



# Debt Financing Summary

September 5, 2019



**TSX: ZENA**

# ANNUALIZED ALL-IN COST OF DEBT FINANCING



Zenabis' annualized all-in cost of financing<sup>1</sup> for its \$25.0m debt financing closed on August 21, 2019 is significantly lower than that of other recent Canadian cannabis debt financings.



Annualized All-In  
Cost of Financing:

65.0%

50.0%

48.2%

25.8%

	Fire & Flower <sup>3</sup>	WeedMD <sup>4</sup>	Aleafia Health <sup>5</sup>	Zenabis
Interest Rate	8.0%	8.5%	8.5%	14.0%
Annualized Financing Fees <sup>2</sup>	8.1%	4.0%	3.2%	8.7%
Annualized Cost of Lender Convertibility Rights	32.7%	18.1%	18.0%	-
Annualized Cost of Lender Warrants Issued	16.2%	19.4%	18.5%	3.1%
<b>All-In Cost<sup>1</sup></b>	<b>65.0%</b>	<b>50.0%</b>	<b>48.2%</b>	<b>25.8%</b>

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Notes: 1) Annualized all-in cost of financing includes the interest rate, annualized financing fees, annualized embedded option value on convertible debt, and annualized value of warrants issued. All option and warrant values are calculated with the Black-Scholes pricing model and the market implied volatility of Zenabis warrants of 84% as of August 21, 2019, and a risk-free interest rate of 1.9%. 2) Financing fees are based on publicly disclosed cash and convertible securities issued and does not take into account other possible fees. 3) Analysis of cost of financing is based on the publicly disclosed information in the Fire & Flower press release dated 26 June 2019. 4) Analysis of cost of financing is based on the WeedMD press release dated 4 September 2019. 5) Analysis of cost of financing is based on the publicly disclosed information in the Aleafia Health press release dated 27 June 2019.

# FINANCING DILUTION IMPACT



The dilution impact of Zenabis' \$25.0m debt financing, and extension of the maturity of its existing secured convertible notes closed on August 21, 2019 is summarized below.

	Common Shares	Convertible Debt Shares	Warrants	Options	Fully-Diluted Shares
<b>Fully-Diluted Shares – Pre-Financing</b>	203,799,955	24,642,265	22,205,675	19,048,395	269,696,290
<b>Convertible Notes Conversion Price Revision</b>	-	+1,344,944	-	-	+1,344,944
<b>30% Conversion of Convertible Notes</b>	+4,823,782	(4,823,782)	-	-	-
<b>Warrants Issued to R.C. Morris</b>	-	-	+902,514	-	+902,514
<b>Warrants Issued to Convertible Noteholders</b>	-	-	+1,373,712	-	+1,373,712
<b>Elimination of Convertible Portion of Senior Debenture<sup>1</sup></b>	-	(1,027,857)	-	-	(1,027,857)
<b>Fully-Diluted Shares – Post-Financing</b>	208,623,737	20,135,570	24,481,901	19,048,395	272,289,602
<b>Net Dilution Impact</b>					+2,593,312
<b>Net Dilution Percentage Impact</b>					+1.0%

The total dilution impact of the financing<sup>2</sup> was a net increase in 2,593,312 shares, which is **less than 1% of Zenabis' pre-financing fully diluted shares outstanding.**

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