

**Form 51-102F3**

***Material Change Report***

**Item 1 Name and Address of Company**

LEEF Brands Inc. (the “Company”)

**Item 2 Date of Material Changes**

May 31, 2023 and June 1, 2023

**Item 3 News Release**

The news release was disseminated on June 1, 2023 by way of the facilities of Globe Newswire. Copies were also forwarded to the applicable to the applicable Securities Commissions via SEDAR and attached hereto as Schedule “A”.

**Item 4 Summary of Material Changes**

The Company announced the following material changes:

- (1) The Company’s wholly-owned subsidiary, Anderson Development SB, LLC (the “**Borrower**”) closed a USD \$7,000,000 secured loan (the “**Loan**”) from Arbor Ranch SB, LLC (the “**Lender**”). A portion of the proceeds from the Loan will be used by the Borrower to exercise an option to purchase certain real estate assets in Santa Barbara, California from Salisbury Canyon Ranch LLC. This acquired real estate will be used to develop a biomass cultivation site in California. In connection with the Loan, James Shields, who owns and controls the Lender, was issued common share purchase warrants to purchase up to 56,875,000 common shares of the Company and when the Loan is repaid in full, the Lender will be issued membership units in the Borrower which will represent 60% of the issued and outstanding units of the Borrower (collectively, the “**Transaction**”).
- (2) Mark Smith (“**Mark**”) has resigned from the Company’s board of directors (the “**Board**”) and from the position of Chairman of the Board, effective May 31<sup>st</sup>, 2023.

**Item 5 Full Description of Material Changes**

**5.1 Full Description of Material Changes**

**THE TRANSACTION**

The Company announced that, pursuant to the Transaction, the Company’s wholly-owned subsidiary, the Borrower, has secured the Loan. The Loan is secured and is being used by the Borrower to exercise its option to purchase certain real estate for its biomass cultivation site in California and to finance the buildout and operation of its cannabis cultivation business. The buildout and operation is to be managed by the Company’s wholly-owned subsidiary, SCRSC LLC, a California limited liability company (the “**Manager**”), pursuant to that certain management services agreement between the Manager and the Borrower. The Loan will be repaid through an agricultural lease agreement entered into between the Company and the Lender.

Pursuant to the terms of the Transaction and upon full repayment of the Loan, the Lender will receive 720,000 Class B membership units of the Borrower which units represent 60% issued and outstanding units

of the Borrower. On closing of the Transaction, James Shields, an affiliate of the Lender was issued half common share purchase warrants (the “**Warrants**”) to purchase up to 56,875,000 common shares of the Company at a strike price of CAD \$0.08 which, upon the full exercise of the Warrants by Mr. Shields, amounts to 4.88% of the issued and outstanding share capital of the Company (on a non-fully diluted basis). On May 30, 2023, the last trading date prior to closing the Transaction, the closing share price of the Company’s listed common shares was CAD \$0.03.

The proceeds of the Loan will be used to purchase the real estate, develop and operate a major biomass cultivation site on the purchased real estate and to provide working capital. The Transaction aims to enhance efficiencies in the manufacturing process, strengthen client relationships, and ensure a consistent and high-quality supply of biomass material.

The development of the cultivation site and supply chain are expected to improve the Company’s product offering, profitability, and scalability and positions the Company, through its subsidiary, to become a major vertical concentrate provider in California and to capture a significant portion of the retail sales derived from concentrate products.

## **THE RESIGNATION OF MARK SMITH**

Mark has voluntarily resigned from the Board and from his position of Chairman of the Board effective May 31, 2023. In advance of his resignation, it was agreed that Mark would not stand for re-election to the Board at the Company’s next annual general meeting.

### **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**

No information has been omitted on the basis that it is confidential information.

### **Item 8 Executive Officer**

Micah Anderson  
Chief Executive Officer  
Tel: 408-307-9366  
Email: micah@leefca.com

### **Item 9 Date of Report**

June 13, 2023

**SCHEDULE "A"**

See Attached



*Source: Leef Brands Inc.*

*June 01, 2023 07:00 ET*

## **Leef Brands Announces US\$7.0M Financing through the Partial Sale of its Cultivation and Real Estate Assets and Expansion Plans**

VANCOUVER, British Columbia, June 01, 2023 (GLOBE NEWSWIRE) -- LEEF Brands, Inc. (CSE: LEEF, OTC: LEEEF) ("LEEF" or the "Company"), a leading vertical cannabis operator, is pleased to announce a US\$7.0 million financing related to the sale of a 60% interest of its wholly owned cultivation and real estate assets in Santa Barbara, California, as further described below (the "Transaction"). This milestone Transaction comes after three years of diligent efforts during which LEEF secured a 187-acre land use permit in Santa Barbara County. The proceeds of the Transaction will be principally utilized to develop one of the largest biomass cultivation sites in the state, for working capital needs, as well as supporting the expansion of LEEF Labs ("LEEF Labs"), the company's state-of-the-art manufacturing facility.

Under the terms of the Transaction, Arbor Ranch SB, LLC, (the "Lender") will provide funding of \$7.0 million through an interest free loan agreement with the Company to finance the buildout and operation of the cannabis cultivation business (the "Business"), which shall be wholly managed by the Company. The Company shall pay the Lender a customary lease amount until the loan is repaid in full and the Lender shall receive membership units equal to 60% of the equity value of the real estate holdings. In addition, the Lender shall receive half warrants to purchase up to 56,875,000 common shares of LEEF Brands, Inc. with a strike price of C\$0.08.

LEEF Labs is one of the leading extraction companies in the state and has been instrumental in powering some of the largest and most prominent brands in California. By bringing supply of biomass material in-house, LEEF Labs can focus its efforts on producing the best and most consistent concentrates at scale. This initiative will enable the Company to enhance efficiencies across the entire manufacturing process, foster stronger relationships with its client base through the provision of exclusive genetics, higher-yielding strains, unique terpene profiles, and will support LEEF Labs customers' growth with a predictable and consistent supply of the highest quality input material.

Throughout 2022, California witnessed a substantial decline in active cultivation licenses, leading to a reduction in sun-grown cannabis production. Last year alone, approximately 20% of farms in the state were forced to close<sup>[1]</sup> and this trend is expected to continue into 2024. The significant decrease in production has led to pricing increases across the entire supply chain, making it increasingly challenging to balance supply and demand in California. While it is disheartening to witness the closure of our colleagues' businesses, it is encouraging to see pricing rebound to levels that allow companies to thrive in California once again.

"Similar to most operators in the space, our team has spent the last year identifying where we can garner operational efficiencies and increase profitability. For LEEF, a secure supply chain

strategically planted to support our manufacturing capabilities achieves just that. The buildout of our cultivation site marks a tremendous opportunity for LEEF and lays the foundation for future expansion. As a customer-service-focused company, we believe that controlling our supply chain will allow us to improve upon quality and consistency, create superior products and provide exceptional service to its clients. Our clients are always seeking production differentiation through exclusive strains and new innovations, and we plan on leveraging this new cultivation site to offer more tailored cultivation-to-concentrate solutions to meet their needs," said Chief Operating Officer, Emily Heitman.

The initial plan for the cultivation site is for LEEF to strategically develop 187 acres. Each acre is expected to yield between 3,500 and 6,000 pounds of dried biomass per year. With these expansion plans, LEEF Brands is poised to become one of the largest vertical concentrate providers in the state of California, where approximately 40% of the estimated \$5 billion retail sales in California are derived from the sale of concentrate products<sup>[2]</sup> <sup>[3]</sup>. The remaining acreage will enable the Company to expand significantly should it have the ability to distribute products beyond state borders in the future.

Micah Anderson, CEO of LEEF Brands stated, "This project has been three years in the making, and it's great to see it finally coming to life. I believe that this farm will significantly improve our business in the years to come as it dramatically enhances our current product offering and profitability and enables us to scale in the face of potential legalization measures. LEEF is very grateful to have such a supportive shareholder base who believe in our vision and continue to support our strategic initiatives. The team at LEEF is the best in the business as far as I'm concerned, and I can't wait to see what they do with the consistent supply chain this farm will bring to our business."

The Company also announces the resignation of Mark Smith from the board of directors and as Chairman of the Board of the Company, effective May 31<sup>st</sup>, 2023.

#### **About LEEF Brands Inc. (formerly, Icanic Brands Company Inc.)**

LEEF Brands Inc. is a leading California based extraction and manufacturing cannabis company. LEEF is owned and managed by some of the best legacy operators in the industry and is one of California's largest and most sophisticated cannabis companies. The Company's platform consists of an integrated supply chain, state of the art manufacturing, and a robust bulk concentrate portfolio that powers some of the largest brands in California. For more information, please visit the company's website at [www.LeefBrands.com](http://www.LeefBrands.com).

LEEF BRANDS INC.  
Per: "Kevin Wilson"  
Chief Financial Officer

SOURCE LEEF Brands, Inc.

For further information: LEEF Brands, Inc., Micah Anderson, CEO, or Kevin Wilson, CFO, 416-797-6455, [ir@leefca.com](mailto:ir@leefca.com)

#### **Forward Looking Statements**

This news release contains certain forward-looking information and forward-looking statements, as defined in applicable securities laws (collectively referred to herein as "forward-looking statements"). Forward-looking statements reflect current expectations or beliefs regarding future events or the Company's future performance or financial results. All statements other than statements of historical fact are forward-looking statements. Often, but not always, forward-looking statements can be identified by the use of words such as "plans", "expects", "is expected", "budget", "scheduled", "estimates", "continues", "forecasts", "projects", "predicts", "intends", "anticipates", "targets" or "believes", or variations of, or the negatives of, such words and phrases or state that certain actions, events or results "may", "could", "would", "should", "might" or "will" be taken, occur or be achieved. All forward-looking statements, including those herein are qualified by this cautionary statement.

Although the Company believes that the expectations expressed in such statements are based on reasonable assumptions, such statements are not guarantees of future performance and actual results or developments may differ materially from those in the statements. There are certain factors that could cause actual results to differ materially from those in the forward-looking

information, including financial and operational results not proving to be as expected or on the timelines expected; the Company not completing certain proposed acquisition or financing transactions at all, or on the timelines expected; the Company not achieving the synergies expected; and other risks disclosed in the Company's Annual Information Form and other public filings on SEDAR at [www.sedar.com](http://www.sedar.com). Accordingly, readers should not place undue reliance on forward-looking statements.

For more information on the Company, investors are encouraged to review the Company's public filings on SEDAR at [www.sedar.com](http://www.sedar.com). The forward-looking statements and financial outlooks contained in this news release speak only as of the date of this news release or as of the date or dates specified in such statements. The Company disclaims any intention or obligation to update or revise any forward- looking information, whether as a result of new information, future events or otherwise, other than as required by law.

[1] <https://www.northbaybusinessjournal.com/article/industrynews/california-sonoma-county-see-fewer-cannabis-growers-licensed/>

[2] <https://mjbizdaily.com/californias-annual-cannabis-sales-fell-in-2022-for-the-first-time-since-adult-use-launch/>

[3] [headset.io](http://headset.io)