

NOTICE OF CHANGE IN CORPORATE STRUCTURE
(pursuant to section 4.9 of National Instrument 51-102)

1. **Names of the parties to the transaction:**

Stem Holdings, Inc. ("**Stem**"), a corporation existing under the laws of the State of Nevada.

Patch International Inc. ("**Patch**"), a corporation existing under the laws of the Province of Alberta.

2. **Description of the transaction:**

Pursuant to a plan of arrangement under section 193 of the *Business Corporations Act* (Alberta) and in accordance with the provisions of an arrangement agreement dated November 14, 2016 between Patch and Stem, Stem acquired all of the issued and outstanding Class "A" common shares ("**Patch Common Shares**") in the capital of Patch (the "**Arrangement**"). The Arrangement was approved by a special meeting of the common shareholders of Patch on January 19, 2017 and closed on January 20, 2017. Pursuant to the Arrangement, each Patch Common Share was exchanged for 0.02438 of a common share in the capital stock of Stem and one contingent value right of Stem.

3. **Effective date of the transaction:**

January 20, 2017

4. **Names of each party, if any, that ceased to be a reporting issuer subsequent to the transaction and of each continuing entity:**

Stem has become a reporting issuer in the Province of Alberta. Patch ceased to be a reporting issuer on January 24, 2017.

5. **The date of the reporting issuer's first financial year-end after the transaction if paragraph (a) or subparagraph (b) (ii) of the Instrument applies:**

Stem's first financial year-end after the Arrangement will be September 30, 2017.

6. **The periods, including the comparative periods, if any, of the interim and annual financial statements required to be filed for the reporting issuer's first financial year after the transaction, if paragraph (a) or subparagraph (b) (ii) of the Instrument applies:**

The periods of the interim and annual financial statements required to be filed for Stem's first financial year are as follows:

- (a) Unaudited interim financial statements as at and for the three month period ended December 31, 2016;
- (b) Unaudited interim financial statements as at and for the three and six month periods ended March 31, 2017;

- (c) Unaudited interim financial statements as at and for the three and nine month periods ended June 30, 2017; and
- (d) Audited annual financial statements as at and for the year ended September 30, 2017.

7. **Documents filed under National Instrument 51-102 that described the transaction and where those documents can be found in electronic format, if paragraph (a) or subparagraph (b) (ii) of the Instrument applies:**

The following document may be found under Patch's SEDAR profile at www.sedar.com:

- The management information circular and proxy statement of Patch dated December 16, 2016.

The following documents may be found under Stem's SEDAR profile at www.sedar.com:

- The joint press release of Patch and Stem dated January 20, 2017; and
- The material change report of Stem dated January 30, 2017.