FORM 5

QUARTERLY LISTING STATEMENT

Name of Listed Issuer: **Jushi Holdings Inc.** (the "Issuer").

Trading Symbol: **JUSH**

This Quarterly Listing Statement must be posted on or before the day on which the Issuer's unaudited interim financial statements are to be filed under the *Securities* Act, or, if no interim statements are required to be filed for the quarter, within 60 days of the end of the Issuer's first, second and third fiscal quarters. This statement 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 the Exchange Policies. If material information became known and was reported during the preceding quarter to which this statement relates, management is encouraged to also make reference in this statement to the material information, the news release date and the posting date on the Exchange website.

General Instructions

(a) Prepare this Quarterly Listing Statement 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 following items must be in narrative form. When the answer to any item is negative or not applicable to the Issuer, state it in a sentence. The title to each item must precede the answer.

(b) The term "Issuer" includes the Listed 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.

There are three schedules which must be attached to this report as follows:

SCHEDULE A: FINANCIAL STATEMENTS

Financial statements are required as follows:

For the first, second and third financial quarters interim financial statements prepared in accordance with the requirements under Ontario securities law must be attached.

If the Issuer is exempt from filing certain interim financial statements, give the date of the exempting order.

Condensed unaudited interim consolidated financial statements for the three months ended March 31, 2021, as filed with the securities regulatory authorities, are attached to this Form 5 as Appendix I.

SCHEDULE B: SUPPLEMENTARY INFORMATION

The supplementary information set out below must be provided when not included in Schedule A.

1. Related party transactions

Provide disclosure of all transactions with a Related Person, including those previously disclosed on Form 10. Include in the disclosure the following information about the transactions with Related Persons:

(a) A description of the relationship between the transacting parties. Be as precise as possible in this description of the relationship. Terms such as affiliate, associate or related company without further clarifying details are not sufficient.
(b) A description of the transaction(s), including those for which no amount has been recorded.
(c) The recorded amount of the transactions classified by financial statement category.
(d) The amounts due to or from Related Persons and the terms and conditions relating thereto.
(e) Contractual obligations with Related Persons, separate from other contractual obligations.
(f) Contingencies involving Related Persons, separate from other contingencies.

All related party transactions have been disclosed in Note 19 to the Issuer's condensed unaudited interim consolidated financial statements for the three months ended March 31, 2021 attached hereto as Appendix I.

2. Summary of securities issued and options granted during the period.

Provide the following information for the period beginning on the date of the last Listing Statement (Form 2A):

All securities issued including options granted have been disclosed in the Issuer's Condensed unaudited interim consolidated financial statements for the three months ended March 31, 2021 attached hereto as Appendix I.

(a) summary of securities issued during the period,

Date of Issue	Type of Security (common shares, convertible debentures, etc.)	Type of Issue (private placement, public offering, exercise of warrants, etc.)	Number	Price	Total Proceeds	Type of Consideration (cash, property, etc.)	Describe relationship of Person with Issuer (indicate if Related Person)	Commission Paid

(b) summary of options granted during the period,

Date	Number	Name of Optionee if Related Person and relationship	Generic description of other Optionees	Exercise Price	Expiry Date	Market Price on date of Grant

3. Summary of securities as at the end of the reporting period.

A summary of each type of securities as at the end of the reporting period have been disclosed in the Issuer's condensed unaudited interim consolidated financial statements for the three months ended March 31, 2021 attached hereto as Appendix I.

Provide the following information in tabular format as at the end of the reporting period:

(a) description of authorized share capital including number of shares for each class, dividend rates on preferred shares and whether or not cumulative, redemption and conversion provisions,

(b) number and recorded value for shares issued and outstanding,

(c) description of options, warrants and convertible securities outstanding, including number or amount, exercise or conversion price and expiry date, and any recorded value, and

(d) number of shares in each class of shares subject to escrow or pooling agreements or any other restriction on transfer.

4. List the names of the directors and officers, with an indication of the position(s) held, as at the date this report is signed and filed.

James Cacioppo	**Chairman and Chief Executive Officer**
Erich Mauff	**Co-President and Director**
Louis J. Barack	**Co-President and Corporate Secretary**
Kimberly Bambach	**Chief Financial Officer**
Benjamin Cross	**Director**
Stephen Monroe	**Director**
Peter Adderton	**Director**
Marina Hahn	**Director**

SCHEDULE C: MANAGEMENT DISCUSSION AND ANALYSIS

Provide Interim MD&A if required by applicable securities legislation.

MD&A for the three months ended March 31, 2021 is attached to this Form 5 as Appendix II.

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 Quarterly Listing Statement.

2. As of the date hereof there 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 5 Quarterly Listing Statement is true.

Dated: June 6, 2021

Kimberly Bambach
Name of Director or Senior Officer

/s/ Kimberly Bambach
Signature

Chief Financial Officer
Official Capacity

Issuer Details Name of Issuer **Jushi Holdings Inc.**	For the Quarter Ended **March 31, 2021**	Date of Report YY/MM/DD **June 6, 2021**
Issuer Address **301 Yamato Rd Suite 3250**		
City/Province/Postal Code **Boca Raton, FL 33431**	Issuer Fax No. ( )	Issuer Telephone No. **(561) 917- 9100**
Contact Name **Michael Perlman**	Contact Position **EVP Investor Relations & Treasury**	Contact Telephone No. **(561) 910 - 4296**
Contact Email Address **investors@jushico.com**	Web Site Address **www.jushico.com**	

APPENDIX I:

FINANCIAL STATEMENTS

JUSHI HOLDINGS INC.

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

FOR THE THREE MONTHS ENDED MARCH 31, 2021 and 2020

(Unaudited, expressed in United States Dollars, unless otherwise noted)

JUSHI HOLDINGS INC.
CONDENSED UNAUDITED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2021

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Notice of No Auditor Review of Condensed Interim Financial Statements

In accordance with National Instrument 51-102 *Continuous Disclosure Obligations* released by the Canadian Securities Administrators, the Company discloses that its auditors have not reviewed these condensed unaudited interim consolidated financial statements, notes to these condensed unaudited interim consolidated financial statements and the related quarterly Management Discussion and Analysis.

JUSHI HOLDINGS INC.
CONDENSED UNAUDITED INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(in thousands of U.S. dollars)

	Note	March 31, 2021	December 31, 2020
ASSETS			
CURRENT ASSETS:			
Cash and cash equivalents		$ 162,085	$ 85,857
Accounts receivable		893	859
Investments in securities	3	5,832	7,934
Inventory	4	18,414	12,966
Biological assets	4	5,548	3,962
Prepaid expenses and other current assets	5	4,180	4,691
Total current assets		$ 196,952	$ 116,269
NON-CURRENT ASSETS:			
Property, plant and equipment	7	$ 86,236	$ 72,471
Other intangible assets	9	136,337	132,028
Goodwill	9	31,055	31,055
Other long-term assets	10	7,691	7,456
Total long-term assets		$ 261,319	$ 243,010
Total assets		$ 458,271	$ 359,279
LIABILITIES AND EQUITY			
CURRENT LIABILITIES:			
Accounts payable, accrued expenses and other current liabilities	11	$ 42,051	$ 30,700
Short-term promissory notes payable	12	1,339	1,338
Short-term lease obligations	13	6,250	4,716
Total current liabilities		$ 49,640	$ 36,754
LONG-TERM LIABILITIES:			
Long-term promissory notes payable	12	$ 3,149	$ 3,081
Senior notes	14	48,974	50,566
Derivative liabilities	14	211,440	205,361
Long-term lease obligations	13	37,844	34,494
Deferred tax liabilities	21	23,759	23,798
Other debt	15	4,642	3,475
Total liabilities		$ 379,448	$ 357,529
COMMITMENTS AND CONTINGENCIES	23		
EQUITY:			
Share capital and share reserves	16, 17	$ 370,095	$ 263,914
Accumulated deficit	22	(292,579)	(264,091)
Total Jushi shareholders' equity		$ 77,516	$ (177)
Non-controlling interests	22	1,307	1,927
Total equity		$ 78,823	$ 1,750
Total liabilities and equity		$ 458,271	$ 359,279

The accompanying notes are an integral part of these consolidated financial statements.

JUSHI HOLDINGS INC.

CONDENSED UNAUDITED INTERIM CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS

(in thousands of U.S. dollars, except share and per share amounts)

	Note	Three Months Ended March 31, 2021		Three Months Ended March 31, 2020	
REVENUE, NET	18	$	41,675	$	8,633
COST OF GOODS SOLD	4, 20		(22,934)		(4,547)
GROSS PROFIT BEFORE FAIR VALUE CHANGES		$	18,741	$	4,086
Realized fair value changes included in inventory sold			(4,783)		(127)
Unrealized fair value changes included in biological assets	4		6,135		200
GROSS PROFIT		$	20,093	$	4,159
OPERATING EXPENSES:					
General, administrative and selling expenses	20	$	17,394	$	9,849
Share-based compensation expense	16, 17		3,563		1,319
Acquisition and deal costs	8		238		485
Total operating expenses		$	21,195	$	11,653
LOSS FROM OPERATIONS BEFORE OTHER (EXPENSE) INCOME		$	(1,102)	$	(7,494)
OTHER (EXPENSE) INCOME:					
Interest income		$	97	$	77
Fair value changes in derivatives	14		(9,358)		2,587
Interest expense and finance charges	6, 12, 13, 14, 15		(6,653)		(2,952)
Net gains on business combinations	8		—		2,202
Gains (losses) on investments and financial assets	3		1,173		(8,210)
(Losses) gains on debt and warrant modifications	14		(3,815)		32
Other expense	7, 9, 14		(710)		(792)
Total other expense, net		$	(19,266)	$	(7,056)
NET LOSS AND COMPREHENSIVE LOSS BEFORE TAX		$	(20,368)	$	(14,550)
Current income tax expense	21		(6,473)		(1,722)
Deferred income tax (expense) benefit	21		40		374
NET LOSS AND COMPREHENSIVE LOSS		$	(26,801)	$	(15,898)
Net loss attributable to non-controlling interests	22		(175)		(281)
NET LOSS AND COMPREHENSIVE LOSS ATTRIBUTABLE TO JUSHI SHAREHOLDERS		$	(26,626)	$	(15,617)
NET LOSS AND COMPREHENSIVE LOSS PER SHARE ATTRIBUTABLE TO JUSHI SHAREHOLDERS - BASIC AND DILUTED	19	$	(0.18)	$	(0.17)
Weighted average shares outstanding - basic and diluted	19		149,933,639		93,317,981

The accompanying notes are an integral part of these consolidated financial statements.

JUSHI HOLDINGS INC.
CONDENSED UNAUDITED INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
(in thousands of U.S. dollars, except share amounts)

	Number of Shares				Share Reserves							
	Super Voting Shares	Multiple Voting Shares	Subordinate Voting Shares	Share Capital	Stock Options	Warrants	Restricted Shares	Other	Accumulated Deficit	Total Jushi Shareholders' Equity	Non-Controlling Interests	Total Equity
Balances - December 31, 2020	149,000	4,000,000	132,396,064	$ 244,623	$ 3,649	$ 10,404	$ 4,234	$ 1,004	$ (264,091)	$ (177)	$ 1,927	$ 1,750
Public offerings	—	—	13,685,000	$ 85,660	$ —	$ —	$ —	$ —	$ —	$ 85,660	$ —	$ 85,660
Purchases of non-controlling interests	—	—	500,000	$ 3,425	$ —	$ —	$ —	$ —	$ (1,863)	$ 1,562	$ (1,562)	$ —
Acquisition of Grover Beach	—	—	49,348	$ 368	$ —	$ —	$ —	$ —	$ —	$ 368	$ 1,117	$ 1,485
Restricted stock expense and vesting	—	—	—	$ 778	$ —	$ —	$ 1,560	$ —	$ —	$ 2,338	$ —	$ 2,338
Warrant expense, net of cancellations	—	—	—	$ —	$ —	$ 497	$ —	$ —	$ —	$ 497	$ —	$ 497
Stock option expense, net of forfeitures	—	—	—	$ —	$ 728	$ —	$ —	$ —	$ —	$ 728	$ —	$ 728
Shares issued upon exercise of warrants	—	—	3,898,180	$ 13,707	$ —	$ (572)	$ —	$ —	$ —	$ 13,135	$ —	$ 13,135
Shares issued upon exercise of stock options	—	—	15,000	$ 36	$ (6)	$ —	$ —	$ —	$ —	$ 30	$ —	$ 30
Net loss	—	—	—	$ —	$ —	$ —	$ —	$ —	$ (26,626)	$ (26,626)	$ (175)	$ (26,801)
Balances - March 31, 2021	149,000	4,000,000	150,543,592	$ 348,597	$ 4,371	$ 10,329	$ 5,794	$ 1,004	$ (292,580)	$ 77,515	$ 1,307	$ 78,822
Balances - December 31, 2019	149,000	4,000,000	91,842,638	$ 147,608	$ 1,927	$ 12,394	$ 1,103	$ —	$ (48,667)	$ 114,365	$ 9,660	$ 124,025
TGS Transaction	—	—	(4,800,000)	(7,008)	—	(117)	—	—	—	(7,125)	4,661	(2,464)
Purchase of non-controlling interests	—	—	633,433	811	—	—	—	—	—	811	(4,661)	(3,850)
Non-controlling interests - Jushi Europe	—	—	—	—	—	—	—	—	—	—	2,000	2,000
Restricted stock grants and vesting, net of forfeitures	—	—	315,777	100	—	—	548	—	—	648	—	648
Warrant expense, net of cancellations	—	—	—	—	—	167	—	—	—	167	—	167
Stock option expense, net of forfeitures	—	—	—	—	557	—	—	—	—	557	—	557
Net loss	—	—	—	—	—	—	—	—	(15,617)	(15,617)	(281)	(15,898)
Balances - March 31, 2020	149,000	4,000,000	87,991,848	$ 141,511	$ 2,484	$ 12,444	$ 1,651	$ —	$ (64,284)	$ 93,806	$ 11,379	$ 105,185

The accompanying notes are an integral part of these consolidated financial statements

JUSHI HOLDINGS INC.
CONDENSED UNAUDITED INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS
(in thousands of U.S. dollars)

	Three Months Ended March 31, 2021	Three Months Ended March 31, 2020
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net loss	$ (26,801)	$ (15,898)
Adjustments to reconcile net loss to net cash used in operating activities:		—
Depreciation and amortization, including amounts in costs of goods sold	1,769	1,050
Share-based payments	3,563	1,319
Fair value changes in derivatives	9,358	(2,587)
Net gain on business combination	—	(2,202)
(Gains) losses on investments and financial assets	(1,173)	8,210
Losses (gains) on debt and warrant modifications	3,815	(32)
Non-cash interest expense	4,558	1,408
Deferred income taxes	(40)	(374)
Fair value changes on sale of inventory and on biological assets	(1,352)	(73)
Non-cash other expense (income), net	(13)	792
Changes in operating assets and liabilities, net of acquisitions:		
Accounts receivable	$ (16)	$ 168
Prepaid expenses and other current assets	511	679
Inventory and biological assets	(5,680)	(377)
Other long-term assets	(115)	(375)
Accounts payable, accrued expenses and other current liabilities	12,077	613
Net cash flows provided by (used in) operating activities	$ 461	$ (7,679)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Payments for acquisitions and non-controlling interests, net of cash acquired	$ (3,592)	$ (4,528)
Purchases of property, plant and equipment	(8,623)	(956)
Payments for deposits and escrows - property and equipment	(76)	—
Sales and redemptions of investments in securities	3,252	—
Payments for investments	—	(7,967)
Proceeds from (investment in) financial asset	—	5,193
Net cash flows used in investing activities	$ (9,039)	$ (8,258)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Issuance of shares for cash, net	$ 85,660	$ —
Proceeds from exercise of warrants and options	9,886	—
(Payments for) proceeds from senior notes	(10,109)	18,726
Principal and interest payments on promissory notes	(115)	(7,625)
Payments on lease obligations	(1,609)	(380)
Proceeds from other debt, net of repayments	1,133	—
Contributions from non-controlling interests, net	—	2,000
Net cash flows provided by financing activities	$ 84,846	$ 12,721
Effect of currency translation on cash	(40)	(2)
NET CHANGE IN CASH AND CASH EQUIVALENTS	$ 76,228	$ (3,218)
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	85,857	38,936
CASH AND CASH EQUIVALENTS, END OF PERIOD	$ 162,085	$ 35,718
SUPPLEMENTAL CASH FLOW INFORMATION:		
Cash paid for income taxes	$ 685	$ 338
NON-CASH INVESTING AND FINANCING ACTIVITIES:		
Accrued capital expenditures	$ 3,531	$ 2,685
Fair value of note obligations and warrant liabilities from acquisitions, including non-controlling interests	$ —	$ 15,689

The accompanying notes are an integral part of these consolidated financial statements

NOTES TO THE CONDENSED UNAUDITED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

1. NATURE OF OPERATIONS

Jushi Holdings Inc. (the "Company" or "Jushi") is incorporated under the British Columbia's Business Corporations Act ("BCBCA"). The Company is an acquisitive vertically integrated, multi-state cannabis hemp operator engaged in retail, distribution, cultivation, and/or processing operations in both medical and adult-use markets. As of March 31, 2021, Jushi, through its subsidiaries, owns or manages cannabis operations and/or holds licenses in the adult-use and/or medicinal cannabis marketplace in Illinois, Pennsylvania, Virginia, Nevada, California and Ohio, as well as Europe.

The Company is listed on the Canadian Securities Exchange (the "CSE") and trades its subordinated voting shares ("SVS") under the ticker symbol "JUSH". The Company's SVS are also traded on the OTCQB under the symbol JUSHF.

The Company's head office is located in Boca Raton, Florida, and its registered address is Suite 1700, Park Place, 666 Burrard Street, Vancouver, British Columbia V6C 2X8.

2. BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Statement of Compliance

These condensed unaudited interim consolidated financial statements of the Company have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and interpretations of the IFRS Interpretations Committee ("IFRIC") in effect for the three months ended March 31, 2021.

These condensed unaudited interim consolidated financial statements for the three months ended March 31, 2021, have been prepared in accordance with International Accounting Standards ("IAS") 34 *Interim Financial Reporting*. These unaudited interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements and should be read in conjunction with the Company's annual consolidated financial statements as of December 31, 2020, which were filed on June 7, 2021 on SEDAR. These condensed unaudited interim consolidated financial statements were approved by the Board of Directors on June 6, 2021.

Basis of Measurement

These condensed unaudited interim consolidated financial statements have been prepared in thousands of United States ("U.S.") dollars on the going concern basis, under the historical cost convention, except for biological assets and certain financial instruments, which are measured at fair value.

Functional Currency

The Company and its affiliates' functional currency, as determined by management, is the U.S. dollar. These condensed unaudited interim consolidated financial statements are presented in U.S. dollars unless otherwise noted. Transactions in foreign currencies are recorded at a rate of exchange approximating the prevailing rate at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the statement of financial position date are translated into the functional currency at the foreign exchange rate in effect at that date. Realized and unrealized exchange gains and losses are recognized through profit and loss.

Reclassifications

(Amounts Expressed in United States Dollars, Unless Otherwise Stated)

Where necessary, certain prior period data has been reclassified to conform to the current period presentation. These reclassifications did not have an effect on total assets, total liabilities, equity, net loss, net loss per share or cash flows for the periods presented. Operating expense for salaries, wages and employee related expenses and the operating expense for depreciation and amortization were separately disclosed within the condensed unaudited interim consolidated statements of operations and comprehensive loss in prior periods but have been included within general, administrative and selling expenses in the current presentation. Refer to Note 20 - Nature of Expenses for the amounts which are included in general, administrative and selling expenses. It was recently determined that the Company has two operating segments, and as a result, prior period comparative disclosures have been included for comparison. Refer to Note 18 - Segments.

Basis of Consolidation

These condensed unaudited interim consolidated financial statements include the accounts of the Company, its wholly owned subsidiaries and entities over which the Company has control from the date control commences until the date control ceases. All intercompany balances and transactions are eliminated in consolidation.

The following are the Company's subsidiaries that are included in these condensed unaudited interim consolidated financial statements as of March 31, 2021:

NAME [(1)]	State or Country of Incorporation	Ownership Percentage as of March 31, 2021	Ownership Percentage as of December 31, 2020
Jushi Inc	Delaware	100%	100%
Bear Flag Assets, LLC *and its wholly owned Subsidiary GSG SBCA, Inc*	California	100%	100%
Beyond Hello IL Holdings, LLC *(formerly known as TGS Illinois Holdings, LLC) and its wholly owned subsidiary Beyond Hello IL, LLC*	Illinois	100%	100%
Jushi IP, LLC	Delaware	100%	100%
JREH, LLC *and its wholly owned Subsidiaries*	Delaware	100%	100%
Sound Wellness Holdings, Inc. *and its wholly owned Subsidiaries*	Delaware	100%	100%
Mend Products, LLC	Delaware	100%	100%
JMGT, LLC	Florida	100%	100%
Mojave Suncup Holdings, LLC *and its wholly owned subsidiary,* Production Excellence, LLC	Nevada	100%	100%
Jushi Ampal NJ, LLC [(2)]	New Jersey	75%	75%
Jushi OH, LLC	Ohio	100%	100%
Franklin Bioscience - Penn LLC *and its wholly owned subsidiaries*	Pennsylvania	100%	100%
Jushi VA, LLC *and its wholly owned subsidiary Dalitso, LLC*	Virginia	100%	100%
Jushi Europe SA [(2)]	Switzerland	51%	51%
Agape Total Health Care Inc. [(2)]	Pennsylvania	100%	80%
PASPV Holdings, LLC *and its wholly owned subsidiary,* Pennsylvania Medical Solutions LLC	Pennsylvania	100%	100%
Northeast Venture Holdings, LLC *and its wholly owned subsidiary,* Pennsylvania Dispensary Solutions, LLC	Pennsylvania	100%	100%

(1) Certain subsidiaries have been omitted since, in the aggregate, they do not represent a significant subsidiary.
(2) Refer to Note 22 - Non-Controlling Interests.

Critical Accounting Policies and Significant Judgments, Estimates and Assumptions

The preparation of the Company's condensed unaudited interim consolidated financial statements requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, and revenue and expenses. Actual results may differ from those estimates. Critical accounting policies, judgements, areas involving estimates, and assumptions within these condensed unaudited interim condensed consolidated financial statements, unless stated herein, remain the same as those applied to the annual consolidated financial statements for the year ended December 31, 2020.

COVID-19

The novel coronavirus ("COVID-19") was declared a pandemic by the World Health Organization on March 12, 2020, and continues to cause significant economic uncertainty. Consequently, it is difficult to reliably measure the potential impact of this uncertainty on our future financial results. During the three months ended March 31, 2021, the Company did not experience any material impact to its business as a result of COVID-19. In addition, it is possible that estimates in the Company's financial statements could change as a result of COVID-19 and the effect of any such changes could be material, which could result in, among other things, impairment of long-lived assets including intangibles and goodwill.

Recent Accounting Pronouncements

Amendments to IAS 1 *Presentation of Financial Statements* ("IAS 1") - *Classification of Liabilities as Current or Non-Current:* In January 2020, IASB issued amendments to IAS 1 to clarify its requirements for the presentation of liabilities in the statement of financial position. IAS 1 requires an entity to classify a liability as current if the entity does not have a right to defer settlement of the liability for at least twelve months after the reporting period. The amendments are effective retrospectively for annual reporting periods beginning on or after January 1, 2023. The Company expects that adoption of this amendment may result in the re-classification of derivative warrants liabilities from long-term liabilities to short-term liabilities in the consolidated statements of financial position.

In May 2020, the IASB issued *Annual Improvements to IFRS Standards 2018–2020*. The pronouncement contains amendments to several IFRSs as result of the IASB's annual improvements project, including IFRS 9 *Financial Instruments* and IFRS 16 *Leases.* The Company is currently evaluating the potential impact of these amendments on the Company's consolidated financial statements.

(Amounts Expressed in United States Dollars, Unless Otherwise Stated)

3. INVESTMENTS IN SECURITIES

The details of investments in securities and short-term note receivable are as follows:

	Investments in Mutual Funds	Organigram Shares	Cresco Shares and Warrants	Cresco Notes and Accrued Interest	Total
Balance as of December 31, 2019	$ 1,272	$ —	$ 10,995	$ 5,646	$ 17,913
Cash invested	10,000	—	—	—	10,000
Redemption of invested funds	(2,033)	—	—	—	(2,033)
Value of shares received/granted	—	1,092	387	(387)	1,092
Cash received	—	—	—	(5,193)	(5,193)
Fair value losses, net of investment income	(1,180)	(260)	(6,704)	(66)	(8,210)
Balance as of March 31, 2020	$ 8,059	$ 832	$ 4,678	$ —	$ 13,569
Balance as of December 31, 2020	$ 5,783	$ —	$ 2,151	$ —	$ 7,934
Cash received for shares sold	—	—	(3,251)	—	(3,251)
Change in fair value (1)	49	—	1,100	—	1,149
Balance as of March 31, 2021	$ 5,832	$ —	$ —	$ —	$ 5,832
Level within the Fair Value Hierarchy (Note 25)	Level 1	Level 1	Level 1 & Level 2	Level 3	

(1) The net fair value gains in the table above, together with the fair value gain of $24 related to the contingent consideration receivable discussed in *GSC and Cresco* below, are included in (losses) gains on investments and financial assets in the condensed unaudited interim consolidated statements of operations and comprehensive loss.

Investments in Mutual Funds

As of March 31, 2021, the Company owns approximately 606,210 shares in mutual funds with a fair value of $9.62 each.

Cresco Shares, Warrants and Contingent Consideration Receivable

As of December 31, 2020, the Company owned approximately 24,600 Cresco Labs Inc. ("Cresco") subordinate voting shares with a fair value of $9.87 each, for a total of $243. In addition, as of December 31, 2020, the Company owned 1,657 warrants for proportionate voting shares of Cresco with a strike price of $4.24, which were convertible and exercisable into 331,400 Cresco subordinate voting shares, which were valued at $1,908. During the three months ended March 31, 2021, the Company net exercised the warrants and received 207,599 Cresco subordinate voting shares. The Company subsequently sold all its outstanding Cresco shares during the three months ended March 31, 2021.

The Company is eligible to receive certain contingency payouts from the 2019 sale of its minority interest in Gloucester Street Capital, LLC ("GSC"), which are tied to both the performance of the GSC operations as well as the development of the New York market. The Company has recognized a contingent consideration receivable related to the contingent payouts of $889, which is recorded in other long-term assets in the statements of consolidated financial position. Refer to Note 10 - Other Long-Term Assets. During the three months ended March 31, 2021, the Company recorded a gain of $24 related to this contingent consideration receivable, which is included in gains (losses) on investments and financial assets in the condensed unaudited interim consolidated statements of operations and comprehensive loss.

(Amounts Expressed in United States Dollars, Unless Otherwise Stated)

The contingent consideration receivable was valued using the present value of expected future cash flows within 3.5 years. The following table quantifies the ranges of the significant unobservable inputs, and also provides the effect of a 10% increase/decrease in the discount rate used to calculate the fair value of the contingent consideration receivable:

	March 31, 2021	Effect of 10% Increase as of March 31, 2021	Effect of 10% Decrease as of March 31, 2021
Discount rate	19.2%	$(260)	$295

Other Equity Investment

Refer to Note 10 - Other Long-Term Assets for a long-term equity investment.

4. INVENTORY AND BIOLOGICAL ASSETS

Inventory

Inventory includes the following:

	March 31, 2021	December 31, 2020
Finished goods	$ 16,343	$ 12,083
Work in progress and raw materials	2,126	1,020
Less: Inventory reserve	(55)	(136)
Total inventory	$ 18,414	$ 12,966

Refer to Note 20 - Nature of Expenses for inventory expensed included in cost of goods sold and provisions for inventory losses.

Biological Assets

The continuity of biological assets is as follows:

	Three Months Ended March 31,	
	2021	2020
Balance as of beginning of period	$ 3,962	$ 271
Purchased as part of a business acquisition	—	—
Cost incurred until harvest	2,123	316
Effect of unrealized change in fair value of biological assets	6,135	200
Transferred to inventory upon harvest	(6,672)	(519)
Balance as of end of period	$ 5,548	$ 268

The Company measures its biological assets at their fair value less costs to sell. This is determined using a model which estimates the expected harvest yield in grams for plants currently being cultivated, and then multiplies that amount by the expected selling price per gram. The Company's model incorporates the following unobservable inputs, all of which are classified as Level 3 on the fair value hierarchy, and which were used by management as part of the biological asset models:

- Yield per plant – number of grams of dry cannabis expected to be harvested.

- Selling price – using spot price reports and where applicable, wholesale contract prices
- Stage of growth – represents the weighted average number of weeks out of the total growing cycle that biological assets have reached as of the measurement date. The Company has an average 17-week growing cycle.
- Wastage – percentage expected to fail to mature into cannabis plants that can be harvested.
- Post-harvest costs – cost per gram of post harvested cannabis to bring the cannabis to a saleable product, consisting of the cost of direct and indirect materials, labor related to labelling and packaging, and selling costs.

The following table quantifies the ranges of the significant unobservable inputs, and also provides the effect of a 10% increase/decrease to each input on the calculation of the fair value of biological assets:

	March 31, 2021	Effect of 10% Change as of March 31, 2021 (in $000s)		March 31, 2020	Effect of 10% Change as of March 31, 2020 (in $000s)	
Selling price	$3.23 to $5.98	$	890	$2.58	$	71
Stage of growth	8.3 to 14.8 weeks	$	403	9 weeks	$	22
Yield by plant	117 to 144 grams	$	603	83 grams	$	23
Wastage	0.0% to 9.9%	$	33	10%	$	25
Post-harvest costs	$0.34 to $1.05	$	129	$0.35	$	8

5. PREPAID EXPENSES AND OTHER CURRENT ASSETS

Prepaid expenses and other current assets include the following:

	March 31, 2021		December 31, 2020	
Prepaid deposits and escrows	$	784	$	759
Prepaid insurance		1,079		971
Prepaid license fees		391		453
Prepaid inventory		257		816
Other prepaid expenses		406		319
Landlord receivable		701		806
Other current assets		562		567
Total prepaid expenses and other current assets	$	4,180	$	4,691

7. PROPERTY, PLANT AND EQUIPMENT

The continuity and details of property, plant and equipment and accumulated depreciation are as follows:

	Buildings and Building Components	Land	Leasehold Improvements	Machinery and Equipment	Computer Equipment	Furniture and Fixtures	ROU Assets (1)	Construction in Process (2)	Total
Cost									
Balance as of December 31, 2020	$ 6,679	$ 1,994	$ 21,187	$ 1,218	$ 770	$ 3,405	$ 36,763	$ 4,350	$ 76,366
Additions from capital expenditures and leases	$ 1,872	$ 1,002	$ 624	$ 575	$ 98	$ 786	$ 1,730	$ 5,063	$ 11,750
Additions from acquisitions	$ —	$ —	$ —	$ —	$ —	$ —	$ 2,050	$ 269	$ 2,319
Lease modifications	$ —	$ —	$ —	$ —	$ —	$ —	$ 1,046	$ —	$ 1,046
Reclassification	$ —	$ —	$ 782	$ 101	$ 76	$ 149	$ —	$ (1,150)	$ (42)

(Amounts Expressed in United States Dollars, Unless Otherwise Stated)

Balance as of March 31, 2021	$ 8,551	$ 2,996	$ 22,593	$ 1,894	$ 944	$ 4,340	$ 41,589	$ 8,532	$ 91,439
Accumulated Depreciation									
Balance as of December 31, 2020	$ (441)	$ —	$ (734)	$ (222)	$ (200)	$ (461)	$ (1,837)	$ —	$ (3,895)
Depreciation	(106)	—	(371)	(73)	(75)	(168)	(515)	—	(1,308)
Balance as of March 31, 2021	$ (547)	$ —	$ (1,105)	$ (295)	$ (275)	$ (629)	$ (2,352)	$ —	$ (5,203)
Carrying amount									
Balance as of December 31, 2020	$ 6,238	$ 1,994	$ 20,453	$ 996	$ 570	$ 2,944	$ 34,926	$ 4,350	$ 72,471
Balance as of March 31, 2021	$ 8,004	$ 2,996	$ 21,488	$ 1,599	$ 669	$ 3,711	$ 39,237	$ 8,532	$ 86,236

(1) Substantially all of the Company's ROU assets pertain to building leases. Refer to Note 13 - Lease Obligations, for further details on lease obligations.
(2) Construction in Process represents assets under construction for manufacturing and retail build-outs not yet completed or otherwise not ready for use.

Total depreciation for the three months ended March 31, 2021 and 2020 totaled $1,308 and $547 respectively. Of the total depreciation, no amounts remained capitalized in inventory and biological assets as of both March 31, 2021 and 2020. Refer to Note 20 - Nature of Expenses for depreciation amounts included in cost of goods sold and operating expenses.

8. ACQUISITIONS

2021 Asset Acquisition

On March 4, 2021, the Company closed on the acquisition of approximately 78% of the equity of a retail license holder located in Grover Beach, California ("Grover Beach") for $3,592 in cash and 49,348 SVS at US$7.46 per share, with the rights to acquire the remaining equity in the future. The city of Grover Beach is a limited license jurisdiction where a maximum of four retail licenses are permitted. Upon completion of the buildout of the new BEYOND/HELLO™, which is expected in the third quarter of 2021, this location will be the fourth and final retail dispensary permitted in Grover Beach.

(Amounts Expressed in United States Dollars, Unless Otherwise Stated)

The following table summarizes the purchase price allocation, the fair values of the assets and liabilities acquired, and the total fair values of the consideration for the Grover Beach acquisition as of the date of acquisition:

Property, plant and equipment	$	269
Right-of-use assets		2,050
Intangible assets - license [(1)]		4,771
Deposits		20
Total assets	$	7,109
Lease liabilities		(2,032)
Total liabilities	$	(2,032)
Net assets acquired	$	5,077
Non-controlling interest		(1,117)
Total net assets acquired net of non-controlling interest	$	3,961
Consideration paid in cash, as adjusted for working capital adjustments	$	3,592
Consideration paid in shares		368
Fair value of consideration	$	3,961

[(1)] The license acquired has an indefinite useful life.

The Company determined that Grover Beach acquisition did not qualify as a business combinations under IFRS 3 *Business Combinations* ("IFRS 3") because the assets acquired did not constitute a business, as evident from the concentration test which concluded that substantially all of the fair value of the acquisition is concentrated in a single identifiable asset – the license. The non-controlling interest was measured at the proportionate share method. Refer to Note 22 - Non-Controlling Interests.

9. GOODWILL AND OTHER INTANGIBLE ASSETS

Goodwill

Goodwill, which represents the excess for the price paid for the acquisition of an entity over the fair value of the net identifiable tangible and intangible assets and liabilities acquired, was $31,055 as of both March 31, 2021, and December 31, 2020. There were no adjustments to goodwill during the three months ended March 31, 2021.

Other Intangible Assets

During the three months ended March 31, 2021, the Company recorded additions to intangible assets of approximately $4,771, related to licenses acquired as part of the Grover Beach acquisition. Refer to Note 8 - Acquisitions.

The Company recorded amortization expense of approximately $462 and $503 for the three months ended March 31, 2021 and 2020, respectively. These amounts are recorded within depreciation and amortization expense in the condensed unaudited interim consolidated statements of operations and comprehensive loss.

(Amounts Expressed in United States Dollars, Unless Otherwise Stated)

10. OTHER LONG-TERM ASSETS

Details of other long term assets are as follows:

	Note	March 31, 2021	December 31, 2020
Contingent consideration receivable	3	889	865
Equity investment		1,500	1,500
Employee receivable and accrued interest	24	$ 2,501	$ 2,470
Deposits - equipment		740	768
Deposits and escrows - properties		1,069	1,630
Other long-term deposits		865	200
Long-term portion of prepaids		$ 127	$ 23
		$ 7,691	$ 7,456

Equity Investment

The Company acquired a 23.08% ownership interest in PV Culver City, LLC (“PVLLC”) in November 2020. The Company does not have significant influence over, and the Company does not have the right to vote or participate in the management of the PVLLC and therefore the investment is measured at its fair value. The Company estimates the initial cost of its investment in PVLLC to approximate the fair value as PVLLC is a privately held entity with limited information available.

11. ACCOUNTS PAYABLE, ACCRUED EXPENSES AND OTHER CURRENT LIABILITIES

Details of accounts payable and accrued liabilities are as follows:

	Note	March 31, 2021	December 31, 2020
Accounts payable		$ 6,405	$ 3,712
Accrued taxes and sales taxes payable	21	23,279	17,084
Accrued capital expenditures		3,531	2,177
Accrued employee related expenses and liabilities		2,356	2,303
Goods received not invoiced		2,893	2,625
Accrued professional and management fees		1,173	638
Accrued interest - promissory notes payable	12	40	41
Accrued interest - other debt	15	22	4
Financing obligation - short-term portion	15	255	261
Deferred revenue (loyalty program)		1,219	935
Other accrued expenses and current liabilities		877	921
Total		$ 42,050	$ 30,701

(Amounts Expressed in United States Dollars, Unless Otherwise Stated)

12. PROMISSORY NOTES PAYABLE

Details of acquisition-related promissory notes payable are as follows:

	March 31, 2021	December 31, 2020
Short-term notes payable - principal amount	$ 1,620	$ 1,620
Long-term notes payable - principal amount	3,798	3,798
Total notes payable - principal amount	$ 5,418	$ 5,418
Less: deferred finance charges	(2)	(3)
Less: original issue discount	(928)	(996)
Total notes payable - carrying amount	$ 4,488	$ 4,419
Short-term notes payable - carrying amount	$ 1,339	$ 1,338
Long-term notes payable - carrying amount	$ 3,149	$ 3,081

The continuity of the carrying amount of the promissory notes payable is as follows:

	PAMS	FBS Nevada	Dalitso	Total
Carrying amount as of December 31, 2020	$ 2,765	$ 1,498	$ 156	$ 4,419
Amortization of deferred issuance costs and OID	67	1	1	69
Carrying amount as of March 31, 2021	$ 2,832	$ 1,499	$ 157	$ 4,488

Interest expense, excluding amortization of deferred finance charges and discount, related to promissory notes was $114 and $564 for the three months ended March 31, 2021 and 2020, respectively. The accrued interest payable is included in accounts payable, accrued expenses and other current liabilities in the consolidated statements of financial position. Refer to Note 11 - Accounts Payable, Accrued Expenses and Other Current Liabilities.

Promissory Notes – PAMS

In August 2020, in connection with the PAMS acquisition, the Company issued an $3,750 8% unsecured promissory note to the seller. The promissory note matures on August 11, 2024 and interest is payable quarterly. The fair value of the promissory note was determined to be $2,658, resulting in a fair value discount on issuance of $1,092, which is being amortized using the effective interest rate over the life of the promissory note.

Secured Promissory Notes – FBS Nevada

In July 2019, in connection with the FBS Nevada management services and purchase agreements and the related acquisition of the associated real estate, the Company issued $2,250 in promissory notes and $375 in other secured notes as part of the consideration. The notes bear interest at 10% per annum. According to the original terms of the $2,250 in promissory notes, 50% or $1,125 was paid on the one-year anniversary of issuance in July 2020 and the remaining amount will mature on the second-year anniversary. The $375 note will mature in July 2021 and is secured by the real estate. In connection with these notes, Production Excellence, LLC granted a security interest in all of its assets and JREHNV, LLC (a wholly owned subsidiary of JREH, LLC) granted a second lien priority security interest on certain real property. Refer to Note 26 - Subsequent Events.

(Amounts Expressed in United States Dollars, Unless Otherwise Stated)

Promissory Notes – Dalitso

In September 2019, in connection with the Dalitso acquisition, the Company issued 6% promissory notes to the sellers with a maturity of September 23, 2021, of which $120 is outstanding and convertible at the option of the holder on or prior to the maturity date into Subordinate Voting Shares at a conversion price of $6.00 per share. In connection with the purchases of the non-controlling interests in Dalitso during the fourth quarter of 2021, the Company issued a new convertible promissory note to the sellers of the non-controlling interests, of which $37 is classified as debt. The remainder is classified as equity in the consolidated statements of financial position.

13. LEASE OBLIGATIONS

The Company leases certain business facilities for corporate, retail and cultivation purposes in Florida, Pennsylvania, Ohio, California, New York, Virginia, Illinois and Colorado from third parties under lease agreements that specify minimum rentals. In addition, the Company leases certain equipment for use in cultivation and extraction. The expiry dates of the leases, including reasonably certain estimated renewal periods, are between 2021 and 2050 and contain certain renewal provisions.

The continuity and details of lease liabilities are as follows:

	March 31, 2021	December 31, 2020
IFRS 16 lease liabilities as of beginning of period	$ 39,210	$ 6,498
Lease additions	1,730	15,636
Lease additions from acquisitions	2,032	18,895
Lease payments	(1,609)	(3,168)
Interest expense on lease liabilities	1,651	3,321
Lease reassessment	1,080	(1,933)
Lease termination	—	(39)
IFRS 16 lease liabilities as of end of period	$ 44,094	$ 39,210
Short-term lease obligations	$ 6,250	$ 4,716
Long-term lease obligations	$ 37,844	$ 34,494

As of March 31, 2021 estimated future minimum lease payments under non-cancelable operating leases having an initial or remaining term of more than 1 year are as follows:

Less than one year	$ 7,314
One to five years	27,333
Greater than five years	152,797
Total undiscounted lease obligations	$ 187,444
Interest	(143,350)
Lease obligations as of March 31, 2021	$ 44,094

The estimated future minimum lease payments under non-cancelable leases above do not include payments that are not yet reasonably certain because of potential changes in state cannabis regulations. The increases in estimated future minimum lease payments as a result of changes in state cannabis regulations could be significant.

(Amounts Expressed in United States Dollars, Unless Otherwise Stated)

As of March 31, 2021, estimated future minimum lease payments under non-cancelable operating leases having an initial term of one year or less were $88 and are not capitalized in the consolidated statement of financial position. The Company's rent expense related to low-value and short-term leases is included in general and administrative expenses and was $88 and $24 for the three months ended March 31, 2021 and 2020, respectively.

Some property leases may contain variable payment terms that are linked to sales generated from a store or cannabis regulation changes. Variable payment terms may be used for a variety of reasons, including minimizing the fixed costs base for newly established stores. Variable lease payments that depend on sales are recognized in profit or loss in the period in which the condition that triggers those payments occurs. All extension options that are reasonably certain to be exercised have been included in the measurement of lease obligations. The Company reassesses the likelihood of extension option exercise if there is a significant event or change in circumstances within its control.

14. SENIOR NOTES AND DERIVATIVE LIABILITIES

Details of the carrying amounts of the Company's 10% senior notes due January 15, 2023 ("Senior Notes"), the related liability for the warrants to purchase Subordinate Voting Shares of the Company ("Derivative Warrants") and the related prepayment option liability are as follows:

	March 31, 2021	December 31, 2020
Senior Notes - public [1]	$ 68,218	$ 76,352
Senior Notes - private	6,975	6,975
Total Senior Notes - principal amount	$ 75,193	$ 83,327
Less:		
Amounts to accrete (from original issue discount and bifurcation of warrants)	(26,082)	(32,585)
Deferred transaction costs, net	(137)	(176)
Total Senior Notes, carrying amount	$ 48,974	$ 50,566
Derivative Warrants liability	$ 211,290	$ 204,611
Prepayment Option liability	$ 150	$ 750
Total derivative liabilities, carrying amount	$ 211,440	$ 205,361

[1] The public notes are listed under the symbol "JUSH.DB.U" and were deemed to be tradable at approximately the principal amount as of March 31, 2021.

(Amounts Expressed in United States Dollars, Unless Otherwise Stated)

The continuities of the 10% Senior Notes, related warrants liability and accrued interest on the Senior Notes are as follows:

	Senior Notes	Derivative Warrants Liability [4]	Accrued Interest	Income (Expense)
Carrying amount as of December 31, 2020	$ 50,566	$ 204,611	$ —	$ —
Debt redemption - principal amount	(8,134)	—	—	—
Debt redemption - loss on extinguishment [1]	3,815	—	—	(3,815)
Accretion and amortization expense [2]	2,727	—	—	(2,727)
Coupon interest expense [2]	—	—	1,974	(1,974)
Interest paid in cash	—	—	(1,974)	—
Fair value adjustment for derivative warrant liability [3]	—	9,957	—	(9,957)
Derivative warrant exercises	—	(3,278)	—	—
Carrying amount as of March 31, 2021	$ 48,974	$ 211,290	$ —	$ (18,473)

(1) Included within net loss on debt and warrant modifications in the condensed unaudited interim consolidated statements of operations and comprehensive loss.

(2) Included within interest expense and finance charges in the condensed unaudited interim consolidated statements of operations and comprehensive loss.

(3) The fair value adjustment for the derivative warrant liability above is reflected together with the fair value gain of $599 for the mandatory prepayment option (refer to *Senior Notes - Optional and Mandatory Redemptions* below) within fair value changes in derivatives in the condensed unaudited interim consolidated statements of operations and comprehensive loss.

(4) Refer to Note 16 - Equity for the continuity of the number of derivative warrants.

10% Senior Notes

The Senior Notes bear interest at 10.0% per annum, payable in cash quarterly on March 31, June 30, September 30 and March 31 of each year to, but excluding, the maturity date of the Notes, which is January 15, 2023.

Pursuant to the terms of the 10% Senior Notes, in connection with the January 2021 and February 2021 equity offerings, in January 2021, the Company redeemed $4,900 of principal amount and in March 2021 the Company redeemed $3,234 principal amount outstanding. The difference between the carrying amounts of the senior notes and the principal amount extinguished was $3,815 and is reflected in net loss on debt and warrant modification in the condensed unaudited interim consolidated statements of operations and comprehensive loss.

Senior Notes - Mandatory and Optional Redemptions

Mandatory Redemptions and Prepayment Option Liability

Following the twelve month anniversary of the issue date for private debt holders, and for all public debt holders, the Company is required to offer to redeem the Senior Notes using 33% of the net proceeds from any equity offerings by the Company or any of its subsidiaries (including the Guarantors), at a purchase price equal to par plus accrued but unpaid interest (no premiums). The note holder has the option to waive their right to redemption.

The mandatory prepayment option (“Prepayment Option”) represents an embedded derivative which must be bifurcated and recorded at fair value (FVTPL) at each reporting period. The estimated fair value of the Prepayment Option was a liability of $150 and $750 as of March 31, 2021 and December 31, 2020, respectively, and was included in derivative liabilities in the condensed unaudited interim consolidated statements of financial position. The Prepayment Option is included within derivative liabilities in the consolidated statements of financial position. The change in the fair value of Prepayment Option is included in fair value changes in derivatives within the condensed unaudited interim consolidated statements of operations and comprehensive loss. The estimated fair value of the Prepayment Option was determined using a probability-weighted discounted cash flow analysis, taking into account the future likelihood of the mandatory redemption. These are Level 3 recurring fair value measurements. The significant assumptions used in the calculations as are as follows: the probability of a mandatory redemption, a mid-point redemption date, and the discount rate, which is based on market yields of similar host instruments. If any of the assumptions used in the calculation were to increase or decrease, this could result in a material or significant increase or decrease in the estimated fair value of the Prepayment Option. For example, the following table illustrates an increase or decrease in certain significant assumptions as of dates indicated:

(Amounts Expressed in United States Dollars, Unless Otherwise Stated)

	March 31, 2021			December 31, 2020		
	Input	Effect of 10% Increase	Effect of 10% Decrease	Input	Effect of 10% Increase	Effect of 10% Decrease
Discount rate	10.6%	$ 311	$ 322	11.8%	$ 512	$ (532)
Probability	90%	$ 14	$ (14)	65%	$ 116	$ (116)

Other mandatory redemptions would be required: i) at par plus accrued interest with 100% of the net cash proceeds as result of certain specified dispositions; and/or; ii) 106% of the principal amount plus all accrued interest as a result of certain change of control transactions.

Optional Redemptions

A redemption of the Senior Notes may by initiated by the Company at any time upon 3 days written notice and may redeem all or any portion of the Senior Notes at par plus accrued interest plus a premium equal to 5% of the aggregate principal amount of the Senior Notes being redeemed on or after the first anniversary of the issue date but prior to the second anniversary of the issue date. The Company (at its option) may redeem all or any portion of the Senior Notes at par plus accrued interest (without any premium) on or after the second anniversary of the date of issuance.

Guarantees

The Company’s obligations under the Senior Notes are secured by substantially all of the assets of the Company and certain Subsidiaries (subject to certain exclusions) and are guaranteed by certain Subsidiaries (the “Guarantors”).

Derivative Warrants

The Derivative Warrants, which were issued to Senior Note holders, have an expiration date of December 23, 2024, and an exercise price of US$1.25. The Derivative Warrants may be settled only with cash for the first year following the issuance date but may be net share settled after one year from the issuance date. These warrants are considered derivative financial liabilities at FVTPL under IAS 32 *Financial Instruments* (“IAS 32”) due to the cashless exercise option, and certain of these warrants also contain(ed) down-round price protection features which also requires liability presentation. The derivatives are classified as long-term liabilities.

There were 41,479,355 and 42,017,892 Derivative Warrants outstanding as of March 31, 2021 and December 31, 2020, respectively. Refer to Note 16 - Equity for the continuity of the Derivative Warrants.

The estimated fair value of the Warrants is measured at each reporting period and an adjustment is reflected in fair value changes in derivatives in the condensed unaudited interim consolidated statements of operations and comprehensive loss.

(Amounts Expressed in United States Dollars, Unless Otherwise Stated)

The estimated fair value of the derivative warrants as of the balance sheet date was determined using the Monte Carlo simulation model taking into account the fair value of the Company's Subordinate Voting Shares on the valuation dates and into the future encompassing a wide range of possible future market conditions. These are Level 3 recurring fair value measurements. The assumptions used in the calculations as of the measurement dates for the periods presented included the following:

	March 31, 2021	December 31, 2020
Stock price	$6.12	$5.86
Risk-free annual interest rate	0.56%	0%
Range of estimated possible exercise price	$0.01 - $1.25	$0.01 - $1.25
Volatility	80%	80%
Remaining life	3.7 years	4 years
Forfeiture rate	0%	0%
Expected annual dividend yield	0%	0%

Volatility was estimated by using a weighting of the Company volatility and the average historical volatility of comparable companies from a representative peer group of publicly traded cannabis companies. The risk-free interest rate for the expected life of the Warrants was based on the yield available on government benchmark bonds with an approximate equivalent remaining term at the time of the grant. The expected life is based on the contractual term. If any of the assumptions used in the calculation were to increase or decrease, this could result in a material or significant increase or decrease in the estimated fair value of the derivative liability. For example, the following table illustrates an increase or decrease in certain significant assumptions as of the balance sheet dates:

	As of March 31, 2021			As of December 31, 2020		
	Input	Effect of 10% Increase	Effect of 10% Decrease	Input	Effect of 10% Increase	Effect of 10% Decrease
Stock price	$ 6.12	$ 22,857	$ (24,898)	$ 5.86	$ 21,856	$ (23,707)
Volatility	80 %	$ 2,041	$ (4,082)	80 %	$ 1,508	$ (4,239)

(Amounts Expressed in United States Dollars, Unless Otherwise Stated)

15. OTHER DEBT

The details and continuity for the other debt is as follows:

		Financing Obligation [4]		Unsecured Credit Lines		Total Other Debt
Short-term other debt as of December 31, 2020 [1]	$	261	$	—	$	261
Long-term other debt as of December 31, 2020 [2]	$	2,861	$	614	$	3,475
Total other debt as of December 31, 2020	$	3,122	$	614	$	3,736
Additions		—		1,214		1,214
Amortization		95		—		95
Payments [3]		(81)		—		(81)
Foreign exchange impact	$	—	$	(67)	$	(67)
Total other debt as of March 31, 2021	$	3,136	$	1,761	$	4,897
Short-term other debt as of March 31, 2021 [1]	$	255	$	—	$	255
Long-term other debt as of March 31, 2021 [2]	$	2,881	$	1,761	$	4,642

(1) The short-term portion and accrued interest are reflected in accounts payable, accrued expenses and other current liabilities in the consolidated statements of financial position. Refer to Note 11 - Accounts Payable, Accrued Expenses and Other Current Liabilities.
(2) The long-term portions are reflected in other debt in the condensed unaudited interim consolidated statements of financial position.
(3) Amortization of the financing obligation is included in interest expense and finance charges in the condensed unaudited interim consolidated statements of operations and comprehensive loss.

Financing Obligation

The financing obligation relates to a property financing transaction that closed in July 2020 for $3,100 in cash proceeds. The Company has the option, after one year subsequent to the commencement date, to purchase the property at amount equal to a 7.5% capitalization rate of the annual base rent which then increases by 0.1% every year up to an 8% maximum rate over the life of the lease. The initial monthly payment was $27 and monthly payments for the financing obligation increase 2.25% annually and the expected term is 30 years.

Unsecured Credit Lines

In January 2021, Jushi Europe entered into a credit agreement with an individual and received €1,000 principal amount. During the fourth quarter of 2020, Jushi Europe had entered into a credit agreement with a related party, and received €500 principal amount . These credit agreements accrue interest at 5% per annum, payable annually in arrears, and mature on November 11, 2024. The outstanding balance may be prepaid at any time prior to maturity without penalty, and may be offset with receivables from the lender.

16. EQUITY

(a) Authorized

The authorized share capital consists of common shares with an unlimited number of Subordinate Voting Shares ("SVS"), an unlimited number of Multiple Voting Shares ("MVS"), and an unlimited number of Super Voting Shares ("SV"). Super Voting Shares carry 1,000 votes per share and are convertible into 100 SVS per share. Multiple Voting Shares carry 10 votes per share and are convertible into 1 SVS per share.

(b) Issued and Outstanding

Refer to the consolidated statements of changes in equity for a reconciliation of the beginning and ending amounts of the issued and outstanding shares and the related share capital and share reserves.

Public Offerings

On January 7, 2021, the Company closed on an overnight marketed offering for an aggregate of 6,210,000 subordinate voting shares at a price of C$6.50 per share for total gross proceeds of C$40,365, and total net proceeds of C$37,768 ($29,762). On February 12, 2021, the Company closed on an overnight marketed offering for an aggregate 7,475,000 subordinate voting shares at a price of C$10.00 per share for total gross proceeds of C$74,750 and total net proceeds of C$70,922 ($55,902). These offerings included the full exercise of the over-allotment option granted to the underwriters. The Company intends to use the net proceeds of the offerings for potential strategic transactions and business expansion opportunities as well as for general corporate purposes and working capital.

Restricted Stock and Stock Options

Refer to Note 17 - Share-Based Compensation, for details of restricted stock awards and stock option grants.

Other Equity

Refer to Note 22 - Non-Controlling Interests, for details of a convertible promissory note classified as equity.

Warrants

Each whole Super Voting warrant, each Multi-Voting warrant, and each Subordinate Voting warrant, entitles the holder to purchase one Super Voting Share, one Multi-Voting Share and one Subordinate Voting Share, respectively. The following table summarizes the warrants outstanding as of March 31, 2021 (on a non-converted basis):

(Amounts Expressed in United States Dollars, Unless Otherwise Stated)

Security Issuable		Exercise Price	Number of Warrants		Expiration Date
Super Voting Shares	$	0.50	13,750	(1)(7)	June 6, 2029
Super Voting Shares	$	1.00	149,000	(2)(7)	June 6, 2029
Total Super Voting Shares			162,750		
Multiple Voting Shares	$	0.50	2,750,000	(1)(7)	June 6, 2029
Multiple Voting Shares	$	1.00	4,000,000	(2)(7)	June 6, 2029
Total Multiple Voting Shares			6,750,000		
Subordinate Voting	$	2.00	707,407	(2)(7)(8)(10)	June 6, 2021
Subordinate Voting	$	2.00	1,000,000	(5)(7)(10)	June 6, 2021
Subordinate Voting	$	2.75	362,208	(1)(10)	June 6, 2021
Subordinate Voting	$	3.00	323,750	(2)(7)(8)(10)	June 6, 2021
Subordinate Voting	$	1.50	262,500	(6)	September 27, 2023
Subordinate Voting	$	1.50	750,000	(1)	March 18, 2024
Subordinate Voting	$	1.35	933,335	(1)(7)(8)	June 6, 2029
Subordinate Voting	$	1.50	155,958	(1)	January 1, 2029
Subordinate Voting	$	2.00	1,496,667	(1)	April 17, 2029
Subordinate Voting	$	1.00	800,000	(2)(7)	June 6, 2029
Subordinate Voting	$	3.00	1,047,500	(3)(8)	September 23, 2021
Subordinate Voting	$	1.47	100,000	(1)	February 6, 2023
Subordinate Voting	$	1.35	350,000	(1)	February 22, 2022
Subordinate Voting	$	1.58	43,548	(1)	January 15, 2022
Subordinate Voting	$	1.58	139,355	(1)	December 23, 2021
Subordinate Voting	$	1.59	25,000	(1)	January 30, 2022
Subordinate Voting	$	1.25	109,560	(1)	June 22, 2022
Subordinate Voting	$	1.25	41,479,355	(9)	December 23, 2024
Subordinate Voting	$	1.31	200,000	(1)	February 2, 2022
Subordinate Voting	$	1.25	12,738	(1)	July 30, 2022
Subordinate Voting	$	2.47	1,300,000	(1)	October 2, 2025
Subordinate Voting	$	2.91	260,075	(1)	November 25, 2025
Total Subordinate Voting Shares			51,858,956		
Total warrants			58,771,706		

(1) Issued for services rendered, including broker warrants issued in connection with the 10% Senior Notes. The fair value of these warrants was determined using the Black-Scholes option-pricing model, which is determined to provide a reliable estimate of the fair value of goods or services received.
(2) Issued with the sale of stock.
(3) Issued in 2019 in connection with an acquisition.
(4) Issued in 2019 in connection with the agreement which provided an option to acquire certain cannabis licenses which were in the application phase.
(5) Issued 1,000,000 warrants in 2018 in connection with the sale of notes receivable.
(6) Issued in 2018 in connection with a contemplated financing.
(7) Subject to exercise trigger/liquidity event noted below.
(8) Subject to accelerated expiration or forced exercise noted below.
(9) Issued in connection with the 10% Senior Notes. These warrants represent a derivative liability and are therefore not classified as equity in the statement of financial position. Refer to Note 14 - Senior Notes and Derivative Liabilities for further details.
(10) Certain warrants are held by related parties and/or employees, and as a result of insider-trading restrictions that may limit the ability to exercise these warrants prior to expiration, the expiration of certain of these warrants may be extended."

(Amounts Expressed in United States Dollars, Unless Otherwise Stated)

As of March 31, 2021, warrants issued and outstanding have a weighted-average remaining contractual life of 5.2 years (on an as-converted basis). Certain warrants may be net share settled.

The continuity of the warrants outstanding (on a non-converted basis) is as follows:

	Non-Derivative Warrants	Derivative Warrants [4]	Total Number of Warrants	Weighted - Average Exercise Price
Balance as of December 31, 2020 [1]	20,651,994	42,017,892	62,669,886	$ 1.29
Exercised [2] [3]	(3,359,643)	(538,537)	(3,898,180)	2.53
Balance as of March 31, 2021	17,292,351	41,479,355	58,771,706	1.33
Exercisable	14,932,349	41,479,355	56,411,704	$ 1.29

(1) Number of outstanding warrants on an as-converted basis was 74,883,956 and 78,782,136 as of March 31, 2021, and December 31, 2020, respectively. The 162,750 outstanding warrants for Super Voting Shares equal 16,275,000 warrants on an as-converted basis. Refer to table above for details of warrants outstanding.

(2) The weighted average share price as of the dates of exercise was $6.23. The Company issued 3,898,180 Subordinate Voting Shares and received $9,856 in cash proceeds during the three months ended March 31, 2021.

(3) Includes exercises in connection with the acceleration of certain warrants in December 2020, the Company completed the acceleration in January 2021.

(4) Includes derivative warrants which were issued to the 10% Senior Notes holders and which have an exercise price of $1.25. These warrants represent a derivative liability and are therefore not classified as equity in the statement of financial position. Refer to Note 14 - Senior Notes and Derivative Liabilities.

17. SHARE-BASED COMPENSATION

A summary of all share-based compensation expense is as follows:

	Three Months Ended March 31, 2021	Three Months Ended March 31, 2020
Stock options	$ 728	$ 557
Restricted stock grants	2,337	648
Warrants	498	113
Total share-based compensation expense	$ 3,563	$ 1,319

Equity Incentive Plan

Under the Company's 2019 Equity Incentive Plan, as amended, non-transferable options to purchase Subordinate Voting Shares and restricted Subordinate Voting Shares of the Company may be issued to directors, officers, employees, or consultants of the Company. The plan authorizes the issuance of up to 15% of the number of outstanding shares of common stock (of all classes) of the Company (the "Share Reserve"). Incentive stock options are limited to the Share Reserve as of June 6, 2019. As of March 31, 2021, the maximum number of incentive stock option awards available and incentive plan awards available for issuance under the 2019 Plan was 6.5 million and 10.4 million, respectively, and an additional 1.9 million was available for certain new hires.

(a) Stock Options

(Amounts Expressed in United States Dollars, Unless Otherwise Stated)

The stock options issued by the Company are options to purchase Subordinate Voting Shares of the Company. All stock options issued have been issued to employees of certain subsidiaries of the Company under the Company's Plan. Such options generally expire in ten years from the date of grant and generally have the following vesting conditions: 1/3 of the options vest on each anniversary of the grant date. The options may be net share settled.

The continuity of stock options outstanding is as follows:

	Number of Stock Options	Weighted-Average Per Share Exercise Price
Issued and Outstanding as of December 31, 2020	9,573,834	$ 2.00
Granted (1)	150,000	6.13
Exercised (2)	(15,000)	2.00
Forfeited (3)	(50,000)	3.54
Issued and Outstanding as of March 31, 2021	9,658,834	$ 2.06
Exercisable as of March 31, 2021	3,195,984	$ 1.86

(1) The weighted-average per share grant date fair value was $4.04 for the year ended December 31, 2020.
(2) The weighted-average share price at the date of exercise was $7.61.
(3) For awards which were not fully vested at the time of forfeiture, the previously recorded expense was reversed.

The following table summarizes the issued and outstanding stock options as of March 31, 2021:

(Amounts Expressed in United States Dollars, Unless Otherwise Stated)

Expiration Date	Stock Options Outstanding	Exercise Price	Stock Options Exercisable
May 25, 2028	150,000	$1.00	100,000
October 12, 2028 - December 1, 2028	770,000	$1.35	513,331
April 17, 2029	6,413,000 (1)	$2.00	2,160,994
May 1, 2029 - June 7, 2029	360,000	$2.75 - $3.00	123,331
September 3, 2029	200,000	$1.80	66,665
December 2, 2029	543,334	$1.26	169,997
February 14, 2030	150,000	$1.36	50,000
May 15, 2030 - June 19, 2030	32,500	$0.91 -$ 1.28	—
August 8, 2030	240,000	$1.88	—
October 13, 2030	280,000	$2.87	—
December 1, 2030	385,000	$3.98	—
January 18, 2031	135,000	$6.13	11,666
	9,658,834		3,195,984

(1) Includes 5,098,000 of stock options issued to key senior management of the Company.

As of March 31, 2021, stock options outstanding have a weighted-average remaining contractual life of 8.2 years.

In determining the amount of share-based compensation expense related to options issued, the Company used the Black-Scholes option-pricing model to establish the measurement date fair value of stock options granted during the period. The following assumptions were applied at the time of grant:

	Three Months Ended March 31,	
	2021	2020
Stock price	$6.13	$1.36
Risk-free annual interest rate	0.45% - 0.69%	1.42%-1.47%
Expected annual dividend yield	0%	0%
Volatility	78%	85%
Expected life of stock options	5 - 6.47 years	5 - 6 years
Forfeiture rate	0%	0%

Volatility was estimated by using the Company volatility and a weighting of the average historical volatility of comparable companies from a representative peer group of publicly traded cannabis companies. The expected life in years represents the period of time that stock options issued are expected to be outstanding, using a simplified method. The risk-free rate is based on U.S. Treasury bills with a remaining term equal to the expected life of the options. The Company does not anticipate paying dividends in the foreseeable future, and as a result, the expected annual dividend yield is expected to be 0%.

(b) Restricted Stock Grants

The Company grants restricted Subordinated Voting Shares ("SVS") to independent directors, management, former owners of acquired businesses or assets, and to consultants and other employees. The restricted SVS are included in the issued and outstanding SVS. The continuity for unvested restricted stock grants is as follows:

(Amounts Expressed in United States Dollars, Unless Otherwise Stated)

	Number of Restricted Subordinate Voting Shares
Unvested restricted stock as of December 31, 2020	6,438,186
Vested	(661,919)
Unvested restricted stock as of March 31, 2021	5,776,267

Generally restricted stock awards will vest either one-third on each anniversary of service from the vesting start date or will be fully vested on the completion of one year of full service from the vesting start date, depending on the award. As of March 31, 2021, unvested restricted stock awards have a weighted-average remaining vesting period of 1.7 years.

18. SEGMENTS

The Company currently has two reportable segments: Retail and Wholesale. The Company's Retail segment is comprised of cannabis operations for medical and adult use dispensaries. The Company's Wholesale segment is comprised of cannabis cultivation, processing, production and distribution of cannabis for medical and adult use. The Company's Other operations primarily include the Company's hemp/CBD retail operations, consulting, corporate and international operations.

The Company, as of March 31, 2021, through various subsidiaries, has several operating cannabis retail segments and several wholesale/cultivation cannabis segments, which have been aggregated for reporting purposes into one reportable retail segment, and one reportable wholesale segment, respectively. The Company defines its segments as those operations whose results the Chief Operating Decision Maker ("CODM") regularly reviews to analyze performance and allocate resources. Therefore, segment information is prepared on the same basis that management reviews financial information for operational decision-making purposes. The CODM reviews assets on a consolidated basis.

Revenue for the Company's reportable segments is presented and reconciled to consolidated financial information in the following table.

	For the Three Months Ended March 31,2021			For the Three Months Ended March 31,2020		
	Revenue by Segment	Intercompany Revenue	Revenue to External Customers	Revenue by Segment	Intercompany Revenue	Revenue to External Customers
Retail	$ 39,277	$ —	$ 39,277	$ 8,078	$ —	$ 8,078
Wholesale	4,191	(1,883)	2,308	394	—	394
Other [(1)]	90	—	90	160	—	160
Eliminations	(1,883)	1,883	—	—	—	—
Consolidated revenue	$ 41,675	$ —	$ 41,675	$ 8,633	$ —	$ 8,633

(1) For the three months ended March 31, 2020, the Company recognized revenue from external customers from royalty and franchise fee revenues of $14 and consulting income of $13. There was no income from such activities recognized in the three months ended March 31, 2021.

All retail and wholesale revenues for the three months ended March 31, 2021 and 2020 were generated within the United States, and all long-lived assets are located in the United States.

(Amounts Expressed in United States Dollars, Unless Otherwise Stated)

19. EARNINGS (LOSS) PER SHARE

Basic and diluted earnings (loss) per share

No dilutive potential shares of common stock were included in the computation of diluted net loss per share for either the year ended March 31, 2021 or 2020 because their effect would be anti-dilutive. The outstanding type of securities that could potentially dilute basic loss per common share are stock options, warrants (including derivative warrants) and convertible promissory notes. For the three months ended March 31, 2021 and 2020, 85,472,790 and 84,731,474 respectively, of securities (on an as-converted basis), based on the amounts outstanding at year end, were excluded from consideration in the computation of diluted loss per share attributable to shareholders because their effect would have been anti-dilutive.

20. NATURE OF EXPENSES

Costs of sales and operating expenses by nature are as follows:

		For the Three Months Ended March 31,	
	Note	2021	2020
Cost of sales:			
Inventory expensed to cost of sales excluding S&W and depreciation		$ 20,390	$ 4,358
Salaries, wages and employee related expenses (“S&W”)		1,675	95
Depreciation expense	7	604	33
Total inventory expensed to cost of sales		$ 22,669	$ 4,486
Other production costs		246	55
Inventory provision, net		19	6
Total cost of sales		$ 22,934	$ 4,547
General, administrative and selling expenses:			
Salaries, wages and employee related expenses		$ 9,882	$ 5,087
Depreciation and amortization expense	7, 9	1,165	1,016
Other general and administrative expenses		6,347	3,746
Total general, administrative and selling expenses		$ 17,394	$ 9,849

Other general and administrative expenses is comprised of rent and related expenses, professional fees and legal expenses, marketing and selling expenses, insurance costs, administrative and application fee, software and technology costs, travel, entertainment and conferences and other.

21. INCOME TAXES

The Company is subject U.S. federal taxation and is also subject to income taxes in various state jurisdictions, all with varying tax rates. During the three months ended March 31, 2021, there were no material changes to the statutory tax rates in the taxing jurisdictions where the majority of the Company’s income for tax purposes was earned, or where its temporary differences or losses are expected to be realized or settled. During the three months ended March 31, 2021, the Company’s deferred tax liabilities were mainly impacted by the sale of Cresco shares and warrants.

(Amounts Expressed in United States Dollars, Unless Otherwise Stated)

Internal Revenue Code ("IRC") Section 280E denies, at the US federal level, deductions and credits attributable to a trade or business trafficking in controlled substances. Case law shows that "cost of goods sold" has been permitted as a deduction in determining taxable income. Certain subsidiaries of the Company with medical and recreational cannabis operations are subject to IRC Section 280E, for those subsidiaries, the Company's US tax is based on gross receipts less cost of goods sold.

The Company's 2019 tax returns benefited from not applying IRC Section 280E to certain entities of the consolidated group either due to the entity not yet starting operations or because the entity had a separate trade or business that was not medical or recreational cannabis operations. During the three months ended March 31, 2021, the Company determined that it is not probable that certain tax positions taken in the 2019 income tax returns would be sustained under IFRIC 23 Uncertainty over Income Tax Treatments. As a result, income tax liabilities of $1.9 million recorded in 2019, which applied IRC Section 280E, will remain on the balance sheet as uncertain tax liabilities as of March 31, 2021.

22. NON-CONTROLLING INTERESTS

The following tables present the summarized financial information as of and for the three months ended March 31, 2021, and as of ended December 31, 2020, for the Company's subsidiaries that have non-controlling interests. This information represents amounts before intercompany eliminations.

March 31, 2021:

	Grover Beach	Jushi Europe	Other Non-Material Interests	Total
Cash and cash equivalents	$ —	$ 282	$ —	$ 282
Prepaid expenses	—	6,573	112	6,685
Inventory	—	—	—	—
Property, plant and equipment	2,393	1,023	—	3,416
Other intangible assets, net	4,771	—	—	4,771
Other long-term assets	20	453	—	473
Total assets	$ 7,184	$ 8,331	$ 112	$ 15,627
Accounts payable and accrued liabilities	$ 95	$ 7,195	$ 331	$ 7,621
Loan payable	—	1,761	—	1,761
Lease obligations	2,031	—	—	2,031
Non-controlling interests	1,117	189	1	1,307
Equity attributable to Jushi	3,941	(814)	(220)	2,907
Total liabilities and equity	$ 7,184	$ 8,331	$ 112	$ 15,627
Net loss	$ (19)	$ (354)	$ —	$ (373)
Net loss attributable to non-controlling interests	—	175	—	175
Net loss and comprehensive loss attributable to Jushi shareholders	$ (19)	$ (179)	$ —	$ (198)

(Amounts Expressed in United States Dollars, Unless Otherwise Stated)

December 31, 2020:

	Jushi Europe	Agape	Other Non-Material Interests	Total
Cash and cash equivalents	$ 74	$ 947	$ —	$ 1,021
Prepaid expenses	5,626	26	112	5,764
Inventory	—	329	—	329
Property, plant and equipment	311	863	—	1,174
Other intangible assets, net	—	7,881	—	7,881
Other long-term assets	324	35	—	359
Total assets	$ 6,335	$ 10,081	$ 112	$ 16,528
Accounts payable and accrued liabilities	$ 5,989	$ 752	$ 332	$ 7,073
Loan payable	614	762	—	1,376
Lease obligations	—	759	—	759
Non-controlling interests	364	1,562	1	1,927
Equity attributable to Jushi	(632)	6,246	(221)	5,393
Total liabilities and equity	$ 6,335	$ 10,081	$ 112	$ 16,528

The continuity for the non-controlling interests is as follows:

	Grover Beach	Jushi Europe	Agape	Other Non-Material Interests	Total
Balance as of December 31, 2020	—	364	1,562	1	1,927
Acquisitions	1,117	—	—	—	1,117
Purchases of non-controlling interests	—	—	(1,562)	—	(1,562)
Cash contribution	—	—	—	—	—
Other transactions with non-controlling interests, net	—	—	—	—	—
Net loss	—	(175)	—	—	(175)
Balance as of March 31, 2021	$ 1,117	$ 189	$ —	$ 1	$ 1,307

Purchases of Non-Controlling Interests

Agape

On January 25, 2021, the Company acquired the remaining 20% of the equity interests of Agape from the non-controlling shareholders for 500,000 SVS for total estimated fair value of $3,425, based on a market price of $6.85 per share on the date of close. As a result of the transaction, the Company recorded a decrease to non-controlling interests of approximately $1,562, and an increase in accumulated deficit of approximately $1,863. The Company now owns 100% of the issued and outstanding shares of Agape.

23. COMMITMENTS AND CONTINGENCIES

Contingencies

The Company's operations are subject to a variety of local and state regulations. Failure to comply with one or more of those regulations could result in fines, restrictions on its operations, or losses of permits that could result in the Company ceasing operations. While management of the Company believes that the Company is in material compliance with applicable local and state regulations as of March 31, 2021, marijuana regulations continue to evolve and are subject to differing interpretations. As a result, the Company could be subject to regulatory fines, penalties or restrictions at any time. In addition, refer to Note 21 - Income Taxes for certain tax related contingencies.

Claims and Litigation

The Company's business activities, and the business activities of its subsidiaries, which operate in jurisdictions where the use of marijuana has been legalized under state and local laws, currently are illegal under U.S. federal law. The U.S. Controlled Substances Act classifies marijuana as a Schedule I controlled substance. Any proceeding that may be brought against the Company could have a material adverse effect on the Company's business plans, financial condition and results of operations.

From time to time, the Company may be involved in litigation relating to claims arising out of operations in the normal course of business. Other than the civil disputes and/or other matters described below, to the Company's knowledge, there are no material legal proceedings or regulatory actions to which the Company is a party, or has been a party to, or of which any of its property is or was the subject matter of, and no such proceedings or actions are known by the Company to be contemplated. There are also no proceedings in which any of the Company's directors, officers or affiliates is an adverse party or has a material interest adverse to the Company's interest.

TGS and TGSIH

On March 19, 2018, the Company acquired a majority stake in TGS National Holdings LLC which controlled TGS National Franchise, LLC ("TGS NF"), a franchisor. During 2018, San Felasco Nurseries, Inc. ("SFN") terminated franchise agreements between it and TGS NF. SFN then sold its business to a third-party. TGS NF contends the termination of the franchise agreements and sale to the third party were wrongful and in late 2018 initiated arbitration seeking to recover its monetary damages. In May 2020, Jushi FL SPV, LLC was substituted for TGS NF as the claimant in the arbitration. The final hearing in the arbitration commenced on May 3, 2021 and is pending.

Commitments

In addition to the contractual obligations outlined in Note 25 - Financial Instruments and Financial Risk Management, the Company has the following commitments as of March 31, 2021:

(i) Acquisitions

On January 14, 2021, the Company entered into a definitive agreement to acquire 100% of the equity of Organic Solutions of the Desert, LLC ("OSD"), an operating dispensary located in Palm Springs, California, for approximately $5,000, subject to adjustments. The closing of such acquisition is subject to, among other things, state and local regulatory approvals. Refer to Note 26 - Subsequent Events.

(Amounts Expressed in United States Dollars, Unless Otherwise Stated)

(ii) Property and Construction Commitments

The Company has various lease commitments related to various office space, retail locations and warehouses. The Company has certain operating leases with optional renewal terms that the Company may exercise at its option. Refer to Note 13 - Lease Obligations, for further details and for any equipment purchase commitments.

In connection with various license applications, the Company may enter into conditional leases or other property commitments which will be executed if the Company is successful in obtaining the applicable license and/or resolving other contingencies related to the license or application.

In addition, the Company expects to incur capital expenditures for leasehold improvements and construction of buildouts of certain locations, including for properties for which the lease is conditional on obtaining the applicable related license or for which other contingencies exist. If the Company were to be unsuccessful in obtaining a particular license or certain other conditions are not met, the previously capitalized improvements and buildouts relating to that license may need to be expensed in the statements of operations and comprehensive income (loss).

(iii) Consulting Agreements

In July 2019, the Company was identified as one of three applicants to move forward in the application process for a business license to operate a retail storefront within Culver City, California. If awarded, the Company is obligated to pay, under various consulting arrangements, success fees of approximately $300 and, subject to regulatory approvals, grant a 5% equity interest in the applicant entity. A commitment fund will also be set up to fund $100 annually towards non-profit organizations in Culver City, California.

24. RELATED PARTY TRANSACTIONS

The Company had the following related party transactions during the three months ended March 31, 2021 and 2020:

	For the Three Months Ended March 31,		Balance as of	
	2021	2020	March 31, 2021	December 31, 2020
Nature of transaction	Related Party Income (Expense)		Related Party Prepaid/Receivable (Payable)	
Management services agreements [1][3]	$ (10)	$ (135)	$ 7	$ 7
Consulting agreements [2][3]	$ (25)	$ (63)	$ —	$ (63)
Directors' fees [4]	$ (43)	$ (50)	$ (43)	$ (50)
10% Senior Notes - interest expense and principal	[5]	$ (500)	[5] [6]	$ (25,050)
Senior key management [7]				
Salary and wages	$ (359)	$ (300)	—	—
Share-based compensation expense	$ (1,766)	$ (477)	—	—
Loans - interest charged and principal plus accrued interest outstanding [8]	$ 31	$ —	$ 2,501	$ 2,470

(1) Includes fees paid to entities controlled by the Company's CEO, James Cacioppo, for shared costs of administrative services, the provision of financial and research-related advice, and sourcing and assisting in mergers, acquisitions and capital transactions.

(2) For the three months ended March 31, 2021 and 2020 consulting fees includes consulting fees paid to Dr. Laszlo Mechtler, a former owner of MEND, and for the three months ended March 31, 2020, consulting fees also includes fees paid to Denis Arsenault (a significant shareholder of the Company and former member of the Board of Directors of Jushi Inc).

(3) Excludes expense from warrants, which is included in stock-based compensation expense. For the three months ended March 31, 2021 and 2020, total expense for warrants issued in connection with these agreements with related parties was $nil and $86, respectively. The Company did not issue any additional warrants in connection with these agreements during the three months ended March 31, 2021 and 2020.

(4) Excludes expense from restricted stock awards, which is included in stock-based compensation expense. RSA expense relating to independent directors was $152 and $116 for the three months ended March 31, 2021 and 2020, respectively.

(5) Outstanding principal balance and interest expense as of and for the three months ended March 31, 2021 cannot be reliably determined as the majority of the senior notes are publicly traded since December 2020 and may no longer be owned by the original investor as of March 31, 2021.

(6) Refer to Note 14 - Senior Notes and Derivative Liabilities for information on the Senior Notes redemptions which occurred in January and February of 2021. Of the total amount of Senior Notes redeemed in January 2021, $3,072 was estimated to be related to related parties including certain senior management and a significant shareholder. In February 2021, certain senior key management and a significant investor sold their remaining principal amount of publicly traded 10% Senior Notes totaling $19,219.

(7) The Company's senior key management personnel have the authority and responsibility for planning, directing and controlling the activities of the Company and consists of the Company's executive management team.

(8) In connection with tax elections related to the issuance of certain restricted stock to key management personnel during the year ended December 31, 2020, the Company paid taxes totaling $2,450 on behalf of these employees, for which promissory notes were issued and which amounts are included in other long-term assets as of March 31, 2021. Refer to Note 10 - Other Long-Term Assets. The promissory notes bear interest at 5% annually, which is payable on maturity. The promissory notes have a five-year maturity and are subject to acceleration for certain reasons, such as, but not limited to, employment termination or sale of the stock.

Refer to Note 15 - Other Debt for details of a credit facility from a related party.

25. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT

Financial Instruments

Financial instruments are measured at amortized cost (adjusted for impairments or expected credit losses, as applicable) or at fair value though profit and loss ("FVTPL"). Financial instruments recorded at fair value are classified using a fair value hierarchy that reflects the significance of the inputs to fair value measurements. The three levels of hierarchy are: Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities; Level 2 – Inputs other than quoted prices that are observable for the asset or liability, either directly or indirectly; and Level 3 – Inputs for the asset or liability that are not based on observable market data. There were no transfers between fair value levels during the year ended March 31, 2021.

(Amounts Expressed in United States Dollars, Unless Otherwise Stated)

The following table provides a summary of the Company's financial assets and financial liabilities, their classification and measurement and the fair value hierarchy for the Company's financial instruments that are measured at FVTPL:

	Note		March 31, 2021		December 31, 2020	Classification and Measurement	Level within the Fair Value Hierarchy for FVTPL Financial Instruments
Financial Assets:							
Cash and cash equivalents		$	162,085	$	85,857	Amortized Cost	n/a
Investments in securities - shares	3	$	5,832	$	9,134	FVTPL	Level 1
Investments in securities - warrants	3	$	—	$	1,908	FVTPL	Level 2
Accounts receivable		$	893	$	859	Amortized Cost	n/a
Other current assets	5	$	4,180	$	4,691	Amortized Cost	n/a
Other long-term assets - contingent consideration receivable	10	$	889	$	865	FVTPL	Level 3
Other long-term assets - equity investment	10	$	1,500	$	1,500	FVTPL	Level 2
Financial Liabilities:							
Accounts payable and accrued liabilities (excluding short-term debt)	11	$	41,795	$	30,440	Amortized Cost	n/a
Promissory notes payable	12	$	4,488	$	4,419	Amortized Cost	n/a
Lease obligations	13	$	44,094	$	39,210	Amortized Cost	n/a
10% Senior Notes	14	$	48,974	$	50,566	Amortized Cost	n/a
Derivative liabilities	14	$	211,440	$	205,361	FVTPL	Level 3
Other debt (including short-term portion)	15, 11	$	4,897	$	3,736	Amortized Cost	n/a

The carrying values of the short-term financial assets and liabilities held at amortized cost approximate their fair values due to the relatively short maturity of those instruments. The long-term equity investment approximates its fair value at the balance sheet date. Other long-term assets held at amortized cost approximate their fair values. The carrying amounts of the promissory notes and lease obligations approximate their fair values as the effective interest rates are consistent with market rates. The fair values of the 10% Senior Notes as of the balance sheet dates are deemed to have approximated the principal amounts.

Financial Risk Management

The Company is exposed in varying degrees to a variety of financial instrument related risks. The Board mitigates these risks by assessing, monitoring and approving the Company's risk management processes:

(a) Credit and Banking Risk

Credit risk is the risk of a potential loss to the Company if a customer or third party to a financial instrument fails to meet its contractual obligations. The maximum credit exposure as of March 31, 2021, is the carrying amount of cash and cash equivalents, investments, accounts receivable, employee receivables and other current/non-current assets. The Company does not have significant credit risk with respect to its customers. The Company provides credit to its customers in the normal course of business and has established credit evaluation and monitoring processes to mitigate credit risk but has limited risk as the majority of its sales are transacted with cash. Employee receivables include promissory notes and pledge agreement that pledge the underlying restricted stock received by the employees. Long term assets, such as deposits, are made in the normal course of business. The Company does not have significant risk from its contingent consideration receivable or other investments due to the credit worthiness of the underlying company. The Company is not aware of any credit issues related to its assets.

(Amounts Expressed in United States Dollars, Unless Otherwise Stated)

All cash is placed with major U.S., Canadian or European financial institutions. Financial instruments that potentially subject the Company to concentration of credit risk consist principally of cash deposits. Cash accounts at each institution are insured by either the Canada Deposit Insurance Corporation ("CDIC") up to CAD$100,000, the Federal Deposit Insurance Corporation ("FDIC") or the National Credit Union Association ("NCUA") up to $250,000, or Essisuisse Deposit Insurance ("ESI") up to CHF100,000, as applicable. As of March 31, 2021, the Company had $156,649 of cash and cash equivalents in excess of these insured limits.

(b) Liquidity Risk and Capital Management

Liquidity risk is the risk that the Company will not be able to meet its financial obligations associated with financial liabilities. The Company manages liquidity risk through the management of its capital structure. The Company manages its capital structure and makes adjustments to it based on the funds available to the Company in order to support business development The Company's approach to managing liquidity is to ensure that it will have sufficient liquidity to settle obligations and liabilities when due. The Company raises capital, as necessary, to meet its needs and take advantage of perceived opportunities and, therefore, does not have a numeric target for its capital structure. Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable.

These condensed unaudited interim consolidated financial statements have been prepared under the assumption that the Company will be able to realize its assets and discharge its liabilities in the normal course of business. The Company plans to use existing funds and funds from the Company's equity offerings, the Company's debt offering(s), as well as funds from future offerings and the future sale of products, to fund operations and expansion activities. The Company closed on public equity offerings in January 2021 and February 2021. Refer to Note 16 - Equity. The Company may attempt to issue new shares or issue new debt; however, there can be no assurance that the Company will be able to continue raising capital (equity or debt) in this manner.

In addition to the commitments outlined in Note 23 - Commitments and Contingencies, the Company has the following estimated future contractual payment obligations, excluding interest payments on notes and the unsecured credit line, and excluding potential escalations in lease obligations for changes in cannabis regulations, as of March 31, 2021:

	< 1 Year	1 to 3 Years	3 to 5 Years	> 5 Years	Total
Accounts payable and accrued liabilities (excluding short-term debt)	$ 41,795	$ —	$ —	$ —	$ 41,795
10% Senior Notes - principal	—	75,193	—	—	75,193
Promissory notes - principal	1,620	48	3,750	—	5,418
Leases (including interest)	7,314	14,012	13,321	152,797	187,444
Other debt - financing obligation (including interest)	$ 328	$ 678	$ 709	$ 11,695	$ 13,410
Other debt - unsecured credit line - principal	$ —	$ —	$ 1,761	$ —	$ 1,761
Total	$ 51,057	$ 89,931	$ 19,541	$ 164,492	$ 325,021

(c) Market Risk

Currency Risk - The operating results and financial position of the Company are reported in U.S. dollars. As of March 31, 2021, and 2019, the Companies financial assets and liabilities are denominated primarily in U.S. dollars. From time to time, the Company may enter into financial transactions in currencies other than the U.S. dollar. The Company's results of operations are subject to currency transaction and translation risks. For the three months ended March 31, 2021, and 2019, the Company recorded $28 in foreign exchange gains and $2 in foreign exchange losses, respectively.

Interest Rate Risk - Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Cash bears interest at market rates. The Company's financial debts have fixed rates of interest and therefore expose the Company to a limited interest rate fair value risk.

Price Risk - Price risk is the risk of variability in fair value due to movements in equity or market prices. Refer to Note 4 - Inventory and Biological Assets for the Company's sensitivity assessment of certain fair value assumptions used in the calculation of biological asset values. Refer to Note 14 - Senior Notes and Derivative Liabilities for the Company's sensitivity assessment of certain fair value assumptions used in the calculation of derivative liabilities. Investments in securities are linked to market rates and therefore expose the Company to fair value price risk. A 10% change in the value of short-term investments as of March 31, 2021 would result in a $583 effect on net income (loss).

26. SUBSEQUENT EVENTS

Acquisitions

In April 2021, the Company entered into a definitive binding agreement (the "Agreement") to acquire Nature's Remedy of Massachusetts, Inc. and certain of its affiliates (collectively, "Nature's Remedy"), a vertically-integrated single state operator in Massachusetts, for total consideration of up to approximately $110,000. Nature's Remedy currently operates two retail dispensaries, in Millbury, MA and Tyngsborough, MA, and a 50,000 sq. ft. cultivation and production facility in Lakeville, MA with approximately 19,500 sq. ft. of high-quality indoor flower canopy and state-of-the-art extraction and manufacturing capabilities. Under the terms of the Agreement, Jushi has agreed to acquire Nature's Remedy for an upfront payment of $100,000 (subject to purchase price adjustments as set forth in the Agreement), comprised of $40,000 in cash, $55,000 in Subordinate Voting Shares of the Company and a $5,000 unsecured five-year promissory note. The Company has also agreed to issue up to an additional $10,000 in Company Subordinate Voting Shares upon the occurrence or non-occurrence of certain conditions after the closing date, bringing the total potential consideration to $110 million. This acquisition, which is expected to close in the second half of 2021, is subject to certain customary closing conditions and the Company has the right to terminate the agreement within 30 days of execution under certain conditions. There can be no assurance that the acquisition will be completed.

In April 2021, the Company entered into a definitive binding agreement to acquire OhiGrow, LLC, one of 34 licensed cultivators in Ohio, and Ohio Green Grow LLC (collectively, "OhiGrow"), for total consideration of approximately $5,000 in cash, inclusive of an approximately 10,000 sq. ft. facility and 1.35 acres of land. OhiGrow will complement the soon-to-be operational 8,000 sq. ft. state-of-the-art Ohio medical cannabis processing facility, to which Jushi provides operational and consulting services. OhiGrow is expected to supply biomass to the processing facility to create manufactured medical marijuana products for sale into the wholesale market. The closing of the acquisition, which is subject to regulatory approvals, is expected to close in the third quarter of 2021. There can be no assurance that the acquisition will be completed.

In April 2021, the Company completed the acquisition of 100% of FBS NV equity which the Company has been operating under an MSA since 2019. In addition, on April 15, 2020, the remaining principal balance of the FBS NV sellers' notes of approximately $1,500 plus accrued interest was repaid in full.

In April 2021, the Company acquired 100% of the equity of Organic Solutions of the Desert, LLC ("OSD"), an operating dispensary located in Palm Springs, California, for $5,000 total consideration comprised of $1,852 cash, as adjusted for expenses, and $3,100 in promissory notes, subject to adjustments.

Property Purchases and Expansions

In May 2021, the Company purchased a 93,000 sq. ft. facility operated by its wholly-owned subsidiary and Virginia-based pharmaceutical processor, Dalitso, together with approximately nine acres of surrounding land in Prince William County, Virginia, for approximately $22,000.

On April 1, 2021, PAMS entered into an amendment of its existing lease with Innovative Industrial Properties, Inc. ("IIP"), making available an additional approximately $30,000 in funding for the first phase of property development of the grower-processor facility. The funding will be used to complete the buildout of the existing 89,000 sq. ft. building and an approximately 40,000 sq. ft. expansion of the Facility for a total of 130,000 sq. ft. The first phase of the expansion, with an estimated budget of approximately $40,000, is expected to add approximately 26,000 sq. ft. of canopy for a total of 45,000 sq. ft. and is expected to be completed by the fourth quarter of 2021, subject to regulatory approvals.

Warrants – Exercises

During the period from April 1, 2021 to May 31, 2021, the Company issued a total of 217,548 SVS and received $579 in total related proceeds, as a result of warrants exercised during this period.

Credit Facility - Jushi Europe

In January 2021, Jushi Europe entered into an additional credit agreement with an individual and received €1,000 principal amount which accrues interest at 5% per annum, payable annually in arrears, and matures on November 11, 2024. In addition, in April 2021, Jushi Europe entered into an unsecured bridge loan with the Company and an investment partner for a total of $2,141. The Company and the investment partner each contributed half of the total amount. The bridge loan accrues interest at a rate equal to the foreign marginal lending facility rate plus 25 basis points. All payments including interest are due on maturity, which is six months post issuance.

APPENDIX II:

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUSHI HOLDINGS INC. AND SUBSIDIARIES

MANAGEMENT’S DISCUSSION AND ANALYSIS

FOR THE THREE MONTHS ENDED MARCH 31, 2021 and 2020

(Expressed in United States Dollars)

MANAGEMENT’S DISCUSSION AND ANALYSIS

This Management’s Discussion and Analysis (“MD&A”) covers the consolidated financial statements of Jushi Holdings Inc. and its controlled subsidiaries as of March 31, 2021, and for the three months then ended (the “Financial Statements”). Unless the context indicates or requires otherwise, the terms “Jushi”, “the Company”, “we”, “us” and “our” refers to Jushi Holdings Inc. and its controlled entities. This MD&A should be read in conjunction with the condensed unaudited interim consolidated financial statements and notes thereto for the three months ended March 31, 2021 (“the “Quarterly Financial Statements”), and the audited consolidated financial statements and the accompanying notes for the years ended December 31, 2020 and 2019 (the “Annual Financial Statements”), which have been prepared by management and are in accordance with International Financial Reporting Standards (“IFRS”), and all amounts are expressed in United States (“U.S.”) dollars unless otherwise noted. The information contained in this report is current to June 5, 2021 unless otherwise indicated.

The Company’s certifying officers are responsible for ensuring that the Financial Statements and MD&A do not contain any untrue statement of material fact or omit to state a material fact required to be stated or that is necessary to make a statement not misleading in light of the circumstances under which it was made. The Company’s officers certify that the Financial Statements and MD&A fairly present, in all material respects, the financial condition, result of operations and cash flows, of the Company as the date hereof.

The Financial Statements and this MD&A have been reviewed by the Company’s Audit Committee and were approved by the Company’s Board of Directors on June 6, 2021.

Additional information relating to the Company, including the Company’s Annual Information Forms (“AIF”), Final Short Form Base Shelf Prospectus dated October 14, 2020, Prospectus Supplement dated October 21, 2020, Prospectus Supplement dated January 5, 2021 and Prospectus Supplement dated February 11, 2021 can be found on SEDAR at www.sedar.com.

<u>Forward-Looking Statements</u>

This document may contain “forward-looking statements” and “forward-looking information” within the meaning of applicable securities laws, including Canadian securities legislation and U.S. securities legislation (collectively, “forward-looking information”) which are based upon the Company’s current internal expectations, estimates, projections, assumptions and beliefs. All information, other than statements of historical facts, included in this document that address activities, events or developments that Jushi expect or anticipate will or may occur in the future constitutes forward-looking information. Forward-looking information is often identified by the words, “may”, “would”, “could”, “should”, “will”, “intend”, “plan”, “anticipate”, “believe”, “estimate”, “expect” or similar expressions and includes, among others, information regarding: future business strategy, competitive strengths, goals, expansion and growth of Jushi’s business, operations and plans, including new revenue streams, the completion of contemplated acquisitions by Jushi of additional assets, roll out of new operations, the implementation by Jushi of certain product lines, implementation of certain research and development, the application for additional licenses and the grant of licenses that will be or have been applied for, the expansion or construction of certain facilities, the expansion into additional U.S. and international markets, any potential future legalization of adult use and/or medical marijuana under U.S. federal law; expectations of market size and growth in the U.S. and the states in which Jushi operates; expectations for other economic, business, regulatory and/or competitive factors related to Jushi or the cannabis industry generally; and other events or conditions that may occur in the future.

Readers are cautioned that forward-looking information and statements are not based on historical facts but instead are based on reasonable assumptions and estimates of management of Jushi at the time they were provided or made and involve known and unknown risks, uncertainties and other factors that may cause the actual results, level of activity, performance or achievements of Jushi, as applicable, to be materially different from any future results, performance or achievements expressed or implied by such forward-looking information and statements. Such factors include, among others: risks relating to the ability to complete the pipeline transactions; risks relating to U.S. regulatory landscape and enforcement related to cannabis, including political risks; risks relating to anti-money laundering laws and regulation; other governmental and environmental regulation; public opinion and perception of the cannabis industry; risks related to the economy generally; risks relating to pandemics and forces of nature including but not limited to the 2019 novel coronavirus ("COVID-19"); risks related to contracts with third party service providers; risks related to the enforceability of contracts; the limited operating history of Jushi; Jushi's history of operating losses and negative operating cash flows; reliance on the expertise and judgment of senior management of Jushi; risks inherent in an agricultural business; risks related to co-investment with parties with different interests to Jushi; risks related to proprietary intellectual property and potential infringement by third parties; the concentrated Founder voting control of the Jushi and the unpredictability caused by the anticipated capital structure; risks relating to the Company's recent debt financing and other financing activities including leverage and issuing additional securities; risks relating to the management of growth; costs associated with Jushi being a publicly traded company; increasing competition in the industry; risks associated to cannabis products manufactured for human consumption including potential product recalls; reliance on key inputs, suppliers and skilled labor; reliance on manufacturers and contractors; risks of supply shortages or supply chain disruptions; cybersecurity risks; ability and constraints on marketing products; fraudulent activity by employees, contractors and consultants; tax and insurance related risks; risk of litigation; conflicts of interest; risks relating to certain remedies being limited and the difficulty of enforcement of judgments and effect service outside of Canada; risks related to executed or future acquisitions or dispositions, including potential future impairment of goodwill or intangibles acquired; sales by existing shareholders; the limited market for securities of the Company; risks related to the continued performance of existing operations in Pennsylvania, Illinois, Nevada, Virginia, and California; risks related to the anticipated openings of additional dispensaries in 2021; the risks relating to the expansion and optimization of the grower-processor in Pennsylvania, the vertically integrated facility in Virginia and the facility in Nevada; the risks related to the opening of new facilities, which are subject to licensing approval; as well as limited research and data relating to cannabis; and risks related to the Company's critical accounting policies and estimates. Although Jushi has attempted to identify important factors that could cause actual results to differ materially, there may be other factors that cause results not to be as anticipated, estimated or intended. There can be no assurance that such forward-looking information and statements will prove to be accurate as actual results and future events could differ materially from those anticipated in such information and statements. Accordingly, readers should not place undue reliance on forward-looking information and statements. Forward-looking information and statements are provided and made as of the date of this MD&A and Jushi does not undertake any obligation to revise or update any forward-looking information or statements other than as required by applicable law.

Company Overview

Jushi is a vertically integrated, multi-state cannabis operator engaged in retail, distribution, cultivation, and processing operations in both medical and adult-use markets. Jushi and its industry-leading management team are focused on building a diverse portfolio of cannabis assets through opportunistic investments, acquisitions and pursuing application opportunities in attractive limited license jurisdictions. The Company has targeted assets in highly populated, limited licensed medical markets with a trajectory toward adult-use legalization, such as Pennsylvania, Virginia and Ohio, and limited license, fast-growing, large adult-use markets, such as Illinois, California, Nevada, and Massachusetts.

Jushi Holdings Inc. (formerly Tanzania Minerals Corp. and before that Hill Top Resources Corp.) was incorporated under British Columbia's *Business Corporations Act* ("BCBCA"). As of June 6, 2019, Tanzania Minerals Corp. was acquired by Jushi Inc through a reverse takeover transaction (the "RTO").

The Company's Subordinate Voting Shares are listed for trading on the Canadian Securities Exchange ("CSE") under the ticker symbol "JUSH" and on the U.S. Over the Counter Stock Market ("OTCQB") under the ticker symbol "JUSHF."

Key Markets Overview

Pennsylvania Operations:

The Company currently operates a total of eleven medical dispensaries under the BEYOND/HELLO™ brand in Pennsylvania. The Company expects to open the remaining locations by the end of 2021. The eleven dispensaries are located in Ardmore, Bethlehem, Bristol, Irwin, Johnstown, Philadelphia (Center City and Northern Liberties), Reading, Scranton (Moosic Street and Westside), and West Chester, PA.

In August, Jushi acquired 100% of the equity of Pennsylvania Medical Solutions, LLC ("PAMS"), a Pennsylvania grower-processor owned by a subsidiary of Vireo Health International, Inc. The 89,000 sq. ft. cannabis cultivation and processing facility enables wholesale distribution to the 120 dispensaries currently operating, including the Company's eleven operational BEYOND/HELLO™ dispensaries.

Since closing on the acquisition, Jushi's focus has shifted to optimizing the facility to ensure long term growth and market share expansion in the Pennsylvania market. The Company will be targeting a series of operations and facility improvements that concurrent with the phased expansion of the Scranton, PA cultivation and processing facility are expected to significantly increase production of both pre-packaged flower and extracted products. The Company will continue to assess and develop further expansion opportunities to meet the needs of patients and wholesale market demand, now and in the future. It is expected that the operational improvements, including an expanded footprint, the introduction of new extraction technologies, increased facility automation and utilization, and improved yields will be implemented over the next 12 months.

The Company has exercised and closed on its assignable purchase option to acquire 100 percent of the equity of Pennsylvania Dispensary Solutions ("PADS"), a Pennsylvania medical marijuana dispensary permittee in the Commonwealth's Northeast region. Since closing the transaction, the Company operates two medical marijuana dispensaries, with the right to operate one additional dispensary in the region. The two operating medical marijuana dispensaries have been rebranded to BEYOND/HELLO™.

Illinois Operations:

In the first quarter of 2020, Jushi acquired two medical dispensaries in Illinois located in Sauget (adjacent to East St. Louis) and Normal (Bloomington-Normal metro area). Since acquiring the two dispensaries, both locations have been re-branded to BEYOND/HELLO™ and have begun adult-use sales. The dispensary in Sauget began adult-use sales in March 2020, and the dispensary in Normal began adult-use sales in May 2020.

Each dispensary was eligible and received regulatory approval to open a second retail location. In December 2020, the Company opened its second adult-use retail location in Sauget, Illinois and third dispensary in the state of Illinois. In January 2021, Jushi opened its second adult-use location in Bloomington-Normal and fourth dispensary in the state of Illinois. The two additional adult-use dispensaries operate under the Company's "BEYOND/HELLO™ retail brand.

Virginia Operations:

In September 2019, Jushi acquired the majority membership interests in Dalitso LLC ("Dalitso"), a Virginia-based pharmaceutical processor for medical cannabis extracts. In November and December 2020, the Company closed a series of transactions pursuant to which Jushi acquired all the remaining equity interests. Jushi owns 100% of the issued and outstanding equity interests of Dalitso. Dalitso is one of only five applicants to have received conditional approval for a pharmaceutical processor permit issued by the Virginia Board of Pharmacy, and one of only four to have received final approval and permit issuance in this market. The Company has completed the phase one build out of its cultivation, manufacturing, retail facility in Prince William County near the City of Manassas and commenced dispensing medical cannabis to registered patients in Virginia on December 1, 2020.

The Company anticipates adding up to five additional BEYOND/HELLO™ branded medical dispensaries to Dalitso's operations in Virginia. These five BEYOND/HELLO™ branded medical dispensaries will be in addition to the pharmaceutical processor facility near the City of Manassas, operated by Dalitso.

In May 2021, Jushi closed on its previously announced acquisition of the 93,000 sq. ft. facility, operated by Dalitso, together with approximately nine acres of surrounding land in Prince William County, Virginia.

The designated area for Jushi to operate is Health Service Area II, in Northern Virginia. According to the U.S. Census Bureau, Health Service Area II has a population of approximately 2.5 million people or nearly 30 percent of the state population. This area includes two of Virginia's most densely populated and highest-income counties, Fairfax and Prince William County.

California Operations:

In July 2020, Jushi acquired GSG SBCA, Inc.("GSG Santa Barbara"), a licensed Santa Barbara dispensary. The dispensary was opened in October 2020 and is the 11th BEYOND/HELLO™ retail location nationally. The city of Santa Barbara is a limited license market and currently allows for only three dispensaries to operate in the jurisdiction.

In March 2021, the Company closed on its previously announced acquisition of approximately 78% of the equity of a retail license holder located in Grover Beach, California, with the rights to acquire the remaining equity in the future. The city of Grover Beach is a limited license jurisdiction where a maximum of four retail licenses are permitted. Upon completion of the build-out of the new BEYOND/HELLO™ in Q3 2021, this location will be the fourth and final retail dispensary permitted in Grover Beach.

In April 2021, the Company closed on its previously announced acquisition of 100% of the equity of Organic Solutions of the Desert, LLC ("OSD"), an operating dispensary located in Palm Springs, California. OSD is well positioned across the street from Palm Springs International Airport and has ample dedicated parking spots.

On December 17, 2020, one of the Company's subsidiaries entered into a long-term lease agreement for a bespoke, ground-up build in Culver City. The Company also received approval to move forward in the merit-based application process as one of three selected applicants for a storefront retail (and ancillary delivery) permit in Culver City, California.

Nevada Operations:

In July 2019, the Company's subsidiary Production Excellence, LLC ("Production Excellence") entered the greater Las Vegas, Nevada market under a management services agreement ("MSA") with Franklin Bioscience NV, LLC ("FBS Nevada"). Pursuant to the transaction, Jushi purchased the real estate associated with FBS Nevada's facility in North Las Vegas, Nevada.

In April, 2021, the Company acquired 100% of the equity ownership of FBS Nevada. FBS Nevada holds medical and adult-use cannabis cultivation, processing and distribution licenses issued by the Nevada Cannabis Control Board. Subsequently, the MSA between Production Excellence and FBS Nevada was terminated. FBS Nevada currently operates cultivation, production and distribution facilities in North Las Vegas, Nevada.

Ohio Operations:

In June 2019, Jushi entered into a management services agreement with a provisionally licensed medical marijuana processor in Columbus, Ohio. As part of the relationship, Jushi provides ongoing management and consulting services to the processor, including financial assistance and pre-operational support The Company anticipates its newly constructed 8,000 sq. ft., state-of-the-art processing facility to commence operations in Q2 2021.

New York Operations:

In March 2019, Jushi was awarded an Industrial Hemp CBD Processor License by the New York State Department of Agriculture and Markets through its wholly owned subsidiary, Sound Wellness, LLC. The Company also operates a CBD retail store at the Dent Neurologic Institute in Amherst, New York, where it sells its physician formulated hemp-derived product brand Nira. The Company also sells its Nira branded products through its e-commerce platform (niracbd.com).

Operational and Regulation Overview

Jushi takes all actions necessary to ensure that its operations are in full compliance with all applicable state and local laws, rules, regulations, and licensing requirements in the states that it operates. Currently, cannabis other than hemp is illegal under U.S. Federal law due to its classification as a Schedule 1 substance. For a regulatory overview of the states in which we operate or currently plan to operate in please review the Company's Annual Information Form (filed on June 7, 2021) filed under the Company's profile on SEDAR.

Recent Developments

Finalized Acquisition of Dalitso LLC Facility and Nine Acres of Land

In May 2021, the Company closed the previously announced acquisition of a 93,000 sq. ft. facility (the "Facility"), operated by its wholly-owned subsidiary and Virginia-based pharmaceutical processor, Dalitso, together with approximately nine acres of surrounding land in Prince William County, Virginia, for approximately $22 million (the "Acquisition"). The Acquisition, together with Dalitso's planned buildout of the Facility, enables Dalitso to efficiently produce a consistent supply of medical cannabis products as patient access improves and the medical cannabis program continues to mature and expand.

Appointment of New Director to the Company's Board of Directors

On May 25, 2021 Marina Hahn was appointed as director of the Company.

Completed Acquisitions of Two California Retail Dispensaries

In April 2021, the Company closed on its previously announced acquisition of 100% of the equity of OSD for $5 million total consideration comprised of $1.9 million cash and $3.1 million in promissory notes, subject to adjustments. In March 2021, the Company closed on its previously announced acquisition of approximately 78% of the equity of Grover Beach for approximately $3.6 million in cash, after adjustments and 49,348 SVS at $7.46 per share, with the rights to acquire the remaining equity in the future. The Company expects to complete the build-out of the BEYOND / HELLO™ Grover Beach location in Q3 2021. The two dispensaries will be the Company's second and third operating retail locations in the state.

Announced Acquisition of Ohio Licensed Cultivator

In April 2021, the Company signed a definitive binding agreement to acquire OhiGrow, LLC, one of 34 licensed cultivators in Ohio, and Ohio Green Grow LLC (collectively, "OhiGrow"), for a total consideration of $5.0 million in cash, inclusive of an approximately 10,000 sq. ft. facility and 1.35 acres of land. OhiGrow will complement the soon-to-be operational 8,000 sq. ft. state-of-the-art Ohio medical cannabis processing facility, to which the Company provides operational and consulting services. The acquisition is expected to close in Q3 2021.

Expanded Presence to Massachusetts

On April 16, 2021, the Company signed a definitive binding agreement to acquire Nature's Remedy of Massachusetts, Inc. and certain of its affiliates (collectively, "Nature's Remedy"), a vertically-integrated single state operator in

Massachusetts, for total consideration of up to US$110 million (the “Acquisition”). Nature’s Remedy currently operates two adult-use retail dispensaries, in Millbury, MA and Tyngsborough, MA, and a 50,000 sq. ft. cultivation and production facility in Lakeville, MA with approximately 19,500 sq. ft. of high-quality indoor flower canopy and state-of-the-art extraction and manufacturing capabilities. The Acquisition is expected to close in the second half of 2021. The Company’s entrance into Massachusetts marks the seventh state where it operates cannabis assets and the third state where it is vertically integrated.

Announced First Phase of Expansion Project at Pennsylvania Grower-Processor Facility

On April 1, 2021, the Company’s wholly-owned subsidiary, PAMS, entered into an amendment of its existing lease with Innovative Industrial Properties, Inc. (NYSE: IIPR), making available an additional $30 million in funding for the expansion project at its Pennsylvania grower-processor facility in Scranton, Pennsylvania. The funding will be used to complete the buildout of the existing 89,000 sq. ft. building and an approximately 40,000 sq. ft. expansion of the Pennsylvania cultivation facility for a total of 130,000 sq. ft. The first phase of the expansion is expected to add approximately 26,000 sq. ft. of canopy for a total of 45,000 sq. ft. and is expected to be completed by the fourth quarter of 2021, subject to regulatory approvals. PAMS is also in the design stage for the second phase of the planned expansion, which would add approximately 60,000 sq. ft. to the building, increase total canopy to approximately 110,000 sq. ft., and bring the building’s total sq. ft. to 190,000 sq. ft. The Company expects PAMS to begin the second phase of the expansion in Q3 2021 and to complete it by Q2 2022.

Finalized Acquisition of Established Nevada Operator

On April 1, 2021, the Company’s subsidiary, Production Excellence completed the previously announced acquisition of 100% of the equity of FBS Nevada. FBS Nevada holds medical and adult-use cannabis cultivation, processing, and distribution licenses issued by the Nevada Cannabis Control Board and currently operates cultivation, production and distribution facilities in North Las Vegas, Nevada. The Company also owns the real estate associated with FBS Nevada’s facilities in North Las Vegas, Nevada which include two adjacent buildings with cultivation, manufacturing and distribution capabilities.

Introduction of New and Relaunched Cannabis Products including Top-Selling Cannabis Offerings

On March 18, 2021, the Company debuted a comprehensive suite of cannabis brands across multiple states under the names: The Bank for pre-packaged flower, infused blunts and pre-rolls comprised of three tiered lines: Gold Standard, Cache and Vault each offering varying degrees of quality, availability and price. The Bank is available at dispensaries across Nevada and Pennsylvania, including the Company’s BEYOND/HELLO™ locations in Pennsylvania; The Lab for vapes products, and concentrates, including live resin. The Lab is available at dispensaries across Nevada and Pennsylvania, including the Company’s BEYOND/HELLO™ locations in Pennsylvania; Tasteology, for edibles, offering premium, real fruit, cannabis-infused gummies and chewable tablets. Tasteology is produced by the Company’s subsidiary in Nevada and is available in dispensaries across the state; Nira + Medicinals for THC and CBD-rich medical products. Nira+ is available at dispensaries across Pennsylvania, including the Company’s BEYOND/HELLO™ locations in Pennsylvania; And, Sèche for fine flower and pre-rolls to address a wide variety of consumer and patient needs. Sèche is available at dispensaries across Nevada and including at the Company’s BEYOND/HELLO™ locations in Pennsylvania.

Opened Seventeenth BEYOND/HELLO™ Retail Location and Eleventh Pennsylvania Medical Marijuana Dispensary

On March 12, 2021, the Company, through its wholly owned subsidiary, Franklin Bioscience - SW LLC, opened the eleventh BEYOND/HELLO™ medical marijuana dispensary in Irwin, Pennsylvania and the Company’s 17th BEYOND/HELLO™ retail location nationally.

Launched Personalized Customer Loyalty and Rewards Program

In February 2021, the Company's retail brand, BEYOND/HELLO™, launched "The Hello Club," a personalized customer loyalty and rewards program. The loyalty and rewards program provides BEYOND/HELLO™ customers the ability to create a personalized shopping experience as well as give members the opportunity to earn rewards, special and exclusive deals and receive additional offers based on their personal preferences, personal profiles and purchase history.

Announced Closing of Offering of Subordinate Voting Shares

On February 12, 2021, the Company announced the closing of its overnight marketed offering of an aggregate of 7,475,000 subordinate voting shares at a price of C$10.00 for total gross proceeds of approximately C$74,750 thousand, which includes the full exercise of the over-allotment option granted to the Underwriters. The Company intends to use the net proceeds for potential strategic transactions, which may include the acquisition of the 93,000 square foot facility in Prince William County, Virginia operated by the Company's wholly-owned subsidiary and properties adjacent to the facility, as well as for general corporate purposes. As mentioned above, on May 5, 2021, the Company announced that it closed on the 93,000 square foot facility and the land surrounding the facility for approximately $22 million.

Redeemed Principal of Senior Secured Notes

In connection, with the January offering of Subordinate Voting Shares, on January 31, 2021, the redemption date, the Company redeemed US$4.934 million of principal outstanding under the Company's 10% Senior Secured Notes due January 15, 2023 (the "Notes"). Pursuant to the terms of the Notes, the Company was required to offer to repurchase eligible Notes at par plus accrued and unpaid interest, using up to 33% of the net proceeds of the January offering of subordinate voting shares, or US$9.776 million.

Acquired Remaining Equity Interests in a Pennsylvania Medical Marijuana Dispensary Permit Holder

On January 26, 2021, the Company announced it had acquired the remaining 20% equity interest in Agape Total Health Care Inc ("Agape"), a Pennsylvania dispensary permit holder. After the transaction, the Company owns 100% of the equity interests in Agape, which operates one retail location in Reading, Pennsylvania with plans to open two additional locations, one in Philadelphia and one in Pottsville.

Opened 16th BEYOND/HELLO™ Dispensary Nationally and Fourth Dispensary in Illinois

On January 26, 2021, the Company opened its 16th BEYOND/HELLO™ dispensary nationally and its fourth adult-use cannabis dispensary in the State of Illinois, located in the city of Bloomington. All four Illinois dispensaries are operated under the BEYOND/HELLO™ retail brand.

Expanded Retail Presence in California

On January 14, 2021, the Company entered into a definitive agreement to acquire 100% of the equity of OSD, an operating dispensary located in Palm Springs, California, and approximately 78% of the equity of a retail license holder located in Grover Beach, California with the rights to acquire the remaining equity in the future. As mentioned above, on May 4, 2021, the Company announced that it closed on 100% of the equity of OSD and 78% of the equity of Grover Beach. The Company is also moving forward for a storefront retail (and ancillary delivery) permit in Culver City, California. On December 17, 2020, one of the Company's subsidiaries entered into a long-term lease agreement for a bespoke, ground-up build in Culver City, California.

Announced Closing of Offering of Subordinate Voting Shares

On January 7, 2021, the Company announced the closing of its overnight marketed offering of an aggregate of 6,210,000 subordinate voting shares at a price of C$6.50 for total gross proceeds of approximately C$40,365 thousand, which includes the full exercise of the over-allotment option granted to the Underwriters.

Covid-19 Initiatives

Due to the coronavirus pandemic, the Company implemented new procedures at all operating locations to better protect the health and safety of its employees, medical patients, and customers across its network of dispensaries at the onset of the COVID-19 outbreak. Depending on the location, some of the initiatives include, but are not limited to: reducing the number of point-of-sale registers, restricting the number of people permitted in-store, limiting store hours to those most susceptible, and offering curbside pick-up. The Company has also directed a significant amount of traffic to its recently launched online educational tool and reservation platform, www.beyond-hello.com, which enables a medical patient or customer to view real-time pricing and product availability, and reserve products for convenient in-store pick-up at BEYOND/HELLO™ locations across Pennsylvania, Illinois, California and Virginia. The Company's dispensaries have remained open throughout the pandemic, and as a result, the Company experienced no adverse impact to its operations, financial performance, financial condition (including its ability to obtain financing), and cash flows resulting from COVID-19.

Funds

Jushi has successfully raised almost $400 million to date (which includes equity offerings, senior notes and warrant/option exercises as well as $9.6 million of debt assumed in the acquisition of TGS Illinois Holdings, Inc ("BHIL")), of which approximately $47 million was invested by management and insiders. The Company is currently closing acquisitions and investments in cannabis assets in the U.S. As of March 31, 2021, the Company had $162.1 million of cash and cash equivalents and $5.8 million in short-term investments.

The Company will continue to opportunistically deploy capital to further enhance and complement its organic growth. Jushi anticipates incurring certain costs in connection with pursuing its objectives and will consider future sources of capital as necessary to capitalize on promising opportunities. Jushi may contemplate additional equity financing, debt or other financing to fund further acquisitions, expansions, investments in new markets, as well as future debt maturities.

On January 7, 2021, the Company closed on an overnight marketed offering for an aggregate of 6,210,000 subordinate voting shares at a price of C$6.50 per share for total gross proceeds of C$40.4 million, and total net proceeds of C$37.8 million ($29.8 million). On February 12, 2021, the Company closed on an overnight marketed offering for an aggregate 7,475,000 subordinate voting shares at a price of C$10.00 per share for total gross proceeds of C$74.8 million and total net proceeds of C$70.9 million ($55.9 million). These offerings included the full exercise of the over-allotment option granted to the underwriters. The Company intends to use the net proceeds of the offerings for potential strategic transactions and business expansion opportunities as well as for general corporate purposes and working capital. In addition, pursuant to the terms of the 10% Senior Notes, in connection with the January and February equity offerings, in January 2021, the Company redeemed $4.9 million of principal amount and in March 2021 the Company redeemed $3.2 million principal amount outstanding. Refer to *Recent Equity Offerings and Use of Proceeds* below for additional details.

In connection with the acceleration of certain warrants in December 2020, the Company completed the acceleration in January 2021, which resulted in an aggregate total issuance of approximately 3.7 million additional Subordinate Voting Shares upon the exercise of that number of warrants and received cash proceeds of approximately $11 million, of which 987,500 Subordinate Voting Shares were issued and $3.0 million was received during January 2021. During the period from January 1, 2021 to May 31, 2021, the Company issued a total of 4,115,728 SVS and received $10.4 million in total proceeds as a result of all warrants exercised during this period.

The Company expects that its cash on hand and cash flows from operations, will be adequate to meet its capital requirements and operational needs for the next twelve months. Any additional future requirements will be funded through the following sources of capital: i) cash from ongoing operations; ii) market offering – the Company has the ability to offer equity in the market for significant potential proceeds to a large investor base, as evidenced by over-subscriptions on previous recent offerings; iii) debt – the Company may seek to obtain additional debt from additional or existing debtors; iv) sale leaseback – the Company has the ability to sell and lease back its capital properties; v) exercise of warrants and options – the Company may obtain funds from exercise of securities that are in the money.

Recent Equity Offerings and Use of Proceeds

The use of proceeds from the Company's recent offerings of Subordinate Voting Shares discussed above are as follows:

Financing	Details of Offering	Gross Proceeds	Net Proceeds *	Proposed Use of Net Proceeds	Description of Expenditure	Approximate Use of Net Proceeds (Excluding General Corporate Purposes)	Difference / Remaining To Be Spent **	Note
		(USD$ in millions)	(USD$ in millions)			(USD$ in millions)	(USD$ in millions)	
October 2020	11,500,000 subordinate voting shares at a price of C$3.55 per share for total gross proceeds of approximately C$40,825 thousand	$31.1	$29.4	For opportunistic acquisitions and for general corporate purposes, including working capital or business development	Opportunistic acquisitions and purchases	$11.5	$(0.1)	(1)
					Other capex and expansion	$7.7		(2)
					Repayment of acquisition related promissory notes	$10.3		(3)
					Total	$29.5		
January 2021	6,210,000 subordinate voting shares at a price of C$6.50 per share for total gross proceeds of C$40,365 thousand	$31.8	$29.8	One third of the net proceeds to redeem 10% Senior Notes	10% Senior Notes redemption	$4.9	$16.6	(4)
				General corporate purposes, including working capital or business development	Cash capex and expansion	$6.8		(5)(8)
					Repayment of acquisition related promissory notes	$1.5		(6)
					Total	$13.2		
February 2021	7,475,000 subordinate voting shares at a price of C$10.00 per share for total gross proceeds of C$74,750 thousand	$58.9	$55.9	For potential strategic transactions (7)	Other strategic transactions (7)	$23.9	$28.8	(7)(9)
				One third of the net proceeds to redeem 10% Senior Notes	10% Senior Notes redemption	$3.2		(4)
				General corporate purposes, including working capital or business development	Other capex and expansion	$—		(8)
					Total	$27.1		
	Total	$121.8	$115.1			$69.7	$45.4	**

* Net proceeds are net of broker, underwriter and legal fees. Does not include other expenses associated with each offering.

** Any variances in use of proceeds to date did not have any impact on the Company's ability to achieve its business objectives and milestones.

(1) Includes the following: (i) $5.7 million for the PADS acquisition during the fourth quarter of 2020; (ii) $0.4 million for the buyout of the non-controlling interests of Dalitso in the fourth quarter of 2020; (iii) $3.6 million for the March 2021 acquisition of 78% of the equity of a retail license holder located in Grover Beach, California; and (iv) the acquisition of three properties in Scranton, Pennsylvania during the first quarter of 2021 for $1.9 million.
(2) Includes other cash-based capital expenditures during the fourth quarter of 2020.
(3) Early repayment of acquisition related seller notes during the fourth quarter of 2020: (i) Seller notes from the 2019 acquisition of Dalitso of $3.8 million repaid in connection with fourth quarter 2020 acquisitions of the non-controlling interests; (ii) Seller notes from the 2019 acquisition of Franklin BioScience – Penn, LLC and its subsidiaries ("FBS Penn) of $5.0 million repaid early; and (iii) Seller notes for the acquisition of a provisionally licensed medical marijuana processor in Ohio of $1.5 million.
(4) Certain note holders waived their right to redemption.
(5) Includes purchases during the first quarter of 2021 for: (i) a real estate property in Beja, Portugal for $0.5 million; and (ii) a real estate property in Hazelton, Pennsylvania for $0.5 million. In addition includes other capital expenditures, excluding the Scranton properties noted in (1) above, of $5.8 million during the first quarter of 2021.
(6) Repayment of acquisition related seller notes during April 2021 of the seller notes from the 2019 acquisition of FBS Nevada of $1.5 million.
(7) Includes: (i) approximately $22 million in May 2021 for acquisition of the 93,000 square foot facility in Prince William County, Virginia operated by a wholly-owned subsidiary of the Company, and properties adjacent to the facility; and (ii) $1.9 million in May 2021 for the acquisition of Organic Solutions of the Desert, LLC ("OSD"),
(8) Does not include other cash capex subsequent to March 31, 2021.
(9) Funds for other potential future strategic transactions not included in the amounts above: (i) $5 million for the acquisition of OhiGrow; and (ii) $40.0 million in cash for the acquisition of Nature's Remedy.

Refer to *Liquidity and Capital Resources* within this MD&A for a discussion of the *Sources and Uses* of cash by the Company for the three months ended March 31, 2021.

We incurred operating losses for the three months ended March 31, 2021 and have incurred negative operating cash flows in the past. We expect to use the net proceeds from the sale of securities in pursuit of our ongoing general business objectives. To that end, a substantial portion of the net proceeds from the sale of securities are expected to be allocated to working capital requirements and to the continuing development and marketing of our proprietary brands and core products. To the extent that we have negative operating cash flows in future periods, we may need to deploy a portion of the net proceeds from the sale of Securities and/or existing working capital to fund such negative cash flow. See "*Risk Factors*".

Business Strategy

Jushi's business strategy is to evaluate each market opportunity pursuant to the relevant local competitive and regulatory landscape, supply/demand dynamics, and growth potential. The Company evaluates the economic viability of each opportunity before making capital allocation decisions and may decide to participate in one or more facets of the supply chain based on the dynamics mentioned above. In certain markets, Jushi may seek to apply a capital-light or retail-focused strategy, especially where cultivation may become further commoditized in future years. In limited license medical markets, or markets in the process of transitioning to adult-use (such as Pennsylvania and Virginia), Jushi may seek to expand its cultivation assets despite the high level of capital investment required, given the significant market opportunity. Also, in other markets, Jushi may seek a more balanced capital allocation approach where it may acquire a grower-processor and/or additional retail dispensaries in a market where it currently operates, such as Illinois, Ohio, California and Nevada. By establishing a strong platform and retail-brand recognition in markets that have the greatest growth potential, Jushi expects to be well-positioned to have a first-mover advantage for future growth in adult-use cannabis once it is further legalized.

Growth Strategy

Our team remains intensely focused on expanding our retail presence in current markets, while pursuing acquisition opportunities across the supply chain in limited license markets that complement our existing portfolio. We believe our financial capacity allows us to operate from a position of strength and will help Jushi emerge as an even stronger player in this industry. Jushi plans to implement its growth strategy by expanding its presence in current markets, increasing its offering of branded product lines, targeting acquisition opportunities in limited license jurisdictions, and applying for de novo licenses.

Expanding its presence in current markets. The Company currently operates eighteen dispensaries in limited license markets where state-level restrictions limit the number of cannabis licenses awarded, resulting in high barriers to entry, limited market participants, and long-term competitive advantage. The Company plans to build-out its retail footprint in Pennsylvania, California and Virginia by increasing its store count from eleven to eighteen in Pennsylvania, opening two additional adult-use stores in California and opening five additional medical dispensaries in Virginia, which will bring its store count from eighteen to thirty two by the end of 2022. In Virginia, these five medical dispensaries will be in addition to the Dalitso's pharmaceutical processor facility near the City of Manassas, which will allow Dalitso to cultivate, process, dispense and deliver medical cannabis to registered patients in the state. The Company closed on its previously announced acquisition to purchase Dalitso's pharmaceutical processor facility and surrounding land for approximately $22 million. In Pennsylvania, the Company acquired 100 percent of the equity of a grower-processor. The Company plans to more than double the square footage of the Pennsylvania facility from approximately 89,000 sq. ft. to approximately 190,000 sq. ft. in a phased expansion. The Company will utilize the facility to supply its Pennsylvania BEYOND/HELLO™ retail stores and other state licensed retail facilities within the Commonwealth. Additionally, the Company also signed a definitive agreement to acquire OhiGrow, one of 34 licensed cultivators in Ohio. OhiGrow represents an attractive opportunity for Jushi to solidify its supply chain in Ohio. The Ohio cultivation and processing facilities will allow the Company to cultivate, process and sell manufactured medical cannabis products to licensed medical marijuana dispensaries in Ohio.

Targeting acquisition opportunities in limited licenses jurisdictions. Jushi is pursuing acquisition opportunities to become vertically integrated in Illinois and California, where the Company currently only operates retail dispensaries. The Company is also pursuing acquisition opportunities in limited license markets with high barriers of entry, such as Ohio, Nevada and Massachusetts. In Massachusetts, the Company signed a definitive binding agreement to acquire a vertically-integrated single state operator, which currently operates two adult-use retail dispensaries as well as a cultivation and production facility. Subject to all necessary approvals, if the Massachusetts acquisition closes in 2021 the Company's store count would increase from eighteen to twenty in 2021 and from thirty two to thirty four by the end of 2022.

Applying for de novo licenses. Jushi is actively seeking additional avenues of growth in its existing markets and other key markets. The Company is in the process of evaluating, preparing to enter, or has submitted applications for municipal cannabis licenses in California, Illinois, Ohio, Florida, and New Jersey.

Expanding its offering of branded product lines. The Company debuted a comprehensive suite of cannabis brands across multiple states including its award winning brand, The Lab which offers vape products and concentrates and the award-winning brand, The Bank offering pre-packaged flower and infused blunts. The Company also introduced the following new products: Tasteology for edibles, Nira + Medicinals for THC and CBD-rich medical products, and Sèche for fine flower and pre-rolls to address a wide variety of consumer needs.

Summary of Quarterly Results and Selected Financial Information

The following table sets forth selected quarterly financial information for the periods indicated: *(Amounts expressed in thousands of U.S. dollars, except per share amounts)*

	Quarter Ended					
	March 31, 2021	December 31, 2020	September 30, 2020	June 30, 2020	March 31, 2020	December 31, 2019
	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Revenue, net	$ 41,675	$ 32,294	$ 24,913	$ 14,932	$ 8,633	$ 6,034
Net (loss) income	$ (26,801)	$ (156,662)	$ (29,999)	$ (9,308)	$ (15,898)	$ (17,130)
Net (loss) income attributable to Jushi shareholders	$ (26,626)	$ (156,036) (1)	$ (29,426)	$ (8,879)	$ (15,617)	$ (17,040)
Net (loss) income per share attributable to Jushi shareholders - basic	$ (0.18)	$ (1.35)	$ (0.31)	$ (0.10)	$ (0.17)	$ (0.18)
Net (loss) income per share attributable to Jushi shareholders - diluted	$ (0.18)	$ (1.35)	$ (0.31)	$ (0.10)	$ (0.17)	$ (0.18)

(1) Net loss for the quarter ended December 31, 2020 included losses of $135,659 as a result of fluctuations in the fair value of the Company's derivative liabilities, primarily due to the changes in the fair value of the Company's Subordinate Voting Shares and the number of warrants associated with the derivatives warrants liability.

The Company's results are impacted by the Company's acquisitions. Refer to Note 8 - Acquisitions in the March 31, 2021 and the 2020 Financial Statements for additional information.

	March 31, 2021	December 31, 2020
Assets:		
Cash and cash equivalents	$ 162,085	$ 85,857
Investments in securities - short-term	$ 5,832	$ 7,934
Total assets	$ 458,271	$ 359,279
Liabilities:		
Long-term liabilities	$ 329,808	$ 320,775
Total liabilities	$ 379,448	$ 357,529

The selected quarterly information and consolidated financial information above may not be indicative of the Company's future performance.

Results of Operations *(Amounts expressed in thousands of U.S. dollars, except share and per share amounts)*

The following table presents the Company's operating results (unaudited):

	For the Three Months Ended March 31,			
	2021		2020	
REVENUE, NET	$	41,675	$	8,633
COST OF GOODS SOLD		(22,934)		(4,547)
GROSS PROFIT BEFORE FAIR VALUE CHANGES	$	18,741	$	4,086
Realized fair value changes included in inventory sold		(4,783)		(127)
Unrealized fair value changes included in biological assets		6,135		200
GROSS PROFIT	$	20,093	$	4,159
OPERATING EXPENSES:				
General, administrative and selling expenses	$	17,394	$	9,849
Share-based compensation expense		3,563		1,319
Acquisition and deal costs		238		485
Total operating expenses	$	21,195	$	11,653
LOSS FROM OPERATIONS BEFORE OTHER (EXPENSE) INCOME	$	(1,102)	$	(7,494)
OTHER (EXPENSE) INCOME:				
Interest income	$	97	$	77
Fair value changes in derivative warrants		(9,358)		2,587
Interest expense and finance charges		(6,653)		(2,952)
Net gains on business combinations		—		2,202
Gains (losses) on investments and financial assets		1,173		(8,210)
(Losses) gains on debt and warrant modifications/extinguishments		(3,815)		32
Other expense		(710)		(792)
Total net other (expense) income	$	(19,266)	$	(7,056)
NET LOSS AND COMPREHENSIVE LOSS BEFORE TAX	$	(20,368)	$	(14,550)
Current income tax expense		(6,473)		(1,722)
Deferred income tax (expense) benefit		40		374
NET LOSS AND COMPREHENSIVE LOSS	$	(26,801)	$	(15,898)
Net loss attributable to non-controlling interests		(175)		(281)
NET LOSS AND COMPREHENSIVE LOSS ATTRIBUTABLE TO JUSHI SHAREHOLDERS	$	(26,626)	$	(15,617)
NET LOSS AND COMPREHENSIVE LOSS PER SHARE ATTRIBUTABLE TO JUSHI SHAREHOLDERS - BASIC AND DILUTED	$	(0.18)	$	(0.17)
Weighted average shares outstanding - basic and diluted		149,933,639		93,317,981

Three Months Ended March 31, 2021

Amounts expressed in thousands of U.S. dollars, unless otherwise stated.

Revenue, Net

Revenue, net, for the three months ended March 31, 2021 totaled $41,675, as compared to $8,633 for the three months ended March 31, 2020, an increase of $33,042, or 383%. The increase in revenue is due to an increase in cannabis retail and wholesale revenue, partially offset by a decrease in other revenue.

Segments

The Company currently has two reportable segments: Retail and Wholesale. The Company's Retail segment is comprised of cannabis operations for medical and adult use dispensaries. The Company's Wholesale segment is comprised of cannabis cultivation, processing, production and distribution of cannabis for medical and adult use. The Company's Other operations primarily include the Company's hemp/CBD retail operations, consulting, international and corporate operations.

The following table presents revenue by reportable segment for the periods indicated:

	Three Months Ended March 31, 2021			Three Months Ended March 31, 2020		
	Revenue by Segment	Intercompany Revenue	Revenue to External Customers	Revenue by Segment	Intercompany Revenue	Revenue to External Customers
Retail	$ 39,277	$ —	$ 39,277	$ 8,078	$ —	$ 8,078
Wholesale	4,191	(1,883)	2,308	394	—	394
Other	90	—	90	160	—	160
Inter-segment eliminations	(1,883)	1,883	—	—	—	—
Total	$ 41,675	$ —	$ 41,675	$ 8,633	$ —	$ 8,633

Revenue for the Company's Retail segment was $39,277 for the three months ended March 31, 2021, compared to $8,078 for the three months ended March 31, 2020, an increase of $31,199 or 386%.The increase in Retail revenue is due primarily to the Company's acquisitions, expansion of cannabis operations from acquisitions, along with the continued growth for states wherein the Company operates. Retail revenues for the three months ended March 31, 2021 were derived from 17 cannabis dispensaries located in Pennsylvania, Illinois, California and Virginia, whereas in the prior year retail revenues were derived from eight cannabis dispensaries in Pennsylvania and Illinois.

Revenue for the Company's Wholesale segment was $4,191 for the three months ended March 31, 2021, compared to $394 for the three months ended March 31, 2020, an increase of $3,797, or 964%. The increase in Wholesale revenue is primarily attributable to increases in cultivation and manufacturing activity in Pennsylvania due to the PAMS acquisition in the third quarter of 2020. Additionally, for the three months ended March 31, 2021, the Company experienced increased operating activity in its Nevada cultivation and processing facility which was acquired in the third quarter of 2019. Wholesale revenue includes inter-segment revenue of $1,883 which is eliminated in consolidation.

Revenue from the Company's Other operations of $90 for the three months ended March 31, 2021, represents sales of Hemp/CBD products. For the three months ended March 31, 2020, revenue from the Company's Other operations was comprised of retail sales of Hemp/CBD products of $134 thousand, with the remaining $26 attributable to franchising, royalty and consulting fees.

Cost of Goods Sold

Cost of goods sold, which excludes fair value adjustments on sale of inventory and on biological assets, totaled $22,934 for the year ended March 31, 2021, as compared to $4,547 for the three months ended March 31, 2021, an increase of $18,387, or 404%. As a percentage of revenue, cost of goods sold was 55% for three months ended March 31, 2021, compared to 53% for the three months ended March 31, 2020. Cost of goods sold is comprised of: inventory expensed to cost of goods sold including production-related depreciation and production-related salaries, wages and employee related expenses; other production costs; and inventory provision.

Gross Profit

Gross profit is calculated as revenue less: cost of goods sold; realized fair value changes included in inventory sold; and unrealized fair value changes included in biological assets. The primary factors that can impact gross profit include the mix and margins on products sold, changes in fair values of biological assets and changes in inventory reserves.

Gross profit was $20,093 for the three months ended March 31, 2021, as compared to $4,159 for three months ended March 31, 2020, an increase of approximately $15,934, or 383%. The increase in gross profit was due primarily to the increase in revenue and an increase in unrealized gains on biological assets. As a percentage of revenue, gross profit was 48% for both the three months ended March 31, 2021 and 2020.

The realized fair value changes included in inventory sold was a loss of $4,783 and the unrealized fair value changes included in biological assets was a gain of $6,135 for the three months ended March 31, 2021. For the three months ended March 31, 2020, the realized fair value changes included in inventory sold was a loss of $127, while the unrealized fair value changes included in biological assets was a gain of $200. The fair value adjustments on biological assets are the gains or losses arising from changes in fair value less costs to sell during the period and are included in the statements of operations and other comprehensive income (loss) of the related period. Realized fair value amounts from biological assets included in the cost of inventory sold are separately presented from cost of sales as fair value adjustment on sale of inventory in the statements of operations and other comprehensive income (loss) of the related period. Determination of the fair values of the biological assets requires the Company to make estimates and assumptions about how market participants assign fair values to the biological assets. These estimates and assumptions relate primarily to the level of effort required to bring the plants up to the point of harvest, sales price and expected remaining future yields for the plants.

Operating Expenses

Operating expenses comprise: general, administrative and selling expenses; share-based compensation expense; and acquisition and deal costs.

General, Administrative and Selling Expenses

General, administrative and selling ("G&A") expenses, which excludes share-based compensation expense, includes: (i) salaries, wages, and employee related expenses; (ii) depreciation and amortization expense; (iii) professional fees, legal fees and legal expenses, accounting and consulting fees (excluding acquisition and deal costs); (iv) marketing, advertising and selling costs; (v) application and administration fees; (vi) rent, utilities, maintenance and related expense; (vii) insurance; (viii) travel, entertainment and conference expenses; (ix) third-party software and technology expenses, including maintenance and support; (x) other operating expenses including but not limited to: dues and subscriptions, lobbying, office supplies, banking and credit card processing fees.

G&A expenses for the three months ended March 31, 2021 were $17,394 , as compared to $9,849 for the three months ended March 31, 2020, an increase of $7,545, or 77%. The net increase in G&A is due to the expansion of the operations of the Company, as a result of acquisitions and to support the growth of the business. G&A expenses for the three months ended March 31, 2021 and 2020, includes the following:

	Three Months Ended March 31,		
	2021	2020	% Change
Salaries, wages and employee related expenses (“S&W”)	$ 9,882	$ 5,087	94 %
Depreciation and amortization expense	1,165	1,016	15 %
Rent and related expenses	1,342	543	147 %
Professional fees and legal expenses	1,693	878	93 %
Marketing and selling	675	515	31 %
Insurance	755	491	54 %
Administration and application fees	353	550	(36)%
Software and technology	567	196	189 %
Travel, entertainment and conferences	405	190	113 %
Other G&A	557	383	45 %
Total general, administrative and selling expenses	$ 17,394	$ 9,849	77 %

Share-Based Compensation Expense

Non-cash share-based compensation expense was $3,563 for the three months ended March 31, 2021, compared to $1,319 for three months ended March 31, 2020, an increase of approximately $2,244, or 170%. The total increase in share-based compensation is due to increases in restricted stock expense, stock option expense and warrant expense.

Acquisition and Deal Costs

For three months ended March 31, 2021, acquisition and deal costs were $238 thousand, compared to $485 thousand for the three months ended March 31, 2020, a decrease of approximately $247 thousand, or 51%. The majority of acquisition and deal costs for the three months ended March 31, 2021 related to the Company’s 2021 planned or closed acquisitions, whereas acquisition and deal costs for the three months ended March 31, 2020 related primarily to the acquisition of two dispensaries in Illinois.

Total Other Expense, Net

Interest Income

Interest income was $97 for the three months ended March 31, 2021 as compared to $77 for the three months ended March 31, 2020. Interest income relates primarily to interest earned on cash and cash equivalent balances in bank accounts.

Fair Value Changes in Derivatives

For the three months ended March 31, 2021, the Company incurred a loss of $9,358 related to fair value changes in derivatives, compared to a gain of $2,587 for the three months ended March 31, 2020. Fair value changes in derivatives include: (i) the fair value gains or losses relating to the derivative warrants liability; and (ii) fair value gains or losses relating to a mandatory prepayment option on the 10% senior notes (“Prepayment Option”), which is also classified as a derivative. The total net fair value losses on derivatives for the three months ended March 31, 2021 were comprised of: (i) fair value losses relating to the derivative warrants liability of $9,957 and (ii) fair value gains relating to the Prepayment Option of $599.

The derivative warrants were issued in connection with the debt offerings announced in December 2019 and June 2020 (the “Debt Offerings”) and are required to be remeasured at fair value at each reporting period. The loss on derivative warrants for the three months ended March 31, 2021 was due to the increase in the fair value of the derivative warrants liability as a result of an increase in the Company’s stock price during the period, whereas the gain for the three months ended March 31, 2020 was due to the decrease in the fair value of the derivative warrants as a result of a decrease in the Company's stock price during the period.

Interest Expense and Finance Charges

Interest expense and finance charges were $6,653 for the three months ended March 31, 2021, as compared to $2,952 for the three months ended March 31, 2020, an increase of approximately $3,701, or 125%. The net increase in interest expense and finance charges in the current period is primarily due to the following changes: an increase of $2,704 in interest expense and accretion/amortization related to the 10% senior notes; an increase of $1,311 in interest expense related to leases; an increase in interest related to other debt of $115; partially offset by, a decrease of $429 in interest expense from other acquisition-related promissory notes.

Net Gains on Business Combinations

For the three months ended March 31, 2020, net gains on business combinations were $2,202, which related to the purchase of two dispensaries in Illinois in January 2020. The $2,202 net gain is comprised of a bargain purchase of $3,733, offset by asset disposal charges and other adjustments of $1,531. There were no gains on business combinations during the first quarter of fiscal 2021.

Gains (Losses) on Investments and Financial Assets

For the three months ended March 31, 2021, the Company total gains on investments and financial assets totaled $1,173, as compared to a loss of $8,210 for the three months ended March 31, 2020. For the three months ended March 31, 2021, the gains comprised of net fair value gains on investments and investment income of $1,149 as well as a fair value gain of $24 thousand on the contingent asset related to the Company's 2019 sale of its minority interest in GSC. For three months ended March 31, 2020,the losses on investments and financial assets resulted from the decline in the fair values of the Company's holdings in mutual funds, Cresco Labs Inc. shares and warrants received from the sale of the Company's minority interest in GSC, and Organigram Holdings, Inc. shares due to the general market decline experienced during the first quarter as a result of COVID-19.

Other Expense

For the three months ended March 31, 2021 the Company other expense, net totaled $710, compared $792 for the three months ended March 31, 2020. For the three months ended March 31, 2021, other expense was due primarily to $807 in losses from legal settlements, partially offset by other income, whereas for the three months ended March 31, 2020, the net expense was comprised primarily of a loss of approximately $308 related to the net write-off of internally generated intangibles; $275 related to the write-off of construction-in-process; and $205 related to the reassessment of right-of-use assets and lease liabilities.

Income Tax Expense

Total income tax expense was $6,433 thousand for the three months ended March 31, 2021, as compared to $1,348 thousand for the three months ended December 31, 2020, an increase of $5,085 thousand, or 377%. The increase was comprised of an increase in current tax expense of $4,751 thousand and an increase in deferred tax expense of $334 thousand. Income tax expense primarily related the taxable gross profit generated from the Company's retail sales. Income tax expense increased for the three months ended March 31, 2021 compared to three months ended December 31, 2020, as taxable profit has increased and income tax expense for three months ended December 31, 2020, was partially offset by the effects of the transactions that resulted in the purchase of the two dispensaries in Illinois.

Net Loss Attributable to Non-Controlling Interests

Net loss attributable to non-controlling interests was $175 for the three months ended March 31, 2021, as compared to $281 for the three months ended March 31, 2020, a decrease in net loss attributable to non-controlling interests of $106. Net loss attributable to non-controlling interests for the three months ended March 31, 2021, primarily relates to the non-controlling interests of Jushi Europe SA, whereas net loss attributable to non-controlling interests for the three months ended March 31, 2020 related to expenses attributable to the non-controlling interests of Dalitso, LLC, Jushi Europe SA, Agape and other non-material non-controlling interests.

Non-IFRS Measures and Reconciliation

In addition to providing financial measurements based on IFRS, the Company provides additional financial metrics that are not prepared in accordance with IFRS. Management uses non-IFRS financial measures, in addition to IFRS 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 Corporation's financial performance. These non-IFRS financial measures are EBITDA and Adjusted EBITDA (both defined below). Management believes that these non-IFRS financial measures reflect the Corporation's ongoing business in a manner that allows for meaningful comparisons and analysis of trends in the business, as they facilitate comparing financial results across accounting periods and to those of peer companies. As there are no standardized methods of calculating these non-IFRS measures, the Company's methods may differ from those used by others, and accordingly, the use of these measures may not be directly comparable to similarly titled measures used by others. Accordingly, these non-IFRS 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 IFRS.

EBITDA and Adjusted EBITDA

EBITDA and Adjusted EBITDA are financial measures that are not defined under IFRS. Management believes EBITDA is a useful measure to assess the performance of the Company as it provides meaningful operating results by excluding the effects of expenses that are not reflective of our operating business performance. Management defines EBITDA as net income (loss), or "earnings", before interest, income taxes, depreciation and amortization. Management believes Adjusted EBITDA is a useful measure to assess the performance of the Company as it provides more meaningful operating results by excluding the effects of expenses that are not reflective of the Company's operating business performance and other one-time or non- recurring expenses. Management defines Adjusted EBITDA as EBITDA before: (i) fair value changes included in inventory sold and fair value changes included in biological assets; (ii) share-based compensation expense; (iii) fair value changes in derivatives; (iv) net losses or gains on debt and warrant extinguishment/modification; (iv) net gains on business combinations; (v) gains and losses on investments and financial assets; and (iv) gains and losses on legal settlements. The financial measures noted above are metrics that have been adjusted from the IFRS net income (loss) measure in an effort to provide readers with a normalized metric in making comparisons more meaningful across the cannabis industry, as well as to remove non-recurring, irregular and one-time items that may otherwise distort the IFRS net income measure. Other companies in the Corporation's industry may calculate this measure differently, limiting their usefulness as comparative measures.

Reconciliation of EBITDA and Adjusted EBITDA (Non- IFRS Measures)

The table below reconciles net loss to EBITDA and Adjusted EBITDA for the periods indicated. The table below may contain slight summation differences due to rounding. *(Amounts expressed in thousands of U.S. dollars) (Unaudited)*

	Three Months Ended March 31,	
	2021	2020
NET LOSS [1]	$ (26,801)	$ (15,898)
Income tax expense	6,433	1,348
Interest expense, net	6,556	2,875
Depreciation and amortization [2]	1,769	1,050
EBITDA (Non-IFRS)	$ (12,043)	$ (10,625)
Fair value changes included in inventory sold and fair value changes included in biological assets	(1,352)	(73)
Share-based compensation	3,563	1,319
Fair value changes in derivatives	9,358	(2,587)
Losses (gains) on debt and warrant modifications	3,815	(32)
Net gains on business combinations	—	(2,202)
(Gains) losses on investments and financial assets [3]	(1,173)	8,210
Loss on legal settlement	807	—
Adjusted EBITDA (Non-IFRS)	$ 2,976	$ (5,990)

(1) Net loss includes amounts attributable to non-controlling interests.

(2) From the statement of cash flows. Includes amounts that are included in cost of goods sold and in operating expenses.

(3) Certain prior period data has been added to conform to current period presentation and as a result $32 thousand in gains on debt and warrant modifications for the three months ended have been included in the adjustments to calculate Adjusted EBITDA.

The improvements in Adjusted EBITDA for the three months ended March 31, 2021, as compared to the same period in the prior year, are due to significantly higher operational gross profit, primarily due to continued growth in operations related to the 2020 acquisitions.

Liquidity and Capital Resources

Sources and Uses of Cash

Amounts expressed in thousands of U.S. dollars, unless otherwise stated.

The Company had cash and cash equivalents of $162,085, investments in securities of $5,832, total current assets of $196,952, and current liabilities of $49,640 as of March 31, 2021. The Company therefore had net working capital of $147,312.

The major components of the Company’s statements of cash flows for the three months ended March 31, 2021 and 2020, are as follows:

	For the Three Months Ended March 31,	
	2021	2020
Net cash flows provided by (used in) operating activities	$ 461	$ (7,679)
Net cash flows used in investing activities	(9,039)	(8,258)
Net cash flows provided by financing activities	84,846	12,721
Effect of currency translation on cash	(40)	(2)
Net change in cash and cash equivalents	$ 76,228	$ (3,218)

Cash provided by operations during the three months ended March 31, 2021 was $461, as compared to $7,679 for the three months ended March 31, 2020. The increase in cash provided by operations for the year ended March 31, 2021 is due primarily to the increase in accounts payable, accrued expenses and other current liabilities and a decrease in net loss after non-cash adjustments, partially offset by increases in inventory and biological assets.

Net cash used in investing activities totaled $9,039 for the three months ended March 31, 2021, as compared to $8,258 for the same period of 2020. The net cash used in investing activities for the three months ended March 31, 2021 was comprised of: $3,592 in payments for the acquisitions of Grover Beach, $8,623 for the purchases of property, plant and equipment for use in the Company's operations; and $76 for deposits and escrows for property and equipment; partially offset by $3,252 in proceeds from sales and redemptions of investments. The net cash used in investing activities for the three months ended March 31, 2020 was comprised of: $4,528 in payments for the transactions relating to the acquisition of the two dispensaries in Illinois, net of cash acquired; $7,967 in payments for investments in securities, and $956 for the purchases of property, plant and equipment; partially offset by $5,193 in cash proceeds from a note receivable.

Net cash provided by financing activities totaled $84,846 for the three months ended March 31, 2021, as compared to $12,721 for the three months ended March 31, 2020. The net cash provided by financing activities for the three months ended March 31, 2021 was comprised of: $85,660 in proceeds from the issuance of shares for cash, net of issuance costs, in connection with public offerings in January and February 2021; $9,886 thousand in proceeds from the exercise of warrants and stock options; and $1,133 thousand in proceeds from other debt, net of payments; partially offset by $10,109 in payments on the 10% senior notes including principal redemptions of $8,134 and interest payments of $1,975; $115 in interest payments on acquisition-related promissory notes payable; and $1,609 in lease obligation payments. The net cash provided by financing activities for three months ended March 31, 2020 was comprised of: $18,726 in proceeds from the issuance of 10% senior notes and derivative warrants, net of financing costs; a contribution receipt of $2,000 from Jushi Europe SA non-controlling interests; partially offset by: $7,625 in payments on acquisition-related promissory notes payable; and $380 in lease obligation payments.

The Company believes at this time that there is sufficient liquidity to execute on its business plan and satisfy the commitments made to date. The Company may incur negative operating cash flows while it executes on its current business plan and integration of acquisitions as they close. Refer to the "Funds" in this MD&A for additional information.

Commitments and Contingencies

The Company is subject to a variety of local and state regulations. Failure to comply with one or more of those regulations could result in fines, restrictions on its consolidated operations, or losses of permits that could result in ceasing operations. While management of the Company believes that the Company is in compliance with applicable local and state regulations as of March 31, 2021, cannabis and hemp regulations continue to evolve and area is subject to differing interpretations. As a result, the Company may be subject to regulatory fines, penalties, or restrictions in the future. Refer to "Risks Related to the Business of Jushi" below.

From time to time, the Company may be involved in litigation relating to claims arising out of operations in the normal course of business. Other than the matters noted or referenced to in Note 23 - Commitments and Contingencies in the March 31, 2021 Financial Statements, there were no pending or threatened lawsuits as of March 31, 2021 that could reasonably be expected to have a material effect on the results of the Company's consolidated operations. There are no proceedings in which any of the Company's directors, officers, or affiliates is an adverse party or has a material interest adverse to the Company's interest.

Other commitments and contingencies of the Company are disclosed or referred to in Note 23 - Commitments and Contingencies in the March 31, 2021 Financial Statements.

The Company expects to incur capital expenditures of approximately $80 million - $100 million for the period from April 1, 2021 through December 31, 2021, subject to market conditions and regulatory changes, for purchases of properties, and for leasehold improvements and construction of buildouts of certain locations, including for properties for which the lease is conditional on obtaining the applicable related license or for which other contingencies exist.

Jushi continues to execute its retail plans in Pennsylvania, Virginia and California. In Pennsylvania, the Company expects to open the seven remaining BEYOND/HELLO™ retail locations by the end of 2021. In Virginia, the Company anticipates adding one additional BEYOND/HELLO™ branded medical dispensary to Dalitso's operations in 2021. This one BEYOND/HELLO™ branded medical dispensary will be in addition to Dalitso's pharmaceutical processor facility near the City of Manassas. The Company will open the four remaining BEYOND/HELLO™ branded medical dispensaries in the following year. As for California, the Company continues to execute its retail expansion plan in the state by completing the buildout of the new BEYOND/HELLO™ Grover Beach in Q3 2021 and the Company's BEYOND/HELLO Culver City dispensary by Q2 2022.

The Company's wholly-owned subsidiary, PAMS, has entered into an amendment of its existing lease with IIPR making available an additional $30 million in funding for the first phase of property development of the Pennsylvania Facility. The funding will be used to complete the buildout of the existing 89,000 sq. ft. building and an approximately 40,000 sq. ft. expansion of the Pennsylvania Facility for a total of 130,000 sq. ft. The first phase of the expansion, with an estimated budget of approximately $40 million, is expected to add approximately 26,000 sq. ft. of canopy for a total of 45,000 sq. ft. and is expected to be completed by the fourth quarter of 2021, subject to regulatory approvals. The Company expects PAMS to begin the second phase of the expansion in the third quarter of 2021, with a preliminary budget between $25 – $30 million and an estimated completion date of the second quarter of 2022, subject to regulatory approvals. The estimated combined cost of the two phases of expansion is $65 – $70 million. The grower-processor facility is expected to be approximately 190,000 sq. ft. after both phases of the buildout have been completed.

In Virginia, the Company closed on its previously announced acquisition of the 93,000 square foot facility in Prince William County, Virginia operated by the Company's wholly-owned subsidiary as well as nine acres of surrounding land for approximately US$22 million.

In Massachusetts, the Company is in the process of acquiring Nature's Remedy of Massachusetts, Inc. and certain of its affiliates (collectively, "Nature's Remedy"), a vertically-integrated single state operator in Massachusetts. Nature's Remedy currently operates two retail dispensaries, in Millbury, MA and Tyngsborough, MA, and a 50,000 sq. ft. cultivation and production facility in Lakeville, MA with approximately 19,500 sq. ft. of high-quality indoor flower canopy and state-of-the-art extraction and manufacturing capabilities (the "Lakeville Facility"). Currently, the 50,000 sq. ft. Lakeville Facility's flower canopy encompasses approximately 19,500 sq. ft., which Nature's Remedy expects to expand to approximately 31,000 sq. ft. during the second half of 2021. Current flower production at the Lakeville Facility is approximately 6,800 lbs. / year, which, as part of the expected expansion, Nature's Remedy could increase to approximately 11,000 lbs. / year based on 31,000 sq. ft. of canopy. Nature's Remedy is also evaluating further expansion opportunities in the existing Lakeville industrial complex and/or on ten acres of land owned by Nature's Remedy in Grafton, MA. The Lakeville Facility could potentially accommodate an additional 18,000 to 20,000 sq. ft. of flower canopy through the expansion into approximately 26,000 sq. ft. of adjacent space in the existing building. In Grafton, MA, Nature's Remedy has a Host Community Agreement in place with the city and recently received a provisional cultivation license from the Commonwealth. The ten acres of land in Grafton, MA could potentially accommodate a 35,000 to 40,000 sq. ft. new facility with approximately 18,000 sq. ft. of flower canopy. These expansions are subject to business evaluations and needs, and receipt of applicable regulatory approvals.

In Nevada, FBS Nevada operates one of the two 7,500 sq. ft. adjacent facilities and has upgraded the facility with state-of-the-art, indoor, double-stacked cultivation that yields approximately 2,500 lbs. of high-quality dry flower per year. FBS Nevada plans to connect the two facilities to create a single production space for a total of approximately 16,600 sq. ft. The expansion is expected to more than double cultivation capacity and incorporate a CO_2 and hydrocarbon extraction facility.

The Company's newly constructed 8,000 sq. ft., state-of-the-art processing facility located in Columbus, Ohio is expected to commence operations in the second quarter of 2021. The Company projects that at scale the facility will be capable of processing upwards of 32,000 lbs of biomass annually. Additionally, the Company has signed a definitive binding agreement to acquire OhiGrow for a total consideration of $5.0 million. The OhiGrow facility (the "Cultivation Facility") consists of one parcel of land totaling 1.35 acres containing an approximately 10,000 sq. ft. free-standing building. There is an additional 15,000 sq. ft. of available vacant space on the property, which can be further developed. OhiGrow holds a Level 2 cultivation license from the state of Ohio. The Company intends to apply for the necessary approvals to expand the Cultivation Facility's cultivation area to the maximum 9,000 sq. ft. currently permitted under the Level II cultivation license.

Contractual Obligations and Off-Balance Sheet Arrangements

As of March 31, 2021, the Company had the following estimated recorded contractual obligations to make future payments, excluding interest payments on notes and excluding potential escalations for changes in cannabis regulations, representing contracts and other commitments that are known and committed (amounts expressed in thousands of U.S. dollars):

	< 1 Year	1 to 3 Years	3 to 5 Years	> 5 Years	Total
Accounts payable and accrued liabilities (excluding short-term debt)	$ 41,795	$ —	$ —	$ —	$ 41,795
10% Senior Notes - principal	—	75,193	—	—	75,193
Promissory notes - principal	1,620	48	3,750	—	5,418
Leases (including interest)	7,314	14,012	13,321	152,797	187,444
Other debt - financing obligation (including interest)	$ 328	$ 678	$ 709	$ 11,695	$ 13,410
Other debt - unsecured credit line - principal	$ —	$ —	$ 1,761	$ —	$ 1,761
Total	$ 51,057	$ 89,931	$ 19,541	$ 164,492	$ 325,021

Refer to Note 23 - Commitments and Contingencies in the March 31, 2021 Financial Statements for other commitments of the Company. As of the date of this MD&A, the Company does not have any off-balance sheet arrangements that have, or are reasonably likely to have, a material current or future effect on the financial performance or financial condition of the Company.

Outstanding Share Data

As of March 31, 2021, the Company had 150,543,592 Subordinate Voting Shares issued, 149,000 Super Voting Shares which carry 1,000 votes per share and are convertible into 100 Subordinate Voting Shares per share, 4,000,000 Multiple Voting Shares which carry 10 votes per share and are convertible into 1 Subordinate Voting Share per share, 74,883,956 warrants outstanding (on an as-converted basis), 5,776,264 unvested restricted stock awards (included in the Subordinate Voting Shares outstanding), and 9,658,834 stock options outstanding. As of May 31, 2021, the Company had 150,775,313 subordinate voting shares, 149,000 Super Voting Shares, 4,000,000 Multiple Voting Shares, 74,666,408 warrants (on an as-converted basis), 4,139,240 unvested restricted stock awards (included in the Subordinate Voting Shares outstanding), and 9,847,501 stock options outstanding.

Refer to Note 16 - Equity in the March 31, 2021 Financial Statements for additional details on the Company's securities.

Accounting Policies, Critical Judgments and Estimates

The preparation of the Company's March 31, 2021 Financial Statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, and revenue and expenses. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods. The critical accounting estimates and judgements are disclosed in full in the Company's December 31, 2020 Financial Statements. Refer to Note 2 - Basis of Presentation and Summary of Significant Accounting Policies in the December 31, 2020 Financial Statements for details of accounting policies, critical judgements and estimates.

Related Party Transactions

Other than those described or referred to in Note 24 - Related Party Transactions in the March 31, 2021 Financial Statements, there are no additional related party transactions.

Internal Controls over Financial Reporting

In accordance with National Instrument 52-109 Certification of Disclosure in Issuers' Annual and Interim Filings ("NI 52-109"), the establishment and maintenance of Disclosure Controls and Procedures ("DCP") and Internal Control Over Financial Reporting ("ICFR") is the responsibility of Management. The DCP and ICFR have been designed by Management based on the 2013 Internal Control Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO") to provide reasonable assurance that the Company's financial reporting is reliable and that its financial statements have been prepared in accordance with IFRS. Regardless of how well the DCP and ICFR are designed, internal controls have inherent limitations and can only provide reasonable assurance that the controls are meeting the Company's objectives in providing reliable financial reporting information in accordance with IFRS. These inherent limitations include, but are not limited to, human error and circumvention of controls and as such, there can be no assurance that the controls will prevent or detect all misstatements due to errors or fraud, if any.

RISK FACTORS

The Company is subject to various risks and uncertainties and an investment in securities of the Company should be considered highly speculative. Prior to making an investment decision, investors should consider the investment risks set forth below and those described elsewhere in this MD&A, which are in addition to the usual risks associated with an investment in a business at an early stage of development. The Company considers the risks set forth below to be the most significant, but do not consider them to be all the risks associated with an investment in securities of the Company.

If any of these risks materialize into actual events or circumstances or other possible additional risks and uncertainties of which the Company is currently unaware or which the Company considers not to be material in connection the Company's business, actually occur, the Company's assets, liabilities, financial condition, results of operations (including future results of operations), business and business prospects are likely to be materially and adversely affected. In such circumstances, the price of the Company's securities could decline, and investors may lose all or part of their investment. The following information is a summary only of certain risk factors and is qualified in its entirety by reference to, and must be read in conjunction with, the detailed information appearing elsewhere in this MD&A.

Risks Related to the Regulatory Environment

U.S. federal law and enforcement pertaining to cannabis and hemp

As of April 2020, five states have passed CBD / low THC legislation authorizing medical marijuana programs while thirty-six states and the District of Columbia have passed legislation authorizing comprehensive medical marijuana programs, sixteen of which and the District of Columbia have passed legislation authorizing adult use marijuana. Marijuana remains fully illegal in fourteen states, though access to certain cannabinoids, particularly hemp-derived CBD, is only prohibited in three states.

Twenty-six states and the District of Columbia have passed legislation decriminalizing marijuana possession to some extent (twenty states and the District of Columbia have fully decriminalized possession, while six states have partially decriminalized by passing legislation that retains the criminal classification of possession offenses but removes the threat of incarceration). *See* https://norml.org/laws/decriminalization/

Conversely, under the CSA, the U.S. Government lists cannabis (marijuana) as a Schedule I controlled substance (i.e., deemed to have no medical value), and accordingly the manufacture (growth), sale, or possession of cannabis is federally illegal. It is also federally illegal to advertise the sale of cannabis or to sell paraphernalia designed or intended primarily for use with cannabis, unless the paraphernalia is authorized by federal, state, or local law. The U.S. Supreme Court ruled in *U.S. v. Oakland Cannabis Buyers' Coop.*, 532 U.S. 483 (2001), and *Gonzales v. Raich*, 545 U.S. 1 (2005), that the federal government has the right to regulate and criminalize cannabis, even for personal medical purposes.

Violations of any U.S. federal laws and regulations could result in significant fines, penalties, administrative sanctions, convictions or settlements arising from civil proceedings conducted by either the U.S. federal government or private citizens, or criminal charges, including, but not limited to, significant penalties, disgorgement of profits, cessation of business activities or divestiture. This could have a material adverse effect on the Company, including its reputation and ability to conduct business, its holding (directly or indirectly) of medical cannabis licenses in the U.S., the listing of its securities on various stock exchanges, the settlement of trades of its securities, its ability to obtain banking services, its financial position, operating results, profitability or liquidity or the market price of publicly traded shares. In addition, it is difficult for the Company to estimate the time or resources that would be needed for the investigation of any such matters or their final resolution because, in part, the time and resources that may be needed are dependent on the nature and extent of any information requested by the applicable authorities involved, and such time or resources could be substantial.

Under the Obama administration in 2013, the DOJ issued the Cole Memo, which gave U.S. Attorneys discretion not to enforce federal law in states with legalization regimes that adequately addressed the eight federal priorities of preventing: (i) the distribution of cannabis to minors; (ii) revenue from the sale of cannabis from going to criminal enterprises, gangs, and cartels; (iii) the diversion of cannabis from states where it is legal under state law in some form to other states; (iv) state authorized cannabis activities from being used as a cover or pretext for the trafficking of other illegal drugs or other illegal activity; (v) violence and the use of firearms in the cultivation and distribution of cannabis; (vi) drugged driving and exacerbation of other adverse public health consequences associated with cannabis use; (vii) the growing of cannabis on public lands and the attendant public safety and environmental dangers posed by cannabis production on public lands; and (viii) cannabis possession or use on federal property. Noting that the DOJ was "committed to using it limited investigative and prosecutorial resources to address the most significant threat in the most effective, consistent, and rational way," the Cole Memo served "as guidance to the Department attorneys in law enforcement to focus their enforcement resources and efforts, including prosecution, on persons or organizations whose conduct interferes with any one or more of these priorities, regardless of state law."

On January 4, 2018, however, then as former Attorney General, Jeff Sessions rescinded the Cole Memo and other DOJ guidance on cannabis law enforcement. Sessions wrote that the CSA, the money laundering statues, and the Bank Secrecy Act "reflect Congress's determination that marijuana is a dangerous drug in that marijuana activity is a serious crime." Instead of following the Cole Memo guidance, "prosecutors should follow the well-established principles that govern all federal prosecutions. These principles require federal prosecutors deciding which cases to prosecute to weigh all relevant considerations, including federal law enforcement priorities set by the Attorney General, the seriousness of the crime, the deterrent effect of criminal prosecution, and the cumulative impact of particular crimes on the community." The ramifications of this change in policy are unclear. Since the Cole Memo was rescinded, however, U.S. Attorneys have taken no legal action against state law compliant entities. In addition, Sessions resigned and left the DOJ, and Attorney General nominee William Barr testified in his nomination and subsequently wrote that, as Attorney General, he would not seek to prosecute companies that relied on the Cole Memo and are complying with state law.

The current uncertainty about federal enforcement is more acute with respect to the state adult use programs because federal law currently precludes federal interference with the state medical cannabis programs. Starting in December 2014, Congress included in its omnibus spending bill the Rohrabacher-Farr Amendment, which prohibits the DOJ and the Drug

Enforcement Administration from using funds to interfere with state medical cannabis programs "to prevent…States from implementing their own State laws that authorize the use, distribution, possession, or cultivation of medical marijuana." Courts have interpreted the protection to preclude any prosecution against those in strict compliance with state medical cannabis laws. While the Joycee protection prevents prosecutions, it does not make cannabis legal. Accordingly, the U.S. Appellate Court for the Ninth Circuit noted in a footnote that, if the protection were lifted, the federal government could prosecute any conduct within the statute of limitations. In other words, if Congress does not renew the Joyce protection, the federal government could commence prosecuting cannabis companies for any activity occurring within the statute of limitations even if the Joycee protection was in place when the federally illegal activity occurred.

The Joycee protection depends on its continued inclusion in the federal omnibus spending bill, or inclusion in some other legislation, and entities' strict compliance with the state medical cannabis laws. That protection has been extended through the most recent spending bill.

Until Congress changes the law with respect to medical cannabis and particularly if the Congress does not extend the Joycee protection of state medical cannabis programs, there is a risk that federal authorities may enforce current federal cannabis law, and the Company may be found to violate federal law by growing, processing, possessing, and selling cannabis, by possessing and selling drug paraphernalia, and by laundering the proceeds of the sale of cannabis or otherwise violating the money laundering laws or the Bank Secrecy Act. Active enforcement of the current federal regulatory position on cannabis may thus directly or indirectly adversely affect the Company's revenues and profits.

Because the medical cannabis industry remains illegal under U.S. federal law, any property owned by participants in the cannabis industry which are either used in the course of conducting such business, or are the proceeds of such business, could be subject to seizure by law enforcement and subsequent civil asset forfeiture. Even if the owner of the property was never charged with a crime, the property in question could still be seized and subject to an administrative proceeding by which, with minimal due process, it could be subject to forfeiture.

Regardless of the federal government's criminal enforcement, federal prohibition otherwise can negatively affect businesses involved in the cannabis industry for several reasons including that: most banks refuse to serve cannabis companies, making banking and other financial transactions difficult; businesses trafficking in cannabis may not take tax deductions for costs beyond costs of goods sold under Section 280E of the Code; cannabis businesses have restricted intellectual property rights particularly with respect to obtaining trademarks and enforcing patents; and cannabis businesses may face court action by third parties under the Racketeer Influenced and Corrupt Organizations Act. Any of these risks could make it difficult for the Company to operate or could impact its profitability. In addition, cannabis businesses cannot avail themselves of federal bankruptcy protection and face fewer and generally more expensive options for insurance coverage.

Investors should understand that there is no guarantee that the current administration will not change federal enforcement policy or execution in the future. Additionally, any new administration or attorney general could change this policy and decide to enforce the federal laws more strongly. A change in the federal approach towards enforcement could negative affect the industry, potentially ending it entirely. Any such change in the federal government's enforcement of current federal laws could cause significant financial damage to the Company. The legal uncertainty and possible future changes in law could negatively affect the Company's existence, expansion plans, revenues, profits, and success generally.

Until recently, hemp (defined as Cannabis sativa L. with a THC concentration of not more than 0.3 percent on a dry weight basis) and hemp's extracts (except mature stalks, fiber produced from the stalks, oil or cake made from the seeds, and any other compound, manufacture, salt derivative, mixture, or preparation of such parts) were illegal Schedule I controlled substances under the CSA. The Original Farm Bill legalized the cultivation of industrial hemp for research under programs established by states. The majority of states established programs purportedly in compliance with the Original Farm Bill. Many industry participants and even states interpreted the law to include "research" into commercialization and commercial markets.

In December 2018, the U.S. government changed the legal status of hemp. The Farm Bill, removed hemp and extracts of hemp, including CBD, from the CSA schedules. Accordingly, the production, sale, and possession of hemp or extracts of hemp including CBD no longer violate the CSA. For hemp farmers and hemp product producers, the law expands banking options, expands intellectual property protection and enforceability, decreases tax liabilities, and makes crop insurance available. The law also grandfathers Original Farm Bill industrial hemp research programs for at least one year.

Notably, the Farm Bill did not make hemp nationally legal and did not implement the legalization in permissive states. States can still prohibit hemp or limit hemp more stringently than the federal regulations will, although hemp may pass through all states, regardless of the particular state's law on growth and sales. The Farm Bill directs the United States Department of Agriculture ("USDA") to create federal regulations and to set the framework for states to regulate their regulations. On October 31, 2019, the USDA published an interim final rule for the establishment of a domestic hemp production program. The rule had a sixty-day comment period and is effective from October 31, 2019 through November 1, 2021. For states choosing to permit and regulate hemp and hemp extracts, the state department of agriculture, in consultation with the state's governor and chief law enforcement officer, will devise a plan, which the USDA must approve. For states permitting, but opting out of regulating, hemp, the rule constructs a regulatory program under which hemp cultivators must apply for licenses and comply with the federally run program. Federal requirements for producers will include maintaining information about land and procedures for testing THC levels and disposing of hemp or by-products that exceed 0.3% THC.

The section of the Farm Bill establishing a framework for hemp production also states explicitly that it does not affect or modify FDCA, section 351 of the Public Health Service Act (addressing the regulation of biological products), the authority of the Commissioner of the FDA under those laws, or the Commissioner's authority to regulate hemp production under those laws.

Within hours of President Trump signing the Farm Bill, FDA Commissioner Scott Gottlieb, who subsequently resigned from the FDA, issues a statement reminding the public of the FDA's continued authority "to regulate products containing cannabis or cannabis-derived compounds under the FDCA and section 351 of the Public Health Service Act." (Statement, dated Dec. 20, 2018, available at https://www.fda.gov/NewsEvents/Newsroom/PressAnnouncements/ucm628988.htm.) He continued: "additionally, it's unlawful under the FD&C Act to introduce food containing added CBD or THC into interstate commerce, or to market CBD or THC products, as, or in, dietary supplements, regardless of whether the substances are hemp-derived," because CBD had entered the FDA's jurisdiction when GW Pharmaceuticals submitted Sativex and Epidiolex, both containing CBD as an active ingredient, for testing.

The memo added that any cannabis product, whether derived from hemp or otherwise, marketed with a disease claim (e.g., therapeutic benefit, disease prevention) must be approved by the FDA for its intended use through one of the drug approval pathways prior to being introduced into interstate commerce. Notably, the FDA can look beyond the express claims to find that a product is a "drug." The definition of "drug" under the FDCA includes, in relevant part, "articles intended for use in the diagnosis, cure, mitigation, treatment, or prevention of disease in man or other animals" as well as "articles intended for use as a component of [a drug as defined in the other sections of the definition]." 21 U.S.C. § 321(g)(1). In determining "intended use," FDA has traditionally looked well beyond a product's actual label to statements made on websites, on social media, or orally by representatives of the company. Gottlieb did acknowledge that hemp foods not containing CBD or THC, such as hulled hemp seeds, hemp seed protein, hemp seed oil, are legal.

Notably, the FDA could take similar action on products with THC if the federal government ever similarly legalized cannabis.

Enforcement under the FDCA may be criminal or civil in nature and can include those who aid and abet a violation, or conspire to violate, the FDCA. Violations of the FDCA (21 U.S.C. § 331 (Prohibited acts)) are for first violations misdemeanours punishable by imprisonment up to one year or a fine or both and for second violations or violations committed with an "intent to defraud or mislead" felonies punishable by fines and imprisonment up to three years. 21 U.S.C. § 333(a). The fines provided for in 21 U.S.C. § 333(a) are low (US$1000 and US$3000), but under the Criminal Fine Improvements Act of 1987 the criminal fines can be increased significantly (approximately US$100,000 - US$500,000). Civil remedies under the FDCA include civil money penalties (see, e.g., 21 U.S.C. §333(b)and (f)(2)A), 21

C.F.R. §17.1), injunctions, and seizures (21 U.S.C §334). FDA also has a number of administrative remedies, e.g., warning letters, recalls, debarment.

Difficulty in accessing services of banks and/or other financial institutions

Financial transactions involving proceeds generated by cannabis-related conduct can form the basis for prosecution under the federal money laundering statutes, unlicensed money transmitter statute and the Bank Secrecy Act. Previous guidance issued by the FinCEN, a division of the U.S. Department of the Treasury, clarifies how financial institutions can provide services to cannabis-related businesses consistent with their obligations under the Bank Secrecy Act. Prior to the DOJ's announcement in January 2018 of the rescission of the Cole Memo and related memoranda, supplemental guidance from the DOJ directed federal prosecutors to consider the federal enforcement priorities enumerated in the Cole Memo when determining whether to charge institutions or individuals with any of the financial crimes described above based upon cannabis-related activity. It is unclear what impact the rescission of the Cole Memo will have, but federal prosecutors may increase enforcement activities against institutions or individuals that are conducting financial transactions related to cannabis activities. The increased uncertainty surrounding financial transactions related to cannabis activities may also result in financial institutions discontinuing services to the cannabis industry.

Consequently, those businesses involved in the regulated medical-use cannabis industry continue to encounter difficulty establishing banking relationships, which may increase over time. The Company's inability to maintain its current bank accounts would make it difficult for the Company to operate its businesses, increase its operating costs, and pose additional operational, logistical and security challenges and could result in its inability to implement its business plans.

Difficulty accessing public and private capital

While the Company is not able to obtain bank financing in the U.S. or financing from other U.S. federally regulated entities, the Company currently has access to equity financing through the private markets in Canada and the U.S. Since the use of marijuana is illegal under U.S. federal law, and in light of concerns in the banking industry regarding money laundering and other federal financial crime related to marijuana, U.S. banks have been reluctant to accept deposit funds from businesses involved with the marijuana industry. Consequently, businesses involved in the marijuana industry often have difficulty finding a bank willing to accept its business. Likewise, marijuana businesses have limited access, if any, to credit card processing services. As a result, marijuana businesses in the U.S. are largely cash-based. This complicates the implementation of financial controls and increases security issues.

Commercial banks, private equity firms and venture capital firms have approached the cannabis industry cautiously to date. However, there are increasing numbers of high net worth individuals and family offices that have made meaningful investments in companies and businesses similar to the Company. Although there has been an increase in the amount of private financing available over the last several years, there is neither a broad nor deep pool of institutional capital that is available to cannabis license holders and license applicants. There can be no assurance that additional financing, if raised privately, will be available to the Company when needed or on terms which are acceptable to the Company. The Company's inability to raise financing to fund capital expenditures or acquisitions could limit its growth and may have a material adverse effect upon future profitability.

Lack of access to U.S. bankruptcy protections

Because the use of medical cannabis is illegal under federal law, many courts have denied cannabis businesses bankruptcy protections, thus making it very difficult for lenders to recoup their investments in the cannabis industry in the event of a bankruptcy. If the Company were to experience a bankruptcy, there is no guarantee that U.S. federal bankruptcy protections would be available to the Company, which could have a material adverse effect on the financial condition and prospects of its businesses and on the rights of lenders to, and securityholders of, the Company.

Risks related to heightened scrutiny by regulatory authorities

For the reasons set forth above, the Company's existing operations in the U.S., and any future operations or investments, may become the subject of heightened scrutiny by regulators, stock exchanges and other authorities in Canada and the U.S. As a result, the Company may be subject to significant direct and indirect interaction with public officials. There can be no assurance that this heightened scrutiny will not in turn lead to the imposition of certain restrictions on the Company's ability to operate or invest in the U.S. or any other jurisdiction, in addition to those restrictions described herein. It had been reported in Canada that the Canadian Depository for Securities Limited was considering a policy shift that would see its subsidiary, CDS, refuse to settle trades for cannabis issuers that have activities in the U.S. CDS is Canada's central securities depository, clearing and settling trades in the Canadian equity, fixed income and money markets. The TMX Group, the owner and operator of CDS, subsequently issued a statement on August 17, 2017 reaffirming that there is no CDS ban on the clearing of securities of issuers with cannabis related activities in the U.S., despite media reports to the contrary and that the TMX Group was working with regulators to arrive at a solution that will clarify this matter, which would be communicated at a later time.

On February 8, 2018, following discussions with the Canadian Securities Administrators and recognized Canadian securities exchanges, the TMX Group announced the signing of the Memorandum of Understanding ("MOU"). The MOU outlines the parties' understanding of Canada's regulatory framework applicable to the rules, procedures, and regulatory oversight of the exchanges and CDS as it relates to issuers with cannabis-related activities in the U.S. The MOU confirms, with respect to the clearing of listed securities, that CDS relies on the exchanges to review the conduct of listed issuers.

As a result, there is no CDS ban on the clearing of securities of issuers with cannabis-related activities in the U.S. However, there can be no guarantee that this approach to regulation will continue in the future. If such a ban were to be implemented at a time when the Subordinate Voting Shares or other securities of the Company are listed on a stock exchange, it would have a material adverse effect on the ability of holders of the Subordinate Voting Shares or such other securities to make and settle trades. In particular, the Subordinate Voting Shares or such other securities would become highly illiquid until an alternative was implemented and investors would have no ability to effect a trade of the Subordinate Voting Shares or such other securities through the facilities of the applicable stock exchange.

Risks related to U.S. anti-money laundering laws and regulations

Investments in the U.S. cannabis business are subject to a variety of laws and regulations that involve money laundering, financial recordkeeping and proceeds of crime, including the Currency and Foreign Transactions Reporting Act of 1970 (commonly known as the Bank Secrecy Act), as amended by Title III of the USA PATRIOT Act, other anti-money laundering laws, and any related or similar rules, regulations or guidelines, issued, administered or enforced by governmental authorities in the U.S.

In February 2014, the U.S. Treasury Department FinCEN issued the FinCEN Memo providing guidance to banks seeking to provide services to cannabis-related businesses. The FinCEN Memo outlined circumstances under which banks may provide services to cannabis related businesses without risking prosecution for violation of the U.S. Bank Secrecy Act. It outlines due diligence and reporting requirements, which most banks have viewed as onerous. The Treasury Department has stated that the FinCEN Memo is current guidance but that the Department plans to issue revised guidelines on an unspecified future date.

In the event that any of the Company's transactions, or any proceeds thereof, any dividends or distributions therefrom, or any profits or revenues accruing from such transactions in the U.S. were found to be in violation of money laundering legislation or otherwise, such transactions may be viewed as proceeds of crime under one or more of the statutes noted above or any other applicable legislation. This could restrict or otherwise jeopardize the ability of the Company to declare or pay dividends or effect other distributions of funds and could materially and adversely affect the Company's businesses, financial conditions and results of operations.

Risks Related to the Company's Business and Industry

Risks related to operating in a highly regulated industry

Some state requirements may prove to be excessively onerous or otherwise impracticable for the Company to comply with, which may have the result of excluding such business opportunities from the list of possible transactions that the Company would otherwise consider.

In addition, laws and regulations affecting the U.S. cannabis industry are continually changing, which could detrimentally affect the operations of the Company. Local, state, and federal cannabis laws and regulations are broad in scope and subject to evolving interpretations, which could require the Company to incur substantial costs associated with compliance or alter its business plan. In addition, violations of these laws, or allegations of such violations, could disrupt the Company's businesses and result in a material adverse effect on its operations.

Successful execution of the Company's strategies is contingent, in part, upon compliance with regulatory requirements enacted by governmental authorities and obtaining all regulatory approvals, where necessary, for the sale of its products, including maintaining and renewing all applicable licenses. The commercial cannabis industry is still a nascent industry, and the Company cannot predict the impact of the compliance regime to which they will be subject. Similarly, the Company cannot predict the time required to secure all appropriate regulatory approvals for any of its products, or the extent of testing and documentation that may be required by governmental authorities. Any delays in obtaining, or failure to obtain, regulatory approvals may significantly delay or impact the development of markets, products and sales initiatives and could have a material adverse effect on the business, financial condition and operating results of the Company. Without limiting the foregoing, failure to comply with the requirements of any underlying licenses or any failure to maintain any underlying licenses would have a material adverse impact on the business, financial condition and operating results of the Company. There can be no guarantees that any required licenses for the operation of our business will be extended or renewed in a timely manner, if at all, or that if they are extended or renewed, that the licenses will be extended or renewed on the same or similar terms.

The Company will incur ongoing costs and obligations related to regulatory compliance, and such costs may prove to be material. Failure to comply with regulations may result in additional costs for corrective measures, penalties or restrictions on the Company's operations. In addition, changes in regulations, more vigorous enforcement thereof or other unanticipated events could require extensive changes to the Company's operations, increased compliance costs or give rise to material liabilities, which could have a material adverse effect on the Company.

Risks related to events or developments in the cannabis industry

Damage to the Company's reputation could be the result of the actual or perceived occurrence of any number of events, and could include any negative publicity, whether true or not. Cannabis has often been associated with various other narcotics, violence and criminal activities, the risk of which is that the Company's businesses may attract negative publicity. There is also risk that the action(s) of other participants, companies and service providers in the cannabis industry may negatively affect the reputation of the industry as a whole and thereby negatively impact the reputation of the Company. The increased use of social media and other web-based tools used to generate, publish, and discuss user-generated content and to connect with other users has made it increasingly easier for individuals and groups to communicate and share opinions and views in regards to the cannabis companies and their activities, whether true or not and the cannabis industry in general, whether true or not. The Company does not ultimately have direct control over how they or the cannabis industry is perceived by others. Reputation loss may result in decreased investor confidence, increased challenges in developing and maintaining community relations and an impediment to the Company's overall abilities to advance its business strategy and realize on its growth prospects, thereby having a material adverse impact on the Company.

U.S. border officials could deny entry into the U.S. to employees of, or investors in companies with, cannabis operations in the U.S.

Since cannabis remains illegal under U.S. federal law, those employed at or investing in legal and licensed cannabis companies could face detention, denial of entry or lifetime bans from the U.S. for their business associations with U.S. cannabis businesses. Entry happens at the sole discretion of the CBP officers on duty, and these officers have wide latitude to ask questions to determine the admissibility of a foreign national. The Government of Canada has started warning travellers on its website that previous use of cannabis, or any substance prohibited by U.S. federal laws, could mean denial of entry to the U.S. In addition, business or financial involvement in the legal cannabis industry in the U.S. could also be reason enough for U.S. border guards to deny entry. On September 21, 2018, the CBP released a statement outlining its current position with respect to enforcement of the laws of the U.S. It stated that the CBP enforcement of U.S. laws regarding controlled substances has not changed and because cannabis continues to be a controlled substance under U.S. law, working in or facilitating the proliferation of the legal cannabis industry in U.S. states where it is deemed legal may affect admissibility to the U.S. As a result, the CBP has affirmed that, a Canadian citizen working in or facilitating the proliferation of the legal cannabis industry in Canada, coming to the U.S. for reasons unrelated to the cannabis industry, will generally be admissible to the U.S. However, if a traveller is found to be coming to the U.S. for reasons related to the cannabis industry, they may be deemed inadmissible.

Risks related to being deemed an investment company under the U.S. Investment Company Act

The Company may be deemed an investment company under the ICA, and thus subject to regulation under such act, and maintenance of its exclusion or an exemption from such status may impose significant limits on its operations. Securityholders' investment return may be reduced if the Company is required to register as an investment company under the Investment Company Act.

The Company conducts its operations so that they are not deemed an investment company under the ICA, or, in the alternative, so that the Company may rely on an exemption from registration as an investment company under the ICA. It is possible that the Company may not be able to maintain the mix of assets, or other characteristics, necessary to qualify for an exclusion or exemption, and attempts to maintain such exclusions or exemptions, may impair, perhaps materially, its ability to pursue otherwise attractive investments. These rules are subject to change, and such changes may have an adverse impact on the Company. In the future, the Company may need to avail themselves of alternative exclusions and exemptions which may require a change in the organization structure of its businesses.

Failure to maintain its exclusion or an exemption would require the Company to significantly restructure its investment strategies. For example, because affiliate transactions are generally prohibited under the ICA, the Company would not be able to enter into transactions with any of its affiliates if it is required to register as an investment company, and the Company might be required to terminate the management agreement and any other agreements with affiliates, which could have a material adverse effect on its ability to operate its businesses and pay distributions. If the Company were required to register as investment companies but failed to do so, it would be prohibited from engaging in its businesses and could be subject to criminal and civil actions. In addition, the Company's contracts would be unenforceable unless a court required enforcement, and a court could appoint a receiver to take control of the Company and liquidate its businesses.

Risks related to negative publicity or consumer perception

The public's perception of cannabis may significantly impact the cannabis industry's success. Both the medical and adult use of cannabis are controversial topics, and there is no guarantee that future scientific research, publicity, regulations, medical opinion, and public opinion relating to cannabis will be favourable. The cannabis industry is an early-stage business that is constantly evolving with no guarantee of viability. The market for medical and adult use cannabis is uncertain, and any adverse or negative publicity, scientific research, limiting regulations, medical opinion and public opinion (whether or not accurate or with merit) relating to the consumption of cannabis, whether in the U.S. or internationally, may have a material adverse effect on the Company's operational results, consumer bases, and financial results. Among other things, such a shift in public opinion could cause state jurisdictions to abandon initiatives or proposals to legalize medical cannabis, thereby limiting the number of new state jurisdictions into which the Company could identify potential acquisition opportunities.

Risks related to relationships with third parties

The parties with which the Company does business may perceive that they are exposed to reputational risk as a result of the Company's cannabis-related business activities. Failure to establish or maintain business relationships due to reputational risk arising in connection with the nature of the Company's businesses could have a material adverse effect on the Company's businesses, financial conditions and results of operations.

Risks related to competition

The Company faces intense competition in the cannabis industry, some of which can be expected to come from companies with longer operating histories and more financial resources, manufacturing and marketing experience than the Company. In addition, there is potential that the cannabis industry will undergo consolidation, creating larger companies with financial resources and manufacturing and marketing capabilities and products that may sell better than those of the Company. As a result of this competition, the Company may be unable to maintain or develop its operations as currently proposed on terms they consider to be acceptable or at all. Increased competition by larger, better-financed competitors with geographic advantages could materially and adversely affect the Company's businesses, financial conditions and results of operations.

Risks associated with insurance in the cannabis industry

While the Company believes they will be able to acquire adequate insurance coverage, such insurance will be subject to coverage limits and exclusions and may not be available for all risks and hazards to which the Company may be exposed. No assurance can be given that such insurance will be adequate to cover the Company's liabilities or will be generally available in the future or, if available, that premiums will be commercially justifiable. If the Company were to incur substantial liability and such damages were not covered by insurance or were in excess of policy limits, or if the Company were to incur such liability at a time when it is not able to obtain liability insurance, they could be materially adversely affected.

There can be also no assurances that the Company will be able to obtain or maintain product liability insurance on acceptable terms or with adequate coverage against potential liabilities. Such insurance is expensive and may not be available in the future on acceptable terms, or at all. The inability to obtain sufficient insurance coverage on reasonable terms or to otherwise protect against potential product liability claims could prevent or inhibit the commercialization of any of the Company's potential products.

Risks related to transportation

The Company's businesses involve, directly or indirectly, the production, sale and distribution of cannabis products. Due to the perishable nature of such products, the Company may depend on fast and efficient third-party transportation services to distribute its product. Any prolonged disruption of third-party transportation services could have an adverse effect on the Company. Rising costs associated with the third-party transportation services which will be used by the Company to ship its products may also adversely impact the business of the Company.

Risks related to rising energy costs

The Company's businesses involve, directly or indirectly, the production of cannabis products which will consume considerable energy, making the Company vulnerable to rising energy costs. Rising or volatile energy costs may adversely impact the business of the Company and its ability to operate profitably.

Risks related to the agricultural business

The Company's businesses involve, directly or indirectly, the growing of cannabis, which is an agricultural product. As such, the businesses may be subject to the risks inherent in the agricultural business, such as insects, plant diseases, inclement weather and other natural disasters and similar agricultural risks. Even when grown indoors under climate-controlled conditions monitored by trained personnel, there can be no assurance that natural elements, such as insects and plant diseases, will not have a material adverse effect on the production of cannabis products and on the Company.

Risks related to environmental regulations

Participants in the cannabis industry are subject to environmental regulation in the various jurisdictions in which they operate. These regulations mandate, among other things, the maintenance of air and water quality standards and land reclamation. They also set forth limitations on the generation, transportation, storage and disposal of solid and hazardous waste. Environmental legislation is evolving in a manner which will require stricter standards and enforcement, increased fines and penalties for non-compliance, more stringent environmental assessments of proposed projects and a heightened degree of responsibility for companies and their officers, directors and employees. There is no assurance that future changes in environmental regulation, if any, will not adversely affect the Company.

Risks related to government approvals and permits

Failure to comply with applicable laws, regulations and permitting requirements may result in enforcement actions thereunder, including orders issued by regulatory or judicial authorities causing operations to cease or be curtailed, and may include corrective measures requiring capital expenditures, installation of additional equipment, or remedial actions. The Company may be required to compensate those suffering loss or damage by reason of its operations and may have civil or criminal fines or penalties imposed for violations of applicable laws or regulations.

Risks related to differences in regulatory requirements across state jurisdictions

Traditional business rules may prove to be imperfect in the cannabis industry. For example, while it would be common for participants in the market to purchase companies in different states to reach economies of scale and to conduct business across state lines, that may not be feasible in the cannabis industry because of varying state-by-state legislation and the prohibition on cannabis passing over state lines. As no two regulated markets in the cannabis industry are exactly the same, doing business across state lines may not be possible or commercially practicable. As a result, the Company may be limited to identifying opportunities in individual states, which may have the effect of slowing the growth prospects of the Company.

Risks related to advertising and promotion

The Company's future growth and profitability may depend on the effectiveness and efficiency of advertising and promotional costs, including its ability to: (i) create brand recognition for any products they may develop or sell; (ii) determine appropriate advertising strategies, messages and media; and (iii) maintain acceptable operating margins on such costs. There can be no assurance that advertising and promotional costs will result in revenues for the Company's businesses in the future or will generate awareness for any of the Company's products. In addition, no assurance can be given that the Company will be able to manage the advertising and promotional costs on a cost-effective basis.

The cannabis industry in the U.S., including both the medical and adult use cannabis markets, is in its early development stage and restrictions on advertising, marketing and branding of cannabis companies and products by various medical associations, governmental or quasi-governmental bodies or voluntary industry associations may adversely affect the Company's ability to conduct sales and marketing activities and to create brand recognition, and could have a material adverse effect on the Company's businesses.

Risks related to product liability regimes and strict product recall requirements

The Company faces the risk of exposure to product liability claims, regulatory action and litigation if any of its businesses' products are alleged to have caused significant loss or injury. In addition, the sale of cannabis products involves the risk of injury to consumers due to tampering by unauthorized third parties or product contamination. Previously unknown adverse reactions resulting from human consumption of cannabis products alone or in combination with other medications or substances could occur. The Company may be subject to various product liability claims, including, among others, that specific cannabis products caused injury or illness, or include inadequate warnings concerning possible side effects or interactions with other substances. A product liability claim or regulatory action against the Company could result in increased costs, could adversely affect our reputation with our clients and consumers generally, and could have a material adverse effect on the Company.

In addition, manufacturers and distributors of products are sometimes subject to the recall or return of their products for a variety of reasons, including product defects, such as contamination, unintended harmful side effects or interactions with other substances, packaging safety and inadequate or inaccurate labelling disclosure. To the extent any products are recalled due to an alleged product defect or for any other reason, the Company could be required to incur the unexpected expense of the recall and any legal proceedings that might arise in connection with the recall. The Company may lose a significant amount of sales and may not be able to replace those sales at an acceptable margin or at all. In addition, a product recall may require significant management attention. Moreover, a recall for any of the foregoing reasons could lead to decreased demand and could have a material adverse effect on the Company. Product recalls may lead to increased scrutiny of operations by applicable regulatory agencies, requiring further management attention and potential legal fees and other expenses.

Risks related to the development and sale of new products

The cannabis industry is in its early stages of development and the Company, and their competitors, may seek to introduce new products in the future. In attempting to keep pace with any new market developments, the Company may need to expend significant amounts of capital in order to successfully develop and generate revenues from new products introduced by the Company. The Company may also be required to obtain additional regulatory approvals from government agencies and any other applicable regulatory authorities, which may take significant amounts of time. The Company may not be successful in developing effective and safe new products, bringing such products to market in time to be effectively commercialized, or obtaining any required regulatory approvals, which, together with any capital expenditures made in the course of such product development and regulatory approval processes, may have a material adverse effect on the Company.

Risks related to intellectual property rights

The ownership and protection of intellectual property rights is a significant aspect of the Company's future success. The Company may rely on trade secrets, technical know-how and proprietary information that are not protected by patents to maintain our competitive position. The Company will try to protect such intellectual property by entering into confidentiality agreements with parties that have access to it, such as our partners, collaborators, employees and consultants. Any of these parties may breach these agreements and we may not have adequate remedies for any specific breach. In addition, trade secrets and technical know-how, which are not protected by patents, may otherwise become known to or be independently developed by competitors, in which event we could be materially adversely affected.

Unauthorized parties may attempt to replicate or otherwise obtain and use the Company's products, trade secrets, technical know-how and proprietary information. Policing the unauthorized use of the Company's future intellectual property rights could be difficult, expensive, time-consuming and unpredictable, as may be enforcing these rights against unauthorized use by others. Identifying unauthorized use of intellectual property rights is difficult as the Company may be unable to effectively monitor and evaluate the products being distributed by its competitors, including parties such as unlicensed dispensaries, and the processes used to produce such products. In addition, in any infringement proceeding, some or all of the Company's future trademarks, patents or other intellectual property rights or other proprietary know-how, or arrangements or agreements seeking to protect the same for the benefit of the Company, may be found invalid, unenforceable, anti-competitive or not infringed. An adverse result in any litigation or defense proceedings could put one or more of the Company's future trademarks, patents or other intellectual property rights at risk of being invalidated or interpreted narrowly. Any or all of these events could materially and adversely affect the businesses, financial conditions and results of operations of the Company.

In addition, other parties may claim that the Company's products infringe on its proprietary and perhaps patent protected rights. Such claims, whether or not meritorious, may result in the expenditure of significant financial and managerial resources, legal fees, result in injunctions, temporary restraining orders and/or require the payment of damages. As well, the Company may need to obtain licenses from third parties who allege that the Company has infringed on its lawful rights. However, such licenses may not be available on terms acceptable to the Company or at all. In addition, the Company may not be able to obtain or utilize on terms that are favourable, or at all, licenses or other rights with respect to intellectual property that they do not own.

Risks related to information technology systems and cyber-attacks

The Company's operations may depend, in part, on how well it and its suppliers protect networks, equipment, IT systems and software against damage from a number of threats, including, but not limited to, cable cuts, damage to physical plants, natural disasters, intentional damage and destruction, fire, power loss, hacking, computer viruses, vandalism and theft. The Company's operations may also depend on the timely maintenance, upgrade and replacement of networks, equipment, IT systems and software, as well as pre-emptive expenses to mitigate the risks of failures. Any of these and other events could result in information system failures, delays and/or increase in capital expenses. The failure of information systems or a component of information systems could, depending on the nature of any such failure, adversely impact the Company's reputation and results of operations. The Company's risk and exposure to these matters cannot be fully mitigated because of, among other things, the evolving nature of these threats. As a result, cyber security and the continued development and enhancement of controls, processes and practices designed to protect systems, computers, software, data and networks from attack, damage or unauthorized access may become a priority to ensure the ongoing success and security of the businesses. As cyber threats continue to evolve, the Company may be required to expend additional resources to continue to modify or enhance protective measures or to investigate and remediate any security vulnerabilities.

Risks related to management of growth

The Company may be subject to growth-related risks including capacity constraints and pressure on its internal systems and controls. The ability of the Company to manage growth effectively will require us to continue to implement and improve our operational and financial systems and to expand, train, and manage our employee base. The inability of the Company to deal with this growth may have a material adverse effect on the Company.

Risks associated with limited resources and competition for business opportunities

The Company has and expects to continue to encounter intense competition from other entities with similar business objectives, including other private investors, pension funds and private equity firms, prospective special purpose acquisition corporations and other entities, domestic and international, competing for the types of businesses the Company intends to acquire. Many of these individuals and entities are well-established and have significant experience identifying and effecting, directly or indirectly, investments in companies operating in or providing services to various industries. Some of these competitors may possess greater technical, human and other resources than the Company and the Company's financial resources will be relatively limited when contrasted with those of many of its competitors. While the Company believes there are numerous target businesses and assets to potentially acquire, the Company's ability to compete with respect to the opportunities in certain target businesses that are sizeable will be limited by its available financial resources.

Risks related to acquisitions

Material acquisitions, dispositions and other strategic transactions involve a number of risks, including: (i) potential disruption of the Company's ongoing business; (ii) distraction of management; (iii) the Company may become more financially leveraged; (iv) the anticipated benefits and cost savings of those transactions may not be realized fully or at all or may take longer to realize than expected; (v) increasing the scope and complexity of the Company's operations; and (vi) loss or reduction of control over certain of the Company's assets.

The Company could incur additional transaction and integration related costs or other factors such as the failure to realize all of the benefits from the acquisition of businesses or strategic assets. All of these factors could cause dilution to the Company's earnings per share or decrease or delay the anticipated accretive effect of the acquisition and cause a decrease in the market price of the Company's securities.

The Company may not be able to successfully integrate and combine the operations, personnel and technology infrastructure of any such acquired company with its existing operations. If integration is not managed successfully by the Company's management, the Company may experience interruptions in its business activities, deterioration in its employee and customer relationships, increased costs of integration and harm to its reputation, all of which could have a material adverse effect on the Company's business, financial condition and results of operations. The Company may experience difficulties in combining corporate cultures, maintaining employee morale and retaining key employees. The integration of any such acquired companies may also impose substantial demands on management. There is no assurance that these acquisitions will be successfully integrated in a timely manner.

Such transactions could involve other risks, including the assumption of unidentified or unknown liabilities, disputes or contingencies, for which the Company, as a successor owner, may be responsible, and/or changes in the industry, location, or regulatory or political environment in which these investments are located, that the Company's due diligence review may not adequately uncover and that may arise after entering into such transactions. Although the Company has and expects to continue to realize strategic, operational and financial benefits as a result of the Company's mergers and acquisitions, the Company cannot predict whether and to what extent such benefits will be achieved.

Furthermore, any future merger or acquisition may result in diversion of management's attention from other business concerns, and such transactions may be dilutive to the Company's financial results and/or result in impairment charges and write-offs.

The Company has incurred goodwill impairment charges in the past and may incur additional goodwill, intangible or other asset impairment charges in the future. The Company has significant amounts of long-lived assets, goodwill and intangible assets. Management periodically reviews the carrying values of goodwill and intangible assets to determine whether such carrying values exceed their fair market values. Declines in the profitability due to economic or market conditions or otherwise, as well as adverse changes in financial, competitive and other conditions, or other adverse changes in the key valuation assumptions contributing to the estimated fair value of a reporting unit, could adversely affect the estimated fair values of the related reporting unit, which could result in an impairment of the recorded balances of goodwill or intangible assets. Such an impairment or write-off could adversely affect the Company's financial condition and operating results.

Risks related to expansion strategy

There is no guarantee that the Company's expansion strategy will be completed, nor is there any guarantee that the Company will be able to expand into additional jurisdictions. There is also no guarantee that the Company's intentions to acquire and/or construct additional cannabis production, manufacturing, distribution or sales facilities, and to expand the Company's marketing and sales initiatives will be successful. Any such activities will require, among other things, various regulatory approvals, licenses and permits and there is no guarantee that all required approvals, licenses and permits will be obtained in a timely fashion or at all. There is also no guarantee that the Company will be able to complete any of the foregoing activities as anticipated or at all.

The Company's failure to successfully execute its expansion strategy (including receiving required regulatory approvals, licences and permits) could adversely affect the Company's business, financial condition and results of operations and may result in the Company failing to meet anticipated or future demand for its cannabis products, when and if it arises.

Risks related to international expansion

In addition to the jurisdictions described elsewhere in this MD&A, in the event that the Company decides to expand into other geographic areas in the future, such expansion could increase the Company's operational, regulatory, compliance, reputational and foreign exchange rate risks. The failure of the Company's operating infrastructure to support such expansion could result in operational failures and regulatory fines or sanctions. Future international expansion could require the Company to incur a number of up-front expenses, including those associated with obtaining regulatory approvals, as well as additional ongoing expenses, including those associated with infrastructure, staff and regulatory compliance. The Company may not be able to successfully identify suitable acquisition and expansion opportunities or integrate such operations successfully with the Company's existing operations.

Risks related to litigation

The Company is, and may from time to time become, party to litigation in the ordinary course of business which could adversely affect its business. Should any litigation in which the Company is, or becomes, involved be determined against the Company, such a decision could adversely affect the Company's ability to continue operating and the market price for the Company’s securities and could use significant resources. Even if the Company is involved in litigation and wins, litigation can redirect significant Company resources. Litigation may also create a negative perception of the Company's brand.

Risks related to opportunities outside of management’s area of expertise

The Company may be presented with a target in a sector unfamiliar to its management team but may determine that such candidate offers an attractive opportunity for the Company. In the event the Company elect to pursue an opportunity outside of its management’s expertise, the Company’s management’s experience may not be directly applicable to the target business or its evaluation of its operations.

Risks related to evaluating prospective target businesses

Although the Company has identified specific criteria and guidelines for evaluating prospective target businesses, it is possible that a target business with which the Company enters into a transaction will not have all of these positive attributes. If the Company consummates a transaction with a target that does not meet some or all of these guidelines, such transaction may not prove to be successful. In addition, there is no guarantee that an investment that meets the criteria and guidelines established by the Company will prove to be successful.

Risks related to transactions that are not consummated

The Company anticipates that the investigation of each specific target business and the negotiation, drafting, and execution of relevant agreements, disclosure documents, and other instruments will require substantial management time and attention and substantial costs for accountants, attorneys and other experts. If the Company decides not to complete a specific transaction, the costs incurred up to that point for the proposed transaction likely would not be recoverable. Furthermore, if the Company reaches an agreement relating to a specific target business, the Company may fail to consummate the transaction for any number of reasons, including those beyond its control. Any such event will result in losses to the Company of the related costs incurred which could materially adversely affect subsequent attempts to locate and acquire or merge with another business.

Risks related to loss of officers and directors

The Company’s operations are dependent upon a relatively small group of individuals and, in particular, its officers and directors. The Company believe that its success will depend on the continued service of its officers and directors. In addition, the Company’s officers and directors are not required to commit any specified amount of time to the Company’s affairs and, accordingly, may have conflicts of interest in allocating management time among various business activities, including identifying potential acquisitions and monitoring the related due diligence. The Company does not have key-man insurance on the life of any of its directors or officers. The unexpected loss of the services of one or more of its directors or officers could have a detrimental effect on the Company, its operations and its ability to make acquisitions.

Risks related to conflicts of interest

The Company engages in the business of identifying and combining with one or more businesses. The Company’s officers and directors may now be, or may in the future become, affiliated with entities that are engaged in a similar business.

The Company’s officers and directors also may become aware of business opportunities which may be appropriate for presentation to the Company and the other entities to which it owes duties. In the course of its other business activities, the Company’s officers and directors may owe similar or other duties, and may have obligations, to other entities or pursuant to other outside business arrangements, including seeking and presenting investment and business opportunities.

Accordingly, they may have conflicts of interest in determining to which entity a particular business opportunity should be presented. These conflicts may not be resolved in the Company's favour, as the Company's officers and directors are not required to present investment and business opportunities to the Company in priority to other entities with which they are affiliated or to which they owe duties.

The Company has not adopted a policy that expressly prohibits its directors, officers, security holders, affiliates or associates from having a direct or indirect financial interest in any investment to be acquired or disposed of by the Company or in any transaction to which it is a party or has an interest. In fact, even though it is not the Company's current intentions to do so, they may enter into a transaction with a target business that is affiliated with the Company's directors or officers.

Risks related to scientific research

Research in Canada, the U.S. and internationally regarding the medical benefits, viability, safety, efficacy and dosing of cannabis or isolated cannabinoids remains in early stages. To the Company's knowledge, there have been relatively few double-blind placebo-controlled clinical trials on the benefits of cannabis or isolated cannabinoids. Any statements made in this document concerning cannabis' or cannabinoids' potential medical benefits are based on published articles and reports. As a result, any statements made in this document are subject to the experimental parameters, qualifications, assumptions and limitations in the studies that have been completed.

Although the Company believes that the articles and reports, and details of research studies and clinical trials that are publicly available reasonably support its beliefs regarding the medical benefits, viability, safety, efficacy and dosing of cannabis, future research and clinical trials may prove such statements to be incorrect or could raise concerns regarding and perceptions relating to cannabis. Given these risks, uncertainties and assumptions, prospective investors should not place undue reliance on such articles and reports. Future research studies and clinical trials may draw opposing conclusions to those stated in this document or reach negative conclusions regarding the viability, safety, efficacy, dosing, social acceptance or other facts and perceptions related to medical cannabis, which could have a material adverse effect on the demand for the Company's products with the potential to lead to a material adverse effect on the Company's business, financial condition and results of operations.

Reliable data on the medical cannabis industry is not available

As a result of recent and ongoing regulatory and policy changes in the medical cannabis industry, the market data available is limited and unreliable. Federal and state laws prevent widespread participation and hinder market research. Therefore, market research and projections by the Company of estimated total retail sales, demographics, demand, and similar consumer research, are based on assumptions from limited and unreliable market data, and generally represent the personal opinions of the Company's management team as of the applicable date of such research and projections.

Risks related to key personnel and employees

The success of the Company is currently largely dependent on the performance of its current management team. The Company's future success depends on its continuing ability to attract, develop, motivate and retain highly qualified and skilled employees. Qualified individuals are in high demand, and the Company may incur significant costs to attract and retain them. In addition, the Company's lean management structures may be strained as the Company pursues growth opportunities in the future. The loss of the services of a member of the Company's management team, or an inability to attract other suitably qualified persons when needed, could have a material adverse effect on the Company's ability to execute on its business plan and strategy, and the Company may be unable to find adequate replacements on a timely basis, or at all.

The Company's personnel may be subject to applicable security clearances by regulatory agencies. Security clearances are valid for a limited period of time and must subsequently be renewed. There is no assurance that any of the Company's personnel who may in the future require a security clearance will be able to obtain or renew such clearances, or that new personnel who require a security clearance will be able to obtain one. A failure by the Company personnel to maintain or renew his or her security clearance could result in a material adverse effect on the Company's businesses, financial conditions and results of operations. In addition, if applicable personnel leave the Company and the Company is unable to find a suitable replacement that has the requisite security clearance in a timely manner, or at all, such delay or failure could result in a material adverse effect on the Company.

In addition, the Company relies on key service agreements with One East Management Services, LLC and ST2 LLC, each wholly-owned subsidiaries of One East Capital Advisors, LP, of which James Cacioppo is the Managing Partner, in order to receive ongoing financial and research-related advice. Termination of such agreements may have a significant negative impact on the Company's ability to execute on its business plan.

Limited operating history

The Company is an early stage company having been founded in 2018 and as a result, the Company lacks a significant operating history. Investors have no basis upon which to evaluate the Company's ability to achieve its business objectives. For the Company to meet future operating requirements, the Company will need to be successful in completing acquisitions, developing acquired licenses, growing its retail footprint and its marketing and sales efforts. In addition, where the Company experiences increased sales and growth via acquisition, the Company's current operational infrastructure may require changes to scale the Company's businesses efficiently and effectively to keep pace with demand and achieve long-term profitability. If the Company's products and services are not accepted by new customers, the Company's operating results may be materially and adversely affected.

Currency fluctuations

Due to the Company's intention to continue future operations outside Canada, the Company is expected to be exposed to significant currency fluctuations. Recent events in the global financial markets have been coupled with increased volatility in the currency markets. All or substantially all of the Company's revenue will be earned in US dollars, but a portion of its operating expenses are incurred in Canadian dollars. The Company does not have currency hedging arrangements in place and there is no expectation that the Company will put any currency hedging arrangements in place in the future. Fluctuations in the exchange rate between the US dollar and the Canadian dollar, may have a material adverse effect on the Company's business, financial position or results of operations.

Legality of contracts

Because the Company's contracts will involve cannabis, hemp and other activities that are not legal under U.S. federal law and in some jurisdictions, the Company may face difficulties in enforcing its contracts in U.S. federal and certain state courts.

Reliance on third party suppliers, manufacturers and contractors

The Company's business is dependent on a number of fundamental inputs and their related costs including manufactured products, raw materials and supplies related to its growing operations, as well as electricity, water and other local utilities. Any significant interruption or negative change in the availability or economics of the supply chain for certain inputs could materially impact the business, financial condition and operating results of the Company. Some of these inputs may only be available from a single supplier or a limited group of suppliers. If a sole source supplier was to go out of business, the Company might be unable to find a replacement for such source in a timely manner or at all. If a sole source supplier were to be acquired by a competitor, that competitor may elect not to sell to the Company in the future. Any inability to secure required supplies and services or to do so on appropriate terms could result in a material adverse effect on the operations of the Company and materially adversely impact the business, financial condition and operating results of the Company.

Supply shortages

The Company may not be able to obtain from third parties, or produce, enough cannabis to meet demand. This may result in lower than expected sales and revenues and increased competition for sales and sources of supply. Licensed producers may produce less cannabis than is needed to satisfy the demand of the adult-use and medical markets in the jurisdictions in which the Company operates. As a result, the supply of cannabis could lower than demand, resulting in product supply running low or not being available. If such supply or price fluctuations occur, the Company's revenue and profitability may fluctuate materially and its business, financial condition, results of operations and prospects may be adversely affected.

In addition, demand for cannabis and cannabis products is dependent on a number of social, political and economic factors that are beyond the Company's control. A material decline in the economic conditions affecting consumers can cause a reduction in disposable income for the average consumer, change consumption patterns and result in a reduction in spending on cannabis products or a switch to other products obtained through illegal channels. There can be no assurance that market demand for cannabis will continue to be sufficient to support the Company's current or, future production levels.

Disruption of supply chain

Conditions or events including, but not limited to, those listed below could disrupt the Company's supply chains, interrupt operations at its facilities, increase operating expenses, resulting in loss of sales, delayed performance of contractual obligations or require additional expenditures to be incurred: (i) extraordinary weather conditions or natural disasters such as hurricanes, tornadoes, floods, fires, extreme heat, earthquakes, etc.; (ii) a local, regional, national or international outbreak of a contagious disease, including the COVID-19 coronavirus, or any other similar illness could result in a general or acute decline in economic activity; (iii) political instability, social and labour unrest, war or terrorism; or (iv) interruptions in the availability of basic commercial and social services and infrastructure including power and water shortages, and shipping and freight forwarding services.

COVID-19 pandemic

COVID-19 was declared a pandemic by the World Health Organization on March 11, 2020. The outbreak has caused companies and various international jurisdictions to impose restrictions such as quarantines, business closures and travel restrictions. While the impact of these restrictions cannot be reasonably estimated at this time, the Company has sought to assess the potential impact of the pandemic on its operating results. The Company has attempted to assess the impact of the pandemic by identifying risks in the following principle areas:

Mandatory Closure. In response to the pandemic, many states and localities have implemented mandatory shutdowns of business to prevent the spread of COVID-19. As of March 25th, 2020, the Company's dispensaries received the "life-sustaining" business designation in Pennsylvania and the "essential services" designation in Illinois, permitting our dispensaries to stay open despite the mandatory closure of non-essential businesses. As a result, the Company's dispensaries in Pennsylvania and Illinois remained open throughout 2020. While the Company is working closely with state and local regulators to seek temporary measures that allow us to remain operational, there is no guarantee further measures may nevertheless require us to shut operations in some or all states. The Company's ability to generate revenue would be materially impacted by any shut down of its operations.

Customer Impact. The Company has implemented several initiatives prioritizing its medical patients and customers most susceptible to COVID-19 during the pendency of the COVID-19 outbreak. While the Company is seeking to implement measures, where permitted to reduce infection risk to our customers, regulators may not permit such measures, or such measures may not prevent a reduction in demand.

Health and Safety of Patients, Customers, and Employees. In accordance with the guidance of the CDC, the Company made essential changes to promote a healthy and safe operating environment for all of its patients, customers and employees, including:

- frequently sanitizing high-touch surfaces;
- deep cleaning and sanitizing workstations;
- sanitizing or washing hands after each transaction;

- ensuring hand sanitizer is easily accessible;
- suspending all use of paper menus, demo products, and demo samples;
- positioning staff at every other register when possible;
- reducing the number of point-of-sale registers;
- restricting the number of people permitted in-store;

- taking the temperature of store employees before they begin their shift;
- requiring all dispensary staff to wear face masks;
- installed plexi-shields in areas where patients/customers come face to face with staff (check-in and at registers where glass doesn't already exist);
- offering curbside pickup;
- directed a significant amount of traffic to the Company's online educational tool and reservation platform, www.beyond-hello.com, which enables customers to view real-time pricing and product availability and reserve products for convenient in-store pick-up at BEYOND/HELLO™ locations; and
- placed markers on the floor to dictate 6 feet + of space between patients/customers.

Supply Chain Disruption. The Company relies on third party suppliers for equipment and services to produce its products and keep its operations going. If its suppliers are unable to continue operating due to mandatory closures or other effects of the pandemic, it may negatively impact its own ability to continue operating. At this time, the Company has not experienced any failure to secure critical supplies or services. However, disruptions in our supply chain may affect our ability to continue certain aspects of the Company's operations or may significantly increase the cost of operating its business and significantly reduce its margins.

Staffing Disruption. The Company is, for the time being, implementing among its staff where feasible "social distancing" measures recommended by such bodies as the CDC, the Presidential Administration, as well as state and local governments. The Company has cancelled nonessential travel by employees, implemented remote meetings where possible, and permitted all staff who can work remotely to do so. For those whose duties require them to work on-site, measures have been implemented to reduce infection risk, such as reducing contact with customers, mandating additional cleaning of workspaces and hand disinfection, providing masks and taking the temperature of employees before they begin their shift. Nevertheless, despite such measures, the Company may find it difficult to ensure that its operations remain staffed due to employees falling ill with COVID-19, becoming subject to quarantine, or deciding not to come to come to work on their own volition to avoid infection.

The Company is actively addressing the risk to business continuity represented by each of the above factors through the implementation of a broad range of measures throughout its structure and is re-assessing its response to the COVID-19 pandemic on an ongoing basis. The above risks individually or collectively may have a material impact on the Company's ability to generate revenue. Implementing measures to remediate the risks identified above may materially increase our costs of doing business, reduce our margins and potentially result in losses. While the Company is not currently in financial distress, if the Company's financial situation materially deteriorates as a result of the impact of the pandemic, the Company could eventually be unable to meet its obligations to third parties, including observing financial covenants under the Company's senior notes payable or other debt, which in turn could lead to insolvency and bankruptcy of the Company.

Risks related to restrictions on deductions of certain business expenses in accordance with 280E under U.S. tax laws

Section 280E of the Code prohibits businesses trafficking in Schedule I or II controlled substances, including cannabis, even if legally under state law, from claiming tax deductions beyond costs of goods sold. Accordingly, Section 280E generally causes such businesses to pay higher effective U.S. federal tax rates than businesses in other industries. Management expects the Company and certain of its subsidiaries to be subject to Code Section 280E. The application of Code Section 280E to the Company may adversely affect the Company's profitability and, in fact, may cause the Company to operate at a post-tax loss. While recent legislative proposals, if enacted into law, could eliminate or diminish the application of Code Section 280E to cannabis businesses, the enactment of any such law is uncertain.

Risks Related to the Company's Securities

US Tax Classification of the Company

The Company is a Canadian corporation and is expected to be classified for U.S. federal income tax purposes as a U.S. corporation under Section 7874 of the Code. Section 7874 of the Code contains rules that can cause a non-U.S. corporation to be taxed as a U.S. corporation for U.S. federal income tax purposes. Under section 7874 of the Code, a corporation created or organized outside the U.S. (i.e., a non-U.S. corporation) will nevertheless be treated as a U.S. corporation for U.S. federal income tax purposes if each of the following three conditions is met: (i) the non-U.S. corporation acquires, directly or indirectly, or is treated as acquiring under applicable U.S. Treasury Regulations, substantially all of the assets held, directly or indirectly, by a U.S. corporation or U.S. trade or business; (ii) after the acquisition, the former stockholders of the acquired U.S. corporation hold at least 80% (by vote or value) of the shares of the non-U.S. corporation by reason of holding shares of the U.S. acquired corporation, trade or business; and (iii) after the acquisition, the non-U.S. corporation's expanded affiliated group does not have substantial business activities in the non-U.S. corporation's country of organization or incorporation when compared to the expanded affiliated group's total business activities.

It is expected that the Company will be treated as a U.S. corporation for U.S. federal income tax purposes under section 7874 of the Code and will, as a result, be subject to U.S. federal income tax on its worldwide income. However, for Canadian tax purposes, the Company is expected, regardless of any application of section 7874 of the Code, to be treated as a Canadian resident company (as defined in the Tax Act) for Canadian income tax purposes. As a result, the Company will be subject to taxation both in Canada and the U.S., which could have a material adverse effect on its financial condition and results of operations. The Company may not qualify for certain U.S.-Canada income tax treaty benefits, which could have a material adverse effect on its financial condition and results of operations.
It is unlikely that the Company will pay any dividends on the Subordinate Voting Shares, Multiple Voting Shares and/or Super Voting Shares in the foreseeable future. However, dividends received by shareholders who are residents of Canada for purposes of the Tax Act will be subject to U.S. withholding tax. Any such dividends may not qualify for a reduced rate of withholding tax under the Canada-U.S. tax treaty. In addition, a foreign tax credit or a deduction in respect of foreign taxes may be unavailable.

Dividends received by U.S. shareholders will not be subject to U.S. withholding tax but will be subject to Canadian withholding tax. Dividends paid by the Company will be characterized as U.S. source income for purposes of the foreign tax credit rules under the Code. Accordingly, U.S. shareholders generally will not be able to claim a credit for any Canadian tax withheld unless, depending on the circumstances, they have an excess foreign tax credit limitation due to other foreign source income that is subject to a low or zero rate of foreign tax.

Dividends received by shareholders that are neither Canadian nor U.S. shareholders will be subject to U.S. withholding tax and will also be subject to Canadian withholding tax. These dividends may not qualify for a reduced rate of U.S. withholding tax under any income tax treaty otherwise applicable to a shareholder of the Company, subject to examination of the relevant treaty.

Because the Subordinate Voting Shares, Multiple Voting Shares, and/or Super Voting Shares will be treated for U.S. tax purposes as shares of a U.S. domestic corporation, the U.S. gift, estate, and generation-skipping transfer tax rules generally apply to a non-U.S. shareholder of Subordinate Voting Shares, Multiple Voting Shares and/or Super Voting Shares.

EACH SHAREHOLDER SHOULD SEEK TAX ADVICE, BASED ON SUCH SHAREHOLDER'S PARTICULAR CIRCUMSTANCES, FROM AN INDEPENDENT TAX ADVISOR.

Risks related to tax consequences

While the Company expects to undertake any merger or acquisition so as to minimize taxes both to the acquired business and/or asset and the Company, such a transaction might not meet the statutory requirements of a tax-deferred rollover for the Company or for its securityholders. A transaction that does not qualify for a tax-deferred rollover could result in the imposition of substantial taxes and may have other adverse tax consequences to the Company and/or its securityholders.

Risks related to Founder and beneficial owner voting control

As a result of the Super Voting Shares that the Founders collectively hold, they have significant ability to control the outcome of matters submitted to the Company's shareholders for approval, including the election and removal of directors and any arrangement or sale of all or substantially all of the assets of the Company. In addition, Dennis Arsenault beneficially owns the Multiple Voting Shares as well as some Subordinate Voting Shares and therefore may also be in a position to influence the outcome such matters. If James Cacioppo, Erich Mauff or Louis Jonathan Barack's employment with the Company is terminated or they resign from their positions with the Company, they will continue to have the ability to exercise the same significant voting power.

The concentrated control through the Super Voting Shares could delay, defer, or prevent a change of control of the Company, the sale of all or substantially all of the assets of the Company or another arrangement involving the Company that other shareholders support. Conversely, this concentrated control could allow the Founders to consummate such a transaction that the Company's other shareholders do not support. In addition, the Founders may make long-term strategic investment decisions and take risks that may not be successful and may seriously harm the Company's business.

As directors and officers of the Company, the Founders are anticipated to have control over the day-to-day management and the implementation of major strategic decisions of the Company, subject to authorization and oversight by the Board. As Board members and officers, the Founders will owe a fiduciary duty to the Company and are obligated to act honestly and in good faith with a view to the best interests of the Company. As shareholders, even controlling shareholders, James Cacioppo, Erich Mauff and Louis Jonathan Barack will be entitled to vote their shares, and shares over which they have voting control, in their own interests, which may not always be in the interests of the Company or the other shareholders of the Company.

Risks related to unpredictability caused by capital structure and Founder voting control

Although other Canadian-based companies have dual class or multiple voting share structures, given the Company's unique capital structure, and the concentration of voting control held by the Founders, the Company is not able to predict whether this structure and control will result in a lower trading price for or greater fluctuations in the trading price of the Subordinate Voting Shares or will result in adverse publicity to the Company or other adverse consequences.

Risks related to additional financing

The Company may require equity and/or debt financing to support on-going operations, to undertake capital expenditures or to undertake acquisitions or other business combination transactions. There can be no assurance that additional financing will be available to the Company when needed or on terms which are acceptable. The Company's inability to raise financing to fund on-going operations, capital expenditures or acquisitions could limit its growth and may have a material adverse effect upon the Company's business, results of operations, financial condition or prospects.

If additional funds are raised through further issuances of equity or convertible debt securities, existing shareholders could suffer significant dilution, and any new equity securities issued could have rights, preferences and privileges superior to those of holders of Subordinate Voting Shares.

Depending on the available of traditional banking services to the Company, the Company may enter into one or more credit facilities with one or more lenders in order to finance the Company's investments. It is anticipated that any such credit facilities would contain a number of common covenants that, among other things, might restrict the ability of the

Company to: (i) acquire or dispose of assets or businesses; (ii) incur additional indebtedness; (iii) make capital expenditures; (iv) make cash distributions; (v) create liens on assets; (vi) enter into leases, investments or acquisitions; (vii) engage in mergers or consolidations; or (viii) engage in certain transactions with affiliates, and otherwise restrict activities of the Company (including its ability to acquire additional investments, businesses or assets, certain changes of control and asset sale transactions) without the consent of the lenders. In addition, such a credit facility would likely require the Company to maintain specified financial ratios and comply with tests, including minimum interest coverage ratios, maximum leverage ratios, minimum net worth and minimum equity capitalization requirements. Such restrictions may limit the Company's ability to meet targeted returns and reduce the amount of cash available for investment. Moreover, the Company may incur indebtedness under credit facilities that bear interest at a variable rate. Economic conditions could result in higher interest rates, which could increase debt service requirements on variable rate debt and could reduce the amount of cash available for various Company purposes.

Debt financing and restrictions

In January and July of 2020, the Company closed a significant tranche of debt financing, the proceeds of which will be used, in part, to finance certain acquisitions. From time to time, the Company may acquire the assets or equity interests of other entities that may also be financed in whole or in part, by debt, which may increase the Company's overall debt levels above industry standards. Debt financing, including the January 2020 and July 2020 debt financings, may involve restrictive covenants relating to capital raising activities and other financial and operational matters, which may make it more difficult for the Company to obtain additional capital and to pursue business opportunities, including potential acquisitions. Debt financings may also contain provisions which, if breached, may entitle lenders or their agents to accelerate repayment of loans and/or realize upon security over the assets of the Company, and there is no assurance that the Company would be able to repay such loans in such an event or prevent the enforcement of security granted pursuant to such debt financing.

Risks of leverage

The Company anticipates utilizing leverage in connection with the Company's investments in the form of secured or unsecured indebtedness. Although the Company will seek to use leverage in a manner it believes is prudent, such leverage will increase the exposure of an investment to adverse economic factors such as downturns in the economy or deterioration in the condition of the investment. If the Company defaults on secured indebtedness, the lender may enforce its security and the Company could lose its entire investment. If the Company defaults on unsecured indebtedness, the terms of the loan may require the Company to repay the principal amount of the loan and any interest accrued thereon in addition to heavy penalties that may be imposed. Because the Company may engage in financings where several investments are cross-collateralized, multiple investments may be subject to the risk of loss. As a result, the Company could lose its interest in performing investments in the event such investments are cross-collateralized with poorly performing or nonperforming investments.

In addition to leveraging the Company investments, the Company may borrow funds in its own name for various purposes and may withhold or apply from distributions amounts necessary to repay such borrowings. The interest expense and such other costs incurred in connection with such borrowings may not be recovered by income from investments purchased by the Company. If investments fail to cover the cost of such borrowings, the value of the investments held by the Company would decrease faster than if there had been no such borrowings. Additionally, if the investments fail to perform to expectation, the interests of investors in the Company could be subordinated to such leverage, which will compound any such adverse consequences.

Future financing needs

The continued development of the Company may require additional financing. Even if its financial resources are sufficient to fund its current operations, there is no guarantee that the Company will be able to achieve its business objectives. The failure to raise additional capital could result in the delay or indefinite postponement of current business objectives or the Company becoming insolvent. There can be no assurance that additional capital or other types of financing will be available if needed or that, if available, on terms that are favourable or acceptable to the Company.

Negative Cash Flow from Operations

During the year ended December 31, 2020, the Company sustained net losses from operations and negative cash flow from operating activities. The Company's cash and cash equivalents as at December 31, 2020 was approximately $86 million. The Company's cash as at February 28, 2021 was approximately $170 million. Although the Company anticipates it will eventually have positive cash flow from operating activities, to the extent that Company has negative cash flow in any future period, certain of the proceeds from any offering of securities of the Company may be used to fund such negative cash flow from operating activities.

Risks as a holding company

The Company is a holding company. Essentially all of the Company's operating assets are the capital stock of the Company's subsidiaries and substantially all of the Company's business is conducted through subsidiaries which are separate legal entities. Consequently, the Company's cash flows and ability to pursue future business and expansion opportunities are dependent on the earnings of the Company's subsidiaries and the distribution of those earnings to the Company. The ability of these entities to pay dividends and other distributions will depend on their operating results and will be subject to applicable laws and regulations which require that solvency and capital standards be maintained by such companies and contractual restrictions contained in the instruments governing their debt. In the event of a bankruptcy, liquidation or reorganization of any of the Company's subsidiaries, holders of indebtedness and trade creditors will generally be entitled to payment of their claims from the assets of those subsidiaries before any assets are made available for distribution to the Company.

Risks related to increased costs as a result of being a public company

As a public issuer, the Company is subject to the reporting requirements and rules and regulations under the applicable Canadian securities laws and rules of any stock exchange on which the Company's securities may be listed from time to time. Additional or new regulatory requirements may be adopted in the future. The requirements of existing and potential future rules and regulations will increase the Company's legal, accounting and financial compliance costs, make some activities more difficult, time-consuming or costly and may also place undue strain on its personnel, systems and resources, which could adversely affect its business and financial condition.

In particular, as a result of the Business Combination, the Company has become subject to reporting and other obligations under applicable Canadian securities laws, including National Instrument 52-109 – Certification of Disclosure in Issuers' Annual and Interim Filings, which requires annual management assessment of the effectiveness of the Company's internal controls over financial reporting. Effective internal controls, including financial reporting and disclosure controls and procedures, are necessary for the Company to provide reliable financial reports, to effectively reduce the risk of fraud and to operate successfully as a public company. These reporting and other obligations will place significant demands on the Company as well as on the Company's management, administrative, operational and accounting resources.

Failure to implement required new or improved controls, or difficulties encountered in their implementation, could harm the Company's results of operations or cause it to fail to meet its reporting obligations. If the Company or its auditors discover a material weakness, the disclosure of that fact, even if quickly remedied, could reduce the market's confidence in the Company's consolidated financial statements and materially adversely affect the trading price of the Subordinate Voting Shares.

Risks related to a loss of Foreign Private Issuer status

The Company may lose its status as a Foreign Private Issuer if, as of the last business day of the Company's second fiscal quarter for any year, more than 50% of the Company's outstanding voting securities (as determined under Rule 405 of the United States Securities Act of 1933, as amended) are directly or indirectly held of record by residents of the United States. The Company could lose its status as a Foreign Private Issuer if all or a portion of the Super Voting Shares directly or indirectly held of record by U.S. residents are converted into Subordinate Voting Shares. In addition, the Company could potentially lose its Foreign Private Issuer status as a result of future issuances of its shares from treasury to the extent that such shares are acquired by U.S. residents. Loss of Foreign Private Issuer status may have adverse consequences on the Company's ability to issue its securities to acquire companies and its ability to raise capital in private placements or Canadian prospectus offerings. In addition, loss of the Company's Foreign Private Issuer status would likely result in increased reporting requirements and increased audit, legal and administration costs. Further, should the Company seek to list on a securities exchange in the United States, in the future loss of Foreign Private Issuer status may increase the cost and time required for such a listing. These increased costs may have a material adverse effect on the business, financial condition or results of operations of the Company.

Certain remedies may be limited

The Company's governing documents may provide that the liability of the directors and officers of the Company is limited to the fullest extent permitted under the laws of the Province of British Columbia. Thus, the Company and the shareholders of the Company may be prevented from recovering damages for alleged errors or omissions made by the directors and officers of the Company. The Company's governing documents may also provide that the Company will, to the fullest extent permitted by law, indemnify the directors and officers of the Company for certain liabilities incurred by them by virtue of their acts on behalf of the Company.

Difficulty in enforcing judgments and effecting service of process on directors and officers

The directors and officers of the Company reside outside of Canada. Some or all of the assets of such persons may be located outside of Canada. Therefore, it may not be possible for Company shareholders to collect or to enforce judgments obtained in Canadian courts predicated upon the civil liability provisions of applicable Canadian corporate and securities laws against such persons. Moreover, it may not be possible for Company shareholders to effect service of process within Canada upon such persons.

Financial projections may prove materially inaccurate or incorrect

Any financial estimates, projections and other forward-looking information or statements included in this document were prepared by the Company without the benefit of reliable historical industry information or other information customarily used in preparing such estimates, projections and other forward-looking information or statements. Such forward-looking information or statements are based on assumptions of future events that may or may not occur, which assumptions may not be disclosed in this document. Shareholders should inquire of the Company and become familiar with the assumptions underlying any estimates, projections or other forward-looking information or statements. Projections are inherently subject to varying degrees of uncertainty and their achievability depends on the timing and probability of a complex series of future events. There is no assurance that the assumptions upon which these projections are based will be realized. Actual results may differ materially from projected results for a number of reasons including target and/or pipeline transactions not being consummated, pending acquisitions being terminated, increases in operation expenses, changes or shifts in regulatory rules, undiscovered and unanticipated adverse industry and economic conditions, and unanticipated competition. Accordingly, shareholders should not rely on any projections to indicate the actual results the Company might achieve.

Market price volatility risks

The market price of the Subordinate Voting Shares may be subject to wide fluctuations in response to many factors, including variations in the operating results of the Company, divergence in financial results from analysts' expectations, changes in earnings estimates by stock market analysts, changes in the business prospects for the Company, general economic conditions, legislative changes, and other events and factors outside of the Company's control. In addition, stock markets have from time to time experienced extreme price and volume fluctuations, which, as well as general economic and political conditions, could adversely affect the market price for the Subordinate Voting Shares.

Sales by existing shareholders

Sales of a substantial number of Subordinate Voting Shares in the public market could occur at any time. These sales, or the market perception of sale by the holders of a large number of Subordinate Voting Shares, could reduce the market price of the Subordinate Voting Shares. If this occurs and continues, it could impair the Company's ability to raise additional capital through the sale of securities.

Dividends

The Company has no earnings or dividend record, and does not anticipate paying any dividends on the Subordinate Voting Shares in the foreseeable future. Dividends paid by the Company would be subject to tax and, potentially, withholdings.

Limited market for securities

The Subordinate Voting Shares are listed on the CSE and OTCQB and the 10% Senior Secured Notes due January 15, 2023 are listed on the CSE, however, there can be no assurance that an active and liquid market for the Subordinate Voting Shares or the 10% Senior Secured Notes due January 15, 2023 will develop or be maintained and a Company securityholder may find it difficult to resell any securities of the Company.

An investment in the Company may be considered to be speculative, involves certain risks, and is suitable only for prospective purchasers who have sufficient financial means to bear such risks, who have substantial other assets to provide for current needs and future contingencies, and therefore have no need for immediate liquidity with respect to this investment, and who can withstand a possible total loss of this investment.

Listing Standards of the CSE

The Company must meet continuing listing standards to maintain the listing of the Subordinate Voting Shares and the 10% Senior Secured Notes due January 15, 2023 on the CSE. If the Company fails to comply with listing standards and the CSE delists the Subordinate Voting Shares and/or the 10% Senior Secured Notes due January 15, 2023, the Company and its shareholders could face significant material adverse consequences, including: (i) a limited availability of market quotations for the Subordinate Voting Shares and/or the 10% Senior Secured Notes due January 15, 2023; (ii) reduced liquidity for the Subordinate Voting Shares and/or the 10% Senior Secured Notes due January 15, 2023; (iii) a reduced level of trading activity in the secondary trading market for the Subordinate Voting Shares and/or the 10% Senior Secured Notes due January 15, 2023; (iv) a limited amount of news about us and analyst coverage of the Company; and (v) a decreased ability for the Company to issue additional equity securities or obtain additional equity or debt financing in the future.

Listing Standards of the OTCQB

The Company must meet continuing listing standards to maintain the listing of the Subordinate Voting Shares on the OTCQB. If the Company fails to comply with listing standards and the OTCQB delists the Subordinate Voting Shares, the Company and its shareholders could face significant material adverse consequences, including: (i) a limited availability of market quotations for the Subordinate Voting Shares; (ii) reduced liquidity for the Subordinate Voting Shares; (iii) a reduced level of trading activity in the secondary trading market for the Subordinate Voting Shares; (iv) a limited amount of news about us and analyst coverage of the Company; and (v) a decreased ability for the Company to issue additional equity securities or obtain additional equity or debt financing in the future.

Global financial conditions

Following the onset of the credit crisis in 2008, global financial conditions were characterized by extreme volatility and several major financial institutions either went into bankruptcy or were rescued by governmental authorities. While global financial conditions subsequently stabilized, there remains considerable risk in the system given the extraordinary measures adopted by government authorities to achieve that stability. Global financial conditions could suddenly and rapidly destabilize in response to future economic shocks, as government authorities may have limited resources to respond to future crises.

Future economic shocks may be precipitated by a number of causes, including a rise in the price of oil, geopolitical instability and natural disasters. Any sudden or rapid destabilization of global economic conditions could impact the Company's ability to obtain equity or debt financing in the future on terms favourable to the Company. Additionally, any such occurrence could cause decreases in asset values that are deemed to be other than temporary, which may result in impairment losses. Further, in such an event, the Company's operations and financial condition could be adversely impacted.

Furthermore, general market, political and economic conditions, including, for example, inflation, interest and currency exchange rates, structural changes in the cannabis industry, supply and demand for commodities, political developments, legislative or regulatory changes, social or labour unrest and stock market trends will affect the Company's operating environment and its operating costs, profit margins and share price, and could result in a decrease in asset values, write-downs or impairment charges. Any negative events in the global economy could have a material adverse effect on the Company's business, financial condition, results of operations or prospects.