

51-102F3
MATERIAL CHANGE REPORT

Item 1 **Name and Address of Company**

TRANSCANNA HOLDINGS INC. (the “Company”)
2489 Bellevue Ave, West Vancouver
British Columbia V7V 1E1

Item 2 **Date of Material Change**

November 1, 2021

Item 3 **News Release**

The news release was disseminated by Newsfile on November 1, 2021.

Item 4 **Summary of Material Change**

TransCanna clarifies previous disclosure.

Item 5 **Full Description of Material Change**

5.1 **Full Description of Material Change**

The Company announced that as a result of a review of its continuous disclosure record, by staff of the British Columbia Securities Commission (the "BCSC"), the Company is issuing this news release to clarify certain previous disclosure made.

On November 2, 2020, the Company disseminated a news release titled "TransCanna Provides Corporate Update". In this news release the Company provided the following revenue guidance:

The Company's internal gross revenue target for the 2020 fiscal year ranges from CAD\$12,000,000 up to CAD\$14,000,000 (with anticipated net profits from sales of \$600,000 up to \$700,000). The Company is on track to achieve this benchmark.”

The news release also discloses “...the Company has tremendous confidence it will achieve or exceed its stated 2021 revenue targets” and also states “With the opening of the Daly facility, associated off-take agreements, high demand for sales, and a strong distribution division, the Company maintains its guidance for a gross revenue target of CAD\$55,000,000 to CAD\$75,000,000 (with anticipated net profits from sales of \$6,600,000 up to \$9,000,000) for the fiscal year 2021.”

We provide the following clarification on the revenue guidance disclosed in the November 2, 2020 news release, which is hereby withdrawn in its entirety:

1. The projected gross revenue targets of CAD \$55M to CAD \$75M were reliant on the Company reaching several milestones including, but not limited to: (a) the completion of the Phase 1 construction on the Daly Facility, which involved the construction of five cultivation rooms spanning 22,500 square feet; processing space for drying, curing and semi-automated trimming; a packaging area with space for automated scaling, pouching, and sealing activities; 11,000 square feet of climate-controlled cold storage space for bulk and retail-ready finished goods; and a secure, enclosed transportation vehicle loading bay area; (b) the launching of cultivation rooms at the Daly Facility, post-construction; and (c) the launching of new verticals, in order to serve 3rd party growers throughout the state of California with cold storage, crop management, processing, and co-branding and white labelling services.
2. In the process of completing the Company's 2020 year-end audit, it became clear to the Company that there were concerns with the accuracy of revenue projections and other financial information being reported from the Company's operating subsidiary, Lyfted Farms. In retrospect, the pro forma financial information provided for the purposes of the 2021 revenue guidance contained in the Company's November 2, 2020 news release was not reasonable. As a result the Company has made significant personal changes including hiring qualified personnel, including a new CFO, and is developing a formal procedure for the review and disclosure of future oriented information and continuous disclosure.

While the Company has now reached these significant milestones, they were reached nine months later than planned. The contributing factors to the delays were:

1. **Funding** – there was a marked delay in obtaining and then accessing funds for the construction loan required in order to commence Phase 1 construction of the Daly Facility. Extra care in due diligence was taken when sourcing the loan required to complete Phase 1 in order to secure the most favorable terms. After successfully closing on the loan, there were delays in accessing the funds due to the restrictive rules and regulations surrounding financing and cannabis businesses.
2. **COVID-19** – while the Company and its subsidiaries were fortunate enough not to be directly impacted by the COVID-19 pandemic, we were indirectly impacted when many of our suppliers, subcontractors, and other service providers were hit with cases of COVID-19 amongst their team, thus impacting their ability to provide services within the timeframes originally quoted.
3. **Shortages** – our region in California is experiencing industry-wide shortages of qualified tradespeople, electricians, HVAC installers and technicians, and general construction staff, all which we required to execute on Phase 1 construction. Additionally, there were global supply chain shortages and delays on equipment and materials that we required in order to build out the new Daly Facility.
4. **Fire** – California experienced significant wildfires in 2021. The distribution side of the business was impacted by the wildfires which damaged some of the outdoor crops of the Company's farming clients. As a result, and due to limited human resources, the Company decided to temporarily suspend its distribution operations out of its original facility, and

focus primarily on cultivation, the Company's highest margin activity, and on getting the Daly Facility up and running.

Due to the factors mentioned above, the Company is no longer in a position to achieve the previously stated 2021 gross revenue targets of CAD \$55M to CAD \$75M. The Company's 2021 fiscal year forecast is now CAD \$4.5M, with CAD \$2.3M alone coming from the 4th quarter (November 31, 2021), as operations have come online at the new Daly Facility and the Company's distribution business, has been relaunched out of the Daly Facility.

The Company will provide revenue guidance for fiscal 2022 when it is in a position to do so.

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

November 1, 2021