

# Form 51-102F3

## Material Change Report

**Item 1**                      **Name and Address of Company**

**BC Craft Supply Co. Ltd. (formerly Pasha Brands Ltd.). (the “Company”)**  
Suite 1790-1066 W Hastings St,  
Vancouver BC V6E 3X1

**Item 2**                      **Date of Material Change**

**May 28, 2020**

**Item 3**                      **News Release**

The news release was disseminated on **May 28, 2020** by way of the facilities of Globenewswire, posted to the Company’s CSE Disclosure Hall and filed on SEDAR.

**Item 4**                      **Summary of Material Change**

The Company advised that it obtained approval from the holders of outstanding convertible debentures (the “Debentures”) in the aggregate principal amount of \$8,871,456 plus \$1,034,434 in interest to convert these Debentures into equity of the Company. The Company has issued a total of 36,021,420 conversion units (“Conversion Units”) at a price of \$0.275 per Conversion Unit in full and final settlement of all outstanding obligations due and owing in connection with the Debentures. Each Conversion Unit will consist of one common share and one common share purchase warrant which will entitle the holder to acquire one additional common share of the Company at an exercise price of \$0.275 for a period of 36 months from issuance. The Conversion Units will be subject to a four month hold period.

The Company has also obtained the consent from two additional Debentures holders in the aggregate amount of \$3,250,000 to extend the term of their Debentures by an additional 18 months (the “Extended Debentures”). The conversion price of the Extended Debentures Conversion Units has been reduced to \$0.60. Each Conversion Unit will consist of one common share and one common share purchase warrant which will entitle the holder to acquire one additional common share of the Company at an exercise price of \$1.20 for a period of 36 months from issuance. All other terms of the Extended Debentures remain the same.

**Item 5**                      **Full Description of Material Change**

**Item 5.1**                      **Full Description of Material Change**

See the attached news release dated May 28, 2020.

**Item 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**

Johannes (Theo) van der Linde, Chief Financial Officer

Business Telephone: 604 687 2038  
Facsimile: 604 687 3141

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

May 28, 2020.



### **BC Craft Supply Co. Provides Corporate Update**

***The Company reviews recent milestones, retires \$19.5 million in debt and features stronger balance sheet and orderly capital structure***

VANCOUVER, BC (May 28, 2020) – BC Craft Supply Co. Ltd. (the “**Company**” or “**BC Craft**”) (CSE: CRFT) (FSE: ZZD1) is pleased to provide a corporate update and a review of its recent milestones since reconstituting the board in April of this year.

#### **Debt retirement**

The Company advises that it successfully obtained approval from the holders of outstanding convertible debentures (the “**Debentures**”) in the aggregate principal amount of \$8,871,456 plus \$1,034,434 in interest to convert these Debentures into equity of the Company. The Company has issued a total of 36,021,420 conversion units (“**Conversion Units**”) at a price of \$0.275 per Conversion Unit in full and final settlement of all outstanding obligations due and owing in connection with the Debentures. Each Conversion Unit will consist of one common share and one common share purchase warrant which will entitle the holder to acquire one additional common share of the Company at an exercise price of \$0.275 for a period of 36 months from issuance. The Conversion Units will be subject to a four month hold period.

The Company has also obtained the consent from two additional Debentures holders in the aggregate amount of \$3,250,000 to extend the term of their Debentures by an additional 18 months (the “**Extended Debentures**”). The conversion price of the Extended Debentures Conversion Units has been reduced to \$0.60. Each Conversion Unit will consist of one common share and one common share purchase warrant which will entitle the holder to acquire one additional common share of the Company at an exercise price of \$1.20 for a period of 36 months from issuance. All other terms of the Extended Debentures remain the same

In addition, the Company and certain arms-length creditors to the Creditor Agreement have reached agreements to settle outstanding indebtedness of \$1,960,000 incurred, in consideration for the issuance of 28,000,000 common shares issued at a deemed price of \$0.07 per common share.

The Company also previously announced that it has reached an agreement with an arm's-length creditor relating to certain expenses and amounts owing pursuant to an employment agreement entered into on February 1, 2019. The obligations totaled \$398,000 and have been settled through the transfer of ownership of BC Craft Supply Laboratory Services Ltd. to the creditor.

Lastly, the Company disclosed that it had reached agreements with each of Baked Edibles Inc. ("**Baked**") and CBD Therapeutics ("**CBD**"). The Company agreed to return certain assets acquired pursuant to an agreement with Baked dated December 17, 2018, and Baked agreed to extinguish the final cash payment of \$1.25-million and the anti-dilution warrants owed by the Company to Baked.

The Company reached an agreement with certain arm's-length creditors to settle all outstanding obligations related to the acquisition of certain intellectual property associated with the trade name CBD Therapeutics. The obligations totaled \$2.75-million and were settled through the transfer of ownership of 1160988 B.C. Ltd., a wholly owned subsidiary of the Company, which held the assets related to CBD. In connection with the settlement, the Company also agreed to release a total of 1,459,173 (17,510,072 pre-consolidation) common shares issued in connection with the original acquisition of 1160988 B.C. from the terms of a voluntary pooling arrangement, such that they become free trading. Please see our February 25, May 14 and May 20, 2020 news releases for further details regarding the debt settlements

Matt Watters, CEO of BC Craft states: "With the debt conversions and extensions agreements, the Company has restructured loans totaling \$19.5 million. BC Craft is grateful to the debt holders for their support in the restructure and also for their positive outlook on the Company's shares. The restructuring of the debt allows the Company to attract new equity investors and to access the equity markets with a new, stronger balance sheet and an orderly capital structure".

### **Master Processing Agreement with Indiva Limited**

On May 13, 2020, the Company announced that it had signed a Master Processing Agreement (the "**MPA**") with Indiva Limited ("**Indiva**") (TSXV: NDVA) (OTCQX: NDVAF) to manufacture and distribute pre-rolls and jarred flower. This partnership aims to elevate the premium cannabis playing field by highlighting the skills of Canada's micro-growers and making their unique and beautiful flower available to consumers from coast-to-coast. The MPA is for a one-year renewable term. BC Craft and Indiva will share in the net revenue from the MPA after costs are recovered by each respective party. "This partnership represents a significant step for BC Craft in realizing its vision to bring high-quality micro producers into the legal market and to provide an avenue for those products to be available on store shelves. Our partnership with Indiva will leverage their world-class manufacturing capabilities and equally strong distribution network within Canada, to produce pre-rolls and jarred flower that sets new industry standards. We take a lot of pride in our network of micro producers and are excited to work collaboratively to bring their artisanal cannabis to market, particularly at a time when quality product is in high demand" said CEO, Matthew Watters.

### **Name Change to BC Craft Supply**

On May 18, 2020, the Company changed its name to BC Craft Supply Co., whilst continuing to trade on the Canadian Securities Exchange ("**CSE**") under the ticker 'CRFT.' "This name change reflects the Company's ongoing commitment to partner with leading small-scale cultivators and processors within

the Canadian cannabis industry and to better align with the Company's business model and values," said CEO, Matthew Watters.

### **Inventory Financing**

The Company has secured inventory financing for \$1,000,000, which will be utilized to purchase craft flower from its network of artisan cultivators to send to Indiva under the terms of the previously announced MPA, marking an integral step in realizing the Company's vision of bringing high-grade cannabis to the Canadian marketplace.

"We are exceptionally proud of the Company's achievements over the past 3 months, which will position BC Craft, as a premier name in the Canadian craft cannabis industry with both cultivators and consumers," stated Company CEO Matthew Watters.

Mr. Watters continues; "With BC Craft's stronger balance sheet with very little debt, our MPA with Indiva and our ability to attract fresh capital, I feel confident that BC Craft will emerge as a stronger company, building the vision to give small farmers, legacy brands and the founders of Canada's original cannabis industry a chance to enter the regulated market through our craft aggregation platform and the only Prohibition-era brand house that exists in Canada."

***For further information please contact Matthew Watters, Director, at (604) 687-2038.***

### ***About BC Craft Supply Co.***

Based in Vancouver, British Columbia, BC Craft Supply Co. has aggregated the best legacy-era talent from Canada's craft cannabis industry, which boasts an international reputation. The team at BC Craft supports the most talented cannabis cultivators in Canada to transition into their supply chain, bringing with them their unique cultivars and years of experience with the plant. In exchange for support with licensing, compliance and distribution, cultivators will sign on as a BC Craft supplier. This makes BC Craft uniquely positioned to be the premium cannabis brand in Canada.

BC Craft's subsidiary, Medcann Health Products Ltd., is a Health Canada licensed cultivator and processor with a license to sell medical cannabis products in Canada.

Neither the Canadian Securities Exchange nor its Regulation Services Provider (as that term is defined in the policies of the Canadian Securities Exchange) accepts responsibility for the adequacy or accuracy of this press release, which has been prepared by management.

This news release includes certain "forward-looking statements" under applicable Canadian securities legislation. 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. 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 forward-looking statements. Pasha disclaims any intention or obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, except as required by law.