4FRONT VENTURES CORP.

Management's Discussion and Analysis of Financial Condition and Results of Operations

FOR THE QUARTERLY PERIOD ENDED JUNE 30, 2021

TABLE OF CONTENTS

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations.

This Quarterly Report on Form 10-Q contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. Forward-looking statements generally relate to future events or our future financial or operating performance and may include statements concerning, among other things, our business strategy (including anticipated trends and developments in, and management plans for, our business and the markets in which we operate), financial results, the impact of COVID-19 on our business, operations, and the markets and communities in which we, our clients, and partners operate, results of operations, revenues, operating expenses, and capital expenditures, sales and marketing initiatives and competition. In some cases, you can identify forward-looking statements because they contain words such as "may," "might," "will," "should," "expects," "plans," "anticipates," "could," "intends," "target," "projects," "contemplates," "believes," "estimates," "predicts," "suggests," "potential" or "continue" or the negative of these words or other similar terms or expressions that concern our expectations, strategy, plans or intentions. These statements are not guarantees of future performance; they reflect our current views with respect to future events and are based on assumptions and are subject to known and unknown risks, uncertainties and other factors that may cause our actual results, performance, or achievements to be materially different from expectations or results projected or implied by forward-looking statements.

We discuss many of these risks in other filings we make from time to time with the Securities and Exchange Commission (the "SEC"). Also, these forward-looking statements represent our estimates and assumptions only as of the date of this Quarterly Report on Form 10-Q, which are inherently subject to change and involve risks and uncertainties. Unless required by federal securities laws, we assume no obligation to update any of these forward-looking statements, or to update the reasons actual results could differ materially from those anticipated, to reflect circumstances or events that occur after the statements are made. Given these uncertainties, investors should not place undue reliance on these forward-looking statements.

Investors should read this Quarterly Report on Form 10-Q and the documents that we reference in this report and have filed with the SEC and on SEDAR, including our Annual Report on Form 10-K, filed with the SEC on April 7, 2021, with the understanding that our actual future results may be materially different from what we expect. We qualify all of our forward-looking statements by these cautionary statements for the three and six months ended June 30, 2021 and 2020.

Unless the context otherwise indicates, when used in this Quarterly Report on Form 10-Q, "4Front," "the Company," "we," "us" and "our" refer to 4Front Ventures Corp., a British Columbia corporation, and its wholly owned subsidiaries on a consolidated basis.

Overview

The Company exists pursuant to the provisions of the *Business Corporations Act* (British Columbia). The Company's SVS are listed on the Canadian Securities Exchange ("CSE") under the ticker "FFNT" and are quoted on the OTC (OTCQX: FFNTF).

The Company has two primary operating segments: THC Cannabis and CBD Wellness. With regard to its THC Cannabis segment, as of June 30, 2021, the Company operated five dispensaries in Massachusetts, Illinois, and Michigan, primarily under the "MISSION" brand name. Also, as of June 30, 2021, the Company operated two production facilities in Massachusetts and one in Illinois. The Company produces the majority of products that are sold at its Massachusetts and Illinois dispensaries. Also, as part of its THC Cannabis segment, the Company sells equipment, supplies and intellectual property to cannabis producers in the state of Washington.

The Company's CBD Wellness segment is focused upon its ownership and operation of its wholly owned subsidiary, Pure Ratios Holdings, Inc. ("Pure Ratios"), a CBD-focused wellness company in California, that sells non-THC products throughout the United States.

While marijuana is legal under the laws of several U.S. states (with varying restrictions), the United States Federal Controlled Substances Act classifies all "marijuana" as a Schedule I drug, whether for medical or recreational use. Under U.S. federal law, a Schedule I drug or substance has a high potential for abuse, no accepted medical use in the United States, and a lack of safety data for the use of the drug under medical supervision. In late January 2021, Senate Majority Leader Chuck Schumer said lawmakers are in the process of merging various cannabis bills, including his own legalization legislation. He is working to enact reform in this Congressional session. This would include the Marijuana Freedom and Opportunity Act, that would federally de-schedule cannabis, reinvest tax revenue into communities most affected by the drug war, and fund efforts to expunge prior cannabis records. It is likely that the Marijuana Opportunity, Reinvestment, and Expungement (MORE) Act would be incorporated. Other federal legislation under review for possible submission includes the Secure and Fair Enforcement Act (the "SAFE Banking Act"), a bill that would allow cannabis companies to access the federally insured banking system and capital markets without the risk of federal enforcement action, and the Strengthening the Tenth Amendment Through Entrusting States Act (the STATES Act), a bill that seeks protections for businesses and individuals in states that have legalized and comply with state laws.

The Company’s Interim Financial Statements are prepared in accordance with U.S. generally accepted accounting principles (“U.S. GAAP”), and the financial information contained herein, are reported in thousands (000’s) of United States dollars (“$”) unless otherwise specified. Canadian dollar amounts are denoted by “C$”.

Recent Developments

Final Close on Illinois Cultivation and Production Facility Project

The Company announced on August 5, 2021 the first closing of a multiphase expansion project to build an up to 558,000 sq. ft. cultivation and production facility (the “Facility”) in the Village of Matteson, Illinois, located outside of Chicago. The Company plans to use the Facility to produce the Company's more than 20 in-house brands and 200 products, which will be offered to Illinois customers at an accessible price point at its Mission Dispensaries and partner dispensaries across Illinois.

Massachusetts Brookline Mission Dispensary Grand Opening

On July 15, 2021, the Company received final approval from the Massachusetts Cannabis Control Commission to open the Company’s third adult-use retail dispensary in Massachusetts. Located at 1024 Commonwealth Avenue, Boston, MA, the dispensary will hold its grand opening on August 21, 2021.

COVID-19

In March 2020, the United States and much of the world began to experience a rapid increase in the number of COVID-19 cases. The emergence of COVID-19, an extremely infectious airborne respiratory virus, caused a significant response on the part of many governments to contain it. The most relevant containment measure for the Company’s business is the implementation of “essential” type business designations and implementation of social distancing protocols. Thus far, the Company’s dispensaries and operations have been allowed to continue operating. Social distancing protocols have been implemented at the Company’s dispensaries which meet or exceed those required by the local jurisdiction. Through the date of this Quarterly Report on Form 10-Q, sales continue to meet or exceed comparable periods prior to March 2020, however there is no guarantee that the Company’s dispensaries/operations will not see future negative effects from COVID-19.

The situation related to the pandemic and recovery from the pandemic continues to be complex and rapidly evolving. Certain vaccines have been authorized by major regulatory bodies to help fight the infection of COVID-19, and certain other vaccines are in the last stages of development to provide such treatment. While it is anticipated in the ensuing months that authorized vaccines will become more widely available to the public, vaccine availability remains limited in certain regions and the timeline to sufficiently mitigate the effects of the pandemic through vaccines or other measures remains uncertain. If COVID-19 persists or worsens before vaccines or other treatments are made widely available, there may be further external developments, such as restrictions imposed by government authorities, that are beyond our control and may impact our operating plans. Parts of our business have experienced and may continue to experience, operational disruption and customer demand impacts. Furthermore, the impact of the Delta variant cannot be predicted at this time, and could depend on numerous factors, including vaccination rates among the population, the effectiveness of COVID-19 vaccines against the Delta variant and the response by governmental bodies and regulators. As such, we are unable to reasonably estimate the duration of the pandemic or fully ascertain its long-term impact to our business.

Commerce Facility

The Company is building a cannabis manufacturing facility in Commerce, California, and expects to begin operating the facility in the third quarter of 2021. Manufactured products will be sold to licensed dispensaries in California.

Director and Officer Personnel Changes

On May 24, 2021, Joshua Rosen provided notice of his resignation as a member of the board of directors of the Company, and the board of directors accepted Mr. Rosen’s resignation effective as of the same date. Mr. Rosen’s resignation was not in connection with any known disagreement with the Company on any matter relating to the Company’s operations, policies, or practices. In connection with his resignation, the Compensation Committee of the Board agreed to extend the expiry date of Mr. Rosen’s outstanding options to purchase (i) 4,095 SVS until September 16, 2024, at an exercise price of $8.00 per share, (ii) 25,000 SVS until August 22, 2024 at an exercise price of $80.00 per share, and (iii) 2,000,000 SVS until December 2, 2025 at an exercise price of $1.11 per share.

Mr. Rosen served as the chairman of the Board. In order to fill the vacancy as board chairman created by Mr. Rosen’s resignation, also on May 24, 2021, the Board appointed current board member Kathi Lentzsch as chairperson of the Board.

Effective July 1, 2021, the Company terminated its month-to-month independent contractor arrangement with Peter Rennard in his position as Interim Chief Financial Officer of the Company. Mr. Rennard's termination was not in connection with any known disagreement with the Company on any matter relating to the Company's operations, policies or practices, including accounting principles and practices.

Effective July 15, 2021, the Company's board of directors appointed Andrew Thut as the Company's Interim Chief Financial Officer while the Company continues its search for a permanent Chief Financial Officer. Mr. Thut joined the Company in October 2014 as its Chief Investment Officer and will continue to serve as Chief Investment Officer during his tenure as Interim Chief Financial Officer of the Company.

RESULTS OF OPERATIONS

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2021	2020	2021	2020
Total revenues	**$ 27,121**	**$ 12,701**	**$ 50,091**	**$ 25,353**
Cost of goods sold	(10,816)	(8,046)	(19,941)	(12,695)
Gross profit	**16,305**	**4,655**	**30,150**	**12,658**
Total expenses	(22,523)	(15,144)	(47,452)	(31,801)
Net loss from continuing operations	(6,218)	(10,489)	(17,302)	(19,143)
Net income from discontinued operations	—	9,840	—	10,712
Net loss	**(6,218)**	**(649)**	**$ (17,302)**	**$ (8,431)**
Net income attributable to non-controlling interest	5	(38)	10	(26)
Net loss attributable to shareholders	**(6,223)**	**(611)**	**$ (17,312)**	**$ (8,405)**

	June 30, 2021	December 31, 2020
Total assets	$ 208,764	$ 204,756
Total liabilities	155,196	162,553
Total equity	53,568	42,203

Components of Revenue

Revenue

As of June 30, 2021, 4Front owns or manages operations in California, Illinois, Massachusetts, Michigan, and Washington. Since commencing operations 4Front has generated revenue in each state. Adult use sales began in August 2020 in Georgetown, MA, and in September 2020 in Worcester, MA. The Company opened its Calumet City, IL dispensary in December 2020. The additional adult use sales and the new dispensary have driven sales higher in 2021. The Company has utilized cultivation and production techniques developed by Cannex for its Washington state customers to increase the yields and quality of products produced in Illinois and Massachusetts. The ability to supply the Company's adult use dispensaries will ensure that the Company can meet increasing demand. As production increases, the Company will begin to sell excess production in the wholesale market. The company also sells equipment and supplies to third party cannabis operators and sells non-THC wellness products through its Pure Ratios subsidiary.

Revenue from Sale of Goods

Revenue from sale of goods includes the sale of cannabis products through the Company's dispensaries. These products are either manufactured by the Company or are purchased from other licensed cannabis companies. Also included are equipment and supply sales and non-THC wellness product sales.

Real Estate Income

Real estate income from leasing cannabis production facilities to third party cannabis operators in the state of Washington.

Gross Profit

Gross profit is revenue less cost of goods sold. Cost of goods sold includes the costs to purchase products from third parties and includes finished goods such as flower, edibles, and concentrates. Cost of goods sold also includes costs to internally manufacture products such as packaging and other supplies, and allocated overhead which includes rent, salaries, utilities, and related costs. Cannabis costs are affected by various state regulations that limit the sourcing and procurement of cannabis products, which may create fluctuations in gross profit over comparative periods as the regulatory environment changes.

Total Operating Expenses

Total operating expenses include selling and marketing expenses, general and administrative expenses, depreciation and amortization, and equity-based compensation.

Selling and marketing expenses generally correlate to revenue. These expenses include labor costs and other selling costs to support the Company's retail locations. The Company expects selling costs as a percentage of revenue to decrease over time as volumes increase at the Massachusetts and Illinois dispensaries due to adult use sales and as the Company begins to sell cannabis to the wholesale market.

General and administrative expenses include costs incurred at the corporate offices, primarily related to personnel costs, benefits, and other professional service costs. These costs are anticipated to be stable.

Provision for Income Taxes

Although the Company is a Canadian corporation, we are classified as a U.S. domestic corporation for U.S. federal income tax purposes under section 7874(b) of the U.S. Internal Revenue Code of 1986, as amended (the "U.S. Tax Code") and will be subject to U.S. federal income tax on our worldwide income. However, for Canadian tax purposes, regardless of any application of section 7874 of the U.S. Tax Code, we are treated as a Canadian resident corporation. As a result, we are subject to taxation in both Canada and the United States, which could have a material adverse effect on our financial condition and results of operations.

We are subject to income taxes in the jurisdictions in which we operate, and, consequently, income tax expense is a function of the allocation of taxable income by jurisdiction and the various activities that impact the timing of taxable events. Section 280E of the U.S. Tax Code prohibits businesses from deducting certain expenses associated with trafficking-controlled substances (within the meaning of Schedule I and II of the CSA). The Internal Revenue Service of the United States ("IRS") has invoked section 280E of the U.S. Tax Code in tax audits against various cannabis businesses in the United States that are permitted under applicable state laws. Although the IRS issued a clarification allowing the deduction of certain expenses, the scope of such items is interpreted very narrowly, and the bulk of operating costs and general administrative costs are not permissible deductions. As a result, we will have an effective tax rate in the U.S. significantly higher than the rate typically applicable to U.S. corporations. While there are currently several pending cases before various U.S. administrative and federal courts challenging these restrictions, there can be no assurance that these courts will issue an interpretation of Section 280E of the U.S. Tax Code favorable to cannabis businesses.

Three-Months Ended June 30, 2021

Revenue from sale of goods

Revenue for the three months ended June 30, 2021 from the Company's retail and wholesale sales are $24,452, which is an increase of $14,485 or 145% compared to $9,967 for the three months ended June 30, 2020. This increase is primarily due to sales from the Calumet City dispensary that opened in December 2020, and increased sales in the two Massachusetts dispensaries.

Revenue from the sale of equipment and supplies to third party cannabis operators was $1,346 for the three months ended June 30, 2021 as compared to $1,212 for the three months ended June 2020. This $134 or 11% increase is due to normal fluctuation in revenue between quarters and future revenue is expected to remain at 2021 levels.

Revenue from the CBD Wellness segment is $724 for the three months ended June 30, 2021 as compared to $1,669 for the three months ended June 30, 2020. The revenue decrease of $945 is largely attributable to changes in marketing strategy prioritizing profitable growth with a focus on achieving positive cash flow.

Real Estate Income

Real estate income for the three months ended June 30, 2021 is $2,669 which is relatively flat from $2,734 for the three months ended June 30, 2020.

Cost of Goods Sold

Cost of goods sold ("COGS") for the three months ended June 30, 2021 is $10,816, an increase of $2,770 or 34%, from $8,046 for the same period ended June 30, 2020. The difference in percentage increases is attributable to the margin benefits of increased sales on internally produced products.

Gross Profit

Gross profit margin for the three months ended June 30, 2021 is 67% compared to 19% for the same period ended 2020. The $11,650 increase in gross profit is due to lower COGS from internally produced products.

Total Operating Expenses

Total operating expense for the three months ended June 30, 2021 is $15,637, an increase of $5,053 from $10,584 for the period ended 2020. This increase is primarily due to $2.5 million in higher sales & marketing expenses due to the new Calumet City dispensary and increasing adult use sales, $2.3 million in higher equity based compensation, and $0.9 million in lease payments in Washington following the sales leaseback transaction in late 2020.

Total Other Income (Expense)

Net other expense for the three months ended June 30, 2021 increased $1,348 to $3,535 from $2,187 in the same period ended 2020. The overall net increase in other expense is due to a $2.5 million settlement of a business dispute in 2020 that was offset by lower interest expense after debt was repaid with proceeds from sales leasebacks.

Net Income (Loss) Before Income Taxes

Net loss before taxes and non-controlling interest for the three months ended June 30, 2021 is $2,867, which is a $5,249 decrease compared to the $8,116 net loss before income taxes for the three months ended June 30, 2020. The improvement in operating income is due to greater dispensary sales and improved margins.

Six-Months Ended June 30, 2021

Revenue from sale of goods

Revenue for the six months ended June 30, 2021 from the Company's retail and wholesale sales increased $24,810 or 126% to $44,532 compared to $19,722 for the three months ended June 30, 2020. This increase is primarily due to sales from the Calumet City dispensary that opened in December 2020 and higher sales across our other dispensaries with Michigan and Massachusetts dispensaries benefitting from a full six months of adult use sales in 2021.

Revenue from the sale of equipment and supplies to third party cannabis operators was $2,368 for the six months ended June 30, 2021 as compared to $1,764 for the six months ended June 2020. This $604 or 34% increase is due to normal fluctuation in revenue between periods and future revenue is expected to remain at 2021 levels.

Revenue from the CBD Wellness segment is $1,547 for the six months ended June 30, 2021 as compared to $3,459 for the similar period ended 2020. This revenue decrease of $1,912 or 55% from the six months ended June 30, 2020 is largely attributable to changes in marketing strategy prioritizing profitable growth with a focus on achieving positive cash flow.

Real Estate Income

Real estate income for the six months ended June 30, 2021 is $5,559, which is relatively flat from $5,631 recognized during the similar period ended June 30, 2020.

Cost of Goods Sold

COGS for the six months ended June 30, 2021 is $19,941, an increase of $7,249 or 57%, from $12,695 for the period ended June 30, 2020. The favorable percentage increase as compared to 126% in revenue growth was due to the margin benefits from increased sales of internally produced products.

Gross Profit

Gross profit margin for the six months ended June 30, 2021 is 55% compared to 36% for the period ended 2020. The $17,492 increase in gross profit is due to lower COGS from internally developed products.

Total Operating Expenses

Total operating expense for the six months ended June 30, 2021 is $29,129, an increase of $4,481 from $24,648 for the period ended 2020. This increase is primarily due to the $3.1 million increase in equity based compensation.

Total Other Income (Expense)

Net other expense for the six months ended June 30, 2021 increased $8,089 to $12,319 from $4,230 in the similar period ended 2020. The overall net increase in other expense for the period ended 2021 is due to $2.9 million from the amortization of loan discount upon conversion of debt to equity, $2.8 million for change in fair value of derivative liability, and $2.5 million from the settlement of a business dispute in 2020.

Net Income (Loss) Before Income Taxes

Net loss before taxes and non-controlling interest for the six months ended June 30, 2021 is $11,298 compared to $16,220 for the similar period ended 2020, an improvement of $4,922. The $13 million improvement in operating income is due to higher dispensary sales and stronger gross profit margins, which is offset by non-cash expenses of $2.9 million from the amortization of loan discount upon conversion of debt to equity, and $2.8 million for change in fair value of derivative liability.

Non-GAAP Financial and Performance Measures

In addition to providing financial measurements based on GAAP, the Company provides additional financial metrics that are not prepared in accordance with GAAP. Management uses non-GAAP financial measures, in addition to GAAP financial measures, to understand and compare operating results across accounting periods, for financial and operational decision making, for planning and forecasting purposes and to evaluate the Company's financial performance. The Company utilizes the non-GAAP financial measurement of Adjusted EBITDA, which management believes reflects the Company's ongoing business in a manner that allows for meaningful comparisons and analysis of trends in the business, as it facilitates comparing financial results across accounting periods. Management also believes that this non-GAAP financial measure enables investors to evaluate the Company's operating results and future prospects in the same manner as management. This non-GAAP financial measure may also exclude expenses and gains that may be unusual in nature, infrequent or not reflective of the Company's ongoing operating results. As there are no standardized methods of calculating these non-GAAP measures, the Company's methods may differ from those used by others, and accordingly, the use of this measurement may not be directly comparable to similarly titled measures used by others. Accordingly, non-GAAP measures are intended to provide additional information and should not be considered in isolation or as a substitute for measures of performance prepared in accordance with GAAP.

Adjusted EBITDA

Adjusted EBITDA is defined by the Company as earnings before interest, taxes, depreciation and amortization, share-based compensation expense and one-time charges related to acquisition and business combination related costs. 4Front considers these measures to be an important indicator of the financial strength and performance of its business. The following table reconciles Pro Forma Adjusted EBITDA to its closest GAAP measure.

	Six Months Ended June 30,	
	2021	2020
Net Loss from Continuing Operations (GAAP)	**$ (17,302)**	**$ (19,143)**
Interest income	(11)	(64)
Interest expense	5,362	7,013
Amortization of loan discount upon conversion of debt to equity	2,915	—
Income tax expense	6,004	2,923
Depreciation and amortization	2,166	4,296
Accretion	—	(311)
Equity based compensation	5,375	2,275
Change in value of derivative liability and other fair value adjustments	2,843	(2,456)
Non-cash lease expense	1,765	425
Loss on lease termination	1,210	—
Acquisition, transaction, and other one-time costs	3,054	1,624
Adjusted EBITDA (Non-GAAP)	**$ 13,381**	**$ (3,418)**

Liquidity and Capital Resources

As of June 30, 2021 and December 31, 2020, the Company had total current liabilities of $45,923 and $37,784, respectively and current assets of $41,663 and $44,736, respectively to meet its current obligations. As of June 30, 2021, the Company's working capital is ($4,260), a $11,212 decrease as compared to December 31, 2020, driven primarily by construction costs to complete the Commerce facility.

Specific factors affecting the Company's liquidity are:

- A loan due to LI Lending, LLC (see Transactions with Related Parties, below) with a balance of $46,843 at June 30, 2021 is due in May 2024.

The Company is generating cash from retail sales and the opening of the Commerce facility is expected to generate additional cash to meet the needs of the Company. The Company may raise capital through equity offerings or the issuance of convertible debt to meet future capital requirements.

Cash Flows

Cash Flow from Operating Activities

Net cash provided in continued operating activities is $4,267 for the six months ended June 30, 2021, an increase of $5,156 as compared to the six months ended June 30, 2020. The increase is due to higher sales at the Company's dispensaries and corporate cost reductions initiated in the second quarter 2020 as the Company substantially completed construction of its 170,000 square foot manufacturing facility in Commerce, CA.

Cash Flow from Investing Activities

Net cash used in continued investing activities is $10,736 for the six months ended June 30, 2021, an increase of $7,840 as compared to the six months ended June 30, 2020. The increase is primarily due to $5,595 of additional purchases of property and equipment during the six months ended June 30, 2021 and because 2020 included proceeds of $2,745 from long term deposits.

Cash Flow from Financing Activities

Net cash used by financing activities is $900 for the six months ended June 30, 2021, a decrease of $2,482 as compared to the six months ended June 30, 2020. The decrease is because in 2020 the Company was provided $8,597 in proceeds from a convertible debt issuance. This was partially offset by $2,978 in proceeds from the exercise of warrants and stock options in 2021. In 2020 there was also an additional $3,591 in repayments of convertible debt and notes payable.

Off-Balance Sheet Arrangements

We do not have any off-balance sheet arrangements that have or are reasonably likely to have a current or future effect on our financial condition, changes in financial condition, revenues or expenses, results of operations, liquidity or capital expenditures or capital resources that is material to an investor in our securities.

Critical Accounting Policies

We review new accounting standards as issued. Although some of these accounting standards issued or effective after the end of our previous fiscal year may be applicable to the Company, we have not identified any standards that we believe merit further discussion. We do not expect the adoption of any recently issued accounting pronouncements to have a significant impact on our financial position, results of operations, or cash flows.

Item 3. Quantitative and Qualitative Disclosures About Market Risk.

As a "smaller reporting company" as defined by Item 10 of Regulation S-K, the Company is not required to provide information required by this Item.

Item 4. Controls and Procedures.

Evaluation of Disclosure Control and Procedures

As required by Rule 13a-15 under the Exchange Act, our management has carried out an evaluation, with the participation and under the supervision of our Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of our disclosure controls and procedures as of June 30, 2021. Disclosure controls and procedures refer to controls and other procedures designed to ensure that information required to be disclosed in the reports we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the rules and forms of the SEC and that such information is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure. In designing and evaluating our disclosure controls and procedures, management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives, and management is required to apply its judgment in evaluating and implementing possible controls and procedures.

Material Weaknesses

A material weakness is a deficiency, or a combination of deficiencies, within the meaning of Public Company Accounting Oversight Board ("PCAOB") Auditing Standard AS 2201, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the Company's annual or interim financial statements will not be prevented or detected on a timely basis.

Material Weaknesses in Internal Control

The Company did not fully design and implement effective control activities based on the criteria established in the COSO framework. The Company has identified deficiencies that constitute a material weakness, either individually or in the aggregate. This material weakness is attributable to the following factors:

- We did not have sufficient accounting staff resources to timely perform closing and audit related procedures.
- We did not have effective controls over the review procedures for balance sheet account reconciliations and manual journal entries.
- We did not have documented evidence of review procedures and did not have sufficient segregation of duties within our accounting function.

Due to the existence of the above material weakness, management, including the CEO and CFO, has concluded that our internal control over financial reporting was not effective as of December 31, 2020. This material weakness creates a reasonable possibility that a material misstatement to the consolidated financial statements will not be prevented or detected on a timely basis.

Management conducted its evaluation of disclosure controls and procedures under the supervision of our Chief Executive Officer and Chief Financial Officer. Based upon, and as of the date of this evaluation, our Chief Executive Officer and Chief Financial Officer have concluded that our disclosure controls and procedures were not effective as of June 30, 2021 due to the material weaknesses listed above under "Material Weakness in Internal Control".

We plan to take steps to remediate these material weaknesses as soon as practicable by implementing a plan to improve our internal control over financial reporting including, but not limited to:

- The Company will assess sufficient resources, both in accounting staff and related technology, needed to timely perform closing and audit related procedures and align identified resources.
- The Company will assess controls needed to effectively review procedures for balance sheet account reconciliations and manual journal entries and implement identified controls.
- The Company will assess review procedures to have sufficient segregation of duties within our accounting function, then standardize and document such procedures for evidence of review.

Changes in Internal Control over Financial Reporting

Except for the matters described above, there have been no changes in the Company's internal control over financial reporting during the last quarterly period covered by this report that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

Inherent Limitations on Effectiveness of Controls

Management recognizes that a control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud or error, if any, have been detected. These inherent limitations include the realities that judgments in decision making can be faulty, and that breakdowns can occur because of a simple error or mistake. Additionally, controls can be circumvented by the individual acts of some persons, by collusion of two or more people, or by management override of the controls. The design of any system of controls also is based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions; over time, controls may become inadequate because of changes in conditions, or the degree of compliance with policies or procedures may deteriorate. Because of the inherent limitations in a cost-effective control system, misstatements due to error or fraud may occur and not be detected.

PART II—OTHER INFORMATION

Item 1. Legal Proceedings.

On December 4, 2019, counsel for Limevee, LLC sent a letter to our wholly owned subsidiary Pure Ratios Holdings, Inc. (successor of International Bioceutical Company) regarding allegations of breach of contract involving a Consulting Services Agreement between Limevee and International Bioceutical Company. Limevee, LLC alleges that $79,000 plus additional damages are owed, which would be determined following an accounting of sales in November and December 2019. Limevee, LLC's counsel sent an additional letter on February 18, 2020. As of August 16, 2021, no lawsuit has been filed.

On March 2, 2021, the Company received correspondence from Brothers for Life LLC asserting that the Company was obligated to make a $200,000 payment pursuant to a June 18, 2019 Fee Agreement (the "Fee Agreement") entered into between Brothers for Life LLC and Cannex Capital Holdings Inc. (which was the entity acquired by the Company in its Reverse Takeover Transaction, consummated July 31, 2019). As the Company believes that Brothers for Life LLC's claim has no merit, and that no payment is due under the Fee Agreement, the Company has declined to make the $200,000 payment to Brothers for Life LLC, and instead intends to pursue its rights under the Fee Agreement vigorously.

The Company's operating tenant in Tumwater, Washington, NWCS, received administrative violation notices in which the Washington State Liquor and Cannabis Board ("WSLCB") charged that it had violated certain regulations. On February 10, 2020, NWCS received a settlement proposal from the WSLCB. the terms of the proposed settlement required NWCS to pay a $100,000 fine and required the current sole member of NWCS to dispose of his interest in NWCS to an arms-length party who would operate the business under the same license. In effect there would need to be a change of ownership of the corporation's current tenant. The settlement was never approved and the parties are scheduled to have the matter heard before an administrative law judge on June 6, 2022. In the event the WSLCB is successful in the case, the current producer and processor licenses of the Company's tenant will be cancelled and the Company will have to find a new license holder (tenant) to operate in the facility under a similar lease, management and IP structure. While there is no certainty that the corporation will be able to replace NWCS as a tenant, there is an expectation that it will be able to do so with limited disruption to revenue derived from the turn-key facility.

On August 5, 2019, Richard Hernandez and Commerce Citizens Against Marijuana Corruption (the "Complainants") filed a complaint (Superior Court of California Case No. 19ST-CV-27029) and writ of mandamus against the City of Commerce, California and certain of its officials alleging procedural errors committed by the City in relation to certain development agreements granted to 22 cannabis operators allowing such operators to operate various cannabis businesses in the City of Commerce. Cannex Holdings (California), Inc., a wholly owned subsidiary of the Company, is one such operator that was named as a Real Party in Interest in the case. and as such, has engaged counsel to defend its interests relating to the claims brought against the City of Commerce, California. On April 15, 2021, the court in the matter ruled on a demurrer where certain of the Complainants' claims were dismissed. Additionally, a writ of mandamus hearing (subject to an application for continuance being sought on August 17, 2021) is scheduled for September 30, 2021. If the Complainants' remaining claims are upheld (including through appeals), the City of Commerce may be required to reissue the "ordinances", "Development Agreements" or other applicable license rights to the current license holders. While the City of Commerce has stated in no uncertain terms that it would act immediately to ensure/restore fully licensed status of any of the affected operators, there can be no assurances that such relicensing will be successful or if successful will not result in a significant disruption of operations for the operators.

On July 19, 2019, Superior Gardens LLC (d/b/a Northwest Cannabis Solutions) ("NWCS"), which among other things, is an operating tenant that leases a facility from the Company in Tumwater, Washington, received administrative violation notices in which the Washington State Liquor and Cannabis Board ("WSLCB") charged that NWCS had violated certain regulations. The sole owner of NWCS was a related party of Cannex. However, upon the Company's acquisition of Cannex on July 31, 2019, management determined the sole owner no longer had significant influence in the Company thus removing consideration of NWCS as a related party.

On February 10, 2020, NWCS received a settlement proposal from the WSLCB. the terms of the proposed settlement required NWCS to pay a $100,000 fine and required the current sole member of NWCS to dispose of his interest in NWCS to an arms-length party who would operate the business under the same license. In effect there would need to be a change of ownership of the corporation's current tenant. The settlement was never approved and the parties are scheduled to have the matter heard before an administrative law judge on June 6, 2022. In the event the WSLCB is successful in the case, the current producer and processor licenses of NWCS will be cancelled and the Company will have to find a new license holder (tenant) to operate in the facility under a similar lease, management and IP structure. While there is no certainty that the Company will be able to replace NWCS as a tenant, there is an expectation that it will be able to do so with limited disruption to revenue derived from the turn-key facility.

Apart from the foregoing and ongoing legal proceedings, from time to time, we may be subject to various other legal proceedings and claims that are routine and incidental to our business. Although some of the legal proceedings set forth herein may result in adverse decisions or settlements, Management believes that the final disposition of such matters will not have a material adverse effect on our business, financial position, results of operations or cash flows.

Item 1A. Risk Factors.

As a "smaller reporting company" as defined by Item 10 of Regulation S-K, we are not required to provide information required by this Item.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds.

The Company did not issue any shares of its unregistered securities during the three months ended June 30, 2021.

Item 3. Defaults Upon Senior Securities.

None.

Item 4. Mine Safety Disclosures.

Not applicable.

Item 5. Other Information.

There is no other information required to be disclosed under this item which was not previously disclosed.

Item 6. Exhibits.

		Incorporated by Reference			
Exhibit Number	**Exhibit Description**	**Form**	**Filing Date**	**Exhibit Number**	**Filed Herewith**
31.1	Certification of the Chief Executive Officer (Principal Executive Officer) pursuant to Rule 13a-14(a) of the Securities Exchange Act				x
31.2	Certification of the Chief Financial Officer (Principal Financial Officer) pursuant to Rule 13a-14(a) of the Securities Exchange Act				x
32.1	Certification of Chief Executive Officer and Chief Financial Officer Pursuant to Rule 13a-14(b) Under the Securities Exchange Act of 1934 and Section 1350 of Chapter 60 of Title 18 of the United States Code *				x
101.INS	Inline XBRL Instance Document – the instance document does not appear in the Interactive Data File because XBRL tags are embedded within the Inline XBRL document				
101.SCH	Inline XBRL Taxonomy Extension Schema Document				
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document				
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document				
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document				
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document				
104	Cover Page Interactive Data File (embedded within the Inline XBRL document)				

* Document has been furnished, is not deemed filed and is not to be incorporated by reference into any of the Company's filings under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended, irrespective of any general incorporation language contained in any such filing.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

4Front Ventures Corp.

Date: August 16, 2021

By: /s/ Leo Gontmakher

Leo Gontmakher
Chief Executive Officer and Director
(Principal Executive Officer)

Date: August 16, 2021

By: /s/ Andrew Thut

Andrew Thut
Chief Investment Officer and
Interim Chief Financial Officer
(Principal Financial Officer)