

## FORM 51-102F3

### MATERIAL CHANGE REPORT

#### Item 1 – Name and Address of Company:

4Front Ventures Corp.  
5060 North 40<sup>th</sup> Street, Suite 120  
Phoenix, Arizona  
USA 85018

#### Item 2 - Date of Material Change:

March 30, 2022

#### Item 3 – News Release:

News release was disseminated via CNW on March 30, 2022 (the “**News Release**”). A copy of the News Release has been filed on SEDAR and is available at [www.sedar.com](http://www.sedar.com).

#### Item 4 – Summary of Material Change:

On March 30, 2022, 4Front Ventures Corp. announced that it has signed a definitive merger agreement on March 30, 2022 to acquire all of the issued and outstanding shares of common stock of Island Cannabis Co.

#### Item 5 – Full Description of Material Change:

##### 5.1 Full Description of Material Change

On March 30, 2022, 4Front Ventures Corp. (the “**Company**”) announced that it has entered into an agreement and plan of merger (the “**Merger Agreement**”) by and among itself, Island Merger Sub, Inc., a Delaware corporation and wholly owned subsidiary of the Company (“**Merger Sub**”); Island Global Holdings, Inc., a California corporation (“**Island**”); and Navy Capital SR LLC, a Delaware limited liability company, solely in its capacity as the representative of the Island stockholders (the “**Stockholder Representative**”). Pursuant to the terms of the Merger Agreement, and subject to its conditions, Merger Sub will be merged with and into Island, with Island surviving the merger and continuing its corporate existence as a wholly-owned subsidiary of the Company (the “**Merger**”). The Merger is expected to close no later than three business days after the last conditions to closing, as set forth in the Merger Agreement, have been satisfied or waived (the “**Closing Date**”).

All classes of Island’s equity securities are to be converted into a combination of (i) Subordinated Voting Shares (“**SVS**”) of the Company; and (ii) subordinated promissory notes (the “**Merger Notes**”) to be negotiated and issued by the Company, using formulae to be determined at a later date pursuant to the terms of the Merger Agreement. It is the current intention of the parties to the Merger Agreement that the Merger Notes will mature and be due and payable on the date that is 54 months after the date of issuance and bear interest at an annual rate of six percent (6%), which will be payable in kind on the maturity date. Such Merger consideration will be subject to customary dissenters’ rights under California law, as

well as a net working capital adjustment, which would reduce the total number of SVS issued to Island's stockholders in exchange for their equity securities in Island.

Completion of the Merger is subject to customary closing conditions, including, among others: (i) the adoption of the Merger Agreement by a requisite vote of the stockholders of Island; (ii) subject to certain exceptions, the representations and warranties made by all parties to the Merger Agreement shall be true and correct in all respects or, if not qualified by a materiality standard, or the breach of which could result in a material adverse effect, in all material respects; (iii) the absence of any governmental order that that has the effect of making the transactions contemplated by the Merger Agreement illegal, otherwise restraining or prohibiting consummation of such transactions or causing any of the transactions contemplated thereunder to be rescinded following completion thereof; and (iv) the receipt of all consents, authorizations, orders and approvals by Island from the applicable governmental authorities.

The Merger Agreement also contains customary representations and warranties, as well as customary covenants, including, among others, covenants providing for each of the parties to: (i) conduct its business in all material respects in the ordinary course consistent with past practice between the date of the execution of the Merger Agreement and the date of closing of the Merger; (ii) use its reasonable best efforts to satisfy the closing conditions contained in the Merger Agreement; and (iii) not encourage, solicit, initiate, facilitate or continue inquiries regarding any alternative acquisition proposals, or enter into any agreements or similar instruments relating to an alternative acquisition proposal. The Merger Agreement also contains certain customary termination rights.

The foregoing description of the Merger Agreement is qualified in its entirety by reference to the Merger Agreement, a complete copy of which is available at [www.sedar.com](http://www.sedar.com) and which is incorporated herein by reference.

## **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:**

Leonid Gontmakher, Chief Executive Officer  
Phone: 602-633-3067

### **Item 9 – Date of Report:**

April 8, 2022

*Forward Looking Statements*

*This material change report contains "forward-looking information" and "forward-looking statements" within the meaning of applicable Canadian and United States securities laws (collectively, "forward-looking information"). Forward-looking information are often, but not always, identified by the use of words such as "seek", "anticipate", "believe", "plan", "estimate", "expect", "likely" and "intend" and statements that an event or result "may", "will", "should", "could" or "might" occur or be achieved and other similar expressions. Forward-looking information in this material change report includes, without limitation, statements relating to the completion of the 4Front's possible acquisition of Island (the "Acquisition"), the growth of the California consumer segment of the California cannabis market, the anticipated benefits associated with the completion of the Acquisition, the receipt of all requisite approvals to complete the Acquisition, the closing date of the Acquisition, the Company's goals following closing of the Acquisition and the Company's business and strategic plans. Forward-looking information is based on assumptions that may prove to be incorrect, including but not limited to the ability of the Company to execute its business plan, the continued growth of the medical and/or recreational cannabis markets in the countries in which the Company operates or intends to operate and Island maintaining its existing cannabis licenses. The Company considers these assumptions to be reasonable in the circumstances. However, forward-looking information is subject to business and economic risks and uncertainties and other factors that could cause actual results of operations to differ materially from those expressed or implied in the forward-looking information. Such risks include, without limitation: the failure to obtain all necessary approvals related to the Acquisition, the ability of the Company to complete the Acquisition in a timely manner or at all; the ability of the Company to integrate Island's business into its existing operations and to realize the expected benefits and synergies of the acquisition; unexpected disruptions to the operations and businesses of the Company and/or Island as a result of the war in Ukraine as well as the COVID-19 global pandemic or other disease outbreaks including a resurgence in the cases of COVID-19; engaging in activities considered illegal under United States federal law; the ability of the Company to comply with applicable government regulations in a highly regulated industry; unexpected changes in governmental policies and regulations affecting the production, distribution, manufacture or use of cannabis in the United States, or any other foreign jurisdictions in which the Company intends to operate; unexpected changes in governmental policies and regulations affecting the production, distribution, manufacture or use of adult-use recreational cannabis in the United States or Canada; any change in accounting practices or treatment affecting the consolidation of financial results; any unexpected failure of Island to renew its licenses and permits; and any unexpected failure of Island to maintain any of its commercial facilities; the Company's reliance on management.*

*Furthermore, forward-looking statements may include, without limitation, statements related to future developments and the business and operations of 4Front, statements regarding when or if transactions will close or required conditions to closing will be attained, statements regarding future financial performance of the Company, statements regarding commencement and completion of construction of facilities and distribution of product, the availability of financing, the accretive nature of transactions, the ability to enter into definitive agreements for funding and acquisition opportunities, the impact of the transactions on the current and future business of 4Front and other statements regarding future developments of the business. Although 4Front 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 entering into definitive agreements and satisfying closing conditions, obtaining regulatory approvals; and engagement in activities currently considered illegal under U.S. federal laws; change 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. Additional information concerning these and other factors is contained in our filings with the U.S. Securities and Exchange Commission, including our Annual Report on Form 10-K and Quarterly Reports on Form 10-Q, as well as the Company's filings that are available at [www.sedar.com](http://www.sedar.com).*

*There can be no assurance that such information will prove to be accurate or that management's expectations or estimates of future developments, circumstances or results will materialize. As a result of these risks and uncertainties, the results or events predicted in these forward-looking statements may differ materially from actual results or events.*

*Accordingly, readers should not place undue reliance on forward-looking statements. The forward-looking statements in this material change report are made as of the date of this report. 4Front disclaims any intention or obligation to update or revise such information, except as required by applicable law, and 4Front does not assume any liability for disclosure relating to any other company mentioned herein.*