

MATERIAL CHANGE REPORT

1. **Name and Address of Company**

Choom Holdings Inc. ("**Choom**" or the "**Company**")
#208 – 1525 West 8th Avenue
Vancouver, BC V6J 1T5

2. **Date of Material Change**

May 25, 2021

3. **News Release**

The news release was disseminated on May 25, 2021 and filed on Choom's profile on SEDAR.

4. **Summary of Material Change**

On May 25, 2021, Choom announced that it had entered into series of agreements with existing convertible debenture holders to restructure (the "**Debt Restructuring**") its debt obligations, including approximately \$21.8 million owing to Aurora Cannabis Inc. ("**Aurora**") and represented by a convertible debenture originally issued by the Company in November 2018 and amended and restated in June 2020 (the "**Aurora Debenture**").

The Company also announced that it has entered into an engagement letter (the "**Engagement Letter**") with Canaccord Genuity Corp. (the "**Agent**") in connection with a public offering (the "**Offering**") of units for aggregate gross proceeds of \$3.5 million (the "**Minimum Offering**") and up to a maximum of \$5.0 million. The completion of the Debt Restructuring is conditional upon, among other things, the receipt of all requisite regulatory approvals and closing of the Minimum Offering.

5. **Full Description of Material Change**

Debt Restructuring

On May 25, 2021, Choom announced that it had entered into series of agreements with existing convertible debenture holders, including Aurora, to complete the Debt Restructuring.

As part of the Debt Restructuring, immediately following the closing of the Offering (the "**Effective Date**") Aurora and Choom have agreed that the Aurora Debenture will be satisfied by: (i) Aurora converting into common shares of the Company (the "**Common Shares**") such portion of the indebtedness represented by the Aurora Debenture as will result in Aurora holding 19.9% of the Company's issued and outstanding Common Shares on a post-Offering basis, (ii) the Company issuing to Aurora a new convertible debenture in the aggregate principal amount of \$6.0 million (the "**2021 Debenture**") maturing on December 23, 2024; and (iii) the Company paying to Aurora a perpetual debt restructuring fee equal to 1.25% of all revenue (net of taxes) received by the Company from the sale of products at the Company's (including its affiliates) retail cannabis locations (the "**Restructuring Fee**"); provided, however, that the Company shall

have the option, exercisable at any time after the fifth (5th) anniversary of the Effective Date, to terminate the obligation to pay the Restructuring Fee upon paying Aurora a cash amount equal to six (6) times the preceding twelve-month Restructuring Fee. The principal amount of the 2021 Debenture will bear interest at a rate of 7.0% per annum, payable at maturity. The Company's obligations under the 2021 Debenture will be secured by a second ranking security interest in all of the Company's present and after-acquired assets.

In connection with the Debt Restructuring, Choom and Aurora have also agreed, as of the Effective Date, to amend and restate the investor rights agreement originally entered into on November 2, 2018 (the "**Amended and Restated Investor Rights Agreement**"). Pursuant to the Amended and Restated Investor Rights Agreement, provided Aurora holds 10.0% or more of the Common Shares, it will have the ability to designate two (2) nominees to serve as directors of the Company. If Aurora holds between 5.0% and 10.0% of the Common Shares, it will have the ability to designate one (1) nominee to serve as a director of the Company. The Amended and Restated Investor Rights Agreement will also provide that for so long as Aurora owns at least 5.0% of the issued and outstanding Common Shares, it shall have a right to participate in future of securities offerings undertaken by the Company in order to maintain its pro-rata ownership of the Company.

Choom and Aurora have also agreed to enter into a services agreement (the "**Services Agreement**") pursuant to which Choom would operate retail cannabis stores on behalf of Aurora. It is anticipated that the Services Agreement will be negotiated and entered into within 90 days of the Effective Date. In the event the Services Agreement is not entered into within 90 days of the Effective Date, the percentage used in the calculation of the Restructuring Fee will increase up to a maximum percentage of 5.0%.

The Company is also pleased to announce it has entered an amending agreement with the holders of its convertible debentures issued in December 2019 (the "**2019 Debentures**"), amending the terms of the 2019 Debentures to provide, among other things, that the maturity date of the 2019 Debentures be extended to December 23, 2024. The Company has also agreed to extend the expiry date of the Common Share purchase warrants (the "**2019 Warrants**") issued in connection with the 2019 Debentures from December 23, 2023 to December 23, 2024.

The completion of the Debt Restructuring is conditional upon, among other things, the receipt of all requisite regulatory approvals and Choom's closing the Minimum Offering.

Offering

In accordance with the terms of the Engagement Letter, the Offering will consist of the issuance of Units for minimum aggregate gross proceeds of \$3.5 million and up to maximum aggregate gross proceeds of \$5.0 million. Each Unit will consist of one Common Share and one-half of one Common Share purchase warrant (each whole Common Share purchase warrant, a "**Warrant**"). Each Warrant will entitle the holder to purchase one additional Common Share for a period of thirty-six (36) months from the closing of the Offering (the "**Closing**"). The Company will grant the Agent an option (the "**Agent's Option**") exercisable at any time up to 48 hours prior to Closing to increase the size of the Offering by up to 15%.

The Company has agreed to pay the Agent a cash fee equal to 7.0% of the aggregate gross proceeds raised from the Offering (other than with respect to president's list sales, for which such fee will be reduced to 3.5%) and issue compensation options (the "**Compensation Options**") exercisable at any time up to thirty-six (36) months following Closing to purchase compensation option units (the "**Compensation Option Units**") of the Company in an amount equal to up to 7.0% of the number of Units sold in connection with the Offering (other than with respect to president's list sales, for which the Company will issue Compensation Options exercisable to purchase Compensation Option Units in an amount equal to up to 3.5% of the number of Units sold in connection with such sales). Each Compensation Option Unit will be comprised of one Common Share and one-half of one Common Share purchase warrant (each whole such warrant, a "**Compensation Option Warrant**"). Each Compensation Option Warrant will be exercisable into one Common Share for thirty-six (36) months from the Closing. In addition, the Company will pay the Agent a corporate finance fee in an amount equal to 3.0% of the number of Units issued pursuant to the Offering (including Units sold pursuant to the exercise of the Agent's Option), payable through the issuance of Units.

The Offering will be made by way of a short form prospectus (the "**Prospectus**"), which will be filed with the relevant securities regulatory authorities in Canada. The Prospectus will contain important information about the Offering and will be available on the SEDAR website maintained by the Canadian Securities Administrators at www.sedar.com, under the Company's profile. Any distributions of securities will only be made pursuant to the Prospectus, which remains subject to the issuance of a final receipt by the applicable securities regulators, and any other necessary regulatory approvals, including the acceptance of the Canadian Securities Exchange (the "**CSE**").

The securities being offered under the Offering have not been and will not be registered under the United States Securities Act of 1933, as amended, and may not be offered or sold in the United States absent registration under the United States Securities Act of 1933, as amended, or an exemption from the registration requirements thereof. This material change report does not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of the securities in any jurisdiction in which such offer, sale, or solicitation would be unlawful.

Two related parties of the Company beneficially own, control or exercise direction over, directly or indirectly, the 2019 Debentures. As a result, the amendments to the 2019 Debentures and 2019 Warrants constitute a "related party transaction" within the meaning of Multilateral Instrument 61-101 - *Protection of Minority Security Holders in Special Transactions* ("**MI 61-101**"). The transaction is exempt from the formal valuation and minority shareholder approval requirements of MI 61-101 in respect of related party participation as neither the fair market value (as determined under MI 61-101) of the subject matter of, nor the fair market value of the consideration for, the transaction, insofar as it involves interested parties, exceeds 25% of the Company's market capitalization.

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

This report is not being filed on a confidential basis.

7. Omitted Information

No information has been omitted in respect of the material change.

8. Executive Officer

For further information, please contact:

Corey Gillon, CEO
Telephone: 604-683-2509

9. Date of Report.

May 25, 2021

Cautionary Statement on Forward-Looking Information

This material change report contains *certain "forward-looking information" and "forward-looking statements" within the meaning of applicable securities laws. Such forward-looking information and forward-looking statements are not representative of historical facts or information or current condition, but instead represent only the Company's beliefs regarding future events, plans or objectives, many of which, by their nature, are inherently uncertain and outside of the Company's control. Generally, such forward-looking information or forward-looking statements can be identified by the use of forward-looking terminology such as "plans", "expects" or "does not expect", "is expected", "intends", "anticipates" or "does not anticipate", or "believes", or variations of such words and phrases or may contain statements that certain actions, events or results "may", "could", "would", "might" or "will result", "will continue", "will occur", "will bear", or "will consist". The forward-looking events and circumstances discussed in this material change report may not occur and could differ materially as a result of known and unknown risk factors and uncertainties affecting the Company, including and not limited to, risks and uncertainties associated with or arising as a result of delays in obtaining or an inability to obtain required regulatory approvals, access to sufficient quantities of cannabis, the results of diligence investigations, the actions of third parties, the results of negotiations with third parties, developments in the cannabis industry, the ability to access sufficient capital from internal and external sources, reliance on key personnel risks regarding the COVID-19 pandemic, regulatory risks and delays and other risks and uncertainties discussed in the management discussion and analysis section of the Company's interim and most recent annual financial statement or other reports and filings, including those made with the CSE and applicable Canadian securities regulators. The forward-looking information contained in this material change report is made as of the date hereof, and the Company is not obligated to update or revise any forward-looking information, whether as a result of new information, future events or otherwise, except as required by applicable securities laws.*

By identifying such information and statements in this manner, the Company is alerting the reader that such information and statements are subject to known and unknown risks, uncertainties and other factors that may cause the actual results, level of activity, performance or achievements of the Company to be materially different from those expressed or implied by such information and statements.