

January 15, 2024



# Red White & Bloom Brands Transitions to International Cannabis Company Through Closing of Aleafia Transaction

*Combined company forecast to generate C\$140 million in distribution and retail annualized revenues across North American and international sales channels*

*Expected to realize annualized operating cost and cash synergies in excess of C\$12 million*

*RWB and Aleafia to service a combined 2,500+ retail locations in North America and select distributors in emerging international markets*

TORONTO, Jan. 15, 2024 (GLOBE NEWSWIRE) -- Red White & Bloom Brands Inc. (CSE: RWB and OTC: RWBYF) ("**RWB**") is pleased to announce that, in connection with the proceedings of Aleafia Health Inc. ("**Aleafia Health**") and certain of its subsidiaries (collectively, the "**Aleafia Group**") under the *Companies' Creditors Arrangement Act* (the "**CCAA Proceedings**"), the parties have successfully closed the previously announced sale transaction (the "**Transaction**"), as further described below.

"We are excited to announce the successful closing of our acquisition of the Aleafia group of companies," stated Colby De Zen, President of RWB, adding, "This pivotal moment signifies a transformative phase for RWB's future, strengthening our presence in legal markets across North America and positioning us for global expansion. The integration of Aleafia's brand portfolio and assets, combined with our acclaimed Platinum Vape brand, generates a robust footprint across recreational, medical, and international sales channels. Furthermore, we anticipate achieving annual synergies exceeding C\$12 million between RWB and the Aleafia Purchased Entities while promoting revenue growth, margin contribution, and value for all shareholders."

"The Aleafia acquisition aligns seamlessly with RWB's goals of expanding its global footprint and fortifying its position in global cannabis markets," stated Eddie Mattei, CFO of RWB. "The accretive nature of the Transaction has been evident to RWB management since the inception of the relationship with the Aleafia group of companies. With the financial support and ongoing commitment provided by RWB through the CCAA proceedings, Aleafia has already realized the benefit of multiple cost and cash improvements that will contribute to the combined company's prospective financial performance. With the closing behind us, the combined, dedicated RWB and Aleafia teams are focused on delivering accessible synergies focused within sales, production, procurement, and marketing."

The Aleafia acquisition provides several strategic benefits to RWB 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-certified 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.

As part of the Transaction, RWB also acquired a 9.4% ownership interest in One Plant (Retail) Corp., which operates a network of over 40 corporately owned and franchised cannabis retail locations in Ontario.

RWB 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 RWB, acquired the intellectual property assets of Aleafia Health 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<sup>1</sup>, 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 Purchased Entities were transferred to a subsidiary of Aleafia Health that is not included among the Aleafia Purchased Entities, and all previously issued and outstanding securities of the 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<sup>2</sup> (\$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 RWB'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.

### **About Red White & Bloom Brands Inc.**

Red White & Bloom is a multi-state cannabis operator and house of premium brands in the U.S. legal cannabis sector, the Canadian cannabis market, and certain international jurisdictions. RWB is predominantly focusing its investments on major U.S. markets, including Arizona, California, Florida, Massachusetts, Missouri, Michigan, and Ohio and the Canadian and International markets by virtue of its acquisition of the Aleafia group of companies.

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### **Cautionary Note Regarding Forward-Looking Information**

This news release 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 news release. 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 news release, forward-looking statements relate to, among other things, statements regarding: the operational capacity of each of the Paris Facility and the Port Perry Facility; the expected financial benefit to RWB’s EBITDA in fiscal 2024; the collective performance of RWB and the Companies as a provider of premier cannabis products in North American legal cannabis markets; and expectations regarding the cannabis industry’s potential for continued growth and innovation. These forward-looking statements are not guarantees of future results and involve risks and uncertainties that may cause actual results to differ materially from the potential results discussed in the forward-looking statements. Readers should not place undue reliance on the forward-looking statements and information contained in this news release concerning these times.

By their nature, forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause our actual results, performance or achievements, or other future events, to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. Such factors include, among others, the following risks: risks associated with the implementation of RWB’s business plan as it relates to the Transaction and matters relating thereto, risks associated with the cannabis industry, competition, regulatory change, the need for additional financing, reliance on key personnel, market size, and the volatility of RWB’s common share price and volume. Forward-looking statements are made based on management’s beliefs, estimates and opinions on the date that statements are made, and the Company undertakes no obligation to update forward-looking statements if these beliefs, estimates and opinions or other circumstances should change. Investors are cautioned against attributing undue certainty to forward-looking statements.

There are several important factors that could cause RWB’s actual results to differ materially from those indicated or implied by forward-looking statements and information. Such factors include, among others, risks related to RWB’s proposed outlook of the acquired business, such as failure of the business strategy and a detrimental change to government regulations; risks related to RWB’s operations, such as additional financing requirements and access to capital, reliance on key and qualified personnel, insurance, competition, intellectual property, and reliable supply chains; risks related to RWB and its business generally; and risks related to regulatory approvals. RWB cautions that the foregoing list of material factors is not exhaustive. When relying on RWB’s forward-looking statements and information to make decisions, investors and others should carefully consider the foregoing factors and other uncertainties and potential events. RWB has assumed a certain progression, which may not be realized. It has also assumed that the material factors referred to in the previous paragraph will not cause such forward-looking statements and information to differ materially from actual results or events. However, the list of these factors is not exhaustive and is subject to change and there can be no assurance that such assumptions will reflect the actual outcome of such items or factors. While RWB may elect to, it does not undertake to update this information at any particular time.

## **Financial Outlook and Assumptions**

RWB and its management believes that the statements regarding the Transaction’s

expected impact on RWB's EBITDA in fiscal 2024 contained in this press release are reasonable as of the date hereof, are based on management's current views, strategies, expectations, assumptions, and forecasts available to RWB as the acquirer, and have been calculated using accounting policies that are generally consistent with RWB's current accounting policies. These statements are considered a future-oriented financial outlooks under applicable securities laws. These statements and any other financial outlook included herein have been approved by management of RWB as of the date hereof. Such financial outlook is provided for the purposes of presenting information about management's current expectations and goals relating to the benefits of the Transaction and the future business of the combined company. However, because this information is highly subjective and subject to numerous risks, including the risks discussed above under "Cautionary Note Regarding Forward Looking Information," it should not be relied on as necessarily indicative of future results. Should one or more of these risks or uncertainties materialize, or should assumptions underlying the financial outlook prove incorrect, actual results may vary materially from those described herein as intended, planned, anticipated, believed, estimated, or expected. Although management of RWB has attempted to identify important risks, uncertainties and factors which could cause actual results to differ materially, there may be others that cause results not to be as anticipated, estimated, or intended. RWB disclaims any intention or obligation to update or revise any financial outlook, whether as a result of new information, future events or otherwise, except as required by securities laws.

<sup>1</sup> On October 31, 2023, RWB announced that in connection with the CCAA proceedings of Aleafia Health and certain of its subsidiaries (collectively, the "**Aleafia Group**") under the *Companies' Creditors Arrangement Act* (the "**Aleafia CCAA Proceedings**"), the Ontario Superior Court of Justice (Commercial List) (the "**Court**") granted an approval and reverse vesting order in respect of the previously announced sale transactions (the "**Approval and Vesting Order**"). The Approval and Vesting Order was the sole authorization required by the Aleafia Group to implement the transactions provided for under the previously announced stalking horse asset purchase and share subscription agreement, as amended, and restated on October 24, 2023 (the "**Amended Stalking Horse Agreement**") among RWB, Aleafia Health and certain of Aleafia Health's subsidiaries (collectively, the "**Aleafia Purchased Entities**").

<sup>2</sup> The reader is referred to the Company's press releases issued on June 7, 2023, and July 25, 2023, and supporting material documents filed on SEDAR+ on or about the aforementioned dates for further details on the Aleafia Senior Secured Loan Agreement and the debtor-in-possession financing.



Source: Red White & Bloom Brands Inc.