

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

Item 2 Date of Material Change

March 5, 2021

Item 3 News Release

The news release dated March 8, 2021 was disseminated via Access Wire and subsequently filed on SEDAR.

Item 4 Summary of Material Change

The Company has closed its previously announced asset purchase agreement (the “Asset Purchase Agreement”) to acquire certain assets of Lobe Sciences Ltd.’s (“Lobe”) subsidiary vendor relating to Washington-based Cowlitz County Cannabis Cultivation Inc. (“Cowlitz”) for total consideration valued at approximately CAD\$32,000,000 (the “Transaction”) (see news releases dated December 1, 2020, February 23, 2021 and March 8, 2021).

Item 5 Full Description of Material Change

The Company acquired the cannabis assets relating to Cowlitz. The total consideration of the Transaction is valued at approximately CAD\$32 million payable in cash of CAD\$1.75 million, issuance of 100,406,701 Series E non-voting preferred shares (each, a “Preferred Share”), 4,000,000 warrants of the Company and a US\$50,000 secured promissory note.

The Preferred Shares are exchangeable into one common share of the Company (each, a “Common Share”) on a one-for-one basis (subject to adjustment, and provided that the holder’s share ownership of the Company remains below 10% at the time of conversion) and carries an annual dividend equal to 13% for a period of two years from the date of issuance, with the Preferred Shares automatically converting to Common Shares four years from the issuance date.

In connection with the closing of the Transaction, the Company amended the terms of the Asset Purchase Agreement governing the Transaction. The Company covenanted in favor of Lobe’s subsidiary vendor to convert, within 60 days following the date hereof, at least 90% of the principal amount of the outstanding secured convertible debentures of the Company due May 16, 2022 (the “Debentures”), resulting in obligations outstanding (including principal and accrued interest, if any) of no more than \$1,800,000 as of the date of conversion. Furthermore, the Company agreed to certain minority board nomination in favor of Lobe. Furthermore, the company has entered into consulting agreements with certain managers of Cowlitz to provide advisory services to the Company’s US operating company Blacklist Holdings Inc. for the purposes of expanding the Company’s newly acquired brands to other US markets. The consideration paid is in the form of two million warrants priced at a premium to the closing price on March 8, 2021.

The Company announced on March 2, 2021 that it had secured the support of certain holders (the “Supporting Debentureholders”) of the Debentures, representing approximately 80% of the principal amount of Debentures outstanding. The Supporting Debentureholders have agreed to support the conversion of 91.5% of the outstanding principal amount of Debentures, including accrued and unpaid interest, into Series D Voting Preferred Shares (the “Proposed Conversion”). The Proposed Conversion is subject to the Company obtaining the required approvals under the amended and restated indenture between the Company and Odyssey Trust Company dated December 20, 2019, as supplemented. The Proposed Conversion is a significant milestone for the Company as it potentially removes approximately CAD\$18million of debt from the Company’s balance sheet.

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, CEO & Chairman
Tel: +1-253-248-7927

Item 9 Date of Report

March 15, 2021