

Form 51-102F3
Material Change Report

Item 1 Name and Address of Company

Red White & Bloom Brands Inc. (the “Company”)
1890 – 1075 West Georgia Street
Vancouver, BC V6E 3C9

Item 2 Date of Material Change

January 12, 2024

Item 3 News Release

The new release was filed on SEDAR, disseminated through the facilities of GlobeNewswire, pre-market opening, and posted to the Company’s disclosure hall with the Canadian Securities Exchange (the “CSE”).

Item 4 Summary of Material Change

On January 15, 2024, the Company announced the closing of the previously announced acquisition of certain of subsidiaries of Aleafia Health Inc. (collectively, the “**Aleafia Group**”).

Item 5 Full Description of Material Change

5.1 Full Description of Material Change

On January 12, 2024, the Company closed the previously announced acquisition of the Aleafia Group. This is a transformative phase for the Company’s future, strengthening the Company’s presence in legal markets across North America and positioning the Company for global expansion. The integration of Aleafia’s brand portfolio and assets, combined with the Company’s acclaimed Platinum Vape brand, generates a robust footprint across recreational, medical, and international sales channels. The Company anticipates achieving annual operating costs and cash savings exceeding C\$12 million with the Aleafia Group while promoting revenue growth, margin contribution, and value for all shareholders.

The acquisition of the Aleafia Group provides several strategic benefits to the Company’s shareholders through the ability to leverage capabilities garnered from:

- Three core sales channels including: (1) recreational (distributed to five provinces: Ontario, Alberta, British Columbia, Saskatchewan, and Manitoba); (2) medical (distributed across Canada direct to patient subscribers); and (3) international (exported to Australia, Germany, and the United Kingdom to date).
- One of Canada’s largest virtual medical cannabis clinics that provides quality cannabis products to patient subscribers in a convenient and low-cost setting. Solutions for valued patients are tailored by experienced staffed physicians and nurse practitioners who strive to provide the highest quality health and wellness services.
- An 86 acre, low-cost, outdoor cultivation site located in Port Perry, Ontario (the “**Port Perry Facility**”), which is one of Canada’s largest outdoor cannabis cultivation facilities. The Port Perry Facility features 35,000 square feet of federally licensed indoor drying and storage facilities – a critical function in the cannabis supply chain. The facility produces cannabis for use in various finished good formats that can be sold under the Aleafia Group’s recreational and medical (direct to patient) sales channels. Proven cultivation capacity to date is in excess 30,000 kilograms annually.

- A 65,000 square foot, federally licensed, EU-GMP specified cultivation, processing, and packaging facility strategically located in rapidly developing Southwestern Ontario industrial hub Paris, Ontario (the “**Paris Facility**”). The Paris Facility currently cultivates approximately 1,200 kilograms of high-quality indoor flower and can extract and manufacture approximately 50,000 kilograms of cannabis derivatives; including, edibles, oil, capsule, sublingual, vape cartridge, topicals and other formats. The Paris Facility also houses Aleafia’s GMP-specified innovation and product development laboratory.
- An established portfolio of loyal cannabis brands in both adult use (recreational) and medical channels. Specifically, cannabis products are sold through Aleafia’s leading profile brands, Emblem and Divvy.

The Company also acquired a 9.4% ownership interest in One Plan (Retail) Corp., as part of the Transaction. The One Plan (Retail) Corp. operates a network of over 40 corporately owned and franchised cannabis retail locations in Ontario.

The Company expects that the Transaction will be accretive on an EBITDA basis in fiscal 2024. Material operational cost improvements that have already been realized in concert with the CCAA Proceedings include:

- Cash contributions of approximately \$3.5 million realized through material reductions in debt service obligations.
- A \$3.0 million reduction to recurring operating costs realized primarily through the rationalization of operations including \$1.0 million in fixed overhead costs related to the exit of the Basaltic head office and warehouse facility formerly occupied by Aleafia Health Inc. and the sale of the dormant Grimsby greenhouse facility.
- Corporate cost savings of approximately \$1 million associated with Aleafia’s public company infrastructure.

Pursuant to the Transaction, RWB (PV) Canada Inc. (the “**Purchaser**”), a wholly-subsidiary of the Company acquired the intellectual property assets of Aleafia Health Inc. and subscribed for shares (the “**Purchased Shares**”) in the capital of each of Emblem Cannabis Corporation (“**ECC**”), Canabo Medical Corporation (“**Canabo**”) and Aleafia Retail Inc. (“**Retail**” and collectively with ECC and Canabo, the “**Companies**”). As a result of the Transaction and Approval and Vesting Order, the Purchaser is now the sole shareholder of the Companies and their respective subsidiaries (the foregoing entities, except for Emblem Realty Ltd., which is a non-acquired subsidiary of ECC, being the Aleafia Purchased Entities).

Pursuant to the Approval and Vesting Order, certain excluded assets and liabilities of the Aleafia Group were transferred to a subsidiary of Aleafia Health Inc. that is not included among the Aleafia Group, and all previously issued and outstanding securities of the Aleafia Companies (other than the Purchased Shares) were canceled without consideration.

Total consideration for the Transaction was \$31,667,700, consisting of (1) a release of all amounts outstanding and obligations payable by the Aleafia Group under the Aleafia Senior Secured Loan Agreement and the debtor-in-possession financing (\$24,897,493) and (2) cash consideration of up to \$6,770,207, funded through a combination of cash on hand and a drawdown under the Company’s existing secured note, to be utilized by Aleafia Health to extinguish outstanding obligations under an existing credit agreement and to fund closing costs and expenses of the Monitor and its legal counsel after the closing date.

5.2 Disclosure for Restructuring Transactions

Not applicable.

Item 6 Reliance on subsection 7.1(2) of National Instrument 51-102

Not applicable.

Item 7 Omitted Information

Not applicable.

Item 8 Executive Officer

Edoardo Mattei, Chief Financial Officer
Telephone: 947-225-0503

Item 9 Date of Report

January 15, 2024.