

FORM 51-102F3

MATERIAL CHANGE REPORT

Item 1 – Name and Address of Company

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

Item 2 – Date of Material Change

April 15, 2022 and April 20, 2022

Item 3 – News Release

News releases relating to the material changes referred to in this report were issued and disseminated on April 18, 2022, and April 20, 2022 through the facilities of Stockwatch and Cision, respectively, and subsequently filed on SEDAR.

Item 4 – Summary of Material Change

The Company entered into a License agreement (the “**License Agreement**”) on April 15, 2022 with a third party licensee (the “**Licensee**”) pursuant to which the Company granted the Licensee the exclusive use of certain trade secrets, know-how, trademarks and domains of the Company (the “**Licensed Assets**”).

The Company entered into a definitive arrangement agreement (the “**Arrangement Agreement**”) on April 20, 2022 pursuant to which YourWay Cannabis Brands Inc. (“**YourWay**”) will acquire all of the Company’s issued and outstanding common shares (“**Ionic Brands Shares**”).

Item 5 – Full Description of Material Change

5.1 – Full Description of Material Change

The License Agreement

On April 15, 2022, the Company granted the Licensee an unlimited, exclusive, worldwide (other than certain excluded states in the United States), royalty-fee, non-transferable and sublicensable license (the “**License**”) to use, improve and exploit the Licensed Assets in accordance with the terms of the License Agreement. In consideration for the License, the Licensee has agreed to pay the Company a fee of US\$250,000. The initial term of the License Agreement is one year, and may be renewed for up to nine additional one year terms at the option of the Licensee upon payment of US\$250,000 for each additional renewal term.

Pursuant to the terms of the License Agreement, six months following the date of the License Agreement, upon repayment of US\$625,000 by the Company to the Licensee, the License will become non-exclusive for any jurisdictions where the Licensee has not used or is not then using any of the Licensed Assets.

The Arrangement Agreement

Transaction Terms

On April 20, 2022, the Company entered into the Arrangement Agreement with YourWay, pursuant to which YourWay will acquire all of the Ionic Brands Shares (the “**Transaction**”). Pursuant to the terms of the Arrangement Agreement, Ionic shareholders will receive 0.0525 of a YourWay common share in exchange for each Ionic Brands Share held. The Transaction provides Ionic shareholders with a premium per Ionic Share of approximately 21% based on the closing price of the YourWay common shares on the Canadian Securities Exchange (the “**CSE**”) as of April 19, 2022 and the 10-day volume weighted average price of the Ionic Brands Shares on the CSE for the period between April 6, 2022 and April 19, 2022.

The Transaction will be effected by way of a court-approved plan of arrangement under the *Business Corporations Act* (British Columbia) and will require the approval of: (i) 66 $\frac{2}{3}$ % of the votes cast by the holders of Ionic Brands Shares and the Series D preferred shares of the Company, voting together as a single class, on the Transaction, (ii) a simple majority of the votes cast by the holders of Ionic Brands Shares and the Series D preferred shares of the Company, voting as a single class after excluding any votes of “related parties” and “interested parties” and other persons required to be excluded under Canadian Multilateral Instrument 61-101 – *Protection of Minority Security Holders in Special Transactions*, on the Transaction, (iii) 66 $\frac{2}{3}$ % of the votes cast by the holders of the Series D preferred shares of the Company on an amendment to the articles of Ionic in order to remove the dividend entitlement for the holders of the Series D preferred shares (the “**Series D Amendment**”), and (iv) 66 $\frac{2}{3}$ % of the votes cast by the holders of the Series E preferred shares of Ionic on an amendment to the articles of the Company in order to remove the dividend entitlement for the holders of the Series E preferred shares (the “**Series E Amendment**”), all at a special meeting to consider the Transaction expected to take place in June 2022.

YourWay has entered into voting support agreements with certain of Ionic’s directors, officers and significant shareholders, together holding (i) approximately 27.95% of the outstanding Ionic Brands Shares and Series D preferred shares of Ionic, (ii) approximately 70.57% of the outstanding Series D preferred shares of Ionic, and (iii) 100% of the outstanding Series E preferred shares of Ionic, pursuant to which they have agreed, among other things, to vote their shares in favour of the Transaction, the Series D Amendment and the Series E Amendment, as applicable. In addition to shareholder and court approvals, the Transaction is subject to applicable regulatory approvals including, but not limited to, CSE approval and the satisfaction of certain other closing conditions, including the Series D Amendment, the Series E Amendment and various amendments to the terms of Ionic outstanding convertible debentures. The Arrangement Agreement includes customary provisions, including non-solicitation, “fiduciary out” and “right to match” provisions as well as a termination fee payable by Ionic to YourWay in certain specified circumstances.

Board of Directors’ Recommendations

The Transaction was approved by the Board of Directors of each of YourWay and Ionic, and the Ionic Board of Directors unanimously recommends that Ionic shareholders vote in favour of the Transaction.

LUI, Inc. provided the Ionic Board of Directors with an opinion, dated April 19, 2022, to the effect that, as of the date of such opinion, the consideration payable pursuant to the Transaction is fair, from a financial point of view, to the Ionic shareholders, in each case, based upon and subject to the respective assumptions, limitations, qualifications and other matters set forth in such opinions.

None of the securities to be issued pursuant to the Transaction have been or will be registered under the United States Securities Act of 1933, as amended (the “**U.S. Securities Act**”), or any state securities laws, and any securities issuable in the Transaction are anticipated to be issued in reliance upon available exemptions from such registration requirements pursuant to Section 3(a)(10) of the U.S. Securities Act and applicable exemptions under state securities laws. This report does not constitute an offer to sell or the solicitation of an offer to buy any securities.

Availability of Additional Particulars

Full details of the Transaction will be included in Ionic’s information circular that is expected to be filed with the applicable securities regulatory authorities and mailed to Ionic shareholders in connection with the shareholder meeting to approve the Transaction.

The foregoing description of the Arrangement Agreement does not purport to be complete and is qualified in its entirety by the full text of the Arrangement Agreement, which has been separately filed by Ionic and is available under Ionic’s profile on SEDAR.

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 & Chairman
(253) 248-7920

Item 9 – Date of Report

April 25, 2022

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING INFORMATION:

This report includes certain “forward-looking information” as defined under applicable Canadian securities legislation, including statements regarding the plans, intentions, beliefs, and current expectations of Ionic with respect to future business activities and operating performance. Forward-looking information is often identified by the words “may”, “would”, “could”, “should”, “will”, “intend”, “plan”, “anticipate”, “believe”, “estimate”, “expect” or similar expressions and includes information regarding: the timing and outcome of the Transaction, the anticipated benefits of the Transaction, the potential synergies as a result of the Transaction, the anticipated timing of the Ionic special meeting of shareholders and the closing of the Transaction, the satisfaction or waiver of the closing conditions set out in the Arrangement Agreement, including approval of the Series D Amendment and the Series E Amendment and the receipt of all regulatory approvals, and expectations for other economic, business, and/or competitive factors. Forward-looking information is 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 information, including: assumptions as to the time required to prepare and mail meeting materials to Ionic shareholders; the ability of the parties to receive, in a timely manner and on satisfactory terms, the necessary regulatory, court and shareholder approvals; the ability of the parties to satisfy, in a timely manner, the other conditions to the completion of the Transaction; the prompt and effective integration of YourWay and Ionic’s businesses and the ability to achieve the anticipated synergies contemplated by the Transaction; inherent uncertainty associated with financial or other projections; risks related to the value of the YourWay common shares to be issued pursuant to the Transaction; the diversion of management time on Transaction-related issues; expectations regarding future investment, growth and expansion of YourWay and Ionic’s operations; regulatory and licensing risks; changes in general economic, business and political conditions, including changes in the financial and stock markets; legal and regulatory risks inherent in the cannabis industry, including the global regulatory landscape and enforcement related to cannabis, political risks and risks relating to regulatory change; risks relating to anti-money laundering laws; compliance with extensive government regulation and the interpretation of various laws regulations and policies; public opinion and perception of the cannabis industry; and such other risks contained in the public filings of Ionic filed with Canadian securities regulators and available under its profile on SEDAR at www.sedar.com.

Investors are cautioned that forward-looking information is not based on historical fact but instead reflects management’s expectations, estimates or projections concerning future results or events based on the opinions, assumptions and estimates of management considered reasonable at the date the statements are made. Although Ionic believes that the expectations reflected in such forward-looking information are reasonable, such information involves risks and uncertainties, and undue reliance should not be placed on such information, as unknown or unpredictable factors could have material adverse effects on future results, performance, or achievements of Ionic.

YourWay and Ionic, through their respective subsidiaries, are indirectly involved in the manufacture, possession, use, sale, and distribution of cannabis in the recreational and medicinal cannabis marketplace in the United States. Local state laws where YourWay and Ionic operate permit such activities however, investors should note that there are significant legal restrictions and regulations that govern the cannabis industry in the United States. Cannabis remains a Schedule I drug under the US Controlled Substances Act, making it illegal under federal law in the United States to, among other things, cultivate, distribute or possess cannabis in the United States. Financial transactions involving proceeds generated by, or intended to promote, cannabis-related business activities in the United States may form the basis for prosecution under applicable United States federal money laundering legislation.

While the approach to enforcement of such laws by the federal government in the United States has trended toward nonenforcement against individuals and businesses that comply with recreational and medicinal cannabis programs in states where such programs are legal, strict compliance with state laws with respect to cannabis will neither absolve

YourWay and Ionic of liability under United States federal law, nor will it provide a defense to any federal proceeding which may be brought against YourWay or Ionic. The enforcement of federal laws in the United States is a significant risk to the business of YourWay and Ionic and any proceedings brought against YourWay or Ionic thereunder may adversely affect YourWay and Ionic operations and financial performance, respectively.

Should one or more of these risks or uncertainties materialize, or should assumptions underlying the forward-looking information prove incorrect, actual results may vary materially from those described herein as intended, planned, anticipated, believed, estimated, or expected. Although Ionic has attempted to identify important risks, uncertainties and factors that could cause actual results to differ materially, there may be others that cause results not to be as anticipated, estimated or intended. Accordingly, readers should not place undue reliance on forward-looking information, which speak only as of the date of this report. Ionic disclaims any intention or obligation to update or revise any forward-looking information, whether as a result of new information, future events or otherwise, except as required by law.