

FORM 51-102F3
MATERIAL CHANGE REPORT

Item 1. Name and Address of Company

Pele Mountain Resources Inc. ("Pele" or the "Company")
66 Wellington Street West
Suite 4100
Toronto, Ontario M5K 1B7

Item 2. Date of Material Change

February 12, 2019

Item 3. News Release

Press release issued by Pele on February 12, 2019, in respect to the material change referred to in this report via a Canadian news wire service, a copy of which has been filed via SEDAR.

Item 4. Summary of Material Change

The Company announces that it completed a private placement financing of subscription receipts by Bhang Canada Inc. for gross proceeds of \$5,905,010.50.

Item 5. Full Description of Material Change

Pele announces that, further to its November 9, 2018 announcement regarding the business combination pursuant to which, among other things, Pele will complete a reverse take-over of Bhang Corporation ("**Bhang**"), a privately-held Nevada corporation (the "**RTO Transaction**"), Bhang Canada Inc. ("**BCI**"), a special purpose vehicle, completed a private placement financing of subscription receipts (the "**Subscription Receipts**") for gross proceeds of \$5,905,010.50 (the "**Offering**").

Under the Offering, BCI issued an aggregate of 11,810,021 Subscription Receipts at a price of \$0.50 per Subscription Receipt for gross proceeds of \$5,905,010.50. The Offering was comprised of a brokered offering of Subscription Receipts (the "**Brokered Offering**"), which was led by AltaCorp Capital Inc., as lead agent and sole bookrunner, and included Echelon Wealth Partners Inc., Eight Capital and Industrial Alliance Securities Inc. (collectively, the "**Agents**"), and a non-brokered offering of Subscription Receipts (the "**Non-Brokered Offering**").

Each Subscription Receipt is convertible, without additional consideration, into a unit of BCI (a "**BCI Unit**") consisting of one common share of BCI (a "**BCI Share**") and one half of one common share purchase warrant of BCI (each whole warrant, a "**BCI Warrant**"). Each BCI Warrant entitles the holder to purchase one BCI Share at a price of \$0.65 per share until 24 months after the completion of the RTO Transaction, subject to acceleration in the event that the volume weighted average price of the shares of Pele (as the resulting issuer) upon the completion of the RTO Transaction (the "**Resulting Issuer**") on the Canadian Securities Exchange (the "**CSE**") is equal to or greater than \$1.00 over a period of 10 consecutive trading days. The

Subscription Receipts will convert into BCI Units upon satisfaction of the escrow release conditions (the “**Escrow Release Conditions**”) set out in the agency agreement entered into among the Agents, BCI, Pele and Bhang on the date hereof. The BCI Units and the Compensation Options (as defined below) will be exchanged for corresponding securities, respectively, in the Resulting Issuer upon completion of the RTO Transaction.

The net proceeds raised in connection with the Offering, after fees and expenses incurred, and less 50% of the Agents’ Fee (as defined below), have been deposited with Capital Transfer Agency ULC (“**Capital Transfer**”), as subscription receipt agent. The escrowed proceeds will be held by Capital Transfer until the Escrow Release Conditions have been satisfied.

In connection with the Offering, the Agents are entitled to receive (i) a cash commission equal to 6% of the aggregate proceeds of the portion of the Brokered Offering sold to subscribers sourced by the Agents, (ii) a cash commission equal to 3% of the aggregate proceeds from all other subscribers participating in the Brokered Offering and (iii) a corporate finance fee, which cash commissions and corporate finance fee totaled \$215,550 (collectively, the “**Agents’ Fee**”). The Agents have received an aggregate number of compensation options (the “**Compensation Options**”) equal to 6% of the number of Subscription Receipts issued to subscribers sourced by the Agents, and an aggregate number of Compensation Options equal to 3% of the number of Subscription Receipts issued to certain subscribers on a president’s list participating in the Offering. Each Compensation Option entitles the holder to purchase one BCI Unit at a price of \$0.50 per BCI Unit until 24 months after completing the RTO Transaction. 50% of the Agents’ Fee was paid on closing of the Offering with the remainder to be paid on closing of the RTO Transaction upon satisfaction of the Escrow Release Conditions.

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

Not Applicable.

Item 7. Omitted Information

No information has been omitted from this material change report.

Item 8. Executive Officer

The following senior officer of Pele is knowledgeable about the material change and the Report and may be contacted as follows:

Martin Cooper, Interim CEO and President
Telephone: 1-800-315-7353

Item 9. Date of Report

February 22, 2019