

**FORM 51-102F3
MATERIAL CHANGE REPORT**

Item 1: Name and Address of Company

CLS Holdings USA, Inc. ("**CLS**" or the "**Company**")
115 - 11767 South Dixie Highway
Miami, Florida
33156

Item 2: Date of Material Change

September 15, 2022 and September 21, 2022

Item 3: News Release

The news release announcing the material changes referred to in this report was disseminated on September 15, 2022 and was subsequently filed on SEDAR.

Item 4: Summary of Material Change

On September 15, 2021, the Company announced that following receipt of the requisite approval of debenture holders and the Canadian Securities Exchange, it has amended the terms of its outstanding US\$13,219,150 principal amount unsecured convertible debentures (the "**December Debentures**") issued pursuant to an indenture dated as of December 12, 2018, as amended pursuant to supplemental indentures dated as of March 31, 2021 and September 15, 2022 (as the same has otherwise been amended or may be amended, modified, restated, supplemented or replaced from time to time), by, among other things, permitting the mandatory conversion, in the Company's discretion, of US\$7,931,490 in principal amount of the December Debentures plus US\$132,192 in accrued interest on the December Debentures into units at the reduced conversion price of US\$0.07125 per unit.

On September 15, 2022, the Company also entered into two second amendments to subscription agreements (each a "**Second Amendment**" and, collectively, the "**Second Amendments**"), to amend the subscription agreements between the Company, and each of Navy Capital Green Fund, LP and Navy Capital Green Co-Invest Fund, LLC (together, "**Purchasers**"), as amended on April 21, 2021, pursuant to which the Company sold convertible debentures in the original aggregate principal amount of \$5,000,000 to the Purchasers (the "**Navy Capital Debentures**").

The Company further announced that subject to the receipt of regulatory approvals, it planned to effect a 1-for-4 share consolidation (the "**Reverse Split**") to be effective at the opening of business on September 21, 2022. As a result of the Reverse Split, every 4 shares of authorized and issued and outstanding common stock will be exchanged for 1 share of common stock, with any fractional shares being rounded up to the next higher whole share.

Item 5: Full Description of Material Change

5.1 Full Description of Material Change

On September 15, 2021, the Company announced that following receipt of the requisite approval of holders of the December Debentures and the Canadian Securities Exchange, it has amended the terms of its December Debentures by, among other things, (i) permitting the mandatory conversion, in the Company's discretion, of US\$7,931,490 in

principal amount of the December Debentures plus US\$132,192 in accrued interest on the December Debentures into units at the reduced conversion price of US\$0.07125 per unit; (ii) decreasing the conversion price of the remaining December Debentures (following the mandatory conversion) to US\$0.10 per unit; (iii) reducing the mandatory conversion VWAP provision in the December Debentures from US\$0.60 to US\$0.20; (iv) providing for a reduced conversion price to holders of the December Debentures who elect to convert more than the mandatory conversion amount of December Debentures on or prior to the date of the meeting of debenture holders; (v) changing the maturity date of the December Debentures so that half of the remaining December Debentures mature on December 31, 2023 and the remaining December Debentures mature on December 31, 2024; (vi) providing for the payment of interest accruing between July 1, 2022 and December 31, 2024 so that one-third of the total scheduled interest is paid on December 31, 2023 and the balance of the accrued interest is paid on December 31, 2024; and (vii) subject to the receipt of regulatory approvals, granting a security interest in certain of the Company's assets (such as licenses, inventory (including work in process), equipment (excluding equipment subject to purchase money financing) and contract rights (excluding investments in entities other than wholly owned subsidiaries)) to the holders of the December Debentures and to other holders of the Company's debt, now or in the future, as the Company may elect.

On September 15, 2022, the Company also entered into the Second Amendments to amend the Navy Capital Debentures, in order to (i) reduce the conversion price of the Navy Capital Debentures from \$0.30 per unit to \$0.10 per unit; (ii) extend the maturity date of the Navy Capital Debentures to December 31, 2023 for 50% of the principal amount of the Navy Capital Debentures outstanding after the mandatory conversion (as defined in the Second Amendments), and December 31, 2024 for the remainder of the principal amount then outstanding, which balance, solely for purposes of the interest computation, shall not be reduced by the principal payment to be made on December 31, 2023; (iii) include a mandatory conversion provision to permit the Company, in its sole discretion, to convert 60% of the amount due under each of the Navy Capital Debentures and accrued interest thereon, into units of the Company at a conversion price of \$0.07125 (the "**Mandatory Conversion Price**"); (iv) reduce the mandatory conversion VWAP threshold from \$0.60 to \$0.20; (v) permit the Purchasers to elect to convert greater than 60% of the principal amount of their respective Debentures plus accrued interest into units at the Mandatory Conversion Price; (vi) reduce the exercise price of each warrant (that is part of a unit received upon conversion) to \$0.10 per share of common stock; and execute Second Amended and Restated Debentures (the "**Second Amended and Restated Debentures**"). Each unit comprises one share of the Company's common stock and a warrant to purchase half a share of common stock. The Second Amendments also provide that the Company shall file a registration statement to register for resale all of the shares of common stock of the Company issuable to the Purchasers upon conversion of the Second Amended and Restated Debentures and the exercise of the warrants issuable upon conversion of the Second Amended and Restated Debentures. In connection with the Second Amendments, the Company elected to convert (i) \$686,930 due under the debenture issued to Navy Capital Green Fund, LP, which includes \$675,668 in the principal amount of the Debenture and accrued interest, into 9,641,123 units (on a pre-Reverse Split basis) of the Company; and (ii) \$2,747,719 due under the debenture issued to Navy Capital Green Co-Invest Fund, LLC, which includes \$2,702,674 in the principal amount of the Debenture and accrued interest, into 38,564,478 units (on a pre-Reverse Split basis) of the Company. All information in the foregoing descriptions of the amendments to the December Debentures and the Second Amendments is presented on a pre-Reverse Split basis.

In addition to the foregoing amendments to the December Debentures, the Company also amended the terms of the common share purchase warrants (the "**Warrants**") issued and issuable upon conversion of the December Debentures pursuant to the

warrant indenture dated December 12, 2018, as amended pursuant to supplemental indentures dated March 31, 2021 and September 15, 2022, to (i) amend the exercise price of each Warrant to US\$0.10, and amend the expiry date of the Warrants to September 15, 2025. All prices described above are prior to the Reverse Split described herein.

The Company also announced that, subject to the receipt of regulatory approvals, it plans to effect the Reverse Split effective at the opening of business on September 21, 2022. As a result of the Reverse Split, every 4 shares of authorized and issued and outstanding common stock will be exchanged for 1 share of common stock, with any fractional shares being rounded up to the next higher whole share. Immediately after the Reverse Split becomes effective, the Company will have approximately 44,404,744 shares of common stock issued and outstanding. The authorized common stock will also be reduced as a result of the reverse stock split from 750,000,000 shares to 187,500,000 shares.

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

Andrew Glashow
President and Chief Executive Officer
Telephone: 888-438-9132

Item 9: Date of Report

September 23, 2022.

Cautionary Note Regarding Forward-Looking Information

This material change report contains certain "forward-looking information" within the meaning of applicable Canadian securities legislation and "forward-looking statements" as that term is defined in the Private Securities Litigation Reform Act of 1995 (collectively, the "forward-looking statements"). These statements relate to, among other things, the impact of the COVID-19 virus on our business, the results of our initiatives to retain our employees and strengthen our relationships with our customers and community during the pandemic, the effect of our initiatives to expand market share and achieve growth, the expected development of our business and joint ventures, results of operations and financial performance, future liquidity, working capital and capital requirements, the impact of the reverse stock split on our stock price, the effects of the additional dilution in our common stock that may occur as a result of the amendments to our convertible debentures, and anticipated future events. The continued spread of COVID-19 could have, and in some cases already has had, an adverse impact on our business, operations and financial results, including through disruptions in our cultivation and processing activities, supply chains and sales channels, and retail dispensary operations as well as a deterioration of general economic conditions including a possible national or global recession. In some cases, you can identify forward looking statements by terminology such as "may," "might," "will," "should," "intends," "expects," "plans," "goals," "projects," "anticipates," "believes," "estimates," "predicts," "potential," or

"continue" or the negative of these terms or other comparable terminology. These forward-looking statements are only predictions, are uncertain and involve substantial known and unknown risks, uncertainties and other factors which may cause our actual results, levels of activity or performance to be materially different from any future results, levels of activity or performance expressed or implied by these forward-looking statements. We cannot guarantee future results, levels of activity or performance. You should not place undue reliance on these forward-looking statements, which speak only as of the date that they were made. These cautionary statements should be considered together with any written or oral forward-looking statements that we may issue in the future. Except as required by applicable law, we do not intend to update any of the forward-looking statements to conform these statements to reflect actual results, later events or circumstances or to reflect the occurrence of unanticipated events. See CLS Holdings USA filings with the SEC and on its SEDAR profile at www.sedar.com for additional details.