

Form 51-102F3
MATERIAL CHANGE REPORT

Item 1 Name and Address of Company

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

Item 2 Date of Material Change

May 20, 2022

Item 3 News Release

A news release relating to the material change referred to in this report was issued and disseminated on May 24, 2022 through the facilities of Stockwatch and subsequently filed on SEDAR.

Item 4 Summary of Material Change

YourWay Cannabis Brands Inc. (“**YourWay**”) has agreed to advance to the Company, from time to time, a loan of up to US\$2,000,000 (the “**Loan**”), and the Company has agreed to issue to YourWay an unsecured, non-convertible, demand promissory note (the “**Note**”) to evidence the Loan.

Since YourWay is considered a related party of the Company, the Loan constitutes a “related party transaction”, as such term is defined in Multilateral Instrument 61-101 – *Protection of Minority Security Holders in Special Transactions* (“**MI 61-101**”).

Item 5 Full Description of Material Change

5.1 Full Description of Material Change

On May 20, 2022, the Company issued the Note to YourWay to evidence the Loan. The Note bears interest at 7% per annum. The principal and all accrued and unpaid interest under the Note become due and payable on demand. The Company intends to use the proceeds of the Note towards capital and operating expenditures.

No regulatory approvals are required in connection with the execution or delivery of, or the performance of either party’s obligations under the Note.

As previously announced on April 20, 2022, YourWay and Ionic entered into an arrangement agreement dated April 20, 2022 pursuant to which YourWay has a right to acquire all of the issued and outstanding common shares of the Company

(the “**Ionic Brands Shares**”) including all Ionic Brands Shares issuable on conversion of the Company’s issued and outstanding preferred shares in accordance with the terms thereof. As a result, YourWay is considered a related party of the Company and the Loan constitutes a “related party transaction”, as such term is defined in MI 61-101.

Disclosure Required by MI 61-101

The following supplementary information is provided in accordance with section 5.2 of MI 61-101.

(a) a description of the transaction and its material terms

In consideration of the Loan, the Company has agreed to issue the Note to YourWay in the aggregate principal amount of up to US\$2,000,000 on the terms set out in the Note. See Items 4 and 5 above for a description of the material terms of the Loan and the Note.

(b) the purpose and business reasons for the transaction

The Company intends to use the proceeds of the Note towards capital and operating expenditures.

(c) the anticipated effect of the transaction on the issuer’s business and affairs

The proceeds of the Note will fund the Company’s working capital and operating expenses.

(d) a description of:

i. the interest in the transaction of every interested party and of the related parties and associated entities of the interested parties

The Company issued the Note to YourWay to evidence the Loan to be advanced by YourWay to the Company.

ii. the anticipated effect of the transaction on the percentage of securities of the issuer, or of an affiliated entity of the issuer, beneficially owned or controlled by each person or company referred to in subparagraph (i) for which there would be a material change in that percentage

There is no effect on the Company’s securities.

(e) unless this information will be included in another disclosure document for the transaction, a discussion of the review and approval process adopted by the board of directors and the special committee, if any, of the issuer for the

transaction, including a discussion of any materially contrary view or abstention by a director and any material disagreement between the board and the special committee

The board of directors of the Company approved the Note on May 20, 2022.

- (f) *a summary in accordance with section 6.5 of MI 61-101, of the formal valuation, if any, obtained for the transaction, unless the formal valuation is included in its entirety in the material change report or will be included in its entirety in another disclosure document for the transaction*

Not applicable.

- (g) *disclosure, in accordance with section 6.8 of MI 61-101, of every prior valuation in respect of the issuer that related to the subject matter of or is otherwise relevant to the transaction:*

- i. that has been made in the 24 months before the date of the material change report*
- ii. the existence of which is known, after reasonable enquiry, to the issuer or to any director or officer of the issuer*

Not applicable.

- (h) *the general nature and material terms of any agreement entered into by the issuer, or a related party of the issuer, with an interested party or a joint actor with an interested party, in connection with the transaction*

See Item 5.1(a) above.

- (i) *disclosure of the formal valuation and minority approval exemptions, if any, on which the issuer is relying under sections 5.5 and 5.7 of MI 61-101 respectively, and the facts supporting reliance on the exemptions*

Pursuant to section 5.5(b) of MI 61-101, the Company is exempt from obtaining a formal valuation as the Ionic Shares are not listed on a specified market due to being listed on the Canadian Securities Exchange.

Pursuant to section 5.7(1)(f) of MI 61-101, the Company is exempt from obtaining minority approval of the Company's shareholders in respect of the Loan because the Loan was obtained on reasonable commercial terms that are not less advantageous to the Company than if the Loan was obtained from a person dealing at arm's length with the Company. Further, the Loan is not convertible into, or repayable in, equity or voting securities of the Company or a subsidiary of the Company or otherwise participating in nature, or repayable

as to principal or interest, in equity or voting securities of the Company or a subsidiary entity of the Company.

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

May 30, 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 the Company with respect to future business activities and operating performance. Forward-looking information is often, but not always, identified by the use of words such as “anticipate”, “plan”, “estimate”, “expect”, “may”, “will”, “intend”, “should”, and similar expressions. Forward-looking information involves known and unknown risks, uncertainties and other factors that may cause actual results or events to differ materially from those anticipated in such forward-looking information. The Company’s actual results could differ materially from those anticipated in this forward-looking information as a result of regulatory decisions, competitive factors in the industries in which the Company operates, prevailing economic conditions, changes to the Company’s strategic growth plans, and other factors, many of which are beyond the control of the Company. The Company believes that the expectations reflected in the forward-looking information are reasonable, but no assurance can be given that these expectations will prove to be correct and such forward-looking information should not be unduly relied upon. Any forward-looking information contained in this report represents the Company’s expectations as of the date hereof, and is subject to change after such date.

YourWay and the Company, 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 the Company 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 non-enforcement 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 the Company of liability under United States federal law, nor will it provide a defense to any federal proceeding which may be brought against YourWay or the Company. The enforcement of federal laws in the United States is a significant risk to the business of YourWay and the Company and any proceedings brought against YourWay or the Company thereunder may adversely affect YourWay’s and the Company’s 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 the Company 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. The Company 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 applicable securities legislation.