

**Form 51-102F3**  
**Material Change Report**

**Item 1:      *Name and Address of Company***

Flower One Holdings Inc. (“**Flower One**” or the “**Company**”)  
Suite 600 - 20 Richmond Street West  
Toronto, ON M5C 2R9

Telephone: 416-200-7641

**Item 2:      *Date of Material Change***

May 4, 2020

**Item 3:      *News Release***

The Company issued a news release in Toronto, Ontario May 4, 2020 via CNW Newswire.

**Item 4:      *Summary of Material Change***

On May 4, 2020 Flower One announced that it successfully closed its previously announced non-brokered private placement, raising gross proceeds of CDN\$10.9 million (US\$7.8 million) (the “**Private Placement**”), which represents an increase of the offering size announced on April 27, 2020, of CDN\$10.5 million (US\$7.5 million). In connection with the Private Placement, the Company issued a total of 29,599,025 units (“**Units**”) comprised of one common share in the capital of the Company (each a “**Common Share**”) and one-half common share purchase warrant (each a “**Warrant**”). The Company intends to use the net proceeds for general corporate and working capital purposes.

**Item 5:      *Full Description of Material Change***

**5.1      *Full Description of Material Change***

On May 4, 2020 Flower One announced that it successfully closed its previously announced Private Placement, which represents an increase of the offering size announced on April 27, 2020, of CDN\$10.5 million (US\$7.5 million). In connection with the Private Placement, the Company issued Units comprised of one Common Share in the capital of the Company and one-half common share purchase Warrant. The Company intends to use the net proceeds for general corporate and working capital purposes.

Each whole Warrant entitles its holder to acquire one common share in the capital of the Company at an exercise price of CDN\$0.44 any time up to and including May 1, 2023, subject to adjustments in certain customary events, provided that if, at any time prior to the expiry date of the Warrants, the trading price of the Common Shares on the Canadian Securities Exchange exceeds CDN\$0.88 for 20 consecutive trading days, the Company may within 10 business days of the occurrence of such event deliver a notice to the holders of such Warrants accelerating the expiry date of the Warrants to the date that is 90 days following the date of such notice. The Warrants are transferrable subject to

written consent provided by the Company. The Warrants will provide for customary anti-dilution adjustments to protect their economic value, including corporate actions of the Company such as share splits or consolidations, reclassifications, non-cash distributions, and business combination transactions.

The Units have been issued on a private placement basis pursuant to applicable exemptions from prospectus requirements under applicable securities laws. 3,699,458 of the Units have been registered in the names of Canadian investors and the corresponding Common Shares, Warrants and Warrant Shares are subject to resale restrictions under Canadian securities laws until August 2, 2020.

Neither the Units (or the Common Shares or the Warrants forming part of the Units) have been or will be registered under the United States Securities Act of 1933, as amended (the "**U.S. Securities Act**"), or any state securities laws, and such securities may therefore not be offered or sold in the United States or to or for the account or benefit of a person in the United States or a U.S. Person (as defined in Regulation S of the U.S. Securities Act) absent registration or an applicable exemption from the registration requirements of the U.S. Securities Act and applicable U.S. state securities laws.

*Statements in this report that are not statements of historical or current fact constitute "forward-looking information" within the meaning of Canadian securities laws and "forward-looking statements" within the meaning of United States securities laws (collectively, "forward-looking statements"). Such forward-looking statements involve known and unknown risks, uncertainties, and other unknown factors that could cause the actual results of the Company to be materially different from historical results or from any future actual results expressed or implied by such forward-looking statements. In addition to statements which explicitly describe such risks and uncertainties, readers are urged to consider statements labeled with the terms "believes," "belief," "expects," "intends," "anticipates," "potential," "should," "may," "will," "plans," "continue" or other similar expressions to be uncertain and forward-looking.*

*Forward-looking statements may include, without limitation, statements relating to the use of proceeds; the Company's leadership as a cannabis cultivator, producer, innovator and full-service brand fulfillment partner; the Company's ability to offer consistent, reliable and scalable fulfilment to its brand partners; and the production of the nation's top-performing edibles brands.*

*The Company is indirectly involved in the manufacture, possession, use, sale and distribution of cannabis in the recreational and medicinal cannabis marketplaces in the United States through its subsidiary Cana Nevada Corp. Local state laws where Cana Nevada Corp. operates permit such activities; however, these activities are currently illegal under United States federal law. Additional information regarding this and other risks and uncertainties relating to the Company's business are contained under the heading "Risk Factors" in the Company's Shelf Prospectus dated September 27, 2019 and the Prospectus Supplement dated November 8, 2019 (collectively, the "Prospectus") filed on its issuer profile on SEDAR at [www.sedar.com](http://www.sedar.com).*

*The forward-looking statements contained in this report are expressly qualified in their entirety by this cautionary statement, the "Cautionary Statement regarding Forward-Looking Information" section contained in the Prospectus. All forward-looking statements in this report are made as of the date of this report. The forward-looking statements contained herein are also subject generally to assumptions and risks and uncertainties that are described from time to time in the Company's public securities filings with the Canadian securities commissions, including the Company's Prospectus.*

*Although Flower One has attempted to identify important factors that could cause actual results, performance or achievements to differ materially from those contained in the forward-looking statements, there can be other factors that cause results, performance or achievements not to be as anticipated, estimated or intended, including, but not limited to: dependence on obtaining regulatory approvals; investing in target companies or projects that are engaged in activities currently considered illegal under United States federal law; changes in laws; limited operating history; reliance on management; requirements for additional financing; competition; hindering market growth and state adoption due to inconsistent public opinion and perception of the medical-use and adult-use marijuana industry and; regulatory or political change.*

*Accordingly, readers should not place undue reliance on forward-looking statements. The forward-looking statements in this report are made as of the date of this report. Flower One disclaims and does not undertake any intention or obligation to update or revise any such forward-looking statements, whether as a result of new information, future events or otherwise, except as required by applicable law.*

**5.2 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**

No significant facts remain confidential and no information has been omitted in this report.

**Item 8: Executive Officer**

**Name of Executive Officer:** Ken Villazor, President and CEO

**Telephone Number:** 416-200-7641

**Item 9: Date of Report**

June 8, 2020