

**FORM 51-102F3**

**MATERIAL CHANGE REPORT**

**1. Name and Address of Company**

Kaiyue International Inc. (the "**Company**" or "**Kaiyue**")  
c/o 3400 Suncor Energy Centre  
150-6th Avenue SW  
Calgary, Alberta T2P 3Y7

**2. Date of Material Change**

July 28, 2017

**3. News Release**

A news release was disseminated through Nasdaq GlobeNewswire on August 3, 2017.

**4. Summary of Material Change**

Kaiyue announced the signing of a letter of intent with Potanicals Green Growers Inc.

**5. Full Description of Material Change**

See the news release attached hereto as Schedule "A" for full details of the Material Change.

**6. Reliance on subsection 7.1(2) of National Instrument 51-102**

This Report is not being filed on a confidential basis in reliance on subsection 7.1(2) of National Instrument 51-102.

**7. Omitted Information**

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

**8. Executive Officer**

For further information contact:

Hilda Sung  
Chief Executive Officer  
604-339-7688

**9. Date of Report**

August 11, 2017

## SCHEDULE "A"

# Kaiyue Announces the Signing of a Letter of Intent With Potanicals Green Growers Inc.

VANCOUVER, British Columbia, Aug. 03, 2017 (GLOBE NEWSWIRE) -- **Kaiyue International Inc.** (TSX.V:KYU) (the "**Company**" or "**Kaiyue**") is pleased to announce that it has entered into a binding letter of intent (the "**LOI**") dated July 28, 2017 with Potanicals Green Growers Inc. ("**Potanicals**") whereby the parties will complete a business combination by way of a transaction that will constitute a reverse takeover of the Company by Potanicals (the "**Transaction**"). Pursuant to the Transaction, the Company will first delist from the TSX Venture Exchange (the "**TSXV**"), then all of the issued and outstanding common shares of Potanical (the "**Potanicals Shares**") will be exchanged for common shares of the Company (the "**Kaiyue Shares**"), which will result in Potanicals becoming a wholly-owned subsidiary of the Company or otherwise combining its corporate existence with a wholly-owned subsidiary of the Company. The resulting issuer that will exist upon completion of the Transaction (the "**Resulting Issuer**") will change its business from mining to the licensed production of marijuana under the Access to Cannabis for Medical Purposes Regulations ("**ACMPR**") and shall become listed on the Canadian Securities Exchange (the "**CSE**"). The final structure of the Transaction will be determined by the parties following receipt of tax, corporate and securities law advice. The Transaction is an arm's length transaction.

## **Transfer of Listing to the CSE**

Upon closing of the Transaction, but subject to receipt of approvals of the TSXV and the CSE, the Resulting Issuer's common shares will be delisted from trading on the TSXV and will be listed for trading on the CSE. Delisting of the Company from the TSXV is subject to the Company receiving approval for listing the Resulting Issuer on the CSE. There can be no assurance that the proposed transfer of the listing to the CSE will be approved by the TSXV or that the CSE will approve the listing of the Resulting Issuer's shares. Non-approval of the transfer of the listing will prohibit or negatively impact closing of the Transaction with the result that the Company will need to seek and secure another acquisition of a business or assets to ensure that the Company will meet the TSXV's continued listing requirements.

## **Share Consolidation, Continuation and Name Change**

Prior to closing of the Transaction, but subject to receipt of approvals of the TSXV and the CSE and if required, approval of the Company's shareholders, Kaiyue will consolidate all its issued and outstanding common shares based on a consolidation ratio (2.2174-to-1) that will result in the reduction of Kaiyue's issued and outstanding common shares to not more than 10,000,000 shares on a non-diluted basis (the "**Consolidation**"), will continue its legal existence from Alberta to British Columbia, and Kaiyue will change its name to such name as is acceptable to management of Potanicals and applicable regulatory authorities.

## **Potanicals Private Placement**

Prior to or concurrently with closing of the Transaction, Potanicals will complete a private placement of 5,855,555 Potanicals Shares at a price of \$0.90 per share to raise gross proceeds of \$5,270,000 (the "**Private Placement**").

## **Share Exchange and Kaiyue Stock Options**

Pursuant to the Transaction and following completion of the Private Placement, Kaiyue Shares will be issued to the holders of securities of Potanicals on a post-Consolidation basis in exchange for all of the then issued and outstanding securities of Potanicals, on the basis of 4.5 Kaiyue Shares for each issued and outstanding Potanicals Share, for an aggregate 124,186,750 Kaiyue Shares. On closing of the Transaction, there will be a total of 134,186,750 common shares of the Resulting Issuer issued and outstanding, plus 90,196 stock options to purchase post-Consolidated common shares of Kaiyue at a price of \$0.29 per share (the "**Kaiyue Options**"). Following closing of the Transaction, the outstanding Kaiyue Options will remain in effect.

### **Description of Potanicals and its Business**

Potanicals is a private company incorporated under the British Columbia *Business Corporations Act* in 2014 to capitalize on the significant opportunities in the medical marijuana market in Canada and overseas. Potanicals has built a 12,700 square foot production facility in Peachland, British Columbia to plant, grow and cultivate high-quality medical-grade marijuana using advanced and proprietary cultivation methods. In June 2013, management began the process of applying for a producer's licence under the new Health Canada ACMPR. Potanicals has completed the construction for the Peachland facility and is currently in the stage of Confirmation of Readiness for License under ACMPR.

The primary specialized skill and knowledge requirement for success as a Licensed Producer of medicinal marijuana relates to cultivating the product. In its first phase of operations, Potanicals has applied for a 3,125 kg annual production and distribution licence to be housed in the Peachland facility. The facility is equipped with cutting-edge technologies that will enable efficient and reliable production of medical marijuana with harvest available on a bi-monthly basis. Potanicals has spent \$4.68 million to date building the facility and implementing its business plan.

### **Management of the Resulting Issuer**

Upon closing of the Transaction, all of the Kaiyue's current directors and officers will resign; the board of directors of the Resulting Issuer will consist of five directors, as well as a Chief Executive Officer, a President, a Chief Financial Officer and a Corporate Secretary of the Resulting Issuer, all of whom will be as nominated by Potanicals. Potanicals' management team is comprised of entrepreneurs with experience in medical marijuana, real estate development, and agriculture businesses. Key personnel are highlighted below. Additional management and operational staff will be brought on as Potanicals commissions and commences production at the Peachland facility.

#### **Johnson Ping Zhang – Chief Executive Officer**

- | Over 20 years of management experience and over five years of experience in the agriculture industry
- | Actively involved in real estate development projects in China and Canada since 1994

#### **Craig Loverock – Chief Financial Officer**

- | Over 14 years of experience in the agriculture industry
- | Chief Executive Officer and Founder of a technology company providing solutions for licensed medical marijuana producers in Canada and the U.S. and a laboratory services company focused on the agriculture sector of British Columbia

#### **Cliff Sowell – Chief Operating Officer**

- | Developed a number of enterprises for over 40 years
- | Experience in tourism and hospitality, real estate, property development, and web marketing

Potanicals is in the process of building its Board of Directors to include independent members who bring legal, accounting, marijuana industry, pharmaceutical and regulatory skill sets to the company. In addition, Potanicals is in the process of building an Advisory Board that will assist the company with its strategic vision and operating plans.

### **Use of Available Funds**

The Resulting Issuer intends to use the funds that will be available on closing of the Private Placement and the Transaction to fund the costs of the following:

Commissioning and operations	\$1,450,000
Management Salaries	\$306,000
Consulting Fees	\$300,000
Land Purchasing	\$600,000
Land Lease	\$30,000
Office Lease	\$36,000
Insurance	\$10,800
Three Phase Power	\$300,000
Second Phase Design, Preparation	\$1,700,000
General Overhead Costs	\$60,000
Unallocated Working Capital	\$477,200
<b>Total</b>	<b>\$5,270,000</b>

### **Closing Conditions**

The completion of the Transaction is subject to a number of conditions, including but not limited to the following:

- | the execution of a definitive agreement;
- | completion of mutually satisfactory due diligence;
- | completion of the Private Placement;
- | receipt of all required regulatory, corporate and third party approvals, including approvals by the TSXV, the CSE, the shareholders of Kaiyue and Potanicals, and fulfilment of all applicable regulatory requirements and conditions necessary to complete the Transaction;
- | all of the Company's mineral property interests and existing business being sold or terminated, provided that no liability is incurred by Kaiyue in doing so; and
- | completion of the delisting of the Company from the TSXV and the listing of the Resulting Issuer's common shares on the CSE.

### **Termination of the LOI**

The LOI may be terminated if one of the following events occurs:

- (a) written agreement of the parties to terminate the LOI;
- (b) the definitive agreement has not been entered into by the parties by 5:00 p.m. (Vancouver time) on October 31, 2017 or such later date as the parties may agree upon in writing;
- (c) a party has breached or is in default of any material term of the LOI and fails to cure such breach or default within ten days after receiving written notice from the other party containing details of the breach;

(d) any condition of closing of the Transaction for the benefit of a party is not fulfilled or waived within the time required or becomes incapable of being satisfied; or

(e) any applicable regulatory authority, the TSXV or the CSE having notified in writing either Kaiyue or Potanicals that it will not approve the Transaction or permit the Transaction to proceed.

### **Trading Halt**

Trading in the Company's shares was halted on July 31, 2017 and is expected to remain halted until closing of the RTO and listing on the CSE.

The securities to be issued in connection with the Transaction have not been and will not be registered under the United States *Securities Act of 1933*, as amended (the "**U.S. Securities Act**") or any state securities laws and may not be offered or sold within the United States or to U.S. Persons (as defined in Regulation S promulgated under the U.S. Securities Act) unless registered under the U.S. Securities Act and applicable state securities laws or an exemption from such registration is available.

***Completion of the Transaction is subject to a number of conditions, including TSXV and CSE acceptance and shareholder approval, if applicable. The Transaction cannot close until the required approvals are obtained. There can be no assurance that the Transaction will be completed as proposed or at all.***

***Investors are cautioned that, except as disclosed in the disclosure document to be prepared in connection with the Transaction, any information released or received with respect to the Transaction may not be accurate or complete and should not be relied upon. Trading in the common shares of the Company should be considered highly speculative.***

***Neither TSX Venture Exchange nor its Regulation Services Provider (as that term is defined in policies of the TSX Venture Exchange) accepts responsibility for the adequacy or accuracy of this release.***

ON BEHALF OF THE BOARD  
**KAIYUE INTERNATIONAL INC.**

/s/ "Hilda Sung"

Hilda Sung

Chief Executive Officer

### **For further information contact:**

Hilda Sung

Chief Executive Officer

604-339-7688

### **Forward-Looking Information**

*This news release contains "forward-looking information" within the meaning of applicable securities laws relating to the proposal to complete the Transaction and associated transactions, including statements regarding the terms and conditions of the Transaction and the outlook of the business of Potanicals. Although the Company believes in light of the experience of its officers and directors, current conditions and expected future developments and other factors that have been considered appropriate that the*

*expectations reflected in this forward-looking information are reasonable, undue reliance should not be placed on them because the Company can give no assurance that they will prove to be correct. Actual results and developments may differ materially from those contemplated by these statements depending on, among other things, the risks that the parties will not proceed with the Transaction and associated transactions, that the ultimate terms of the Transaction, and associated transactions will differ from those that currently are contemplated, and that the Transaction and associated transactions will not be successfully completed for any reason (including the failure to obtain the required approvals or clearances from regulatory authorities). The terms and conditions of the Transaction may change based on the Company's due diligence and the receipt of tax, corporate and securities law advice for both the Company and Potanicals. The statements in this press release are made as of the date of this release. The Company undertakes no obligation to comment on analyses, expectations or statements made by third-parties in respect of the Company, Potanicals, their securities, or their respective financial or operating results (as applicable).*