



4Front Announces Second Quarter 2020 Results and Business Update

- **Q2 2020 Systemwide Pro Forma Sales, excluding divested non-core assets, increased 1.3% from Q1 2020 to \$19m, despite an approximate 10% revenue impact due to the closure of Chicago dispensary in June because of looting.**
- **Company achieves positive operating cash flow starting in the month of August and expects positive adjusted EBITDA starting Q3 2020. Company is poised to show significant operating leverage in 2021.**
- **Company continues to see strong demand across its entire portfolio and anticipates accelerating revenue growth in Q3 and Q4 driven by recreational approvals in Massachusetts, continued expansion in Illinois and strong sales trends in Washington.**
- **Company expects to finalize the divestiture activities of non-core assets with the closing of Maryland in early September.**
- **Funded expansion plans underway in both Massachusetts and Illinois production facilities, as well as opening of second Illinois retail location in Calumet City, remain on schedule to be completed in Q4 2020.**
- **Company remains in progressive discussions to strengthen its balance sheet through a financing/sale leaseback of its affiliated facilities in Washington state.**

PHOENIX, Ariz., August 31, 2020 – 4Front Ventures Corp. (CSE: FFNT) (OTCQX: FFNTF) (“**4Front**” or the “**Company**”) today announced its financial results for the Second Quarter of 2020.

Second Quarter 2020 Financial Results Highlights

- Total Systemwide Pro Forma Sales for the second quarter 2020 increased 1.3% quarter-over-quarter to \$19m.
- IFRS Sales for the second quarter of 2020 were flat quarter-over-quarter at \$12.7m.
- Adjusted EBITDA for the second quarter was a loss of \$0.4m.

Business Update

Robust consumer demand continues across all operating markets. Recreational sales in Georgetown, MA progressing steadily since August 12th launch, sales at Mission South Chicago are on pace to climb back to pre-shut down levels since the re-opening on July 31st. Washington experienced record sales in July with that momentum carrying into August.

Company reaches cash flow goals ahead of schedule. Achieves positive operating cash flow in the month of August and expects to generate positive adjusted EBITDA for Q3 2020. Poised to show significant operating leverage in 2021.

All construction and expansion projects remain on budget and on schedule. Fully funded expansion plans at Elk Grove, IL and Georgetown, MA cultivation/production facilities are expected to be completed in Q4. Second Illinois retail location in Calumet City also remains on schedule for a Q4 opening.

Completion of non-core asset divestitures nearing completion. Divestitures of non-core retail assets in Arizona, Arkansas and Pennsylvania are complete. Close of Maryland divestitures expected to be completed in early September.

Washington Financing/Sale Leaseback Update. As of June 30, 2020, 4Front's balance sheet had cash and equivalents of \$11.4m with total debt of \$78.3m (excluding in-the-money convertible debt of \$5.8m). The Company owns and controls highly attractive real estate in Washington state consisting of 176,000 square feet of state-of-the-art industrial space built for cultivation, production and distribution. The Company is in progressive discussions with multiple partners on this transaction.

Management Commentary

Leo Gontmakher, CEO of 4Front, said, "Entering 2020, we have been laser-focused on leaning out and replicating our low-cost cultivation and production model in targeted states. We enter the second half of 2020 with a focused business model, streamlined cost structure and fortified balance sheet that has set the stage for us to accelerate growth across our core markets of Washington, Illinois, Massachusetts, Michigan and California.

Mr. Gontmakher added: "Our strong business momentum leaving the second quarter will be aided by significant tailwinds as we enter the second half of this year. We welcomed the first adult-use sales in Massachusetts at our Georgetown facility on August 12th and anticipate final approvals for adult use sales at our Worcester facility imminently. Our cultivation/processing facility expansions in Massachusetts and Illinois as well as our second Illinois retail location are on-track for end of year completion. We continue to execute on our plans to flip to cash flow positive during the third quarter and have set the stage to exit this year in a position to drive meaningful operating leverage in our business. We are proving that our success in Washington can be replicated in every state in which we operate and are extremely confident in how the company is positioned as we enter this new season."

(Please see Note Regarding Non-IFRS Measures, Reconciliation, and Discussion below.) (*Please see the Financial Statement section below, and the Company's Second Quarter 2020 Unaudited Condensed Consolidated Financial Statements and Management Discussion and Analysis ("MD&A"), available under the Company's [SEDAR](#) profile, for more information.)

Additional Details

As of the date of the MD&A, there were the equivalent of 506,379,437 Class A Subordinate Voting Shares outstanding when calculated as if all share classes were converted to Subordinate Voting Shares. For further details regarding 4Front's share structure, please see its profile at www.thecse.com.

Conference Call

The Company will also host a conference call and webcast on Monday, August 31, 2020 at 5:00 p.m. EDT to review its operational and financial results and provide an update on current business trends.

To join the call, dial 1-877-407-0792 toll free from the United States or Canada or 1-201-689-8263 if dialing from outside those countries. The webcast, which will include a slide deck, can be accessed at [this link](#).

The call will be available for replay until Monday, September 7, 2020. To access the telephone replay, dial 844-512-2921 toll free from the United States and Canada, or 1-412-317-6671 if dialing from outside those countries, and use this replay pin number: 13708994.

Financial Statements

The condensed consolidated interim financial statements for the three and six months ended June 30, 2020 and 2019, have been prepared in accordance with IAS 34 – Interim Financial Reporting. These statements have not been reviewed by an auditor.

4FRONT VENTURES CORP.*Formerly 4Front Holdings, LLC***Condensed Consolidated Interim Statements of Financial Position****As of June 30, 2020 and December 31, 2019 (unaudited)***Amounts expressed in thousands of United States dollars unless otherwise stated*

	<u>June 30, 2020</u>	<u>December 31, 2019</u>
ASSETS		
Current assets:		
Cash	\$ 11,434	\$ 5,789
Accounts receivable	560	677
Other receivables	261	325
Lease receivables	10,787	9,556
Inventory	12,447	9,138
Biological assets	2,190	2,187
Notes receivable	1,362	1,871
Prepaid expenses	1,845	2,198
Assets held for sale	7,336	-
Total current assets	<u>48,222</u>	<u>31,741</u>
Restricted cash	-	2,352
Property and equipment, net	40,977	41,822
Notes receivable	520	1,049
Lease receivables	22,876	23,944
Intangible assets, net	39,888	41,442
Goodwill	28,854	33,988
Right-of-use assets	30,991	20,476
Investments	759	759
Deposits	3,493	6,346
TOTAL ASSETS	<u>\$ 216,580</u>	<u>\$ 203,919</u>
LIABILITIES AND EQUITY		
LIABILITIES		
Current liabilities:		
Accounts payable and accrued expenses	\$ 6,591	\$ 8,138
Taxes payable	4,198	1,609
Lease liability	971	972
Contingent consideration liability	2,100	750
Notes payable and accrued interest	6,750	7,382
Liabilities held for sale	1,752	-
Total current liabilities	<u>22,362</u>	<u>18,851</u>
Convertible notes	45,645	35,607
Notes payable and accrued interest	43,878	44,289
Long term notes payable	1,978	1,903
Long term accounts payable	1,600	1,600
Contingent consideration liability	2,994	4,714
Deferred tax liability	2,014	-
Lease liability	31,758	20,976
TOTAL LIABILITIES	<u>152,229</u>	<u>127,940</u>
EQUITY		
Equity attributable to 4Front Ventures Corp.	238,995	252,656
Reserves	34,111	25,618
Deficit	(208,464)	(202,090)
Non-controlling interest	(291)	(205)
TOTAL EQUITY	<u>64,351</u>	<u>75,979</u>
TOTAL LIABILITIES AND EQUITY	<u>\$ 216,580</u>	<u>\$ 203,919</u>

4FRONT VENTURES CORP.*Formerly 4Front Holdings, LLC***Condensed Consolidated Interim Statements of Operations and Comprehensive Loss
For the Three and Six Months Ended June 30, 2020 and 2019 (unaudited)***Amounts expressed in thousands of United States dollars unless otherwise stated*

	Three Months Ended June 30,		Six Months Ended June 30,	
	2020	2019	2020	2019
REVENUE	<u>\$ 12,701</u>	<u>\$ 2,518</u>	<u>\$ 25,353</u>	<u>\$ 4,605</u>
Cost of goods sold, sale of grown and manufactured products	(5,034)	(1,494)	(7,849)	(2,349)
Cost of goods sold, sale of purchased products	<u>(3,012)</u>	<u>(529)</u>	<u>(4,846)</u>	<u>(676)</u>
Gross profit before fair value adjustments	4,655	495	12,658	1,580
Realized fair value included in inventory sold	(436)	(321)	(573)	(112)
Unrealized fair value gain on biological assets	<u>1,480</u>	<u>169</u>	<u>1,853</u>	<u>495</u>
Gross profit	5,699	343	13,938	1,963
OPERATING EXPENSES				
Selling and marketing expenses	5,633	1,359	11,817	3,206
General and administrative expenses	2,873	5,620	8,096	9,277
Depreciation and amortization	1,109	386	2,160	706
Equity based compensation	<u>1,048</u>	<u>459</u>	<u>2,275</u>	<u>709</u>
Total operating expenses	<u>10,663</u>	<u>7,824</u>	<u>24,348</u>	<u>13,898</u>
Loss from Operations	<u>(4,964)</u>	<u>(7,481)</u>	<u>(10,410)</u>	<u>(11,935)</u>
Other Income (Expense)				
Interest income	8	-	64	-
Interest expense	(3,685)	(936)	(6,953)	(1,123)
Accretion	158	-	331	-
Gain on sale of subsidiaries	9,559	-	11,211	-
Gain on restructuring of notes receivable	281	-	281	-
Other income	2,456	2,500	2,456	2,500
Foreign exchange loss	<u>(55)</u>	<u>-</u>	<u>(18)</u>	<u>-</u>
Total Other Income	<u>8,722</u>	<u>1,564</u>	<u>7,372</u>	<u>1,377</u>
Net Income (Loss) Before Income Taxes	3,758	(5,917)	(3,038)	(10,558)
Income Tax Expense	<u>(2,179)</u>	<u>(239)</u>	<u>(2,923)</u>	<u>(452)</u>
Net Income (Loss) from Continuing Operations	1,579	(6,156)	(5,961)	(11,010)
Net Income (Loss) from Discontinued Operations, Net of Taxes	<u>127</u>	<u>(351)</u>	<u>(499)</u>	<u>(950)</u>
Net Income (Loss)	1,706	(6,507)	(6,460)	(11,960)
Net Loss Attributable to Non-Controlling Interest	<u>(68)</u>	<u>(24)</u>	<u>(86)</u>	<u>(110)</u>
Net Income (Loss) Attributable to Shareholders	<u>\$ 1,774</u>	<u>\$ (6,483)</u>	<u>\$ (6,374)</u>	<u>\$ (11,850)</u>
Basic and Diluted Loss Per Share	\$ 0.00	\$ (0.02)	\$ (0.01)	\$ (0.03)
Weighted Average Number of Shares Outstanding, Basic and Diluted	506,379,437	340,370,271	506,379,437	340,370,271

Note Regarding Non-IFRS Measures, Reconciliation, and Discussion

In this press release, 4Front refers to certain non-IFRS financial measures such as Systemwide Pro Forma Revenue and Adjusted EBITDA. These measures do not have any standardized meaning prescribed by IFRS and may not be comparable to similar measures presented by other issuers. 4Front defines Systemwide Pro Forma Revenue as total revenue plus revenue from entities with which the Company has a management contract, or effectively similar relationship (net of any management fee or effectively similar revenue) but does not consolidate the financial results of per IFRS 10 – Consolidated Financial Statements. 4Front considers this measure to be an appropriate indicator of the growth and scope of the business.

Adjusted EBITDA is defined by the Company as earnings before interest, taxes, depreciation and amortization less share-based compensation expense and one-time charges related to acquisition and financing related costs, excluding fair value adjustments for biological assets. 4Front considers these measures to be an important indicator of the financial strength and performance of our business. The following tables provide a reconciliation of each of the non-IFRS measures to its closest IFRS measure.

About 4Front Ventures Corp.

4Front (CSE: FFNT) (OTCQX: FFNTF) is a national multi-state cannabis operator and retailer, with a market advantage in mass-produced, low-cost quality branded cannabis products. 4Front manufactures and distributes a portfolio of over 25 cannabis brands including Marmas, Crystal Clear, Funky Monkey, Pebbles, and the Pure Ratios wellness collection, distributed through retail outlets and their chain of strategically positioned Mission branded dispensaries.

Headquartered in Phoenix, Arizona, 4Front has operations in Illinois, Massachusetts, California, Michigan and Washington state. From plant genetics to the cannabis retail experience, 4Front’s team applies expertise across the entire cannabis value chain. For more information, visit [4Front’s website](#)

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Forward Looking Statements

Statements in this news release that are forward-looking statements are subject to various risks and uncertainties concerning the specific factors disclosed here and elsewhere in 4Front Ventures' periodic filings with securities regulators. When used in this news release, words such as "will, could, plan, estimate, expect, intend, may, potential, believe, should," and similar expressions, are forward-looking statements.

Forward-looking statements may include, without limitation, statements related to future developments and the business and operations of 4Front Ventures, developments with respect to legislative developments in the United States, expectations regarding the COVID-19 pandemic, future revenue or Adjusted EBITDA expectations, statements regarding when or if any contemplated or in-progress transactions will close or if/when required regulatory approvals are attained, and other statements regarding future developments of the business. The closing of the transactions described in this news release, including the divestiture of Pennsylvania and Maryland assets and the sale of convertible debt, is subject to customary conditions and there can be no guarantee that such transactions will close.

Although 4Front Ventures 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 which have limited or no operating history and are engaged 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.

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 news release are made as of the date of this release. 4Front Ventures disclaims any intention or obligation to update or revise such information, except as required by applicable law, and 4Front Ventures does not assume any liability for disclosure relating to any other company mentioned herein.