

FORM 51-102F3
MATERIAL CHANGE REPORT

ITEM 1 **Name and Address of Company**

Harborside Inc. (the “**Company**”)
181 Bay Street, Suite 1800
Toronto, ON
M5J 2T9

ITEM 2 **Date of Material Change**

June 1, 2021

ITEM 3 **News Release**

A news release announcing the material change was disseminated by the Company on June 1, 2021 through CNW.

ITEM 4 **Summary of Material Change**

On June 1, 2021, the Company entered into a definitive agreement (the “**Agreement**”) with Sublimation Inc. (“**Sublime**”) to acquire 100% of the issued and outstanding shares of Sublime (the “**Sublime Shares**”) for total consideration of US\$43.8 million (the “**Acquisition**”).

ITEM 5 **Full Description of Material Change**

On June 1, 2021, the Company and Sublime entered into the Agreement, pursuant to which, among other things, the Company will acquire all of the issued and outstanding Sublime Shares for total consideration of US\$43.8 million (the “**Purchase Price**”).

The Purchase Price is comprised of (i) approximately US\$38.4 million payable in multiple voting shares of the Company (the “**MVS**”), representing 207,579 MVS of the Company based on the volume-weighted average price of the of the subordinate voting shares of the Company on the Canadian Securities Exchange for the 30-days immediately preceding the date of the Agreement (the “**Share Consideration**”), and (ii) approximately US\$5.4 million in cash, of which approximately US\$3.4 million will be used to repay existing indebtedness of Sublime. Certain shareholders of Sublime will be subject to a contractual lock-up period that expires in three installments, with (i) 50% of the MVS comprising the Share Consideration released from the lock-up restrictions on the 12-month anniversary of the closing date of the Acquisition (the “**Closing Date**”), (ii) 25% of the MVS comprising the Share Consideration released from the lock-up restrictions on the 15-month anniversary of the Closing Date, and (iii) 25% of the MVS comprising the Share Consideration released from the lock-up restrictions on the 18-month anniversary of the Closing Date. None of the MVS issuable under the Acquisition will be freely-tradeable until at least the 12-month anniversary of the Closing Date.

The Agreement provides for, among other things, customary representations and warranties and covenants, including mutual non-solicitation provisions and a US\$1.5 million termination fee payable by either the Company or Sublime in certain circumstances. The Acquisition is subject to the approval of the shareholders of Sublime (the “**Sublime Shareholders**”) at a meeting of the Sublime Shareholders duly called, or by written consent. The directors and officers and certain Sublime Shareholders, collectively

holding approximately 86.5% of the outstanding Sublime Shares, have entered into voting and support agreements pursuant to which they have agreed to vote their Sublime Shares in favour of the Acquisition.

Harborside's Board of Directors has approved the Acquisition. As well, Sublime's Board of Directors has approved the Acquisition and has resolved to recommend that Sublime Shareholders vote in favor of the Acquisition. Subject to the receipt of all necessary approvals and the satisfaction or waiver of other closing conditions, the Acquisition is expected to be completed in July 2021.

ITEM 6 **Reliance on Subsection 7.1(2) or (3) of National Instrument 51-102**

N/A

ITEM 7 **Omitted Information**

N/A

ITEM 8 **Executive Officer**

Further information regarding the matters described in this report may be obtained from Peter Bilodeau, Interim Chief Executive Officer of the Company, who is knowledgeable about the details of the material change and may be contacted at 519-919-6500.

ITEM 9 **Date of Report**

June 11, 2021

Forward Looking Information

This material change report contains "forward-looking information" and "forward-looking statements" (collectively, "**forward-looking statements**") within the meaning of the applicable Canadian securities legislation. All statements, other than statements of historical fact, are forward-looking statements and are based on expectations, estimates, and projections as at the date of this material change report. Any statement that involves discussions with respect to predictions, expectations, beliefs, plans, projections, objectives, assumptions, future events or performance (often but not always using phrases such as "expects", or "does not expect", "is expected", "anticipates" or "does not anticipate", "plans", "budget", "scheduled", "forecasts", "estimates", "believes" or "intends" or variations of such words and phrases or stating that certain actions, events or results "may" or "could", "would", "might" or "will" be taken to occur or be achieved) are not statements of historical fact and may be forward-looking statements. In this material change report, forward-looking statements include, among other things, the completion of the Acquisition on the terms described herein, if at all and the timing to complete the Acquisition.

These forward-looking statements are based on reasonable assumptions and estimates of management of the Company at the time such statements were made. Actual future results may differ materially as forward-looking statements involve known and unknown risks, uncertainties, and other factors which may cause the actual results, performance, or achievements of the Company to materially differ from any future results, performance, or achievements expressed or implied by such forward-looking statements. Such factors, among other things, include: implications of the COVID-19 pandemic on the Company's operations; fluctuations in general macroeconomic conditions; fluctuations in securities markets; expectations regarding the size of the cannabis markets where the Company operates; changing consumer habits; the ability of the Company to successfully achieve its business objectives; plans for expansion; political, social

and environmental uncertainties; inability to obtain adequate insurance to cover risks and hazards; employee relations; the presence of laws and regulations that may impose restrictions on cultivation, production, distribution, and sale of cannabis and cannabis-related products in the markets where the Company operates; and the risk factors set out in the Company's management's discussion and analysis for the quarter ended March 31, 2021 and the Company's listing statement dated May 30, 2019, which are available under the Company's profile on www.sedar.com. Although the forward-looking statements contained in this material change report are based upon what management of the Company believes, or believed at the time, to be reasonable assumptions, the Company cannot assure shareholders that actual results will be consistent with such forward-looking statements, as there may be other factors that cause results not to be as anticipated, estimated or intended. Readers should not place undue reliance on the forward-looking statements and information contained in this material change report. The Company assumes no obligation to update the forward-looking statements of beliefs, opinions, projections, or other factors, should they change, except as required by law.

The Company, through several of its subsidiaries, is indirectly involved in the manufacture, possession, use, sale, and distribution of cannabis in the recreational and medicinal cannabis marketplace in the United States. Local state laws where the Company operates permit such activities however, investors should note that there are significant legal restrictions and regulations that govern the cannabis industry in the United States. Cannabis remains a Schedule I drug under the US Controlled Substances Act, making it illegal under federal law in the United States to, among other things, cultivate, distribute or possess cannabis in the United States. Financial transactions involving proceeds generated by, or intended to promote, cannabis-related business activities in the United States may form the basis for prosecution under applicable US federal money laundering legislation. While the approach to enforcement of such laws by the federal government in the United States has trended toward non-enforcement against individuals and businesses that comply with recreational and medicinal cannabis programs in states where such programs are legal, strict compliance with state laws with respect to cannabis will neither absolve the Company of liability under US federal law, nor will it provide a defense to any federal proceeding which may be brought against the Company. The enforcement of federal laws in the United States is a significant risk to the business of the Company and any proceedings brought against the Company thereunder may adversely affect the Company's operations and financial performance.