

**FORM 51-102F3
NATIONAL INSTRUMENT 51-102**

MATERIAL CHANGE REPORT UNDER SECTION 7.1 OF NI 51-102

FILED VIA SEDAR

Item 1. Name and Address of Company

Canada House Wellness Group Inc. (the "**Company**")
1773 Bayly Street
Pickering, ON
L1W 2Y7

Item 2. Date of Material Change

A material change took place on August 30, 2022.

Item 3. News Release

A news release relating to the material change was disseminated via Cision on August 30, 2022. The news release has also been filed on the System for Electronic Document Analysis and Retrieval ("**SEDAR**") and is available at www.sedar.com.

Item 4. Summary of Material Change

The Company announced the closing of the first tranche of Canada House's previously announced acquisition of all of the issued and outstanding shares of Montréal Cannabis Médical Inc. ("**MTL**" or "**MTL Cannabis**") (the "**Transaction**") pursuant to a restated share exchange agreement dated July 22, 2022 (the "**Agreement**").

With the closing of the first tranche pursuant to the Agreement, the Company also announced the effectiveness of amendments to restructure certain debt obligations of the Company.

Item 5. Full Description of Material Change

The Company announced the closing of the first tranche of Canada House's previously announced acquisition of all of the issued and outstanding shares of MTL Cannabis pursuant to the Agreement.

With the closing of the first tranche of the Transaction (the "**Initial Closing**") the Company acquired approximately 24.99% of the issued and outstanding shares of MTL Cannabis in exchange for 49.99% of the issued and outstanding common shares ("**Common Shares**") of the Company. Following the completion of the Company's share consolidation on the basis of thirty (30) pre-consolidation Common Shares for every one (1) post-consolidation Common Share, the shareholders of MTL Cannabis were issued 22,779,340 Common Shares on the Initial Closing. There are now 45,567,767 Common Shares issued and outstanding.

Now that the Initial Closing has been completed, the parties will proceed to satisfying the closing conditions to the second tranche of the Transaction, namely the preparation of the required audited annual and unaudited interim financial statements and related management's discussion and analysis of MTL Cannabis in order for the Company to proceed to a shareholder meeting to approve the Transaction, as required by the rules and policies of the Canadian Securities Exchange (the "CSE").

The Agreement provides for the Company to acquire the remaining 75.01% of the issued and outstanding shares of MTL Cannabis on the second tranche of the Transaction (the "**Subsequent Closing**") in exchange for such number of Common Shares that when added to the Common Shares issued on the Initial Closing, is equal to 80.0% of the Common Shares. The percentages of Common Shares noted above will be subject to anti-dilution adjustments in favour of the vendors of the MTL Cannabis shares wherein additional Common Shares will be issued up to 49.99% of the Common Shares prior to the Subsequent Closing and up to 80.0% following the Subsequent Closing in the event of the issuance of Common Shares upon the conversion of the principal and accrued interest of the Company's \$6.5 million convertible debenture (the "**Archerwill Debenture**") issued to Archerwill Investments Inc. ("**Archerwill**") on August 5, 2020.

The Transaction constitutes a "reverse takeover" of the Company and it is anticipated that following the Subsequent Closing, the Company will operate under the MTL Cannabis corporate name with shares trading on the CSE under a related ticker symbol. Trading in the common shares of the Company has been halted since the Transaction was initially announced on August 9, 2021 and is expected to remain halted until the Subsequent Closing. The Subsequent Closing is subject to a number of conditions customary for a transaction of this nature, including but not limited to (i) approval by the shareholders of Canada House of the acquisition at a special meeting to be called for these purposes, (ii) there being no material adverse change in the business of Canada House or MTL Cannabis (as applicable) prior to the Subsequent Closing, and (iii) receipt of applicable third party and regulatory approvals including the approval of the CSE. The Subsequent Closing will occur as soon as possible following the satisfaction of all such closing conditions. A press release will be issued in due course to announce the expected timing of the Subsequent Closing once the parties have progressed the financial statements of MTL Cannabis.

With the closing of the first tranche pursuant to the Agreement, the Company also announced the effectiveness of amendments to restructure certain debt obligations of the Company. In connection therewith, the following agreements are now effective:

- (i) an amendment and restatement of the Archerwill Debenture (the "**A&R Archerwill Debenture**");
- (ii) an amendment to the Common Share purchase warrants issued to Archerwill (the "**Archerwill Warrants**") concurrently with the Archerwill Debenture to acquire 130,000,000 Common Shares (the "**Archerwill Warrants Amendment**"); and
- (iii) a termination of the Investor Rights Agreement between the Company and Archerwill (the "**Investor Rights Agreement**") and a mutual release of the parties in respect thereof (the "**Termination Agreement**" and, together with the A&R Archerwill Debenture and the Archerwill Warrants Amendment, the "**Archerwill Amendments**").

The Company negotiated the Archerwill Amendments with Archerwill because Archerwill has certain rights pursuant to the Archerwill Debenture and the Investor Rights Agreement which had to be either cancelled, waived or amended for the Company to proceed with the Initial Closing. Furthermore, the Company may have been considered to be in technical

default in respect of certain of its obligations under the Archerwill Debenture and without forbearance from Archerwill, Archerwill could seek to enforce the remedies available to it which would render the Initial Closing at a risk of not concluding.

The following are the material terms of the Archerwill Amendments, which, with the Initial Closing, are now effective:

- **Support the Transaction:** Archerwill agreed to vote in favour and otherwise support the completion of the Transaction and to waive its rights under the Archerwill Debenture and the Investor Rights Agreement relative to the Transaction.
- **Conversion Price:** The conversion price of the Archerwill Debenture was amended from \$1.50 (post-Share Consolidation) to the lower of \$0.90 and the volume weighted average trading price of the Common Shares over the first 20 trading days following the resumption of trading of the Common Shares on the CSE, subject to a minimum price of \$0.50 (the “**Amended Conversion Price**”).
- **Warrant Exercise Price:** The exercise price of the Archerwill Warrants was amended from \$1.80 (post-Share Consolidation) to the lower of \$1.20 and 130% of the volume weighted average trading price of the Common Shares for the 20 day trading days following the resumption of trading of the Common Shares on the CSE (the “**Amended Exercise Price**”).
- **Termination of Investor Rights Agreement:** Archerwill and the Company terminated and issue reciprocal releases with respect to the Investor Rights Agreement, effective upon the Initial Closing. As such, Archerwill’s right to nominate two directors for appointment to the Board of Directors, to match certain acquisition proposals received by the Company, to participate in future financings to maintain its *pro rata* ownership percentage and certain other governance rights under the agreement would be terminated as they currently exist under the Investor Rights Agreement, although certain of those rights will continue to exist in favour of Archerwill in the A&R Archerwill Debenture.
- **Subordinate Debt:** The limitation on Permitted Subordinated Indebtedness (as defined in the A&R Archerwill Debenture), to a value of \$7,500,000 will be removed as will be any covenants in Archerwill’s favor with respect to incurring indebtedness, issuing guarantees or granting security by the Company or its subsidiaries which rank subordinate to security interests under the Archerwill Instruments. For greater certainty, such covenants will remain in place with respect to indebtedness, guarantees or the grant of security expressed to rank *pari passu* or superior to the Archerwill Instruments.
- **Prepayment Right:** The A&R Archerwill Debenture will provide the Company with the option to prepay the A&R Archerwill Debenture in full, including all accrued interest to the maturity date of August 5, 2025, subject to the issuance to Archerwill of additional warrants (the “**Prepayment Warrants**”) to purchase that number of Common Shares as is equal to the outstanding principal amount plus all accrued and unpaid interest on such principal amount to the date of prepayment plus all interest to accrue on such principal amount to the maturity date of the A&R Archerwill Debenture divided by the Amended Conversion Price. The Prepayment Warrants, if issued, would be exercisable up to maturity of the A&R Archerwill Debenture (currently August 5, 2025) and would be exercisable at a price per Common Share equal to the Amended Conversion Price.

Related Party Transaction

Archerwill is considered to be a Related Party under Multilateral Instrument 61-101 - *Protection of Minority Security Holders in Special Transaction* (“**MI 61-101**”) by virtue of having beneficial ownership of over 10% of all the outstanding voting securities of the Company. As the Common Shares issuable on conversion of the Archerwill Debenture and

exercise of the Archerwill Warrants could have been so issued to Archerwill within 60 days of the date the Archerwill Amendments were entered into, they are deemed to be beneficially owned under National Instrument 62-104 – *Take-Over Bids and Issuer Bids* (“**62-104**”) for the purpose of the definition of “related party” under MI 61-101.

As such, the contemplated Archerwill Amendments may be considered to be a “related party transaction” requiring “minority approval” (each as defined in MI 61-101). As such, at the Company’s annual general and special meeting of shareholders held on August 23, 2022, the Company received the approval of “disinterested shareholders” for the Archerwill Amendments. Please refer to the Company’s management information circular dated July 22, 2022 for more information regarding the Archerwill Amendments, including the effects of the Archerwill Amendments on the Company and on Archerwill’s ownership position in securities of the Company, certain risks related to the Archerwill Amendments and a description of the review and consideration of the Archerwill Amendments by the Company’s Board of Directors. The Archerwill Amendments were exempt from the formal valuation requirements of MI 61-101 by virtue of section 5.5(b) of MI 61-10 as at the applicable time, the Common Shares were not listed or quoted on any of the stock exchanges specified in section 5.5(b) of MI 61-101.

The Initial Closing also rendered effective the separate Note Tolerance and Forbearance Agreements (collectively, the “**Note Tolerance and Forbearance Agreements**”) entered into with each of the holders of the 5% promissory notes due June 12, 2023 (the “**Promissory Notes**”) issued by Canada House in connection with its acquisition of IsoCanMed Inc. on June 12, 2020. The Note Tolerance and Forbearance Agreements provide for the extension of the maturity dates of the Promissory Notes to December 12, 2023, June 12, 2024 and December 12, 2024, respectively and also provide for the forbearance by such noteholders with respect to the payment of certain overdue interest obligations thereunder. In consideration for such forbearance, Canada House agreed to issue to each such holder 333,333 common shares purchase warrants (expressed on a post-consolidation basis) exercisable into Common Shares at a price per share of \$1.20 for a term of three (3) years. The transactions contemplated by the Note Tolerance and Forbearance Agreements may be considered to be “related party transactions” pursuant to MI 61-101. Such transactions were exempt from the formal valuation requirement of MI 61-101 pursuant to s. 5.5(a) or s. 5.5(b) of MI 61-101 and from the minority approval requirement of MI 61-101 pursuant to s. 5.7(a) of MI 61-101.

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

For further information, please contact Steven Pearce, Vice-President, Legal of Canada House Wellness Group Inc. at 1 844 638 8387 or spearce@canadahouse.ca.

Item 9. Date of Report

September 9, 2022.