FORM 5

QUARTERLY LISTING STATEMENT

Name of Listed Issuer: Verano Holdings Corp. (the "**Issuer**").

Trading Symbol: VRNO

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.

Please see the Issuer's unaudited condensed interim consolidated financial statements for the financial quarter ended June 30, 2021 attached hereto as Schedule A (the "**Interim Financial Statements**").

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.

Please see the following Notes in the Interim Financial Statements: (i) Note 6 (Notes Receivable), (ii) Note 8 (Acquisitions); (iii) Note 10 (Notes Payable), and (iv) Note 18 (Related Party Transactions).

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):

(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 Consider-ation (cash, property, etc.)	Describe relationship of Person with Issuer (indicate if Related Person)	Commission Paid
February 11, 2021	Class A Subordinate Voting Shares (“**SVS**”) and Class B Proportionate Voting Shares (“**PVS**”)	Private Placement (upon reverse takeover transaction or “**RTO**”)	125,663,380.6484 SVS and 1,643,366.1833 PVS	US$10.00	N/A	Property	Existing security holders of companies combining upon RTO (certain of which are Related Persons)	N/A
February 11, 2021	Convertible Notes	Private Placement upon RTO	Up to US$15,000,000	N/A	N/A	Property	Existing security holders of companies combining upon RTO (certain of which are Related Persons)	N/A
March 4, 2021	SVS and PVS	Private Placement (Acquisition)	18,271 SVS and 730.91 PVS	C$27.65	N/A	Property	Unrelated Person	N/A
March 9, 2021	SVS and PVS	Private Placement (Acquisition)	666,587 SVS and 6,665.86 PVS	C$26.16 per SVS and C$2,616.00 per PVS	N/A	Property	Unrelated Person	N/A
March 10, 2021	SVS	Private Placement (Acquisition)	541,994.00 SVS	C$26.23	N/A	Property	Unrelated Person	N/A
March 11, 2021	Special Warrants	Private Placement	3,510,000 each exercisable into one SVS	C$28.50	N/A	Property	Unrelated Person	C$5,001,750
March 22, 2021	SVA and PVS	Private Placement (Acquisition)	90,464.2000 SVS and 9,624.6080 PVS	C$24.62 per SVS and C$2,462.00 per PVS	N/A	Property	Unrelated Person	N/A
March 30, 2021	SVS	Private Placement (Acquisition)	179,767 SVS	C$24.52	N/A	Property	Unrelated Person	US$600,000

April 8, 2021	SVS and PVS	Private Placement (Acquisition)	997,453.00 SVS and 30,199.13 PVS	C$26.16 per SVS and C$2,616.00 per PVS	N/A	Property	Unrelated Person	N/A
May 13, 2021	SVS and PVS	Private Placement (Acquisition)	1,506,750.00 SVS and 15,067.4997 PVS	C$26.16 per SVS and C$2,616.00 per PVS	N/A	Property	Unrelated Person	N/A
May 14, 2021	SVS and PVS	Private Placement (Acquisition)	454,302 SVS and 25,743.7550 PVS	C$21.28 per SVS and $2,128.00 per PVS	N/A	Property	Unrelated Person	N/A
May 17, 2021	PVS	Private Placement (Employment Earnout)	396.2338 PVS	C$2,432.00 per PVS	N/A	Property	Director	N/A
May 17, 2021	PVS	Private Placement (Employment Earnout)	641.5194 PVS	C$2,432.00 per PVS	N/A	Property	Officer	N/A
May 21, 2021	SVS and PVS	Private Placement (Acquisition)	454,302.00 SVS and 25,743.7545 PVS	C$21.28 per SVS and C$2,128.00 per PVS	N/A	Property	Unrelated Person	N/A
June 24, 2021	SVS	Exercise of Special Warrants	3,510,000 SVS	C$28.50	N/A	Property	Unrelated Person	N/A

(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
February 18, 2021	Options to acquire 516.21 PVS	Related and Unrelated Persons	Employees, directors and officers	C$3,060.00	88.43 options expire February 18, 2026 and the balance expire February 18, 2031	C$30.60 per SVS (equivalent to C$3,060 per PVS)
February 18, 2021	13,886 restricted share units (“**RSUs**”) of PVS	Related Persons	Officers	N/A	9,462 RSUs expire February 18, 2026 and the balance expire February 18, 2031	C$30.60 per SVS (equivalent to C$3,060 per PVS)
April 13, 2021	1,562.46 RSUs of PVS	Related Persons	Employees	N/A	April 13, 2031	C$23.30 per SVS

						(equivalent to C$2,330 per PVS)
May 25, 2021	198.81 RSUs of PVS	Related Persons	Employees	N/A	May 25, 2031	C$24.00 per SVS (equivalent to C$2,400 per PVS)
May 25, 2021	Options to acquire 53.70 PVS	Related Persons	Employees	C$2,400.00	May 25, 2031	C$2,400.00 per PVS

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

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,

Class of Shares	Authorized Number and Description of Security	Number and Recorded Value for Shares Issued and Outstanding as of June 30, 2021
Class A Subordinate Voting Shares	Authorized: unlimited Convertible into PVS in the event of specified offers for PVS or at the holder's option (subject to board approval)	120,358,610.3518 SVS Value of C$2,422,818,826.38
Class B Proportionate Voting Shares	Authorized: unlimited Convertible into SVS at holder's option subject to limitations during the period ended July 1, 2021. Convertible into SVS at the Company's option if the Company is subject to the reporting requirements of Section 13 or 15(d) of the U.S. Securities Exchange Act of 1934 and if the SVS are listed or quoted on a recognized North American stock exchange	1,868,645.7142 Value of C$3,761,583.822.68

(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

Please see the Tables in Parts 2(a) and 2(b) above and Note 12 (Share Capital) in the Interim Financial Statements for information regarding the Issuer's options, RSUs, warrants and convertible notes.

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

Class of Shares	Number of Shares subject to Lock-Up Agreements
Subordinate Voting Shares	82,156,535.6874
Proportionate Voting Shares	1,835,641.9636

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.

Name of Officer and Director	Position(s) Held
George Archos	Chairman, CEO and Director
Brian Ward	Chief Financial Officer
Darren Weiss	General Counsel and Chief Legal Officer
Aaron Miles	Chief Investment Officer
John Tipton	President
R. Michael Smullen	Director and Corporate Secretary
Cristina Nuñez	Director
Edward Brown	Director

SCHEDULE C: MANAGEMENT DISCUSSION AND ANALYSIS

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

Please see the Issuer's Management's Discussion & Analysis for the three and six months ended June 30, 2021 and 2020 attached hereto as Schedule C.

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 August 10, 2021.

Darren Weiss
Name of Director or Senior Officer

/s/ Darren Weiss
Signature

General Counsel and Chief Legal Officer
Official Capacity

Issuer Details Name of Issuer Verano Holdings Corp.	For Quarter Ended June 30, 2021	Date of Report August 10, 2021
Issuer Address 415 N. Dearborn St., 4th Floor, Chicago, IL, United States		
City/Province/Postal Code 60654	Issuer Fax No. (-)	Issuer Telephone No. (312) 265-0730
Contact Name Aaron Miles	Contact Position Chief Investment Officer	Contact Telephone No. (312) 265-0730
Contact Email Address investors@verano.holdings	Web Site Address http://www.verano.com	

Schedule A

VERANO HOLDINGS CORP.

UNAUDITED CONDENSED INTERIM
CONSOLIDATED FINANCIAL STATEMENTS
FOR THE QUARTER ENDED
June 30, 2021

(Expressed in United States Dollars)

VERANO HOLDINGS CORP.
Condensed Interim Consolidated Statements of Financial Position (Unaudited)
As of June 30, 2021 and December 31, 2020

	Financial Footnote	June 30, 2021	December 31, 2020
ASSETS			
Current Assets:			
Cash		$ 149,671,396	$ 16,494,365
Accounts Receivable, Net		13,448,147	7,513,736
Notes Receivable	*6*	263,825	3,010,523
Due from Related Parties	*18*	62,236	108,254
Inventories	*4*	251,164,783	59,356,804
Biological Assets	*5*	143,997,363	109,376,567
Prepaid Expenses and Other Current Assets		13,422,330	7,163,267
Total Current Assets		$ 572,030,080	$ 203,023,516
Property, Plant and Equipment, Net	*7*	280,862,939	143,607,264
Right Of Use Assets, Net	*17(a)*	41,274,888	11,337,343
Intangible Assets	*9*	1,019,874,009	73,096,730
Goodwill	*9*	264,769,092	16,311,182
Investment in Associates		12,211,815	11,547,004
Deposits and Other Assets		2,115,314	797,321
TOTAL ASSETS		$ 2,193,138,137	$ 459,720,360
LIABILITIES AND SHAREHOLDERS' EQUITY			
LIABILITIES			
Current Liabilities:			
Accounts Payable		$ 25,808,681	$ 18,305,258
Accrued Liabilities		32,036,723	13,915,776
Income Tax Payable	*16*	57,829,659	46,872,445
Current Portion of Lease Liabilities	*17(a)*	5,677,797	1,910,645
Current Portion of Notes Payable	*10*	2,696,277	7,814,261
License Payable	*8(c)*	-	49,950
Acquisition Price Payable	*8(a,b)*	162,796,000	33,611,485
Due to Related Parties	*18*	44,664	44,664
Total Current Liabilities		287,162,801	122,524,484
Long-Term Liabilities:			
Deferred Revenue		815,507	2,035,405
Notes Payable, Net of Current Portion	*10*	131,041,859	32,479,649
Lease Liabilities, Net of Current Portion	*17(a)*	38,244,466	10,864,742
Deferred Income Taxes	*16*	251,366,932	49,084,004
Total Long-Term Liabilities		421,468,764	94,463,800
TOTAL LIABILITIES		$ 708,631,565	$ 216,988,284
SHAREHOLDERS' EQUITY		1,482,722,706	242,387,456
NON-CONTROLLING INTEREST		1,783,866	344,620
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		$ 2,193,138,137	$ 459,720,360

See accompanying notes to unaudited condensed interim consolidated financial statements.

VERANO HOLDINGS CORP.
Condensed Interim Consolidated Statements of Operations (Unaudited)
Three and Six Months Ended June 30, 2021 and 2020

		Three Months Ended June 30, 2021	Three Months Ended June 30, 2020	Six Months Ended June 30, 2021	Six Months Ended June 30, 2020
		(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Revenues, net of discounts		$ 198,706,561	$ 47,298,240	$ 319,601,554	$ 90,147,010
Cost of Goods Sold		98,577,572	23,513,725	144,845,796	31,978,372
Gross Profit before Biological Asset Adjustment		100,128,989	23,784,515	174,755,758	58,168,638
Realized fair value amounts included in inventory sold	*Note 5*	(185,972,578)	(48,046,546)	(252,258,674)	(54,529,795)
Unrealized fair value gain on growth of biological assets	*Note 5*	161,051,641	64,886,421	298,189,055	84,276,070
Gross Profit		75,208,052	40,624,390	220,686,139	87,914,913
Expenses:					
General and Administrative		33,394,840	3,778,393	48,159,873	8,026,836
Sales and Marketing		2,479,359	235,334	3,517,212	385,139
Salaries and Benefits		17,454,499	3,196,575	28,296,893	5,648,558
Depreciation and Amortization		4,253,182	2,689,087	6,681,613	4,865,051
Total Expenses		57,581,880	9,899,389	86,655,591	18,925,584
(Loss) Income from Investments in Associates		644,615	853,703	1,447,563	1,122,793
Income From Continuing Operations		18,270,786	31,578,704	135,478,110	70,112,122
Other Income (Expense):					
Loss on Disposal of Property, Plant and Equipment		(467,615)	-	(467,775)	-
Amortization of Debt Issuance Costs for Warrant	*Note 10*	-	1,524,141	-	-
Amortization of Convertible Debt Discount	*Note 11*	-	(2,072,063)	-	(4,144,127)
Other Income (Expense), Net		379,449	(73,045)	(885,873)	(254,809)
Interest Expense		(5,530,996)	(3,284,335)	(7,355,781)	(3,575,287)
Total Other Expense		(5,619,162)	(3,905,302)	(8,709,429)	(7,974,223)
Net Income Before Provision for Income Taxes and Non-Controlling Interest		12,651,624	27,673,402	126,768,681	62,137,889
Provision For Income Taxes	*Note 15*	(5,087,824)	(15,131,857)	(50,414,686)	(29,003,736)
Net Income (Loss) Before Non-Controlling Interest		7,536,800	12,541,545	76,353,995	33,134,163
Net Income (Loss) Attributable to Non-Controlling Interest		733,696	126,693	1,439,246	294,319
Net Income (Loss) Attributable to Verano Holdings Corp.		$ 6,830,104	$ 12,414,852	$ 74,914,749	$ 32,839,843
Net Income per share - basic		$ 0.05		$ 0.56	
Net Income per share – diluted		$ 0.02		$ 0.27	
Basic – weighted average shares outstanding		128,990,489		134,938,290	
Diluted – weighted average shares outstanding		307,369,829		280,358,289	

See accompanying notes to unaudited condensed interim consolidated financial statements.

VERANO HOLDINGS CORP.
Condensed Interim Consolidated Statements of Changes in Shareholders' Equity (Unaudited)
Six Months Ended June 30, 2021 and 2020

	LLC Membership Units	Share Capital # of Shares SVS	Share Capital # of Shares PVS	Share Capital Amount	Share-Based Reserves	Accumulated Earnings	Non-Controlling Interest	Total Shareholder's Equity
Balance as of January 1, 2020	265,545,678			111,752,803	-	-	5,090,823	116,843,626
Net income						32,839,843	294,319	33,134,162
Balance as of June 30, 2020	265,545,678	-	-	$ 111,752,803	$ -	$ 32,839,843	$ 5,385,142	$ 149,977,788

	LLC Membership Units	Share Capital # of Shares SVS	Share Capital # of Shares PVS	Share Capital Amount	Share-Based Reserves	Accumulated Earnings	Non-Controlling Interest	Total Shareholder's Equity
Balance as of January 1, 2021	279,900,000			242,387,456			344,620	242,732,076
Issuance of PubCo	(279,900,000)	115,663,381	1,643,366	716,240,115				716,240,115
Reverse takeover ("Financing"), net		10,000,000		95,420,117				95,420,117
Issuance of shares in conjunction with acquisitions		4,806,232	88,032	270,243,583				270,243,583
Issuance of warrants		3,510,000		75,100,072				75,100,072
Contingent consideration & purchase accounting adjustments			1,038	3,437,504	4,662,990			8,100,494
Conversion of shares		(13,621,002)	136,210					-
Share based compensation					316,120			316,120
Net income						74,914,749	1,439,246	76,353,995
Balance as of June 30, 2021	-	120,358,611	1,868,646	$ 1,402,828,847	$ 4,979,110	$ 74,941,749	$ 1,783,866	$ 1,484,506,572

See accompanying notes to unaudited condensed interim consolidated financial statements.

VERANO HOLDINGS, CORP.
Condensed Interim Consolidated Statements of Cash Flows (Unaudited)
Six Months Ended June 30, 2021 and 2020

	Six months ended June 30, 2021	Six months ended June 30, 2020
CASH FLOW FROM OPERATING ACTIVITIES		
Net income	$ 76,353,995	$ 33,134,163
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	14,807,059	5,038,509
Non-cash interest expense	4,327,060	401,985
Non-cash interest income	1,036,195	-
Loss on disposal of property, plant and equipment	488,521	-
Bad debt expense	76,000	116,523
Amortization of loan issuance costs (warrants)	-	3,048,282
Amortization of debt issuance costs and debt discount	517,301	-
Amortization of convertible debt discount	-	4,144,127
Write-off of note receivable	13,733	-
(Income) loss from underlying investees	(1,664,811)	349,340
Stock based compensation	316,120	-
Contingent consideration compensation	9,336,049	-
Changes in operating assets and liabilities:		
Accounts receivable	(3,136,036)	(4,752,187)
Inventories	(120,162,384)	(5,422,202)
Biological assets	57,403,392	(28,186,950)
Prepaid expenses and other current assets	(3,037,507)	(2,236,074)
Deposits and other assets	(149,148)	3,234,856
Accounts payable and accrued liabilities	(6,736,780)	970,591
Income tax payable	10,423,833	19,568,253
Due to related parties	-	(38,054)
Members' distribution payable	-	83,295
Deferred taxes	26,716,095	9,442,680
Deferred revenue	(1,304,898)	3,816,070
NET CASH PROVIDED BY OPERATING ACTIVITIES	65,623,789	42,713,207
CASH FLOW FROM INVESTING ACTIVITIES		
Purchases of property, plant and equipment	(60,813,678)	(32,521,881)
Proceeds from disposal of assets	(689,536)	-
Advances to (repayments from) related parties	46,018	147,227
Purchases of licenses	(924,950)	-
Acquisition of business, net of cash acquired	17,849,859	(132,277)
Acquisition of investment in associate	1,000,000	-
Purchase of interest in Majesta Minerals	1,000,000	-
Issuance of note receivable	(536,133)	-
Proceeds from payment of note receivable	3,551,846	150,000
Interest received on note receivable	141,749	-
NET CASH USED IN INVESTING ACTIVITIES	(39,374,826)	(32,356,931)

See accompanying notes to unaudited condensed interim consolidated financial statements.

VERANO HOLDINGS, CORP.
Condensed Interim Consolidated Statements of Cash Flows (Unaudited)
Six Months Ended June 30, 2021 and 2020

	Six months ended June 30, 2021	Six months ended June 30, 2020
CASH FLOW FROM FINANCING ACTIVITIES		
Proceeds from issuance of notes payable	100,000,000	2,473,922
Principal repayments of notes payable	(8,563,857)	62,530
Debt issuance costs paid	(5,132,199)	-
Payment of lease liabilities	(2,471,431)	(1,857,724)
Payment of acquisition price payable	(127,424,634)	(200,000)
Proceeds received from RTO financing	75,420,117	-
Cash received in private placement warrant	75,100,072	-
NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES	106,928,067	478,728
NET INCREASE (DECREASE) IN CASH	133,177,031	10,835,004
CASH, BEGINNING OF PERIOD	16,494,365	6,417,703
CASH, END OF PERIOD	$ 149,671,396	$ 17,252,707

	2021	2020
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Interest paid	$ 1,760,932	$ 748,396
OTHER NON-CASH INVESTING AND FINANCING ACTIVITIES		
Accrued Capital Expenditures	$ 3,626,999	$ -
Cash paid in business combination:		
Tangible and intangible assets acquired, net of cash	$ 1,219,767,642	$ -
Liabilities assumed	(218,251,230)	-
Acquisition price payable	(400,000)	-
Issuance of note payable	-	-
Goodwill	249,007,494	(132,277)
Non-controlling interest from acquisitions	-	-
Previously held equity interest	-	-
Cash paid (received) in business combination	$ 1,250,027,242	$ (132,277)

See accompanying notes to unaudited condensed interim consolidated financial statements.

1. NATURE OF OPERATIONS

References herein to "the Company," or "Verano," are intended to mean Verano Holdings Corp. and its subsidiaries, affiliates, licensees, and managed entities (collectively, the "Company").

Verano is a vertically integrated cannabis operator that focuses on limited-licensed markets in the United States. As a vertically integrated provider, the Company owns, operates, manages, consults, and/or has licensing or other commercial agreements with cultivation, processing, and retail licensees across eleven state markets (Illinois, Florida, Arizona, Maryland, Nevada, Ohio, Michigan, Massachusetts, Arkansas, New Jersey and, Pennsylvania).

In addition to the states listed above, the Company also conducts pre-licensing activities in several other markets. In these markets, the Company has either applied for licenses, or plans on applying for licenses, but does not currently own any cultivation, production, or retail licenses.

On February 11, 2021, the Company completed a reverse takeover transaction ("RTO") as further described in Note 3. Thereafter, the Company's Subordinate Voting Shares were listed on the Canadian Securities Exchange (the "CSE") under ticker symbol "VRNO" and subsequently began trading on the OTCQX, part of the OTC Markets Group, under the ticker "VRNOF".

The Company's corporate headquarters is located at 415 North Dearborn St., Suite 400, Chicago, Illinois 60654.

2. BASIS OF PRESENTATION

The unaudited condensed 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"), International Accounting Standards ("IAS") 34 *Interim Financial Reporting* and Interpretations of the IFRS Interpretations Committee ("IFRIC") in effect for all periods presented.

These unaudited condensed interim consolidated financial statements have been prepared in accordance with IFRS with the going concern assumption, which assumes that the Company will continue in operation for the foreseeable future and, accordingly, will be able to realize its assets and discharge its liabilities in the normal course of operations. The Company's ability to realize its assets and discharge its liabilities is dependent upon the Company obtaining the necessary financing and ultimately upon its ability to achieve profitable operations. Management estimates that the Company will be able to meet its obligations and to sustain operations for at least the next twelve months. Failure to arrange adequate financing on acceptable terms and/or achieve profitability may have an adverse effect on the financial position, results of operations, cash flows and prospects of the Company. These unaudited condensed interim consolidated financial statements do not include any adjustments to assets or liabilities that would be necessary should the Company be unable to continue as a going concern.

These unaudited condensed interim consolidated financial statements were approved and authorized for issue by the Board of Directors of the Company on August 9, 2021.

(a) Basis of Measurement

These unaudited condensed interim consolidated financial statements have been prepared on the going concern basis, under the historical cost convention except for certain financial instruments and biological assets that are measured at fair values.

2. BASIS OF PRESENTATION *(Continued)*

(b) Significant Accounting Policies

There have been no changes to the Company's significant accounting policies as described in Note 2 of the Company's 2020 annual report and the Company's March 31, 2021, unaudited condensed interim consolidated financial statements.

(c) Share-Based Compensation

The Company measures equity settled share-based payment based on their value at the grant date and recognizes compensation expense over the vesting period based on the Company's estimate of equity instruments that will eventually vest. Expected forfeitures are estimated at the date of grant and subsequently adjusted if further information indicates actual forfeitures may vary from the original estimate. The impact of the revision of the original estimate is recognized in profit or loss such that the cumulative expense reflects the revised estimate.

(d) Earnings Per Share

The Company presents basic and diluted earnings per share. Basic earnings per share is calculated by dividing the profit or loss attributable to shareholders by the weighted average number of shares outstanding during the period. Diluted earnings per share is determined by adjusting the profit or loss attributable to shareholders and the weighted average number of shares outstanding, for the effects of all dilutive potential shares, which are comprised of convertible shares, warrants, options and restricted stock units ("RSUs") issued. Items with an anti-dilutive impact are excluded from the calculation.

(e) Adoption of New and Revised Standards and Interpretations

The following IFRS standards have been recently issued by the IASB. The Company has assessed or is assessing the impact of these new standards on future consolidated financial statements. Pronouncements that are not applicable or where it has been determined do not have a significant impact to the Company have been excluded herein.

(i) *IAS 1 – Presentation of Financial Statements ("IAS 1") and IAS 8 – Accounting Policies, Changes in Accounting Estimates and Errors ("IAS 8")*

IAS 1 and IAS 8 were amended in October 2018 to refine the definition of materiality and clarify its characteristics. The revised definition focuses on the idea that information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general-purpose financial statements make on the basis of those financial statements. The amendments were effective for annual reporting periods beginning on or after January 1, 2020. The Company early adopted IAS 1 and IAS 8 prior to January 1, 2020. The adoption of IAS 1 and IAS 8 did not have a material impact on the consolidated financial statements.

(ii) *Amendment to IFRS 3: Definition of a Business*

In October 2018, the IASB issued "Definition of a Business (Amendments to IFRS 3)" (the "IFRS 3 Amendment"). The IFRS 3 Amendment clarifies the definition of a business, with the objective of assisting entities to determine whether a transaction should be accounted for as a business combination or as an asset acquisition. The IFRS 3 Amendment provides an assessment framework to determine when a series of integrated activities is not a business. The IFRS 3 Amendment is effective for business combinations occurring on or after the beginning of the first annual reporting period beginning on or after January 1, 2020. The Company early adopted IFRS 3 as of January 1, 2019. The adoption did not have a material impact on the consolidated financial statements.

2. BASIS OF PRESENTATION *(Continued)*

(f) New and Revised Standards and Interpretations to be Adopted

The following is a brief summary of the new standards issued but not yet effective:

(iii) Amendments to IAS 1: Classification of Liabilities as Current or Non-Current
In January 2020, the IASB issued Classification of Liabilities as Current or Non-current ("Amendments to IAS 1"). The Amendments to IAS 1 aim to promote consistency in applying the requirements by helping companies determine whether, in the statement of financial position, debt and other liabilities with an uncertain settlement date should be classified as current (due or potentially due to be settled within one year) or non-current. The Amendments to IAS 1 include clarifying the classification requirements for debt a company might settle by converting it into equity. The Amendments to IAS 1 are effective for annual reporting periods beginning on or after January 1, 2022, with earlier application permitted.

(iv) Amendments to IAS 37: Onerous Contracts – Cost of Fulfilling a Contract

In May 2020, the IASB issued Onerous Contracts – Cost of Fulfilling a Contract ("Amendments to IAS 37") amending the standard regarding costs a company should include as the cost of fulfilling a contract when assessing whether a contract is onerous. The amendment is effective for annual reporting periods beginning on or after January 1, 2022.

3. REVERSE TAKEOVER TRANSACTION

On December 14, 2020, Verano Holdings, LLC, Majesta Minerals, Inc., an Alberta corporation (the "Public Corporation"), 1276268 B.C. Ltd., a British Columbia corporation ("Verano FinCo"), 1277233 B.C. Ltd, a British Columbia corporation, and 1278655 B.C. Ltd., a British Columbia corporation ("Majesta"), entered into an arrangement agreement (as amended January 26, 2021, the "Definitive Agreement"), pursuant to which the Company would result from the reverse takeover transaction contemplated thereby (the "RTO").

In accordance with the plan of arrangement forming part of the Definitive Agreement (the "Plan of Arrangement"), the Public Corporation changed its name to "Verano Holdings Corp." and completed a consolidation of its common shares on the basis of 100,000 issued and outstanding common shares on a post-consolidation basis. In accordance with the terms of the Financing, 10,000,000 subscription receipts (the "Subscription Receipts") were issued on January 21, 2021, at a price per Subscription Receipt of US$10.00, for aggregate gross proceeds of US$100,000,000. In connection with the Financing and the RTO, the Company issued 578,354 Subordinate Voting Shares to the offering agents as a broker fee.

The Public Corporation reorganized capital by altering its notice of articles and articles to (i) attach special rights and restrictions to its common shares, (ii) change the identifying name of its common shares to "Subordinate Voting Shares" (the "Subordinate Voting Shares") and (iii) create a new class of Proportionate Voting Shares (the "Proportionate Voting Shares"). Pursuant to the Plan of Arrangement, thereafter Verano Finco combined with Majesta Subco. Majesta Subco was then liquidated, and the net proceeds of the Financing transferred to the Company, as the resulting corporation in the RTO. In connection with the Financing and the RTO, the Company issued 578,354 Subordinate Voting Shares to the offering agents as a broker fee.

The RTO holders of Finco Shares received one Subordinate Voting Share for each Finco Share for a total of 10,000,000 Subordinate Voting Shares in the aggregate. The members of Verano Holdings LLC, and owners of certain of its subsidiaries, through a series of transactions, exchanged their ownership interests in Verano Holdings LLC and such subsidiaries for 96,892,040 Subordinate Voting Shares and 1,172,382 Proportionate Voting Shares.

3. REVERSE TAKEOVER TRANSACTION *(Continued)*

In connection with the Company's acquisitions of Alternative Medical Enterprises, LLC, Plants of Ruskin GPS, LLC, and RVC 360, LLC (collectively, the "AME Parties"), that occurred concurrently with the RTO, the members of the AME Parties, through a series of transactions, exchanged their membership interests in the AME Parties for 18,092,987 Subordinate Voting Shares and 470,984. Proportionate Voting Shares, plus cash consideration, as further described in Note 8(a).

4. INVENTORIES

The Company's inventories consist of the following:

	June 30, 2021	December 31, 2020
Raw Materials	$ 5,491,985	$ -
Work in Process	177,718,469	46,586,170
Finished Goods	67,954,329	12,770,634
Total Inventories	$ 251,164,783	$ 59,356,804

5. BIOLOGICAL ASSETS

Biological assets consist of cannabis plants. At June 30, 2021 and December 31, 2020, the changes in the carrying value of biological assets are shown below:

Balance as of January 1, 2020	$ 16,613,392
Cost incurred prior to harvest to facilitate biological transformation	55,535,842
Unrealized gain on fair value of biological assets	254,154,780
Transferred inventory upon harvest	(216,927,447)
Balance as of December 31, 2020	$ 109,376,567
Balance as of January 1, 2021	$ 109,376,567
Cost incurred prior to harvest to facilitate biological transformation	64,369,084
Unrealized gain on fair value of biological assets	298,189,055
Transferred inventory upon harvest	(419,961,531)
Additions from business acquisition	92,024,188
Balance as of June 30, 2021	$ 143,997,363

The Company values its biological assets at the end of each reporting period at fair value less costs to sell. This is determined using a valuation model to estimate the expected harvest yield per plant applied to the estimated price per gram less processing and selling costs. This model also considers the progress in the plant life cycle.

Management has made the following estimates in this valuation model:

- The average number of weeks in the growing cycle is 14.2 weeks from propagation to harvest (as compared to 19 weeks for the fiscal year ended December 31, 2020);
- The average harvest yield of whole flower is 186.73 grams per plant (as compared to 320.20 grams per plant during the fiscal year ended December 31, 2020);

5. BIOLOGICAL ASSETS *(Continued)*

- The average selling price of whole flower is $7.58 per gram (as compared to $6.98 per gram during the fiscal year ended December 31, 2020);
- The average selling price of dried flower used in extract products is $16.72 per gram;
- Processing costs include drying and curing, testing and packaging, post-harvest overhead allocation, and oil extraction costs estimated to be $0.74 per gram (as compared to $0.57 per gram during the fiscal year ended December 31, 2020); and
- Selling costs include shipping, order fulfillment, and labelling, estimated to be $0.29 per gram for flower (as compared to $0.12 per gram during the fiscal year ended December 31, 2020) and $1.48 per gram for dried flower used in extract products.

The estimates of growing cycle, harvest yield, and costs per gram are based on the Company's historical results. The estimate of the selling price per gram is based on the Company's historical sales in addition to the Company's expected sales price going forward.

Management has quantified the sensitivity of the inputs, and determined the following:

- Selling price per gram – an increase or decrease in the selling price per gram by 5% would result in an increase or decrease to the fair value of biological assets by $8,004,762 (as compared to $6,321,578 for the fiscal year ended December 31, 2020).
- Harvest yield per plant – an increase or decrease in the harvest yield per plant of 5% would result in an increase or decrease to the fair value of biological assets by $7,199,868 (as compared to $5,468,828 for the fiscal year ended December 31, 2020).
- Cost of production per gram – an increase or decrease in the cost of production per gram by 5% would result in a decrease or increase to the fair value of biological assets by $502,545 (as compared to $824,412 for the fiscal year ended December 31, 2020).

These inputs are level 3 on the fair value hierarchy, and are subject to volatility and several uncontrollable factors, which could significantly affect the fair value of biological assets in future periods.

As of June 30, 2021 and December 31, 2020, the biological assets were on average, 43.3% and 34.1% complete, respectively, and the estimated fair value less costs to sell of dry cannabis was $5.30 ($12.72 for extract products) and $4.69 per gram, respectively.

As of June 30, 2021 and December 31, 2020, it is expected that the Company's biological assets will ultimately yield approximately 33,492 and 43,488 kilograms of cannabis, respectively.

6. NOTES RECEIVABLE

The notes receivable consists of three secured promissory notes. The first note is a secured promissory note with SOL Global Investments Corp, a member of the Company for an original amount of $5,000,000. During the six month period ended June 30, 2021, the note was repaid in full and outstanding accrued interest was forgiven.

The second note is a secured promissory note dated August 13, 2020 with an unrelated party for $180,000. The note was originally due and payable on or before the earlier of February 13, 2021 or such other date the principal amount becomes due and payable by acceleration after an event of default, but was extended at the discretion of the Company. As of June 30, 2021, the Company has received principal payments to date of $55,678 and has outstanding principal of $124,322 plus accrued interest of $1,540.

The third note is a secured promissory note issued March 24, 2021 with an unrelated party for $146,510. Interest of 8% per annum and principal are due on September 24, 2021. As of June 30, 2021, the Company had not received any principal payments to date and recognized accrued interest of $1,540.

7. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment and related accumulated depreciation consists of the following at June 30, 2021 and December 31, 2020:

	June 30, 2021	December 31, 2020
Land	$ 19,050,930	$ 12,137,559
Buildings and Improvements	57,772,859	15,223,120
Furniture and Fixtures	7,463,815	5,278,616
Computer Equipment and Software	6,805,874	3,330,685
Leasehold Improvements	136,146,262	88,828,050
Tools and Equipment	52,369,461	27,188,655
Vehicles	1,611,931	850,080
Assets Under Construction	29,057,279	8,514,196
Total Property, Plant and Equipment, Gross	310,278,411	161,350,961
Less: Accumulated Depreciation	(29,415,472)	(17,743,697)
Property, Plant and Equipment, Net	$ 280,862,939	$ 143,607,264

Assets under construction represent construction in progress related to facilities not yet completed or otherwise not placed in service.

A reconciliation of the beginning and ending balances of property, plant and equipment is as follows:

	Property, Plant and Equipment, Gross	Accumulated Depreciation	Property, Plant and Equipment, Net
Balance as of January 1, 2020	$ 103,199,320	$ (8,819,576)	$ 94,379,744
Additions	58,161,038	-	58,161,038
Property, plant and equipment from business combination	1,820,850	-	1,820,850
Disposals	(11,246)	-	(11,246)
Discontinued operations and deconsolidation	(1,819,001)		(1,819,001)
Depreciation	-	(8,924,121)	(8,924,121)
Balance as of December 31, 2020	$ 161,350,961	$ (17,743,697)	$ 143,607,264
Additions	68,681,663	-	68,681,663
Property, plant and equipment from business combination	82,102,525	-	82,102,525
Disposals	(1,866,881)	100,792	(1,766,089)
Depreciation	-	(11,762,424)	(11,762,424)
Balance as of June 30, 2021	$ 310,268,268	$ (29,405,329)	$ 280,862,939

For the six months ended June 30, 2021 and year ended December 31, 2020, depreciation expense included in costs of goods sold totaled $7,828,147 and $8,147,233 respectively.

8. ACQUISITIONS

(a) Merger Agreement

On November 6, 2020, Verano Holdings LLC entered into an agreement and plan of merger with the AME Parties, pursuant to which the Company, as the assignee of all of Verano Holdings LLC's rights and obligations thereunder, would acquire the AME Parties via a series of merger transactions. The merger transactions were contingent upon, and were to close contemporaneously with, the RTO, resulting in the creation of the Company as a Canadian publicly-traded parent company of Verano Holdings LLC, the AME Parties and their respective subsidiaries.

The RTO and the merger transactions were closed on February 11, 2021, and resulted in the AME Parties becoming wholly-owned subsidiaries of the Company. The members of the AME Parties, through a series of transactions, exchanged their membership interests in the AME Parties for 18,092,987 Subordinate Voting Shares and 470,984 Proportionate Voting Shares, plus cash consideration of $35 million, of which $20 million was paid at the closing of the mergers, $10 million is payable on August 11, 2021, and the $5 million balance is payable on February 11, 2022. The aggregate $15 million installment payments are represented by convertible promissory notes and upon a payment default, the holder thereof may elect to convert such payment obligations into Subordinate Voting Shares. As of June 30, 2021, the present value of unpaid deferred consideration is $14,876,885 and is included in the acquisition price payable balance in the consolidated statement of financial position.

The Company determined that control was transferred at the closing and accounted for the transaction as a business acquisition in accordance with IFRS 3, *Business Combinations*. The following table summarizes the provisional accounting estimates of the mergers that occurred during the six months ended June 30, 2021:

	AME Florida	AME Arizona	Total
Cash	$ 5,446,152	$ 506,926	$ 5,953,078
Accounts receivable, net	59,763	498,006	557,769
Inventories	53,966,109	1,512,146	55,478,255
Biological assets	90,678,322	728,120	91,406,442
Prepaids and other current assets	2,436,485	493,970	2,930,455
Property, plant and equipment	56,095,506	13,044,908	69,140,414
Right of use assets	9,650,967	-	9,650,967
Other assets	1,000,936	1,434,999	2,435,935
Accounts payable and accrued liabilities	(12,915,397)	(3,685,049)	(16,600,446)
Notes payable	(3,578,509)	(3,343,472)	(6,921,981)
Deferred tax liability	(98,099,300)	(36,237,531)	(134,336,831)
Lease liabilities	(9,650,967)	-	(9,650,967)
Total identifiable net assets (liabilities)	95,090,067	(25,046,977)	70,043,090
Intangible assets	479,735,197	199,633,520	679,368,717
Net assets	$ 574,825,264	$ 174,586,543	$ 749,411,807

Selected line items from the Company's unaudited condensed interim consolidated statements of operations for the six months ended June 30, 2021, adjusted as if the acquisition of AltMed, deemed to be the only acquisition with material operations in the period, had occurred on January 1, 2021, are presented below:

	Consolidated Results	AltMed Pre-acquisition	Pro-forma Results
Revenues, net of discounts	319,601,554	22,402,209	342,003,763
Net income	74,914,749	57,488,396	132,403,145

8. ACQUISITIONS

(b) Business Combinations

Glass City Alternatives, LLC

In January 2021, the Company entered into an agreement to acquire, upon the satisfaction of certain conditions precedent, all of the ownership interest of an owner of one dispensary located in Ohio. The total purchase price was $2,700,000 plus a $329,345 purchase price adjustment. The Company paid $500,000 in shares upon execution of the RTO. As of June 30, 2021, the present value of unpaid deferred consideration of $1,081,915 is included in the acquisition price payable balance in the consolidated statement of financial position and is due in January 2022.

Perpetual Healthcare Inc.

On February 24, 2021, the Company entered into an agreement pursuant to which Perpetual Healthcare Inc. ("PHI") transferred the management and governance of PHI, which operates the Emerald Dispensary in Phoenix, Arizona. The transaction closed on March 10, 2021. Total consideration includes cash consideration of $11,250,000 plus a $326,426 purchase price adjustment, 541,994 Subordinate Voting Shares. The remaining $6,175,342 obligation was settled through the issuance of 350,644 Subordinate Voting Shares. As of June 30, 2021, the total consideration had been paid in full.

The Herbal Care Center, Inc.

On February 24, 2021, the Company entered into an agreement to acquire The Herbal Care Center, Inc. ("The Herbal Care Center"). The transaction closed on March 17, 2021. Total consideration includes cash consideration of $18,750,000, payable over 12 months, plus a $2,107,499 purchase price adjustment, and 90,464 Subordinate Voting Shares and 9,625 Proportionate Voting Shares, equivalent to 962,461 Subordinate Voting Shares on an-as converted basis. As of June 30, 2021, the present value of unpaid deferred consideration of $10,743,251 is included in the acquisition price payable balance in the consolidated statement of financial position with 50% due in October 2021 and January 2022.

Local Joint

On March 22, 2021, an affiliate of the Company entered into an asset purchase agreement with Flower Launch LLC, the manager of Patient Alternative Relief Center, Inc., d/b/a Local Joint, an Arizona nonprofit corporation ("PARC"), which holds a dispensary license, an authorization to operate a second dispensary, and an authorization to operate an offsite cultivation facility, all in the State of Arizona. The transaction closed on March 30, 2021. Total consideration includes cash consideration of $13,500,000, with $10,000,000 paid on the closing date and $3,500,000 payable within 120 days after the closing date, plus 179,767 Subordinate Voting Shares. As of June 30, 2021, the present value of unpaid deferred consideration of $3,603,510 is included in the acquisition price payable balance in the consolidated statement of financial position and is due in July 2021.

Territory

On February 24, 2021, the Company entered into an agreement to acquire three active dispensaries and one cultivation and production facility from NZCO LLC, Murff & Company LLC, JWC1 LLC, Hu Commercial Properties LLC and BISHCO LLC (collectively, "Territory"). The transaction closed April 8, 2021. Total consideration includes $19,735,684 paid upon closing, subject to a purchase price adjustment, 997,453 Subordinate Voting Shares and 29,924 Proportionate Voting Shares, equivalent

8. ACQUISITIONS *(Continued)*

(b) Business Combinations *(Continued)*

to 2,992,413 Subordinate Voting Shares on an-as converted basis. The remaining consideration is related to contingent consideration with 50% payable in cash on March 31, 2022, and the remaining payable in shares or in cash at the election of the recipient on March 31, 2023. As of June 30, 2021, the present value of unpaid deferred consideration of $19,387,275 is included in the acquisition price payable balance in the consolidated statement of financial position.

TerraVida Holistic Center, LLC

On February 24, 2021, subsidiaries of the Company entered into an agreement to acquire three active Pennsylvania dispensaries. The transaction closed May 11, 2021. Total consideration includes cash consideration of $62,500,000, subject to a purchase price adjustment, of which $15,000,000 plus a purchase price adjustment of $3,795,515 was paid on the closing date, with $10,000,000 payable within 90 days after closing, and the remaining $37,500,0000 payable within 180 days after the closing date. In addition, the consideration includes 1,506,750 Proportionate Voting Shares and 15,067 Subordinate Voting Shares, equivalent to 1,506,750 Subordinate Voting Shares on an as converted basis. As of June 30, 2021, the present value of unpaid deferred consideration of $47,140,827 is included in the acquisition price payable balance in the consolidated statement of financial position.

The Healing Center, LLC

On March 29, 2021, the Company entered into an agreement to acquire three active dispensaries in Pittsburgh by purchasing all the issued and outstanding equity interests of The Healing Center, LLC (“The Healing Center”). The transaction closed on May 14, 2021. Total consideration includes cash consideration of $56,892,320, plus a $2,354,886 purchase price adjustment, of which $31,463,479 was paid upon closing with $25,428,841 payable within 60 days after the closing date. In addition, the merger consideration included 454,302 Subordinate Voting Shares and 25,744 Proportionate Voting Shares equivalent to 2,574,375 Subordinate Voting Shares on an as converted basis. As of June 30, 2021, the present value of unpaid deferred consideration of $27,678,623 is included in the acquisition price payable balance in the consolidated statement of financial position.

The Company has determined that these acquisitions are business combinations under IFRS 3, *Business Combinations*. They are accounted for by applying the acquisition method, whereby the assets acquired and the liabilities assumed are recorded at their fair values with any excess of the aggregate consideration over the fair values of the identifiable net assets allocated to goodwill. Operating results have been included in these unaudited interim condensed consolidated financial statements from the date of the acquisition. Any goodwill recognized is attributed based on cash generating units. The following table summarizes the provisional accounting estimates of the acquisitions that occurred during the six months ended June 30, 2021:

8. ACQUISITIONS *(Continued)*

(b) Business Combinations *(Continued)*

	Glass City Alternatives	Perpetual Healthcare	The Herbal Care Center	Local Joint	Total
Cash	$ 178,041	$ 418,213	$ 2,167,840	$ 539,987	$ 3,364,081
Accounts Receivable, Net	-	-	2,000,000	86,007	2,086,007
Notes Receivable	-	-	-	389,622	389,622
Inventories	58,260	536,391	1,434,925	163,976	2,193,552
Prepaids and other current assets	50,000	42,772	108,975	55,408	257,155
Property, plant and equipment	502,164	135,225	1,642,368	468,377	2,748,134
Right of use assets	63,463	214,988	936,183	2,480,233	3,694,868
Accounts payable and accrued liabilities	(16,812)	(241,315)	(3,306,785)	(1,068,305)	(4,633,217)
Deferred tax liability	-	(6,570,197)	(11,878,38)	-	(18,448,580)
Lease liabilities	(63,463)	(214,988)	(936,183)	(2,480,233)	(3,694,867)
Total identifiable net assets (liabilities)	771,653	(5,618,910)	(7,831,060)	635,072	(12,043,245)
Intangible assets	2,721,523	33,335,364	51,268,788	16,852,174	104,177,849
Total Consideration	$3,493,174	$27,716,454	$43,437,728	$17,487,246	$ 92,134,604

	Territory	TerraVida Holistic Center	The Healing Center	Total
Cash	$ 1,808,519	$ 3,227,931	$ 3,496,250	$ 8,532,700
Accounts Receivable, Net	230,599	-	-	230,599
Inventories	6,258,199	4,627,530	3,088,059	13,973,789
Biological Assets	617,746	-	-	617,746
Prepaids and other current assets	3,738	691,665	809,880	1,505,283
Property, plant and equipment	7,872,373	2,612,109	352,233	10,836,715
Right of use assets	567,597	2,119,879	-	2,687,176
Deposits and Other Non-Current Assets	23,222	144,687	-	167,909
Accounts payable and accrued liabilities	(2,783,789)	(1,635,471)	(2,568,821)	(6,988,081)
Other Liabilities	(618,651)	-	-	(618,651)
Deferred tax liability	(22,861,052)	-	-	(22,861,025)
Lease liabilities	(567,597)	(2,119,879)	-	(2,687,176)
Total identifiable net assets (liabilities)	(9,449,096)	9,668,451	5,177,601	5,396,956
Intangible assets	126,223,109	115,427,882	114,734,256	356,385,247
Total Consideration	$ 116,774,013	$125,096,333	$119,911,857	$361,782,203

8. ACQUISITIONS *(Continued)*

(b) Business Combinations *(Continued)*

ChiVegas

In July 2020, Verano Holdings LLC acquired the remaining 50% ownership interest in a Las Vegas real estate entity, which provided Verano Holdings LLC with a controlling interest. The initial 50% interest was purchased in 2017. The transaction was accounted for as a business acquisition in accordance with IFRS 3, *Business Combinations.* The purchase price was allocated to building and land in the amount of $1,160,000. Upon the July closing, consideration included cash of $230,000 and a note payable of $350,000 (Note 10). A gain on the previously held equity interest was recognized for $458,039. The note was repaid in full in May 2021.

MME Evanston Retail, LLC

In July 2020, Verano Holdings LLC entered into a membership interest purchase agreement to acquire 100% of the ownership interests of a dispensary located in Illinois. The total purchase price was $20,000,000 plus a $66,686 purchase price adjustment. Verano Holdings LLC paid $10,000,000 in July 2020, $8,000,000 in November 2020 and $1,066,868 in March 2021. The remaining $1,000,000 of purchase price will be paid pursuant to the membership interest purchase agreement. Verano Holdings LLC, through a subsidiary, also entered into a management and administrative services agreement. Based on the funding and providing of services, the Company determined that control was transferred at the closing and accounted for the transaction as a business acquisition in accordance with IFRS 3, *Business Combination* and consolidated the seller as of July 2020. As of June 30, 2021, the present value of unpaid deferred consideration of $1,000,000 is included in the acquisition price payable balance in the consolidated statement of financial position.

Elevele, LLC

In December 2020, Verano Holdings LLC entered into a membership interest purchase agreement to acquire, 100% of the ownership interests of a dispensary located in Illinois. The total purchase price was $22,347,011 plus a $415,065 purchase price adjustment. Verano Holdings LLC paid $5,347,011 in December 2020 and $5,415,065 in March 2021. The remaining purchase price will be paid pursuant to the membership interest purchase agreement. Verano Holdings LLC, through a subsidiary, also entered into a management and administrative services agreement. Based on the funding and providing of services, the Company determined that control was transferred at the closing and accounted for the transaction as a business acquisition in accordance with IFRS 3, *Business Combination* and consolidated the seller as of December 2020. As of June 30, 2021, the present value of unpaid deferred consideration of $9,840,740 is included in the acquisition price payable balance in the consolidated statement of financial position.

FGM Processing, LLC

In December 2020, a Company affiliate entered into a membership purchase agreement with a licensee in Maryland which would allow Verano LLC to process medical marijuana in Maryland. The Company analyzed the transactions and recorded the transaction as a business acquisition in accordance with IFRS 3, *Business Combination* and consolidated the seller as of December 2020. The total purchase price was $6,900,000, plus a $186,356 purchase price adjustment, $1,050,000 was paid in December 2020 and an aggregate of $3,950,000 was paid in January and February 2021. As of June 30, 2021, the present value of unpaid deferred consideration of $2,086,356 is included in the acquisition price payable balance in the consolidated statement of financial position.

8. ACQUISITIONS *(Continued)*

(b) Business Combinations *(Continued)*

The following table summarizes the provisional accounting estimates of the acquisitions that occurred during the year ended December 31, 2020:

	Evanston	Elevele	FGM	Total
Cash	$ 451,223	$ 933,012	$ 42,217	$ 1,486,452
Accounts Receivable, Net	-	-	121,398	121,398
Inventories	552,633	431,041	66,739	1,050,413
Prepaid and other current assets	3,354	447,011	28,367	478,732
Property, plant and equipment	941,392	38,079	729,367	1,708,838
Deposits and other non-current assets	-	10,848	31,000	41,848
Right of use assets	112,012	43,791	-	155,803
Accounts payable and accrued liabilities	(940,702)	(1,108,987)	(92,358)	(2,142,047)
Deferred tax liability	(5,766,702)	(6,548,193)	-	(12,314,895)
Lease liabilities	(122,779)	(68,451)	-	(191,230)
Total identifiable net assets (liabilities)	(4,769,569)	(5,761,849)	926,730	(9,604,688)
Intangible assets	24,836,255	28,161,760	6,159,626	59,157,641
Total Consideration	$ 20,066,686	$ 22,399,911	$ 7,086,356	$ 49,552,953

Measurement period adjustments that the Company determined to be material will be applied retrospectively to the period of acquisition in the Company's unaudited condensed interim consolidated financial statements, and depending on the nature of the adjustments, other periods subsequent to the period of acquisition could be affected. The primary areas of the purchase price allocation that are subject to change relate to the fair value of certain tangible assets, the value of intangible assets acquired, and residual goodwill. The Company expects to continue to obtain information to assist in determining the fair value of the net assets acquired at the acquisition date during the measurement period.

(c) Licenses

NSE Holdings, LLC

On February 24, 2021, a subsidiary of the Company entered into an agreement pursuant to which it acquired all the equity interests of a licensee that holds one dispensary permit in Pennsylvania, which gives the subsidiary of the Company the ability to open three dispensaries. The transaction closed on March 9, 2021. Pursuant to the agreement, the Company paid cash consideration of $7,350,000 upon closing and issued 666,587 Subordinate Voting Shares and Proportionate Voting Shares equivalent to 666,586 Subordinate Voting Shares on an as-converted basis. The Company analyzed the transaction and recorded the transaction as an asset acquisition. The Company capitalized licenses in the amount of $55,015,651. As of June 30, 2021, the present value of unpaid deferred consideration is $25,550,049 and is included in the acquisition price payable balance in the consolidated statement of financial position. The unpaid consideration is related to earnouts due in July 2022, 2023, and 2024 and is expected to be settled in share issuances.

8. ACQUISITIONS *(Continued)*

(c) Licenses *(Continued)*

Ohio Grow Therapies, LLC

On June 30, 2021, a subsidiary of the Company entered into a letter agreement to acknowledge final closing pursuant to an option purchase agreement entered into on January 14, 2019, which would allow the Company to operate one dispensary located in Newark, Ohio. The final closing had no impact on operations as the Company already exerted control over the dispensary through a consulting agreement entered into in 2019. The Company capitalized the license in the amount of $760,000 to the intangible license value included on the consolidated statement of financial position.

Local Dispensaries, LLC

On July 6, 2020, a Company affiliate entered into consulting, licensing, or other contractual arrangements with licensees in Pennsylvania which would allow the Company to operate medical and/or recreational marijuana dispensaries in Pennsylvania. The Company analyzed the transactions and recorded the transactions as asset acquisitions. The Company capitalized the licenses in the amount of $7,000,000 to the intangible license value and is included in the intangible assets on the consolidated statement of financial position. The Company entered into a secured promissory note of $3,163,000 in July 2020 and all obligations under the note were fully repaid ahead of the scheduled pay-off date. No financial obligations remain outstanding under the transaction documents.

9. INTANGIBLE ASSETS AND GOODWILL

As of June 30, 2021, indefinite lived intangible assets and goodwill consisted of the following:

	Licenses	Tradenames	Goodwill	Technology	Total
Balance as of January 1, 2020	$ 19,802,449	$ 78,000	$ 5,064,248	$ -	$ 24,944,697
Purchases	7,000,000	-	-	-	7,000,000
Additions from business combination	46,216,281	-	14,234,795	-	60,451,076
Disposals	-	-	(2,987,861)	-	(2,987,861)
Amortization	-	-	-	-	-
Balance as of December 31, 2020	$ 73,018,730	$ 78,000	$ 16,311,182	$ -	$ 89,407,912

	Licenses	Tradenames	Goodwill	Technology	Total
Balance as of January 1, 2021	$ 73,018,730	$ 78,000	$ 16,311,182	$ -	$ 89,407,912
Purchases	55,775,651	-	-	115,000	55,890,651
Additions from business combination	829,556,091	52,098,709	248,537,538	9,739,474	1,139,931,812
Disposals	-	-	-	-	-
Amortization	-	-	(79,628)	(507,646)	(587,274)
Balance as of June 30, 2021	$ 958,350,472	$ 52,176,709	$ 264,769,092	$ 9,346,828	$ 1284,643,101

10. NOTES PAYABLE

As of June 30, 2021 and December 31, 2020, notes payable consisted of the following:

	June 30, 2021	December 31, 2020
Credit Agreement dated July 2, 2020 (the "Credit Agreement") for an initial commitment of $20,000,000 funded by various investors with Chicago Atlantic GIC Advisers, LLC as administrative and collateral agent, and an incremental loan not to exceed $10,000,000; interest at 15.25% per annum; and a maturity date of May 30, 2023. On May 10, 2021, the Company amended and restated the Credit Agreement by entering into an Amended and Restated Credit Agreement for a senior secured term loan of $130,000,000; interest at 9.75% per annum for the incremental $100,000,000; and a maturity date of May 30, 2023. The note is substantially collateralized by all the assets of the Company and is subject to certain restrictive covenants as defined in the agreement. Refer to *(a)* below.	$ 130,000,000	$ 30,000,000
Convertible note dated November 25, 2019 in the principal amount of $5,000,000 issued to accredited investors; interest at 1.5% per month and a maturity date in August 2020 subject to an extension of six months or the completion of a transaction, if earlier. All principal and accrued interest was repaid in February 2021. Refer to *(b)* below.	-	3,709,425
Secured promissory notes dated February 13, 2019 in the principal amount of $3,412,500 issued to accredited investors; interest at 2.57% compounded annually; and a maturity date in February 2020. The note was amended in June 2020, extended for six months to August 2020 and is subject to four extension dates. The interest rate was also amended to 6% per annum from February to June 2020, 11% compounded annually until August 2020, 14% compounded annually until the second extension date of February 2021. All obligations under the note were repaid in February 2021. Refer to *(c)* below.	-	3,412,500
Promissory note secured by deed of trust dated May 15, 2020 in the principal amount of $1,473,922 issued to Eastern and Pebble, LLC; bears interest at 4% per annum and matures on September 15, 2021.	317,277	856,594
Promissory note dated July 31, 2017, in the principal amount of $2,900,000 issued to an accredited investor; monthly payments of $19,294 with a balloon payment of $2,493,308 due on August 1, 2027 including interest at 7.00% per annum. Refer to *(d)* below.	2,774,993	2,790,274
Promissory Note dated July 2, 2020, in the original amount of $350,000 issued to BB Marketing, LLC; matures in June 2021; interest is due at 5% in the event of a default. All obligations under the note were repaid in May 2021.	-	350,000
Notes payable to Ford Motor Credit and Toyota Commercia Financing for auto loans with interest ranging from 6.5% to 10% per annum; maturing in November 2025 and secured by vehicles.	868,727	-

Notes payable to investors, in the prinicpal principal amount of $3,670,000, simple annual interest of 10% per annum; matures inMarch 2022. The notes are an accumulation of seven notes to finance construction of a cultivation facilities in Florida and Arizona. Two note holders are related parties that account for $400,000 of the aggregate principal amount.	2,670,000	-
Mortgage to Pioneer Title Agency with interest of 6% per annum and matures in March 2023.	601,170	-
Note payable to Fidelity National Title with interest of 10% per annum and matures in July 2022.	2,218,750	-
Less: unamortized debt issuance costs	5,439,781	824,883
Total Notes Payable	134,011,136	40,293,910
Less: Current Portion of Notes Payable	2,969,277	7,814,261
Notes Payable, Net of Current Portion and Unamortized Debt Issuance Cost	**$ 131,041,859**	**$ 32,479,649**

Stated maturities of debt obligations are as follows:

	Principal Payments	Unamortized Debt Issuance Costs	Total Notes Payable
Remainder of 2021	$ 1,156,119	$ 1,431,931	$ (275,812)
2022	4,967,252	2,840,515	2,126,737
2023	130,384,566	1,167,335	129,217,231
2024	253,539	-	253,539
2025	110,947	-	110,947
2026 and Thereafter	2,578,493	-	2,578,493
Total	$ 139,450,917	$ 5,439,781	$ 134,011,136

(a) On May 10, 2021, the Company entered into an Amended Credit Agreement for a senior secured term loan with Chicago Atlantic Advisers, LLC (“Green Ivy”). The terms of the Amended Credit Agreement are outlined below:

- New $100 million credit agreement with a maturity date of May 30, 2023, with an annual interest rate of 9.75%.
- Amended the existing $30 million credit agreement to extend the maturity to May 30, 2023. The interest rate of 15.25% remained unaffected.

In accordance with IFRS 9, *Financial Instruments*, the $100 million credit facility is accounted for as a new credit facility. The existing $30 million credit facility was extended from June 30, 2022, to May 30, 2023, and qualifies as a debt modification. The existing credit facility had $643,590 of unamortized debt issuance cost at the time of the debt modification and is now amortized through May 30, 2023. The company incurred $5,132,199 in issuance costs and debt discounts on the new credit agreement, which was paid net of proceeds in May 2021. The Company amortizes debt issuance costs through interest expense over the life of the debt instrument.

10. NOTES PAYABLE *(Continued)*

The senior secured term loan is subject the following restrictive covenants, a minimum liquidity ratio, minimum consolidated EBITDA and fixed charge coverage ratio. As of June 30, 2021, the Company was compliant with all restrictive covenants.

(b) At the sole option of the lender or upon completion of a transaction, the convertible notes are convertible to equity. A total of $10,000,000 was advanced during 2019, of which $5,000,000 was advanced from ZenNorth, LLC and affiliates and $5,000,000 from the Company's Chief Executive Officer. Both advances had an origination fee of 2%, which is due in full on the maturity date. The origination fee was recorded as a reduction to the carrying value of the note payable. This reduction is recognized on a straight-line basis which approximates the effective interest rate method as interest expense.

Additionally, in connection with the convertible notes issued in 2019, Verano Holdings LLC issued warrants to purchase 990,000 common shares with an exercise price of $7.575 per share. The warrants have a three year term from the date of the closing. Verano Holdings LLC determined the fair value of the warrants to be $5,061,933 using the Black-Scholes valuation model with a volatility of 85%, dividend yield of 0% and risk-free rate of 1.60%. A debt discount is reflected as a reduction of the carrying value of the note payable on the Company's consolidated statements of financial position and is being amortized over the term of the notes. Amortization of the debt issuance cost for warrants was $0 and $4,405,756 for the periods ended June 30, 2021 and December 31, 2020, respectively. The conversion feature was treated as an embedded derivative liability and did not require bifurcation, as such the entire amount was recorded as a liability. The warrants for 424,242 units and 990,000 common shares were exercised for an exercise value of $3,029,088 and $7,499,250, respectively. The exercise proceeds were used to relieve the remaining debt outstanding with ZenNorth, LLC. The exercise proceeds for the Chief Executive Officer did not exceed the outstanding note balance, leaving an outstanding balance of $3,709,425 at December 31, 2020, which was repaid in full in February 2021.

(c) The two promissory notes which have convertible features, with an outstanding balance at December 31, 2020 of $3,412,500 are collateralized by the note holders' units in DGV Group, LLC. These notes were repaid in full in February 2021.

(d) The promissory note with an outstanding balance of $2,790,274 at December 31, 2020 is collateralized by real estate and improvements made to the property.

11. DERIVATIVE LIABILITIES

Convertible Notes

Verano Holdings LLC had two convertible notes in 2020 (Note 10). A reconciliation of the beginning and ending balances of the derivative liabilities for the periods ended June 30, 2021 and December 31, 2020 were as follows:

		Derivative Liability
Balance as of January 1, 2020	$	6,778,510
Fair value of derivative liabilities on issuance date		-
Additional issuance		-
Gain on derivative liability		(6,778,510)
Balance as of December 31, 2020	$	-
Balance as of January 1, 2021	$	-
Additional issuance		-
Balance as of June 30, 2021	$	-

11. DERIVATIVE LIABILITIES *(Continued)*

In accordance with IFRS, a contract to issue a variable number of equity shares fails to meet the definition of equity and must instead be classified as a derivative liability and measured at fair value with changes in fair value recognized in the consolidated statements of operations at each period-end. The derivative liability will ultimately be converted into the Company's equity when the convertible notes payable is converted or will be extinguished on the repayment of the convertible notes payable and will not result in the outlay of any additional cash by the Company.

Upon initial recognition, the Company recorded a derivative liability and debt discount of $3,126,285 in relation to the derivative liability portion of the convertible notes. The Company had additional issuances through the remainder of 2019 that resulted in an additional debt discount of $3,089,906. The Company recorded $5,525,503 amortization related to the debt discount for the year ended December 31, 2020.

As of December 31, 2020, the Company had no probability of debt conversion. The Company adjusted the fair value of the derivative liabilities and debt discount to reflect the outcome.

12. SHARE CAPITAL

Common shares are classified as equity. Incremental costs directly attributable to the issuance of shares are recognized as a deduction from equity. The proceeds from the exercise of stock options or warrants together with amounts previously recorded in reserves over the vesting periods are recorded as share capital. Income tax relating to transaction costs of an equity transaction is accounted for in accordance with International Financial Reporting Standards (IAS) 12, *Income Taxes*.

(a) Issued and Outstanding

As of June 30, 2021, the Company has 120,358,610 Subordinate Voting Shares and 1,868,646 Proportionate Voting Shares for a total of 307,223,182 Subordinate Voting Shares on a converted basis, issued and outstanding. The Company has the following classes of share capital, with each class having no par value:

(i) Subordinate Voting Shares

The holders of the Subordinate Voting Shares are entitled to receive dividends which may be declared from time to time and are entitled to one vote per share at shareholder meetings of the Company. All Subordinate Voting Shares are ranked equally regarding the Company's residual assets. The Company is authorized to issue an unlimited number of no-par value Subordinate Voting Shares.

(ii) Proportionate Voting Shares

Each Proportionate Voting Share is entitled to one hundred votes per share at shareholder meetings of the Company and is exchangeable for one hundred Subordinate Voting Shares. The Company is authorized to issue an unlimited number of Proportionate Voting Shares.

During the six months ending June 30, 2021, the shareholders of the Company converted both Proportionate Voting Shares and Subordinate Voting Shares for a net impact of conversion of 13,621,002 Subordinate Voting Shares into 136,210 Proportionate Voting Shares.

12. SHARE CAPITAL *(Continued)*

(b) Stock-Based Compensation

In February 2021, the Company established the Verano Stock and Incentive Plan (the "Plan"). Equity incentives granted generally vest over eighteen to thirty-six months, and typically have a life of ten years. Option grants are determined by the Compensation Committee of the Board with the option price set at no less than 100% of the fair market value of a share on the date of grant.

On February 18, 2021, the Company granted non-qualified incentive Proportionate Voting Share stock options to employees, exercisable at CAD$3,060 on the grant date. The options vest over thirty months to purchase up to an aggregate of 516 Proportionate Voting Shares of the Company.

The Company issued additional non-qualified incentive Proportionate Voting Share stock options to employees, exercisable at CAD$2,400 during the three month period ended June 30, 2021. The options vest over thirty months to purchase up to an aggregate of 54 Proportionate Voting Shares of the Company.

The Company used the Black-Scholes option pricing model to estimate the fair value of the options at the grant date. This options pricing model requires the application of estimates and assumptions. As the Company became publicly traded in 2021, sufficient historical trading information was not available to determine an expected volatility rate. The volatility rate was based on comparable companies within the same industry.

During the six month period ended June 30, 2021, the Company granted 35,378 Proportionate Voting Shares as restricted stock units to employees and directors, vesting over eighteen to thirty-six months. The Company recognized 321 shares as forfeited and no restricted stock units vested during the six months ended June 30, 2021.

The Company recorded expense of $316,120 for the six months ended June 30, 2021 as share-based compensation related to the Plan.

(c) Noncontrolling Interest

On March 8, 2021, the Company acquired individually insignificant non-controlling interests in Natural Treatment Solutions, LLC for an approximate aggregate purchase price of $10,000.

(d) Warrants

On February 24, 2021, the Company entered into an agreement with Beacon Securities Limited ("Beacon") and Canaccord Genuity Corp. on behalf of a syndicate of underwriters , pursuant to which the underwriters agreed to purchase, on a bought deal private placement basis, 3,510,000 warrants of the Corporation (the "Special Warrants") at a price per Special Warrant of C$28.50 (the "Issue Price") for aggregate gross proceeds to the Company of C$100,035,000 (the "Offering"). The Corporation granted such underwriters an option, exercisable by Beacon on behalf of the Underwriters, in whole or in part at any time up to 48 hours prior to the closing date of the Offering, to purchase up to an additional 526,500 Special Warrants at the Issue Price for additional gross proceeds of up to C$15,005,250. Closing of the Offering occurred on March 11, 2021. The net proceeds of the Offering will be used for acquisitions, working capital and general corporate purposes. Each Special Warrant entitles its holder to receive one Subordinate Voting Share. All Special Warrants were exercised on June 24, 2021.

13. EARNINGS PER SHARE

The Company computes basic earnings per share by dividing net income available to its shareholders by the weighted-average number of shares of its stock outstanding, on an as converted basis. The Company weighs shares issued for the portion of the period that they were outstanding. The Company's diluted earnings per share reflect the impacts of the Company's potentially dilutive securities, which include the Company's equity compensation awards.

	Six Months Ended June 30, 201	Three Months Ended June 30, 201
Numerator		
Net Income	$ 74,914,749	$ 6,830,104
Denominator		
Basic		
Pre-RTO weighted-average shares outstanding	158,203,932	-
Post-RTO weighted-average shares outstanding	128,124,780	128,990,489
Weighted-average shares outstanding – basic	134,938,290	128,990,489
Diluted		
Pre-RTO weighted-average shares outstanding	202,272,124	-
Post-RTO weighted-average shares outstanding	301,041,276	307,369,829
Weighted-average shares outstanding – diluted	278,668,153	307,369,829
Basic earnings per share	$ 0.56	$ 0.05
Diluted earnings per share	$ 0.27	$ 0.02

The Company does not disclose prior period earnings per share as the information is not relevant to the users of the financial statements.

14. REVENUE RECOGNITION

Revenue is recognized by the Company in accordance with IFRS 15, *Revenue from Contracts with Customers.* Through application of the standard, the Company recognizes revenue at a distinct point in time upon the transfer of promised goods to the customer in an amount that reflects the consideration to which the Company expects to be entitled in exchange for such goods.

In order to recognize revenue under IFRS 15, the Company applies the following five (5) steps:

- Identify a customer along with a corresponding contract;
- Identify the performance obligation(s) in the contract to transfer goods or provide distinct services to a customer;
- Determine the transaction price the Company expects to be entitled to in exchange for transferring promised goods or services to a customer;
- Allocate the transaction price to the performance obligation(s) in the contract;
- Recognize revenue when or as the Company satisfies the performance obligation(s).

Under IFRS 15, revenues from the sale of cannabis are generally recognized at a point in time when control over the goods have been transferred to the customer. Payment is due upon transferring the goods to the customer. The Company's wholesale customers are dispensaries, both third party dispensaries and those owned or controlled by the Company. The Company's retail customers are individuals purchasing goods for medical or recreational purposes.

14. REVENUE RECOGNITION *(Continued)*

Certain wholesale customers may have payment terms within a specified time-period permitted under the Company's credit policy, typically within 30 days of transfer. The Company generally requires previous payment from a customer prior to entering into another contract with such customer.

Revenue is recognized upon the satisfaction of the performance obligation. The Company satisfies its performance obligation and transfers control upon delivery and acceptance by the customer. Revenue is presented net of discounts and sales tax and other related taxes.

The Company has customer loyalty programs in which retail customers accumulate points for each dollar spent. These points are recorded as a contract liability until customers redeem their points for discounts on cannabis and vape products as part of an in-store sales transaction. In addition, the Company records a performance obligation as a reduction of revenue based on the estimated redemption probability of point obligation incurred, which is calculated based on a standalone selling price.

15. LOYALTY OBLIGATIONS

The Company has customer loyalty programs where retail customers accumulate points for each dollar of spending. These points are recorded as a contract liability until customers redeem their points for discounts on cannabis and vape products as part of an in-store sales transaction. In addition, the Company records a performance obligation as a reduction of revenue based on the estimated probability of point obligation incurred, which is calculated based on a standalone selling price that ranges between $0.05 and $0.08 per loyalty point.

Upon redemption, the loyalty program obligation is relieved and the offset is recorded as revenue. As of June 30, 2021, there were 81,815,636 points outstanding, with an approximate value of $3,675,246, which is included in accrued liabilities. As of December 31, 2020, there were 42,273,800 points outstanding, with an approximate value of $2,060,848. The Company estimates that 25% of points will not be redeemed (breakage) and expects the remaining outstanding loyalty points will be redeemed within one year.

16. INCOME TAXES

The June 30, 2021, provision for income taxes has been calculated using an effective average annual tax rate. The effective annual tax rate as of June 30, 2021 is 40.1 percent compared to a June 30, 2020 year-to-date actual effective tax rate of 49.1 percent and a full year 2020 effective tax rate of 38.2 percent. The increase the 2021 effective annual tax rate over the 2020 actual full year tax rate is primarily driven by expected increases to the negative impacts of IRC Section 280E nondeductible expenses.

17. COMMITMENTS AND CONTINGENCIES

(a) Leases

The Company leases certain business facilities from third parties under operating lease agreements that contain minimum rental provision that expire through 2040. Some of these leases also contain renewal provision and provide for rent abatement and escalating payments. In accordance with IFRS 16, commitments will be recognized as a right-of-use asset representing the right to use the underlying asset and a lease liability representing the obligation to make lease payments.

Future minimum lease payments under non-cancelable operating leases having an initial or remaining term of more than one year are as follows:

17. COMMITMENTS AND CONTINGENCIES *(Continued)*

Year Ending December 31,	Scheduled payments
Remainder of 2021	$ 4,345,623
2022	8,756,714
2023	8,067,427
2024	7,478,487
2025	6,731,558
2026 and thereafter	26,398,811
Total undiscounted lease liabilities	61,778,620
Impact of Discount	(17,856,357)
Lease liability as of June 30, 2021`	43,922,263
Less current portion of lease liabilities	(5,677,797)
Long-term portion of lease liabilities	$ 38,244,466

As of June 30, 2021 the Company recorded depreciation on the right-of-use assets of $2,487,580, of which $342,684 was included in cost of goods sold. The Company recorded interest expense of $1,265,246, of which $55,826 was included in cost of goods sold.

As of December 31, 2020, the Company recorded depreciation on the right-of-use assets of $1,841,035, of which $694,871 was included in cost of goods sold and the Company recorded interest expense of $834,024, of which $240,934 was included in cost of goods sold.

(b) Claims and Litigation

The Company's operations are subject to a variety of local and state regulation. 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 compliance with applicable local and state regulation at June 30, 2021, medical cannabis regulations continue to evolve and are subject to differing interpretations. As a result, the Company may be subject to regulatory fines, penalties, or restrictions in the future.

From time to time, the Company may be involved in litigation relating to claims arising out of operations in the normal course of business. These matters include employment and other claims against entities that were subsequently acquired by the Company and for which indemnification and other reimbursement rights may be available to the Company. At June 30, 2021 there were no pending or threatened lawsuits that could reasonably be expected to have a material effect on the results of the Company’s consolidated operations, except as disclosed in these unaudited condensed interim consolidated financial statements. 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.

i. On January 22, 2021, Verano received a letter from a shareholder, who was formerly a member in Verano Holdings, LLC, demanding that Verano produce documents and information related to Verano Holdings, LLC’s debt and equity financing activities in 2018 and 2019. In response to Verano’s production of such information, the shareholder has alleged that the warrants provided in connection with the Rockview loan and the loan from Mr. Archos described in *Section 3.1 – General Development of Verano’s Business* were not properly priced or valued. Verano agreed to participate in mediation with this shareholder regarding the claims, which took place on April 13, 2021. The parties were unable to reach a settlement at such time. No reserves for the claim has been recorded as of June 30, 2021.

18. RELATED PARTY TRANSACTIONS

(a) Due from Related Parties

As of June 30, 2021, and December 31, 2020, amounts due from related parties were comprised of balances due from investors of $62,236 and $108,254, respectively. These amounts are due on demand and did not have formal contractual agreements governing payment terms or interest. Other related party transactions are described through these unaudited condensed interim consolidated financial statements.

(b) Due to Related Parties

As of June 30, 2021, and December 31, 2020, amounts due to related parties were comprised of advances to investors payable totaling $44,664 and $44,664, respectively. Advances did not have formal contractual agreements governing payment terms or interest.

19. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT

Financial Instruments

The Company's financial instruments consist of biological assets, notes receivable, notes payable, and derivative liability. The carrying values of these financial instruments approximate their fair values at June 30, 2021.

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 have been no transfers between fair value levels during the years ended June 30, 2021 and December 31, 2020.

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 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 at December 31, 2020 and 2019 is the carrying amount of cash. The Company does not have significant credit risk with respect to its customers. All cash is placed with major U.S. financial institutions.

The Company provides credit to its customers in the normal course of business and has established credit evaluation and monitoring processes to mitigate credit rise but has limited risk as the majority of its sales are transacted with cash.

(b) Liquidity Risk

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's approach to managing liquidity is to ensure that it will have sufficient liquidity to settle obligations and liabilities when due.

19. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT *(Continued)*

(c) Market Risk

(i) 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. The Company's financial debts have fixed rates of interest and therefore expose the Company to a limited interest rate fair value risk.

(ii) Price Risk

Price risk is the risk of variability in fair value due to movements in equity or market prices. See Note 6 for the Company's assessment of certain changes in the fair value assumption used in the calculation of biological asset values.

(d) Banking Risk

Notwithstanding that a majority of states have legalized medical marijuana, there has been no change in U.S. federal banking laws related to the deposit and holding of funds derived from activities related to the marijuana industry. Given that U.S. federal law provides that the production and possession of cannabis is illegal, there is a strong argument that banks cannot accept for deposit, funds from businesses involved with the marijuana industry. Consequently, businesses involved in the marijuana industry often have difficulty accessing the U.S. banking system and traditional financing sources. The inability to open bank accounts with certain institutions may make it difficult to operate the businesses of the Company and leaves their cash holdings vulnerable.

(e) Asset Forfeiture Risk

Because the cannabis industry remains illegal under U.S. federal law, any property owned by participants in the cannabis industry, which either are 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.

(f) Regulatory Risk

Regulatory risk pertains to the risk that the Company's business objectives are contingent, in part, upon the compliance of regulatory requirements. Due to the nature of the industry, the company recognizes that regulatory requirements are more stringent and punitive in nature. Any delays in obtaining, or failure to obtain regulatory approvals can significantly delay operational and product development and can have a material adverse effect on the Company's business, results of operation, and financial condition.

The Company is cognizant of the advent of regulatory changes occurring in the cannabis industry on the city, state, and national levels. Although regulatory outlook on the cannabis industry has been moving in a positive trend, the Company is aware of the effect of unforeseen regulatory changes can have on the goals and operations of the business as a whole.

(g) Tax Risk

Tax risk is the risk of changes in the tax environment that would have a material adverse effect on the Company's business, results of operations, and financial condition. Currently, state licensed marijuana businesses are assessed a comparatively high effective federal tax rate due to section 280E which bars businesses from deducting all expenses except their cost of sales when calculating federal tax liability. Any increase in tax levies resulting from additional tax measures may have a further adverse effect on the operations of the Company, while any decrease in such tax levies will be beneficial to future operations.

20. SUBSEQUENT EVENTS

The Company has evaluated subsequent events through August 10, 2021, which is the date on which the financial statements were available to be issued.

(a) Acquisitions

Mad River Remedies, LLC

On April 1, 2021, the Company announced it had entered into an agreement to acquire Mad River Remedies, LLC, a dispensary of medical marijuana in Dayton, Ohio. The transaction closed on July 8, 2021.

Agri-Kind, LLC

On April 21, 2021, the Company entered into an agreement to acquire all of the issued and outstanding equity interests in Agri-Kind, LLC ("Agri-Kind"), an operator of a 62,000 sq. ft. cultivation and production facility of medical marijuana located in Chester, Pennsylvania, and Agronomed Holdings Inc., the owner of the cultivation and processing facility operated by Agri-Kind. These transactions closed on July 12, 2021. The total consideration includes cash consideration of US$66,000,000, the issuance of 3,208,035 Subordinate Voting Shares and an earnout of US$31,500,000, which may be increased based upon financial performance metrics of Agri-Kind for 2021 and is payable in Subordinate Voting Shares, unless cash payment is elected by the recipient. The Company may issue additional Subordinate Voting Shares as consideration if the average trading price of the Subordinate Voting Shares falls below specified levels on the six month and twelve month anniversaries of the closing date. Agri-Kind's management team is expected to remain with the acquired business.

Agronomed Biologics, LLC

On April 21, 2021, the Company entered into an agreement to acquire all of the issued and outstanding equity interests in Agronomed Biologics, LLC ("Agronomed"), which holds a clinical registrant license (including cultivation and production and six dispensaries, to be developed) in the Commonwealth of Pennsylvania. As a clinical registrant, Agronomed has partnered with the Drexel University College of Medicine to conduct medical marijuana research. This transaction closed on July 12, 2021. The total consideration includes cash consideration of US$10,000,000, 3,240,436 Subordinate Voting Shares and an earnout of US$15,000,000, which is payable in Subordinate Voting Shares unless cash payment is elected by the recipient. The Company may issue additional Subordinate Voting Shares as consideration if the average trading price of the Subordinate Voting Shares falls below specified levels on the six month and twelve month anniversaries of the closing date. Agronomed's management team is expected to remain with the acquired business.

WSCC, Inc.

On July 26, 2021, the Company announced it had entered into an agreement to acquire all of the issued and outstanding equity interests in WSCC, Inc., a Nevada corporation d/b/a Sierra Well ("Sierra Well"). The total consideration is US$29,000,000, which is payable in a combination of cash and Subordinate Voting Shares. Closing of the acquisition is subject to customary conditions, contingencies, and approvals, including regulatory approval.

(b) Litigation

See Claims above.

Schedule C

Verano Holdings Corp.

MANAGEMENT'S DISCUSSION & ANALYSIS

FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2021 AND 2020

(Amounts Expressed in United States Dollars Unless Otherwise Stated)

This management discussion and analysis ("**MD&A**") of the financial condition and results of operations of Verano Holdings Corp. ("**Verano**" or, the "**Company**") is for the three and six months ended June 30, 2021, and 2020. This MD&A is dated August 10, 2021. It is supplemental to, and should be read in conjunction with, the Company's unaudited condensed interim consolidated financial statements as of June 30, 2021, and the consolidated financial statements for the year ended December 31, 2020, and accompanying notes for each respective period. The Company's financial statements are prepared in accordance with International Financial Reporting Standards ("**IFRS**").

This MD&A has been prepared by reference to the MD&A disclosure requirements established under National Instrument 51-102 – *Continuous Disclosure Obligations* of the Canadian Securities Administrators. It contains certain "forward-looking statements" and certain "forward-looking information" as defined under applicable United States securities laws and Canadian securities laws. Please refer to the discussion of forward-looking statements and information set out under the heading "Cautionary Note Regarding Forward-Looking Information." As a result of many factors, the Company's actual results may differ materially from those anticipated in these forward-looking statements and information.

Financial information presented in this MD&A is presented in United States dollars ("**$**" or "**US$**"), unless otherwise indicated. All references to "$" are to United States dollars unless otherwise explicitly specified.

OVERVIEW OF THE COMPANY

The Company is a leading vertically-integrated multi-state cannabis operator in the United States. An operator of licensed cannabis cultivation, processing and retail facilities, the Company's goal is the ongoing development of communal wellness by providing responsible access to regulated cannabis products to the discerning high-end customer. The Company is licensed to operate in 14 U.S. States, with active operations in 11, which includes 76 active dispensaries, eight cultivation licenses and approximately 690,000 square feet across its cultivation facilities and 10 processing/manufacturing licenses with a focus on tightly regulated, limited license markets. Pending the close of acquisitions and construction, the Company will have 82 active dispensaries, 11 cultivation licenses and 842,000 square feet across its cultivation facilities. The Company produces a suite of premium, artisanal cannabis products sold under its portfolio of consumer brands, including Encore™, Avexia™, MÜV™ and Verano™. The Company designs, builds and operates branded dispensary environments including Zen Leaf™ and MÜV™ that deliver a cannabis shopping experience in both medical and adult-use markets.

All of the Company's business (and balance sheet and operating statement exposure) relates to U.S. marijuana-related activities.

The Company, through its subsidiaries and affiliates, holds, operates, manages, consults, licenses, and/or controls licenses/permits in the States of Illinois, Florida, Arizona, New Jersey, Pennsylvania, Ohio, Maryland, Massachusetts, Nevada, Michigan, Arkansas, West Virginia, California and Missouri. Each State has a unique approach to licenses and vertical integration for cultivation, manufacturing, distribution, and sale of cannabis.

The Company's strategy is to vertically integrate as a single cohesive company through the consolidation of cultivating, manufacturing, distributing, and dispensing premium brands and products at scale. Verano's strategy of cultivation and wholesale of cannabis consumer packaged goods supports the national retail dispensary chain operating under the Zen Leaf™ and MÜV brands, among other brands. This combination guarantees shelf-space in the Company's own retail stores, as well as fosters mutually beneficial relationships with its third-party dispensary customers though supply agreements. Verano's cohesive strategy has been complementary and accretive.

As a vertically-integrated company with a portfolio of brands and products including a proprietary portfolio of over 1,000 product SKUs, Verano manufactures and sells a comprehensive array of premium cannabis products. Verano's products were designed and developed with various consumer segments in mind and include premium flower, concentrates for dabbing and vaporizing, edibles, and topicals. Verano distributes its portfolio of brands to the vast majority of cannabis retail stores in its active markets, including its own retail outlets.

Verano has established its footprint in such a manner that enables it to adapt to changes in both industry and market conditions seamlessly and profitably. Verano believes that the following have positioned it for growth:

- Verano's business plan centers around four foundational pillars: cultivation, production, brand creation and retail. Verano believes this diversity in revenue streams positions it to respond positively to changes in economics, regulations and healthcare, as well as navigating ever-evolving consumer habits.

- Verano operates and manages the entire vertical cannabis operation and supply chain, from seed to sale.

- Verano's deliberate and proven approach historically has focused on large markets where it aims to be the first in.

- Verano's network encompasses a market of nearly 150 million Americans in Illinois, Florida, Arizona, New Jersey, Pennsylvania, Ohio, Maryland, Massachusetts, Nevada, Michigan, Arkansas, West Virginia, California, and Missouri.

- Verano emphasizes developing premium, handcrafted products in controlled quantities. The quality, positive reviews and finite availability elevate Verano's products' market desirability and value.

- Verano grows pesticide-free, meeting testing and State regulatory requirements, and, while no facilities are GMP-certified, Verano believes it adheres to Current Good Manufacturing Practices (cGMP) with respect to such facilities. Verano adheres to Standard Operating Procedures in all cultivation/manufacturing facilities.

- Verano will seek to continue to expand through the acquisition of new licenses and existing businesses as well as leveraging relationships within the research and development sectors.

- Verano espouses a customer- and patient-driven business philosophy to deliver value to its downstream customers and consumers.

The United States federal government regulates drugs through the *Controlled Substances Act* (21 U.S.C. § 811) (the "**CSA**"), which places controlled substances, including cannabis, in a schedule. Cannabis is classified as a Schedule I drug. Under United States federal law, a Schedule I drug or substance has a high potential for abuse, no accepted medical use in the United States, and a lack of accepted safety for the use of the drug under medical supervision. The United States Food and Drug Administration has not approved cannabis as a safe and effective drug for any indication.

In the United States, cannabis is largely regulated at the State level. State laws regulating cannabis are in direct conflict with the federal CSA, which makes cannabis use and possession federally illegal. Although certain States authorize medical and/or adult-use cannabis production and distribution by licensed or registered entities, under United States federal law, the possession, use, cultivation, and transfer of cannabis and any cannabis-related drug paraphernalia is illegal and any such acts are criminal acts under federal law. The Supremacy Clause of the United States Constitution establishes that the United States Constitution and federal laws made pursuant to it are paramount and in case of conflict between federal and State law, the federal law shall apply. The enforcement of relevant federal laws is a significant risk.

Please see "U.S. Cannabis Regulatory Environment" and "Risk Factors" for further details associated with the U.S. cannabis regulatory environment.

Business Operations

Verano, which has one of the largest footprints for multi-state, vertically-integrated owners and operators in the U.S., derives its revenues from a balanced contribution of sources through its wholesale cannabis business and national retail dispensaries under brands including Zen Leaf™ and MÜV™. The Company's objective is to support it's national retail dispensary chain through its wholesale cannabis consumer packaged goods business (cultivation and manufacturing).

Currently the wholesale and retail channels are vertically-integrated across multiple highly-regulated, limited license, and therefore limited legal supply markets in Illinois, Maryland, Florida, Massachusetts, West Virginia, Pennsylvania, Arizona, New Jersey, Nevada and Ohio. In addition, Verano has dispensaries, licenses, or interests in several other key markets, including Arkansas, Michigan, California and Missouri. The Company's primary markets, where supply and demand can be reasonably predicted and forecasted, create the foundation upon which Verano has sought to build sustainable profitable growth.

This combination ownership of wholesale and retail supports Verano's strategy of distributing brands at scale by enabling Verano to capture large market share, generate brand awareness, and earn customer loyalty in its operating markets. The Company plans to continue expansion of its operations by winning merit-based processes or acquiring licenses in limited license markets and increasing its presence in current markets.

Operational Foundation and Current Markets

The geographic markets in which Verano currently operates wholesale and retail businesses include Illinois, Maryland, Massachusetts, Nevada, Ohio, New Jersey, Pennsylvania, Florida, Arizona and West Virginia. Geographic markets where Verano currently has dispensaries, licenses or other commercial interests include Arkansas, Michigan, California and Missouri. All of these markets are subject to State regulations that vary State-by-State and have historically been modified and amended from time to time since initial enactment. In addition, municipalities may individually determine what local permits or licenses are required to operate within its boundaries. The Company monitors and stays apprised of changes to applicable laws and regulations, and the Company expects State and local laws and regulations to continue to be modified and amended. The Company's operations and business interests may be impacted by future changes in laws and regulations.

Illinois Operations

Subject to State regulations, Illinois currently allows access to cannabis for both medical and adult-use.

The *Compassionate Use of Medical Cannabis Pilot Program Act* (the "**IL Act**") was signed into law in August 2013 and took effect on January 1, 2014. The IL Act provides medical cannabis access to registered patients who suffer from a list of over 30 medical conditions including epilepsy, cancer, HIV/AIDS, Crohn's disease and post-traumatic stress disorder. As of July 7, 2021 approximately 158,439 patients have been registered under the IL Act and are qualified to purchase cannabis and cannabis products from registered dispensaries for medical use. The *Cannabis Regulation and Tax Act*, 410 ILCS 705 *et seq.* (the "**CRTA**") was signed into law on or about May 31, 2019 and took effect on January 1, 2020. The CRTA legalizes the cultivation, manufacture, and sale of cannabis for adult-use purposes. Under the CRTA, cultivation centers licensed under the IL Act are permitted, upon approval from regulatory authorities, to cultivate and manufacture adult-use cannabis. Existing medical cannabis dispensaries are also permitted under the CRTA, upon approval from regulatory authorities, to dispense adult-use cannabis to purchasers 21 years of age or older from existing retail sites plus one satellite location. The CRTA also allows for licensure of up to 75 new adult-use dispensing organizations, up to 40 craft grower facilities, up to 40 infuser facilities, and an unlimited number of transport organizations, all of which are reserved for qualified social equity participants. The CRTA does not permit existing cultivation centers to own craft grower or infuser facilities, and entities may not own more than five medical dispensaries or more than ten adult-use dispensaries.

Oversight and implementation under the IL Act and the CRTA are divided among three State departments: (i) the Illinois Department of Public Health (the "**IDPH**"); (ii) the Illinois Department of Agriculture (the "**IDOA**"); and (iii) the Illinois Department of Financial and Professional Responsibility (the "**IDFPR**"). The IDPH oversees the following IL Act and the CRTA mandates: (i) establish and maintain a confidential registry of caregivers and qualifying patients authorized to engage in the medical use of cannabis; (ii) distribute educational materials about the health risks associated with the abuse of cannabis and prescription medications; (iii) adopt rules to administer the patient and caregiver registration program; and (iv) adopt rules establishing food handling requirements for cannabis-infused products that are prepared for human consumption. It is the responsibility of the IDOA to enforce the provisions of the IL Act and the CRTA relating to the registration and oversight of cultivation centers, craft growers, infusers, and transport organizations. The IDFPR enforces the provisions of the IL Act and the CRTA relating to the registration and oversight of dispensing organizations. The

IDPH, IDOA and IDFPR may enter into inter-governmental agreements, as necessary, to carry out the provisions of the IL Act and the CRTA.

Illinois has issued a limited amount of dispensary, producer/grower, and processing licenses. There are currently 55 licensed medical dispensaries, 62 licensed adult-use dispensaries and 22 licensed cultivators. On July 15, 2021, the IDOH announced the award of additional adult-use cannabis licenses in the craft grower, infuser, and transportation categories. In addition, on July 28, 2021, the IDFPR announced three lotteries to be conducted between July 29, 2021, and August 19, 2021, during which it would choose a total of 185 new adult use dispensing organization licenses.

An affiliate of the Company is licensed to operate a cultivation center in the State of Illinois. The cultivation center license permits the licensee to acquire, possess, cultivate, deliver, transfer, have tested, transport, supply or sell medical and adult-use cannabis and related supplies to medical and adult-use dispensing organizations. Company affiliates also own and/or operate 10 dispensaries across the State of Illinois.

Maryland Operations

Subject to State regulations, Maryland currently allows access to cannabis for medical use.

In May 2013, the Natalie M. LaPrade Maryland Medical Cannabis Commission ("**MMCC**") was established in Maryland. The MMCC is an independent commission that functions within the Department of Health and Mental Hygiene. The MMCC was created for investigational use of medical cannabis and it develops policies, procedures, and regulations to implement programs that ensure medical cannabis is available to qualifying patients in a safe and effective manner.

On December 1, 2017, the Maryland Medical Marijuana Program ("**MMMP**") became operational and sales commenced. The MMMP was written to allow access to medical cannabis for patients with any condition that is considered "severe" for which other medical treatments have proven ineffective, including chronic pain, nausea, seizures, glaucoma and post-traumatic stress disorder. All major product forms are allowed for sale and consumption with the exception, initially, of edibles, although edibles have now been permitted pending acceptance of final regulations.

An affiliate of the Company owns a licensee which is licensed to operate a cultivation facility and a retail medical cannabis dispensary in Maryland. The retail dispensary license permits it to purchase medical cannabis from cultivation facilities, cannabis and cannabis products from product manufacturing facilities and cannabis from other retail stores and allows the sale of cannabis and cannabis products to registered patients. The medical grower license permits the licensee to acquire, possess, cultivate, deliver, transfer, have tested, transport, supply or sell cannabis and related supplies to medical marijuana dispensaries, and medical cannabis grower facilities. In addition, through management agreements and other affiliate relationships, Verano's subsidiaries manage four dispensaries in Maryland and one processor licensee.

Massachusetts Operations

Subject to State regulations, Massachusetts currently allows access to cannabis for both medical and adult-use.

The Massachusetts Medical Use of Marijuana Program (the "**MA Program**") was established pursuant to the Act for the Humanitarian Medical Use of Marijuana which was passed by voters in 2021. The MA Program allows registered persons to purchase medical cannabis and applies to any patient, personal caregiver, Registered Marijuana Dispensary (each, a "**RMD**"), and RMD agent that qualifies and registers under the MA Program. In November 2016, Massachusetts voted to legalize and regulate cannabis for adult recreational use, and in 2017 the Cannabis Control Commission (the "**MA CCC**") was established. The MA CCC regulates Massachusetts' medical marijuana program and recreational marijuana program.

Under the MA Program, RMD's security, storage, transportation, inventory, personnel, and other operations are heavily regulated. RMDs are "vertically-integrated," growing, processing, and dispensing their own marijuana. As such, each RMD is required to have a retail facility as well as cultivation and processing operations, although retail operations may be separate from cultivation and processing operations. RMDs that elect to do cultivation, processing and retail operations all in one location, are commonly referred to as a "co-located" operation. An RMD may also choose to have a retail dispensary in one location and grow marijuana at a remote cultivation location.

There are several different classes of adult-use licenses in Massachusetts, including, but not limited to, cultivators, cooperatives, manufacturers, retailers and transporters. There is no requirement that adult-use marijuana establishments be vertically-integrated. As with RMDs, these marijuana establishments are highly regulated, including requirements related to security, storage, transportation, inventory, personnel and other operations.

A subsidiary of the Company holds licenses with the MA CCC for medical and adult-use licenses to operate retail dispensaries, cultivation facilities, and manufacturing facilities in Sharon and Plymouth, Massachusetts. This licensee has received approval for dispensary locations in both Sharon and Plymouth.

Nevada Operations

Subject to State regulations, Nevada currently allows access to cannabis for both medical and adult-use.

In 2013, the Nevada legislature provided for State licensing of medical marijuana establishments, and in November 2016, Nevada voters approved the sale of marijuana for adult-use, which began on July 1, 2017. The Nevada marijuana establishment's application process is merit-based, competitive, and is currently closed. As of Q1 2021, there were 158 cultivators, 110 producers, and 67 retail stores licensed for adult-use in the State of Nevada. Approximately 75% of the State licensed marijuana operations exist within Clark County/Las Vegas city limits, representing an approximate 8,000 square mile area. The remaining 25% of licenses exist throughout the rest of the State.

All marijuana establishments must register with the Nevada Cannabis Control Board ("**CCB**"). If applications contain all required information and after vetting by officers, establishments are issued a medical marijuana establishment registration certificate. Final registration certificates are valid for a period of one year and are subject to annual renewals if the business remains in good standing.

Verano affiliates are owners, operators, managers, consultants, and/or have licensing or other commercial arrangements with cannabis licensees to operate retail dispensaries, a cultivation facility, and a manufacturing facility in Nevada. On July 26, 2021, Verano also announced that it had entered into an agreement to purchase two additional fully-operational dispensaries in Reno and Carson City as well as a cultivation and production facility in Reno. Closing on the transaction is subject to customary conditions, contingencies, and approvals, including regulatory approval.

Ohio Operations

Subject to State regulations, Ohio currently allows access to cannabis for medical use.

Effective September 8, 2016, Ohio legalized the use of medical cannabis for 26 debilitating conditions as prescribed by a licensed physician. The Ohio Medical Marijuana Control Program ("**OMMCP**") allows people with certain medical conditions including Alzheimer's disease, HIV/AIDS, ALS, cancer, and traumatic brain injury to legally purchase medical cannabis. Patients were able to begin purchasing medicinal marijuana in April 2019. Regulatory oversight is shared between three offices: (i) the Ohio Department of Commerce with respect to overseeing cultivators, processors and testing laboratories; (ii) the Ohio Board of Pharmacy with respect to overseeing retail dispensaries and the registration of patients and caregivers; and (iii) the State Medical Board of Ohio with respect to certifying physicians to recommend medical cannabis. The OMMCP permits limited product types including oils, tinctures, plant materials and edibles.

Additional provisional licenses are permitted to be issued if the population, the number of patients seeking to use medical cannabis products and the availability of all forms of cannabis products support additional licenses. To be considered for approval of a provisional dispensary or a processing license, the applicant must complete all mandated requirements. Certificates of operation carry two-year terms.

Verano owns and operates, through its wholly-owned subsidiaries, a cultivation facility (which permits the cultivation of up to 3,000 square feet, processing license, and multiple dispensaries in Ohio), and five medical cannabis dispensaries in Cincinnati, Canton, Bowling Green, Dayton, and Newark.

New Jersey Operations

Subject to State regulations, New Jersey currently allows access to cannabis for medical use, and in December 2020 passed legislation legalizing adult-use.

Medical marijuana has been legal in the State of New Jersey since 2012. The program is regulated under the New Jersey *Compassionate Use Medical Marijuana Act* (the "**CUMMA**"). Under the CUMMA, medical cannabis use is permitted for specified indications including chronic pain, cancer, glaucoma, HIV/AIDS and inflammatory bowel disease. The Medical Marijuana Program ("**MMP**") is administered by the New Jersey Department of Health ("**NJDH**") which approves and regulates alternative treatment centers ("**ATCs**"). New Jersey is a vertically-integrated system so that each ATC license permits the holder to acquire, cultivate, process, distribute and/or dispense, deliver, manufacture, transfer, and supply medical marijuana in compliance with the CUMMA and the MMP rules and regulations.

In November 2020, the citizens of New Jersey approved the legalization of adult use of cannabis by those 21 years of age and older, and in December 2020 legislation was passed that legalizes the possession, production, and retail sale of marijuana to adults The legislation also amended provides for the State to establish a regulated marked for the cultivation, distribution, and sale of cannabis. A newly-formed Cannabis Regulatory Commission is now tasked with regulating both medical and adult use cannabis industries, and is in the process of drafting new regulations for the adult-use program.

Verano affiliates are owners, operators, managers, consultants, and/or have licensing or other commercial arrangements with an ATC in the State of New Jersey.

Michigan Operations

Subject to State regulations, Michigan currently allows access to cannabis for both medical and adult-use.

Medical cannabis has been legal in Michigan since 2008, when voters approved a measure that protected patients and caregivers but did not establish regulations for businesses. In September 2016, a regulatory framework was enacted for medical marijuana businesses, which provided that cultivators, processors, testing labs, transporters, and provisioning centres could become licensed and regulated at the State level.

Oversight of medical cannabis is the responsibility of the Bureau of Medical Marihuana Regulation, which consists of the Medical Marihuana Facility Licensing Division ("**MMFL**") and the Michigan Medical Marihuana Program Division ("**Michigan MMP**"). The MMFL regulates the State's medical marihuana facilities and licensees, including growers, processors, transporters, provisioning centers and safety compliance facilities. The Michigan MMP oversees the State's patient registry program, issues registry identification cards, and administers the *Michigan Medical Marihuana Act*. Some municipalities have capped the number of medical cannabis facilities (including Detroit). Additionally, Michigan recently named 11 new conditions that qualify for medical marijuana prescriptions, including chronic pain, which could further expand the patient base.

In December 2018, Michigan voters legalized adult-use cannabis, and the Michigan *Regulation and Taxation of Marihuana Act* ("**MRTMA**"). The MRTMA allows persons aged 21 and over to possess up to two and one-half ounces of marijuana in public, up to ten ounces at home, and cultivate up to 12 plants at home. The MRTMA also sets up a system for the State-licensed cultivation and distribution of marijuana, with sales subject to a 10% excise tax (in addition to the State of Michigan's 6% sales tax). The first retailers opened to the public on December 1, 2019.

Verano affiliates are owners, operators, managers, consultants, and/or have licensing or other commercial arrangements with a cannabis dispensary licensee in the State of Michigan.

Arkansas Operations

Subject to State regulations, Arkansas currently allows access to cannabis for medical use.

The rules and regulations governing the oversight of medical cannabis cultivation facilities and dispensaries in Arkansas were adopted and promulgated by the Arkansas Alcoholic Beverage Control Board, and the rules and regulations for medical marijuana registration, testing, and labeling were adopted and promulgated by the Arkansas State Board of Health. These rules provide: (i) requirements for record keeping, security, and personnel at cultivation facilities and dispensaries; (ii) the requirements of the manufacturing, processing, packaging, dispensing, disposing, advertising, and marketing of medical marijuana by cultivation facilities and dispensaries; (iii) the procedures for inspecting and investigating cultivation facilities and dispensaries; and (iv) the procedures for sanctioning, suspending, and terminating cultivation facility and dispensary licenses for violations of the amendment or these rules.

Licenses issued in the State of Arkansas expire one year after the date of issuance. The Arkansas Medical Marijuana Commission is required under the legislation to issue a renewal dispensary or a renewal cultivation facility license within ten days to any entity that complies with the requirements contained in the Medical Marijuana Amendment of 2016. While renewals are annual, there is no ultimate expiry after which no renewals are permitted, and provided that the requisite renewal fees are paid, the renewal application is submitted in a timely manner, and there are no material violations noted against the applicable licenses, license holders receive renewed licenses in the ordinary course of business.

Verano affiliates are owners, operators, managers, consultants, and/or have licensing or other commercial arrangements with a cannabis dispensary licensee in the State of Arkansas.

Pennsylvania Operations

Subject to State regulations, Pennsylvania currently allows access to cannabis for medical use.

The Pennsylvania *Medical Marijuana Act* ("**PMMA**") was signed into law in April 2016 and provided access to Pennsylvania residents with one of 21 qualifying conditions, including epilepsy, chronic pain, post-traumatic stress disorder, cancer remission therapy and opioid-addiction therapy. The Commonwealth of Pennsylvania, which consists of over 12,000,000 people and qualifies as the fifth largest population in the United States, operates as a high-barrier market. The PMMA authorizes only a maximum of 25 cultivation/processing permits and 50 dispensary permits. As part of "Phase 1" of the Commonwealth of Pennsylvania's permitting process in 2017, the Pennsylvania Department of Health ("**PDOH**"), which administers the Commonwealth's Medical Marijuana Program ("**MMP**"), originally awarded only 12 cultivation/processing permits and 29 dispensary permits. Subsequently, in 2018, the PDOH conducted "Phase 2" of the permitting process, during which it awarded the remaining 13 cultivation/processing permits and 23 dispensary permits authorized under the PMMA. Each retail dispensary license permits the holder to purchase marijuana and marijuana products from cultivation/processing facilities and allows the sale of marijuana and marijuana products to registered patients.

Verano affiliates are owners and operators of three cannabis dispensary permittees in the Commonwealth of Pennsylvania, as well as one grower/processor and one clinical registrant permit (which allows for cultivation, process, and dispensing).

Florida Operations

Subject to State regulations, Florida currently allows access to cannabis for medical use.

In June 2014 the *Compassionate Medical Cannabis Act of 2014* ("**CMCA**") was signed into law. The CMCA legalized low THC for medical patients suffering from cancer or "a physical medical condition that chronically produces symptoms of seizures", such as epilepsy, "or severe and persistent muscle spasms" and has been subsequently expanded to, among other things, include HIV/AIDS, Crohn's disease and post-traumatic stress disorder and any medical condition that the physician believes will benefit from the use of medical marijuana. The CMCA also authorized medical centers to conduct research on low THC cannabis.

In November 2016, Florida citizens voted to shield qualifying patients, caregivers, physicians, and medical cannabis dispensaries and their staff from criminal prosecutions or civil sanctions under Florida law.

The Florida Department of Health ("**FDH**") is part of the regulatory framework that requires licensed producers, which are statutorily defined as Medical Marijuana Treatment Centers (each, a "**MMTC**"), to cultivate, process and dispense medical cannabis in a vertically-integrated marketplace. The FDH, Office of Medical Marijuana Use (the "**OMMU**"), is the organization responsible for the regulation of Florida's medical cannabis program. Specifically, the OMMU writes and implements the FDH's rules for medical marijuana, oversees the statewide medical marijuana patient database, and licenses Florida businesses to cultivate, process and dispense medical marijuana to qualified patients.

MMTC licenses are issued by the FDH. Applicants are required to provide comprehensive business plans with demonstrated knowledge and experience on execution, detailed facility plans, forecasted performance and robust financial resources. Technical ability on plant and medical cannabis cultivation, infrastructure, processing, dispensing and safety are also assessed. License holders are permitted to maintain one license. Each licensee is required to cultivate, process and dispense medical cannabis. The license permits the sale of derivative products produced from extracted cannabis plant oil as medical cannabis to qualified patients.

Verano holds a license under a subsidiary.

Arizona Operations

Subject to State regulations, Arizona currently allows access to cannabis for medical use, and in November 2020 passed legislation legalizing adult-use.

In November 2010, the Arizona Medical Marijuana Act was enacted by vote of Arizona citizens. The Arizona Department of Health Services ("**ADHS**") implements dispensary and registry identification card regulations. To qualify under Arizona's program, patients must have one of the following debilitating medical conditions: cancer, HIV/AIDS, hepatitis C, glaucoma, multiple sclerosis, amyotrophic lateral sclerosis, Crohn's disease, agitation of Alzheimer's disease, post-traumatic stress disorder, or a medical condition that produces wasting syndrome, severe and chronic pain, severe nausea, seizures, or severe and persistent muscle spasms.

In November 2020, the "Smart and Safe Act" was approved by the voters in Arizona which legalizes the adult recreational use of cannabis, specifically by allowing adults in Arizona to possess up to one ounce of cannabis (with no more than five grams being cannabis concentrate). It also directs the ADHS to set forth rules for retail cannabis sales by June 1, 2021, allowing cannabis to be subject to State and local sales taxes like other retail items, and imposing an additional 16% excise tax on cannabis products. The revenue will be used to implement and enforce regulations related to the act; the remaining revenue will be split between community colleges, police and fire departments, the State highway fund, a justice reinvestment fund, and the State attorney general for enforcement. Adult-use cannabis sales began in Arizona in January of 2021.

For every ten pharmacies that have registered under Arizona law, have obtained a pharmacy permit from the Arizona Board of Pharmacy, and operate in Arizona, the ADHS may issue one non-profit medical cannabis dispensary registration certificate. Each dispensary registration certificate permits the license holder to: (i) open one dispensary, (which may also have a cultivation facility onsite); and (ii) one cultivation facility which can also include various forms of processing capabilities. Currently, licensed dispensaries are limited to their district for their first three years of operation and may relocate thereafter. All dispensaries must have a not-for-profit character.

The Company's affiliates have licensing or other commercial arrangements with six cannabis licensees in the State of Arizona.

California Operations

Subject to State regulations, California currently allows access to cannabis for both medical and adult-use.

In 1996, California became the first State to permit the use of medical marijuana by qualified patients through the *Compassionate Use Act of 1996.* In 2015, the California legislature established the framework for a statewide medical marijuana program, which was further amended in 2016 and named the "Medical Cannabis Regulation and Safety Act" (the "**MCRSA**"). The MCRSA established a comprehensive licensing and regulatory framework for medical marijuana businesses in California. The system created multiple license types for cultivation, manufacturing, distribution, transportation, sales (including delivery only) and testing and included subcategories for the various activities. The MRSCA set forth uniform operating standards and responsibilities for licensees and required all commercial cannabis businesses to have a State license and local approval to operate. Subsequently, in November 2016, voters in California overwhelmingly passed the *Adult Use of Marijuana Act* (the "**AUMA**"), legalizing adult-use of cannabis by individuals

21 years of age or older, and in June 2017, the California State Legislature passed the *Medicinal and Adult-Use Cannabis Regulation and Safety Act* ("**MAUCRSA**"), which amalgamated the MCRSA and the AUMA to provide a single system with uniform regulations to govern both medical and adult-use cannabis businesses in the State of California.

The three main agencies that regulate medical and adult-use marijuana businesses at the State level today are: (i) the Bureau of Cannabis Control ("**BCC**"), which oversees brick and mortar and delivery-only retailers, distributors, microbusinesses, testing laboratories and event organizers; (ii) the California Department of Food and Agriculture ("**CDFA**"), which oversees cultivators and processors; and (iii) the California Department of Public Health's Manufactured Cannabis Safety Branch ("**CDPH**"), which oversees manufacturing. Additionally, the California Department of Tax and Fee Administration oversees the collection of taxes from cannabis businesses. Various other State agencies play minor roles in licensing and operational approval.

In order to legally operate a medical or adult-use cannabis business in California, the operator must have both local approval and State licensure for each type of commercial cannabis activity conducted at a specified business premises. Cities and counties in California have discretion to determine the number and types of licenses they will issue to marijuana operators or can choose to limit or outright ban commercial cannabis activities within their jurisdiction. This limits cannabis businesses to cities and counties with marijuana licensing or approval programs.

California State annual licenses must be renewed annually. While renewals are annual, there is no ultimate expiry after which no renewals are permitted. Additionally, provided that the requisite renewal fees are paid, the renewal application is submitted in a timely manner, there are no material violations noted against the applicable license, and there are no changes in ownership of the business or major changes to the operations of the business, a licensee would expect to receive the applicable renewed license in the ordinary course of business; however, this does not account for the individual renewal processes for necessary local entitlements to maintain the required local approval. The renewal process for local entitlements is different in each jurisdiction and for each type of entitlement.

In February 2019, Verano entered into an agreement with a holder of cannabis manufacturing and distribution licenses in the State of California, and another party creating a three-way joint venture to extract cannabis oil and manufacture and distribute cannabis products in the State of California. The joint venture and its affiliated entities control manufacturing and distribution licenses in California.

Missouri Operations

Subject to State regulations, Missouri currently allows access to cannabis for medical use.

In November 2018, residents of Missouri approved the legalization of medical cannabis. In addition to permitting qualified patients to cultivate up to six plants at home, a licensing regime was created which granted the State of Missouri's Department of Health & Senior Services ("**MO DHSS**") the ability to issue cultivation, manufacturing, and dispensary licenses. Under the regulations, patients may obtain medical cannabis from licensed dispensaries if they have one of a number of qualifying conditions, including any "chronic, debilitating or other medical condition" as determined by a physician, along with any terminal illness.

In 2019, the MO DHSS began accepting applications for grower, manufacturing, and dispensary applications, and awarded cultivation licenses in December 2019. Manufacturing and dispensary licenses were awarded in January 2020. Under the MO DHSS's regulations, awardees are given one year in which to become operational or face license revocation.

Although the MO DHSS permitted applicants to apply for more than one of each license type, in July2020, applicants who were awarded multiple manufacturing licenses to operate at the same location were notified that these licenses would be merged and the "excess" manufacturing licenses would be awarded to the next highest-scoring applicants.

An affiliate of Verano was awarded three manufacturing licenses by the MO DHSS for the same location, which were merged into one. As such, this affiliate holds one manufacturing and one dispensary license in the State of Missouri, neither of which are operational.

West Virginia Operations

Subject to State regulations, West Virginia currently allows access to cannabis for medical use.

In April 2017, the West Virginia Medical Cannabis Act ("**WVMCA**") was signed into law. The WVMCA, implemented by the Bureau of Health, provides medical cannabis access to registered patients who suffer from a list of 15 medical conditions including epilepsy, cancer, HIV/AIDS, Crohn's disease and post-traumatic stress disorder. In 2019, legislation was passed that allowed entities to hold multiple license types, allowing for vertical integration of dispensaries, and the maximum number of dispensary permits was increased to 100, with individuals being allowed to hold ten permits. Permits last for one year and must be renewed annually. An application to renew a permit must be filed with the Bureau of Health. Medical cannabis organizations may also apply to relocate within the State or to add or delete activities or facilities.

Applications for dispensary, grower, processor, and laboratory permits were accepted by the Bureau of Health online beginning December 2019 until February 18, 2020. As of January 2021, the State has issued ten cultivation permits, ten processor permits and approximately 100 dispensary permits.

The Company's affiliates are owners, operators, managers, consultants, and/or have licensing or other commercial arrangements with one medical cultivation license, one medical processor license, and seven medical dispensary licenses.

SELECTED FINANCIAL INFORMATION

The following tables present selected financial data derived from the unaudited condensed interim consolidated financial statements of the Company for the (i) three months ended June 30, 2021, and 2020 and (ii) six months ended June 30, 2021, and 2020. The selected consolidated financial information below may not be indicative of the Company's future performance.

	As of and for the			
	Three Months Ended June 30,		Six Months Ended June 30,	
	2021	2020	2021	2020
Revenues, net of discounts	$ 198,706,561	$ 47,298,240	$ 319,601,554	$ 90,147,010
Cost of Goods Sold	98,557,572	23,513,725	144,845,796	31,978,372
Gross Profit before Biological Asset Adjustment	100,128,989	23,784,515	174,755,758	58,168,638
Net effect of changes in fair value of biological assets	(24,920,937)	16,839,875	45,930,381	29,746,275
Gross Profit	75,208,052	40,624,390	220,686,139	87,914,913
Total Expenses	57,581,880	9,899,389	86,655,591	18,925,584
(Loss) Income from Investments in Associates	644,615	853,703	1,447,563	1,122,793
Income From Operations	$ 18,270,786	$ 31,578,704	$ 135,478,110	$ 70,112,122

	As of	
	June 30, 2021	December 30, 2020
Total Assets	$ 2,193,138,137	$ 459,720,360
Total Long-Term Liabilities	$ 421,468,764	$ 94,463,800

Three Months Ended June 30, 2021, Compared to Three Months Ended June 30, 2020

Revenue

Revenue for the three months ended June 30, 2021, was $198,706,561, an increase of $151,408,321 or 320% compared to revenue of $47,298,240 for the three months ended June 30, 2020. The increase was primarily driven by retail expansion in the Florida and Illinois markets, along with the acquisitions that closed during the quarter in the Arizona and Pennsylvania markets, comprised of Territory, TerraVida Holistic Centers, and The Healing Center. In addition, production output and sales of flower expanded in the Illinois, New Jersey, and Maryland markets.

Cost of Goods Sold and Biological Assets

Cost of goods sold includes the costs directly attributable to cultivating and processing cannabis and for retail purchases of finished goods, such as flower, edibles, and concentrates.

Cost of goods sold, excluding any adjustments to the fair value of biological assets for the three months ended June 30, 2021, was $98,577,572, an increase of $75,063,847 or 319% compared to the three months ended June 30, 2020. This increase was primarily due to production costs of cannabis increasing in tandem with increase in sales. Additionally, increased cost of goods sold was driven by the IFRS 3, *Business Combinations* requirement to report inventory acquired in business combinations at fair value. In accordance with guidance, the Company initially measured the inventory of its

Q2 acquisitions at the selling price, less cost to sell. The step-up to adjust inventory to fair value was expensed through cost of goods sold.

Inventory of plants under production is considered a biological asset. Under IFRS, biological assets are to be recorded at fair value at the time of harvest, less costs to sell, which are transferred to inventory and the transfer becomes the deemed cost on a go-forward basis. When the product is sold, the fair value is relieved from inventory and the transfer is booked to cost of sales. In addition, the cost of sales also includes products and costs related to other products acquired from other producers and sold by the Company.

Biological asset transformation totaled a net loss of $24,920,937 for the three months ended June 30, 2021, a decrease of $41,760,812 or (248)% compared to the three months ended June 30, 2020. The decrease was primarily driven by a change in cultivation methods focused in R&D to reduce plant count at certain cultivation facilities to increase yields to be realized over time.

Gross Profit

Gross profit before biological asset adjustments for the three months ended June 30, 2021, was $100,128,989, representing a gross margin on the sale of cannabis, cannabis extractions and edibles, and from related accessories of 50%. This is compared to gross profit before biological asset adjustments for the three months ended June 30, 2020, of $23,784,515, which represented a 50% gross margin.

Gross profit after net gains on biological asset transformation for the three months ended June 30, 2021, was $75,208,052, representing a gross margin of 38% compared with gross profit after net gains on biological asset transformation of $40,624,390 or 86% gross margin for the three months ended June 30, 2020. The increase in gross profit margin is primarily due to top-line growth catalyzed by strong market growth in Illinois and Florida and continued expansion into the Arizona and Pennsylvania markets.

Total Expenses

Total expenses for the three months ended June 30, 2021, was $57,581,880, an increase of $47,682,491 or 482%, compared to total expenses of $9,899,389 for the three months ended June 30, 2020. Total expenses as a percentage of revenue, net of discounts, was 29% and 21% for the three months ended June 30, 2021, and 2020, respectively. The increase was primarily due to a $29,616,447 or 784% increase in general and administrative costs and a $14,257,924 or 446% increase in salaries in benefits, which was driven by an increase in earnout-related expenses, acquisition expenses and other one-time transaction expenses, start-up costs in new markets, and expanded headcount in the Company's primary operating markets.

The Company expects to continue to invest organically and in new markets to support expansion plans and adapt to the increasing complexity of the cannabis business. Furthermore, the Company expects to incur acquisition and transaction costs related to expansion.

Total Other Income (Expense)

Total other expense for the year three months June 30, 2021, was $5,619,162, an increase of $1,713,860 or 44% compared to $3,905,302 for the three months ended June 30, 2020. The increase was primarily due to increased interest expense related to the $100 million upsize of debt in May 2021.

Provision for Income Taxes

Income tax expense is recognized based on the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at year-end. For the three months ended June 30, 2021, provision for income taxes totaled $5,087,824 compared to $15,131,857 for the prior three months ended June 30, 2020. The decrease in income tax expense was primarily driven by the decrease in taxable income in the second quarter of 2021 compared to June 30, 2020.

Six Months Ended June 30, 2021, Compared to Six Months Ended June 30, 2020

Revenue

Revenue for the six months ended June 30, 2021, was $319,601,554, an increase of $229,454,544 or 255% compared to revenue of $90,147,010 from the six months ended June 30, 2020. The increase was primarily driven by retail expansion in the Florida and Illinois markets, along with the acquisitions in the Arizona and Pennsylvania markets, comprised of Territory, TerraVida Holistic Centers, and The Healing Center. In addition, production output and sales of flower expanded in the Illinois, New Jersey, and Maryland markets.

Cost of Goods Sold and Biological Assets

Cost of goods sold includes the costs directly attributable to cultivating and processing cannabis and for retail purchases of finished goods, such as flower, edibles, and concentrates.

Cost of goods sold, excluding any adjustments to the fair value of biological assets, for the six months ended June 30, 2021, was $144,845,796, an increase of $112,867,424 or 353% from the six months ended June 30, 2020. This increase is primarily due to production costs of cannabis increasing in tandem with the increase in sales. Additionally, increased cost of goods sold was driven by the IFRS 3, *Business Combinations* requirement to report inventory acquired in business combinations at fair value. In accordance with guidance, the Company initially measured the inventory of its acquisitions at selling price, less cost to sell. The step-up to adjust inventory to fair value was expensed through cost of sales.

Inventory of plants under production is considered a biological asset. Under IFRS, biological assets are to be recorded at fair value at the time of harvest, less costs to sell, which are transferred to inventory and the transfer becomes the deemed cost on a go-forward basis. When the product is sold, the fair value is relieved from inventory and the transfer is booked to cost of sales. In addition, the cost of sales also includes products and costs related to other products acquired from other producers and sold by the Company.

Biological asset transformation totaled a net gain of $45,930,381 for the six months ended June 30, 2021, an increase of $16,184,106 or 54% from the prior the six months ended June 30, 2020. The increase was primarily driven by the AME merger in February 2021, and continued expansion at existing cultivation facilities.

Gross Profit

Gross profit before biological asset adjustments for the six months ended June 30, 2021, was $174,755,758, representing a gross margin on the sale of cannabis, cannabis extractions and edibles and from related accessories of 55%. This is compared to gross profit before biological asset adjustments for the six months ended June 30, 2020, of $58,168,638, which represented a 65% gross margin.

Gross profit after net gains on biological asset transformation for the six months ended June 30, 2021, was $220,686,139, representing a gross margin of 69%, compared with gross profit after net gains on biological asset transformation of $87,914,913, or 98%, gross margin for the six months ended June 30, 2020, which includes sales from both wholesale and retail. The increase in gross profit is primarily due to top-line growth catalyzed by strong market growth in Illinois and Florida and entrances into four new markets. The 28% decrease in the gross profit margin is primarily due to the inventory step-ups related to the 2021 acquisitions that were expensed through the cost of sales and the net impact of biologicals, which was 14% and 33% as percentage of net revenues for the periods ended June 30, 2021, and 2020, respectively.

Total Expenses

Total expenses for the six months ended June 30, 2021, were $86,655,591, an increase of $67,730,007 or 358%, compared to total expenses of $18,925,584 for the six months ended June 30, 2020. Total expenses as a percentage of revenue, net of discounts, was 27% and 21% for the six months ended June 30, 2021, and 2020, respectively. The increase was primarily due to a $40,133,037 or 500% increase in general and administrative costs, in addition to a $22,648,335 or 401%

increase in salaries in benefits, which was driven by an increase in earnout-related expenses, acquisition expenses and other one-time transaction expenses, start-up costs in new markets, and expanded headcount in the Company's primary operating markets.

The Company expects to continue to invest organically and in new markets to support expansion plans and adapt to the increasing complexity of the cannabis business. Furthermore, the Company expects to incur acquisition and transaction costs related to expansion.

Total Other Income (Expense)

Total other expense for the year six months June 30, 2021, was $8,709,429, an increase of $735,206 or 9% compared to $7,974,223 for the six months ended June 30, 2020. The increase was primarily due to increased interest expense related to the $130 million credit facility.

Provision for Income Taxes

Income tax expense is recognized based on the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at year-end. For the six months ended June 30, 2021, provision for income taxes totaled $50,414,686, an increase of $21,410,950 or 74% compared to $29,003,736 for the prior the six months ended June 30, 2020. The increase in income tax expense was driven by a $64,630,782 increase in taxable income.

Drivers of Operational Performance

Revenue

The Company derives its revenue from both wholesale and retail in which it manufactures, sells and distributes cannabis products to third-party retail customers, and from direct sales to retail patients and consumers. For the six months ended June 30, 2021, approximately 73.6% of revenue was generated from the retail and approximately 24.6% from wholesale. For the six months ended June 30, 2020, approximately 71.9% of revenue was generated from wholesale and approximately 28.1% from retail. This change in mix was largely driven by the Company's Florida operations, which are exclusively treated as retail income due to the vertical nature of the business, and the opening and acquiring of additional retail stores in the second half of 2020 and the first half of 2021.

Gross Profit

Gross profit is revenue less cost of goods sold. Cost of goods sold includes the costs directly attributable to product sales and includes amounts paid for finished goods, such as flower, edibles, and concentrates, as well as packaging and other supplies, fees for services and processing, rent, utilities, and related costs. Cannabis costs are affected by various State regulations that limit the sourcing and procurement of cannabis product, which may create fluctuations in gross profit over comparative periods as the regulatory environment changes. Gross margin measures the Company's gross profit as a percentage of revenue.

The Company's expansion strategy and revenue growth have taken priority and will continue to do so for the foreseeable future as it expands its footprint within current markets through acquisition and scales production in new markets. In the core markets in which the Company is already operational, it does not expect price compression in the near-term. However, as the State markets mature, the Company anticipates that there will be pressure on margins in the wholesale and retail channels. Although, the Company's current production capacity has not been fully realized and it is expected that price compression at the wholesale level will be more than offset by increased production volume. As a result, the Company expects overall consolidated gross margins (before the adjustment for the unrealized gain or loss in the fair value of biological assets) to increase in the near-term future.

Total Expenses

Total expenses other than the cost of goods sold consist of selling costs to support customer relationships and to deliver product to the Company's retail stores. It also includes a significant investment in the corporate infrastructure required to support ongoing business.

Selling costs generally correlate to revenue. As a percentage of sales, selling costs are expected to increase slightly in currently operational markets (Illinois, Florida, Arizona, Maryland, Nevada, Ohio, Pennsylvania, and New Jersey) as facility and market expansion occurs. The increase is expected to be driven primarily by the growth of the Company's retail and wholesale channels and the ramp-up from pre-revenue to sustainable market share. This also includes new market start-up costs in Massachusetts and West Virginia.

General and administrative expenses represent costs incurred at the Company's corporate offices, primarily related to personnel costs, including salaries, benefits, earn-out compensation, and other professional service costs, including legal and accounting. Going forward, G&A expenses are expected to continue in line with the Company's expansion plans; the Company anticipates an increase in compensation expense related to recruiting and hiring talent, and an increase in accounting, legal and professional fees associated with being a publicly traded company.

Provision for Income Taxes

The Company is subject to income taxes in the jurisdictions in which it operates and, consequently, income tax expense is a function of the allocation of taxable income by jurisdiction and the various activities that impact the timing of taxable events. As the Company operates in the cannabis industry, it is subject to the limits of IRC Section 280E under which the Company is only allowed to deduct expenses directly related to the sale of products. This results in permanent differences between ordinary and necessary business expenses deemed non-allowable under IRC Section 280E and a higher effective tax rate than most industries.

LIQUIDITY AND CAPITAL RESOURCES

As of June 30, 2021, the Company had total current liabilities of $287,162,801 and cash and cash equivalents of $149,671,396 compared to December 30, 2020, which had current liabilities of $122,524,484 and cash and cash equivalents of $16,494,365 to meet its current obligations. As of June 30, 2021, the Company had working capital of $284,867,279 compared to $80,499,032 as of December 31, 2020. The significant increase in working capital is due to the increases in cash, inventory and biological assets driven by market expansion and accretive acquisitions made in Illinois, Arizona, Florida and Pennsylvania, and the Company's $100 million upsize in its debt facility.

The Company intends to generate adequate cash to fund its business operations. However, the Company's business plan includes aggressive growth, both in the form of additional acquisitions and through facility expansion and improvements. Initiatives in U.S. markets outside of those already within the Company's platform are expected in the coming months. The Company will continue to use free cash flow to fund the expected growth, along with assessing the debt and capital markets as needed.

The Company is a high-growth organization in a rapidly-expanding market. It is generating cash from sales and is deploying its capital reserves to acquire and develop assets capable of producing additional revenues and earnings over both the immediate and long term. Capital reserves are being utilized for acquisitions, capital expenditures, and expansion in existing facilities.

Cash Flows

Cash Flow from Operating Activities

Net cash provided in operating activities was $65,623,789 for the six months ended June 30, 2021, an increase of $22,910,582 or 54%, compared to cash provided of $42,713,207 million for the six months ended June 30, 2020. The increase in net cash provided in operating activities was primarily due to an increased operational footprint from the prior year.

Cash Flow from Investing Activities

Net cash used in investing activities was $(39,374,826) for the six months ended June 30, 2021, an increase of $7,017,894 or 22%, compared to $(32,356,931) for the six months ended June 30, 2020. The increase in net cash used in investing activities was primarily due to an increase in investment of property and equipment.

Cash Flow from Financing Activities

Net cash provided by financing activities was $106,928,067 for the six months ended June 30, 2021, an increase of $106,449,340 compared to $478,728 of cash provided for the six months ended June 30, 2020. The increase in net cash provided by financing activities was primarily due to significant increases in proceeds from the reverse take-over financing, cash received in warrant private placement, and $100 million credit upsize that occurred in May 2021.

Contractual Obligations

The Company's contractual obligations primarily consist of lease liabilities related to real estate used f or dispensaries as well as promissory and convertible notes to fund business activity such as acquisitions and capital expenditures.

Contractual Obligations	Payments Due by Period				
	Total	**Less than 1 year**	**1-2 years**	**3-4 years**	**5 years and after**
Long Term Debt	$139,450,917	$1,156,119	$135,351,818	$364,486	$2,578,493
Capital Lease Obligations	Nil	Nil	Nil	Nil	Nil
Operating Leases	$61,778,620	$4,345,623	$16,824,141	$14,210,045	$26,398,811
Purchase Obligations[1]	Nil	Nil	Nil	Nil	Nil
Other Long Term Obligations [2]	Nil	Nil	Nil	Nil	Nil
Total Contractual Obligations	$201,229,537	$5,501,742	$152,175,959	$14,574,531	$28,977,304

Notes:

[1] "Purchase Obligations" means an agreement to purchase goods or services that is enforceable and legally binding on the Company that specifies all significant terms, including: fixed or minimum quantities to be purchased; fixed, minimum or variable price considerations; and the approximate timing of the transaction.

[2] "Other Long-Term Obligations" means other long-term liabilities reflected on the Company's balance sheet, excluding deferred income taxes.

The financial performance and its cash flows for the six months ended on June 30, 2021, and 2020 were evaluated in accordance with International Financial Reporting Standards. All future financial information and documents will be reported under IFRS.

Off-Balance Sheet Arrangements

As of the date of this filing, the Company does not have any off-balance-sheet arrangements that have, or are reasonably likely to have, a current or future effect on the results of operations or financial condition of the Company, including, and without limitation, such considerations as liquidity and capital resources.

Transactions with Related Parties

On June 30, 2021, and 2020, amounts due to and from related parties consisted of:

Due from Related Parties

As of June 30, 2021, and December 31, 2020, amounts due from related parties were comprised of balances due from investors of $62,236 and $108,254, respectively. These amounts are due on demand and did not have formal contractual agreements governing payment terms or interest. Other related party transactions are described in our consolidated financial statements.

Due to Related Parties

As of June 30, 2021, and June 30, 2020, amounts due to related parties were comprised of advances to investors payable totaling $44,664 and $44,664, respectively. Advances did not have formal contractual agreements governing payment terms or interest.

2021 Executed Transactions

RTO, Financing, and Commencement of Trading

On December 14, 2020, Verano Holdings, LLC, Majesta Minerals, Inc., an Alberta corporation (the "**Public Corporation**"), 1276268 B.C. Ltd., a British Columbia corporation ("**Verano FinCo**"), 1277233 B.C. Ltd, a British Columbia corporation, and 1278655 B.C. Ltd., a British Columbia corporation ("**Majesta**"), entered into an arrangement agreement (as amended January 26, 2021, the "**Definitive Agreement**"), pursuant to which the Company would result from the reverse takeover transaction contemplated thereby (the "**RTO**").

In accordance with the plan of arrangement forming part of the Definitive Agreement (the "**Plan of Arrangement**"), the Public Corporation changed its name to "Verano Holdings Corp." and completed a consolidation of its common shares on the basis of 100,000 issued and outstanding common shares on a post-consolidation basis. In accordance with the terms of the Financing, 10,000,000 subscription receipts (the "**Subscription Receipts**") were issued on January 21, 2021, at a price per Subscription Receipt of US$10.00, for aggregate gross proceeds of US$100,000,000. In connection with the Financing and the RTO, the Company issued 578,354 Subordinate Voting Shares to the offering agents as a broker fee.
The Public Corporation reorganized capital by altering its notice of articles and articles to (i) attach special rights and restrictions to its common shares, (ii) change the identifying name of its common shares to "Subordinate Voting Shares" (the "**Subordinate Voting Shares**") and (iii) create a new class of Proportionate Voting Shares (the "**Proportionate Voting Shares**"). Pursuant to the Plan of Arrangement, thereafter Verano Finco combined with Majesta Subco. Majesta Subco was then liquidated, and the net proceeds of the Financing transferred to the Company, as the resulting corporation in the RTO. In connection with the Financing and the RTO, the Company issued 578,354 Subordinate Voting Shares to the offering agents as a broker fee.

The shareholders of Verano FinCo issued for the Subscription Receipts, received one Subordinate Voting Share for each share of Verano FinCo for a total of 10,000,000 Subordinate Voting Shares in the aggregate. The members of Verano Holdings LLC, and owners of certain of its subsidiaries, through a series of transactions, exchanged their ownership interests in Verano Holdings LLC and such subsidiaries for 96,892,040 Subordinate Voting Shares and 1,172,382 Proportionate Voting Shares.

Merger Agreement

On November 6, 2020, Verano LLC entered into an agreement and plan of merger with Alternative Medical Enterprises, LLC, Plants of Ruskin GPS, LLC, and RVC 360, LLC (collectively, the "**AME Parties**"), pursuant to which the Company, as the assignee of all of Verano LLC's rights and obligations thereunder, would acquire the AME Parties via a series of merger transactions. The merger transactions were contingent upon, and were to close contemporaneously with, the RTO, resulting in the creation of the Company as a Canadian publicly-traded parent company of Verano LLC, the AME Parties and their respective subsidiaries.

The RTO and the merger transactions with the AME Parties closed on February 11, 2021. The members of the AME Parties, through a series of transactions, exchanged their membership interests in the AME Parties for 18,092,987 Subordinate Voting Shares and 470,984 Proportionate Voting Shares, plus cash consideration of $35 million, of which $20 million was paid at the closing of the mergers, $10 million is payable on August 11, 2021, and the $5 million balance is payable on February 11, 2022. The aggregate $15 million installment payments are represented by convertible promissory notes and upon a payment default, the holder thereof may elect to convert such payment obligations into Subordinate Voting Shares.

Acquisitions

i. Glass City Alternatives, LLC

In January 2021, the Company entered into agreement to acquire, upon the satisfaction of certain conditions precedent, all of the ownership interest of an owner of one dispensary located in Ohio. The total purchase price was $2,700,000 plus a $329,345 purchase price adjustment. The Company paid $500,000 in shares upon execution of the RTO. As of June 30, 2021, the present value of unpaid deferred consideration of $1,081,915 is included in the acquisition price payable balance in the consolidated statement of financial position and is due in January 2022.

ii. Perpetual Healthcare Inc.

On February 24, 2021, the Company entered into an agreement pursuant to which Perpetual Healthcare Inc. ("**PHI**") transferred the management and governance of PHI, which operates the Emerald Dispensary in Phoenix, Arizona. The transaction closed on March 10, 2021. Total consideration includes cash consideration of $11,250,000 plus a $326,426 purchase price adjustment, 541,994 Subordinate Voting Shares. The remaining $6,175,342 obligation was settled through the issuance of 350,644 Subordinate Voting Shares. As of June 30, 2021, the total consideration had been paid in full.

iii. The Herbal Care Center, Inc.

On February 24, 2021, the Company entered into an agreement to acquire The Herbal Care Center, Inc. ("**The Herbal Care Center**"). The transaction closed on March 17, 2021. Total consideration includes cash consideration of $18,750,000, payable over 12 months, plus a $2,107,499 purchase price adjustment, and 90,464 Subordinate Voting Shares and 9,625 Proportionate Voting Shares, equivalent to 962,461 Subordinate Voting Shares on an-as converted basis. As of June 30, 2021, the present value of unpaid deferred consideration of $10,743,251 is included in the acquisition price payable balance in the consolidated statement of financial position with 50% due in October 2021 and January 2022.

iv. NSE Holdings, LLC

On February 24, 2021, a subsidiary of the Company entered into an agreement pursuant to which it acquired all the equity interests of a licensee that holds one dispensary permit in Pennsylvania, which gives the subsidiary of the Company the ability to open three dispensaries. The transaction closed on March 9, 2021. Pursuant to the agreement, the Company paid cash consideration of $7,350,000 upon closing and issued 666,587 Subordinate Voting Shares and Proportionate Voting Shares equivalent to 666,586 Subordinate Voting Shares on an as-converted basis. The Company analyzed the transaction and recorded the transaction as an asset acquisition. The Company capitalized licenses in the amount of $55,015,651. As of June 30, 2021, the present value of unpaid deferred consideration is $25,550,049 and is included in the acquisition price payable balance in the consolidated statement of financial position. The unpaid consideration is related to earnouts due in July 2022, 2023, and 2024 and is expected to be settled in share issuances.

v. Local Joint

On March 22, 2021, an affiliate of the Company entered into an asset purchase agreement with Flower Launch LLC, the manager of Patient Alternative Relief Center, Inc., d/b/a Local Joint, an Arizona nonprofit corporation ("**PARC**"), which holds a dispensary license, an authorization to operate a second dispensary, and an authorization to operate an offsite cultivation facility, all in the State of Arizona. The transaction closed on March 30, 2021. Total consideration includes cash consideration of $13,500,000, with $10,000,000 paid on the closing date and $3,500,000 payable within 120 days after the closing date, plus 179,767 Subordinate Voting Shares. As of June 30, 2021, the present value of unpaid deferred consideration of $3,603,510 is included in the acquisition price payable balance in the consolidated statement of financial position and is due in July 2021.

vi. Territory Dispensary

On February 24, 2021, the Company entered into an agreement to acquire three active dispensaries and one cultivation and production facility from NZCO LLC, Murff & Company LLC, JWC1 LLC, Hu Commercial Properties LLC and BISHCO LLC (collectively, "**Territory**"). The transaction closed April 8, 2021. Total consideration includes $19,735,684 paid upon closing, subject to a purchase price adjustment, 997,453 Subordinate Voting Shares and 29,924 Proportionate Voting Shares, equivalent to 2,992,413 Subordinate Voting Shares on an-as converted basis. The remaining consideration is related to contingent consideration with 50% payable in cash on March 31, 2022, and the remaining payable in shares or in cash at the election of the recipient on March 31, 2023. As of June 30, 2021, the present value of unpaid deferred consideration of $19,387,275 is included in the acquisition price payable balance in the consolidated statement of financial position.

vii. TerraVida Holistic Centers, LLC

On February 24, 2021, subsidiaries of the Company entered into an to acquire three active Pennsylvania dispensaries. The transaction closed May 11, 2021. Total consideration includes cash consideration of $62,500,000, subject to a purchase price adjustment, of which $15,000,000 plus a purchase price adjustment of $3,795,515 was paid on the closing date, with $10,000,000 payable within 90 days after closing, and the remaining $37,500,0000 payable within 180 days after the closing date. In addition, the consideration includes 1,506,750 Subordinate Voting Shares and 15,067 Proportionate Voting Shares, equivalent to 1,506,750 Subordinate Voting Shares on an as converted basis. As of June 30, 2021, the present value of unpaid deferred consideration of $47,140,827 is included in the acquisition price payable balance in the consolidated statement of financial position.

viii. The Healing Center, LLC

On March 29, 2021, the Company entered into an agreement to acquire three active dispensaries in Pittsburgh by purchasing all the issued and outstanding equity interests of The Healing Center, LLC ("**The Healing Center**"). The transaction closed on May 14, 2021. Total consideration includes cash consideration of $56,892,320, plus a $2,354,886 purchase price adjustment, of which $31,463,479 was paid upon closing with $25,428,841 payable within 60 days after the closing date. In addition, the merger consideration included 454,302 Subordinate Voting Shares and 25,744 Proportionate Voting Shares equivalent to 2,574,375 Subordinate Voting Shares on an as converted basis. As of June 30, 2021, the present value of unpaid deferred consideration of $27,678,623 is included in the acquisition price payable balance in the consolidated statement of financial position.

ix. Ohio Grow Therapies, LLC

On June 30, 2021, a subsidiary of the Company entered into a letter agreement to acknowledge final closing pursuant to an option purchase agreement entered into on January 14, 2019, which would allow the Company to operate one dispensary located in Newark, Ohio. The final closing had no impact on operations as the Company already exerted control over the dispensary through a consulting agreement entered into in 2019. The Company capitalized the license in the amount of $760,000 to the intangible license value included on the consolidated statement of financial position.

Notes Payable

The Company held a convertible note dated November 25, 2019, with an outstanding balance of $3,709,425 at December 31, 2020, that was repaid in full in February 2021.

The two promissory notes which have convertible features, with an outstanding balance at December 31, 2020, of $3,412,500 are collateralized by the note holders' units in in a California joint venture of which the Company has an interest. All obligations under the notes were repaid in full in February 2021.

The promissory note dated July 2, 2020, in the original amount of $350,000; maturing in June 2021; with interest due at 5% per annum in the event of a default. All obligations under the note were repaid in May 2021.

Credit Agreement

On May 11, 2021, the Company and its subsidiaries entered into an Amended and Restated Credit Agreement for senior secured term loans of US$130 million, which increased the loans thereunder to the Company and its subsidiaries by $100 million. The Restated Credit Agreement has a maturity date of May 20, 2023, provides for non-dilutive funding, and an annual interest rate of 9.75% for the incremental $100 million and is secured by assets of the Company and its subsidiaries.

Private Placement

On March 11, 2021, the Company closed an offering on a bought deal private placement basis of 3,510,000 special warrants of the Company (the "**Special Warrants**") at a price per Special Warrant of C$28.50 for aggregate gross proceeds of C$100,035,00 pursuant to an agreement with Beacon Securities Limited and Canaccord Genuity Corp. (together with Beacon, the "**Co-Lead Underwriters**"), on behalf of a syndicate of underwriters pursuant to which the underwriters purchased the Special Warrants. All Special Warrants were exercised on June 24, 2021.

Subsequent Transactions

i. Agri-Kind, LLC, and Agronomed Holdings Inc.

On April 21, 2021, the Company announced it entered into definitive agreements for all of the issued and outstanding equity interests in Agri-Kind, LLC Agronomed Holdings Inc, (collectively "**Agri-Kind**") which in the aggregate will add the equity in a grower/processor permit in the Commonwealth of Pennsylvania. Subject to the terms of the agreement, the Company's subsidiary agreed to a transaction for all of the issued and outstanding equity interests in Agri-Kind, a 62,000 sq. ft. grower/processor located in Chester, and in Agronomed Holdings Inc. for US$66,000,000 in cash consideration, US$49,500,000 in stock on an as-converted basis, subject to adjustment, and an earnout of US$31,500,000 based upon certain performance metrics. Agri-Kind's management team is expected to remain with the company. Closing on the foregoing transactions is subject to customary conditions, contingencies, and approvals, including regulatory approval.

ii. Agronomed Biologics, LLC

On April 21, 2021, the Company announced it entered into definitive agreements for all the issued and outstanding equity interests in Agronomed Biologics, LLC, which collectively will add the equity in a Clinical Registrant license (which includes cultivation and six dispensaries, to be developed) in the Commonwealth of Pennsylvania. Specifically, and subject to the terms of the agreement, the Company has agreed to a transaction for all the issued and outstanding equity interests in Agronomed Biologics, a research joint venture between Agronomed Pharmaceuticals, LLC and The Healing Center for US$60,000,000 in a combination of cash and stock, in addition to earnouts and other adjustments. Through Pennsylvania's Chapter 20 Clinical Research Program, Agronomed is a Phase II Approved Clinical Registrant, and therefore is permitted to open a medical marijuana growing and processing facility, as well as six dispensaries, to conduct medical marijuana research in partnership with Drexel University College of Medicine.

iii. WSCC, Inc.

On July 26, 2021, the Company announced it had entered into an agreement to acquire all of the issued and outstanding equity interests in WSCC, Inc., a Nevada corporation d/b/a Sierra Well ("**Sierra Well**"). The total consideration is

$29,000,000, which is payable in a combination of cash and Subordinate Voting Shares. Closing of the acquisition is subject to customary conditions, contingencies, and approvals, including regulatory approval.

Changes in or Adoption of Accounting Practices

Refer to the discussion of recently adopted/issued accounting pronouncements, Notes to Condensed Interim Consolidated Financial Statements (Unaudited), Note 2 — Basis of Presentation.

SIGNIFICANT ACCOUNTING ESTIMATES, JUDGMENTS, AND ASSUMPTIONS

There were no material changes to our critical accounting policies and estimates from the information provided in "Management's Discussion and Analysis of Financial Condition and Results of Operations," included in the Company's 2020 annual report and the Company's March 31, 2021, unaudited condensed interim consolidated financial statements.

U.S. CANNABIS REGULATORY ENVIRONMENT

In accordance with Staff Notice 51-352 (Revised) – *Issuers with U.S. Marijuana-Related Actives,* below is a discussion of the current federal U.S. regulatory regime. See also "Company Overview" for a discussion of the State level U.S. regulatory regime in those jurisdictions where the Company was directly and indirectly involved, through its subsidiaries and investments, in the cannabis industry as at December 31, 2020.

The United States federal government has not legalized marijuana for medical or adult-use.

The federal government of the United States regulates drugs through the CSA which places controlled substances on one of five schedules. Currently, cannabis is classified as a Schedule I controlled substance. This means it has a high potential for abuse and currently has no accepted medical use in treatment in the United States. Schedule I substances are subject to production quotas imposed by the U.S. Drug Enforcement Agency. Thus, the federal government of the United States has specifically reserved the right to enforce federal law in regard to the sale and disbursement of medical or adult-use marijuana even if such sale and disbursement is sanctioned by State law.

Currently, 37 U.S. States, the District of Columbia and the U.S. territories of Guam and Puerto Rico, allow the use of medical cannabis. Additionally, the States of Alaska, Arizona, California, Colorado, Illinois Maine, Massachusetts, Michigan, Montana, Nevada, New Jersey, New York, Oregon, Vermont, Virginia, Washington, and the District of Columbia have legalized cannabis for adult recreational use. However, since cannabis is a Schedule I controlled substance, the development of a legal cannabis industry under the laws of these States is in conflict with the CSA. In light of this conflict between State and federal law, the United States Department of Justice (the "**DOJ**") Deputy Attorney General of the Obama Administration, James Cole, issued a memorandum (the "**Cole Memorandum**"), dated August 29, 2013, providing updated guidance to federal prosecutors concerning cannabis enforcement under the CSA. The Cole Memorandum provided, in part, that when States have implemented strong and effective regulatory and enforcement systems to control the cultivation, distribution, sale, and possession of cannabis, conduct in compliance with those laws and regulations is less likely to threaten the federal priorities. Indeed, a robust system may affirmatively address those priorities by, for example, implementing effective measures to prevent diversion of cannabis outside of the regulated system and to other States, prohibiting access to cannabis by minors, and replacing an illicit cannabis trade that funds criminal enterprises with a tightly regulated market in which revenues are tracked and accounted for. In those circumstances, consistent with the traditional allocation of federal-State efforts in this area, the Cole Memorandum provided that enforcement of State law by State and local law enforcement and regulatory bodies should remain the primary means of addressing cannabis-related activity. In contrast, if the State enforcement efforts are not sufficient to protect against the harms set forth above, the federal government may seek to challenge the regulatory structure itself in addition to continuing to bring individual enforcement actions, including criminal prosecutions, focused on those harms.

In 2014, the United States House of Representatives passed an amendment (commonly known as the Rohrabacher-Blumenauer Amendment, the Rohrabacher-Leahy Amendment or the "**Rohrabacher-Farr Amendment**") to the Commerce, Justice, Science, and Related Agencies Appropriations Bill, which funds the DOJ. The Rohrabacher-Farr

Amendment prohibits the DOJ from using funds to prevent States with medical cannabis laws from implementing such laws. In August 2016, the U.S. Court of Appeals for the Ninth Circuit ruled in *United States v. McIntosh* that the Rohrabacher-Farr Amendment bars the DOJ from spending funds on the prosecution of conduct that is allowed by State medical cannabis laws, provided that such conduct is in strict compliance with applicable State law. In March 2015, bipartisan legislation titled the *Compassionate Access, Research Expansion, and Respect States Act* (the "**CARERS Act**") was introduced, proposing to allow States to regulate the medical use of cannabis by changing applicable federal law, including by reclassifying cannabis under the CSA to a Schedule II controlled substance and thereby changing the plant from a federally-criminalized substance to one that has recognized medical uses. More recently, the *Respect State Marijuana Laws Act of 2017* has been introduced in the U.S. House of Representatives, which proposes to exclude persons who produce, possess, distribute, dispense, administer or deliver cannabis in compliance with State laws from the regulatory controls and administrative, civil and criminal penalties of the CSA.

Although these developments have been met with a certain amount of optimism in the cannabis industry, neither the CARERS Act nor the *Respect State Marijuana Laws Act of 2017* have yet been adopted, and the Rohrabacher-Farr Amendment must be renewed annually and has currently been renewed until September 30, 2019. Furthermore, the ruling in *United States v. McIntosh* is only applicable in the Ninth Circuit, which includes the States of Alaska, Arizona, California, Hawaii, Idaho, Montana, Nevada, Oregon and Washington. The Company plans to have, operations in States outside of the Ninth Circuit.

In early 2017, President Donald J. Trump nominated Alabama Republican Jeff Sessions as the United States Attorney General. In addition to the election of President Trump, the Republican party retained control of United States Congress. On January 4, 2018, then Attorney General Sessions issued a written memorandum (the "**Sessions Memorandum**") to all U.S. Attorneys stating that the Cole Memorandum was rescinded, effectively immediately. In particular, Attorney General Sessions stated that "prosecutors should follow the well-established principles that govern all federal prosecutions," which 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." Attorney General Sessions went on to state in the Sessions Memorandum that given the Justice Department's well-established general principles, "previous nationwide guidance specific to cannabis is unnecessary and is rescinded, effective immediately." Attorney General Sessions reiterated that the cultivation, distribution and possession of cannabis continues to be a crime under the CSA.

On November 7, 2018, Mr. Sessions tendered his resignation as Attorney General at the request of President Donald Trump. Following Mr. Sessions' resignation, William Barr was confirmed as the new Attorney General. Mr. Barr stated during his confirmation hearings in a response to a question from Senator Cory Booker, "I'm not going to go after companies that have relied on Cole Memorandum." Mr. Barr also reconfirmed this response in writing as part of the formal confirmation proceedings.

On or about December 14, 2020, Mr. Barr announced a planned resignation from the Trump administration, effective the following week. On December 24, 2020, Deputy Attorney General Mr. Jeffrey Rosen became Acting Attorney General. On January 7, 2021, President Joe Biden announced Judge Merrick Garland as his nomination for the next U.S. Attorney General. On January 20, 2021, Robert Wilkinson replaced Mr. Jeffrey Rosen as the Acting Attorney General while Judge Garland seeks confirmation from the U.S. Senate.

On December 27, 2020, President Donald Trump signed the *Consolidated Appropriations Act of 2021*, which included the Rohrabacher-Farr Amendment, which prohibits the funding of federal prosecutions with respect to medical cannabis activities that are legal under State law. The *Consolidated Appropriations Act of 2021* makes appropriations for the year ending September 30, 2021. There can be no assurances that the Rohrabacher-Farr Amendment will be included in future appropriations bills or budget resolutions.

Following two special runoff elections conducted in the U.S. State of Georgia on January 5, 2021, for two U.S. Senate seats, Democrats Raphael Warnock and Jon Ossoff each received more votes than their incumbent opponents. As a result of the special elections, Democrats control 50 seats in the U.S. Senate and Republicans control 50 seats, and Vice President

Kamala Harris carries the tie-breaking vote. Consequently, for the first time since January 3, 2009, Democrats now control the U.S. Senate. Consequently, and in conjunction with Democrat control of the U.S. House of Representatives and the White House, cannabis legislation, including the *Marijuana Opportunity Reinvestment and Expungement Act* and others, may now face a realistic chance of passage. This and other legislation have the potential to deschedule cannabis, improve access to banking and other financial resources for cannabis companies, and remove the effects of Internal Revenue Code § 280E on cannabis businesses. There is no guarantee that any such legislation will pass, however, and President Joseph Biden has indicated a reluctance to prioritize substantial changes in federal cannabis laws despite pressure from Democratic members of Congress.

On January 7, 2021, President Joseph Biden announced his nomination of Judge Merrick Garland as U.S. Attorney General. Mr. Garland's nomination was subject to confirmation by the United States Senate. During confirmation hearings, Judge Garland did not confirm whether he would reinstate the Cole Memorandum, but did explain that he expected under his tenure to see a reduction in resources towards enforcement of federal cannabis laws, explaining that enforcement "does not seem to me a useful use of limited resources." Judge Garland did, however, note that enforcement against criminal enterprises in the States would continue. On March 10, 2021, Judge Garland was confirmed by the U.S. Senate. It is unclear what impact the new U.S. Attorney General will have on U.S. federal government enforcement policy. Since his confirmation, Attorney General Garland has not formally reinstated the Cole Memorandum or issued a similar memorandum concerning the enforcement *vel non* of federal cannabis laws.

On July 14, 2021, Sens. Chuck Schumer (D-N.Y.), Cory Booker (D-N.J.), and Ron Wyden (D-Ore.) introduced a discussion draft of the *Cannabis Administration and Opportunity Act*, federal legislation which, if passed in its current form, would remove cannabis from the federal list of controlled substances and allow States to implement their own cannabis laws. The draft bill sets forth a detailed legislative proposal by creating a framework for regulating and taxing State legal sales of cannabis and addressing social equity and justice goals, and conforming necessary laws consistent with both of those goals. The bill accomplishes this by, *inter alia*, removing cannabis and extracts of cannabis from the CSA and directing it to be removed from the schedules; setting responsibilities for the FDA as primary regulator of cannabis and cannabis products, with TTB helping on issues pertaining to diversion and taxations (similar to alcohol and tobacco); removing barriers to access to medical cannabis for veterans and Indian tribes; funding research and social equity initiatives; and collecting federal taxes from cannabis business entities to fund the social justice efforts while providing tax credits up to a certain amount. Significantly, under the bill, States would retain right to prohibit cannabis, and can set standards above federal standards, but no State may bar shipments of cannabis or cannabis products through the State. Despite excitement surrounding the introduction of the bill, it does not appear that there is sufficient legislative support required for passage, nor does President Biden appear to be in favor of broad legalization efforts.

Notwithstanding the foregoing, a significant change in the federal government's enforcement policy with respect to current federal laws applicable to cannabis could have a material adverse effect on the business, financial condition or results of operations of the Company. The Company is expected to provide products and services to State-approved cannabis cultivators and dispensary facilities. As a result, it could be deemed to be aiding and abetting illegal activities, a violation of United States federal law.

Reliance on Third Party Suppliers, Manufacturers and Contractors

The Company and its subsidiaries rely on relationships with numerous business partners and third party service providers located in the U.S. Unless and until the federal legal landscape with respect to medical and/or adult-use cannabis changes (and as to the timing or scope of any such potential amendments there can be no assurance), there is a significant risk that business partners and third party service providers may be required to suspend or withdraw services and business relationships to avoid prosecution by U.S. federal authorities under U.S. federal laws.

There is a Substantial Risk of Regulatory or Political Change

The success of the business strategy of the Company, depends on the legality of the cannabis industry in the United States. The political environment surrounding the cannabis industry in the United States in general can be volatile and the regulatory framework in the United States remains in flux. As of the date of this Prospectus, 37 States, Washington, D.C.

and certain other U.S. territories have implemented laws and regulations to legalize and regulate the cultivation, sale, possession and use of cannabis, and additional States have pending legislation regarding the same, however, the risk remains that a shift in the regulatory or political realm could occur and have a drastic impact on the industry as a whole, adversely impacting the Company's ability to successfully invest and/or participate in the selected business opportunities. Recent State legislation throughout the U.S. has prioritized minority and diversity participation in the cannabis industry, even going so far as to provide licensing preferences to minorities, individuals with certain criminal convictions, and individuals from economically depressed areas. As new medical and adult-use legislation is passed, multi-State operators such as the Company may be prevented or discouraged from obtaining new licenses or from participating in new markets. Such a result could adversely impact the Company's ability to maintain market share or obtain a positive return on investment in existing markets.

Further, there is no guarantee that at some future date, voters and/or the applicable legislative bodies will not repeal, overturn or limit any such legislation legalizing the sale, disbursement and consumption of medical or adult-use cannabis. It is also important to note that local and city ordinances may strictly limit and/or restrict disbursement of cannabis in a manner that will make it extremely difficult or impossible to transact business that is necessary for the continued operation of the cannabis industry.

Cannabis remains illegal under federal law, and the federal government could bring criminal and civil charges against the Company or its subsidiaries or its investments at any time. Federal actions against any individual or entity engaged in the cannabis industry or a substantial repeal of cannabis-related legislation could have a material adverse effect on the business, financial condition or results of operations of the Company.

Ability to Access Capital

The Company will likely need additional capital to sustain its operations and will likely need to seek further financing, which the Company may not be able to obtain on acceptable terms or at all. If the Company fails to raise additional capital, as needed, its ability to implement its business model and strategy could be compromised. To date, the Company's operations and expansion of its business have been funded primarily from cash-flow from operations as substantially supplemented by the proceeds of debt and equity financings. The Company expects to require substantial additional capital in the near future to commence the expansion of its business into additional States in the United States, expand its product lines, develop its intellectual property base, and establish its targeted levels of commercial production. The Company may not be able to obtain additional financing on terms acceptable to it, or at all. In particular, because cannabis is illegal under U.S. federal law, the Company may have difficulty attracting investors.

Banks often refuse to provide banking services to businesses involved in the cannabis industry due to the present state of the laws and regulations governing financial institutions in the United States. The lack of banking and financial services presents unique and significant challenges to businesses in the cannabis industry. The lack of a secure place in which to deposit and store cash, the inability to pay creditors through the issuance of checks and the inability to secure traditional forms of operational financing, such as lines of credit, are some of the many challenges presented by the unavailability of traditional banking and financial services.

No guarantee or assurances can be given by the Company that it will be able to secure and/or maintain stable banking services arrangements, nor can the Company guarantee or provide assurances that it will be able to secure an alternative to traditional banking services should the Company not be able to secure and maintain traditional banking services with a national or State-chartered banking institution.

No assurance can be given that any additional financing will be available to the Company, or if available, will be on terms favorable to it. If the Company is unable to raise capital when needed, its business, financial condition, and results of operations would be materially adversely affected, and it could be forced to reduce or discontinue its operations.

Compliance and Monitoring

As of the date of this MD&A, the Company believes that each of its licensed operating entities: (a) holds all applicable licenses to cultivate, manufacture, possess, and/or distribute cannabis in its respective State; and (b) is in good standing and in compliance with its respective State's cannabis regulatory program. The Company is in compliance with its obligations under State law related to its cannabis cultivation, processing and dispensary licenses, other than minor violations that would not result in a material fine, suspension or revocation of any relevant license.

The Company uses reasonable commercial efforts to ensure that its business is in material compliance with laws and applicable licensing requirements and engages in the regulatory and legislative process nationally and in every State we operate through our compliance department, government relations department, outside government relations consultants, cannabis industry groups and legal counsel.

The Company's Vice President, Legal, Regulatory & Government Affairs is charged with knowing the local regulatory process and monitoring developments and ongoing developments with State governing bodies. This individual regularly reports regulatory developments to the Company's Chief Legal Officer and General Counsel, Chief Financial Officer, and Chief Executive Officer through written and oral communications and are charged with the creation and implementation of plans regarding all regulatory developments. The Company's Chief Legal Officer and General Counsel works with external legal advisors in the States in which the Company operates to ensure that the Company is in on-going compliance with applicable State laws.

Although the Company believes that its business activities are materially compliant with applicable and State and local laws of the United States, strict compliance with State and local laws with respect to cannabis may neither absolve the Company of liability under United States federal law nor provide a defense to any federal proceeding which may be brought against the Company. Any such proceedings brought against the Company may result in a material adverse effect on the Company. The Company derives 100% of its revenues from the cannabis industry in certain States, which industry is illegal under United States federal law. Even where the Company's cannabis-related activities are compliant with applicable State and local law, such activities remain illegal under United States federal law. The enforcement of relevant federal laws is a significant risk.

In addition to the above disclosure, please see "Risk Factors" for further risk factors associated with the operations of the Company.

RISK FACTORS

The Company is subject to risks, certain of which are described in the risk factors set forth below. The occurrence of any one or more of these risks or uncertainties could have a material adverse effect on the value of any investment of the Company and the financial condition or operating results of the Company. Additional risks and uncertainties not presently known to the Company or that the Company currently deems immaterial may also impair the Company's business operations. The Company will face numerous challenges in the development of its business. Due to the nature of the Company and its business and present stage of the business, readers should carefully consider all such risks, including those set out in the discussion below.

- The Company's operations are subject to various laws, regulations and guidelines relating to the manufacture, management, transportation, storage, and disposal of medical cannabis but also including laws and regulations relating to health and safety, the conduct of operations and the protection of the environment.

- The continued development of the Company may require additional financing and there can be no assurance that additional capital or other types of financing will be available if needed or that, if available, the terms of such financing will be favorable to the Company.

- 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 it to continue to implement and improve its operational and financial systems and to expand, train and manage its employee base. The inability of the Company to deal with this growth may have a material adverse effect on its business, financial condition, results of operations and prospects.

- The Company's limited operating history may make it difficult for investors to predict future performance based on current operations.

- A drop in the retail price of medical marijuana products may negatively impact the business of the Company.

- The Company's business could be adversely affected if it fails to protect its intellectual property.

- The Company may be exposed to infringement or misappropriation claims by third parties, which, if determined adversely to the Company, could subject to significant liabilities and other costs.

- The Company's ability to recruit and retain management, skilled labor and suppliers is crucial to the Company's success.

- The Company has a limited operating history.

- There is potential that the Company will face intense competition from other companies, some of which have longer operating histories and more financial resources and manufacturing and marketing experience than the Company.

- The Company believes the cannabis industry is highly dependent upon consumer perception regarding the safety, efficacy and quality of the cannabis produced. Consumer perception of the Company's products can be significantly influenced by scientific research or findings, regulatory investigations, litigation, media attention and other publicity regarding the consumption of cannabis products. There can be no assurance that future scientific research, findings, regulatory proceedings, litigation, media attention or other research findings or publicity will be favorable to the medical cannabis market or any product, or consistent with earlier publicity.

- The Company faces an inherent risk of exposure to product liability claims, regulatory action, and litigation if its products are alleged to have caused significant loss or injury.

- Greater access to medical cannabis, through competitive expansion in the marketplace and illegal markets, may decrease the number of patients registering with the Company and may cause registered patients to leave the Company.

- Any significant interruption or negative change in the availability or economics of the supply chain for key inputs could materially impact the business, financial condition, and operating results of the Company.

- If the Company is unable to continually innovate and increase efficiencies, its ability to attract new customers may be adversely affected.

- The Company may engage in acquisitions or other strategic transactions or make investments that could result in significant changes or management disruption.

- The Company could fail to integrate acquired companies into the business of the Company.

- The Company has, and will have, certain business arrangements with third parties, the breakdown/loss of which could impact its operations.

- The Company's operations are subject to environmental and safety laws and regulations concerning, among other things, emissions and discharges to water, air and land, the handling and disposal of hazardous and non-hazardous materials and wastes, and employee health and safety.

- Although all growing is completed indoors under climate-controlled conditions, there can be no assurance that natural elements and weather will not have a material adverse effect on any such future production.

- The Company may become party to litigation, mediation and/or arbitration from time to time in the ordinary course of business which could adversely affect its business.

CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

Certain statements in this MD&A are “forward-looking statements.” Forward-looking statements are neither historical facts nor assurances of future performance. Instead, they are based on our current beliefs, expectations and assumptions regarding the future of our business, future plans and strategies, our commercialization plans and other future conditions. Any statements that express or involve discussions with respect to predictions, expectations, beliefs, plans, projections, objectives, assumptions or future events or performance are not statements of historical fact and may be “forward-looking statements.” In some cases, you can identify forward-looking statements by terminology such as “may,” “might,” “will,” “should,” “expect,” “seek,” “endeavor,” “anticipate,” “plan,” “estimate,” “believe,” “intend,” “predicts,” “estimates” or the negative of these terms or comparable terminology. Forward looking statements are based on expectations, estimates and projections at the time the statements are made that involve a number of risks, uncertainties and assumptions, which would cause actual results or events to differ materially from those presently anticipated.

Forward-looking statements in this MD&A include, but are not limited to, statements with respect to: assumptions and expectations described in the Company’s critical accounting policies and estimates; the Company’s future financial and operating performance; the intention to expand the business, operations and facilities of the Company including through acquisitions and merit-based processes; the expected increase in certain costs associated with the business including transaction and compensation expenses; the expected production volumes of the Company; the expected increasing complexity of the cannabis industry; the expected expansion of the cannabis market; the applicable laws, regulations, licensing and any amendments thereof related to the cannabis industry; the anticipated future gross margins of the Company; future expenditures, strategic investments and capital activities and expectations regarding pricing of cannabis products.

A number of factors could cause actual results, performance or achievements to be materially different from any future results, performance or achievements that may be expressed or implied by such forward-looking statements including those factors as set out under “Risk Factors” in this MD&A. Should one or more of these risks or uncertainties materialize, or should assumptions underlying the forward-looking statements prove incorrect, actual results, performance or achievements could vary materially from those expressed or implied by the forward-looking statements contained in this MD&A. These factors should be considered carefully and prospective investors should not place undue reliance on these forward-looking statements.

Although the forward-looking statements contained in this MD&A are based upon what the Company currently believes to be reasonable assumptions, it cannot assure that actual results, performance or achievements will be consistent with these forward-looking statements. New risks and uncertainties may emerge from time to time. Except as required by law, the Company does not have any obligation to advise any person if it becomes aware of any inaccuracy in or omission of any forward-looking statement, nor does it intend, or assume any obligation, to update or revise these forward-looking statements to reflect new events or circumstances.

Historical statements contained in this document regarding past trends or activities should not be taken as a representation that such trends or activities will continue in the future. In this regard, certain financial information contained herein has been extracted from, or based upon, information available in the public domain and/or provided by the Company. In particular, historical results of the Company should not be taken as a forecast or guarantee that such trends will be replicated in the future. No statement in this document is intended to be nor may be construed as a profit forecast.