**FORM 51-102F3**

**MATERIAL CHANGE REPORT**

1. **Name and Address of Issuer:**

Auxly Cannabis Group Inc. (the "**Company**")
777 Richmond Street West
Suite #002
Toronto, Ontario M6J 0C2

2. **Date of Material Change:**

April 28, 2020.

3. **News Release:**

A news release disclosing the substance and nature of the material change was issued and disseminated on April 28, 2020 and subsequently filed on SEDAR.

4. **Summary of Material Change:**

The Company announced that it has entered into an investment agreement (the "Agreement") with an institutional investor (the "Investor") for the purposes of establishing a standby facility to provide the Company with access to additional capital over a 24-month period. The Agreement allows the Company to sell, on a private placement basis completed in tranches, unsecured convertible debentures of the Company (the "Convertible Debentures") for gross proceeds of up to $25 million (the "Offering").

The Company also announced that it had completed the initial tranche of the Offering by issuing Convertible Debentures in the aggregate principal amount of $1.25 million (the "Initial Tranche") bearing a term of 24 months and a conversion price of $0.435 per common share (each, a "Common Share"), together with warrants (the "Warrants") to acquire up to 1,580,460 Common Shares at an exercise price of $0.522 per Common Share, exercisable until April 29, 2022.

5. **5.1 – Full Description of Material Change:**

Each Convertible Debenture will have a maturity date of 24 months from the date of issuance (the "Maturity Date") and bears interest from the date of issue at 7.5% per annum, payable semi-annually on June 30 and December 31 of each year. The Convertible Debentures are convertible, at the option of the holder, into Common Shares at any time prior to the close of business on the last day immediately preceding the applicable Maturity Date. The Convertible Debentures will have a conversion price (the "Conversion Price") equal to the closing price of the Common Shares on the TSX Venture Exchange (the "TSXV") on the trading day immediately prior to the closing date for such tranche. Subsequent tranches of Convertible Debentures are issuable at the request of the Company beginning the 30th day following the closing of the Initial Tranche or most recently issued tranche.

Contemporaneously with the issuance of a Convertible Debenture, the Investor will receive such number of Warrants as is equal to 55% of the number of Common Shares into which the Convertible Debenture is convertible based on the then applicable Conversion Price. Each

Warrant will be exercisable to purchase one Common Share for a period of 24 months from the date of issuance at an exercise price equal to 120% of the applicable Conversion Price.

At any point after four months and one day after the date of issuance of a Convertible Debenture, the Company may require the Investor to convert:

(a) up to 50% of the principal amount of such Convertible Debenture if for any five consecutive trading days the volume weighted average price (the "VWAP") of the Common Shares on the TSXV is greater than 112% of the Conversion Price; or

(b) up to 100% of the principal amount of such Convertible Debenture if for any five consecutive trading days the VWAP of the Common Shares on the TSXV is greater than 120% of the Conversion Price; and/or

(c) 100% of the principal amount of such Convertible Debenture at any time by paying a mutually agreeable make-whole payment to the Investor,

plus, in each case, interest on the principal amount of such Convertible Debenture.

The Company intends to use the net proceeds from the Offering to build on the launch of its Cannabis 2.0 products through additional capacity and automation in 2020, at the Company's manufacturing hub, Dosecann, and for general corporate and working capital purposes.

In connection with the completion of the Initial Tranche, the Company agreed to indemnify (the "Indemnity") certain directors and officers of the Company (the "Related Parties") for any and all losses ("Losses") not otherwise recoverable from the collateral provided by the Investor for the Common Shares provided by the Related Parties to the Investor in connection with the completion of the Initial Tranche, in accordance with the Agreement. The Indemnity may constitute a related party transaction under Multilateral Instrument 61-101 – *Protection of Minority Security Holders in Special Transactions* ("MI 61-101"), but is otherwise exempt from (i) the formal valuation requirements of Section 5.4 of MI 61-101 by virtue of Subsection 5.5(a) of MI 61-101, and (ii) the minority shareholder approval requirements of Section 5.6 of MI 61-101 by virtue of Subsection 5.7(1)(a) of MI 61-101, in each case on the basis that at the time of completion of the Initial Tranche the fair market value of the Common Shares provided by the Related Parties to the Investor in connection with the completion of the Initial Tranche did not exceed an amount equal to 25% of the Company's market capitalization at such time.

Under the terms of the Indemnity, (i) the Company's obligation to indemnify the Related Parties for Losses is absolute and unconditional irrespective of any fact, matter, event or occurrence whatsoever, and (ii) the Company will, if so requested by the Related Parties, use its best efforts to issue or cause to be issued or transferred to the Related Parties such number of Common Shares as is sufficient to satisfy the Company's obligations under the Indemnity, including obtaining all required consents and approvals in connection therewith.

The Indemnity was approved by the independent directors of the Company, and was determined by such directors to be necessary for the purposes of completing the Initial Tranche. No special committee was established in connection with the Offering, the completion of the Initial Tranche or the granting of the Indemnity, and no materially contrary view or abstention was expressed or made by any director of the Company in relation thereto. The Indemnity is not expected to have a material effect on the Company's business and affairs or on the percentage of securities of the Company beneficially owned or controlled by the Related Parties. The Company did not file a material change report more than 21 days prior to the closing of the Initial Tranche as the Company wished to complete the Initial Tranche on an expedited basis for sound business reasons.

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

Not applicable.

7. **Omitted Information:**

No significant facts remain confidential in, and no information has been omitted from, this report.

8. **Executive Officer:**

For further information, please contact Hugo Alves, Chief Executive Officer, at hugo@auxly.com.

9. **Date of Report:**

May 1, 2020.