

FORM 51-102F3

MATERIAL CHANGE REPORT

1. **Name and Address of Company**

Stem Holdings, Inc.
9370 Grand Estates Way
Boca Raton, FL 33496 USA

2. **Date of Material Change**

January 20, 2017

3. **News Release**

A news release was disseminated through Marketwired on January 20, 2017.

4. **Summary of Material Change**

Stem Holdings, Inc. ("**Stem**") completed the previously announced plan of arrangement with Patch International Inc. ("**Patch**").

5. **Full Description of Material Change**

Patch and Stem completed the previously announced plan of arrangement (the "**Arrangement**") under Section 193 of the *Business Corporations Act* (Alberta) involving Stem, Patch and the holders ("**Patch Shareholders**") of the Class "A" common voting shares of Patch (the "**Patch Common Shares**") following the receipt of a final order from the Court of Queen's Bench of Alberta to implement the Arrangement and the filing of the Articles of Arrangement of Patch.

Under the terms of the Arrangement, Patch Shareholders exchanged each of their Patch Common Shares for 0.02438 of a common share in the capital stock of Stem ("**Purchaser Shares**") and one contingent value right of Stem ("**CVR**"). Stem issued an aggregate of 1,048,782 Purchaser Shares and 43,016,494 CVRs to former Patch Shareholders (other than Patch Shareholders who validly exercised dissent rights).

The Arrangement was voted on and was approved by Patch Shareholders at a special meeting held on January 19, 2017 (the "**Meeting**"). The Arrangement was approved by 94.08% of the votes cast by Patch Shareholders, either in person or by proxy at the Meeting.

6. **Reliance on subsection 7.1(2) of National Instrument 51-102**

This Report is not being filed on a confidential basis in reliance on subsection 7.1(2) of National Instrument 51-102.

7. **Omitted Information**

No information has been omitted on the basis that it is confidential information.

8. **Executive Officer**

Adam Berk, Chief Executive Officer of Stem, is knowledgeable about the material change and this report and may be contacted at (917) 690-7665.

9. **Date of Report**

January 30, 2017