

**FORM 51-102F3
MATERIAL CHANGE REPORT
UNDER NATIONAL INSTRUMENT 51-102**

Item 1 Name and Address of Company

Inscape Corporation (“**Inscape**” or the “**Company**”)
67 Toll Rd, Holland Landing, ON L9N 1H2

Item 2 Date of Material Change

October 28, 2022.

Item 3 News Release

A news release was issued on October 29, 2022 through GlobeNewswire and subsequently filed on the System for Electronic Document Analysis and Retrieval.

Item 4 Summary of Material Change

On October 29, 2022, Inscape announced that it had entered into a support agreement (the “**Support Agreement**”) with HUK 121 Limited (the “**Offeror**”), a wholly owned subsidiary of Hilco Capital Limited UK (“**Hilco**”), under which the Offeror has agreed to initiate a take-over bid to acquire all of Inscape’s outstanding subordinated voting shares (the “**Shares**”) for \$0.007 in cash per Share (the “**Offer Price**”) by way of a friendly take-over bid (the “**Offer**”).

Item 5 Full Description of Material Change

5.1 Full Description of Material Change

(all figures in Canadian dollars unless otherwise stated)

On October 29, 2022, Inscape announced that it had entered into the Support Agreement pursuant to which the Offeror, a wholly owned subsidiary of Hilco, will make an all cash take-over bid to acquire all of the Shares for the Offer Price by way of a friendly take-over bid.

In connection with the Offer, certain shareholders of the Company (the “**Locked-Up Shareholders**”) who collectively represent over 80% of the Shares, have entered into “hard” Lock-Up Agreements with the Offeror under which the Locked-Up Shareholders have agreed to support the Offer and to deposit their Shares under the Offer (the “**Lock-Ups**”).

The Company also announces that it has entered into a loan agreement (the “**Loan Agreement**”) with HUK 116 Limited, another subsidiary of Hilco, for the establishment of a new \$5 million demand secured credit facility. The new credit facility will be used by the Company to finance working capital and for other corporate purposes.

The Board of Directors of Inscape (the “**Board**”), after consultation with financial and legal advisors, has unanimously approved entering into the Support Agreement and unanimously recommends the Company’s shareholders (the “**Shareholders**”) deposit their Shares under the Offer. The Board received a verbal opinion on October 28, 2022 from Evans & Evans, Inc. that

the Offer Price was fair, from a financial point of view, to Shareholders. The opinion was based on and subject to the assumptions made, procedures followed, matters considered and limitations and qualifications on the review undertaken, which will be more fully described in the written opinion to be provided by Evans & Evans, Inc. which will be included in the Inscape directors' circular.

In approving the Take-Over Bid, the Board, among other things, reviewed and considered:

- The Company's financial position and business prospects and that the Company had and continues to face difficulties arising from the business slowdown caused by COVID 19.
- The Company's exploration of other strategic alternatives, and that the Offer is the only alternative available to provide liquidity and consideration to the Shareholders.
- The Loan Agreement to be entered into concurrently with the Support Agreement will provide much needed financing to fund the Company's short term working capital requirements, and will allow Inscape to continue to execute on its business plan while also meeting its financial obligations until the transactions contemplated by the Offer have been completed.
- The Offer Price was determined to be fair from a financial point of view to the Shareholders, by the financial advisor, Evans & Evans Inc., in the Fairness Opinion.
- The Shareholders representing approximately 80% of the issued and outstanding Shares have independently agreed to enter into "hard" Lock-Up Agreements to tender their Shares into the Offer, regardless of whether or not the Company terminates the Support Agreement in the future.

In order for Shareholders to be able to receive the Offer Price for their Shares, more than 66⅔% of the outstanding Shares (on a fully diluted basis) must be deposited under the Offer prior to the expiry of the initial deposit period and the Locked Up Shareholders already represent sufficient Shares to exceed the minimum tender condition. Due to this overwhelming support, the purchase of all of the Shares is expected to be completed shortly after the expiry of the initial deposit period, failing which a subsequent acquisition transaction will be completed by the Offeror in order to acquire the remainder of the Shares.

The Offer is not subject to a financing condition.

The trading volume of Inscape's Shares is very low and there is no efficient, liquid market for the Company's Shares that would allow Shareholders to realize the value of their Shares.

The terms and conditions of the Offer and the Support Agreement, are, in the judgment of the Company and its advisors, reasonable and were the product of extensive negotiations between the Company and its advisors and the Offeror and Hilco and their advisors.

Under the terms of the Support Agreement, the Offeror has agreed to mail the Offer and the accompanying take-over bid circular to all registered holders of Shares as soon as reasonably practicable, and in any event not later than November 18, 2022. The Company and the Offeror have agreed to take the necessary steps under National Instrument 62-104 in order to reduce

the initial deposit period for the Offer to 35 days from the commencement of the Offer (subject only to such extensions to the initial deposit period that are necessary for compliance with National Instrument 62-104), and will be conditional upon, among other things, there being validly deposited or tendered and not withdrawn, a number of Shares that represents at least 66⅔% of the outstanding Shares (on a fully diluted basis). The Support Agreement contains customary deal protections in favour of the Offeror for a transaction of this kind, including a non-solicitation covenant in respect of competing offers from third parties, a termination fee and a right for the Offeror to match any Superior Proposal made by a third party.

Forward-Looking Statements

This report contains “forward-looking statements” within the meaning of such statements under the applicable securities law. Forward-looking statements are frequently characterized by words such as “plan”, “continue”, “except”, “project”, “intend”, “believe”, “anticipate”, “estimate”, “may”, “will”, “potential”, “proposed” and other similar words, or statements that certain events or conditions “may” or “will” occur. These statements are only predictions. Forward-looking statements in this report include statements regarding the proposed Offer, the timing of mailing of the Offer and the accompanying take-over bid circular, and the intention of the Locked-Up Shareholders to tender their Shares. Various assumptions were used in drawing the conclusions or making the projections contained in the forward-looking statements throughout this report, including assumptions based on the Company’s publicly disclosed information, and the Company’s current financial condition. Forward-looking statements are based on the opinions and estimates of management at the date the statements are made, and are subject to a variety of risks and uncertainties and other factors that could cause actual events or results to differ materially from those projected in the forward-looking statements. The Company is under no obligation, and expressly disclaims any intention or obligation, to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise except as expressly required by applicable law.

The Offeror has not yet commenced the Offer noted above in this report. Upon commencement of the Offer, the Offeror will file a take-over bid circular with securities regulatory authorities in each of the provinces and territories of Canada. The take-over bid circular will contain important information about the Offer and should be read in its entirety by the Shareholders and others to whom the Offer is addressed. After the Offer is commenced, Shareholders (and others) will be able to obtain, at no charge, a copy of the Offer, take-over bid circular and various associated documents when they become available online at www.SEDAR.com. This report does not constitute or form part of any offer or invitation to purchase, otherwise acquire, subscribe for, sell or otherwise dispose of or issue, or any other solicitation of any other security. The Offer will not be made in, nor will deposit of securities be accepted from a person in, any jurisdiction in which the making or acceptance thereof would not be in compliance with the laws of such jurisdiction. However, the Offeror may in its sole discretion, take such action as it deems necessary to extend the Offer in any such jurisdiction.

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

Not applicable.

Item 8 Executive Officer

For further information, contact Eric K. Ehgoetz, CEO at 416-735-0636 or by e-mail at eehgoetz@myinscape.com.

Item 9 Date of Report

November 2, 2022.