

51-102F3
MATERIAL CHANGE REPORT

Item 1 **Name and Address of Company**

TRANSCANNA HOLDINGS INC. (the "Company")
2489 Bellevue Avenue
West Vancouver, BC V7V 1E1

Item 2 **Date of Material Change**

February 3, 2021

Item 3 **News Release**

The news release was disseminated by Newsfile on February 3, 2021.

Item 4 **Summary of Material Change**

The Company entered into a secured convertible loan in the aggregate principal amount of US\$2 million, which proceeds are to be used exclusively for capital expenditures at the Company's Daly Facility in Modesto, California.

Item 5 **Full Description of Material Change**

5.1 **Full Description of Material Change**

The Company has entered into a binding term sheet (the "Term Sheet") with Wild Horse Properties L.P. (the "Lender" or "Wild Horse") for a secured convertible loan (the "Convertible Loan") in the aggregate principal amount of US\$2 million (the "Principal Amount.")

The proceeds of the Convertible Loan are to be used exclusively for capital expenditures at the Company's Daly Facility located in Modesto, California (the "Facility").

The Facility build out consists of four phases; with receipt of the Company's occupancy permit for Phase One, the Company will be shifting its distribution business from the Jerusalem property. Cultivation will continue at full capacity at the Jerusalem facility.

The Convertible Loan will bear interest (the "Interest") at the rate of 10% per annum (compounded annually) over a 2-year term from the date of execution of the definitive loan agreement and related security agreements (the "Definitive Agreement Date.") The Interest is payable annually in cash starting on the anniversary of the Definitive Agreement Date. The Convertible Loan will mature two years from the date of the Definitive Agreement Date (the "Maturity Date"),

whereupon the Company will repay the Principal Amount, plus all accrued but unpaid Interest, in cash. The Company will be entitled to draw down on the Loan at any time and from time to time, subject to the satisfaction of customary conditions of precedent.

Subject to applicable regulatory approval, the entire Principal Amount outstanding is convertible at the Lender's option after expiry of the applicable statutory hold period into common shares of the Company (the "Common Shares"), at a fixed conversion price of US \$0.59 per common share (the "Conversion Price"), at any time from the Definitive Agreement Date until Maturity Date.

Upon and from the first drawdown by the Company of any part of the Convertible Loan, the Lender will be entitled to appoint one member to the Board of Directors of the Company.

The proposed transaction is subject to the satisfaction of customary closing conditions, including regulatory approval and the completion of definitive documentation by February 15, 2021.

5.2 Disclosure for Restructuring Transactions

N/A

Item 6 Reliance on subsection 7.1(2) or (3) of National Instrument 51-102

N/A

Item 7 Omitted Information

None

Item 8 Officer

Stephanie Wesik, President

Item 9 Date of Report

February 3, 2021



2489 Bellevue Avenue
West Vancouver, B.C. V7V 1E1

**TRANSCANNA ANNOUNCES BINDING TERM SHEET FOR US\$2 MILLION
SECURED CONVERTIBLE LOAN**

**LOAN TO INCREASE PRODUCTION CAPACITY BY 400% & SHIFT COMPANY INTO A CASHFLOW POSITIVE STATUS ONCE
DALY FACILITY OPENED**

**Canadian Securities Exchange: TCAN
Borse Frankfurt: TH8**

Vancouver, BC, February 3, 2021 - TransCanna Holdings Inc. (CSE: TCAN: XETR: TH8) ("TransCanna" or the "Company") is pleased to announce that it has entered into a binding term sheet (the "Term Sheet") with Wild Horse Properties L.P. (the "Lender" or "Wild Horse") for a secured convertible loan (the "Convertible Loan") in the aggregate principal amount of US\$2 million (the "Principal Amount.")

The proceeds of the Convertible Loan are to be used exclusively for capital expenditures at the Company's Daly Facility located in Modesto, California (the "Facility").

"We are excited to finally unlock the production capacity of the Daly Facility with this direct investment. We believe that scaling our cultivation capacity precipitates industrial level distribution, manufacturing and processing rewarding shareholders with significant revenue growth. We have been in the planning stage for several months", stated Alan Applonie, Company General Manager, "and are very happy to have secured the necessary funding required to realize this vision." A reminder to shareholders, Mr. Applonie comes from Taylor Farms an organic produce grower in the central valley where Alan was part of the original founding management team and responsible for annual gross revenues exceeding US\$1 Billion.

The Facility build out consists of four phases; with receipt of the Company's occupancy permit for Phase One, the Company will be shifting its distribution business from the Jerusalem property. Cultivation will continue at full capacity at the Jerusalem facility.

"With this funding we will be completing the construction of our first phase at the facility, which is approximately 80% finished," stated Bob Blink, CEO. "Once complete, this represents a significant milestone for the company, and one that should boost profits and set the stage for our Californian expansion. After a lengthy and thorough due diligence process, we are delighted to have found the right partners in Wild Horse for this exciting next phase."

The Convertible Loan will bear interest (the "Interest") at the rate of 10% per annum (compounded annually) over a 2-year term from the date of execution of the definitive loan agreement and related security agreements (the "Definitive Agreement Date.") The Interest is payable annually in cash starting on the anniversary of the Definitive Agreement Date. The Convertible Loan will mature two years from the date of the Definitive Agreement Date (the "Maturity Date"), whereupon the Company will repay the Principal Amount, plus all accrued but unpaid Interest, in cash. The Company will be entitled to draw down on the Loan at any time and from time to time, subject to the satisfaction of customary conditions of precedent.

Subject to applicable regulatory approval, the entire Principal Amount outstanding is convertible at the Lender's option after expiry of the applicable statutory hold period into common shares of the Company (the "Common Shares"), at a fixed conversion price of US \$0.59 per common share (the "Conversion Price"), at any time from the Definitive Agreement Date until Maturity Date.

Upon and from the first drawdown by the Company of any part of the Convertible Loan, the Lender will be entitled to appoint one member to the Board of Directors of the Company.

The proposed transaction is subject to the satisfaction of customary closing conditions, including regulatory approval and the completion of definitive documentation by February 15, 2021.

This news release does not constitute an offer to sell or a solicitation of an offer to sell any securities in the United States. The securities have not been and will not be registered under the U.S. Securities Act or any state securities laws and may not be offered or sold within the United States or to U.S. Persons unless registered under the U.S. Securities Act and applicable state securities laws or an exemption from such registration is available.

About TransCanna Holdings Inc.

TransCanna Holdings Inc. is a California based, Canadian listed company building Cannabis-focused brands for the California lifestyle, through its wholly-owned California subsidiaries.

For further information, please visit the Company's website at www.transcanna.com or email the Company at info@transcanna.com.

On behalf of the Board of Directors
Bob Blink, CEO

Corporate Communications:
Hybrid Financial @hybridtcan
irteam@transcanna.com
604-800-3589

Neither the Canadian Securities Exchange nor its Regulation Services Provider (as that term is defined in the policies of the Canadian Securities Exchange) accepts responsibility for the adequacy or accuracy of this release.

Cautionary Note Regarding Forward-Looking Statements:

This release includes certain statements and information that may constitute forward-looking information within the meaning of applicable Canadian securities laws or forward-looking statements within the meaning of the United States Private Securities Litigation Reform Act of 1995. Forward-looking statements relate to future events or future performance and reflect the expectations or beliefs regarding future events of management of the Company. Generally, forward-looking statements and information can be identified by the use of forward-looking terminology such as "intends" or "anticipates", or variations of such words and phrases or statements that certain actions, events or results "may", "could", "should", "would" or "occur". This information and these statements, referred to herein as "forward-looking statements", are not historical facts, are made as of the date of this news release and include without limitation, statements regarding discussions of future plans, estimates and forecasts and statements as to management's expectations and intentions with respect to, among other things: commencement of operations of the Facility; the increase of the Company's output; the receipt of licensing approvals for the Company's facilities; expansions to and growth of the Company's business operations; and the Company entering into the definitive agreements in respect of the Convertible Loan by February 15, 2021 and the availability of the loan to the Company thereafter.

These forward-looking statements involve numerous risks and uncertainties and actual results might differ materially from results suggested in any forward-looking statements. These assumptions, risks and uncertainties include, among other things: the receipt of necessary regulatory approval and licensing approvals; market uncertainties related to the COVID-19 pandemic; potential negative

consumer, investor or public perception of a party's respective current brand or company; changes in consumer preferences and product trends; general market trends; political, legal and regulatory uncertainty relating to cannabis products generally; and specific risks relating to the negotiation and execution of the definitive agreements for the Convertible Loan by February 15, 2021 and thereafter the use and availability of proceeds from the Convertible Loan.

In making the forward looking statements in this news release, the Company has applied several material assumptions, including without limitation: the ability of the Company to commence operations at the Facility; the ability of the Company to increase its output; the ability of the Company to receive the necessary licensing approvals for its facilities; the ability of the Company to achieve its anticipated expansion and growth of its business operations; that the definitive agreements are executed and delivered by all the parties thereto by February 15, 2021 and thereafter the ability of the Company to make the required interest payments under the Convertible Loan.

Although management of the Company has attempted to identify important factors that could cause actual results to differ materially from those contained in forward-looking statements or forward-looking information, there may be other factors that cause results not to be as anticipated, estimated or intended. There can be no assurance that such statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements.

Accordingly, readers should not place undue reliance on forward-looking statements and forward-looking information. Readers are cautioned that reliance on such information may not be appropriate for other purposes. The Company does not undertake to update any forward-looking statement, forward-looking information or financial out-look that are incorporated by reference herein, except in accordance with applicable securities laws. We seek safe harbor.