

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

Item 1. Name and Address of the Company

Kuuhubb Inc.
25 Adelaide Street East, Suite 1417
Toronto, ON M5C 3A1

Item 2. Date of Material Change

October 28, 2020.

Item 3. News Release

The press release attached as Schedule "A" was released by GlobeNewswire on October 28, 2020.

Item 4. Summary of Material Change

The material change is described in the press release attached as Schedule "A".

Item 5. Full Description of Material Change

The material change is described in the press release attached as Schedule "A".

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

Jouni Keranen
Chief Executive Officer
Tel: +358 40 590 0919

Item 9. Date of Report

October 29, 2020



KuuHubb Reports 2020 Fiscal Year End Audited Annual Financial Results and Provides Corporate Update

TORONTO, October 28, 2020 -- KuuHubb Inc. ("KuuHubb" or the "Company") (TSXV: KUU), a mobile game development and publishing company focused on providing the female audience with creative interactive gaming experiences, has announced that it has released its audited annual financial results for the financial year ended June 30, 2020. The results have been filed with the Canadian Securities Administrators and are now available on SEDAR.

Highlights:

- Revenues of US\$7,803,832 for the year ended June 30, 2020.
- Recolor recognized revenue of US\$6,795,445 for the year ended June 30, 2020.
- Commercialization of next-generation Match-3 game platform provides entry into multi-billion dollar gaming genre.
- Sale of assets such as Recolor to fund next-generation game commercialization initiatives under consideration.

CEO's Message:

Jouni Keränen, CEO of KuuHubb Inc., commented:

"KuuHubb is a young company in the midst of a transformation. Up until this point, we have been focused on the acquisition of proven, yet under-appreciated assets which display the potential to capture a global user following. Developing that potential was achieved with Recolor through investing talent and resources into the technology, making numerous product improvements, pursuing partnerships and effectively marketing to our target audience to ultimately build a loyal user community.

However, the success of our company does not revolve around one game title. Rather, our experience and success with Recolor has provided us the expertise and confidence to identify emerging gaming trends, expand our game portfolio and focus our resources in developing and marketing our next generation of exciting games. For us at KuuHubb, the Match-3 genre promises to be that future. We have deployed capital and resources to develop our own Match-3 game engine and commercialize KuuHubb's first in-house developed Match-3 title, "Tiles & Tales". The Match-3 game genre is by far the largest segment among female gamers, generating over US\$5B per year and representing over one-fifth of the entire US iPhone gaming market.

As part of the transformation and increased focus on Match-3 games we have decreased overall costs by over USD 1 million annually, including shutting down non-performing third-party publishing office in Amsterdam and ceasing market entry operations in India. We have to acknowledge that not every game, team or initiative will succeed and we will become faster at recognizing that and redeploying the resources in to efforts that maximize future returns.

As stated in our 2020 financial report, we are in ongoing, advanced discussions for the potential divestment of Recolor. Realizing Recolor's future value now will allow us to invest in our next generation games. We strongly believe that our greatest opportunity for growth and long-term success lies in creating and operating games we develop ourselves using proprietary software such as our Match-3 engine combined with strategic alliances with strong partners adding not only financial strength, but industry specific expertise and synergistic benefits. Kuuhubb's strengths – innovation, data driven approach and a unique talent pool in Helsinki, provide us the best possible path for scalable future growth and profitability."

Audited Annual Financial Results for the Financial Year Ended June 30, 2020:

- The Company generated a total of US\$7,803,832 revenues for the year ended June 30, 2020. Recolor Oy recognized revenue of US\$6,795,445 for the year ended June 30, 2020 before it was classified as asset held for sale⁽¹⁾.
- The Company also recognized revenue of US\$1,008,387 for the year ended June 30, 2020 from its continuing operations. This revenue was generated mainly from the subscriptions to, and in-application sale of virtual goods from its "My Hospital" game totaling US\$0.79 million and advertising revenue of US\$0.23 million.
- The Company incurred cost of sales of US\$631,306 for the year ended June 30, 2020 in its continuing operations. The cost of sales is predominantly related to the application marketplace (such as Apple App Store and Google Play) fees and other third-party direct costs.
- The Company incurred consulting and professional fees of US\$939,124 for the year ended June 30, 2020. These fees were related to Kuuhubb's audit fees, general legal counsel and other professional services.
- The Company's Recolor Oy showed EBITDA of US\$538,655 by adjusting the net income before tax from discontinued operations of US\$491,370 with the following items:
Add back of:
 - Non-cash depreciation and amortization of US\$18,647;
 - Net interest and accretion expenses of US\$25,612;
 - Foreign exchange loss of US\$3,026
- The Company showed EBITDA of negative US\$3,893,435 by adjusting the net loss before tax from continuing operations of US\$6,274,846 with the following items:
Add back of:
 - Non-cash depreciation and amortization of US\$812,812;
 - Non-cash share-based compensation of US\$860,870;
 - Net interest and accretion expenses of US\$984,279;

- Non-cash fair value change of loan receivable from Valiance UG of US\$405,703

and deduct:

- Fair value change of derivative liability of US\$677,806;
 - Foreign exchange gain of US\$4,446
- The authorized share capital of the Company consists of an unlimited number of common shares. As at October 26, 2020, the Company had outstanding 55,752,709 common shares and 7,450,000 stock options.
 - The Company also has two convertible debentures with face value of €2,000,000 each. The debentures can be converted to approximately 6,408,727 common shares upon conversion.

⁽¹⁾ Classification of Recolor Oy as held for sale and discontinued operations

As part of the efforts to meet the Company's obligations and build growth, the Company announced it is exploring multiple strategic alternatives, including the divestiture of Company-owned assets such as shares of Recolor Oy. This may be completed within twelve months and as such the associated assets and liabilities within Recolor Oy are presented as held for sale and the net income attributable as discontinued operations in the consolidated financial statements. Unless otherwise indicated, the analysis and discussions herein are based on the Company's continuing operations consist of the Company's "My Hospital" operation.

Subsequent Events to Fiscal Year End:

Subsequent to the fiscal year ended June 30, 2020, the Company received the following additional financing and made the following announcements.

Closing of Non-Convertible Debenture Financing

On September 30, 2020, the Company announced the closing of a non-convertible debenture financing (the "Offering") for aggregate gross proceeds of US\$1,300,000 on a non-brokered basis. The Offering is composed of secured debentures ("Debenture"), each of which has a face value of US\$29,500, a Maturity Date twenty-four months from the date of closing, and bears interest at a rate of 12% per annum.

The Company intends to use the proceeds from the Offering for business development and general working capital purposes. Full details of the Offering are available in the Company's news release dated September 23, 2020 and filed under Kuuhubb's profile at www.sedar.com.

Settlement Agreement with Cherrypick Games

On October 7, 2020, the Company announced that further to its news release issued on August 19, 2020, it had agreed to settlement terms (the "Agreement") with Cherrypick Games S.A. ("Cherrypick"). Terms of the Agreement provide for a lower total payment amount from Kuuhubb to Cherrypick and the complete transfer of

the “My Hospital” game from Cherrypick to Kuuhubb. The Agreement sets out a payment schedule that is to be fulfilled by May 31, 2021. Kuuhubb is, with the support of Cherrypick, in the process of transferring the game development to Kuuhubb’s development team in Helsinki and is planned to have full control of the source code by November 1st 2020.

Further details on the arbitration award and agreement between Cherrypick and Kuuhubb’s can be found in the Company’s consolidated financial statements for the year ended June 30, 2020 and news release dated August 19, 2020, under the Company’s profile at www.sedar.com.

Exploration of Strategic Alternatives to Enhance Shareholder Value

On September 30, 2020, the Company announced that it has been conducting a process to explore strategic alternatives, including the potential divestiture of certain Company-owned assets, including the sale of Recolor Oy within the next twelve months. The Company together with Ernst & Young, has identified a potential buyer and negotiations are presently at an advanced stage. Management noted that, while they remain committed to their stated objective of creating sustainable shareholder value through the acquisition of proven, yet under-appreciated assets with long-term growth potential, they do have an obligation to their stakeholders to carefully consider and review any options that may enhance shareholder value, including the possible benefits of realizing that future value now. There can be no assurance that the strategic alternatives review process will result in any strategic change or outcome and the Company does not know the exact timetable for the conclusion of its review of strategic alternatives.

On February 12, 2020, the Company announced the entering into a sale and purchase agreement with Codecacao d.o.o., pursuant to which the Company would acquire (the “**Codecacao Acquisition**”) 100% of the issued and outstanding shares of Codecacao in consideration for 1,000,000 common shares of the Company, payable in installments, and €150,000. Completion of the Codecacao Acquisition is subject to the receipt of all regulatory approvals, including the approval of the TSX Venture Exchange and shareholder approval. In the event of a sale of Recolor Oy, the Company anticipates that the Codecacao Acquisition will not be completed. Further announcements will be made on the status of these transactions.

FTC Settlement

During the year ended June 30, 2020, the Federal Trade Commission (“FTC”) alleged the Company, through its “Recolor” mobile app, has violated certain privacy protection act in the U.S. by gathering certain privacy information with the app. While the Company denies the allegations, it has fully cooperated with FTC. The Company is in the final stages of settlement discussions with the FTC. As such, the Company has accrued and recorded a provisional settlement payment on the consolidated statements of loss and comprehensive loss.

EBITDA - Non-IFRS Measure

EBITDA is intended to provide additional information to investors and analysts. The Company calculated EBITDA as set out on page 2 of this press release. EBITDA does not have any standardized meaning prescribed by IFRS

and should not be considered in isolation or as a substitute for measures of performance prepared in accordance with IFRS. Other companies may calculate EBITDA differently.

About Kuuhubb

Kuuhubb is a publicly listed mobile game development and publishing company, targeting the female audience with bespoke mobile experiences. Our Mission is to become a top player in the female mobile game space. We believe in empowering women by creating games and apps that will have our female audience relax, express and entertain themselves every day. Through our games and partnerships with select developers, we explore new lifestyle trends that can be converted into games and apps which will bring value to our users, employees, and shareholders. Headquartered in Helsinki, Finland, Kuuhubb has a global presence with a strong focus on U.S. and Asian markets.

Cautionary Note Concerning Forward-Looking Information

This press release contains forward-looking information. All statements, other than statements of historical fact, that address activities, events or developments that the Company believes, expects or anticipates will or may occur in the future (including, without limitation, statements relating to future revenue and development, growth of the Company's business) are forward looking information. This forward-looking information reflects the current expectations or beliefs of the Company based on information currently available to the Company. Forward-looking information is subject to a number of risks and uncertainties that may cause the actual results of the Company to differ materially from those discussed in the forward-looking information, and even if such actual results are realized or substantially realized, there can be no assurance that they will have the expected consequences to, or effects on the Company. Factors that could cause actual results or events to differ materially from current expectations include, among other things, risks related to the growth strategy of the Company; the possibility that results from the Company's growth plans will not be consistent with the Company's expectations; the early stage of the Company's development; competition from companies in a number of industries; the ability of the Company to manage expansion and integrate acquisitions into its business, future business development of the Company, including the ability to complete the sale of Recolor OY and the Codecacao Acquisition on terms which are economic or at all; the ability to predict and counteract the effects of COVID-19 on the business of the Company, including but not limited to the effects of COVID-19 on its business segments, capital market conditions, restrictions on labour and international travel and supply chains; and the other risks disclosed under the heading "Risk Factors" in the Company's management discussion and analysis for the twelve months ended June 30, 2020 filed on SEDAR at www.sedar.com. Forward-looking information speaks only as of the date on which it is provided and, except as may be required by applicable securities laws, the Company disclaims any intent or obligation to update any forward-looking information, whether as a result of new information, future events or results or otherwise. Although the Company believes that the assumptions inherent in the forward-looking information are reasonable, forward-looking information is not a guarantee of future performance and accordingly undue reliance should not be put on such information due to the inherent uncertainty therein.

Neither TSX Venture Exchange nor its Regulation Services Provider (as that term is defined in the policies of the TSX Venture Exchange) accepts responsibility for the adequacy or accuracy of this release.

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