

FORM 51-102F3
MATERIAL CHANGE REPORT

Item 1. Name and Address of Company

Pharmadrug Inc.
2905 - 77 King Street West
P.O. Box 95, TD Centre North Tower
Toronto, Ontario M5K 1G8

Item 2. Date of Material Change

May 25, 2020

Item 3. News Release

A news release was issued and disseminated on May 25, 2020 through the facilities of Newsfile and subsequently filed on the System for Electronic Document Analysis and Retrieval (www.sedar.com).

Item 4. Summary of Material Change

On May 25, 2020, Pharmadrug (the “Company” or “Pharmadrug”) announced that it has entered into a definitive agreement pursuant to which Pharmadrug will acquire all of the issued and outstanding shares of privately-held Interrobang Ltd. (doing business as Super Smart) (“Super Smart”), to be effected by way of a three-cornered amalgamation between Pharmadrug, Super Smart and a wholly-owned subsidiary of Pharmadrug (the “Proposed Transaction”). Following completion of the Proposed Transaction, Super Smart will become a wholly-owned subsidiary of Pharmadrug. It is anticipated that the Proposed Transaction will be completed in early June, 2020.

Item 5. Full Description of Material Change

5.1 Full Description of Material Change

See Schedule A attached.

5.2 Disclosure for Restructuring Transactions

The Proposed Transaction consists of the acquisition by the Company of all of the issued and outstanding shares in the capital of Super Smart by way of a three-cornered amalgamation, following which Super Smart will become a wholly-owned subsidiary of Pharmadrug.

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

The following officer of the Company may be contacted for further information:

Daniel Cohen, CEO
dcohen@pharmadrug.co

Item 9. Date of Report

This report is dated this 26th day of May, 2020.

SCHEDULE A

**PHARMADRUG INC. ENTERS DEFINITIVE AGREEMENT
TO ACQUIRE SUPER SMART PAVING ITS ENTRY INTO THE PSYCHEDELIC
MARKET**

Toronto, Ontario - (May 25, 2020) - Pharmadrug Inc. (CSE: BUZZ) (OTC: LMLLF) ("Pharmadrug" or the "Company") is pleased to announce that it has entered into a definitive agreement (the "Acquisition Agreement") pursuant to which Pharmadrug will acquire all of the issued and outstanding shares of privately-held Interrobang Ltd. (doing business as Super Smart). ("Super Smart"), to be effected by way of a three-cornered amalgamation between Pharmadrug, Super Smart and a wholly-owned subsidiary of Pharmadrug (the "Proposed Transaction"). Following completion of the Proposed Transaction Super Smart will become a wholly-owned subsidiary of Pharmadrug. It is anticipated that the Proposed Transaction will be completed in early June, 2020.

Super Smart

As noted in the Company's press release dated May 20, 2020, Super Smart is an early-stage retail company focused on consolidating the fragmented Dutch smartshop market. Smartshops are retail establishments in The Netherlands that specialize in the sale of psychoactive substances including psychedelic truffles, which are an underground grown version of magic mushrooms that have psilocybin and are legal in The Netherlands. Super Smart will seek to acquire smartshops and deploy disciplined business expertise, retail best practices and consistent branding across multiple locations to capture in market share and improve margins in this rapidly growing segment. Super Smart's management team is well suited to pursue the smartshop consolidation strategy and brings a proven track record in retail, marketing, brand building, web sales and customer education.

The Company views the Proposed Transaction as a complementary acquisition of a proposed business which the Company anticipates will be synergistic with Pharmadrug's existing European cannabis distributions business. The Company currently operates as a Medical Cannabis distributor in Europe and views psychedelics as part of the emerging natural based medicine trend. The Company is fully committed to its business in Germany and considers it to be the hub of its business activities in Europe. As mentioned in the press release dated April 24, 2020, the Company's German operations are seeing volume growth and the Company expects volumes to continue to grow with plans to introduce medical cannabis under its own brand in the next 3 to 6 months. The acquisition of smartshops in The Netherlands is seen as a move towards vertical integration of its existing cannabis business insofar as smartshops act as retail outlets for cannabis products such as CBD products and cannabis paraphernalia. Furthermore, the Company believes the acquisition provides an opportunity to expand its existing operations into the psychedelics space as permitted by law. Management believes the Proposed Transaction is also a platform to potentially acquire synergistic assets.

At the time of the Proposed Transaction, the Company expects Super Smart's assets will consist of a brand and strategy to acquire smartshops in The Netherlands and approximately CAD \$2.6 million of cash with liabilities of CAD \$2.5 million in outstanding convertible debentures that will be amalgamated into Pharmadrug's capital structure as per terms discussed below.

Terms of Acquisition Agreement

Pursuant to the terms of the Acquisition Agreement, each issued and outstanding share of Super Smart (a "Super Smart Share") will be exchanged for one common share in the capital of the Company (a "Pharmadrug Share"). It is expected that at the time of the closing of the Proposed

Transaction, Super Smart will have 44,000,000 Super Smart Shares issued and outstanding together with \$2,500,000 principal amount of senior secured convertible debentures (the "Super Smart Debentures"), 33,000,000 common share purchase warrants ("Placement Warrants") and 3,478,400 finder options (the "Finder Options").

The Super Smart Debentures shall bear interest at a rate of 12% per annum from the date of issue and payable monthly in cash and shall rank *pari passu* with one another and senior to all other indebtedness. The Super Smart Debentures shall mature on the date (the "Maturity Date") which is three (3) years from their issuance (which is anticipated to be on or about closing of the Proposed Transaction). Super Smart will have a right to prepay or redeem a part or the entire principal amount of the Super Smart Debentures at par plus accrued and unpaid interest at any time by providing written notice of the date (the "Redemption Date") for such redemption to the holder at least a minimum of 30 days and a maximum 60 days' prior to the Redemption Date. Each Super Smart Debenture will be convertible into units (each, a "Unit") at the option of the holder at any time prior to the close of the third business day prior to the earlier of: (i) the Maturity Date and (ii) the Redemption Date at a price of \$0.05 per Unit with each Unit consisting of one Super Smart Share and one-half of one Super Smart Share purchase warrant (each whole warrant, a "Warrant"). Each Warrant will entitle the holder thereof to purchase one Super Smart Share at an exercise price of \$0.05 for a period of 36 months from the date of issuance of the Super Smart Debentures. In the event that the Super Smart Shares have a closing price on such exchange on which the Super Smart Shares may be traded at such time of greater than \$0.15 per share for a period of 10 consecutive trading days, Super Smart will be able to cause the Super Smart Debentures to be converted into Units. Each Super Smart Debenture will, following completion of the Proposed Transaction, entitle the holder thereof to acquire equivalent securities of Pharmadrug in place of the securities of Super Smart on conversion of such debenture.

In addition to the outstanding Super Smart Shares and Super Smart Debentures, Super Smart will also have outstanding prior to closing (i) 3,478,400 Finder Options which will entitle the holder thereof to acquire one Unit at a price of \$0.05 and (ii) 33,000,000 Placement Warrants issued in connection with a private placement of units of Super Smart with each such Placement Warrant entitling the holder to acquire one Super Smart Share at a price of \$0.05 at any time on or before the third anniversary of the closing of the Proposed Transaction. Each Finder Option and Placement Warrant will, following completion of the Proposed Transaction, entitle the holder thereof to acquire equivalent securities of Pharmadrug in place of the securities of Super Smart.

Following completion of the Proposed Transaction the security holders of Super Smart and the Company immediately preceding the Proposed Transaction will hold approximately 47% and 53%, respectively, of the fully diluted share capital of the Company.

It is expected that all Pharmadrug Shares (including Pharmadrug Shares issued upon conversion of Super Smart Debentures and the exercise of Super Smart Warrants and the Finder Options) issued pursuant to the Proposed Transaction, except those issued to U.S. persons, will be freely tradable under applicable Canadian securities legislation.

The Acquisition Agreement contains representations, warranties, covenants and conditions typical for a transaction of this nature. The Proposed Transaction is subject to, among other things, receipt of all applicable shareholder and regulatory approvals, the final approval of the Canadian Securities Exchange and the satisfaction of customary closing conditions, including the conditions described below.

A copy of the Acquisition Agreement will be filed by Pharmadrug with the Canadian securities regulators and will be available for viewing on the Company's profile on SEDAR at www.sedar.com. A description of the Acquisition Agreement will also be set forth in P material change report to be filed on SEDAR.

Conditions to the Proposed Transaction

Completion of the Proposed Transaction is subject to certain conditions precedent including, among other things:

- the receipt of all required approvals by the respective boards of directors of Pharmadrug and Super Smart;
- the receipt of approval of the Proposed Transaction by shareholders of Super Smart;
- the receipt of all required consents, approvals and authorizations of any regulatory authorities, including, without limitation, the Canadian Securities Exchange;
- each of the parties shall have complied with each of its obligations, covenants and agreements in the Acquisition Agreement;
- there shall be no material adverse effect with respect to either of Pharmadrug or Super Smart;
- the receipt of all required consents and approvals of third parties.

Management and Board of Directors

The Company does not anticipate reconstituting its Board of Directors in connection with the Proposed Transaction. Daniel Cohen will remain as Chairman and CEO and Keith Li will continue in his role at CFO. Together, they will continue to oversee general corporate activity, the running of Pharmadrug GmbH in Germany as well as the integration of Super Smart into the combined corporate strategy. Howard Brass has resigned as COO of Pharmadrug effective immediately to pursue other ventures. We thank him for his past contribution to Pharmadrug and wish him well with all his future endeavours.

It is expected that current members of the Super Smart management team will join the Company and occupy roles as senior business unit managers. Most notably, Harry Resin who is the current CEO of Super Smart will join and continue to run the Super Smart division within Pharmadrug. We believe Mr. Resin is uniquely positioned to run the Super Smart strategy. As a founding member of an original Amsterdam seed company, Mr. Resin dealt extensively with and provided consulting work to Amsterdam's smartshop industry. He has a deep established network and a fundamental understanding of the smartshop business model. Mr. Resin has also served as a staff writer for High Times and also wrote for numerous cannabis publications including Cannabis Now, Skunk and a Medical Cannabis Journal.

Further Information

Although the parties have entered into a definitive Acquisition Agreement in connection with the Proposed Transaction, completion of the Proposed Transaction remains subject to a number of conditions as set forth herein. If such conditions are not satisfied it is possible that the Proposed Transaction will not be completed on the terms set forth herein or at all.

About PharmaDrug Inc.

PharmaDrug Inc. is building an internationally focused cannabis business focused on Europe. The Company owns 80% of Pharmadrug GmbH, a German medical cannabis distributor, with a Schedule

I European Union narcotics license allowing for the importation and distribution of medical cannabis to pharmacies in Germany and throughout the EU.

For further information, please contact:

Daniel Cohen, CEO

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(647) 202-1824

Caution Regarding Forward-Looking Information:

THE CANADIAN SECURITIES EXCHANGE HAS NOT REVIEWED NOR DOES IT ACCEPT RESPONSIBILITY FOR THE ADEQUACY OR ACCURACY OF THIS RELEASE.

This news release may contain forward-looking statements and information based on current expectations. These statements should not be read as guarantees of future performance or results of the Company. Forward looking statements in this press release relate to the potential to complete the Proposed Transaction and the timing thereof, the integration of the Smart Shop business and the completion of the debt restructuring, anticipated volume growth in the Company's German business and the introduction by the Company of its own brand of medical cannabis. Such statements involve known and unknown risks, uncertainties and other factors that may cause actual results, performance or achievements to be materially different from those implied by such statements. Although such statements are based on management's reasonable assumptions, there can be no assurance that such assumptions will prove to be correct. We assume no responsibility to update or revise them to reflect new events or circumstances. The Company's securities have not been registered under the U.S. Securities Act of 1933, as amended (the "U.S. Securities Act"), or applicable state securities laws, and may not be offered or sold to, or for the account or benefit of, persons in the United States or "U.S. Persons", as such term is defined in Regulations under the U.S. Securities Act, absent registration or an applicable exemption from such registration requirements. This press release shall not constitute an offer to sell or the solicitation of an offer to buy nor shall there be any sale of the securities in the United States or any jurisdiction in which such offer, solicitation or sale would be unlawful. Additionally, there are known and unknown risk factors which could cause the Company's actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by the forward-looking information contained herein, such as, but not limited to dependence on obtaining regulatory approvals; the ability to locate additional supply of medical cannabis, owning interests in companies or projects that are engaged in activities currently considered illegal under United States federal law; changes in laws; limited operating history, reliance on management, requirements for additional financing, competition, hindering market growth; regulatory and political change. All forward-looking information herein is qualified in its entirety by this cautionary statement, and the Company disclaims any obligation to revise or update any such forward-looking information or to publicly announce the result of any revisions to any of the forward-looking information contained herein to reflect future results, events or developments, except as required by law.