an exercise price of \$0.05 for a period of 36 months from the date of issuance of the Pharmadrug Debentures. In the event that the Pharmadrug Shares have a closing price on such exchange on which the Pharmadrug Shares may be traded at such time of greater than \$0.15 per share for a period of 10 consecutive trading days, Pharmadrug will be able to cause the Pharmadrug Debentures to be converted into Units.

In addition to the outstanding Super Smart Shares and Super Smart Debentures, Super Smart also had outstanding prior to closing (i) 3,478,400 Finder Options which entitled the holder thereof to acquire one Unit at a price of \$0.05 at any time on or before June 12, 2023 and (ii) 33,000,000 Placement Warrants issued in connection with a private placement of units of Super Smart with each such Placement Warrant entitling the holder to acquire one Super Smart Share at a price of \$0.05 at any time on or before June 15, 2023. Each Finder Option and Placement Warrant, following completion of the Transaction, entitles the holder thereof to acquire equivalent securities of Pharmadrug in place of the securities of Super Smart.

Following completion of the Transaction the security holders of Super Smart and the Company immediately preceding the Transaction hold approximately 47% and 53%, respectively, of the fully diluted share capital of the Company.

All Pharmadrug Shares issued (or becoming issuable) pursuant to the Transaction, except those issued to U.S. persons, are freely tradable under applicable Canadian securities legislation.

### *Management and Board of Directors*

The Company did not make any changes to its Board of Directors in connection with the Transaction. Daniel Cohen remains as Chairman and CEO and Keith Li continues in his role at CFO. Together, they will continue to oversee general corporate activity, the running of Pharmadrug GmbH in Germany as well as the integration of Super Smart into the combined corporate strategy.

Harry Resin who is the current CEO of Super Smart will join and continue to run the Super Smart division within Pharmadrug. We believe Mr. Resin is uniquely positioned to run the Super Smart strategy. As a founding member of an original Amsterdam seed company, Mr. Resin dealt extensively with and provided consulting work to Amsterdam's smartshop industry. He has a deep established network and a fundamental understanding of the smartshop business model. 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.

### *Super Smart Update*

As mentioned in the press release dated May 29, 2020, Super Smart's goal will be to purchase approximately ten smart shops within the first 12 months of operation. The Company has already begun discussions with owners of several Smart Shops across the country. Locations include Amsterdam, Central Holland and a few border towns. These discussions haven't all lead to us having an interest, but a couple of the stores seem quite attractive and their current owners are receptive. Moreover, these discussions and initial scoping of the landscape has increased management's confidence in achieving its acquisition goal for the next 12 months.

### **About PharmaDrug Inc.**

PharmaDrug Inc. is building an international controlled substance and natural medicine company with a focus 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. The Company also owns 100% of Super Smart, 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.

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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 integration of the Smart Shop business, anticipated volume growth in the Company's German business and the introduction by the Company of its own brand of medical cannabis. 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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