Q4 Company

NEWS RELEASE

SIMPLY SOLVENTLESS ANNOUNCES STRATEGIC ACQUISITION OF ANC INC., INCREASING PROJECTED 2024 EXIT ANNUALIZED NET INCOME TO $10.0 MILLION PER YEAR

2024-09-26

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CALGARY, AB, Sept. 26, 2024 /CNW/ - Simply Solventless Concentrates Ltd. (TSXV: HASH) ("SSC") is pleased to announce that it has entered into a definitive share purchase agreement (the "SPA") dated September 25, 2024 in respect of the acquisition (the "Acquisition") of all of the shares of ANC Inc. ("ANC"). In addition, SSC is announcing the exercise of its right (the "Acceleration Right") to accelerate the expiry of approximately 15,000,000 of SSC's outstanding common share purchase warrants that have an exercise price of $0.20 per warrant (the "2026 Warrants"), which are currently set to expire on August 28, 2026, for expected proceeds of up to approximately $3.0 million (assuming all of the 2026 Warrants are exercised). Following the exercise of the Acceleration Right, any remaining unexercised 2026 Warrants will expire on October 26, 2024. A copy of the SPA will be available on SEDAR+ under SSC's profile at **www.sedarplus.ca**.

ANC is a profitable licensed producer ("LP"), and on a proforma basis, SSC expects strong normalized net income of approximately $10 million annualized by 2024 exit. SSC intends to use the net proceeds of the 2026 Warrant exercises (discussed below), cash on hand, and cash flow from operations to fund the Acquisition.

Jeff Swainson, SSC's President & CEO, stated: "We are thrilled to announce the foundational acquisition of ANC, continuing our strategy of profitable organic revenue growth and opportunistic acquisitions. ANC holds significant intellectual property, some of which is patented, and they have garnered industry wide respect for their execution ability. Together with ANC's incredible team, led by Clayton Bordeniuk, Tairance Rutter, Thomas Facciolo and James Clarke, we will leverage SSC's strategic positioning, our complimentary core competencies, and our proforma profitability to capture continued opportunity and value for our shareholders."

Clayton Bordeniuk, President & CEO of ANC, stated: "ANC Solutions is a leader in infused pre-roll manufacturing in Canada, and we are excited to integrate into the SSC family. This partnership allows us to leverage our operational expertise and SSC's broad network to drive continued innovation; and together, we will expand product offerings and enhance operational efficiencies while continuing to deliver premium cannabis products and services to the market. This deal marks a pivotal moment for ANC, as SSC is the growth partner that we had been looking for. It is our belief that our combined team, coupled with our shared focus on profitability and operational excellence, creates a platform for explosive growth and strong results as we move forward together."

ANC Profile, Proforma Figures, Transaction Synergies

ANC is a privately owned leading pre-roll and white label manufacturer in Canada. Partnering with LPs nationwide, ANC specializes in crafting traditional, cigarette-style, blunts and infused pre-rolls, ensuring unparalleled quality and innovation in every product. ANC holds significant intellectual property, some of which is patented, and they can produce up to 5,000,000 pre-rolls per month. ANC recently launched its infused pre-roll brand "Status" into the Canadian recreational market. ANC has a Health Canada licensed facility in Edmonton, Alberta. Please see **ANC's website** for more information.

Current financial figures for ANC and key projected proforma figures following completion of the Acquisition, compared to Q3 2024 guidance, are as follows:

- ANC Revenue: ANC is currently generating approximately $15.0 million of annualized revenue. As it is B2B and tolling revenue, this revenue is not subject to excise taxes.
- ANC Net Income: ANC is currently generating approximately $3.6 million of annualized net income.
- SSC Proforma 2024 Exit Gross Revenue: 96% increase in gross revenue, from $28.0 million annualized Q3 2024 guidance to $55.0 million proforma annualized in Q4 2024.
- SSC Proforma Adjusted EBITDA: 163% increase in adjusted EBITDA, from $4.0 million annualized Q3 2024 guidance to $10.5 million proforma annualized in Q4 2024 (adjusted EBITDA is a non-IFRS measure. See "Non-IFRS Financial Measures" below).
- SSC Proforma Normalized Net Income: 178% increase in normalized net income, from $3.6 million annualized Q3 2024 guidance to $10.0 million proforma annualized in Q4 2024 (normalized net income is a non-IFRS measure. See "Non-IFRS Financial Measures" below).
- SSC Fully Diluted Proforma Adjusted EBITDA per Share: 125% increase in fully diluted adjusted EBITDA per share, from $0.04/share annualized Q3 2024 guidance to $0.09/share proforma annualized in Q4 2024

(adjusted EBITDA is a non-IFRS measure. See "Non-IFRS Financial Measures" below).
- SSC Fully Diluted Proforma Net Income per Share: 125% increase in fully diluted net income per share, from $0.04/share annualized Q3 2024 guidance to $0.09/share proforma annualized in Q4 2024.
- Blended Excise Rate: ANC earns primarily B2B and tolling revenue which is not subject to excise tax, which will lower SSC's overall corporate blended excise tax rate.
- SSC Proforma Operating Costs: $500,000 estimated proforma annual reduction in operating costs due to significant synergies and the reduction of duplicated resources.

Key synergies of the Acquisition are as follows:

- Team: ANC's team is comprised of strong professionals across all disciplines, significantly strengthening SSC's team.
- Complimentary Products: SSC does not currently manufacture pre-rolls in house. The Acquisition will bring pre-roll manufacturing capability in-house with significant intellectual property, some of which is patented.
- Customer Relationships: The Acquisition offers the ability to share customer relationships and provide better service to a greater number of customers.
- Inventory Velocity: ANC will use a significant volume of SSC produced products in its infused pre-rolls.
- Further Acquisitions: Increases the potential value of additional acquisitions of brands that currently rely on third party co-manufacturing for pre-rolls.
- Organic Revenue Growth: SSC can leverage ANC pre-roll capability to maximize the sales of its five pre-roll brands, including Astrolab, Frootyhooty, Lamplighter, Roilty, and Zest.
- Status Brand: SSC can leverage its commercialization and distribution capability to maximize the velocity of ANC's brand "Status", which provides unique and demanded product formats.

Share Purchase Agreement

SSC will acquire all the issued and outstanding shares of ANC on the following terms:

- Maximum Consideration (Purchase Price Plus Earn Out): $13,500,000 ($11,500,000 net of $2,000,000 working capital of ANC on closing).
- Purchase Price: Total $10,000,000 ($8,000,000 net of working capital received):
  - $7,000,000 in cash, payable pursuant to a non-interest bearing secured promissory note, as follows:
    - November 15, 2024: $1,750,000.
    - December 20, 2024: $1,250,000.
    - May 31, 2025: $4,000,000.
  - $3,000,000 in units of SSC ("Units") at a price of $0.50 per Unit, with each Unit comprised of one common share of SSC and one half of one common share purchase warrant, with each whole warrant

exercisable into one common share at an exercise price of $0.75/share for a period of two years following issuance. The Units will subject to an escrow agreement and released in 20% tranches in three-month increments beginning on April 1, 2025.

- Earn Out: Minimum $nil and maximum $3,500,000, depending on certain EBITDA (as defined in the SPA) thresholds being met (the "Earn Out"):
  - October 31, 2025: Between $nil and $1,750,000 in common shares of SSC at $0.75 per common share.
  - October 31, 2025: Between $nil and $1,750,000 in cash or common shares of SSC at $0.75 per common share, at the option of each ANC shareholder.
  - Common shares issued pursuant to the Earn Out will be subject to an escrow agreement and released in 50% tranches on January 1, 2026, and July 1, 2026.
  - In no event will the total Earn Out be more than $3,500,000.

- Working Capital & Debt: On closing, ANC will have $2.0 million in working capital and no debt.
- ANC Assets: Through the Acquisition, SSC will indirectly acquire all of ANC's provincial product listings, intellectual property (including patents), assets, facility equipment and security systems, and Health Canada licences.

The valuation metrics of the Acquisition are as follows:

- EBITDA Multiple: Should the maximum Earn Out of $3,500,000 be achieved, the EBITDA multiple for the Acquisition is 3.2x estimated annual EBITDA of $3,600,000 per year (net of working capital of ANC on closing). EBITDA is a non-IFRS measure. See "Non-IFRS Financial Measures" below.

Closing of the Acquisition is subject to a number of conditions precedent, including but not limited to the approval of the TSXV and a notification to Health Canada. There is no guarantee that the Acquisition will close on the terms set forth herein or at all.

Accelerated Expiry of $0.20 August 2026 Warrants

To date, approximately 5,000,000 of the 2026 Warrants have been voluntarily exercised. SSC is providing notice to all holders of 2026 Warrants that it is accelerating the expiry date of the 2026 Warrants to October 26, 2024. The 2026 Warrants are exercisable at a price of $0.20 per 2026 Warrant. If all of the approximately 15,000,000 outstanding 2026 Warrants are exercised, SSC will receive proceeds of approximately $3,000,000. As noted above, SSC intends to use the net proceeds of the 2026 Warrant exercises (discussed below), cash on hand, and cash flow from operations to fund the Acquisition.

About Simply Solventless Concentrates Ltd.

SSC is a public company incorporated under the Business Corporations Act (Alberta). SSC's mission is to provide pure, potent, terpene-rich ready to consume cannabis products to discerning cannabis consumers.

For more information regarding SSC, please see **www.simplysolventless.ca**.

Third-Party Information

All third-party information contained herein, including information regarding ANC which has been provided by management of ANC, has not been independently verified by SSC. While SSC believes such information to be reliable, SSC makes no representation or warranty as to the accuracy of such information.

Notice on Forward Looking Information

This press release contains forward-looking statements and forward-looking information (collectively, "forward-looking statements") within the meaning of applicable securities laws. Any statements that are contained in this press release that are not statements of historical fact may be deemed to be forward-looking statements. Forward-looking statements are often identified by terms such as "may", "should", "anticipate", "will", "estimates", "believes", "intends", "expects", "projected", "approximately" and similar expressions which are intended to identify forward-looking statements. More particularly and without limitation, this press release contains forward looking statements concerning the benefits of the Acquisition, including expected market position, financial projections and synergies of the Acquisition, revenue growth, the number of 2026 Warrants exercised, SSC completing opportunistic acquisitions, capitalizing on SSC's business plan and SSC's results of operations and performance. SSC cautions that all forward-looking statements are inherently uncertain, and that actual performance may be affected by a number of material risks, factors, assumptions and expectations, many of which are beyond the control of SSC, including expectations and assumptions concerning SSC, the ability to satisfy conditions precedent to the closing of the Acquisition, including approval of the TSXV and Health Canada, the ability to realize expected revenue and cost synergies of the Acquisition on the timelines expected, the risk that the businesses will not be integrated successfully, the ability to maintain relationships with customers, employees and suppliers, the timing and market acceptance of products, competition in SSC's markets, SSC's reliance on customers, fluctuations in interest rates, SSC's ability to maintain good relations with its customers, employees and other stakeholders, changes in law or regulations, SSC's ability to protect its intellectual property, as well as other risks and uncertainties, including those described in SSC's filings available on SEDAR+ at **www.sedarplus.ca**. The reader is cautioned that assumptions used in the preparation of any forward-looking statements may prove to be incorrect. Events or circumstances may cause actual results to differ materially from those predicted as a result of numerous known and unknown risks, uncertainties and other factors, many of which are beyond the control of SSC. The reader is cautioned not to place undue reliance on any forward-looking statements. Such information, although considered reasonable by management at the time of preparation, may prove to be incorrect and actual results may differ materially from those anticipated. Forward-looking statements contained in this press release are expressly qualified by this cautionary statement.

The forward-looking statements contained in this press release are made as of the date of this press release, and SSC does not undertake any obligation to update publicly or to revise any of the included forward-looking statements, whether as a result of new information, future events or otherwise, except as expressly required by securities law.

Future Oriented Financial Information

This press release contains future-oriented financial information and financial outlook information (collectively, "FOFI") about gross revenue, net income, adjusted EBITDA, EBITDA, normalized net income, current ratio, operating costs and inventory turnover of SSC, which are subject to the same assumptions, risk factors, limitations and qualifications as set forth in the above paragraphs. FOFI contained in this document was approved by management as of the date of this document and was provided for the purpose of providing further information about SSC's future business operations assuming closing of the Acquisition. SSC and its management believe that FOFI has been prepared on a reasonable basis, reflecting management's best estimates and judgments, and represent, to the best of management's knowledge and opinion, SSC's expected course of action. However, because this information is highly subjective, it should not be relied on as necessarily indicative of future results. SSC disclaims any intention or obligation to update or revise any FOFI contained in this document, whether as a result of new information, future events or otherwise, unless required pursuant to applicable law. Readers are cautioned that the FOFI contained in this document should not be used for purposes other than for which it is disclosed herein. Differences in the timing of capital expenditures or revenues and variances in production estimates can have a significant impact on the key performance measures included in SSC's guidance. SSC's actual results may differ materially from these estimates.

Non-IFRS Financial Measures

This press release includes references to "normalized net income", "adjusted EBITDA" and "EBITDA" which are not defined under International Financial Reporting Standards (IFRS). The intent of these non-IFRS measures is to provide additional useful information to investors and analysts. These non-IFRS measures do not have standardized meanings prescribed by IFRS and are therefore unlikely to be comparable to similar measures presented by other entities. As such, these non-IFRS measures should not be considered in isolation or used as a substitute for measures of performance prepared in accordance with IFRS.

Normalized net income is calculated as income plus non-recuring expenses, one-time gains/(losses) and share compensation expense. Normalized net income is considered as a useful measure by management of SSC to understand the profitability of SSC excluding the effects of certain non-operating items.

The following table reconciles net income (loss) to normalized net income:

	Three months ended	
	Sep 30, 2024 $	Jun 30, 2024 $
	Projected	Projected
Net and comprehensive (loss) income	300,000	1,220,798
Add (deduct):		
Expense efficiencies	300,000	-
Gain on settlement	-	(431,671)
Share compensation expense	300,000	101,688
Normalized Net Income	900,000	890,815
Annualized (x4)	3,600,000	3,563,260

Adjusted EBITDA is calculated as income before interest, taxes, depreciation and amortization expenses. Adjusted EBITDA is considered as a useful measure by management of SSC to understand the profitability of SSC excluding the effects of capital structure, taxation and depreciation, but may not be appropriate for other purposes. Adjusted EBITDA is not defined under IFRS and therefore should not be considered an alternative to, or more meaningful than, income (loss) and comprehensive income (loss).

The following table reconciles net income (loss) to Adjusted EBITDA:

	Three months ended	
	Sep 30, 2024 $	June 30, 2024 $
	Projected	Projected
Net and comprehensive (loss) income	300,000	1,220,798
Add (deduct):		
Depreciation and amortization	65,000	13,324
Net interest (income) expense	35,000	48,937
Expense efficiencies	300,000	-
Gain on settlement	-	(431,671)
Share compensation expense	300,000	101,688
Adjusted EBITDA	1,000,000	952,986

This press release shall not constitute an offer to sell or the solicitation of an offer to buy any securities in any jurisdiction.

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

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