

FORM 51-102F3

MATERIAL CHANGE REPORT

Item 1 Name and Address of Company

Auxly Cannabis Group Inc. ("**Auxly**" or the "**Company**")
777 Richmond St W Unit 002
Toronto, Ontario M6J 0C2

Item 2 Date of Material Change

November 22, 2021

Item 3 News Release

The news release announcing the material change was issued on behalf of the Company and disseminated through Globe Newswire on November 22, 2021, and filed on the System for Electronic Document Analysis and Retrieval ("**SEDAR**").

Item 4 Summary of Material Change

On November 22, 2021, the Company announced (a) that it acquired all of the issued and outstanding securities of Sunens Farms Inc. ("**Sunens**") not already owned by Auxly from the holders thereof (the "**Sellers**"), resulting in Auxly having 100% ownership and control of Sunens (the "**Sunens Acquisition**"), and (b) that, concurrently therewith, Sunens amended and restated its secured credit facility initially entered into on September 23, 2019 (such amended and restated form being the "**Amended and Restated Credit Facility**") which is underwritten by a syndicate of lenders led by the Bank of Montreal (collectively, the "**Lenders**").

Item 5 Full Description of Material Change

On November 22, 2021, the Company announced that it completed the Sunens Acquisition pursuant to a share purchase agreement dated November 22, 2021 (the "**Share Purchase Agreement**") for consideration consisting of: (a) \$500,001 in cash; (b) \$1.1 million of common shares of Auxly ("**Auxly Shares**"), as calculated using the 5-day volume-weighted average trading price of the Auxly Shares on the Toronto Stock Exchange on the trading day immediately preceding the closing date of the Sunens Acquisition (the "**Closing Date**"); (c) an unsecured promissory note in the principal amount of \$3.4 million (the "**Promissory Note**"), which Promissory Note bears interest at a rate of 6% per annum and is payable by Auxly over 30 months in equal monthly installments, with the first payment being due on the first anniversary of the Closing Date; and (d) certain non-core non-monetary assets of Sunens. Following the completion of the Sunens Acquisition, Auxly has 100% ownership and control of Sunens and its operations.

The description of the terms of the Share Purchase Agreement contained herein does not purport to be complete and is qualified in its entirety by the terms of the Share Purchase Agreement, which has been separately filed on SEDAR by the Company and is available under the Company's profile at www.sedar.com.

Additionally, on November 22, 2021, the Company announced that, concurrently with the closing of the Sunens Acquisition, Sunens entered into the Amended and Restated Credit Facility, which provides for the following terms, among others:

- Upon signing the Amended and Restated Credit Facility, Auxly made an immediate cash payment of \$15 million to the Lenders, to be applied to the outstanding principal balance of the associated revolving credit facility (the “**Revolving Credit Facility**”), bringing the outstanding principal amount thereunder to \$62.5 million;
- The maturity date provided under Sunens’ secured credit facility initially entered into on September 23, 2019 was extended by one year to September 30, 2023, with an option for Sunens to extend for an additional year by repaying another \$5 million of the outstanding principal amount under the Revolving Credit Facility by December 31, 2022; and
- The obligations of Sunens under the Amended and Restated Credit Facility will continue to be supported by an unsecured \$33 million limited recourse guarantee by Auxly and a pledge by Auxly of all of its securities in the capital of Sunens with revised revenue and EBITDA covenants.

Item 5.1 Disclosure for Restructuring Transactions

Not applicable.

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

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

Item 9 Date of Report

December 2, 2021

Notice Regarding Forward-Looking Information:

This material change report contains certain "forward-looking information" within the meaning of applicable Canadian securities law. Forward-looking information is frequently characterized by words such as "plan", "continue", "expect", "project", "intend", "believe", "anticipate", "estimate", "may", "will", "potential", "proposed" and other similar words, or information that certain events or conditions "may" or "will" occur. This information is only a prediction. Various assumptions were used in drawing the conclusions or making the projections contained in the forward-looking information throughout this material change report. Forward-looking information includes, but is not limited to: the anticipated benefits of the Company's acquisition of Sunens; the Company's execution of its product development and commercialization strategy; the intention to grow the business, operations and existing and potential activities of Auxly and Sunens; the expectation and timing of future revenues; the ability of the Company to maintain and grow its market share; discussions of plans or potential for expansion of capacity at the Sunens facility; consumer preferences; political change, future legislative and regulatory developments involving cannabis and cannabis products; and competition and other risks affecting the Company in particular and the cannabis industry generally.

A number of factors could cause actual results to differ materially from a conclusion, forecast or projection contained in the forward-looking information in this material change report including, but not limited to, whether: Sunens performs consistently with management's expectations; Sunens will generate sufficient cash flow to satisfy its payment obligations under the Amended and Restated Credit Facility; Sunens will remain in compliance with its operating covenants under the Amended and Restated Credit Facility; the Company is able to successfully integrate Sunens' operations with its own; the expected benefits of the acquisition materialize in the manner expected, or at all; Sunens is able to maintain the necessary governmental and regulatory authorizations to conduct business; there is acceptance and demand for current and future Company products by consumers and provincial purchasers; and general economic, financial market, regulatory and political conditions in which the Company and its subsidiaries operate will remain the same. Additional risk factors are disclosed in the annual information form of the Company for the financial year ended December 31, 2020 dated April 23, 2021.

The forward-looking information in this material change report is based on information currently available and what management believes are reasonable assumptions. Forward-looking information speaks only to such assumptions as of the date of this material change report. In addition, this material change report may contain forward-looking information attributed to third party industry sources, the accuracy of which has not been verified by Auxly. Readers should not place undue reliance on forward-looking information contained in this material change report. The forward-looking information contained in this material change report is expressly qualified by the foregoing cautionary statements and is made as of the date of this material change report. Except as may be required by applicable securities laws, the Company does not undertake any obligation to publicly update or revise any forward-looking information to reflect events or circumstances after the date of this material change report or to reflect the occurrence of unanticipated events, whether as a result of new information, future events or results, or otherwise.