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:**

May 21, 2020.

3. **News Release:**

A news release disclosing the substance and nature of the material change was issued and disseminated on May 21, 2020 and subsequently filed on SEDAR.

4. **Summary of Material Change:**

The Company announced that it had completed a second tranche of its previously announced $25 million convertible debenture offering (the "Offering") by issuing convertible debentures ("Convertible Debentures") to an institutional investor (the "Investor") in the aggregate principal amount of $2 million (the "Second Tranche"), bearing a term of 24 months and a conversion price of $0.425 (the "Conversion Price") per common share (each, a "Common Share"). In addition, the Company issued to the Investor warrants (the "Warrants") to acquire up to 2,588,235 Common Shares at an exercise price of $0.51 per Common Share, exercisable until May 21, 2022.

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

Each Convertible Debenture issued under the Second Tranche will have a maturity date of 24 months from the date of issuance (the "Maturity Date") and will bear 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 at the Conversion Price.

At any point after September 22, 2020, the Company may require the Investor to convert:

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

(b) up to 100% of the principal amount of the Convertible Debentures 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 the Convertible Debentures at any time by paying a mutually agreeable make-whole payment to the Investor, plus, in each case, interest on the principal amount of the Convertible Debentures.

In connection with the completion of the Second 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 Second Tranche, in accordance with the terms of the investment agreement previously entered into by the Company and the Investor in connection with the Offering. 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 Second Tranche the fair market value of the Common Shares provided by the Related Parties to the Investor in connection with the completion of the Second 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 Second Tranche. No special committee was established in connection with the Offering, the completion of the Second 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 Second Tranche as the Company wished to complete the Second 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 27, 2020.