

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

**1. Name and Address of Company**

Target Capital Inc. d.b.a. CBI<sup>2</sup> Capital (“CBI<sup>2</sup>”)  
Suite 300, 407 - 3rd Street S.W.  
Calgary, Alberta  
T2P 4Z2

**2. Date of Material Change**

July 23, 2018

**3. News Release**

A news release describing the nature and substance of the material change was issued on July 23, 2018 through the news wire facilities of Canada NewsWire and GlobeNewswire.

**4. Summary of Material Change**

On July 23, 2018, CBI<sup>2</sup> and 51st Parallel Inc. (“**51st Parallel**”) announced that they had entered into an arrangement agreement (the “**Arrangement Agreement**”) whereby Target and 51st Parallel will complete a business combination pursuant to a plan of arrangement (the “**Plan of Arrangement**”) under the *Business Corporations Act* (Alberta) (the “**Transaction**”). The steps of the Plan of Arrangement will result in the creation of LivWell International Corp. (“**LivWell International**”) through the business combination of CBI<sup>2</sup> and 51st Parallel. LivWell International will be listed on the Canadian Securities Exchange (the “**CSE**”) and the TSX Venture Exchange (“**TSXV**”) and will be a Calgary-based, vertically integrated cannabis company focused on cultivation, processing and extraction, retail operations, and the execution of a cannabis-brand acquisition, licensing and development strategy.

Concurrent with the creation of LivWell International, the following transactions are expected to be completed: (i) a strategic US\$20.0 million equity investment by 51st Parallel in GCH, Inc. (“**GCH**”) a Denver-based cannabis brand holding company; (ii) the acquisition by 51st Parallel of the exclusive Canadian licensing rights to GCH's flagship brands, WILLIE'S RESERVE™ and WILLIE'S REMEDY™, along with the first option to GCH's future brand portfolio for no additional consideration other than as already contemplated by the agreements between GCH and 51st Parallel (the “**GCH Transaction**”); and (iii) a concurrent \$50.0 million subscription receipt financing in 51st Parallel.

## 5.1 Full Description of Material Change

### ***Plan of Arrangement and Related Transactions Summary***

#### Formation of LivWell International

CBi<sup>2</sup> and 51st Parallel executed the Arrangement Agreement dated July 23, 2018 whereby CBi<sup>2</sup> and 51st Parallel will complete the Transaction by way of Plan of Arrangement. The Transaction is not a related party transaction.

Pursuant to the Transaction, each common share of 51st Parallel ("**51st Parallel Share**") will be exchanged for common shares of CBi<sup>2</sup> ("**CBi<sup>2</sup> Shares**") on the basis of a deemed value of \$0.11 per CBi<sup>2</sup> Share and CBi<sup>2</sup> and 51st Parallel will be amalgamated to form LivWell International. The Transaction is expected to constitute a "Reverse Takeover" pursuant to the policies of the TSXV and the CSE and is subject to the acceptance of the TSXV, the CSE and shareholders of CBi<sup>2</sup> and 51st Parallel. CBi<sup>2</sup> is not at arms' length to 51st Parallel.

LivWell International will be led by the existing management team of LivWell Enlightened Health™ ("**LivWell**"): John Lord (Chairman and CEO), Dean Heizer (Executive Director), Michael Lord (Chief Operating Officer), Todd Oltmans (Manager of Construction and Facilities), Nate Fate (Manager of Cultivation and Production) and Dakeana Jones (Manager of Human Resources). Joining LivWell's team will be David Cheadle as LivWell International's VP Finance and Chief Financial Officer and Sony Gill as Corporate Secretary. Upon completion of the business combination involving CBi<sup>2</sup> and 51st Parallel, LivWell International's board of directors will be comprised of the following professionals: John Lord, Dean Heizer, Andy Williams (Co-founder and Chairman of Medicine Man Technologies Inc.), Jason Kujath (Co-founder and President of 51st Parallel) and Ron Hozjan (VP Finance and CFO of Tamarack Valley Energy Ltd.).

#### Strategic Equity Investment in GCH

In addition, 51st Parallel announced the execution of an investment agreement (the "**Investment Agreement**") with GCH, a cannabis brand holding company founded with Willie Nelson to develop a portfolio of cannabis brands. Pursuant to the Investment Agreement, 51st Parallel will invest US\$20.0 million into GCH and will own approximately 12.4% of GCH on a fully diluted basis.

At closing of the Transaction, 51st Parallel and GCH will enter into: (i) an investor rights agreement pursuant to which, among other things, LivWell International will have the right to nominate a director to the board of GCH, who will initially be Sonny Mottahed, Chairman, President and CEO of CBi<sup>2</sup> and CEO and a director of 51st Parallel; and (ii) an exclusive use agreement pursuant to which, among other things, LivWell International will have exclusive and perpetual rights to all existing brands and products of GCH in Canada, including WILLIE'S RESERVE™ and WILLIE'S REMEDY™, and a first option on all further brands and products of GCH for no additional consideration other than as already contemplated by the agreements between GCH and 51st Parallel. GCH is at arms' length to 51st Parallel, CBi<sup>2</sup> and LivWell.

### Exclusive License with LivWell

In addition, 51st Parallel announced a license with LivWell which will provide LivWell International with exclusive access to, and the perpetual right to use, LivWell's existing and future intellectual property, patents, trademarks, proprietary tissue culture program, extraction technologies, library of extracted and infused products and standard operating procedures in Canada.

The Transaction does not include a business combination with LivWell, which will remain a standalone entity subsequent to the Transaction.

### Financial Information

The table below presents selected financial information for 51st Parallel on a consolidated basis. Neither 51st Parallel nor its wholly-owned subsidiaries, 51st Parallel Life Sciences Ltd. and Pineapple Shop Inc., have conducted active operations since their incorporation.

	<b>Three Month period ended</b> <b>March 31, 2018<sup>(1)</sup></b> <small>(in thousands of CDN Dollars)</small>	<b>Year ended</b> <b>December 31, 2017<sup>(2)</sup></b> <small>(in thousands of CDN Dollars)</small>
Revenues	-	-
Expenses	\$401	-
Net Loss	\$401	-
Total Assets	\$18,708	\$20,013
Total Liabilities	\$87	\$88
Total Shareholders' Equity	\$19,021	\$19,925

**Notes:**

- (1) Based on the unaudited consolidated financial statements prepared in respect of 51st Parallel for the three month period ended March 31, 2018.
- (2) Based on the unaudited consolidated financial statements prepared in respect of 51st Parallel for the year ended December 31, 2017.

The table below presents selected financial information for GCH on a consolidated basis for the year ended December 31, 2017 and for the three month period ended March 31, 2018.

	<b>Three Month period ended</b> <b>March 31, 2018<sup>(1)</sup></b> <small>(in thousands of U.S. Dollars)</small>	<b>Year ended</b> <b>December 31, 2017<sup>(2)</sup></b> <small>(in thousands of U.S. Dollars)</small>
Revenues	\$1,067	\$3,449
Expenses	\$3,254	\$11,977
Net Loss	\$2,187	\$8,528
Total Assets	\$10,855	\$12,302
Total Liabilities	\$13,929	\$13,193
Total Shareholders' Deficit	\$3,074	\$891

**Notes:**

- (1) Based on the unaudited consolidated financial statements prepared in respect of GCH for the three month period ended March 31, 2018.

- (2) Based on the unaudited consolidated financial statements prepared in respect of GCH for the year ended December 31, 2017.

Information with respect to the financial statements of 51st Parallel and GCH will be included in the management information circular to be filed on SEDAR in connection with the Transaction at [www.sedar.com](http://www.sedar.com), together with pro forma financial statements of CBI<sup>2</sup> giving effect to the Transaction.

#### 51st Parallel Subscription Receipt Financing

In conjunction with the closing of the Transaction, 51st Parallel has entered into an agreement with a syndicate of investment dealers (the "**Agents**") led by Eight Capital and including Cormark Securities Inc., Canaccord Genuity Corp., AltaCorp Capital Inc. and Atlas Capital (which are each a "member" within the meaning of the policies of the TSXV, other than Atlas Capital), for a brokered private placement offering of subscription receipts of 51st Parallel (the "**Initial Subscription Receipts**") at an issue price (the "**Issue Price**") to be determined in the context of the market on a best efforts agency basis for aggregate gross proceeds of up to \$50.0 million (the "**Financing**"). The Financing is expected to close on or about August 21, 2018. Each Initial Subscription Receipt will be exchangeable into one 51st Parallel Share without any further action required on the part of the holder of the Initial Subscription Receipt and without payment of any additional consideration, upon the closing of the Transaction.

The gross proceeds from the Financing will be held in escrow pending the completion of the Transaction, which is expected to close on or around September 28, 2018. If all conditions to the completion of the Transaction (other than funding) are satisfied on or before October 31, 2018, the net proceeds from the sale of the Initial Subscription Receipts will be released from escrow to 51st Parallel and each Initial Subscription Receipt will be exchanged for one 51st Parallel Share. If the Transaction is not completed on or before October 31, 2018, or is terminated at an earlier time, then the purchase price for the Initial Subscription Receipts will be returned to subscribers, together with a pro rata portion of interest earned on the escrowed funds, if any.

The Agents will be entitled to receive from 51st Parallel a cash commission equal to 6% of the gross proceeds of the Financing upon the release to 51st Parallel of the escrowed funds on the closing date of the Transaction. The Agents have the option to purchase additional Initial Subscription Receipts, exercisable in whole or in part at the Issue Price, at any time up to 48 hours prior to closing of the Transaction, for additional aggregate gross proceeds of up to \$7.5 million.

The net proceeds of the Financing will be used to fund the GCH Transaction, 51st Parallel's operations and for work capital and general corporate purposes. Completion of the Financing is a condition precedent to the completion of the Transaction. In the event 51st Parallel is unable to complete the Financing on satisfactory terms, 51st Parallel and CBI<sup>2</sup> will be unable to complete the Transaction.

## The Transaction

Pursuant to the Transaction:

- (i) subject to the terms of the Arrangement Agreement, each holder of 51st Parallel Shares shall be deemed to have exchanged such 51st Parallel Shares (including those issued upon the exchange of Initial Subscription Receipts) for CBI<sup>2</sup> Shares on the basis of a deemed value of \$0.11 per CBI<sup>2</sup> Share and shall receive CBI<sup>2</sup> Shares for each 51st Parallel Share held by such shareholder;
- (ii) all of 51st Parallel's outstanding common share purchase warrants, performance warrants and share options shall be adjusted in accordance with paragraph (i) above;
- (iii) 51st Parallel and CBI<sup>2</sup> will amalgamate and continue as one corporation operating in the life sciences industry segment under the name LivWell International Corp.;
- (iv) all of the outstanding common share purchase warrants of LivWell International will be listed on the TSXV and the CSE; and
- (v) the GCH Transaction shall be completed.

Completion of the Transaction is subject to the satisfaction of a number of conditions, including, but not limited to: (i) completion of the Financing; (ii) the approval of CBI<sup>2</sup> shareholders has not been withdrawn, amended, changed or otherwise qualified; (iii) the approval of 51st Parallel shareholders has not been withdrawn, amended, changed or otherwise qualified; (iv) receipt of Court approval of the Transaction; (v) satisfaction or waiver of all of the conditions to the closing of the GCH Transaction, other than those which shall be satisfied under the Plan of Arrangement; (vi) receipt of TSXV and CSE conditional approval for the Transaction and the issuance of CBI<sup>2</sup> Shares pursuant to the Transaction; and (vii) receipt of all regulatory, governmental and third party approvals required prior to completion.

Sonny Mottahed, President, Chief Executive Officer and Chairman of CBI<sup>2</sup>, is also Chief Executive Officer and a director of 51st Parallel. Mr. Mottahed abstained from voting at the directors meetings of CBI<sup>2</sup> and 51st Parallel regarding the Transaction. Jason Kujath, Corporate Counsel of CBI<sup>2</sup>, is also President, Chief Operating Officer and a director of 51st Parallel. David Cheadle, Chief Financial Officer of CBI<sup>2</sup>, is also Chief Financial Officer of 51st Parallel. As a result of the foregoing, the Transaction will not constitute an arm's length transaction pursuant to the policies of the TSXV and the CSE.

Eight Capital and KES VII Capital are acting as strategic advisors to 51st Parallel with respect to the Transaction and the GCH Transaction.

In connection with the Transaction, it is expected that CBI<sup>2</sup> and 51st Parallel will each hold a shareholder meeting to seek approval of the Transaction.

Directors, officers and certain shareholders holding 15.3% of the CBI<sup>2</sup> Shares and 17.5% of the 51st Parallel Shares have entered into lock-up agreements with 51st Parallel and

CBI<sup>2</sup>, respectively, pursuant to which they have agreed to vote their CBI<sup>2</sup> Shares and 51st Parallel Shares, as applicable, in favour of the Transaction.

Upon closing of the Transaction and the GCH Transaction, LivWell International is expected to have approximately \$42.0 million in cash. The Transaction will not result in the creation of a new control person.

#### Reader Advisory

*Completion of the Transaction is subject to a number of conditions, including but not limited to, TSXV and CSE acceptance and, if applicable, disinterested shareholder approval. Where applicable, the Transactions cannot close until the required shareholder approval is obtained. There can be no assurance that the Transaction will be completed as proposed or at all.*

*Investors are cautioned that, except as disclosed in the management information circular to be prepared in connection with the Transaction, any information released or received with respect to the Transaction may not be accurate or complete and should not be relied upon. Trading in the securities of CBI<sup>2</sup> should be considered highly speculative.*

*This material change report is not an offer of the securities for sale in the United States. The securities have not been registered under the United States Securities Act of 1933, as amended, and may not be offered or sold in the United States absent registration or an exemption from registration. This material change report shall 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 state in which such offer, solicitation or sale would be unlawful.*

*The TSX Venture Exchange Inc. has in no way passed upon the merits of the Transaction and has neither approved nor disapproved of the contents of this material change report.*

*Neither the TSXV nor its regulation services provider (as that term is defined in the policies of the TSXV) accepts responsibility for the adequacy or accuracy of this release.*

#### Forward-Looking Statements

*This material change report contains forward-looking statements and forward-looking information within the meaning of applicable securities laws. The use of any of the words "expect", "anticipate", "continue", "estimate", "objective", "ongoing", "may", "will", "project", "should", "believe", "plans", "intends" and similar expressions are intended to identify forward-looking information or statements. More particularly and without limitation, this material change report contains forward looking statements and information concerning the Transaction, the GCH Transaction and the Financing, the expected composition of the management team and board of directors of LivWell International, the application to the TSXV and the CSE in respect of the Transaction, LivWell International's business strategy, objectives, strength and focus and LivWell International's capital expenditure program.*

*The forward-looking statements and information are based on certain key expectations and assumptions made by CBI<sup>2</sup>, including expectations and assumptions concerning: CBI<sup>2</sup>, 51st Parallel, LivWell, GCH, LivWell International, the GCH Transaction, the Financing and the Transaction, the negotiation of the Financing on satisfactory terms, the timely receipt of all required securityholder, Court, TSXV, CSE and regulatory approvals, the satisfaction of other closing conditions in accordance with the terms of the Arrangement Agreement and the Investment Agreement, the future operations of, and transactions completed by, LivWell International, the availability of and access to qualified personnel, the expected growth in the cannabis market, the medical benefits, viability, safety, efficacy, dosing and social acceptance of cannabis, the securities markets and the general economy, the legalization of cannabis for adult-use in Canada, including federal and provincial regulations pertaining thereto and the timing related thereof and LivWell International's intentions to participate in such market, if and when legalized, applicable laws not changing in a manner that is unfavorable to LivWell International. Readers are cautioned that the foregoing list is not exhaustive of all factors and assumptions which have been used.*

*Although CBI<sup>2</sup> believes that the expectations and assumptions on which such forward-looking statements and information are based are reasonable, undue reliance should not be placed on the forward looking statements and information because CBI<sup>2</sup> can give no assurance that they will prove to be correct. By its nature, such forward-looking information is subject to various risks and uncertainties, which could cause the actual results and expectations to differ materially from the anticipated results or expectations expressed. These risks and uncertainties, include, but are not limited to, the results of the due diligence review on any of CBI<sup>2</sup>, 51st Parallel or GCH by another party are less than satisfactory, the failure to complete the Financing on satisfactory terms or the parties are unable to obtain the required TSXV, CSE and shareholder approvals, risks associated with the cannabis industry in general, actions and initiatives of federal, state and provincial governments and changes to government policies and the execution and impact of these actions, initiatives and policies, including the fact that adult-use cannabis is currently illegal under federal and provincial law, import/export restrictions for*

cannabinoid-based operations, the size of the medical-use and adult-use cannabis market and competition from other industry participants.

Readers are cautioned that the assumptions used in the preparation of forward-looking information, although considered reasonable at the time of preparation, may prove to be imprecise. CBI<sup>2</sup>'s actual results, performance or achievement could differ materially from those expressed in, or implied by, these forward-looking statements and accordingly there can be no assurance that such expectations will be realized and/or what benefits CBI<sup>2</sup> will derive therefrom. The forward-looking information contained in this material change report is made as of the date hereof and CBI<sup>2</sup> undertakes no obligation to update or revise any forward-looking information, whether as a result of new information, future events or otherwise, unless required by applicable securities laws. The forward-looking information contained in this material change report is expressly qualified by this cautionary statement.

## **5.2 Disclosure for Restructuring Transactions**

Not applicable.

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

Not applicable

## **7. Omitted Information**

No information has been omitted.

## **8. Executive Officer**

William Macdonald  
Executive Vice President, Corporate Development  
403-261-8945

## **9. Date of Report**

July 31, 2018