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Sugarbud Announces Closing of Fully Subscribed \$4.0 Million Public Offering of Secured Convertible Debenture Units and Provides Corporate Update

CALGARY, ALBERTA, June 24, 2020 – Sugarbud Craft Growers Corp. (TSXV: SUGR, SUGR.WT) ("Sugarbud" or the "Company") is pleased to announce the closing of its previously announced public offering (the "Offering") of secured convertible debenture units of the Company (each, a "Debenture Unit"), for aggregate gross proceeds of \$4,000,000 (the "Offering"). The Offering was led by Mackie Research Capital Corporation as sole bookrunner and lead agent (the "Agent").

The net proceeds received by Sugarbud from the Offering are intended to be used to expand its cultivation capabilities in Phase 1a of the Stavely Facility by an additional 4,000 sq. ft. of bloom canopy across four new layers of vertical cultivation space and for working capital and general corporate purposes. To accommodate the completion of Phase 1a, Sugarbud intends to use a portion of the proceeds of the Offering to complete final installation of additional HVAC equipment, vertical racking systems, environmental controls and LED lighting. The Company expects to complete these capacity upgrades to Phase 1a by the end of 2020, supporting the growth of its Craft Cannabis Collection which is comprised of superior high potency, terpene-rich dried flower and pre-roll cannabis products.

"We are very pleased with the result of our public offering of secured convertible debentures and warrants, and view the outcome as yet another strong vote of confidence in the combined leadership of our management team, a very disciplined and focused business model and most importantly our ability to deliver strong operational and financial results," stated Sugarbud's Chief Executive Officer, John Kondrosky.



"Together with the recently announced Credit Facility with First Calgary, the successful conclusion of our public offering further strengthens our balance sheet and provides the Company with a strong foundation and the additional working capital necessary to continue to successfully execute against our primary growth objectives and priorities," concluded Mr. Kondrosky.

Each Debenture Unit, including those sold pursuant to the Over-Allotment Option (as defined below), consists of: (i) one 12.0% secured convertible debenture (each, a **"Convertible Debenture"**); and (ii) 20,000 common share purchase warrants of the Company (the **"Warrants"**). Each Warrant entitles the holder to purchase one common share in the capital of the Company (each, a **"Common Share"**) at an exercise price of \$0.05, at any time up to 36 months following the date of issuance.

The principal amount of each Convertible Debenture will, at the option of the holder, be convertible, for no additional consideration, into Common Shares at a conversion price equal to: (i) \$0.05, at any time prior to the date that is one year from the Closing Date; and (ii) \$0.10, at any time following the date that is one year and one day from the Closing Date and prior to the earlier of: (i) the close of business on the Maturity Date; and (ii) the business day immediately preceding the date specified by the Company for redemption of the Convertible Debentures upon a change of control. If the holder elects to convert the Convertible Debentures, then the holder will also receive an amount equal to the interest that the holder would have received if the holder had held the Convertible Debentures until the Maturity Date (the **"Effective Interest"**), payable in: (i) Common Shares at a price equal to the daily volume weighted average trading price of the Common Shares on the TSX Venture Exchange (the **"TSXV"**) for the consecutive 20 trading days preceding the date of such election; (ii) cash; or (iii) a combination of cash and Common Shares, at the Company's option. Upon the Maturity Date and if the holder has not elected to convert the Convertible Debentures, the principal amount of the Convertible Debentures shall be repaid in cash by the Company.

Each holder of Convertible Debentures may, at their option, any time following the date that is twelve months from the Closing Date, elect to exchange the aggregate principal amount of such holder's Convertible Debentures for an equivalent aggregate principal amount of 15.0% secured non-convertible notes (each, a



“Secured Note”) on a one for one basis (the “Exchange Option”). The Secured Notes shall bear interest at a rate of 15.0% per annum from the date of issue, payable semi-annually in arrears on the last day of June and December in each year, and will mature on the Maturity Date. Any accrued interest from the date of exchanging the Convertible Debentures for Secured Notes will be carried forward and be payable on the applicable interest payment date, together with the interest accruing from the Secured Notes beginning on the date of exchange.

The Convertible Debentures and Secured Notes may, at the Company's option, be prepaid in cash for an amount equal to 110% of the principal amount plus accrued interest at any time following the date that is twelve months from the Closing Date.

The obligations of the Company under the Convertible Debentures and Secured Notes are secured by way of a security interest in the purpose built 29,800 sq. ft. facility in Stavely, Alberta (the “Stavely Facility”) and shall be subordinate in priority and ranking to: (1) current senior indebtedness (“Existing Indebtedness”) of the Company for amounts up to \$5.0 million, including any additional credit extended pursuant to Existing Indebtedness, or the assignment, assumption, transfer or replacement of such Existing Indebtedness with any other form of credit arrangement (“Alternative Indebtedness”) provided that: (A) the lender(s) in respect of such Alternative Indebtedness is a chartered Canadian or U.S. bank or a credit union formed under the *Credit Union Act* (Alberta) or similar legislation in any other province of Canada; and (B) Existing Indebtedness is paid out in full concurrent with the execution of a definitive credit agreement in respect of Alternative Indebtedness under which funds can be unconditionally drawn by the Company; and (2) any capital equipment financing in respect of the HVAC, lighting and other equipment at the Stavely Facility.

The Company has granted the Agent an option (the “Over-Allotment Option”), exercisable from time to time in whole or in part, in the sole discretion of the Agent, up to 30 days from the Closing Date, to purchase up to an additional 15% of the number of Debenture Units (or the components thereof) sold pursuant to the Offering to cover over-allotments, if any, and for market stabilization purposes.



The Offering is subject to the final approval of the TSXV. The TSXV has conditionally approved the listing of the Convertible Debentures and Warrants. It is expected that the Convertible Debentures and Warrants will commence trading on the TSXV within two trading days under the trading symbols “SUGR.DB” and “SUGR.WS”, respectively.

In consideration for the services provided by the Agent, the Company issued an aggregate of 12,800,000 non-transferable broker warrants (the “**Broker Warrants**”) to the Agent. The Broker Warrants are exercisable into Common Shares at a price \$0.05 per Common Share at any time up to 36 months following the date of issuance.

The Offering was made pursuant to a short-form prospectus filed in each of the provinces of Canada (except Québec), and otherwise by private placement exemption in those jurisdictions where the Offering can lawfully be made, including the United States. The Debenture Units, the Convertible Debentures and Warrants forming part of the Debenture Units, the Common Shares issuable upon conversion of the Convertible Debentures or the exercise of the Warrants, the Secured Notes issuable upon exercise of the Exchange Option, the Compensation Warrants and the Common Shares issuable upon the exercise of the Compensation Warrants at a price of \$0.05 for a period of 36 months from the date of issuance have not been and will not be registered under the United States Securities Act of 1933, as amended (the “**U.S. Securities Act**”), or any state securities laws, and may not be offered or sold in the United States, to or for the account or benefit of, persons in the United States or U.S. Persons (as defined in Regulation S under the U.S. Securities Act) absent registration or an applicable exemption from the registration requirements of the U.S. Securities Act and in accordance with applicable state securities laws. 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 Debenture Units in any jurisdiction in which such offer, solicitation or sale would be unlawful.



Corporate Update

The Company also announces Bill Macdonald has resigned as a director of the Company effective immediately. The Company wishes to thank Mr. Macdonald for his many valuable contributions over the years.

About Sugarbud

Sugarbud is a federally licensed, Alberta-based, craft cannabis company; focused on the cultivation and production of superior, select-batch, craft cannabis products. Our mission is to become a trusted and well-respected brand – renowned for providing exceptionally high-quality craft cannabis products, delighting the most discerning of cannabis consumers and evolving the way people think about incorporating cannabis into their daily lives.

<http://www.sugarbud.ca/>

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Forward Looking and Cautionary Statements

This news release contains forward-looking statements. More particularly, and without limitation, this news release contains statements concerning: Sugarbud's assessment of future plans, operations and cannabis cultivation; the Offering, including the receipt, in a timely manner, of regulatory and other required approvals and clearances, including the final approval of the TSXV; the number of Debenture



Units to be sold; the maximum gross proceeds of the Offering; the number of Convertible Debentures, Warrants and Compensation Warrants to be issued by the Company; the payment of interest and the principal amount, and the conversion or exercise of other rights attached to the Convertible Debentures, the Warrants and the Compensation Warrants; the listing of the Convertible Debentures, Warrants and the Common Shares issuable upon conversion of the Convertible Debentures or the exercise of the Warrants and Compensation Warrants on the TSXV; the exercise of the Over-Allotment Option; and the use of the net proceeds of the Offering. When used in this document, the words "will," "anticipate," "believe," "estimate," "expect," "intent," "may," "project," "should," and similar expressions are intended to be among the statements that identify forward-looking statements.

The forward-looking statements are founded on the basis of expectations and assumptions made by Sugarbud. Forward-looking statements are subject to a wide range of risks and uncertainties, and although Sugarbud believes that the expectations represented by such forward-looking statements are reasonable, there can be no assurance that such expectations will be realized. Any number of important factors could cause actual results to differ materially from those in the forward-looking statements including, but not limited to: establishing a trading market for the Convertible Debenture and Warrants; fluctuations in the market price of the Common Shares, Convertible Debentures, Secured Notes and Warrants; risks relating to the dilution of the Common Shares, Convertible Debentures and Warrants; risks and uncertainties relating to the actual use of the net proceeds of the Offering; changes in market conditions; stock price volatility; Sugarbud may not obtain the necessary regulatory approvals to list the Convertible Debentures, the Warrants and the Common Shares issuable upon conversion of the Convertible Debentures and the exercise of the Warrants and the Compensation Warrants on the TSXV; currently contemplated expansion and development plans may cease or otherwise change; production of cannabis may be lower than expected, Sugarbud may not obtain the required approvals from Health Canada, the size of the medical marijuana market and the recreational marijuana market; government regulations, including future legislative and regulatory developments involving medical and recreational marijuana; construction delays; risks inherent in the agricultural business, such as insects, plant diseases and similar agricultural risks which can have a significant impact on the size and quality of the harvest of cannabis crops; competition from other industry participants; and other factors more fully described from time to time in the reports and filings made by Sugarbud with securities regulatory authorities. In addition, the Company cautions that current global uncertainty with respect to the spread of the COVID-19 virus and its effect on the broader global economy may have a significant negative effect on the Company. While the precise impact of the COVID-19 virus on the Company remain unknown, rapid spread of the COVID-19 virus may have a material adverse effect on global economic activity, and can result in volatility and disruption to global supply chains, operations, mobility of people and the financial markets, which could affect interest rates, credit ratings, credit risk, inflation, business, financial conditions, results of operations and other factors relevant to the Company. Please refer to Sugarbud's most recent annual information form and management's discussion and analysis for additional risk factors relating to Sugarbud, which can be accessed under Sugarbud's profile on www.sedar.com.

Except as required by applicable laws, Sugarbud does not undertake any obligation to publicly update or revise any forward-looking statements.

Neither the TSXV nor its regulation services provider (as that term is defined in the policies of the TSXV) accepts responsibility for the adequacy or accuracy of this release.