

## FORM 7

### MONTHLY PROGRESS REPORT

Name of Listed Issuer: 4Front Ventures Corp. (the "Issuer" or "4Front").

Trading Symbol: FFNT

Number of Outstanding Listed Securities: 120,408,927 Subordinate Voting Shares ("SVS")

Date: August 31, 2019

This Monthly Progress Report must be posted before the opening of trading on the fifth trading day of each month. This report is not intended to replace the Issuer's obligation to separately report material information forthwith upon the information becoming known to management or to post the forms required by Exchange Policies. If material information became known and was reported during the preceding month to which this report relates, this report should refer to the material information, the news release date and the posting date on the Exchange website.

This report is intended to keep investors and the market informed of the Issuer's ongoing business and management activities that occurred during the preceding month. Do not discuss goals or future plans unless they have crystallized to the point that they are "material information" as defined in the Policies. The discussion in this report must be factual, balanced and non-promotional.

#### **General Instructions**

- (a) Prepare this Monthly Progress Report using the format set out below. The sequence of questions must not be altered nor should questions be omitted or left unanswered. The answers to the items must be in narrative form. State when the answer to any item is negative or not applicable to the Issuer. The title to each item must precede the answer.
- (b) The term "Issuer" includes the Issuer and any of its subsidiaries.
- (c) Terms used and not defined in this form are defined or interpreted in Policy 1 – Interpretation and General Provisions.

#### **Report on Business**

1. Provide a general overview and discussion of the development of the Issuer's business and operations over the previous month. Where the Issuer was inactive disclose this fact.

4Front Ventures Corp. ("4Front" or the "Issuer") was created pursuant to a plan of arrangement (the "Arrangement") on July 31, 2019. It is the successor entity to 4Front Holdings, LLC ("4Front Holdings") and also owns the assets of Cannex Capital Holdings, Inc. ("Cannex"), which has now ceased to exist pursuant to the same plan of arrangement. Accordingly, the Issuer's business is now a combination of: 1) Cannex's

business, being the leasing of two developed cultivation facilities and one developed cannabis manufacturing facility in Washington state, licensing and development of cannabis brands and other cannabis-connected intellectual property, and provision of non-cannabis input materials to licensed cannabis businesses; and 2) 4Front Holding's business, being the ownership, operation, and management of cannabis retail and production facilities in state-legal markets in the United States, and the provision of advisory and consulting services and debt financing to same. Additionally, the Issuer now controls Cannex's former subsidiary, Pure Ratios Holdings Inc., which is involved in the creation of proprietary formulations which combine Eastern medicine ingredients with cannabinoids, the licensing of any associated intellectual property, and the manufacture and/or sale of products which utilize such intellectual property.

In August 2019, the Issuer:

- Continued work on its production optimization project in its Worcester, Mass. cannabis facility.
  - Began a cultivation optimization project in its Georgetown, Mass. facility which is anticipated to double cultivation capacity starting in Q4 2019.
  - Opened a new cannabis dispensary in Rockville, Md., under its Mission retail brand. The dispensary is owned by a third party and managed by the Issuer.
  - Secured control of the entire 94,000 square foot building in which its Illinois cannabis cultivation and processing operations are housed, and began design work regarding a substantial planned capacity expansion.
  - Was a party to a voluntary lockup agreement whereby certain insiders and significant shareholders agreed to limit the sale of their owned securities over the next three years – 5% of such securities being available for sale commencing October 2019, with an additional 5% being released every 3 months until October 2020, when 10% will be released every month until October 2022.
  - Changed its OTCQX quotation symbol to “FFNTEF.”
2. Provide a general overview and discussion of the activities of management.
- Management is focused on infrastructure initiatives to support the production capabilities in markets in which it operates, and the development of additional assets in legal medical and adult-use cannabis markets.
3. Describe and provide details of any new products or services developed or offered. For resource companies, provide details of new drilling, exploration or production programs and acquisitions of any new properties and attach any mineral or oil and gas or other reports required under Ontario securities law.
- Not applicable.
4. Describe and provide details of any products or services that were discontinued. For resource companies, provide details of any drilling, exploration or production programs that have been amended or abandoned.
- Not applicable.

5. Describe any new business relationships entered into between the Issuer, the Issuer's affiliates or third parties including contracts to supply products or services, joint venture agreements and licensing agreements etc. State whether the relationship is with a Related Person of the Issuer and provide details of the relationship.

The Issuer was a party to a voluntary lockup agreement whereby certain insiders and significant shareholders agreed to limit the sale of their owned securities over the next three years, 5% of such securities being available for sale commencing October 2019, with an additional 5% being released every 3 months until October 2020, when 10% will be released every month until October 2022.

6. Describe the expiry or termination of any contracts or agreements between the Issuer, the Issuer's affiliates or third parties or cancellation of any financing arrangements that have been previously announced.

Not applicable.

7. Describe any acquisitions by the Issuer or dispositions of the Issuer's assets that occurred during the preceding month. Provide details of the nature of the assets acquired or disposed of and provide details of the consideration paid or payable together with a schedule of payments if applicable, and of any valuation. State how the consideration was determined and whether the acquisition was from or the disposition was to a Related Person of the Issuer and provide details of the relationship.

Not applicable.

8. Describe the acquisition of new customers or loss of customers.

Not applicable.

9. Describe any new developments or effects on intangible products such as brand names, circulation lists, copyrights, franchises, licenses, patents, software, subscription lists and trade-marks.

Not applicable.

10. Report on any employee hirings, terminations or lay-offs with details of anticipated length of lay-offs.

Not applicable.

11. Report on any labour disputes and resolutions of those disputes if applicable.

Not applicable.

12. Describe and provide details of legal proceedings to which the Issuer became a party, including the name of the court or agency, the date instituted, the principal parties to the proceedings, the nature of the claim, the amount claimed, if any, if the proceedings are being contested, and the present status of the proceedings.

Not applicable.

13. Provide details of any indebtedness incurred or repaid by the Issuer together with the terms of such indebtedness.

The Issuer paid \$194,729.09 in interest on the \$32,000,000 in convertible notes (“Notes”) issued in November 2019. The Notes mature in November 2022, bear interest at LIBOR + 11% during the first year, +10% the second, and +9.5 in the third), and are convertible into to 4Front proportionate voting shares at a price equivalent to US\$0.83 per subordinate voting share. Half the interest due is paid in cash monthly, and half is paid in kind.

14. Provide details of any securities issued and options or warrants granted.

Security	Number Issued	Details of Issuance	Use of Proceeds <sup>(1)</sup>
Subordinate Voting Share (“SVS”) Purchase Options	500,000	500,000 Options to Purchase 500,000 SVS at \$1.00 per SVS for 5 years from August 26, 2019 to 1 Optionee	N/A
Proportionate Voting Share (“PVS”) <sup>(2)</sup> Purchase Options	84,375	84,375 Options to Purchase 84,375 PVS at \$80.00 per PVS for 5 years from August 26, 2019 to 9 Optionees	N/A
PVS Purchase Options	105,299	105,299 Options to Purchase 105,299 PVS at \$64.00 per PVS for 5 years from August 26, 2019 to 61 Optionees	N/A

(1) State aggregate proceeds and intended allocation of proceeds

(2) PVS are convertible to SVS at the holder’s option (subject to certain restrictions) on a one (1) PVS for eighty (80) SVS basis

15. Provide details of any loans to or by Related Persons.

A director and officer of the company is a part-owner of a firm which has extended the Issuer a real estate improvement/development loan of up to US\$50,000,000 of which \$34,238,356 had been extended as of August 31, 2019.

16. Provide details of any changes in directors, officers or committee members.

The compensation committee of the Issuer was reconstituted to include Eric Rey, Dave Daily, and Anthony Dutton.

17. Discuss any trends which are likely to impact the Issuer including trends in the Issuer’s market(s) or political/regulatory trends.

*United States*

In the United States, 33 states and Washington D.C. have legalized medical marijuana, while ten states and Washington, D.C. have also legalized recreational marijuana. Although cannabis currently remains a Schedule I drug under federal law, the U.S. Department of Justice issued a memorandum, known as the “Cole Memorandum”, on August 29, 2013 to the U.S. Attorneys’ offices (federal prosecutors) directing that individuals and businesses that rigorously comply with state regulatory provisions in states that have strictly-regulated legalized medical or recreational cannabis programs should not be a prosecutorial priority for violations of federal law. This federal policy was reinforced by passage of a 2015 federal budget bill amendment (passed in 2014)

known as the Rohrabacher-Farr Amendment that prohibits the use of federal funds to interfere in the implementation of state medical marijuana laws. This bill targets Department of Justice funding, which encompasses the Drug Enforcement Agency and Offices of the United States Attorneys. This bill shows the development of bi-partisan support in the U.S. Congress for legalizing the use of cannabis. It is anticipated that the federal government will eventually repeal the federal prohibition on cannabis and/or allow the states to decide for themselves whether to permit regulated cannabis cultivation and sale, just as states are largely free today to decide policies governing the distribution of alcohol or tobacco. On January 4, 2018, the U.S. Department of Justice rescinded the Cole Memorandum. Given that the Cole Memorandum was never legally binding, the U.S. Department of Justice continues to have discretion to enforce federal drug laws.

Under U.S. federal law it may potentially be a violation of federal money laundering statutes for financial institutions to take any proceeds from marijuana sales or the sale of any other Schedule I substance. Canadian banks are also hesitant to deal with cannabis companies, due to the uncertain legal and regulatory framework of the industry. Banks and other financial institutions could be prosecuted and possibly convicted of money laundering for providing services to cannabis businesses. Under U.S. federal law, banks or other financial institutions that provide a cannabis business with a checking account, debit or credit card, small business loan, or any other service could be found guilty of money laundering or conspiracy. Despite these laws, the U.S. Treasury Department issued a memorandum in February 2014 outlining the pathways for financial institutions to bank marijuana businesses in compliance with federal law. Under these guidelines, financial institutions must submit a “suspicious activity report” (SAR) as required by federal anti-money laundering laws. These marijuana related SARs are divided into three categories: marijuana limited, marijuana priority, and marijuana terminated, based on the financial institution’s belief that the marijuana business follows state law, is operating out of compliance with state law, or where the banking relationship has been terminated. In the U.S., a bill has been tabled in Congress to grant banks and other financial institutions immunity from federal criminal prosecution for servicing marijuana-related businesses if the underlying marijuana business follows state law. This bill has not been passed and there can be no assurance with that it will be passed in its current form or at all. In both Canada and the United States, transactions involving banks and other financial institutions are both difficult and unpredictable under the current legal and regulatory landscape.

Political and regulatory risks also exist due to the presidential administration of Donald Trump. The President’s positions on cannabis regulation have been difficult to discern. On November 7, 2018, Attorney General Jeff Sessions, a noted cannabis law reform skeptic, resigned. President Trump has appointed William Barr, who served as Attorney General in the presidential administration of George H.W. Bush from 1991 to 1993, and Mr. Barr was confirmed by the Senate on February 14, 2019. Mr. Barr has testified before the U.S. Senate Appropriations Committee that he believes that a federalist approach allowing states to individually determine the legal status of cannabis is the appropriate regime for the regulation of cannabis. It remains unclear what stance the U.S. Department of Justice under the new administration might take toward legalization efforts in U.S. states, but federal enforcement of the CSA and other applicable laws is possible.

The U.S. DOJ may make requests of information from Cannex, 4Front, or the resulting issuer post-4Front Transaction related to potential antitrust concerns, regardless of Cannex and 4Front's withdrawal from the HSR process. While management does not believe that any substantive antitrust issues are raised by the 4Front Transaction, response to any further DOJ requests may subject Cannex, 4Front, or the resulting issuer to increased costs.

Despite the legal, regulatory, and political obstacles the marijuana industry currently faces, the industry has continued to grow.

#### *Joyce Amendment*

On May 17, 2018 the U.S. House of Representatives Appropriations Committee approved the inclusion of the Rohrabacher-Blumenauer Amendment (previously, the Rohrabacher Farr Amendment), which adds a provision to prohibit the U.S. Department of Justice from using funding to prevent states from implementing medical marijuana laws through the end of fiscal year 2019, known as the "Joyce Amendment".

#### *2018 Farm Bill*

In December 2018, President Trump signed the 2018 Farm Bill, which contained certain provisions legalizing the production, extraction, interstate commerce of, etc. industrial hemp. Industrial hemp is defined as hemp which contains less than .3% tetrahydrocannabinol ("THC"), the cannabinoid most commonly associated with intoxication which is contained within cannabis and hemp plants, on a dry weight basis.

This bill legalizes U.S. hemp for production and sale across state lines for research and commercial uses for all hemp that meets all the following criteria:

- the hemp contains less than 0.3% THC;
- the producer of the hemp is licensed by the state where it was grown; and
- the state where it was grown has a hemp program approved by the USDA.

Each state is allowed to submit a hemp regulatory program for USDA approval. The USDA will be working on reviewing submitted programs and constructing a hemp regulatory program for all states with no submitted program. No programs are currently approved by the USDA. Once a program is approved, producers may apply for licenses under the program and sell hemp legally for all purposes after the license is obtained.

Hemp is a genetically related plant to cannabis and has long been prohibited based at least in part on its similarity to cannabis, which tends to contain significantly higher amounts of THC than hemp. Hemp, unlike cannabis plants which tend to be richer in THC, is the most common source of cannabidiol ("CBD"). Research suggests that CBD is a non-psychoactive cannabinoid which may have several therapeutic effects. CBD is increasingly becoming popular as a wellness product, and its usage as an adjunct to THC is increasing as well.

Management believes hemp legalization is positive for a number of reasons: (1) CBD source material will likely become cheaper, leading to lower cost basis in certain CBD-infused products sold by NWCS; and (2) hemp legalization suggests liberalizing legislator and executive attitudes towards cannabis.

## Certificate of Compliance

The undersigned hereby certifies that:

1. The undersigned is a director and/or senior officer of the Issuer and has been duly authorized by a resolution of the board of directors of the Issuer to sign this Certificate of Compliance.
2. As of the date hereof there were is no material information concerning the Issuer which has not been publicly disclosed.
3. The undersigned hereby certifies to the Exchange that the Issuer is in compliance with the requirements of applicable securities legislation (as such term is defined in National Instrument 14-101) and all Exchange Requirements (as defined in CNSX Policy 1).
4. All of the information in this Form 7 Monthly Progress Report is true.

Dated September 6, 2019

Brad Kotansky  
Name of Director or Senior Officer

/s/ Brad Kotansky  
Signature

Chief Financial Officer  
Official Capacity

<b>Issuer Details</b> Name of Issuer 4Front Ventures Corp.	For Month End August 2019	Date of Report YY/MM/DD 19/09/06
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