

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

**Item 1 Name and Address of Company**

Hero Innovation Group Inc. (the “**Company**”)  
170 – 422 Richards Street  
Vancouver, BC, V6B 2Z4

**Item 2 Date of Material Change**

December 13, 2022

**Item 3 News Release**

The news release dated December 13, 2022 was disseminated via Stockwatch and Market News on December 13, 2022.

**Item 4 Summary of Material Change**

The Company announced that it has entered into a loan agreement amending agreement (the “**Agreement**”) dated December 13, 2022 with Morrison Homes Bridge Street Ltd. (the “**Lender**”). The Company and the Lender, a company controlled by Morris Chen, a director of Hero, are party to loan agreements dated February 8, 2022, February 24, 2022, March 8, 2022, March 31, 2022, April 6, 2022, April 27, 2022, May 11, 2022, May 26, 2022, June 16, 2022, June 30, 2022, July 21, 2022, August 10, 2022, August 23, 2022, September 21, 2022, and October 20, 2022 (collectively, the “**Loan Agreements**”), pursuant to which the Lender agreed to lend the Company up to \$2,400,000, of which the Lender has advanced, in tranches, an aggregate principal amount of \$2,400,000 (collectively, the “**Loan**”). The Loan Agreements from February 8, 2022 to July 21, 2022, equaling an aggregate principal amount of \$1,400,000, are at an interest rate of 8% per annum. The Loan Agreements from August 10, 2022 to October 20, 2022, equaling an aggregate principal amount of \$1,000,000, are at an interest rate of 15% per annum. The proceeds of the Loan have been used by the Company for general working capital purposes.

Subject to the receipt of prior shareholder approval in accordance with Multilateral Instrument 61-101 – *Protection of Minority Security Holders in Special Transactions* (“**MI 61-101**”) as well as that of the Canadian Securities Exchange (“**CSE**”), the Company and the Lender agreed to amend the terms of the Loan Agreements to provide for the convertibility of the Loan and any accrued and unpaid interest thereon into units of the Company (each, a “**Conversion Unit**”) at a conversion price of \$0.08 per Conversion Unit. Each Conversion Unit will consist of one common share (each, a “**Share**”) in the capital of the Company and one Share purchase warrants (each, a “**Warrant**”), with each Warrant entitling the holder to acquire one additional Share at a price of \$0.45 per Share for a period of 24 months from the date of issuance (the “**Conversion**”).

Morris Chen, a director of the Company, controls Morrison and, as such, the Loan and the Agreement are considered to be a “related party transaction” as defined in MI 61-101. The issuance of the Loan to the Mr. Chen is exempt from the valuation requirement of MI 61-101 by the virtue of the exemption contained in section 5.5(b) as the Company’s shares are not listed on a specified market, however the issuance of the Loan is not exempt from the minority shareholder approval requirements of MI 61-101. As such, the Agreement and any Conversion of the Loan thereunder is subject to prior minority shareholder approval.

**Disclosure Required by MI 61-101**

Pursuant to MI 61-101, the issuance of the Loan constitutes a “related party transaction” as related parties of the Company participated subscribed for the Loan.

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:*

See Item 4 above for a description of the Loan.

(b) *the purpose and business reasons for the transaction:*

The aggregate gross proceeds from the sale of the Loan have been used for general working capital.

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

The Company does not anticipate any material effect on the Company’s business and affairs.

(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 entered into a loan agreement amending agreement with Morrison Homes Bridge Street Ltd., whereby it agreed to lend the Company up to \$2,400,000.

(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:*

The following table sets out the effect of the Loan on the percentage of securities of the Company beneficially owned or controlled by Morrison Homes Bridge Street Ltd.:

<b>Name and Position</b>	<b>Dollar Amount of Securities Purchased</b>	<b>Number of Securities Purchased</b>	<b>No. of Shares Held prior to Closing of the Loan<sup>(1)</sup></b>	<b>Percentage of Issued and Outstanding Shares prior to Closing of the Loan<sup>(1)</sup></b>	<b>No. of Shares Held After Closing of the Loan<sup>(1)</sup></b>	<b>Percentage of Issued and Outstanding Shares After Closing of the Loan<sup>(1)</sup></b>
Morrison Homes Bridge Street Ltd. <i>Company controlled by Morris Chen, director of the Company</i>	\$2,400,000	Convertible Loan in the aggregate principal amount of \$2,400,000	Undiluted 29,892,000  Partially Diluted: 29,892,000	Undiluted: 40.72% <sup>(1)</sup>  Partially Diluted: 40.72% <sup>(1)</sup>	Undiluted: 29,892,000  Partially Diluted: 89,892,000 <sup>(2)</sup>	Undiluted: 40.72% <sup>(1)</sup>  Partially Diluted: 67.23% <sup>(2)</sup>

<sup>(1)</sup> Based on 73,709,435 Shares issued and outstanding.

<sup>(2)</sup> Calculated on a partially-diluted basis based on: (a) 73,709,435 Shares issued and outstanding; (b) the issuance of 30,000,000 Shares upon the due Conversion of the Loan; and (c) assuming the issuance 30,000,000 Shares upon the due exercise of 30,000,000 following the due Conversion of the Loan.

- (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:*

Resolutions of the board of directors were passed on December 12, 2022. No special committee was established in connection with the transaction, and no materially contrary view or abstention was expressed or made by any director.

- (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:*

Not applicable.

- (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:*

The Company entered into a loan agreement amending agreement with Morrison Homes Bridge Street Ltd., pursuant to which the parties agreed to amend the terms of the Loan such that, subject to the receipt of prior shareholder approval in accordance with MI 61-101 as well as that of the CSE, as applicable, the Company and the Lender agreed to amend the terms of the Loan Agreements to provide for the convertibility of the Loan and any accrued and unpaid interest thereon into Units.

- (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:*

Morris Chen, a director of the Company, controls Morrison and, as such, the Loan and the Agreement are considered to be a “related party transaction” as defined in MI 61-101. The issuance of the Loan to Morrison is exempt from the valuation requirement of MI 61-101 by the virtue of the exemption contained in section 5.5(b) as the Company’s shares are not listed on a specified market, however the issuance of the Loan is not exempt from the minority shareholder approval requirements of MI 61-101. As such, the Agreement and any Conversion of the Loan thereunder is subject to prior minority shareholder approval in accordance with the requirements of MI 61-101.

As this material change report is being filed less than 21 days before the entry into of the Agreement, there is a requirement under MI 61-101 to explain why the shorter period is reasonable or necessary in the circumstances. In the view of the Company, such shorter period is reasonable and necessary in the circumstances because the Company wished to complete the Agreement and, in connection therewith, the amendment of the Loan Agreements in a timely manner.

The material change is fully described in Item 4 above and in the attached news release which has been filed on SEDAR.

**5.2** *Disclosure for Restructuring Transactions*

N/A

**Item 6** **Reliance on subsection 7.1(2) or (3) of National Instrument 51-102**

N/A

**Item 7** **Omitted Information**

None

**Item 8** **Executive Officer**

Contact: Peter MacKay, Chief Executive Officer  
Telephone: 888.820.1888

**Item 9** **Date of Report**

December 19, 2022



## Hero Innovation Group Enters into Loan Agreement Amending Agreement

VANCOUVER, BC – December 14, 2022 – Hero Innovation Group Inc. (“**Hero**” or the “**Company**”) (CSE: HRO) announces that it has entered into a loan agreement amending agreement (the “**Agreement**”) dated December 13, 2022 with Morrison Homes Bridge Street Ltd. (the “**Lender**”). The Company and the Lender, a company controlled by Morris Chen, a director of Hero, are party to loan agreements dated February 8, 2022, February 24, 2022, March 8, 2022, March 31, 2022, April 6, 2022, April 27, 2022, May 11, 2022, May 26, 2022, June 16, 2022, June 30, 2022, July 21, 2022, August 10, 2022, August 23, 2022, September 21, 2022, and October 20, 2022 (collectively, the “**Loan Agreements**”), pursuant to which the Lender agreed to lend the Company up to \$2,400,000, of which the Lender has advanced, in tranches, an aggregate principal amount of \$2,400,000 (collectively, the “**Loan**”). The Loan Agreements from February 8, 2022 to July 21, 2022, equalling an aggregate principal amount of \$1,400,000, are at an interest rate of 8% per annum. The Loan Agreements from August 10, 2022 to October 20, 2022, equalling an aggregate principal amount of \$1,000,000, are at an interest rate of 15% per annum. The proceeds of the Loan have been used by the Company for general working capital purposes.

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### **About Hero Innovation Group Inc.**

Hero Innovation Group Inc. (formerly, Euro Asia Pay Holdings Inc.) is a developer of innovative financial solutions for the next generation of consumers. Through its flagship product, SideKick™, introduced in 2018, the Company identified unmet needs in the market within specific demographics, such as international students in Canada, and delivered a product to address those needs. Hero Financials, the Company’s largest product, is targeted at parents, kids and young adults across Canada. With financial

literacy at the forefront of the Company's values and a plethora of advanced proprietary technology features, Hero Financials prepares kids to become financially smart adults through a variety of financial literacy tools.

To learn more about Hero Group's products and services, visit [www.heroinnovationgroup.com](http://www.heroinnovationgroup.com).

On behalf of the Board of Directors

Peter MacKay  
CEO and Director

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#### **Disclaimer for Forward-Looking Information**

*This news release contains forward-looking information within the meaning of Canadian securities legislation concerning the business of the Company. Forward-looking information is based on certain key expectations and assumptions made by the management of the Company. Although the Company believes that the expectations and assumptions on which such forward-looking information is based are reasonable, undue reliance should not be placed on the forward-looking information because the Company can give no assurance that they will prove to be correct. Forward-looking information in this news release includes statements regarding, but not limited to: the ability for the Company to perform its obligations under the Agreement; the receipt of applicable third party approvals of the Agreement and the Loan convertibility, including, but not limited to, minority shareholder approval and that of the CSE, and such other statements contained herein that are not purely historical in nature. There are numerous risks and uncertainties that could cause actual results and the Company's plans and objectives to differ materially from those expressed in the forward-looking information. Important factors that could cause actual results to differ materially from those expressed in the forward-looking information include: the CSE may not approve the securities issuable pursuant to the Agreement; that the requisite minority shareholders approvals may not be obtained by the parties in connection with the Conversion; and other factors beyond the control of the Company. The ongoing COVID-19 pandemic, labour shortages, inflationary pressures, rising interest rates, the global financial climate and the conflict in Ukraine and surrounding regions are some additional factors that are affecting current economic conditions and increasing economic uncertainty, which may impact the Company's operating performance, financial position, and future prospects. No assurance can be given that any of the events anticipated by the forward-looking statements will occur or, if they do occur, what benefits the Company will obtain from them. The Company does not undertake any obligation to update such forward-looking information whether because of new information, future events or otherwise, except as expressly required by applicable law.*