

SCHEDULE 51-102F3
MATERIAL CHANGE REPORT

1. Name and Address of the Corporation

ORLETTO CAPITAL II INC. (the “Corporation”)
70 Dalhousie Street, Suite 300
Québec, Québec G1H 4B2

2. Date of Material Change

July 5, 2021

3. News Release

A news release, in French and English version, was issued on August 3, 2021 through Globe Newswire and filed on SEDAR.

4. Summary of Material Change

The Corporation announced the conclusion of an agreement in principle with respect to a qualifying transaction between the Corporation and Charbone Corporation (“Charbone”).

5. Full Description of Material Change

5.1 Full Description of Material Change

The Corporation announced that it has entered into a letter agreement dated April 8, 2021 with Charbone in respect of a proposed business combination under which the Corporation will acquire all of the issued and outstanding shares of Charbone to be effected by way of a three-cornered amalgamation between the Corporation, Charbone and a wholly-owned subsidiary of the Corporation (the “Proposed Transaction”). It is anticipated that the Proposed Transaction will constitute the “Qualifying Transaction” of the Corporation in accordance with *Policy 2.4 – Capital Pool Companies* of the Exchange. This letter agreement replaces the letter agreement concluded with Enerdro Inc. (“Enerdro”) on January 6, 2021 (the “Enerdro Letter Agreement”).

Charbone had initially intended to transfer its hydropower activities to Enerdro while continuing its development activities in the field of green hydrogen. After a review of the potential markets, Charbone elected to retain and pursue its activities both in the hydroelectricity and green hydrogen market within Charbone and mutually agreed to terminate the Enerdro Letter Agreement, with the approval of the Corporation, on April 6, 2021.

About Charbone

Charbone is a corporation incorporated under the *Canada Business Corporations Act* on April 17, 2019.

Charbone is a clean and sustainable hydroelectric manager of power plants with limited operations and activities. Charbone intends to become a producer of green hydrogen that will provide an environmentally friendly solution for industrial and commercial use.

Charbone, through its wholly-owned subsidiary, CHARBONE Corporation USA, made its first acquisition since incorporation on June 29, 2021, Stuwe and Davenport Partnership, LLC (“**Stuwe and Davenport LLC**”), a 0.2 MW hydropower plant located in Vermont for \$470,000 paid in cash. The Vermont hydropower plant has a 20-year operating agreement with Cabot Hosiery Mills Inc. Stuwe and Davenport LLC is located in the municipality of Northfield where it owns a dam built in 1983 on the Dog River. The powerplant was operated by Gravity Renewables, Inc., a Colorado-based company, from 2015 to 2021.

On July 27, 2021, Charbone announced the execution of a 25-year lease, with a 10-year renewal option, on a 390,686.89 sq. ft land in Sorel-Tracy, for an annual rent of \$78,000. Charbone intends to build its first 0.5 MW hydrogen plant by Q4 2021. Furthermore, plans are progressing in order to start production of green hydrogen in Sorel-Tracy by June 2022.

Following the purchase of the Vermont hydropower plant, Charbone plans to pursue the acquisition of 0.2 MW to 25 MW hydropower plants in the USA where the Corporation has identified over 1,500 MW of potential asset to be acquired. Through the acquisition and consolidation of small hydropower plants, the Corporation expects to generate recurring revenues during the deployment of green hydrogen plants throughout North America.

As the hydrogen market evolves, Charbone plans to use its hydropower plants to supply clean energy to its green hydrogen production plants in order to reduce carbon emissions and control production costs. Energy costs are currently a significant component of the hydrogen prices and the ability to control and lower these costs will allow the Corporation to have a more competitive offering when compared to other methods of production of hydrogen.

Buckell Trust, of which the trustee is Dave B. Gagnon, 9029-6799 Québec Inc. owned by Daniel Charette and JURAFE Trust, of which the trustee is Stéphane Dallaire, respectively hold, directly or indirectly, 8,611,343 shares, 7,151,793 shares and 5,692,244 shares in the capital of Charbone, which represent an aggregate of 88.5% of the voting shares of Charbone.

Summary of Financial Information of Charbone

The following table presents selected financial statement information on the financial condition and results of operations for Stuwe and Davenport LLC. Such information is derived from the unaudited financial statements of Stuwe and Davenport LLC for the fiscal years ended December 31, 2020, December 31, 2019 and December 31, 2018. In connection with the Proposed Transaction, Charbone will provide financial statements as of June 30, 2021 on a consolidated basis.

	Fiscal year ended December 31, (unaudited) ⁽¹⁾	Fiscal year ended December 31, (unaudited)	Fiscal year ended December 31, 2019 December 31, 2018 (unaudited)
Revenues	\$10,041	\$281,302	\$343,387
Net loss	(\$279,115)	(\$503,037)	(\$393,790)
Adjustments⁽²⁾			
+Amortization and depreciation	\$129,746	\$310,801	\$302,127
+Interest	\$45,735	\$47,822	\$49,827
+Management fees	\$69,156	\$262,585	\$297,868
+Loss on disposal of property, plant and equipment	\$-----	\$64,776	\$-----
Adjusted EBITDA	(\$34,478)	\$182,947	\$256,032

- (1) Stuwe and Davenport LLC was in operation during only one (1) month in 2020 due to the termination of its contract with Northfield Electric Department. The new interconnect agreement within Cabot Hosiery Mills Inc. was concluded prior to the Charbone acquisition. The agreement has a 20-year term for Stuwe and Davenport LLC where Charbone management expects to restart production of hydropower by the end of September 2021.
- (2) Charbone believes that adjusted EBITDA is an important measure when analyzing its operating profitability without being influenced by financing decisions, non-cash items, income tax strategies and management fees that are not necessary to the operation of the business. Comparison with peers is also easier as companies rarely have the same capital and financing structure. Each of these non-IFRS financial measures is not an earnings or cash flow measure recognized by International Financial Reporting Standards (IFRS) and does not have a standardized meaning prescribed by IFRS. The method of calculating such financial measures may differ from the methods used by other issuers and, accordingly, the definition of that non-IFRS financial measures may not be comparable to similar measures presented by other issuers. Investors are cautioned that non-IFRS financial measures should not be construed as an alternative to net income determined in accordance with IFRS as indicators of Charbone's performance or to cash flows from operating activities as measures of liquidity and cash flows.

Based on the unaudited financial statements of Charbone for the quarter ended March 31, 2021, Charbone had total current assets of approximately \$1,400,000 total current liabilities of approximately \$130,000 and convertible debentures of \$2,000,000. As of December 31, 2020, Charbone had no assets or revenues and expenses of \$360,000. With its newly acquired Vermont hydropower plant, Charbone expects to start generating revenues in September 2021.

The Proposed Transaction and Concurrent Financing

Charbone currently has 24,243,367 Class A shares issued and outstanding (the “**Charbone Common Shares**”) as well as convertible debentures for an amount of \$2,395,845 which can be converted on or before December 31, 2023 into Class A shares at a conversion price equal to 75% of the transaction price of Class A shares in the context of a relevant event such as the Proposed Transaction (the “**Charbone Existing Debentures**”) which will be converted into Charbone Common Shares at the closing of the Proposed Transaction.

In connection with the Proposed Transaction, Charbone will arrange a private placement (the “**Charbone Private Placement**”) of subscription receipts of Charbone (the “**Subscription Receipts**”) for a minimum amount of CA\$5,000,000 which will be held in escrow by a subscription receipt agent. The price per Subscription Receipt will be determined based on market conditions at the time of closing. Upon satisfaction of the escrow release conditions, which includes completion of the Proposed Transaction, each Subscription Receipt is expected to be exercised, without payment of any additional consideration and without further action on the part of the holder thereof, for one Charbone Common Share. On July 5, 2021, Charbone entered into a letter agreement with Desjardins Capital Markets to act as agent (the “**Agent**”) on a “commercially reasonable efforts” basis for the Charbone Private Placement and in connection therewith, shall pay in the event that the Charbone Private Placement is completed, a financing fee upon closing equal to 8% of gross proceeds raised from all investors; as well as a number of warrants equal to 8% of the number of securities issued in the Charbone Private Placement (the “**Agent’s Warrants**”). Such Warrants shall have an exercise price equal to the price per security issued under the Charbone Private Placement. The term of the Warrants shall be for 24 months from closing of the gross proceeds of the Charbone Private Placement. Charbone shall also pay a fee of CA\$100,000 to the Agent, due and payable upon closing of the Charbone Private Placement, paid in securities at the price equal to the price per security under the Charbone Private Placement.

The Proposed Transaction will be completed by way of a three-cornered amalgamation whereby a wholly owned subsidiary of the Corporation (“**Orletto Subco**”), will amalgamate with Charbone pursuant to an amalgamation agreement (the “**Amalgamation Agreement**”). The Corporation will then acquire all of the issued and outstanding Charbone Common Shares by the issuance of the Corporation Common Shares which will represent at the closing of the Proposed Transaction and after the conversion of the Existing Charbone Debentures but before the closing of the Charbone Private Placement, 82 % of all the issued and outstanding Charbone Common Shares. The exchange ratio is still subject of discussion with the Corporation and Charbone. In addition, all the issued and outstanding Charbone Common Shares after the exercise of the Subscription Receipts will be exchanged for the Corporation Common Shares on the same terms and conditions. The Agent’s Warrant issued by Charbone will be exchanged for replacement Agent’s Warrant by the Corporation with adjusted terms according to the same ratio as for the issuance of the Corporation Common Shares in exchange for all the issued and outstanding Charbone Common Share.

The amalgamated corporation resulting from the amalgamation of Orletto Subco and Charbone will be wholly owned by the Corporation (the “**Resulting Issuer**”). On completion of the Proposed Transaction, the Resulting Issuer will then change its name to “CHARBONE Corporation” (the “**Name Change**”) to continue its business.

The completion of the Proposed Transaction remains subject to a number of terms and conditions, including, among other things: the receipt of all necessary consents, orders and approvals, the delivery of audited financial statements of the Corporation; the audited financial statements of Charbone for the year ended December 31, 2020; no adverse material change in the business, affairs or operations of the Corporation; no adverse material change in the business, affairs or operations of Charbone; the review to the sole satisfaction of

Charbone of the financial condition, business, properties, title, assets and affairs of the Corporation; the review, to the sole satisfaction of the Corporation of the Charbone Assets and of the financial condition and business of Charbone; the approval of the Proposed Transaction by the Board of Directors of each of the Corporation and Charbone; the entering into of the definitive agreements in such form and substance satisfactory to the parties; the Exchange's escrow agreement shall have been entered into; the Board of Directors of the Corporation shall consist of five directors; the Corporation shall not have undertaken any business, other than in connection with the completion of the Proposed Transaction and the entering into of the Amalgamation Agreement.

There can be no assurance that all of the necessary regulatory approvals will be obtained.

Summary of Proposed Officers of the Resulting Issuer

It is intended that concurrent with the closing of the Proposed Transaction, the board of directors and management of the Corporation will be reconstituted. Details regarding the proposed directors of the Resulting Issuer will be provided in a subsequent press release. The proposed directors shall hold office until the first annual meeting of the shareholders of the Resulting Issuer following closing, or until their successors are duly appointed or elected. The key officers of the Resulting Issuer will be Dave B. Gagnon as Chairman and Chief Executive Officer, Stéphane Dallaire as Chief Financial Officer and Head of Corporate Finance, and Daniel Charette as Chief Operating Officer.

Additional biographical information about the proposed directors and officers of the Resulting Issuer is provided below.

Dave B. Gagnon – Chairman and Chief Executive Officer

Dave B. Gagnon has been a climate technology entrepreneur for more than 25 years. With his vision and ability to establish strategic partnerships, he has developed many international businesses by engaging them in high-profile projects with public entities. He was also a pioneer in implementing sustainable development policies that would later become common practice throughout many industries.

In 1998, Mr. Gagnon joined ExportDev, a subsidiary of the Caisse de dépôt et placement du Québec where he assisted other entrepreneurs grow their businesses and where he gained deep knowledge of the financial markets. After having worked for Quebec's largest pension fund, he returned to his entrepreneurial passion and pursued his vision to start his own business ventures.

In 2000, he founded AAER Inc., a wind turbine manufacturing company. After the acquisition of the business of AAER Inc. by Pioneer Power Solutions Inc. in 2010, Mr. Gagnon founded Tantalex Resources Inc. in 2012, an exploration and development of lithium and tantalum company listed on the Canadian Stock Exchange of which he was the CEO until 2019.

Dave B. Gagnon is currently a significant shareholder and Chairman and Chief Executive Officer of Charbone, a zero-carbon emission energy provider is involved in Green Hydrogen & Hydropower operations.

Stéphane Dallaire – Chief Financial Officer and Head of Corporate Finance

Stéphane Dallaire is an executive level manager with 25 years' experience leading financial operations, private equity investments, M&A, and asset dispositions in high tech, entertainment, telecom, information technology, solar and energy technologies. He has participated in financial and strategic partnerships at the international level where he played a key role implementing and delivering high growth solutions for large institutions.

Mr. Dallaire has spent many years in the renewable energy sector as an Investment Manager at Hydro-Quebec - Capitech from 2001 to 2002 and as Chief Financial Officer and Executive vice president of Corporate Development at ICP Solar Technologies in 2003. From 2014 to 2018, he was a Managing Partner at Towerlook / Fidenti Global Partners, a boutique investment firm in Montreal as well as Chief Executive Officer of Platinum Corporation (EHR software company). Furthermore, he has demonstrated expertise in financial valuation, venture capital and private equity at Société Générale de Financement du Québec from 1998 to 2001, and then, from 2004 to 2013, he acted as an independent advisor where he has helped companies increase in value and improve corporate performance.

Recognized as an IT-Finance Specialist, Mr. Dallaire has also recently received his certification in Artificial Intelligence from the MIT Sloan School of Management.

Holder of the CFA, CMA, CPA and CPA (USA) designations, Mr. Dallaire also has a B.B.A from HEC Montreal in Finance (1995), an Executive MBA (2003) and a Specialized Graduate degree in Accounting (2007) from University of Quebec. He is also an active member of the CFA Institute, l'Ordre des CPA du Québec, the Illinois Board of Examiners, the Illinois Department of Financial and Professional Regulation.

Daniel Charette – Chief Operating Officer

Daniel Charette is a veteran in renewable energy and an entrepreneur that has been managing many sustainable energy companies for over 30 years. In the early days, when the Canadian wind energy sector started being considered as a viable solution, he became a recognized executive within the renewable energy market.

In 1998, he was appointed Director of Manufacturing by Danish wind turbine manufacturer NEG Micon A/S to set-up the first Canadian wind turbine nacelles assembly plant. From 1999 to 2002, he established Canada's first regional center for operations and maintenance of wind turbines for America's largest wind farm. From 2002 to 2005, he acted as NEG Micon A/S's National Sales for Canada and for Vestas Systems A/S. In 2005, he went on to Brookfield Renewable Partners LP where he acted as Business Development Manager for the Renewable Energy Division.

In 2006, he joined AAER Inc. as Senior Vice-president. AEER Inc. was the first pure play Canadian wind turbine manufacturer. Following the acquisition of AEER Inc. by Pioneer

Power Solutions Inc., he became President of Pioneer Wind Energy Systems Ltd. He then went on to the Canadian subsidiary of NRG Systems, Inc. where he became Director of operations for the tall-tower manufacturing and installation division. More recently, he acted as Project Manager at Leader Resources Services Corp. for the construction of wind, solar and storage energy projects.

Mr. Charette has served on various Association Boards & Councils, including the Board of Directors of the Canadian Wind Energy Association for nine years, Association Québécoise des Producteurs d'Énergie Renouvelable for two years and Latin Wind Energy Association for 3 years.

Insiders

The following persons are expected to be insiders of the Resulting Issuer: Dave B. Gagnon, Daniel Charette and Stéphane Dallaire; either directly or indirectly, through their management companies.

Sponsorship of a Qualifying Transaction

Sponsorship of a qualifying transaction is required by the Exchange unless exempt or waived in accordance with Exchange policies. The Corporation intends to apply for a waiver from the sponsorship requirements pursuant to the policies of the Exchange, however, there is no assurance that a waiver will be provided.

Other Information relating to the Proposed Transaction

The Proposed Transaction will not constitute a “Non-Arm’s Length Qualifying Transaction” (as such term is defined in the policies of the Exchange) for the Corporation. Accordingly, the Proposed Transaction will not require the approval of the shareholders of the Corporation.

No finder’s fees are payable in connection with the Proposed Transaction.

The Proposed Transaction will require the approval of the shareholders of Charbone. Charbone intends to hold a shareholder meeting to seek all necessary approvals.

In accordance with the policies of the Exchange, the Corporation’s Common Shares are currently halted from trading and will remain so until such time as the Exchange determines, which, depending on the policies of the Exchange, may not occur until completion of the Proposed Transaction.

Further updates, including financial information regarding Charbone and its subsidiary Charbone Corporation USA and details regarding the proposed directors of the Resulting Issuer, will be provided in a subsequent press release.

5.2 Disclosure for Restructuring Transactions

Not applicable.

6. Reliance on subsection 7.1(2) of Regulation 51-102

Not applicable.

7. Omitted Information

Not applicable.

8. Executive Officer

For all additional information, please contact:

Mr. Benoit Chotard

President and Chief Executive Officer

Telephone: 778-996-4676

9. Date of Report

August 12, 2021