

FORM 51-102F3
Material Change Report

Item 1: Name and Address of Company

Ionic Brands Corp. (the “**Company**”)
1142 Broadway, Suite 300
Tacoma, WA 98402
USA

Item 2: Date of Material Change

May 16, 2019

Item 3: News Release

A news release dated May 16, 2019 was disseminated through the facilities of GlobeNewswire and filed on SEDAR.

Item 4: Summary of Material Change

The Company announced closing of C\$20,000,000 convertible debenture offering.

Item 5: Full Description of Material Change

5.1 Full Description of Material Change

On May 16, 2019, the Company announced announce that, further to its news release dated April 9, 2019, it has closed the brokered offering of 17,227 convertible debenture units (“**Units**”) for gross proceeds of \$17,227,000 pursuant to a private placement (the “**Brokered Offering**”) of Units. The Offering was led by Clarus Securities Inc., as lead agent, together with a syndicate of agents including GMP Securities L.P., Cormark Securities Inc. and PI Financial Corp. (collectively, the “**Agents**”). Concurrent with the closing of the Brokered Offering, the Company also closed the non-brokered offering of 2,532 Units for gross proceeds of \$2,532,000 (the “**Concurrent Offering**” and, together with the Brokered Offering, the “**Offering**”). The Units sold under the Concurrent Offering have the same terms and conditions as those Units sold under the Brokered Offering. Each Unit consists of (i) \$1,000 principal amount of 8.0% unsecured debentures (the “**Convertible Debentures**”) convertible into common shares of the Company (each, a “**Common Share**”) at a conversion price of \$0.75 per Common Share and maturing on May 16, 2022; and (ii) 1,333 common share purchase warrants of the Company (the “**Warrants**”).

Each Warrant entitles the holder to purchase a Common Share at an exercise price of \$0.90 until May 16, 2022, subject to acceleration in certain circumstances.

The net proceeds from the Offering will be used for strategic acquisitions and for general and corporate working capital purposes.

The Debentures bear interest from their issue date at 8.0% per annum, payable semi-annually on the last day of June and December in each year and mature three years following the date of issuance (the “**Maturity Date**”). The first interest payment will be made on June 28, 2019. The Debentures are unsecured, and rank *pari passu* in right of payment of principal and interest with all of the existing and future unsecured indebtedness of the Company. The Debentures are convertible at the option of the holder into Common Shares any time prior to 5:00 p.m. (Pacific time) on the last business day prior to the Maturity Date at a conversion price of \$0.75 per Common Share (the “**Conversion Price**”). The Company may force the conversion of the entire principal amount of the then outstanding Convertible Debentures at the Conversion Price if the daily volume weighted average trading price of the Common Shares on the Canadian Securities Exchange (the “**CSE**”) is greater than \$1.50 for the preceding five consecutive trading days. Holders having their Convertible Debentures converted will receive accrued and unpaid interest thereon in cash.

In connection with the Brokered Offering, the Company paid the Agents a cash fee of \$1,033,620 and issued an aggregate of 1,034 compensation warrants to the Agents and other selling dealer group members (the “**Compensation Warrants**”). Each Compensation Warrant entitles the holder to purchase one Unit of the Company at an exercise price of \$1,000 until May 16, 2022.

In connection with the Concurrent Offering, the Company paid a cash fee of \$59,500 and issued an aggregate of 62 finders’ warrants (each, a “**Finders’ Warrant**”) to eligible finders. Each Finders’ Warrant entitles the holder to purchase one Unit of the Company at an exercise price of \$1,000 until May 16, 2022. In addition, in connection with the Concurrent Offering, the Company also paid the Agents a corporate finance fee of \$25,320 and issued an aggregate of 25 Compensation Warrants.

The Debentures and the Warrants comprising each Unit, and any Common Shares issuable upon conversion or exercise thereof, are subject to a statutory four month and one day hold period, which expires on September 17, 2019.

An insider of the Company purchased 390 Units under the Concurrent Offering, which constituted a “related party transaction” within the meaning of Multilateral Instrument 61-101 – *Protection of Minority Security Holders in Special Transactions* (“**MI 61- 101**”). The issuance to the insider is exempt from the formal valuation and the minority shareholder approval requirements of MI 61-101 as the fair market value of the Units issued to or the consideration paid by such person did not exceed 25% of the Company’s market capitalization.

The securities referred to in this material change report have not been, nor will they be, registered under the United States Securities Act of 1933, as amended, and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons

absent U.S. registration or an applicable exemption from the U.S. registration requirements. This material change report does not constitute an offer for sale of, nor a solicitation for offers to buy, any securities in the United States. Any public offering of securities in the United States must be made by means of a prospectus containing detailed information about the issuer and its management, as well as financial statements.

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

John Gorst
Chief Executive Officer
253-248-7920

Item 9: Date of Report

May 23, 2019