

# TransCanna Closes USD\$15.8 Million Debt Financing from Pelorus Equity Group and an Additional up to \$9.5 Million Convertible Debenture Financing from Alpha Blue Ocean, Settles \$1.8 Million in Debt and Provides an Update on the Repricing of Its Convertible Debentures

Vancouver, British Columbia--(Newsfile Corp. - August 2, 2022) - **TransCanna Holdings Inc.** (CSE: TCAN) (FSE: TH8) ("**TransCanna**" or the "**Company**") is pleased to announce that on July 29, 2022 the Company entered into a definitive loan agreement with Pelorus Equity Group, a cannabis-focused real estate investment trust (the "**Lender**"), for a secured loan of up to USD \$15,808,000.00 (the "**Loan**") for a term of forty-eight (48) months. The Loan is secured against substantially all of the assets of the Company and certain subsidiaries. Proceeds of the Loan will be advanced upon the satisfaction of certain conditions precedent.

The Company is also pleased to announce that Alpha Blue Ocean ("**ABO**") is supporting the Company's growth with an up to \$9,500,000 financing arrangement (the "**ABO Commitment**"), pursuant to which the Company has entered into an issuance agreement dated July 29, 2022 (the "**Issuance Agreement**") with Global Tech Opportunities 2, an investment fund managed by ABO (the "**Investor**"), that provides for the issuance of senior unsecured convertible debentures (the "**Convertible Debentures**") in the aggregate principal amount of up to \$9,500,000 (the "**Convertible Debenture Financing**"), each at a subscription price of 95% of the aggregate principal amount thereof.

Pursuant to the Convertible Debenture Financing, the Company drew down the first Tranche (as defined below) of the ABO Commitment and issued a Convertible Debenture in an aggregate principal amount of \$780,000 for gross proceeds of \$741,000 and issued Convertible Debentures to the Investor in an aggregate principal amount of \$500,000 as a commitment fee (the "**Commitment Fee Debentures**").

The net proceeds of the Loan and Convertible Debenture Financing will be used primarily for the purposes of refinancing and developing the Company's property, construction costs, and paying interest on existing debt.

"Pelorus is excited to close this Loan with the TransCanna team to help fund the firm's growth and build on the award-winning products they produce," said Travis Goad, Managing Partner Pelorus Equity Group. "We're excited about the sales trajectory of the firm in a challenging market and looking forward to the future success of the firm. Pelorus continues to deploy capital in attractive opportunities in today's market and is excited to be the go-to real estate lender in the cannabis sector."

"ABO is excited to close this transaction with TransCanna to help fund the firm's promising growth trajectory," said Amine Nedjai, CEO of Alpha Blue Ocean. "We're looking forward to supporting TransCanna's team and participating in what will be a recapitalized company with strong management and capital partners behind it. Despite the current macro and industry headwinds, ABO continues to support listed small and mid-market companies by providing flexible and innovative financing solutions."

"The success of the business has always been intrinsically tied to the Company's ability to increase its production capacity," stated TransCanna CEO, Bob Blink. "The USD \$4M budget which this financing unlocks for construction of the Company's Phase 2 build-out moves us towards accomplishing this goal."

When the Company is on a solid cash-flow positive footing post-construction we'll have achieved the initial stability we have been driving towards and be very well positioned for the next stage of growth with our new financial partners."

Pursuant to a business services agreement for capital markets advisory services dated January 13, 2022 between the Company and Luminous Capital Inc. ("**Luminous**"), the Company will issue 16,386,778 common share purchase warrants (the "**Luminous Warrants**") at a price of \$0.12 per share. Common shares issuable upon exercise of the Luminous Warrants will be subject to resale restrictions of four months and a day.

The Company is also pleased to announce that the holders of an aggregate of \$1,842,706 of debt, of which \$398,182 is held by insiders of the Company, have agreed to settle such debt through the issuance of an aggregate of 18,427,061 units (each, a "**Unit**") of the Company (the "**Debt Settlement**") at a price of \$0.10 per Unit. Each Unit is comprised of one (1) common share in the capital of the Company (each, a "**Common Share**") and one (1) Common Share purchase warrant (each, a "**Debt Settlement Warrant**"). Each Debt Settlement Warrant will entitle the holder thereof to purchase one (1) additional Common Share (a "**Warrant Share**") at a price of \$0.15 for a period of two years.

The Common Shares comprising the Units and issuable upon exercise of Debt Settlement Warrants are subject to a hold period of four months and one day.

The Company is also pleased to provide an update following its previous announcement on June 30, 2022, that effective July 19, 2022, the Company has repriced (the "**Repricing**") its outstanding convertible debentures in an aggregate principal amount of \$1,156,000, previously issued pursuant to a private placement completed on September 15, 2021 (the "**Existing Debentures**"). The Existing Debentures are now convertible into Units at a price of \$0.10 per Unit (previously \$0.85) and the common share purchase warrants comprising such Units are now exercisable at a price \$0.15 per share (previously \$1.00). All other terms of the Existing Debentures remain the same.

## **The Loan**

The Loan accrues interest at a rate of 14% per annum, provided that after eighteen (18) months, given that certain requirements are met, the interest rate will be reduced to 12% per annum. Upon an event of default, the interest rate increases to 19% per annum.

The Loan is subject to interest reserves, certain guarantees and defaults, a pledge agreement, a security agreement, subordination agreements, and guarantee of completion.

In connection with the Loan, the Company issued, to an affiliate of the Lender, warrants to purchase up to 51,208,682 Common Shares of the Company (the "**Loan Warrants**"). Each Loan Warrant entitles the Lender to purchase a Common Share at a price of \$0.12 (the "**Exercise Price**"), representing the closing price of the Company's Common Shares on the Canadian Securities Exchange (the "**Exchange**") on July 28, 2022, for a period of five years. No Common Shares may be issued on exercise of the Loan Warrants if the issue of such shares would cause the holder (and any person acting jointly and in concert with the holder) from holding beneficial ownership or having control or direction over greater than 9.9% of the outstanding Common Shares.

The Loan Warrants provides the holder thereof with downward price protection such that, subject to the approval of the Exchange, the Exercise Price will be reduced to the issue price of any Common Shares, or securities convertible into Common Shares, issued after the date hereof. The Loan Warrants also grant the holder thereof piggy back registration rights in the event the Company determines to register any Common Shares under the United States *Securities Act* or qualify any Common Shares for distribution pursuant to a prospectus prepared and filed in accordance with Canadian securities laws.

Finally, the Loan Warrants contain a put and call option pursuant to which (i) upon prepayment or maturity of the Loan, the Company has the option (the "**Call Option**") to purchase the Loan Warrants at a

purchase price equal to the aggregate exercise price of the remaining Loan Warrants plus a 30% premium thereto (the "**Call Price**"); and (ii) if the Company does not exercise the Call Option, the holder has the option upon prepayment or maturity to require the Company to purchase the Loan Warrants at a purchase price equal to the aggregate exercise price of the remaining Loan Warrants less a 30% premium thereto. Upon a default of the Loan which results in an acceleration of the Loan, the Call Option shall be deemed to have been exercised and the Call Price shall be immediately due and payable by the Company to the Lender.

The Loan Warrants and any Common Shares issuable upon exercise thereof are subject to a hold period of four months and one day.

## **The Convertible Debenture Financing**

The Investor has committed to fund the Company up to \$9,500,000 pursuant to the Issuance Agreement by subscribing for \$10,500,000 aggregate principal amount of Convertible Debentures (inclusive of the Commitment Fee Debentures), to be issued in thirty-eight (38) tranches (each a, "**Tranche**"), from time to time, during the 48 month period (the "**Commitment Period**"), subject to the right of the Investor to require the Company to draw down up to ten Tranches during the Commitment Period and further provided that the Investor may delay any subscription requested by the Company, if the Investor's holdings of Common Shares of the Company (on an as-if-converted, undiluted basis and after giving effect to the subsequent Tranche) would exceed 5% of then issued and outstanding Common Shares of the Company (undiluted).

The obligations of the Investor to subscribe for Convertible Debentures upon receipt of a draw down notice is subject to the satisfaction of the conditions precedent set forth in the Issuance Agreement.

Concurrently with execution of the Issuance Agreement, the Company (i) drew down the first Tranche and issued to the Investor \$780,000 aggregate principal amount of Convertible Debentures for gross subscription proceeds to the Company of \$721,000; (ii) made a one-time grant to the Investor of 13,194,414 Common Share purchase warrants of the Company having an exercise price of \$0.136 per share, subject to adjustment in accordance with their terms, for a period of five years (the "**ABO Warrants**"); and (iii) issued the Commitment Fee Debentures, in payment of a commitment fee of \$500,000.

Each Convertible Debenture matures 12 months from the date of issue (the "**Maturity Date**"). Each Convertible Debenture is convertible upon notice from the Investor delivered at any time prior to the Maturity Date and automatically on the Maturity Date, in each case, at the lowest daily volume-weighted average price observed over a period of fifteen (15) trading days immediately preceding the date of the relevant conversion notice (or, where no conversion notice is given, the relevant maturity date of the Convertible Debentures) (the "**Conversion Price**").

In the event that the higher of the last closing price of the Common Shares on the Exchange prior to delivery of the relevant conversion notice by the Investor to the Company and the minimum price permitted under the policies of the Exchange (the "**Adjusted Conversion Price**") is greater than the Conversion Price, the Company will be required to pay the Investor a make-whole amount to compensate the Investor, in cash and calculated in accordance with the formula provided for in the Issuance Agreement, for the value of the Common Shares that would have been issuable upon conversion, but for the difference between the Conversion Price and the Adjusted Conversion Price (each, a "**Make-Whole Amount**").

Subject to the terms thereof, each of the Convertible Debentures and the ABO Warrants provides that the number of Common Shares that the Investor may acquire upon conversion of the Convertible Debentures or exercise of the ABO Warrants shall be limited to ensure that (i) the Investor (and any person acting jointly and in concert with the Investor) will not hold beneficial ownership or having control or direction over greater than 9.9% of the outstanding Common Shares after giving effect to the

conversion or exercise or issuance, as applicable, without the insiders of the Investor having filed and cleared personal information forms with the Exchange; or (ii) the Investor (and any person acting jointly and in concert with the Investor) will not hold beneficial ownership or having control or direction over greater than 19.9% of the outstanding Common Shares, after giving effect to the conversion, exercise or issuance, as applicable.

Upon the occurrence of an event of default or a change of control, the Investor is entitled to require that the Company redeem all then outstanding Convertible Debentures, in cash, at a redemption price equal to 120% of the outstanding principal.

The Common Shares issuable upon conversion of the Convertible Debentures and the Common Shares issuable upon exercise of the ABO Warrants shall be subject to a hold period of four months and one day from the date of issuance; however, such securities shall immediately be exchanged for freely tradeable securities delivered by way of a securities lending arrangement among the Investor and shareholders of the Company.

### **Repricing of Convertible Debentures**

Effective July 22, 2022, each Existing Debenture is now convertible into units at a price of \$0.10 per unit, with each unit being comprised of one common share and one common share purchase warrant (each "**Repriced Warrant**"). Each Repriced Warrant entitles the holder to purchase one Common Share at a price of \$0.15 per share for a period of two years, expiring September 30, 202, however, in accordance with the policies of the Exchange, if, at any time after July 22, 2022, the closing price of the Company's Common Shares, as quoted by the Exchange, is equal to or greater than CAD\$0.19 for ten consecutive trading days, the expiration date of the Warrants will automatically be accelerated to the date that is 30 calendar days after the date of such ten consecutive trading day period.

All but 7 of the holders of the Existing Debentures has delivered written consents to the Repricing. Those remaining holders of Existing Debentures may deliver a consent to the Repricing any time prior to the maturity date of the Existing Debentures and convert his or her Existing Debentures at the reduced price or hold the Existing Debentures to maturity for repayment in accordance with the terms thereof.

As of today, holders of an aggregate of \$879,135 principal amount of Existing Debentures have converted Existing Debentures for the issuance of an aggregate of 8,791,352 Common Shares and 8,791,352 Repriced Warrants.

### **Insider Participation**

Each of the Investor, the Lender and Luminous are arm's length to the Company and to each other.

Related parties of the Company, however, will acquire 3,981,820 Units on conversion of \$398,182 of indebtedness pursuant to the Debt Settlement and \$115,600 aggregate principal amount of Repriced Existing Debentures are held by Insiders. As result, each of the Debt Settlement and Repricing is considered a "related party transaction" as such term is defined under Multilateral Instrument 61-101 - *Protection of Minority Security Holders in Special Transactions* ("**MI 61-101**"). The Company is relying on exemptions from the formal valuation and minority shareholder approval requirements provided under MI 61-101 on the basis that the value of the indebtedness held by related parties to be settled in Units and the aggregate principal amount of Repriced Existing Debentures held by related parties do not exceed 25% of the fair market value of the Company's market capitalization.

The Company did not file a material change report more than 21 days before the expected closing of the Debt Settlement and effective date of the Repricing as required by MI 61-101 because the announcement and closing or effective date, respectively less than 21 days apart.

### **National Instrument 62-103 - The Early Warning System and Related Take-over Bid and Insider Reporting Issues**

Pursuant to closing of the first Tranche, the Investor (P.O. Box 2775, 67 Fort Street, Artemis House, Grand Cayman, KY1-1111, Cayman Islands) acquired an aggregate principal amount of \$1,330,000 Convertible Debentures (inclusive of the Commitment Fee Debentures) and 13,194,414 ABO Warrants. Each ABO Warrant is exercisable at an exercise price of \$0.136 per underlying Common Share, subject to adjustment in accordance with the terms of the certificate representing the ABO Warrants.

Prior to closing of the first Tranche, the Investor beneficially owned or controlled no securities of the Company. Prior to closing of the first Tranche, and assuming that there were 105,623,015 Common Shares issued and outstanding, the Investor exercised control and direction over Securities representing nil percent of the issued and outstanding Common Shares on a non-diluted basis and approximately nil percent of the issued and outstanding Common Shares on a partially diluted basis, assuming the conversion of the Convertible Debentures and the ABO Warrants. Immediately following the closing of the first Tranche, the Investor holds 13,194,414 ABO Warrants and Convertible Debentures in the principal amount of \$1,330,000.

The Convertible Debentures were acquired, in the ordinary course of business, for investment purposes only and pursuant to the terms of the Issuance Agreement, pursuant to which the Investor is expected to acquire control and direction over additional convertible debentures as further Tranches close and Common Shares upon the conversion thereof.

ABO Infinium Americas Opco Ltd. exercises control or direction over the Convertible Debentures and ABO Warrants in its capacity as investment manager. However, the Investor beneficially owns the securities. This investment will be reviewed on a continuing basis and ABO Infinium Americas Opco Ltd., on behalf of the Investor, may further increase or decrease its ownership, control or direction over securities of the Company depending on market conditions, reformulation of plans and/or other relevant factors.

An alternative monthly report will be filed by ABO Infinium Americas Opco Ltd. in accordance with applicable securities laws and will be available on SEDAR at [www.sedar.com](http://www.sedar.com) or may be obtained directly from the Company upon request at [info@transcanna.com](mailto:info@transcanna.com).

The securities offered have not been registered under the U.S. Securities Act of 1933, as amended, and may not be offered or sold in the United States absent registration or an applicable exemption from the registration requirements. This news 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 any State in which such offer, solicitation or sale would be unlawful.

### **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](http://www.transcanna.com) or email the Company at [info@transcanna.com](mailto:info@transcanna.com).

On behalf of the Board of Directors  
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### *Forward-Looking Information*

This news release contains statements that constitute "forward-looking information" or "forward-looking

statements" within the meaning of applicable securities laws. The words "may," "would," "could," "should," "will," "intend," "plan," "goal," "anticipate," "believe," "estimate," "expect," "achieve," "must," "next," "focus," "potential," "progress," "develop," "continue," "advance," "investigate," "optimize," "improve," "opportunity," "future," "prospect," "vision," "target," "growth," "envisage," "option," "roadmap," "pursue," "near-term," "de-risking," "eventual," "later," "until," and similar expressions, as they relate to the Company or its management, are intended to identify such forward-looking information. Forward-looking statements are based on assumptions as of the date of this news release and reflect management's current estimates, beliefs, intentions and expectations. They are not guarantees of future performance. Forward-looking statements in this news release include, among other things, statements about: the terms of the Loan and Convertible Debenture Financing, including the use of proceeds from the Loan and Convertible Debenture Financing; future issuances of Convertible Debentures; the timing of any future drawdowns of the Loan and Convertible Debenture Financing and the satisfaction of closing conditions, if any, in connection therewith; and statements regarding management's expectations on the Company's future performance.

The Company cautions that all forward looking statements are inherently uncertain and that actual performance may be affected by many materials factors, many of which are beyond the Company's control. Such factors include, among other things: the risk that the conditions precedent to drawdown of the Loan are not satisfied, the risk that the conditions to the issuance of the Convertible Debentures pursuant to the Issuance Agreement will not be satisfied, the risk that the anticipated benefits from the receipt of funds from the Investor and the Lender will not be realized as contemplated, or at all; risks that the Company's business plans will vary from those stated in this news release and the Company may not be able to carry out its business plans as expected; prevailing market conditions; general business and economic uncertainties; the implementation of the Company's business model and growth strategies; trends and competition in our industry; our future business development, financial condition and results of operations and our ability to obtain financing cost-effectively; potential changes of government regulations; and other risks and factors detailed from time to time in the filings made by the Company with securities regulators and stock exchanges. Accordingly, actual and future events, conditions and results may differ materially from the estimates, beliefs, intentions and expectations expressed or implied in the forward-looking information. These factors should be considered carefully and readers should not place undue reliance on the forward-looking statements. Although the forward-looking statements contained in this news release are based upon what management believes to be reasonable assumptions, the Company cannot assure readers that actual results will be consistent with these forward-looking statements.

The Company assumes no obligation to update or revise them to reflect new events or circumstances, except as required by law.

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