

FORM 51-102F3
MATERIAL CHANGE REPORT

ITEM 1 NAME AND ADDRESS

*Integrated Energy Storage Corp. (the "Company")
Suite 520, 65 Queen Street West
Toronto, Ontario, M5H 2M5*

ITEM 2 DATE OF MATERIAL CHANGE

December 5, 2018

ITEM 3 NEWS RELEASE

The Company issued a news release on December 6, 2018 relating to the material change, which was subsequently filed on SEDAR.

ITEM 4 SUMMARY OF MATERIAL CHANGE

The Company entered into a share exchange agreement with Medcolcanna (BVI), Inc. ("Medcolcanna") pursuant to which the Company proposes to acquire all of the outstanding share capital of Medcolcanna.

ITEM 5 FULL DESCRIPTION OF MATERIAL CHANGE

See attached news release.

ITEM 6 RELIANCE ON SUBSECTION 7.1(2) OF NATIONAL INSTRUMENT 51-102

Not applicable. This report is not being filed on a confidential basis.

ITEM 7 OMITTED INFORMATION

Not applicable.

ITEM 8 EXECUTIVE OFFICER

The following executive officer of the Company is knowledgeable about the material change and this report:

*Brian Stecyk, Chief Executive Officer
Telephone: 780.953.0111*

ITEM 9 DATE OF REPORT

December 27, 2018

INTEGRATED ENERGY STORAGE CORP.

Suite 520, 65 Queen Street West, Toronto, Ontario, M5H 2M5

INTEGRATED ENERGY STORAGE ANNOUNCES PROPOSED ACQUISITION OF MEDCOLCANNA AND RELATED FINANCING TRANSACTIONS

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December 6, 2018 – Integrated Energy Storage Corp. (“**IES**” or the “**Company**”) is pleased to announce that it has entered into a share exchange agreement (the “**Definitive Agreement**”) with Medcolcanna (BVI) Inc., a privately held issuer existing under the laws of the British Virgin Islands (“**Medcolcanna**”), pursuant to which IES and Medcolcanna have agreed to complete a transaction (the “**Transaction**”) that will result in a reverse take-over of IES by the current shareholders of Medcolcanna. The Definitive Agreement was negotiated at arm’s length and is effective as of December 5, 2018.

Medcolcanna’s wholly-owned Colombian subsidiary, Medcolcanna S.A.S. (“**Medcolcanna SAS**”) is in the process of establishing operations in Colombia as a producer of both THC and cannabidiol medical cannabis. Medcolcanna intends to combine its scientific expertise and Colombia’s inherent agricultural advantages of cost and high quality cannabis that arise from consistent 12 hours of daylight year-round, minor seasonal temperature fluctuations, a strong history of agricultural exports, fertile soil and an available, low cost and experienced labour force. Its business plan forecasts leveraging its team’s international business expertise, particularly in trading, sales and marketing, its agronomic knowledge and Colombia’s agricultural advantages.

Medcolcanna SAS has received three licences for the: (1) cultivation of psychoactive (high THC) medical cannabis, (2) cultivation of non-psychoactive (THC<1%) medical cannabis, and (3) production, domestic distribution and international export of both THC and cannabidiol medical cannabis. Medcolcanna SAS has 4 hectares of land approved for the planting of medical cannabis crops, located in a secure area close to Bogota, upon which it plans to immediately start construction of facilities and greenhouses, which ultimately may include cornerstone public facilities. Medcolcanna SAS also has options on an additional 120 hectares of land, allowing it to rapidly expand as the business grows.

Terms of the Transaction and Financing Matters

It is currently anticipated that the proposed Transaction will be effected by way of a share exchange. There are currently an aggregate of 10,936,148 outstanding common shares in the capital of IES (each, an “**IES Common Share**”) and 39,362,659 common shares in the capital of Medcolcanna (each, a “**Medcolcanna Share**”). Additionally, IES has outstanding 500,000 stock options exercisable at a price of \$0.25 per IES Common Share (the “**IES Options**”) and Medcolcanna has 3,681,330 share purchase warrants outstanding (the “**Medcolcanna Warrants**”), with each Medcolcanna Warrant

being exercisable into one Medcolcanna Share at an exercise price of \$0.25 for a period of 12 months from the date of issuance thereof.

Pursuant to the proposed Transaction, the holders of the issued and outstanding Medcolcanna Shares shall receive one post-Consolidation (as defined below) IES Common Share for each Medcolcanna Share held. IES has agreed to seek shareholder approval for, among other things the consolidation of its outstanding shares and options at a ratio to result in there being approximately 12,900,000 IES Common Shares outstanding immediately prior to the closing of the Transaction (the “**Consolidation**”). Prior to completion of the Transaction, IES expects to arrange for the settlement of certain outstanding debts through the issuance of pre-Consolidation IES Common Shares. In connection with completion of the Transaction, IES intends to issue approximately 6,450,000 Resulting Issuer Warrants to the existing shareholders of IES.

On or immediately prior to the completion of the proposed Transaction, it is anticipated that IES will effect; (i) the Consolidation, and (ii) the Name Change (as defined herein). Additionally, the board of directors of IES shall be reconstituted to consist of nominees of Medcolcanna and all existing officers of IES shall resign and be replaced by nominees of Medcolcanna, as further described below.

Prior to the completion of the Transaction, it is anticipated that Medcolcanna and IES will complete three securities offerings, as follows:

- Medcolcanna anticipates completing a brokered private placement of approximately 20,000,000 subscription receipts (the “**Subscription Receipts**”) at a price of C\$0.25 per Subscription Receipt for gross proceeds of approximately \$5,000,000 (the “**Brokered Offering**”). It is anticipated that each Subscription Receipt shall entitle the holder to receive, upon satisfaction of certain escrow release conditions, and without payment of additional consideration, one unit in the capital of Medcolcanna (a “**Unit**”). Each Unit shall consist of one Medcolcanna Share and one-half of one Medcolcanna Share purchase warrant (each whole warrant, a “**Warrant**”), which Units shall be exchanged, without further consideration, for one Unit in the capital of the Resulting Issuer (as defined herein), upon the completion of the proposed Transaction. Following the exchange for Units of the Resulting Issuer, each Warrant of the Resulting Issuer (a “**Resulting Issuer Warrant**”) shall entitle the holder thereof to acquire one common share of the Resulting Issuer (a “**Resulting Issuer Share**”) at a price of \$0.40 per Resulting Issuer Share for a period of 24 months following issuance.
- Medcolcanna also intends to complete a non-brokered offering of 2,000,000 units (“**Medcolcanna Units**”) at a price of \$0.25 per Medcolcanna Unit (the “**Non-Brokered Offering**”) for gross proceeds of approximately \$500,000, with the subscribers in the Non-Brokered Offering being sourced by IES. Each Medcolcanna Unit will consist of one Medcolcanna Share and one-half of one Medcolcanna Warrant, with each whole Medcolcanna Warrant being exercisable into one Medcolcanna Share at an exercise price of \$0.40 for a period of 24 months following issuance.
- IES intends to complete a non-brokered offering of shares in order to meet a closing condition of the Transaction that it have not less than \$1,000,000 of available cash, after

deducting all fees associated with the Transaction (such as legal, audit, printing and mailing costs, etc.) (the “**IES Offering**”). Pursuant to the Definitive Agreement, Medcolcanna has the ability to borrow funds raised in the IES Offering for general working capital purposes until the closing of the Transaction, subject to granting a security interest in the assets of Medcolcanna as collateral for such loan.

If and when completed, the net proceeds from the Non-Brokered Offering, IES Offering and Brokered Offering (collectively, the “**Offerings**”) will be used to expand the business of Medcolcanna, for working capital, and for general corporate purposes. The proceeds of the Non-Brokered Offering and IES Offering will be immediately available to Medcolcanna for working capital purposes.

Upon completion of the Transaction, and assuming the maximum gross proceeds in the Offerings are raised, there will be approximately 74,262,659 post-Consolidation common shares of the combined entity (the “**Resulting Issuer**”) issued and outstanding.

The proposed Transaction is subject to requisite regulatory approvals and standard closing conditions, including the listing of the IES Shares on the facilities of the TSX Venture Exchange, as well as the conditions described below. Upon completion of the Transaction, it is the intention of the parties that the Resulting Issuer will continue to focus on the current business and affairs of Medcolcanna SAS.

Insiders, Officers and Board of Directors of the Resulting Issuer

It is expected that upon completion of the Transaction, the Resulting Issuer will have a board of five individuals, all of whom shall be nominated by Medcolcanna. As of the date hereof, and subject to regulatory approval, Medcolcanna anticipates that the Resulting Issuer will have the following officers and directors (with additional board nominees to be named later):

Felipe de la Vega – President, CEO and Director

Mr. de la Vega was the founder of Trenaco Holdings Group (“**Trenaco**”), a major Latin American commodity trading company with revenues of US\$800 million in 2014. As CEO of Trenaco for 10 years, Mr. de la Vega developed strong relationships with domestic and global commodities companies and vertically integrated the value chain through the acquisition of profitable assets such as coal mines, metcoke ovens, quality labs, stockyards, and transportation infrastructure. Under Mr. de la Vega, Trenaco became the second largest exporter of coking coal in Colombia, and was the 17th largest Colombian exporter and 76th largest Colombian company for 2013-2014, as well as being ranked first for growth prospects.

Chris Reid - Chief Financial Officer

Mr. Reid has served as the Chief Executive Officer and President of Petrodorado Energy Ltd., a petroleum company with operations in Colombia, since January 2016 and as the Chairman since May 2016. Mr. Reid also served as the Chief Financial Officer from February 2012 to January 2016, where

he was involved in the successful turnaround of the company through a divestiture program. Mr. Reid is a Chartered Professional Accountant whose career includes 12 years of experience in industry and international business. Mr. Reid is currently a director of Petrodorado Energy Ltd. (TSXV: PDQ), and is a member of the Institute of Chartered Accountants of Alberta and the Chartered Professional Accountants of Alberta. Mr. Reid holds a Bachelor of Business Administration from Saint Francis Xavier University.

Nicolas Rodrigues – Chief Operating Officer

Mr. Rodrigues is an agricultural engineer with more than 13 years of experience leading innovation and business development in the agricultural industry. He has strong leadership skills and technological knowledge in agricultural production. Mr. Rodrigues previously held the position of General Manager at The Clinton Giustra Enterprise Partnership, a social business builder that brings entrepreneurial solutions to agribusinesses, farmers and fishermen.

Robert James Metcalfe - Director

Mr. Metcalfe, a lawyer, was senior partner with the law firm Lang Michener LLP for 20 years. He is the former President and Chief Executive Officer of Armadale Properties and Counsel to all of the Armadale Group of Companies, with significant holdings across numerous industries including finance, construction of office buildings, airport ownership, management and refurbishing, land development and automotive dealerships, as well as newspaper, radio and television stations. Mr. Metcalfe has served as President, CEO, Lead Director, Chairman and Committee member on numerous publicly listed natural resource and industry company corporate boards in Canada, the USA, England, South America and Africa. As director and shareholder, Mr. Metcalfe has been engaged in numerous acquisitions, divestitures, corporate reorganizations, financings and corporate improvements, as well as serving on numerous special committees across many sectors. He is a member of the Institute of Corporate Directors and a member in good standing of the Law Society of Ontario.

Thor Borresen - Director

Mr. Borresen is an Industrial Engineer from the Javeriana University in Cali, Colombia and is currently the Marketing Vice-president of Bavaria, the Colombian operation of AB-InBev, the world's leading brewer. In his current position, Mr. Borresen is responsible for leading the development of a complete portfolio of local and international beer brands, boosting category growth and building the equity of the brands. Mr. Borresen's main challenge is to keep the category alive and relevant among young adults, through a strategy of brand renovation, innovation and digital connection with consumers and stakeholders. Mr. Borresen's professional career spans over 14 years in different commercial roles. Before joining Bavaria, he was part of the marketing team in Kraft Foods Colombia and Venezuela, overseeing local and regional markets. Recently, Mr. Borresen led the development and launch of a new business unit: The High End Company, integrating the roles of Sales, Marketing, Finance and Logistics for a group of Global and Craft brands.

Conditions to the Transaction

Completion of the Transaction will be subject to a number of conditions of closing that are customary for a transaction of this nature, including, without limitation:

- IES shall obtain the requisite shareholder approvals in connection with the following matters: (i) the Consolidation; (ii) a change of name to “Medcolcanna Organics Inc.” or such other name as may be requested by Medcolcanna and acceptable to applicable regulatory authorities (the “**Name Change**”); and (iii) the election of the directors of the Resulting Issuer to replace the current directors of IES immediately following the completion of the proposed Transaction.
- Completion of the Offerings.
- IES having extinguished or otherwise settled all of its outstanding debt.
- IES having available cash on hand of no less than \$1,000,000.
- The holders of the IES Options having agreed to the cancellation of such options.
- The common shares of the Resulting Issuer having been approved for listing on a Canadian stock exchange.

The Definitive Agreement has been filed under IES’s issuer profile on SEDAR at www.sedar.com.

Inter-Company Relationships

Officers, directors and principal shareholders of IES may subscribe for Subscription Receipts in the Offering, for Medcolcanna Units in the Non-Brokered Offering and for securities of IES in the IES Offering.

About Integrated Energy Storage Corp.

Until execution of the Definitive Agreement, IES was focused on the research and development of electrical energy storage systems primarily based upon the Vanadium Redox Battery Technology. IES currently holds a license with Pacific Northwest National Laboratories which provides for evaluation and testing of vanadium that will be used in the production of vanadium electrolyte and enables IES to produce vanadium electrolyte that is currently patented by Pacific Northwest National Laboratories. Assuming completion of the Transaction, IES will have acquired the business of Medcolcanna, will be a cultivator, manufacturer and distributor of medicinal cannabis based in Colombia, and is expected to be a Life Sciences Issuer under the policies of the TSX Venture Exchange. The Resulting Issuer expects to sell the existing assets of IES immediately prior to or contemporaneously with the consummation of the Transaction.

IES anticipates it will be seeking to rely on an exemption, or a waiver, from the sponsorship requirements of the TSX Venture Exchange.

Further Information

All information contained in this news release with respect to IES and Medcolcanna was supplied by the parties respectively for inclusion herein, and each party and its directors and officers have relied on the other party for any information concerning the other party.

For further information regarding the proposed Transaction, please contact:

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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, among other things, to: the terms and conditions of the proposed Transaction; the terms and conditions of the proposed Offerings; receipt of all regulatory licenses required for the cultivation, production, domestic distribution and international export of cannabis and cannabis-related products; use of proceeds raised in the Offerings, the proposed officers and directors of the Resulting Issuer; and the business and operations of the Resulting Issuer after the consummation of the proposed Transaction. 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: general business, economic, competitive, political and social uncertainties; and the delay or failure to receive board, shareholder or regulatory approvals. 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 news release.

IES and Medcolcanna assume no obligation to update the forward-looking statements of beliefs, opinions, projections, or other factors, should they change, except as required by law.

The securities to be offered in the Offering have not been, and will not be, registered under the U.S. Securities Act of 1933, as amended (the “**U.S. Securities Act**”) or any U.S. state securities laws, and may not be offered or sold in the United States or to, or for the account or benefit of, United States persons absent registration or any applicable exemption from the registration requirements of the U.S. Securities Act and applicable U.S. state securities laws. This news release shall not constitute an offer to sell or the solicitation of an offer to buy securities in the United States, nor shall there be any sale of these securities in any jurisdiction in which such offer, solicitation or sale would be unlawful.

Neither the TSX Venture Exchange Inc. nor its regulation services provider (as that term is defined in the policies of the TSX Venture Exchange) accepts responsibility for the adequacy or accuracy of this release and neither of these entities has in any manner passed upon the merits of the Transaction or any associated transactions.