

**MATERIAL CHANGE REPORT
FORM 51-102F3**

Item 1. Name and Address of Corporation

Westleaf Inc. (“**Westleaf**” or the “**Company**”)
710 – 530 8th Avenue SW
Calgary, AB T2P 3S8

Item 2. Date of Material Change

December 20, 2019

Item 3. News Release

A news release was disseminated on December 23, 2019 via NewsWire.

Item 4. Summary of Material Change

The Company announced that it has completed, following receipt of the final order of the Supreme Court of British Columbia on December 20, 2019 (the “**Effective Date**”), the plan of arrangement under Division 5 of Part 9 of the *Business Corporations Act* (British Columbia) involving Westleaf, We Grow BC Ltd. (“**We Grow**”) and certain securityholders of We Grow (the “**Arrangement**” or the “**Transaction**”). Pursuant to the arrangement agreement between Westleaf and We Grow dated November 7, 2019, as amended on November 20, 2019 (the “**Arrangement Agreement**”), Westleaf has acquired all of the issued and outstanding shares of We Grow (the “**We Grow Shares**”), other than its Class “H” non-voting common participating shares (which shares are held by a wholly-owned subsidiary of We Grow) in exchange for common shares in the capital of Westleaf (“**Westleaf Shares**”) by way of the Arrangement.

Item 5. 5.1 Full Description of Material Change

Pursuant to the Arrangement Agreement, Westleaf has acquired all of the We Grow Shares, other than its Class “H” non-voting common participating shares (which shares are held by a wholly-owned subsidiary of We Grow) in exchange for Westleaf Shares by way of the Arrangement. Each We Grow Share, other than the We Grow Class “C” Voting Common Participating Shares (“**We Grow Class C Shares**”), was exchanged for 4.264 Westleaf Shares. Each outstanding option to purchase one We Grow Share (“**We Grow Options**”) was exchanged for one Westleaf option (“**Westleaf Options**”) and each outstanding warrant to purchase one We Grow Class C Share (“**We Grow Warrants**”) was exchanged for one Westleaf warrant to purchase one Westleaf Share (“**Westleaf Warrants**”). Each We Grow Class C Share was exchanged for one Westleaf Share.

Prior to the completion of the Arrangement, \$1,000,000 principal amount of promissory notes outstanding in the capital of We Grow, plus accrued and unpaid interest, was exchanged for We Grow units (“**We Grow Units**”), with each We Grow Unit consisting of one We Grow Class C Share and one-half of one We Grow Warrant, at a price of \$0.16 per We Grow Unit. Each We Grow Class C Share and We Grow Warrant was exchanged under the Arrangement for one Westleaf Share and one Westleaf Warrant. Each Westleaf Warrant is exercisable at a price of \$0.28 per Westleaf Share for a period of two years following the closing of the Arrangement.

Following the Arrangement and the Concurrent Financing (as defined below), there were 342,504,258 Westleaf Shares outstanding.

All Westleaf Shares received by shareholders of We Grow pursuant to the Arrangement, except Westleaf Shares issued in exchange for We Grow Class C Shares, are subject to a contractual hold period (the “**Hold Period**”), during which time the holder of such Westleaf Shares subject to the Hold Period may not trade, offer, sell, pledge or otherwise transfer such shares until the Hold Period expires, and the Westleaf Shares subject to the Hold Period and the certificates representing such shares will bear a legend indicating that the resale of such securities is so restricted. The Hold Period will expire as follows: (a) 10% of the Westleaf Shares subject to the Hold Period will be released from the Hold Period at the Effective Date; (b) 30% of the Westleaf Shares subject to the Hold Period will be released from the Hold Period on the date that is six months from the Effective Date; (c) 30% of the Westleaf Shares subject to the Hold Period will be released from the Hold Period on the date that is nine months from the Effective Date; and (d) 30% of the Westleaf Shares subject to the Hold Period will

be released from the Hold Period on the date that is 12 months from the Effective Date, provided that the Westleaf Shares subject to the Hold Period may be released from the Hold Period at such earlier times as may be consented to by Westleaf in writing.

Concurrently with the Arrangement, We Grow completed a non-brokered management and key stakeholder led private placement financing of subscription receipts of We Grow (“**Subscription Receipts**”) for gross proceeds of \$1,788,206.91, at a price of \$0.21 per Subscription Receipt (the “**Concurrent Financing**”). Each Subscription Receipt entitled the holder thereof to acquire one We Grow Class C Share and one-half of one We Grow Warrant. Each We Grow Class C Share and each whole We Grow Warrant was exchanged under the Arrangement for one Westleaf Share and one Westleaf Warrant. Each Westleaf Warrant is exercisable at a price of \$0.28 per Westleaf Share for a period of two years following the closing of the Arrangement.

It is anticipated that the proceeds of the Concurrent Financing (after deduction of costs of fees incurred) will be used to integrate the businesses of Westleaf and We Grow and for general corporate purposes and future working capital. Although the Company intends to use the proceeds of the Concurrent Financing as described above, the actual allocation of proceeds may vary from the uses set forth above, depending on future operations or unforeseen events or opportunities.

In connection with the closing of the Concurrent Financing, 4,253,334 Subscription Receipts were issued to certain directors and officers of the Company. The participation of directors and officers in the Concurrent Financing constitutes a “related party transaction” within the meaning of Multilateral Instrument 61-101 – *Protection of Minority Security Holders in Special Transactions* (“**MI 61-101**”). The Company is relying upon exemptions from the formal valuation and minority approval requirements of MI 61-101 based on a determination that the fair market value of the Concurrent Financing, insofar as it involves the related parties, does not exceed 25% of the market capitalization of the Company. The Company was not in a position to file a material change report more than 21 days in advance of the closing of the Concurrent Financing, as the participation of the related parties was not confirmed at that time.

The Concurrent Financing was approved by the Company’s board of directors by means of a unanimous resolution. In connection with the closing of the Concurrent Financing, Cody Church subscribed for a total of 1,190,476 Subscription Receipts, Paul Wilson subscribed for a total of 1,190,476 Subscription Receipts, Benjamin Sze subscribed for a total of 800,000 Subscription Receipts, Michael Kelly subscribed for a total of 476,191 Subscription Receipts, Taylor Ethans subscribed for a total of 476,191 Subscription Receipts and Scott Hurd subscribed for a total of 120,000 Subscription Receipts.

Concurrently with the closing of the Arrangement, the Company entered into a credit facility for a new term loan for \$4,700,000 with ATB Financial and the restricted cash requirement of approximately \$4,200,000 under its existing credit facility, was removed.

Westleaf’s board of directors has been reconstituted to include three appointees of We Grow, being Benjamin Sze, Michael Kelly and Paul Wilson, and two appointees of Westleaf, being Cody Church and Delbert Wapass. Westleaf’s officers have been reconstituted to include Benjamin Sze as Chief Executive Officer, Scott Hurd as President, Taylor Ethans as Chief Financial Officer, Gary Leong as Chief Compliance Officer, and Adam Coates as Executive Vice-President, Commercial.

The above noted changes constitute a “Change in Management” as defined in the policies of the TSX Venture Exchange (“**TSXV**”). Pursuant to the policies of the TSXV, the Change in Management was approved by the shareholders of Westleaf at its annual general and special meeting of shareholders on December 18, 2019.

Eight Capital Inc. acted as the exclusive financial advisor to Westleaf. Borden Ladner Gervais LLP acted as legal counsel to Westleaf.

AltaCorp Capital Inc. acted as the financial advisor to We Grow. McCarthy Tetrault LLP acted as legal counsel to We Grow.

5.2 Disclosure for Restructuring Transactions

Information concerning the terms of the Arrangement is set out in the joint management information circular of Westleaf and We Grow dated November 20, 2019, available on the Company’s profile at www.sedar.com.

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

Not applicable.

Item 7. Omitted Information

Not applicable.

Item 8. Executive Officer

The name and business number of the executive officer of the Corporation who is knowledgeable about the material change and this report is:

Westleaf Inc.

Scott Hurd, President

Phone: (403) 870-4798

Item 9. Date of Report

December 30, 2019

Forward-Looking Statements and Information and Cautionary Statements

This material change report contains “forward-looking information” and “forward-looking statements” (collectively, “forward-looking statements”) within the meaning of the applicable Canadian securities legislation. All statements, other than statements of historical fact, are forward-looking statements and are based on expectations, estimates and projections as at the date of this material change report. Any statement that involves discussions with respect to predictions, expectations, beliefs, plans, projections, objectives, assumptions, future events or performance (often but not always using phrases such as “expects”, or “does not expect”, “is expected”, “anticipates” or “does not anticipate”, “plans”, “budget”, “scheduled”, “forecasts”, “estimates”, “believes” or “intends” or variations of such words and phrases or stating that certain actions, events or results “may” or “could”, “would”, “might” or “will” be taken to occur or be achieved) are not statements of historical fact and may be forward-looking statements. In this material change report, forward-looking statements relate to, among other things, the use of proceeds from the Concurrent Financing; details with respect to the Hold Period; anticipated pricing, future capital requirements; the integration of the businesses of Westleaf and We Grow; the construction and expansion of the Company’s production facilities; the timing for completion of same and commencement of production at the Company’s production facilities; and future production capacity. Forward-looking statements are necessarily based upon a number of estimates and assumptions that, while considered reasonable, are subject to known and unknown risks, uncertainties, and other factors which may cause the actual results and future events to differ materially from those expressed or implied by such forward-looking statements. Such factors include, but are not limited to: risks relating to the ability to obtain or maintain licences to retail cannabis products; review of the Company’s production facilities by Health Canada and receipt or maintenance of licences from Health Canada in respect thereof; future legislative and regulatory developments involving cannabis; inability to access sufficient capital from internal and external sources, and/or inability to access sufficient capital on favourable terms; the labour market generally and the ability to access, hire and retain employees; general business, economic, competitive, political and social uncertainties; the satisfaction of conditions precedent under the Company’s credit facilities; timing and completion of construction and expansion of the Company’s production facilities and retail locations; and the delay or failure to receive board, regulatory or other approvals, including any approvals of the TSXV, as applicable. There can be no assurance that such statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. Accordingly, readers should not place undue reliance on the forward-looking statements and information contained in this material change report.

Readers are cautioned that the foregoing list of factors is not exhaustive. Additional information on other factors that could affect the operations or financial results of Westleaf are included in reports on file with applicable securities regulatory authorities, including but not limited to Westleaf’s Annual Information Form for the year ended December 31, 2018 which may be accessed on Westleaf’s SEDAR profile at www.sedar.com.

The forward-looking statements and information contained in this material change report are made as of the date hereof and Westleaf undertakes no obligation to update publicly or revise any forward-looking statements or information, whether as a result of new information, future events or otherwise, unless so required by applicable securities laws. This material change report shall not constitute an offer to sell or the solicitation of an offer to buy any securities nor shall there be any sale of securities in any jurisdiction in which such offer, solicitation or sale would be unlawful. The securities issued pursuant to the Arrangement described herein have not been and will not be registered under the United States Securities Act of 1933 and may not be offered or sold in the United States except in transactions exempt from such registration.