

**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**

December 20, 2019

**Item 3: News Release**

News release dated December 20, 2019 and January 23, 2020 were disseminated through the facilities of Stockwatch and filed on SEDAR.

**Item 4: Summary of Material Change**

On December 20, 2019, the indenture dated May 16, 2019 between the Company and Odyssey Trust Company (“**Odyssey**”) governing the Company’s CAD\$19,739,000 8% unsecured, convertible debentures (the “**Debentures**”) due May 16, 2022 (the “**Maturity Date**”) was amended and restated (the “**Amended and Restated Indenture**”). The Company also announced further proposed amendments to the Amended and Restated Indenture and the warrant indenture (the “**Warrant Indenture**”) dated May 16, 2019 between the Company and Odyssey governing the common share purchase warrants of the Company issued on May 16, 2019 (the “**Warrants**”).

**Item 5: Full Description of Material Change**

**5.1 Full Description of Material Change**

On December 20, 2019, the Amended and Restated Indenture was amended to, among other things, (a) grant Odyssey, on its behalf and on the behalf of the holders of Debentures (the “**Debentureholders**”), a security interest in all of the Company’s present and after acquired properties, including causing its material subsidiaries to grant to Odyssey security interests in each of the Company’s material subsidiaries’ present and after acquired properties; (b) cause certain shareholders of the Company to pledge to Odyssey, on its behalf and on the behalf of the Debentureholders, 50% of the common shares of the Company (the “**Common Shares**”) held directly or indirectly by such shareholders; (c) increase the interest rate from 8% to 10%; and (d) provide for the future payments of interest in kind, subject to certain conditions (collectively, the “**Amendments**”), all as further set out and subject to the Amended and Restated Debenture. A copy of the Amended and Restated Indenture is available on the Company’s SEDAR profile page at [www.sedar.ca](http://www.sedar.ca).

In addition to the above Amendments, the Company is seeking to make the following proposed

amendments (the “**Debenture Proposed Amendments**”) to the Amended and Restated Indenture: (a) decrease the conversion price of the Debentures from \$0.75 per Common Share to \$0.05 per Common Share; and (b) amend the acceleration clause such that if prior to the Maturity Date, the daily volume weighted average price of the Common Shares on the Canadian Securities Exchange for the preceding five consecutive trading days exceeds \$0.16 per share, the Company has a right to convert all of the principal amount of the Debentures into Common Shares at the conversion price of \$0.05 per Common Share.

The Company is also seeking to amend the Warrant Indenture to (i) decrease the exercise price of the Warrants from \$0.90 to \$0.075 per Common Share, and (ii) include an accelerated expiry date, as per the policies of the Canadian Securities Exchange, whereby, if the closing price of the Common Shares on the Canadian Securities Exchange for the preceding ten consecutive trading days exceeds \$0.094 per share (the “**Accelerated Period**”), the expiry date of the Warrants will be accelerated to a date that is 30 days following the end of the Accelerated Period (collectively, the “**Warrant Proposed Amendments**” and with the Debenture Proposed Amendments, the “**Proposed Amendments**”).

The Proposed Amendments are subject to minority shareholder approval and approval from the requisite number of the holders of Warrants and Debentures, as applicable, and the Canadian Securities Exchange.

The meeting (the “**Meeting**”) of shareholders, holders of Debentures and holders of Warrants will be held on February 19, 2020. On January 23, 2020, the meeting materials for the Meeting were mailed.

An insider of the Company is a beneficial holder of \$390,000 principal amount of Debentures and 519,870 Warrants. Accordingly, the Amendments and Proposed Amendments constitute “related party transactions” within the meaning of Multilateral Instrument 61-101 – Protection of Minority Security Holders in Special Transactions (“**MI 61-101**”). The Amendments and the Proposed Amendments are exempt from the formal valuation and the minority shareholder approval requirements of MI 61-101 as the fair market value of the Debentures and Warrants does not exceed 25% of the Company’s market capitalization.

The material change report was not filed 21 days before the effective date of the Amendments as the Company had to satisfy a number of closing conditions under the terms of the Debentures, the fulfillment of which did not occur until shortly before the effective date of the Amendments.

## **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**

February 6, 2020