



JUSHI HOLDINGS INC.

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2020 and 2019

(Expressed in United States Dollars)

JUSHI HOLDINGS INC.
CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2020

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Independent Auditor's Report

To the Shareholders of Jushi Holdings Inc.:

Opinion

We have audited the consolidated financial statements of Jushi Holdings Inc. and its subsidiaries (the "Company"), which comprise the consolidated statements of financial position as at December 31, 2020 and December 31, 2019, and the consolidated statements of operations and comprehensive loss, changes in equity and cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as at December 31, 2020 and December 31, 2019, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards.

Basis for Opinion

We conducted our audits in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audits of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Information

Management is responsible for the other information. The other information comprises Management's Discussion and Analysis.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audits of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audits or otherwise appears to be materially misstated. We obtained Management's Discussion and Analysis prior to the date of this auditor's report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audits and significant audit findings, including any significant deficiencies in internal control that we identify during our audits.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditor's report is Shawn Mincoff.

MNP LLP

Ottawa, Ontario
June 4, 2021

Chartered Professional Accountants
Licensed Public Accountants

JUSHI HOLDINGS INC.
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(in thousands of U.S. dollars)

	Note	December 31, 2020	December 31, 2019
ASSETS			
CURRENT ASSETS:			
Cash and cash equivalents		\$ 85,857	\$ 38,936
Accounts receivable		859	395
Investments in securities and short-term notes receivable	4	7,934	17,913
Inventory	5	12,966	1,958
Biological assets	5	3,962	271
Prepaid expenses and other current assets	6	4,691	2,753
Deferred acquisition costs	7	—	2,320
Total current assets		<u>\$ 116,269</u>	<u>\$ 64,546</u>
NON-CURRENT ASSETS:			
Property, plant and equipment	8	\$ 72,471	\$ 22,592
Other intangible assets	10	132,028	93,686
Goodwill	10	31,055	28,055
Other long-term assets	11	7,456	1,181
Total long-term assets		<u>\$ 243,010</u>	<u>\$ 145,514</u>
Total assets		<u>\$ 359,279</u>	<u>\$ 210,060</u>
LIABILITIES AND EQUITY			
CURRENT LIABILITIES:			
Accounts payable, accrued expenses and other current liabilities	12	\$ 30,700	\$ 8,875
Short-term promissory notes payable	13	1,338	15,635
Short-term lease obligations	14	4,716	969
Redemption liability	9	—	8,440
Total current liabilities		<u>\$ 36,754</u>	<u>\$ 33,919</u>
LONG-TERM LIABILITIES:			
Long-term promissory notes payable	13	\$ 3,081	\$ 9,988
Senior notes	15	50,566	10,736
Derivative liabilities	15	205,361	5,529
Long-term lease obligations	14	34,494	5,529
Deferred tax liabilities	22	23,798	20,334
Other debt	16	3,475	—
Total liabilities		<u>\$ 357,529</u>	<u>\$ 86,035</u>
COMMITMENTS AND CONTINGENCIES	24		
EQUITY:			
Share capital and share reserves	17, 18	\$ 263,914	\$ 163,032
Accumulated deficit	23	(264,091)	(48,667)
Total Jushi shareholders' equity		<u>\$ (177)</u>	<u>\$ 114,365</u>
Non-controlling interests	23	1,927	9,660
Total equity		<u>\$ 1,750</u>	<u>\$ 124,025</u>
Total liabilities and equity		<u>\$ 359,279</u>	<u>\$ 210,060</u>

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

JUSHI HOLDINGS INC.
CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS

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

	Note	For the Year Ended December 31,	
		2020	2019
REVENUE, NET	19	\$ 80,772	\$ 10,229
COST OF GOODS SOLD	5, 21	(43,546)	(5,665)
GROSS PROFIT BEFORE FAIR VALUE CHANGES		\$ 37,226	\$ 4,564
Realized fair value changes included in inventory sold		(934)	—
Unrealized fair value changes included in biological assets	5	6,776	259
GROSS PROFIT		\$ 43,068	\$ 4,823
OPERATING EXPENSES:			
General, administrative and selling expenses	21	\$ 44,198	\$ 30,627
Share-based compensation expense	17, 18	7,292	4,868
Acquisition and deal costs	9	810	2,663
Loss on inventory impairment	5	—	820
Total operating expenses		\$ 52,300	\$ 38,978
LOSS FROM OPERATIONS BEFORE OTHER (EXPENSE) INCOME		\$ (9,232)	\$ (34,155)
OTHER (EXPENSE) INCOME:			
Interest income		\$ 231	\$ 378
Fair value changes in derivatives	9, 15	(173,707)	—
Interest expense and finance charges	21	(19,133)	(3,253)
Net gains on business combinations	9	6,472	—
(Losses) gains on investments and financial assets	4	(1,609)	11,321
Net loss on debt and warrant modifications	15	(1,853)	—
Listing expense	3	—	(1,360)
Pre-acquisition expense	9	—	(4,000)
Goodwill impairment	10	(170)	—
Other (expense) income	8, 10	(2,464)	4,807
Total net other (expense) income		\$ (192,233)	\$ 7,893
NET LOSS AND COMPREHENSIVE LOSS BEFORE TAX		\$ (201,465)	\$ (26,262)
Current income tax expense	22	(14,439)	(2,417)
Deferred income tax benefit (expense)	22	4,038	(2,092)
NET LOSS AND COMPREHENSIVE LOSS		\$ (211,866)	\$ (30,771)
Net loss attributable to non-controlling interests	23	(1,908)	(160)
NET LOSS AND COMPREHENSIVE LOSS ATTRIBUTABLE TO JUSHI SHAREHOLDERS		\$ (209,958)	\$ (30,611)
NET LOSS AND COMPREHENSIVE LOSS PER SHARE ATTRIBUTABLE TO JUSHI SHAREHOLDERS - BASIC AND DILUTED	20	\$ (2.11)	\$ (0.37)
Weighted average shares outstanding - basic and diluted	20	99,560,553	82,058,059

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

JUSHI HOLDINGS INC.
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

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

	Number of Shares			Share Capital	Share Reserves				Accumulated Deficit	Total Jushi Shareholders' Equity	Non-Controlling Interests	Total Equity
	Super Voting Shares	Multiple Voting Shares	Subordinate Voting Shares		Stock Options	Warrants	Restricted Shares	Other				
Balances - December 31, 2018	149,000	4,000,000	44,094,281	\$ 49,585	\$ 452	\$ 9,504	\$ 31	\$ —	\$ (18,056)	\$ 41,516	\$ —	\$ 41,516
Issuance of shares and warrants for cash	—	—	8,080,000	15,705	—	395	—	—	—	16,100	—	16,100
Subscriptions receipts	—	—	—	—	—	—	—	68,200	—	68,200	—	68,200
Shares and warrants issued on conversion of subscription receipts	—	—	24,800,098	67,171	—	1,029	—	(68,200)	—	—	—	—
Shares and warrants issuance - RTO	—	—	413,266	1,136	—	225	—	—	—	1,361	—	1,361
Capital raising costs	—	—	—	(4,782)	—	—	—	—	—	(4,782)	—	(4,782)
Shares issued upon exercise of warrants	—	—	841,832	1,174	—	(96)	—	—	—	1,078	—	1,078
Restricted stock grants and vesting, net of forfeitures	—	—	4,433,348	764	—	—	1,072	—	—	1,836	—	1,836
Warrant expense, net of forfeitures	—	—	—	158	—	930	—	—	—	1,088	—	1,088
Stock option expense, net of forfeitures	—	—	—	—	2,110	—	—	—	—	2,110	—	2,110
Stock option exercises	—	—	1,444,371	877	(635)	—	—	—	—	242	—	242
Issuance of shares and warrants for acquisitions	—	—	7,735,442	15,820	—	407	—	—	—	16,227	—	16,227
Dalitso - non-controlling interest	—	—	—	—	—	—	—	—	—	—	9,747	9,747
Transactions with non-controlling interests, net	—	—	—	—	—	—	—	—	—	—	73	73
Net loss	—	—	—	—	—	—	—	—	(30,611)	(30,611)	(160)	(30,771)
Balances - December 31, 2019	149,000	4,000,000	91,842,638	\$ 147,608	\$ 1,927	\$ 12,394	\$ 1,103	\$ —	\$ (48,667)	\$ 114,365	\$ 9,660	\$ 124,025
Issuance of shares for cash	—	—	11,500,000	29,243	—	—	—	—	—	29,243	—	29,243
TGS Transaction	—	—	(4,800,000)	(7,008)	—	(117)	—	—	—	(7,125)	4,661	(2,464)
Purchases of non-controlling interests	—	—	3,927,911	12,864	—	—	—	1,004	(6,486)	7,382	(13,020)	(5,638)
Non-controlling interests - Jushi Europe	—	—	—	—	—	—	—	—	1,020	1,020	980	2,000
Acquisition of Agape	—	—	769,231	1,000	—	—	—	—	—	1,000	1,560	2,560
Restricted stock grants and vesting, net of forfeitures	—	—	4,298,099	1,667	—	—	3,131	—	—	4,798	—	4,798
Warrant expense, net of cancellations	—	—	—	—	—	928	—	—	—	928	—	928
Stock option expense, net of forfeitures	—	—	—	—	1,741	—	—	—	—	1,741	—	1,741
Warrants exercises	—	—	24,456,519	58,084	—	(2,801)	—	—	—	55,283	—	55,283
Stock option exercises	—	—	26,666	60	(19)	—	—	—	—	41	—	41
Other non-controlling interests transactions	—	—	—	—	—	—	—	—	—	—	(6)	(6)
Shares issued for settlements	—	—	375,000	1,105	—	—	—	—	—	1,105	—	1,105
Net loss	—	—	—	—	—	—	—	—	(209,958)	(209,958)	(1,908)	(211,866)
Balances - December 31, 2020	149,000	4,000,000	132,396,064	\$ 244,623	\$ 3,649	\$ 10,404	\$ 4,234	\$ 1,004	\$ (264,091)	\$ (177)	\$ 1,927	\$ 1,750

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

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

	For the Year Ended December 31,	
	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net loss	\$ (211,866)	\$ (30,771)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization, including amounts in costs of goods sold	5,412	2,227
Share-based payments	7,292	4,868
Fair value changes in derivatives	173,707	—
Net gains on business combinations	(6,472)	—
Losses (gains) on investments and financial assets	1,609	(11,321)
Non-cash interest expense	10,702	2,318
Deferred income taxes	(4,038)	2,092
Fair value changes on sale of inventory and on biological assets	(5,842)	(259)
Net loss on debt and warrant modifications	1,853	—
Goodwill impairment	170	—
Non-cash listing expense	—	1,361
Inventory impairment adjustment	—	820
Pre-acquisition expense and exclusivity payment	—	5,000
Non-cash other expense, net	2,912	195
Changes in operating assets and liabilities, net of acquisitions:		
Accounts receivable	\$ (51)	\$ (32)
Prepaid expenses and other current assets	(1,724)	(2,083)
Inventory and biological assets	(4,254)	(1,366)
Other long-term assets	(2,049)	(674)
Accounts payable, accrued expenses and other current liabilities	28,919	4,855
Net cash flows used in operating activities	\$ (3,720)	\$ (22,770)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Payments for acquisitions, net of cash acquired	\$ (28,564)	\$ (44,895)
Payment for PADS Purchase Option	(1,553)	—
Payments for deferred acquisition costs	—	(2,270)
Payments for advances for acquisitions	—	(5,000)
Purchases of property, plant and equipment	(20,092)	(8,171)
Payments for deposits and escrows - property and equipment	(1,614)	—
Payments for other intangibles	—	(646)
Sales and redemptions of investments in securities	13,404	135
Payments for investments	(11,500)	—
Proceeds from (investment in) financial asset	5,193	(100)
Net cash flows used in investing activities	\$ (44,726)	\$ (60,947)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Issuance of shares for cash, net	\$ 29,243	\$ 79,519
Proceeds from exercise of warrants and options	46,587	1,319
Proceeds from issuance of senior notes and derivative warrants, net of interest payments and costs	45,493	16,126
Payments on promissory notes, including financing costs	(26,033)	(11,549)
Payments on lease obligations	(3,168)	(853)
Proceeds from other debt, net of repayments	3,529	—
Payments for acquisitions from non-controlling interests	(2,231)	—
Contributions from non-controlling interests, net	1,994	—
Net cash flows provided by financing activities	\$ 95,414	\$ 84,562
Effect of currency translation on cash	(47)	(23)
NET CHANGE IN CASH AND CASH EQUIVALENTS	\$ 46,921	\$ 822
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	38,936	38,114
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 85,857	\$ 38,936
SUPPLEMENTAL CASH FLOW INFORMATION:		
Cash paid for income taxes	\$ 1,172	\$ —
NON-CASH INVESTING AND FINANCING ACTIVITIES:		
Accrued capital expenditures	\$ 2,177	\$ 1,558
Fair value of note obligations and warrant liabilities from acquisitions and acquisitions of non-controlling interests	\$ 16,250	\$ 34,778

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

JUSHI HOLDINGS INC.**Notes to the Consolidated Financial Statements****December 31, 2020 and 2019***(Amounts Expressed in Thousands of United States Dollars, Unless Otherwise Stated)*

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. NATURE OF OPERATIONS

Jushi Holdings Inc. (the “Company” or “Jushi”) is incorporated under the British Columbia’s Business Corporations Act (“BCBCA”). The Company is an acquisitive vertically integrated, multi-state cannabis operator engaged in retail, distribution, cultivation, and/or processing operations in both medical and adult-use markets. As of December 31, 2020, Jushi, through its subsidiaries, owns or manages cannabis operations and/or holds licenses in the adult-use and/or medicinal cannabis marketplace in Illinois, Pennsylvania, Virginia, Nevada, California and Ohio, as well as Europe.

In June 2019, Jushi Inc. completed a reverse takeover (“RTO”) and Jushi Acquisition Corp., a special purpose corporation, completed a private placement. Following the RTO, the Company’s subordinate voting shares (“SVS”) were listed on the NEO Exchange Inc. (“NEO”) under the symbol JUSH-B, until Friday, December 6, 2019. On December 9, 2019, the Company listed on the Canadian Securities Exchange (the “CSE”) and began trading under the ticker symbol “JUSH”. The Company’s SVS are also traded on the OTCQB under the symbol JUSHF.

The Company’s head office is located at 1800 NW Corporate Boulevard, Boca Raton, Florida 33431, and its registered address is Suite 1700, Park Place, 666 Burrard Street, Vancouver, British Columbia V6C 2X8.

2. BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Statement of Compliance

These consolidated financial statements of the Company have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”) and interpretations of the IFRS Interpretations Committee (“IFRIC”) in effect for the year ended December 31, 2020.

These consolidated financial statements were approved by the Board of Directors on June 4, 2021.

Basis of Measurement

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

Functional Currency

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

Reclassifications

Where necessary, certain prior year data has been reclassified to conform to the current year presentation. These reclassifications did not have an effect on total assets, total liabilities, equity, net loss, net loss per share or cash flows for



the periods presented. Operating expense for salaries, wages and employee related expenses and the operating expense for depreciation and amortization were separately disclosed within the consolidated statements of operations and comprehensive loss in prior periods but have been included within general, administrative and selling expenses in the current presentation. Refer to Note 21 - Nature of Expenses for the amounts which are included in general, administrative and selling expenses. As of December 31, 2020, it was determined that the Company has two operating segments, and as a result, prior period comparative disclosures have been included for comparison. Refer to Note 19 - Segments.

Basis of Consolidation

These consolidated financial statements include the accounts of the Company, its wholly owned subsidiaries and entities over which the Company has control from the date control commences until the date control ceases. Control exists when the Company is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. In assessing control, potential voting rights that are currently exercisable are taken into account. All intercompany balances and transactions are eliminated in consolidation.

When the Company acquires less than 100% of a controlled subsidiary, the Company elects on a transaction-by-transaction basis, whether to measure non-controlling interest at its fair value or at its proportionate share of the recognized amount of the identifiable net assets, at the acquisition date. Refer to Note 9 - Business Combinations and Asset Acquisitions and Note 23 - Non-Controlling Interests.

JUSHI HOLDINGS INC.**Notes to the Consolidated Financial Statements****December 31, 2020 and 2019***(Amounts Expressed in Thousands of United States Dollars, Unless Otherwise Stated)*

The following are the Company's subsidiaries that are included in these consolidated financial statements as of December 31, 2020:

NAME ⁽¹⁾	State or Country of Incorporation	Ownership Percentage as of December 31, 2020	Ownership Percentage as of December 31, 2019	Note
Jushi Inc	Delaware	100%	100%	
Bear Flag Assets, LLC <i>and its wholly owned Subsidiary GSG SBCA, Inc</i>	California	100%	—	9
Beyond Hello IL Holdings, LLC <i>(formerly known as TGS Illinois Holdings, LLC) and its wholly owned subsidiary Beyond Hello IL, LLC</i>	Illinois	100%	—	9
Jushi IP, LLC	Delaware	100%	100%	
JREH, LLC <i>and its wholly owned Subsidiaries</i>	Delaware	100%	100%	
Sound Wellness Holdings, Inc. <i>and its wholly owned Subsidiaries</i>	Delaware	100%	100%	
Mend Products, LLC	Delaware	100%	100%	
JMGT, LLC	Florida	100%	100%	
Mojave Suncup Holdings, LLC <i>and its wholly owned subsidiary, Production Excellence, LLC</i>	Nevada	100%	100%	
Jushi Ampal NJ, LLC	New Jersey	75%	75%	23
Jushi OH, LLC	Ohio	100%	100%	
Franklin Bioscience - Penn LLC <i>and its wholly owned subsidiaries</i>	Pennsylvania	100%	100%	9
Jushi VA, LLC	Virginia	100%	100%	
Dalitso, LLC	Virginia	100%	61.765%	9, 23
Jushi Europe SA	Switzerland	51%	—	9, 23
Agape Total Health Care Inc.	Pennsylvania	80%	—	9, 23, 27
PASPV Holdings, LLC <i>and its wholly owned subsidiary, Pennsylvania Medical Solutions LLC</i>	Pennsylvania	100%	—	9
Northeast Venture Holdings, LLC <i>and its wholly owned subsidiary, Pennsylvania Dispensary Solutions, LLC</i>	Pennsylvania	100%	—	9

⁽¹⁾ Certain subsidiaries have been omitted since, in the aggregate, they do not represent a significant subsidiary.

Summary of Significant Accounting Policies**Cash and Cash Equivalents**

Cash and cash equivalents include cash deposits in financial institutions and other deposits that are readily convertible into cash, generally with an original maturity of three months or less.

Investments in Securities

Investments in securities represents trading securities in investments in mutual funds, and other investments in equity securities. These investments are classified and measured at fair value through profit or loss, whereby unrealized gains



and losses are included in other income and expense in the consolidated statement of operations in the period in which they occur.

Accounts Receivable and Expected Credit Losses

Accounts receivable are recorded at the invoiced amount and do not bear interest. Expected credit losses (or “allowance”) reflects the Company’s estimate of amounts in its existing accounts receivable that may not be collected due to customer claims or customer inability or unwillingness to pay. Collectability of accounts receivable is reviewed on an ongoing basis. Expected credit losses are determined based on a combination of factors, including the Company’s risk assessment regarding the specific exposures, credit worthiness of its customers, historical collection experience and length of time the receivables are past due. Account balances are charged off against the allowance when the Company believes it is probable the receivable will not be recovered.

During the years ended December 31, 2020 and 2019, the Company recorded expected credit losses expense of \$6 and \$172, respectively, which are included in other expense in the consolidated statements of operations and comprehensive loss. For the year ended December 31, 2019, this expense includes \$147 related to income from a related party earned during the year ended December 31, 2019 and \$25 related to income earned from the same related party during the comparative period ended December 31, 2018.

Inventory

Inventories of finished goods, supplies, consumables, and products for resale are valued at the lower of cost and net realizable value. Net realizable value is determined as the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale. Cost is determined using the average cost basis. Inventories of harvested cannabis are transferred from biological assets at their fair value less costs to sell at harvest which becomes the deemed cost. All subsequent direct and indirect costs related to inventory are capitalized as they are incurred and they are subsequently recorded within cost of goods sold on the statements of operations at the time of sale, except for realized fair value amounts included in inventory sold which are recorded as a separate line on the face of the statements of operations. Subsequent costs also include costs such as materials, labor and depreciation expense on equipment involved in packaging, labeling and inspection. The Company reviews inventory for obsolete, redundant and slow-moving goods and any such inventory are written down to net realizable value. Finished goods consists of harvested cannabis, cultivation inventory transferred from work in progress and purchased from third parties, as well as retail supplies, consumables, and products for resale. Raw materials and work in process includes supplies and harvested cannabis that will be further processed.

Biological Assets

Biological assets are measured at their fair value (using the income approach) less costs to sell on the balance sheet. The Company capitalizes pre-harvest costs as incurred. Production costs incurred during the growing process are capitalized and included in the fair value of biological assets. The direct and indirect costs include, but are not limited to material, labor, supplies, depreciation expense on production equipment, utilities, and facilities costs associated with cultivation. The unrealized gain or loss arising on recognition of such biological assets at fair value less costs to sell and the change in fair value less costs to sell of biological assets are included in the consolidated statement of operations in the period in which it arises.

**Property, Plant and Equipment**

Property, plant, and equipment (“PP&E”) are stated at cost, less accumulated depreciation and, if any, impairments, and are depreciated using the straight-line method over their estimated useful lives. The useful life and depreciation method applied to each class of assets are reassessed at each reporting date. The initial useful lives applicable to each class of asset are as follows:

Buildings and building components	30 – 40 years
Computer equipment	3 years
Leasehold improvements	The lesser of the term of the lease or the estimated useful life of the asset: 1 - 28 years
Furniture and fixtures	3 – 7 years
Machinery and equipment	5 years -10 years
Right-of-Use (“ROU”) assets	1 year to 30 years

Land has an unlimited useful life and is, therefore, not depreciated.

Construction-in-process (“CIP”) is measured at cost and represents assets under construction for build-outs not yet completed or otherwise not ready for use. When construction on a property is complete and available for use, the cost of construction which has been included CIP will be reclassified to buildings and improvements, leasehold improvements or furniture and fixtures, as appropriate, and depreciated. The Company has elected a policy of capitalizing interest/borrowing costs on the construction of qualifying assets which take over one year to complete their construction. An asset that normally takes more than a year to be ready for use will usually be a qualifying asset.

On an annual basis, the Company reviews the carrying amounts of its PP&E, including right-of-use assets, to determine whether there is an indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated to determine the extent of the impairment loss, if any.

Intangible Assets

Intangible assets are recorded at cost, less accumulated amortization and impairment losses, if any. Intangible assets acquired in a business combination or asset acquisition are measured at fair value at the acquisition date. For finite-lived intangible assets, amortization is recorded on a straight-line basis over their estimated useful lives, which do not exceed the contractual period, if any:

Franchise agreements	14 years
Intellectual property	10 - 10.5 Years
Customer/Patient database	5 - 15 Years
Tradenames	1 - 15 Years
Non-compete	3 - 5 Years
Website development	3 years

The estimated useful lives, residual values and amortization methods are reviewed at each year-end, and any changes in estimates are accounted for prospectively. Intangible assets that have indefinite useful lives (comprising licenses) are not subject to amortization and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired (a “triggering event”). Finite-lived assets are subject to impairment testing only upon



a triggering event. Intangible assets with indefinite lives are comprised primarily of acquired licenses, which are estimated to have indefinite lives because they are expected to generate cash flows indefinitely.

Goodwill

Goodwill represents the excess for the price paid for the acquisition of an entity over the fair value of the net identifiable tangible and intangible assets and liabilities acquired. Goodwill is allocated to the cash generating unit (“CGU”) or CGUs to which it relates. A CGU is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets. The Company allocates goodwill to one or more CGUs for the purpose of impairment testing. The determination of these CGUs was based on management’s judgment in regard to the existence of independent cash inflows at the Company’s retail stores and wholesale facilities, which is the lowest level at which the cash flows may be monitored.

Goodwill is not subject to amortization and is tested annually for impairment or more frequently if events or changes in circumstances indicate that the carrying amount of goodwill might be impaired. Impairment is determined for goodwill by assessing if the carrying value of the CGU, to which goodwill has been allocated, exceeds its recoverable amount determined as the greater of the estimated fair value less costs of disposal and the value in use. Impairment losses recognized in respect of the CGUs are first allocated to the carrying value of goodwill and any excess is allocated to the carrying amount of assets in the CGUs. Any goodwill impairment is recorded in the consolidated statements of operations and comprehensive loss in the period in which the impairment is identified. Impairment losses on goodwill are not subsequently reversed.

Leases

The Company adopted IFRS 16 *Leases* (“IFRS 16”) as of January 1, 2019. This standard requires a lessee to recognize assets and liabilities for all leases with a term of more than twelve months unless the underlying asset is of low value. A lessee is required to recognize a right-of-use (“ROU”) asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments.

At commencement of a contract, the Company assesses whether a contract is, or contains, a lease by determining whether the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. A ROU asset and lease liability are recognized at the lease commencement date. The lease liability is initially measured at the present value of all future lease payments that have not been paid as of the commencement date of the lease, discounted using the Company’s incremental borrowing rate, in the absence of a readily identifiable rate of interest implicit to the lease. The ROU asset is initially measured at cost, which is calculated as the initial amount of the lease liability, with an adjustment for any initial direct costs incurred, plus adjustments for any lease payments made in advance of the commencement date, and less any lease incentives received. Subsequent to initial recognition, the ROU asset is depreciated on a straight-line basis over the term of the lease or the estimated useful life, with inclusion for any options to extend that the Company reasonably expects to exercise.

ROU assets are tested for impairment in accordance with IAS 36 *Impairment of Assets*. The right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability. The lease liability is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Company’s estimate of the amount expected to be payable under a residual value guarantee, or if the Company changes its assessment of whether it will exercise a purchase, extension or termination option. These adjustments are recorded through profit or loss.



Revenue Recognition

The Company accounts for revenue under IFRS 15 *Revenue from Contracts with Customers* (“IFRS 15”). The standard requires revenue to be recognized in a manner that depicts the transfer of promised goods or services to a customer and at an amount that reflects the consideration expected to be received in exchange for transferring those goods or services. This is achieved by applying the following five steps: i) identify the contract with a customer; ii) identify the performance obligations in the contract; iii) determine the transaction price; iv) allocate the transaction price to the performance obligations in the contract; and v) recognize revenue when (or as) the entity satisfies a performance obligation.

Retail and Wholesale Revenues

Under IFRS 15, revenue from the sale of goods is generally recognized upon the satisfaction of the performance obligation at the point in time when control over the goods have been transferred to the customer. Payment is typically due upon transferring the goods to the customer or within a specified time period permitted under the Company’s credit policy. The Company recognizes revenue, net of discounts, upon delivery and acceptance by the customer.

Other Revenues

Other revenues are comprised of consulting revenue, franchise fees, licensing revenues and royalty revenues. The Company recognizes revenue from consulting services on a straight-line basis over the term of third-party consulting agreements as services are provided. Revenue earned by the Company for initial franchise fees and licensing is recognized over the time period beginning with initial application and ending after the Company’s obligations related to the franchise sale (training, etc.) have been provided to the franchisee or licensee. Royalty revenue is recognized when the related sale occurs over the life of the royalty agreement.

Loyalty Program

The Company offers a loyalty reward program to its retail customers. A portion of the revenue generated in a sale is allocated to the loyalty points earned. The Company records a reduction in revenue and a liability based on the estimated probability of the point obligation incurred, calculated based on a standalone selling price of each point. The amount allocated to points earned is deferred until points are redeemed or expire, at which time the obligation is relieved and the points redeemed are recorded as revenue.

Non-Controlling Interests

Non-controlling interest in an acquiree, if any, is recognized either at fair value or at the non-controlling interest’s proportionate share of the acquiree’s net assets, determined on an acquisition-by-acquisition basis.

Share Capital and Share Reserves

Transaction costs directly attributable to the issuance of common shares are deducted from equity. Stock options, warrants and restricted stock issued are recorded in share reserves. The proceeds from the exercise of stock options or warrants, together with amounts previously recorded in share reserves over the vesting periods, are recorded as share capital. Amounts in reserves relating to restricted stock issued are reclassified to share capital at the time when the restricted award vests.



Share-Based Payment Arrangements

The Company operates equity settled share-based remuneration plans for its eligible directors, officers, employees and consultants. All goods and services received in exchange for the grant of any share-based payments are measured at their grant date fair value. For equity instrument issued to non-employees for goods or services, the fair value of the goods and service received is used to determine the fair value unless the fair value cannot be estimated. The Company uses the Black-Scholes valuation model to determine the grant-date fair value of options and non-derivative warrants. The inputs into the Black-Scholes valuation model, including the expected term of the instrument, expected volatility, risk-free interest rate and dividend rate are determined by reference to the underlying terms of the instrument, and the Company's experience with similar instruments. Restricted stock awards are measured at their grant date market value. Equity settled share-based payments under share-based payments plans are ultimately recognized as an expense in profit or loss with a corresponding credit to reserves for share-based payments, in the consolidated statements of changes in equity. If vesting periods or other vesting conditions apply, the expense is allocated over the vesting period, based on the best available estimate of the number of share options expected to vest. Estimates are subsequently revised if there is any indication that the number of share options expected to vest differs from the previous estimate, and a cumulative adjustment prior to vesting is recognized in the current period. No adjustment is made to any expense recognized in prior period if share options ultimately exercised are different to that estimated on vesting. Upon the exercise of stock options or warrants, consideration received on the exercise of these equity instruments is recorded as share capital and the related share-based payment reserve is transferred to share capital. Upon the vesting of restricted stock awards, the related warrants reserve amount is transferred to share capital.

Income Taxes

Tax expense recognized in profit or loss comprises the sum of current and deferred taxes not recognized in other comprehensive income or directly in equity. As noted further in Note 22 - Income Taxes, the Company is subject to the limitations of Section 280E of the Internal Revenue Code.

Current Tax

Current tax assets and/or liabilities comprise those claims from, or obligations to, fiscal authorities relating to the current or prior reporting periods that are unpaid at the reporting date. Current tax is payable on taxable profit, which may differ from profit or loss in the financial statements. Calculation of current tax is based on tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period.

Deferred Tax

Deferred taxes are calculated using the liability method on temporary differences between the carrying amounts of assets and liabilities and their tax bases. Deferred tax assets and liabilities are calculated, without discounting, at tax rates that are expected to apply to their respective period of realization, provided they are enacted or substantively enacted by the end of the reporting period. Deferred tax liabilities are always provided for in full. Deferred tax assets are recognized to the extent that it is probable that they will be able to be utilized against future taxable income. Deferred tax assets and liabilities are offset only when the Company has a right and intention to offset current tax assets and liabilities from the same taxation authority. Changes in deferred tax assets or liabilities are recognized as a component of tax income or expense in profit or loss, except where they relate to items that are recognized in other comprehensive income or directly in equity, in which case the related deferred tax is also recognized in other comprehensive income (loss) or equity, respectively.



Basic and Diluted Earnings (Loss) Per Share

Basic earnings (loss) per share is calculated by dividing the profit or loss attributable to shareholders by the weighted average number of shares outstanding (which includes all of the Company's shares outstanding on a non-converted basis) during the respective periods presented. Diluted earnings (loss) per share is calculated using the weighted average number of common shares that would have been outstanding during the respective period had all dilutive potential common shares outstanding at period-end been converted into shares at the beginning of the period and the proceeds used to repurchase the Company's common shares at the average market price for the period. If these computations prove to be anti-dilutive, diluted earnings (loss) per share is the same as basic earnings (loss) per share.

Financial Instruments

Financial assets and financial liabilities are recognized in the consolidated statement of financial position at the time the Company becomes a party to the contractual provisions of the financial instrument.

Classification

The Company classifies its financial assets and financial liabilities in the following measurement categories: (i) measured at fair value through profit or loss ("FVTPL"); (ii) measured at fair value through other comprehensive income (loss) ("FVOCI"); and (iii) those to be measured at amortized cost. The classification of financial assets depends on the business model for managing the financial assets and whether the contractual cash flows represent solely payments of principal and interest ("SPPI"). Financial liabilities are classified as those to be measured at amortized cost unless they are designated as those to be measured subsequently at FVTPL (irrevocable election at the time of recognition). For assets and liabilities measured at fair value, gains and losses are either recorded in profit or loss or other comprehensive income (loss). Financial liabilities are not reclassified.

Financial Assets

Under IFRS 9 *Financial Instruments* ("IFRS 9"), financial assets are initially measured at fair value. In the case of a financial asset not categorized as FVTPL, transaction costs are included. Transaction costs of financial assets carried at FVTPL are expensed in net income (loss). Subsequent classification and measurement of financial assets depends on the Company's business objective for managing the asset and the cash flow characteristics of the asset:

- Amortized cost - Assets that are held for collection of contractual cash flows where those cash flows are solely payments of principal and interest are measured at amortized cost. Interest revenue is calculated using the effective interest method and gains or losses arising from impairment, foreign exchange and derecognition are recognized in profit or loss. Financial assets measured at amortized cost are comprised of accounts receivable, short-term notes receivable, and certain other short-term and long-term assets.
- Fair value through other comprehensive income (loss) - Assets that are held for collection of contractual cash flows and for selling the financial assets, and for which the contractual cash flows are solely payments of principal and interest, are measured at fair value through other comprehensive income (loss). Interest income calculated using the effective interest method and gains or losses arising from impairment and foreign exchange are recognized in profit or loss. All other changes in the carrying amount of the financial assets are recognized in other comprehensive income (loss). Upon derecognition, the cumulative gain or loss previously recognized in other comprehensive income (loss) is reclassified to profit or loss. The Company does not hold any financial assets measured at fair value through other comprehensive income (loss).



- Mandatorily at fair value through profit or loss - Assets that do not meet the criteria to be measured at amortized cost, or fair value through other comprehensive income, are measured at fair value through profit or loss. All interest income and changes in the financial assets' carrying amount are recognized in profit or loss. Financial assets mandatorily measured at fair value through profit or loss are comprised of cash and cash equivalents, investments in securities, and other long-term financial assets.
- Designated at fair value through profit or loss – On initial recognition, the Company may irrevocably designate a financial asset to be measured at fair value through profit or loss in order to eliminate or significantly reduce an accounting mismatch that would otherwise arise from measuring assets or liabilities, or recognizing the gains and losses on them, on different bases. All interest income and changes in the financial assets' carrying amount are recognized in profit or loss. The Company does not hold any financial assets designated to be measured at fair value through profit or loss.

Business model assessment

The Company assesses the objective of its business model for holding a financial asset at a level of aggregation which best reflects the way the business is managed, and information is provided to management. Information considered in this assessment includes stated policies and objectives.

Contractual cash flow assessment

The cash flows of financial assets are assessed as to whether they are solely payments of principal and interest on the basis of their contractual terms. For this purpose, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money, the credit risk associated with the principal amount outstanding, and other basic lending risks and costs. In performing this assessment, the Company considers factors that would alter the timing and amount of cash flows such as prepayment and extension features, terms that might limit the Company's claim to cash flows, and any features that modify consideration for the time value of money.

Derecognition of Financial Assets

The Company derecognizes a financial asset when its contractual rights to the cash flows from the financial asset expire.

Impairment

The Company assesses all information available, including on a forward-looking basis the expected credit loss associated with its assets carried at amortized cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk. To assess whether there is a significant increase in credit risk, the Company compares the risk of a default occurring on the asset at the reporting date with the risk of default at the date of initial recognition based on all information available, and reasonable and supportive forward-looking information. For accounts receivable only, the Company applies the simplified approach as permitted by IFRS 9. The simplified approach to the recognition of expected losses does not require the Company to track the changes in credit risk; rather, the Company recognizes a loss allowance based on lifetime expected credit losses at each reporting date from the date of the receivable.

Evidence of impairment may include indications that the counterparty debtor or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will



enter bankruptcy or other financial reorganization and where observable data indicates that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults. Receivables, including trade receivables, are reviewed qualitatively on a case-by-case basis to determine whether they need to be written off.

Expected credit losses are measured as the difference in the present value of the contractual cash flows that are due to the Company under the contract, and the cash flows that the Company expects to receive. The Company assesses all information available, including risk of default over the contract period, past due status, credit ratings, the existence of third-party insurance, and forward-looking macro-economic factors in the measurement of the expected credit losses associated with its assets carried at amortized cost.

Financial Liabilities

Recognition and Initial Measurement

The Company initially recognizes financial liabilities at fair value on the date at which the Company becomes a party to the contractual provisions of the instrument. At initial recognition, the Company measures financial liabilities at their fair value plus transaction costs that are directly attributable to their issuance, with the exception of financial liabilities subsequently measured at fair value through profit or loss for which transaction costs are immediately recorded in profit or loss. The subsequent measurement of financial liabilities is determined based on their classification as either FVTPL or amortized cost.

- FVTPL – Derivative financial instruments entered into by the Company that do not meet hedge accounting criteria are classified as FVTPL. Gains or losses on these types of financial liabilities are recognized in net income (loss).
- Amortized cost – All other financial liabilities are classified as amortized cost using the effective interest method. Gains and losses are recognized in net income (loss) through the amortization process as well as when the liabilities are derecognized. The Company derecognizes a financial liability when its contractual obligations are discharged, cancelled or expire.

Senior Notes Issued with Derivative Liabilities

Certain senior notes were issued together with detachable warrants. The warrants, which are classified as a derivative liability, are initially measured at fair value and remeasured at each reporting period through profit and loss. The residual amount (total fair value of the consideration received less the fair value of the warrants) is allocated to the senior notes at initial recognition. The senior notes are financial instruments initially recognized at fair value and subsequently measured at amortized cost. If warrants do not have a variable conversion rate or a net settlement feature, they are recognized as equity and are not remeasured at each reporting period through profit and loss. The mandatory prepayment option on the senior notes represents an embedded derivative which was bifurcated and is recorded at fair value through profit or loss (FVTPL) at each reporting period. Debt issuance costs are allocated to the senior notes and to the derivative warrants liability based on their initial relative fair values.

Refer to Note 26 - Financial Instruments and Financial Risk Management, for a summary of the Company's classification and measurement of financial assets and liabilities.



Related Party Transactions

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control. Related parties may be individuals or entities. A transaction is considered to be a related party transaction when there is a transfer of resources or obligations between related parties. Transactions with related parties are entered into during the normal course of business and are measured at the amount established and agreed to by the parties.

Significant Judgments, Estimates and Assumptions

The preparation of the Company's consolidated financial statements requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, and revenue and expenses. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods. Significant judgments, estimates, and assumptions that have the most significant effect on the amounts recognized in the consolidated financial statements are described below.

Business Combinations

Judgment is used in determining whether an acquisition is a business combination or an asset acquisition, and whether control is obtained in the acquisition. In a business combination, all identifiable assets, liabilities and contingent liabilities acquired are recorded at their fair values. One of the most significant estimates relates to the determination of the fair value of these assets and liabilities, and fair value of consideration transferred. Judgment is required to assess whether the amounts paid at acquisition and on achievement of milestones represent contingent consideration or compensation for post-acquisition services, or the settlement of pre-existing relationships. For any intangible asset identified, depending on the type of intangible asset and the complexity of determining its fair value, an independent valuation expert or management may develop the fair value, using appropriate valuation techniques, which are generally based on a forecast of the total expected future net cash flows. The evaluations are linked closely to the assumptions made by management regarding the future performance of the assets concerned and any changes in the discount rate applied. Where estimated or provisional fair values are used in accounting for a business combination, they may be adjusted retrospectively in subsequent periods, as if the accounting for the business combination had been completed at the acquisition date. The measurement period lasts only for one year from the acquisition date.

Estimated Useful Lives, Depreciation of Property, Plant and Equipment, and Amortization of Intangible Assets

Depreciation and amortization of property, plant and equipment (including right-of-use leased assets) and intangible assets are dependent upon estimates of useful lives, which are determined through the exercise of judgment.

Amortization of intangible assets is recorded on a straight-line basis over their estimated useful lives, which do not exceed the contractual period, if any. Intangible assets that have indefinite useful lives are not subject to amortization and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Actual amortization expense to be reported in future periods could differ from these estimates as a result of new intangible asset acquisitions, changes in useful lives or other relevant factors or changes.



Property, Plant and Equipment Impairment

On an annual basis, the Company reviews the carrying amounts of its PP&E, including right-of-use (“ROU”) assets, to determine whether there is an indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated to determine the extent of the impairment loss, if any. For ROU assets, the corresponding lease liability is also remeasured when there is a change in future lease payments resulting from a change in index or rate or if the Company changes its assessment of whether it will exercise an option to extend, purchase or terminate.

The Company evaluates the carrying value of long-lived assets at the end of each reporting period whether there is any indication that a long-lived asset is impaired. Such indicators include evidence of physical damage, indicators that the economic performance of asset is worse than expected, or that the decline in asset value is more than the passage of time or normal use, or significant changes occur with an adverse effect on the Company’s business. If any such indication exists, the Company estimates the recoverable amount of the asset. An asset is impaired when its carrying amount exceeds its recoverable amount. The Company measures impairment based on the amount by which the carrying value exceeds the estimated fair value of the long-lived asset. The fair value is determined primarily by using the projected future cash flows discounted at a rate commensurate with the risk involved as well as market valuations. Losses on long-lived assets to be disposed of are determined in a similar manner, except that the fair values are reduced for an estimate of the cost to dispose or abandon.

Goodwill and Indefinite Lived Intangible Asset Impairment

Goodwill and indefinite lived assets are tested annually for impairment or more frequently if events or changes in circumstances indicate that the carrying amount of goodwill or indefinite lived intangible assets has been impaired. In order to determine if the value of goodwill or indefinite lived assets has been impaired, the cash-generating unit (“CGU”) to which goodwill has been allocated and the indefinite lived assets must be valued using present value techniques. When applying this valuation technique, the Company relies on a number of factors, including historical results, business plans, forecasts and market data. Changes in the conditions for these judgments and estimates can significantly affect the assessed value of goodwill. For example, declines in the estimated future profitability of individual CGUs due to economic or market conditions or otherwise, as well as adverse changes in legal, financial, political, competitive and other conditions, or other adverse changes in the key valuation assumptions contributing to the estimated fair value of a CGU, could adversely affect the estimated fair values of the related CGU, which could result in an impairment of the recorded balances of goodwill or other intangible assets.

Management is required to use judgement in determining the grouping of assets to identify their CGUs for the purposes of testing fixed assets for impairment. Judgement is further required to determine appropriate groupings of CGUs for the level at which goodwill and other intangible assets are tested for impairment. Each store/location generates cash inflows that are largely independent from the cash flows of the other store, and therefore it is deemed that each store is its own CGU. For the purpose of impairment testing, goodwill (from the acquisition date of a business combination) is allocated to each CGU or group of CGUs expected to benefit from the synergies of the business combination. Impairment is determined for goodwill by assessing if the carrying value of CGU, including goodwill, exceeds its recoverable amount determined as the greater of the estimated fair value less costs of disposal and the value in use. Impairment losses recognized in respect of the CGUs are first allocated to the carrying value of goodwill and any excess is allocated to the carrying amount of assets in the CGUs. Any goodwill impairment is recorded in the consolidated statements of operations

JUSHI HOLDINGS INC.**Notes to the Consolidated Financial Statements****December 31, 2020 and 2019***(Amounts Expressed in Thousands of United States Dollars, Unless Otherwise Stated)*

and comprehensive loss in the period in which the impairment is identified. Impairment losses on goodwill are not subsequently reversed.

For the year ended December 31, 2020, the Company performed its annual impairment tests on goodwill during the fourth quarter of 2020, and calculated that the CGU recoverable amounts were higher than the carrying amounts as of December 31, 2020, and therefore, no impairment was recognized. For the purposes of impairment testing, goodwill and indefinite-lived intangibles (licenses) have been allocated to the CGUs as follows:

Description of CGU	Goodwill
FBS Nevada	\$ 963
FBS Penn	\$ 26,922
PADS	\$ 3,170
	<u>\$ 31,055</u>

Description of CGU	Indefinite Lived Intangibles (Licenses)
Dalitso	\$ 25,700
FBS Nevada	\$ 5,200
FBS Penn	\$ 40,600
PADS	\$ 4,182
Agape	\$ 7,881
GSG Santa Barbara	\$ 5,328
BHIL	\$ 6,500
PAMS	\$ 19,189
Ohio	\$ 3,500
	<u>\$ 118,080</u>

For the year ended December 31, 2020, the Company estimated the recoverable amount using either the higher of a value in use approach (“VIU”) for CGUs in operation or a fair value less cost of disposal approach (“FVL COD”). For CGUs in operation the Company estimated the recoverable amount using a FVL COD approach. Under the VIU approach, a discounted cash flow methodology was used, considering: (i) management estimates, such as projections of revenue, operating costs and cash flows, taking into consideration historical and anticipated financial results; (ii) general industry, economic and market conditions; (iii) legal outlook assumptions; and (iv) the impact of planned business and operational strategies. Expected cash flow was based on expectations of future income taking into account past experience, adjusted for anticipated growth. The key assumptions include three-year forecast periods at 3% growth rates and perpetual growth rates of 3% thereafter. These assumptions were based on industry and market trends. An estimated discount rate of 18.7% was used, and was determined using the Company’s estimated weighted average cost of capital at the time of the analysis. Under the FVL COD approach, fair value was determined using recent market comparisons of recently completed transactions. For each CGU the FVL COD approach or the VIU is compared to the carrying amount or market comparative values using recent publicly available information, as appropriate to determine if an impairment exists. As the recoverable amounts were higher than the carrying amounts as of December 31, 2020, no impairments were recognized. For each of the CGUs, the VIU or FVL COD significantly exceeded current carrying values. A decrease in the growth rates to 1% on expected cash flows would not have resulted in the VIU or FVL COD exceeding the carrying values.

Share-Based Compensation



The Company uses the Black-Scholes option-pricing model or the Monte Carlo Simulation Model, as appropriate, to determine the fair value of equity-based grants. In estimating fair value, management is required to make certain assumptions and estimates such as the expected term, volatility of the Company's future share price, risk free rates, future dividend yields and estimated forfeitures at the initial grant date. Changes in assumptions used to estimate fair value could result in materially different results.

Value of Inventory and Biological Assets

In calculating the value of the biological assets and inventory, management is required to make various estimates, including estimating the stage of growth of the cannabis up to the point of harvest, harvesting costs, selling costs, average or expected selling prices and list prices, expected yields for the cannabis plants, the ratio of flower to trim, and conversion factors. In calculating final inventory values, management compares the inventory cost to estimated net realizable value. The valuation of biological assets at the point of harvest is the cost basis for all cannabis-based inventory and thus any critical estimates and judgements related to the valuation of biological assets are also applicable for inventory. The valuation of work-in-process and finished goods also requires the estimate of conversion costs incurred, which become part of the carrying amount for the inventory.

Fair Value of Financial Instruments Measurements

Fair value is defined as a price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants on a specified date. The Company calculates the estimated fair value of financial instruments using quoted market prices whenever available and utilizes standard pricing financial models in situations where quoted market prices are not available. The determination of estimated fair value is an area of significant judgment given that it is subject to various inputs, assumptions and estimates. Significant fair value estimates of the Company's financial instruments include, but may not be limited to, the fair values of derivative liabilities, certain investments, and contingent consideration receivable. These are Level 3 recurring fair value measurements. In estimating fair value, management may be required to make certain assumptions and estimates including, but not limited to: the expected term, volatility of the Company's future share price, risk free rates and discount rates, future dividend yields, future cash flows, and credit spreads. If any of the assumptions used in the calculations were to increase or decrease, this could result in material or significant increases or decreases in the estimated fair values.

Uncertain Tax Positions and Deferred Taxes

The Company's tax provision requires management to assess the amount of tax payable on open tax positions where the liabilities remain to be agreed with tax authorities. Uncertain tax items for which a provision is made, relate principally to the interpretation of tax legislation regarding arrangements entered into by the Company. Due to the uncertainty associated with such tax items and any related deferred tax amounts, there is a possibility that, on conclusion of open tax matters at a future date, the final outcome may differ significantly. Refer to "Recent Accounting Standards" below.

Deferred tax assets, including those arising from tax loss carryforwards, require management to assess the likelihood that the Company will generate sufficient taxable earnings in future periods in order to utilize recognized deferred tax assets. Assumptions about the generation of future taxable profits depend on management's estimates of future cash flows. In addition, future changes in tax laws could limit the ability of the Company to obtain tax deductions in future periods. To the extent that future cash flows and taxable income differ significantly from estimates, the ability of the Company to realize the net deferred tax assets recorded at the reporting date could be impacted.



Leases - Discount Rate

The Company has exercised judgment to determine both the applicable discount rate as well as the lease term for lease contracts that contain renewal options. The discount rate used is based on the Company's incremental borrowing rate and is risk-adjusted based on a variety of factors, such as location and planned use. The assessment of whether the Company is reasonably certain to exercise renewal options impacts the lease term, which directly affects the amount of right-of-use assets and lease liabilities recognized. Judgment was also exercised in determining whether any purchase options need to be included in the lease payments for certain leases.

Sale and Leaseback Accounting

A sale and leaseback transaction involves the transfer of an asset to another entity and the leaseback of the same asset. The Company applies IFRS 15 and IFRS 16 when accounting for sale and leaseback transactions. The Company has exercised judgment to determine if a transaction qualifies as a sale and leaseback transaction. A sale and leaseback is recognized as a sale when the control of the asset has been transferred to the purchaser. If a transaction were to meet the criteria for a sale and leaseback accounting, the Company would be required to recognize any gain or loss related to the transfer of rights of the asset to the buyer-lessor and to measure the ROU asset arising from the leaseback at the retained portion of the previous carrying amount.

COVID-19

The novel coronavirus ("COVID-19") was declared a pandemic by the World Health Organization on March 12, 2020 and continues to cause significant economic uncertainty. Consequently, it is difficult to reliably measure the potential impact of this uncertainty on our future financial results. The Company continues to be very diligent with its response to COVID-19 while still making the health and safety of its patients, customers and employees a number one priority. Jushi's dispensaries received the "life-sustaining" business designation in Pennsylvania and the "essential services" designation in Illinois and therefore, the Company's operational dispensaries in Pennsylvania, operating under the brand "BEYOND/HELLO," and its operational dispensaries in Illinois, operating under the brand "BEYOND/HELLO", remained open during the year ended December 31, 2020.

During the year ended December 31, 2020, the Company did not experience any material impact to its business as a result of COVID-19. Due to the rapid developments and uncertainty surrounding COVID-19, it is not possible to predict the impact that COVID-19 will have on our business, financial position, and operating results in the future. In addition, it is possible that estimates in the Company's financial statements will change in the near term as a result of COVID-19 and the effect of any such changes could be material, which could result in, among other things, impairment of long-lived assets including intangibles and goodwill.

Recent Accounting Pronouncements

In May 2020, the IASB issued an amendment to IFRS 16 *Leases* ("IFRS 16") related to COVID-19-related rent concessions. The amendment did not have an impact on the Company's financial statements.

Amendments to International Accounting Standard ("IAS") 1 *Presentation of Financial Statements* ("IAS 1") - *Classification of Liabilities as Current or Non-Current*: In January 2020, IASB issued amendments to IAS 1 to clarify its requirements for the presentation of liabilities in the statement of financial position. IAS 1 requires an entity to classify a liability as current if the entity does not have a right to defer settlement of the liability for at least twelve months after the reporting period. The amendments are effective retrospectively for annual reporting periods beginning on or after 1



January 2023. The Company expects that adoption of this amendment may result in the re-classification of derivative warrants liabilities from long-term liabilities to short-term liabilities in the consolidated statements of financial position.

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

3. REVERSE TAKEOVER AND PRIVATE PLACEMENT

In June 2019, Jushi Inc, completed a reverse takeover ("RTO") of Tanzania Minerals Corp. ("Tanzania"). The RTO was structured as a series of transactions, including a Canadian three-cornered amalgamation.

In connection with the RTO in June 2019, Tanzania (i) completed a consolidation of its common shares on the basis of one post-consolidation subordinate voting share for 22.75711 issued and outstanding pre-consolidation Tanzania Shares; (ii) amended the rights and restrictions of the existing class of common shares and re-designating such class as Subordinate Voting Shares, deleted the existing class of preferred shares and created a new class of Multiple Voting Shares and a new class of Super Voting Shares, such that an unlimited number of each class of shares are authorized to be issued without par value; and (iii) changed its name from "Tanzania Minerals Corp." to "Jushi Holdings Inc."

Prior to the RTO, Jushi Acquisition Corp. ("Jushi Acquisition"), a special purpose corporation, completed a brokered and non-brokered private placement of 24,800,098 subscription receipts (each, a "Subscription Receipt") at a price of \$2.75 per Subscription Receipt for aggregate gross proceeds of \$68,200. As part of closing the RTO, the holders of Subscription Receipts received Subordinate Voting Shares of the Company on a one-for-one basis. Refer to Note 17 - Equity, for additional information.

After the completion of the RTO (including the conversion of the Subscription Receipts ("SR") issued under the SR Offering into Subordinate Voting Shares, which occurred prior to the closing of the RTO), there were 82,758,266 Subordinate Voting Shares outstanding, with: (a) the current holders of Tanzania Shares holding 413,266 Subordinate Voting Shares (on a post-consolidation basis), representing approximately 0.5% of the issued and outstanding Subordinate Voting Shares; and (b) the holders of Jushi Inc shares (including from the conversion of the Subscription Receipts to Jushi Acquisition Shares) holding 82,345,000 Subordinate Voting Shares, representing approximately 99.5% of the issued and outstanding Subordinate Voting Shares.

In completing the RTO, the Company, 1207713 B.C. Ltd. ("Subco") and Jushi Acquisition entered into a merger agreement, in respect of an amalgamation of Jushi Acquisition and Subco to form amalco, which was wholly owned by the Company and was subsequently dissolved. Jushi Inc, Jushi Merger Sub, Inc. ("Merger Sub") and the Company entered into a merger agreement in respect of a merger of Jushi Inc with Merger Sub, whereby the shareholders of Jushi Inc were issued Subordinate Voting Shares, Multiple Voting Shares and/or Super Voting Shares of the Company, with Jushi Inc becoming a wholly owned subsidiary of the Company and the Company owning 100% of the shares of Jushi Inc.

For accounting purposes, the transaction was accounted for as a capital transaction under IFRS 2. The Amalgamation was accounted for as an RTO transaction that was not a business combination and effectively a capital transaction of Jushi Inc. Jushi Inc has been treated as the accounting acquirer (legal subsidiary) and Jushi Holdings Inc. has been treated as the accounting acquiree (legal parent) in these consolidated financial statements. As Jushi Inc was deemed to be the acquirer for accounting purposes, the consolidated financial statements are presented as a continuation of Jushi Inc.



In accordance with IFRS 2, the amount assigned to the reverse acquisition transaction costs in the consolidated statements of operations and comprehensive loss is \$1,360, being the difference between the estimated fair value of the Company's shares and warrants prior to the RTO, less the fair value of the net assets of Tanzania acquired (approximately \$1,000 in cash). The fair value of the Company's shares and warrants prior to the RTO of \$1,361 is based on the \$2.75 per share trading price of the Company. The fair value of the 413,266 shares and warrants issued in consideration for the RTO therefore totaled \$1,361, as reflected in the consolidated statements of equity. Listing expense of \$1,360 is included in the consolidated statements of operations and comprehensive loss for the year ended December 31, 2019.

These consolidated financial statements include the completion of the RTO in 2019. Jushi, the continuing entity for accounting purposes, is considered to have acquired the assets and liabilities of Tanzania through a capital transaction. Tanzania had no remaining net assets as of December 31, 2019.

4. INVESTMENTS IN SECURITIES AND SHORT-TERM NOTES RECEIVABLE

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

	Investments in Mutual Funds	Organigram Shares	Cresco Shares and Warrants	Cresco Notes and Accrued Interest	Investment in GSC	Total
Balance as of January 1, 2019	\$ 1,233	\$ —	\$ —	\$ —	\$ 5,455	\$ 6,688
Cash received on sale of investment in GSC	—	—	—	—	(135)	(135)
Notes, shares and warrants received on sale of investment in GSC	—	—	9,295	5,646	(14,941)	—
Interest income	39	—	—	—	—	39
Fair value gains	—	—	1,700	—	9,621	11,321
Balance as of December 31, 2019	\$ 1,272	\$ —	\$ 10,995	\$ 5,646	\$ —	\$ 17,913
Cash invested	10,000	—	—	—	—	10,000
Redemption of invested funds	(2,033)	—	—	—	—	(2,033)
Value of shares received/granted	—	1,092	387	(387)	—	1,092
Cash received	—	—	—	(5,193)	—	(5,193)
Shares sold	(3,005)	(685)	(7,681)	—	—	(11,371)
Change in fair value ⁽¹⁾	(451)	(407)	(1,550)	(66)	—	(2,474)
Balance as of December 31, 2020	\$ 5,783	\$ —	\$ 2,151	\$ —	\$ —	\$ 7,934
Level within the Fair Value Hierarchy (Note 26)	Level 1	Level 1	Level 1 & Level 2	Level 3	Level 3	

(1) The net fair value losses in the table above, together with the fair value gain of \$865 related to the contingent consideration receivable discussed in *GSC and Cresco* below, are included in (losses) gains on investments and financial assets in the consolidated statements of operations and comprehensive loss.

Investments in Mutual Funds

As of December 31, 2020, the Company owns approximately 603,749 shares in mutual funds with a fair value of \$9.58 each.

**Organigram Shares**

A total of 0.4 million Organigram Holdings Inc. (“OGI”) common shares were received in connection with the TGS Transaction in the first quarter of 2020, all of which were sold by December 31, 2020. Refer to Note 9 - Business Combinations and Asset Acquisitions.

GSC and Cresco

In October 2019, as consideration for its sale of its minority interest in Gloucester Street Capital, LLC (“GSC”), the Company was issued 7,180 of Cresco Labs Inc. (“Cresco”) proportionate voting shares (which were converted in January 2020 into a total of 1,436,000 Cresco subordinate voting shares), 1,657 warrants for proportionate voting shares of Cresco which convert into 331,400 warrants for Cresco subordinate voting shares, and received short-term secured notes (the “Cresco Notes”) and cash. During the first quarter of 2020, the Company received payment of \$5,193 for the Cresco Notes and was also granted 330 Cresco Labs Inc. proportionate voting shares (which were subsequently converted on a 200:1 basis into 66,000 subordinate voting shares) as payment for the interest accrued.

As of December 31, 2020, the Company owned approximately 24,600 Cresco shares with a fair value of \$9.87 each, for a total of \$243 and the Cresco warrants owned by the Company were valued at \$1,908. As of December 31, 2019, the Cresco shares were valued at \$9,848 and the Cresco warrants were valued at \$1,147. The fair value of the tradable shares was determined based on the share price. The fair value of the warrants was determined based on a Black-Scholes model using the following assumptions:

	December 31, 2020	December 31, 2019
Quote market price	\$9.87	\$6.86
Strike price	\$4.24	\$4.24
Estimated life	0.75 years	1.5 years
Volatility	70%	70%
Risk-free interest rate	0.10%	1.59%
Dividend rate	—%	—%

The Company is also eligible to receive certain contingency payouts from the sale of its minority interest in GSC, which are tied to both the performance of the GSC operations as well as the development of the New York market. During the year ended December 31, 2020, the Company recorded a contingent consideration receivable related to the contingent payouts of \$865, which is recorded in other long-term assets in the statements of consolidated financial position. Refer to Note 11 - Other Long-Term Assets. The Company also recorded a corresponding gain of \$865 which is included in gains (losses) on investments and financial assets in the consolidated statements of operations and comprehensive loss. The contingent consideration receivable was valued using the present value of expected future cash flows within 3.8 years. The following table quantifies the ranges of the significant unobservable inputs, and also provides the effect of a 10% increase/decrease in the discount rate used to calculate the fair value of the contingent consideration receivable:

	December 31, 2020	Effect of 10% Increase as of December 31, 2020	Effect of 10% Decrease as of December 31, 2020
Discount rate	18.7%	\$(227)	\$340

**Other Equity Investment**

Refer to Note 11 - Other Long-Term Assets for a long-term equity investment.

5. INVENTORY AND BIOLOGICAL ASSETS**Inventory**

Inventory includes the following:

	December 31, 2020	December 31, 2019
Finished goods	\$ 12,083	\$ 1,202
Work in progress and raw materials	1,019	823
Less: Inventory reserve	(136)	(67)
Total inventory	\$ 12,966	\$ 1,958

The total inventory values as of December 31, 2020 consist of capitalized costs of \$10,317 plus fair value adjustments of \$2,649. The total inventory values as of December 31, 2019 consist of capitalized costs of \$1,776 plus fair value adjustments of \$182. The fair value adjustments relate to finished goods. During the year ended December 31, 2020, the Company wrote down inventories totaling \$1,158, to net realizable value, which included in cost of goods sold. Based on the market sales price relative to the cost to produce certain inventories, these costs could not be recovered, and as a consequence net realizable value was less than carrying value of inventory. The write-down is included in realized fair value changes included in inventory sold in the consolidated statements of operations and comprehensive loss. Refer to Note 21 - Nature of Expenses for total inventory expensed included in cost of goods sold and provisions for inventory losses.

During the year ended December 31, 2019, the Company recorded a loss relating to inventory impairment of \$820 in connection with the purchases and costs for, what proved to be, commercially unviable product. The loss was presented within operating costs in the consolidated statements of operations and comprehensive loss. There were no such impairments during the year ended December 31, 2020.

Biological Assets

The continuity of biological assets is as follows:

	For the Year Ended December 31,	
	2020	2019
Balance as of beginning of year	\$ 271	\$ —
Purchased as part of a business acquisition	1,946	310
Cost incurred until harvest	2,386	414
Effect of unrealized change in fair value of biological assets	6,776	259
Transferred to inventory upon harvest	(7,417)	(712)
Balance as of end of year	\$ 3,962	\$ 271

JUSHI HOLDINGS INC.**Notes to the Consolidated Financial Statements****December 31, 2020 and 2019***(Amounts Expressed in Thousands of United States Dollars, Unless Otherwise Stated)*

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

- Yield per plant – number of grams of dry cannabis expected to be harvested.
- Selling price – using spot price reports and where applicable, wholesale contract prices
- Stage of growth – represents the weighted average number of weeks out of the total growing cycle that biological assets have reached as of the measurement date. The Company has an average 19-week growing cycle.
- Wastage – percentage expected to fail to mature into cannabis plants that can be harvested.
- Post-harvest costs – cost per gram of post harvested cannabis to bring the cannabis to a saleable product, consisting of the cost of direct and indirect materials, labor related to labelling and packaging, and selling costs.

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

	December 31, 2020	Effect of 10% Change as of December 31, 2020 (in \$000s)	December 31, 2019	Effect of 10% Change as of December 31, 2019 (in \$000s)
Selling price	\$3.23 to \$6.99	\$ 509	\$2.58	\$ 71
Stage of growth	2.6 to 9.5 weeks	\$ 385	9 weeks	\$ 22
Yield by plant	33 to 144 grams	\$ 395	83 grams	\$ 23
Wastage	0.0% to 10.1%	\$ 43	10%	\$ 25
Post-harvest costs	\$0.34 to \$0.92	\$ 61	\$0.35	\$ 80

6. PREPAID EXPENSES AND OTHER CURRENT ASSETS

Prepaid expenses and other current assets include the following:

	December 31, 2020	December 31, 2019
Prepaid deposits and escrows	\$ 759	\$ 986
Prepaid insurance	971	893
Prepaid license fees	453	19
Prepaid inventory	816	140
Other prepaid expenses	319	526
Landlord receivable	806	—
Other current assets	567	189
Total prepaid expenses and other current assets	\$ 4,691	\$ 2,753

7. DEFERRED ACQUISITION COSTS

The Company makes advance payments and deposits to certain acquisition targets for which the transfer and/or closing is pending due to certain closing conditions inclusive of certain regulatory approvals prior to the acquisition date. Advance payments and deposits for certain acquisition targets are reflected as arm's length transactions and may not be refundable.

JUSHI HOLDINGS INC.**Notes to the Consolidated Financial Statements****December 31, 2020 and 2019***(Amounts Expressed in Thousands of United States Dollars, Unless Otherwise Stated)*

Details of deferred acquisition costs and deposits are as follows:

Acquisition Target	December 31, 2020	December 31, 2019
GSG Santa Barbara	\$ —	\$ 2,250
Agape	—	70
Total	\$ —	\$ 2,320

Deferred acquisition costs are offset at the time of closing against the consideration payable for the related acquisition or business combination. Refer to Note 9 - Business Combinations and Asset Acquisitions, for details on the GSG Santa Barbara and Agape acquisitions.

8. PROPERTY, PLANT AND EQUIPMENT

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

	Buildings and Building Components	Land	Leasehold Improvements	Machinery and Equipment	Computer Equipment	Furniture and Fixtures	ROU Assets ⁽¹⁾	Construction in Process ⁽²⁾	Total
Cost									
Balance as of January 1, 2019	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
Transition adjustment	—	—	—	—	—	—	614	—	614
Additions from capital expenditures and leases	2,358	1,363	1,859	28	205	624	1,971	3,289	11,697
Additions from acquisitions	2,205	375	3,163	262	83	660	4,180	359	11,287
Balance as of December 31, 2019	\$ 4,563	\$ 1,738	\$ 5,022	\$ 290	\$ 288	\$ 1,284	\$ 6,765	\$ 3,648	\$ 23,598
Additions from capital expenditures and leases	44	256	77	64	230	816	15,286	19,570	36,343
Additions from acquisitions	—	—	1,092	343	56	478	16,904	150	19,023
Disposals ⁽³⁾	—	—	(30)	—	—	(2)	(672)	(276)	(980)
Lease modifications	(100)	—	—	—	—	—	(1,520)	—	(1,620)
Reclassification	2,172	—	15,026	521	196	829	—	(18,742)	2
Balance as of December 31, 2020	\$ 6,679	\$ 1,994	\$ 21,187	\$ 1,218	\$ 770	\$ 3,405	\$ 36,763	\$ 4,350	\$ 76,366
Accumulated Depreciation									
Balance as of January 1, 2019	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
Depreciation	(88)	—	(214)	(63)	(55)	(105)	(481)	—	(1,006)
Balance as of December 31, 2019	\$ (88)	\$ —	\$ (214)	\$ (63)	\$ (55)	\$ (105)	\$ (481)	\$ —	\$ (1,006)
Depreciation	(297)	—	(590)	(159)	(145)	(356)	(1,534)	—	(3,081)
Reclassification	(56)	—	56	—	—	—	—	—	—
Disposals ⁽³⁾	—	—	14	—	—	—	178	—	192
Balance as of December 31, 2020	\$ (441)	\$ —	\$ (734)	\$ (222)	\$ (200)	\$ (461)	\$ (1,837)	\$ —	\$ (3,895)
Carrying amount									
Balance as of December 31, 2019	\$ 4,475	\$ 1,738	\$ 4,808	\$ 227	\$ 233	\$ 1,179	\$ 6,284	\$ 3,648	\$ 22,592
Balance as of December 31, 2020	\$ 6,238	\$ 1,994	\$ 20,453	\$ 996	\$ 570	\$ 2,944	\$ 34,926	\$ 4,350	\$ 72,471

(1) Substantially all of the Company's ROU assets pertain to building leases. Refer to Note 14 - Lease Obligations, for further details on lease obligations.



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- (2) Construction in Process represents assets under construction for manufacturing and retail build-outs not yet completed or otherwise not ready for use.
- (3) Total net CIP disposals of \$276 for the year ended December 31, 2020 include \$182 of CIP that related to the property associated with a previous potential Malibu acquisition, which is included in other (expense) income in the consolidated statements of operations and comprehensive loss.

Of the total depreciation, \$60 and \$nil remained capitalized in inventory and biological assets as of December 31, 2020 and 2019, respectively. Refer to Note 21 - Nature of Expenses for depreciation amounts included in cost of goods sold and operating expenses.

9. BUSINESS COMBINATIONS AND ASSET ACQUISITIONS

2020 Business Combinations and Asset Acquisitions

The Company had the following business combinations and asset acquisitions during the year ended December 31, 2020:

(i) Pennsylvania Medical Solutions, LLC, a Pennsylvania grower-processor (“PAMS”); (ii) Pennsylvania Dispensary Solutions, LLC (“PADS”); (iii) TGS Illinois Holdings LLC (currently known as Beyond Hello IL Holdings, LLC) (“BHIL”); (iv) GSG SBCA, Inc. (“GSG Santa Barbara”); and (v) Agape Total Health Care Inc (“Agape”).

The following table summarizes the purchase price allocations, the fair values of the assets and liabilities acquired, and the total fair values of the consideration for the Company’s business combinations and asset acquisitions during the year ended December 31, 2020, as of the dates of acquisitions:

JUSHI HOLDINGS INC.**Notes to the Consolidated Financial Statements****December 31, 2020 and 2019***(Amounts Expressed in Thousands of United States Dollars, Unless Otherwise Stated)*

	Business Combinations			Asset Acquisitions		Total
	PAMS ⁽⁷⁾	PADS	BHIL ⁽⁸⁾	Agape	GSG Santa Barbara	
Cash and cash equivalents	\$ 118	\$ 971	\$ 13	\$ —	\$ —	\$ 1,102
Prepays and other assets	213	5	84	10	—	312
Accounts receivable, net	407	—	—	—	—	407
Biological assets	1,946	—	—	—	—	1,946
Inventory	2,306	192	100	—	—	2,598
Property, plant and equipment	579	1,075	465	—	—	2,119
Right-of-use assets	15,017	544	1,343	—	—	16,904
Intangible assets - license ⁽¹⁾	19,189	4,182	6,500	7,881	5,328	43,080
Intangible assets - patient/customer database ⁽¹⁾	425	—	1,250	—	—	1,675
Deposits	540	15	—	—	—	555
Total assets	\$ 40,740	\$ 6,984	\$ 9,755	\$ 7,891	\$ 5,328	\$ 70,698
Accounts payable and accrued liabilities	\$ (335)	\$ (157)	\$ (585)	\$ —	\$ —	\$ (1,077)
Intercompany note	—	—	—	(90)	—	(90)
Lease liabilities	(17,013)	(540)	(1,342)	—	—	(18,895)
Deferred taxation liabilities	(1,410)	(1,794)	(2,927)	—	—	(6,131)
Total liabilities	\$ (18,758)	\$ (2,491)	\$ (4,854)	\$ (90)	\$ —	\$ (26,193)
Net assets acquired	\$ 21,982	\$ 4,493	\$ 4,901	\$ 7,801	\$ 5,328	\$ 44,505
Non-controlling interests	—	—	(4,661)	(1,560)	—	(6,221)
Asset disposal and other adjustments ⁽²⁾	—	—	(1,531)	—	—	(1,531)
Total net assets acquired net of non-controlling interest	\$ 21,982	\$ 4,493	\$ (1,291)	\$ 6,241	\$ 5,328	\$ 36,753
Consideration paid in cash, as adjusted for working capital adjustments ⁽³⁾	\$ 15,054	\$ 5,671	\$ 2,692	\$ 3,050	\$ 4,900	\$ 31,367
Capitalized acquisition costs	—	—	—	191	428	619
Fair value of PADS purchase option	—	1,992	—	—	—	1,992
Consideration paid in 10% senior notes ⁽⁴⁾	—	—	—	1,476	—	1,476
Consideration paid in warrants ⁽⁴⁾	—	—	—	524	—	524
Consideration paid in promissory notes (net of discount) ⁽⁵⁾	2,658	—	—	—	—	2,658
Assumption of Beacon Notes and accrued interest	—	—	9,555	—	—	9,555
Net effect of other related transactions	—	—	(15,740)	—	—	(15,740)
Consideration paid in shares	—	—	—	1,000	—	1,000
Fair value of consideration	\$ 17,712	\$ 7,663	\$ (3,493)	\$ 6,241	\$ 5,328	\$ 33,451
Goodwill	—	(3,170)	—	—	—	(3,170)
Bargain purchase/net gains on business combinations ⁽⁶⁾	4,270	—	2,202	—	—	6,472
Total	\$ 21,982	\$ 4,493	\$ (1,291)	\$ 6,241	\$ 5,328	\$ 36,753

JUSHI HOLDINGS INC.**Notes to the Consolidated Financial Statements****December 31, 2020 and 2019***(Amounts Expressed in Thousands of United States Dollars, Unless Otherwise Stated)*

- (1) The licenses acquired have indefinite useful lives. The patient/customer related intangible assets have estimated useful lives of 0.25 years - 5 years.
- (2) Comprised of the excess of the carrying amounts above the estimated fair values of intangible assets disposed of and included as other consideration in the TGS Transaction of \$1,681 and other adjustments of \$150. Refer to Note 10 - Goodwill and Other Intangible Assets.
- (3) Cash paid for acquisitions includes \$2,320 that was paid during prior years and was previously included in deferred acquisition costs as of December 31, 2019. Refer to Note 7 - Deferred Acquisition Costs.
- (4) The consideration for the Agape acquisition included 10% senior notes amounting to \$2,000 principal, and related warrants to purchase 0.6 million Subordinate Voting Shares with a \$1.25 strike price; and 769,231 Subordinate Voting Shares at a closing date market price of \$1.30 per share. Refer to Note 15 - Senior Notes and Derivative Liabilities, for additional details on the 10% senior secured notes and warrants.
- (5) Refer to Note 13 - Promissory Notes Payable, for details on the seller note.
- (6) The bargain purchase gain for BHIL of \$3,733 was reduced by the impairments/charges of \$1,531 noted in (2) above to arrive at the total net gain on business combination of \$2,202.
- (7) During the fourth quarter of 2020, the Company updated the purchase price allocation for PAMS and adjusted for the following errors and measurement period adjustments:

	As Previously Reported	Adjustments	As Currently Reported
Assets			
Prepays and other assets	\$ 835	\$ (622)	\$ 213
Biological asset	\$ 2,853	\$ (907)	\$ 1,946
Inventory	\$ 2,981	\$ (675)	\$ 2,306
Property, plant and equipment	\$ 7,994	\$ (7,415)	\$ 579
Right-of-use assets	\$ 10,475	\$ 4,542	\$ 15,017
Intangible assets - license	\$ 30,075	\$ (10,886)	\$ 19,189
Intangible assets - customer list	\$ 1,161	\$ (736)	\$ 425
PADS purchase option	\$ 2,832	\$ (2,832)	\$ —
Liabilities			
Lease liabilities	\$ (18,386)	\$ 1,373	\$ (17,013)
Deferred taxation liabilities	\$ (6,779)	\$ 5,369	\$ (1,410)
Consideration paid in cash	\$ 16,800	\$ (1,746)	\$ 15,054
Bargain purchase	\$ 15,313	\$ (11,043)	\$ 4,270

- (8) During the fourth quarter of 2020, the Company recorded measurement period adjustments for BHIL to reduce ROU assets and ROU liabilities by \$235.

Preliminary Purchase Price Allocations for Business Combinations (PAMS, PADS and BHIL/TGS Transaction)

The consideration has been allocated to the estimated fair values of the assets acquired and liabilities assumed at the dates of acquisition and remain preliminary as of December 31, 2020. These estimated fair values involve significant judgement and estimates. The primary areas of judgement involved are the valuation of the intangible assets acquired and given up in the transaction, which requires management to estimate value based on future cash flows from these assets. The primary



areas of the preliminary purchase price allocations that are not yet finalized relate to: intangible assets acquired, deferred tax liabilities, and residual goodwill/bargain purchase. 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. Measurement period adjustments that the Company determines to be material will be applied retrospectively to the period of acquisition in the Company's consolidated financial statements and, depending on the nature of the adjustments, other periods subsequent to the period of acquisition could be affected.

2020 Business Combinations

PAMS

On August 11, 2020, the Company closed on the acquisition of 100% of the equity of PAMS. The acquisition of PAMS increases Jushi's presence in Pennsylvania and will insure expanded supply of product to the BEYOND/HELLOTM retail stores. The fair value of intangible assets was determined using a forecasted cash flow approach with the assistance of a third-party valuation firm. The Company purchased PAMS at a favorable price due to the sellers financial condition, which resulted in a bargain purchase gain which is recorded in net gains on business combinations in the consolidated statements of operations and comprehensive loss for the year ended December 31, 2020.

Prior to closing, in July 2020, the Company entered into an agreement to loan \$3,000 to the previous owner of PAMS. The loan bore interest at 12% and the \$3,000 was included at closing in the cash purchase price.

PADS

At the time of the PAMS acquisition, as part of the agreements with Vireo Health, Inc ("Vireo"), Jushi received an assignable purchase option ("PADS Purchase Option") to acquire 100% of the equity of Pennsylvania Dispensary Solutions, LLC ("PADS"). The PADS Purchase Option had an expiration date of 18 months from closing, and was subject to certain customary closing conditions, including approvals from all applicable regulatory authorities. On November 13, 2020, the Company exercised the PADS Purchase Option and on December 18, 2020, the Company closed on the purchase of 100% of the equity interests of PADS from Vireo.

PADS is a Pennsylvania medical marijuana dispensary permit holder with two dispensaries operating in Bethlehem and Scranton. The goodwill recognized from the acquisition is attributable to synergies expected from integrating PADS into the Company's existing business. The goodwill acquired is not deductible for tax purposes.

The PADS Purchase Option was recorded at fair value at the date of its acquisition and remeasured to fair value at the date exercised. The cash consideration allocated to PADS Purchase Option was \$1,553 based on the relative fair values of the net assets acquired in the PAMS acquisition as compared with the PADS Purchase Option as of August 11, 2020. The fair value was estimated using a Black Scholes option pricing model which included the following assumptions as of the dates indicated:

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	December 18, 2020	August 11, 2020
Fair value of PADS Purchase Option	\$1,992	\$2,051
Strike price	\$5,000	\$5,000
Spot price (estimated enterprise value of PADS)	\$5,158	\$5,242
Risk-free annual interest rate	0.16%	0.16%
Volatility	80%	80%
Estimated term	1.5 years	1.5 years

The estimated enterprise value of PADS was estimated using a 5-year discounted cash flow analysis using a cost of capital of 29%, and determined a terminal value for PADS at the end of the explicit projection period using an EBITDA exit multiple of 3.8x, and is considered to be a Level 3 measurement. The total change in the fair value of the PADS Purchase Option from the date of acquisition up until the closing of the PADS purchase totaled \$440, and is included in fair value changes in derivatives in the consolidated statements of operations and comprehensive loss for the year ended December 31, 2020. Refer to Note 15 - Senior Notes and Derivative Liabilities for other fair value changes in derivatives.

TGS Transaction - Beyond Hello IL Holdings, LLC (“BHIL”) (f/k/a TGS Illinois Holdings LLC (“TGSIH”))

On January 29, 2020, the Company acquired an approximately 75% interest in TGS Illinois Holdings LLC (currently known as Beyond Hello IL Holdings, LLC) (the “TGS Transaction”) and became the owner of two medical cannabis dispensaries in Illinois - one in Sauget, and one in Normal, with each dispensary eligible to seek approval from the Illinois Department of Financial & Professional Regulation to open a second retail location. On April 22, 2020, the names of the entities were changed to Beyond Hello IL Holdings, LLC, and Beyond Hello IL, LLC, which were approved by the State of Illinois.

The TGSIH acquisition was a part of a series of transactions under a settlement agreement between the Company and its respective affiliates, and The Green Solution and its respective affiliates and their owners (“TGS”). The transactions included: (1) the transfer to the Company of approximately 75% interest in the TGSIH units; (2) the Company’s assumption and/or payoff of approximately \$12,000 in TGS debt including interest and expenses relating to the debt (see below); (3) the Company returning its 51% majority stake in TGS National Holdings, LLC (“TGS National”) to TGS and terminating the 2018 purchase agreement for TGS National which included certain restrictive covenants, employment agreements and exclusive intellectual property licenses in Jushi’s favor; (4) the return to the Company and cancellation of the 5,000,000 Subordinate Voting Shares of Jushi Holdings, Inc. and warrants with an exercise price of \$2.00 to purchase 2,500,000 Subordinate Voting Shares of Jushi Holdings, Inc. which were issued in connection with the 2018 purchase of TGS National; and (5) the transfer to Jushi Inc of 416,060 OGI common shares and \$478 from the liquidation of certain options to purchase common shares of OGI. These transactions are closely related and are therefore not accounted for as separate transactions, but rather as part of the acquisition accounting.

The approximately \$12,000 in TGS debt noted above includes approximately \$2,442 of debt payable to a third party and interest paid off by the Company which was included in the cash paid at closing, and \$9,555 of debt which was negotiated with the holder to be exchanged for Jushi Holdings Inc. Senior Notes and warrants. The \$9,555 was comprised of secured notes of an affiliate of TGS, Beacon Holding, LLC (the “Beacon Notes”), plus unpaid accrued interest. The carrying amount of the debt and unpaid accrued interest approximated the fair value. Refer to Note 15 - Senior Notes and Derivative Liabilities for further details on the Company’s Senior Notes and the related warrants.

JUSHI HOLDINGS INC.**Notes to the Consolidated Financial Statements****December 31, 2020 and 2019***(Amounts Expressed in Thousands of United States Dollars, Unless Otherwise Stated)*

The net effect of other related transactions from the TGS Transaction, as reflected in the purchase price allocation table above, was comprised of the following:

Redemption Liability cancelled	\$	8,440
5,000,000 Subordinate Voting Shares of Jushi Holdings, Inc. and warrants with an exercise price of \$2.00 to purchase 2,500,000 Subordinate Voting Shares of Jushi Holdings, Inc. returned to Jushi		7,075
416,060 common shares of Organigram Holdings Inc.		1,092
Payment to Jushi of approximately US\$480,000 (for the OGI options that were liquidated)		478
TGS National fair value of intangibles, net of other items returned and derecognized ⁽¹⁾		(918)
TGS National cash given up		(427)
Net effect of other related transactions	\$	15,740

(1) The difference of \$1,748, net of other adjustments of \$217, between the carrying amount of the intangible of \$2,666 (refer to Note 10 - Goodwill and Other Intangible Assets) and the fair value above of \$918 was included in “asset disposal and other adjustments” in the purchase price allocation table above.

The fair values of the Jushi Holdings, Inc. shares and OGI shares were based on the closing market price as of the date of the transaction and the fair value of the Jushi Holdings, Inc. warrants was calculated using a Black-Scholes model with the following assumptions: stock price of \$1.28 (market price); exercise price of \$2.00; estimated term 1.35 years; volatility 76%; risk-free rate 1.46%. The fair value of the Jushi securities was accounted for as a reduction to equity. The TGS National net assets returned consisted primarily of cash and intangibles. The fair value of the intangibles was calculated using a discounted cash flow model using a discount rate of 12%, a growth rate of zero, and estimated useful lives ranging from 9 - 11 years.

The non-controlling interests were measured using the fair value method and based on the fair value of the consideration subsequently paid to purchase the non-controlling interests (the “TGSIH NCI Transaction”). Refer to Note 23 - Non-Controlling Interests.

The purchase of TGSIH at a favorable price resulted in a net bargain purchase gain which is recorded in net gains on business combinations in the consolidated statements of operations and comprehensive loss for the year ended December 31, 2020.

Redemption Liability

At the time of the original acquisition of 51% of TGS National by the Company in 2018, the Company had the exclusive right to purchase the remaining 49% of TGS National for a period of 30 months from the Closing Date (the “Option Period”). The Seller also had the right to require the Company to purchase the remaining 49% no earlier than 12 months from the Closing Date, but before the end of the Option Period (the “Put Option”). The consideration to be paid for either the Call Option or Put Option (the “Redemption Liability”) was \$8,500 if purchased on or after 18 months through the end of the Option Period. The adjusted present value of the Redemption Liability was \$8,440 as of December 31, 2019. As a result of the TGS Transaction, the Redemption Liability was cancelled.

The Redemption Liability was recorded at fair value and was estimated using the present value of the Put Option and Call Option and was therefore considered to be a Level 3 measurement. The adjusted present value of the Redemption Liability was \$8,440 as of the date of the 2020 TGS Transaction, and \$8,440 as of December 31, 2019. The total change in the redemption liability for the year ended December 31, 2020 and 2019 was \$nil and \$1,051, respectively, and was included

JUSHI HOLDINGS INC.**Notes to the Consolidated Financial Statements****December 31, 2020 and 2019***(Amounts Expressed in Thousands of United States Dollars, Unless Otherwise Stated)*

within interest expense and finance charges in the consolidated statements of operations and comprehensive loss. The fair value of the redemption liability was calculated using a discounted cash flow method based on the following assumptions:

	For the Year Ended December 31, 2019
Risk-free interest rate	1.79% - 1.91%
Expected time to redemption	0 - 0.7 years

Business Combinations Acquisition Results and Unaudited Supplemental Pro Forma Financial Information

The following table summarizes the combined total amounts of revenue and net income (loss) from the acquisition date through December 31, 2020 plus amounts as if the business combination had occurred on January 1, 2020:

	PAMS	PADS	BHIL	Total
Revenue	\$ 6,731	\$ 3,584	\$ 33,796	\$44,111
Net income (loss)	\$ 319	\$ (36)	\$ 7,657	\$7,940

The above results are after the elimination of intercompany transactions.

Business Combinations Acquisition and Deal Costs

For the year ended December 31, 2020 acquisition and deal costs relating to business combinations totaled \$502 and are included within the total acquisition and deal costs in the consolidated statements of operations and comprehensive loss. The remaining costs included within acquisition and deal costs in the consolidated statements of operations and comprehensive loss were incurred either for acquisitions not completed or not expected to be completed.

2020 Asset Acquisitions

The Company determined that The GSC Santa Barbara and Agape acquisitions below did not qualify as business combinations under IFRS 3 *Business Combinations* ("IFRS 3") because the assets acquired did not constitute a business, as evident from the concentration test which concluded that substantially all of the fair value of each of the acquisitions is concentrated in a single identifiable asset – the license.

GSG Santa Barbara

On July 24, 2020, the Company closed on the acquisition of 100% of the equity of GSG Santa Barbara, a non-operating provisionally licensed Santa Barbara, California dispensary operator for a total purchase price of \$4,900 in cash, of which \$2,250 was previously paid in cash and was included in deferred acquisition costs as of December 31, 2019. Refer to Note 7 - Deferred Acquisition Costs. The GSG Santa Barbara dispensary commenced retail operations on October 14, 2020.

Agape

On June 25, 2020, the Company closed on the acquisition of 80% of the economic and voting interests in Agape, a Pennsylvania Dispensary Permittee. Agape will operate three retail locations in Pennsylvania: one in Philadelphia, one in Reading and one in Pottsville. The Company opened the Reading retail location in July 2020 and is continuing the buildout of the dispensaries in Pottsville and Philadelphia, Pennsylvania.

The non-controlling interest was measured at the proportionate share method. Refer to Note 23 - Non-Controlling Interests and to Note 27 - Subsequent Events.



Related to this acquisition, in February 2019 and March 2019, the Company purchased two commercial properties from unrelated parties in Reading and Pottsville, Pennsylvania, and agreed to develop and lease these properties to Agape. The leases commenced subsequent to the acquisition.

Jushi Europe

In March 2020, the Company finalized its agreement to expand internationally through the establishment of Jushi Europe, S.A. (“Jushi Europe”). Jushi Europe plans to build out its European business through a combination of strategic acquisitions, partnerships, and license applications, focused on supplying the highest-quality medical cannabis products to patients throughout Europe.

The Company owns 51% of Jushi Europe and is exposed, or has rights, to variable returns from Jushi Europe and has the power to govern the financial and operating policies of Jushi Europe through voting control so as to obtain economic benefits, and therefore the Company has consolidated Jushi Europe from the date of acquisition.

During the first quarter of 2020, the Company received \$2,000 in cash from the 49% investor partner, and the Company contributed the right to use certain intellectual property already owned by the Company. The Company recognized a corresponding non-controlling interest in the statements of financial position of \$1,000. Refer to Note 23 - Non-Controlling Interests, for further details on the Company’s non-controlling interests.

In November 2020, Jushi Europe was granted a provisional license (the “pre-license”) from INFARMED, I.P., the Portuguese National Authority for Medicines and Health Products, through its 100%-owned Portugal-based subsidiary JPTREH Unipessoal Limitada. The pre-license grants conditional approval for Jushi Europe to import, cultivate and export medical cannabis from its planned greenhouse cultivation facility, which the Company intends to build near the City of Beja in southern Portugal.

Refer to Note 27 - Subsequent Events.

2019 Business Combinations and Asset Acquisitions

The Company had the following business combinations and asset acquisitions during the year ended December 31, 2019: (i) Franklin BioScience - Penn, LLC, (“FBS Penn”); (ii) Franklin BioScience NV, LLC (“FBS Nevada”); (iii) Dalitso LLC (“Dalitso”); (iv) a Provisional Licensed Medical Marijuana Processor in Ohio (“Provisionally Licensed Holder”); and (v) certain intellectual property and consulting agreements of HMS, LLC (“The Clinic”).

The following table summarizes the purchase price allocations and the total fair values of the consideration for the Company’s business combinations and asset acquisitions during the year ended December 31, 2019, as of the dates of acquisitions:

JUSHI HOLDINGS INC.**Notes to the Consolidated Financial Statements****December 31, 2020 and 2019***(Amounts Expressed in Thousands of United States Dollars, Unless Otherwise Stated)*

	Business Combinations		Asset Acquisitions			
	FBS Penn	FBS Nevada	Dalitso	Ohio Provisionally Licensed Holder	The Clinic	Total
Cash and cash equivalents	\$ 3,886	\$ 50	\$ 21	\$ 6	\$ —	\$ 3,963
Prepays and other assets	9	6	70	—	—	85
Accounts receivable	—	60	—	9	—	69
Biological asset	—	310	—	—	—	310
Inventory	380	734	—	—	—	1,114
Property, plant and equipment	3,933	2,845	329	—	—	7,107
Right-of-use assets	4,028	—	—	152	—	4,180
Intangible assets - license	40,600	5,200	25,700	3,500	—	75,000
Intangible assets - trade name	5,290	40	—	—	—	5,330
Intangible assets - non-compete	120	40	—	—	—	160
Intangible assets - patient database	—	270	—	—	—	270
Intangible assets - intellectual property	—	—	—	—	9,580	9,580
Other non-current assets	108	—	34	—	—	142
Total assets	\$ 58,354	\$ 9,555	\$ 26,154	\$ 3,667	\$ 9,580	\$107,310
Accounts payable and accrued liabilities	\$ (522)	\$ (294)	\$ (147)	\$ (30)	\$ —	\$ (993)
Intercompany note	—	(192)	(426)	—	—	(618)
Lease liabilities	(4,079)	—	—	(151)	—	(4,230)
Deferred taxation liabilities	(17,572)	(671)	—	—	—	(18,243)
Total liabilities	\$ (22,173)	\$ (1,157)	\$ (573)	\$ (181)	\$ —	\$ (24,084)
Net assets acquired	\$ 36,181	\$ 8,398	\$ 25,581	\$ 3,486	\$ 9,580	\$ 83,226
Non-controlling interest	—	—	(9,747)	—	—	(9,747)
Asset disposal charges and other adjustments	—	—	—	—	—	—
Total net assets acquired net of non-controlling interest	\$ 36,181	\$ 8,398	\$ 15,834	\$ 3,486	\$ 9,580	\$ 73,479
Consideration paid in cash, as adjusted for working capital adjustments	\$ 27,999	\$ 6,736	\$ 7,816	\$ 1,986	\$ 4,115	\$ 48,653
Capitalized acquisition costs	—	—	207	—	—	207
Consideration paid in notes	28,122	2,625	4,031	1,500	—	36,278
Consideration paid in warrants	—	—	407	—	—	407
Consideration paid in shares	6,982	—	3,373	—	5,465	15,820
Fair value of consideration	\$ 63,103	\$ 9,361	\$ 15,833	\$ 3,486	\$ 9,580	\$101,364
Goodwill	(26,922)	(963)	—	—	—	(27,885)
Total	\$ 36,181	\$ 8,398	\$ 15,833	\$ 3,486	\$ 9,580	\$ 73,479

Refer to Note 13 - Promissory Notes Payable, for additional details on the notes issued in consideration for certain 2019 acquisitions outlined above.



2019 Business Combinations***Franklin BioScience – Penn, LLC***

On July 10, 2019, the Company acquired 100% of the equity interests of FBS Penn.

The aggregate purchase price comprised of: (i) cash; (ii) 10% secured convertible notes due to the sellers (refer to Note 13 - Promissory Notes Payable); and (iii) the issuance of approximately 3.38 million Subordinate Voting Shares to the sellers (at a closing date price of \$2.07) of which 1.5 million shares were issued subject to certain escrow provisions and were released from escrow in 2020. An option to convert \$10,600 of the 10% secured convertible notes and interest due to sellers, at a fixed conversion price of \$3.30, expired in September 2019. The option was not considered to be significant for separate accounting. In addition, in March 2019, and under the terms of a letter of intent allowing the Company to negotiate definitive documents with FBS Penn, the Company had made an exclusivity payment of \$1,000 to FBS Penn. The \$1,000 amount was for bona fide business expenses and was not applied against the purchase price and was thus expensed and is included in acquisition and deal costs in the consolidated statements of operations and comprehensive loss for the year ended December 31, 2019. In addition, a \$4,000 advanced payment was paid in the second quarter of 2019, which also was not treated as additional purchase consideration because the amount was expected to be reimbursed or offset against the final purchase price. The amount was ultimately not reimbursed or offset and was thus expensed, and is included in pre-acquisition expense in the consolidated statements of operations and comprehensive loss for the year ended December 31, 2019.

FBS Penn holds one Phase I and three Phase II dispensary permits issued by the Pennsylvania Department of Health under its Medical Marijuana Program allowing for 12 medical marijuana dispensaries in the Commonwealth of Pennsylvania. The existing retail dispensary brand, “Beyond/Hello”, had six operational dispensaries located in Philadelphia, Bristol, Johnstown, Scranton and West Chester as of December 31, 2019. Jushi acquired the “Beyond/Hello” brand and related intellectual property as part of its acquisition of FBS Penn.

The goodwill recognized from the acquisition is attributable to synergies expected from integrating FBS Penn into the Company’s existing business. The goodwill acquired is not deductible for tax purposes.

Franklin BioScience NV, LLC

On July 24, 2019, the Company entered into a purchase agreement to acquire 100% equity ownership of FBS Nevada, subject to state and local approvals, pending which it entered into a management services agreement. Subsequently in July 2019, the Company received local City of North Las Vegas authorization to enter the greater Las Vegas, Nevada market under the management services agreement with FBS Nevada. FBS Nevada holds medical and adult use cannabis cultivation, processing and distribution licenses issued by the Nevada Department of Taxation and operates cannabis cultivation and production facilities in North Las Vegas, Nevada. An application for change of ownership has been submitted with the State of Nevada Department of Taxation and was pending as of December 31, 2020. The closing of the equity acquisition is subject to receipt of applicable regulatory approvals. Refer to Note 27 - Subsequent Events. The Company consolidates FBS Nevada, of which it held a 0% legal ownership percentage as of December 31, 2020 and 2019, since the Company is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The Company controls FBS Nevada through the Management Services Agreement (“MSA”), which enables the Company to make all operating decisions for this facility and will therefore have the ability to use its power through the MSA to affect its returns.



The goodwill recognized from the acquisition is attributable to synergies expected from integrating FBS Nevada into the Company's existing business. Additionally, the Nevada Department of Agriculture has issued FBS Nevada a Hemp Handler license. The goodwill acquired is not deductible for tax purposes.

Acquisition Results and Unaudited Supplemental Pro Forma Financial Information – FBS Penn and FBS NV

The following table summarizes the total combined amounts of revenue and net loss from the acquisition date through December 31, 2019 plus amounts as if the business combination had occurred on January 1, 2019:

	FBS Penn	FBS NV	Total
Revenue	\$ 12,058	\$ 1,964	\$ 14,021
Net loss	\$ (4,623)	\$ (1,401)	\$ (6,024)

2019 Business Combinations Acquisition and Deal Costs

For the year ended December 31, 2019, acquisition and deal costs relating to these two business combinations totaled \$1,251 and are included in the total acquisition and deal costs in the consolidated statements of operations and comprehensive loss. For the year ended December 31, 2019, \$4,000 of additional costs relating to FBS Penn were included in pre-acquisition expense in the consolidated statements of operations and comprehensive loss.

2019 Asset Acquisitions

Dalitso LLC

On September 23, 2019, the Company acquired 61.765% of the membership interests in Dalitso. The aggregate purchase price was comprised of: cash; 2.1 million Subordinate Voting Shares at a closing date price of \$1.61 per share; approximately 1 million warrants to purchase Subordinate Voting Shares at a fixed price of \$3.00 per share (expiring two years from issuance); and promissory notes. Refer to Note 13 - Promissory Notes Payable for additional information. The warrants, which meet equity classification requirements, were valued using the Black-Scholes model, with the following inputs: stock price of \$1.61; time to maturity of two years; annual risk-free rate of 1.68%; volatility of 78%; and a dividend yield of zero. At the time of acquisition, Dalitso was one of only five applicants to have received conditional approval for a permit issued by the Virginia Board of Pharmacy to cultivate and process medical cannabis, and to dispense and deliver CBD oil and THC-A oil extracts in Virginia. The Virginia Board of Pharmacy fully approved and issued Dalitso's Pharmaceutical Processor Permit on August 18, 2020.

The Company early adopted IFRS 3, as amended and determined that this transaction did not qualify as a business combination because the assets acquired did not constitute a business, as evident from the practical screen test which concluded that substantially all of the fair value of the acquisition is concentrated in a single identifiable asset (the license). Refer to Note 2 - Basis of Presentation and Summary of Significant Accounting Policies, for additional information. The Company is exposed, or has rights, to variable returns from Dalitso and has the power to govern the financial and operating policies of Dalitso so as to obtain economic benefits, and therefore the Company has consolidated Dalitso from the date of acquisition.

The non-controlling interest was measured at the proportionate share method. Refer to Note 23 - Non-Controlling Interests for details on non-controlling interests and the purchase of non-controlling interests during the year ended December 31, 2020.



Provisional Licensed Medical Marijuana Processor in Ohio

On June 27, 2019, the Company entered into a definitive agreement with a Provisionally Licensed Holder in Ohio to acquire 100% of the voting and economic interest of the Provisionally Licensed Holder. Concurrently, the parties also entered into a MSA whereby the Company will provide ongoing management and consulting services to the Provisionally Licensed Holder. The Provisionally Licensed Holder does not currently have any business operations.

Total consideration paid on signing comprised cash and 18-month secured promissory sellers' notes. Refer to Note 13 - Promissory Notes Payable for further details. Upon issuance of the license, and closing of the transaction, the Company will receive 100% of the voting units of the Provisionally Licensed Holder in exchange for \$100. The Company expects such provisionally licensed medical marijuana processor to begin operations in the second quarter of 2021. The related license is provisional and there is no assurance that this temporary license will ultimately be granted.

The Company has early adopted IFRS 3, as amended and determined that this transaction did not qualify as a business combination because the assets acquired did not constitute a business, as evident from the practical screen test which concluded that substantially all of the fair value of the acquisition is concentrated in a single identifiable asset (the license). Refer to Note 2 - Basis of Presentation and Summary of Significant Accounting Policies for additional information. The Company consolidates the Provisionally Licensed Holder, since the Company is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity through the MSA.

The Clinic

In June 2019, the Company purchased certain intellectual property and consulting agreements held by The Clinic, for total consideration which included (i) \$4,115 in cash (including cash of \$650 related to pre-combination services to The Clinic employees) and (ii) 2,267,500 Subordinate Voting Share. The fair value of the shares was determined based on the Company's closing share price on June 10, 2019 of CAD\$3.20 per share.

The Clinic's expertise as an integrated operator and cannabis industry pioneer with sophisticated intellectual property, key performance measurements and standard operating procedures complements the Company's expanding platform. The acquired intellectual property includes The Clinic's wholly owned consulting service's trade secrets and other proprietary intellectual information related to cannabis brands. The "Bank" brand includes intellectual property related to cultivation and genetics of over 150 different strains. The "Lab" brand includes intellectual property consisting of proprietary concentrates and extraction techniques.

The Company early adopted IFRS 3, as amended and determined that The Clinic purchases did not qualify as a business combination because substantially all of the fair value of the gross assets acquired are concentrated in a single asset (intellectual property). Refer to Note 2 - Basis of Presentation and Summary of Significant Accounting Policies for additional information.

10. GOODWILL AND OTHER INTANGIBLE ASSETS**Goodwill**

The continuity of goodwill is as follows:

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Goodwill as of December 31, 2018	\$	170
Additions from new business combinations		27,885
Goodwill as of December 31, 2019	\$	28,055
Impairment of goodwill		(170)
Additions from new business combinations		3,170
Goodwill as of December 31, 2020	\$	31,055

Goodwill Impairment

In connection with the Company's 2018 MEND acquisition, an advisory and consulting agreement was executed between the Company and Dr. Laszlo Mechtler, a former owner. On November 6, 2018, the Company also purchased the rights to certain anonymized cannabinoid treatment data developed by Dr. Laszlo Mechtler of the Dent Neurologic Group LLP and the Dent Cannabis Clinic (the "Data Purchase Agreement"). During the year ended December 31, 2020, the agreements with the parties to the Data Purchase Agreement were terminated, all parties executed a confidential settlement agreement and a new consulting agreement with Laszlo Mechtler was entered into, which resulted in a net loss on settlement of \$2,217 (including the write-off of certain intangibles - refer to Other Intangible Assets below) and the write-off of goodwill of \$170 which was associated with the 2018 MEND acquisition. The net loss is recorded in other (expense) income and the write-off of the goodwill is included in goodwill impairment in the consolidated statements of operations and comprehensive loss.

Other Intangible Assets

The continuity of other intangible assets is as follows:

	Indefinite Life Intangible Asset			Finite Life Intangible Asset						Total
	Licenses	Formulations	Internally Generated Intangibles	Franchise Agreements	Intellectual Property	Patient/ Customer Database	Tradenames	Non-Compete	Website Development	
Cost:										
Balance at December 31, 2018	\$ —	\$ 50	\$ —	\$ 1,850	\$ 1,290	\$ 880	\$ 50	\$ 8	\$ —	\$ 4,128
Additions ⁽¹⁾	75,000	—	585	—	9,580	270	5,330	160	61	90,986
Balance at December 31, 2019	\$ 75,000	\$ 50	\$ 585	\$ 1,850	\$ 10,870	\$ 1,150	\$ 5,380	\$ 168	\$ 61	\$ 95,114
Additions ⁽¹⁾	43,080	—	—	—	—	1,675	—	—	—	44,755
Disposals ⁽²⁾	—	—	(585)	(1,850)	(1,290)	(881)	—	(8)	—	(4,614)
Balance at December 31, 2020	\$118,080	\$ 50	\$ —	\$ —	\$ 9,580	\$ 1,944	\$ 5,380	\$ 160	\$ 61	\$ 135,255
Accumulated amortization:										
Balance at December 31, 2018				\$ (104)	\$ (96)	\$ (9)	\$ —	\$ (1)	\$ —	\$ (210)
Amortization expense				(133)	(682)	(80)	(285)	(27)	(11)	(1,218)
Balance at December 31, 2019				\$ (237)	\$ (778)	\$ (89)	\$ (285)	\$ (28)	\$ (11)	\$ (1,428)
Amortization expense				(11)	(969)	(751)	(556)	(54)	(50)	(2,391)
Disposals ⁽²⁾				248	231	110	—	3	—	592
Balance at December 31, 2020				\$ —	\$ (1,516)	\$ (730)	\$ (841)	\$ (79)	\$ (61)	\$ (3,227)
Net book value:										
Balance at December 31, 2019	\$ 75,000	\$ 50	\$ 585	\$ 1,613	\$ 10,092	\$ 1,061	\$ 5,095	\$ 140	\$ 50	\$ 93,686
Balance at December 31, 2020	\$118,080	\$ 50	\$ —	\$ —	\$ 8,064	\$ 1,214	\$ 4,539	\$ 81	\$ —	\$ 132,028
Estimated useful life				14 years	10 - 10.5 years	0.25-15 years	1-15 years	3-5 years	3 years	



- (1) Additions for the year ended December 31, 2020 relate to the PAMS, PADS, GSG Santa Barbara and Agape acquisitions and to the TGS Transaction. For the year ended December 31, 2019, all additions other than internally generated intangibles and website development were from acquisitions. Refer to Note 9 - Business Combinations and Asset Acquisitions for further details.
- (2) Total net disposals of \$4,022 for the year ended December 31, 2020 consisted of the following:
- The franchise agreements, intellectual property and non-compete net disposals of \$2,666 relate to the TGS Transaction. Refer to Note 9 - Business Combinations and Asset Acquisitions.
 - During the year ended December 31, 2020 the Company recorded a disposal of \$585 relating to internally generated intangibles that were unlikely to be realized. The total net write-off is reflected in other (expense) income in the consolidated statements of operations and comprehensive loss.
 - During the year ended December 31, 2020, the Company recorded a net patient database disposal of \$770 related to the confidential settlement agreement discussed in *Goodwill Impairment* above.

11. OTHER LONG-TERM ASSETS

Details of other long-term assets are as follows:

	Note	December 31, 2020	December 31, 2019
Employee receivable and accrued interest	25	\$ 2,470	\$ —
Contingent consideration receivable	4	865	—
Equity investment		1,500	—
Deposits - equipment		768	271
Deposits and escrows - properties		1,630	513
Other long-term deposits		200	—
Long-term portion of prepaids		23	397
		<u>\$ 7,456</u>	<u>\$ 1,181</u>

Equity Investment

In December 2020, the Company entered into a lease agreement with a lessor, PV Culver City, LLC, formerly known as Pacific Oakmark TBird, ("PVLLC"). In connection with the lease, and to assist PVLLC in the purchase of the leased property from a third party, the Company contributed \$1,500 to PVLLC in exchange for Class C Member shares, or a 23.08% ownership interest. The Company does not have significant influence over, and the Company does not have the right to vote or participate in the management of the PVLLC and therefore the investment is measured at its fair value. The fair value as of December 31, 2020 approximated the initial fair value as there was no change to the business from the date of acquisition through December 31, 2020. PVLLC also granted the Company a purchase option to purchase the related property at anytime after the first anniversary of the lease commencement date at a purchase price equal to the annual rent for the year the option is exercised divided by the 7.5% and escalating by 0.1% per year up to 8%. Management has determined that it is not reasonably certain to exercise. PVLLC also has a put option requiring the Company to purchase the related property, commencing 24 months after the lease commencement date until the related store is operational (exercise price is \$5,000). The construction is expected to be complete in April 2022, which is prior to the put option commencement period and thus management has determined that the exercise of this option is also unlikely.



12. ACCOUNTS PAYABLE, ACCRUED EXPENSES AND OTHER CURRENT LIABILITIES

Details of accounts payable and accrued liabilities are as follows:

	Note	December 31, 2020	December 31, 2019
Accounts payable		\$ 3,712	\$ 1,185
Accrued taxes and sales taxes payable	22	17,084	2,498
Accrued capital expenditures		2,177	1,558
Accrued employee related expenses and liabilities		2,303	1,250
Goods received not invoiced		2,625	63
Accrued professional and management fees		638	713
Accrued interest - promissory notes payable	13	41	427
Accrued interest - 10% senior notes	15	—	40
Accrued interest - other debt	16	4	—
Other debt - short-term portion	16	261	—
Deferred revenue (loyalty program)		935	—
Other accrued expenses and current liabilities		921	1,141
		<u>\$ 30,701</u>	<u>\$ 8,875</u>

Loyalty Program

During the year ended December 31, 2020 and 2019, the Company recorded \$2,352 and \$nil, respectively, in loyalty reward expense, which is netted against retail revenues in the consolidated statements of operations and comprehensive loss. The Company expects the outstanding loyalty points to be redeemed within six months.

13. PROMISSORY NOTES PAYABLE

Details of acquisition-related promissory notes payable	are as follows:	December 31, 2020	December 31, 2019
Short-term notes payable - principal amount		\$ 1,620	\$ 15,635
Long-term notes payable - principal amount		3,798	9,988
Total notes payable - principal amount		<u>\$ 5,418</u>	<u>\$ 25,623</u>
Less: deferred finance charges		(3)	—
Less: original issue discount		(996)	—
Total notes payable - carrying amount		<u>\$ 4,419</u>	<u>\$ 25,623</u>
Short-term notes payable - carrying amount		\$ 1,338	\$ 15,635
Long-term notes payable - carrying amount		\$ 3,081	\$ 9,988

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

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	PAMS/ PADS Option	FBS Penn	FBS Nevada	Dalitso	Ohio Provisionally Licensed Holder	Total
Carrying amount as of December 31, 2018	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
Principal issued	—	28,122	2,625	4,031	1,500	36,278
Principal payments	—	(10,622)	—	(33)	—	(10,655)
Carrying amount as of December 31, 2019	\$ —	\$ 17,500	\$ 2,625	\$ 3,998	\$ 1,500	\$ 25,623
Principal payments	\$ —	\$ (17,500)	\$ (1,125)	\$ (3,878)	\$ (1,500)	\$ (24,003)
Principal issued	\$ 3,750	\$ —	\$ —	\$ 48	\$ —	\$ 3,798
Original issuance discount ("OID")	\$ (1,092)	\$ —	\$ —	\$ (11)	\$ —	\$ (1,103)
Deferred issuance costs	\$ —	\$ (44)	\$ (17)	\$ (26)	\$ (5)	\$ (92)
Amortization/accretion of deferred issuance costs and OID	\$ 107	\$ 44	\$ 15	\$ 25	\$ 5	\$ 196
Carrying amount as of December 31, 2020	\$ 2,765	\$ —	\$ 1,498	\$ 156	\$ —	\$ 4,419

Interest expense, excluding amortization of deferred finance charges and discount, related to promissory notes was \$1,644 and \$1,320 for the years ended December 31, 2020 and 2019, respectively. The accrued interest payable is included in accrued expenses and other current liabilities in the consolidated statements of financial position. Interest on promissory notes paid in cash during the year was \$2,030. Refer to Note 12 - Accounts Payable, Accrued Expenses and Other Current Liabilities.

Promissory Notes – PAMS

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

The initial fair value of the consideration paid in notes was determined using an approach that uses forecast cash flows of the debt instrument according to its contractual terms and then discounts those cash flows to the date of value at a risk-adjusted discount rate that considers the relative risk of achieving those cash flows and the time value of money. The discount rate used was 20%.

Secured Promissory Notes – FBS Penn

In July 2019, in connection with the FBS Penn acquisition, the Company issued \$28,122 by way of certain 10% secured notes due to the sellers, with principal payments, together with accrued interest through each such date, due in tranches. These notes were repaid in full, including any accrued interest, prior to maturity during the fourth quarter of 2020.

Secured Promissory Notes – FBS Nevada

In July 2019, in connection with the FBS Nevada management services and purchase agreements and the related acquisition of the associated real estate, the Company issued \$2,250 in promissory notes and \$375 in other secured notes as part of the consideration. The notes bear interest at 10% per annum. According to the original terms of the \$2,250 in promissory notes, 50% or \$1,125 was paid on the one-year anniversary of issuance in July 2020 and the remaining amount will mature on the second-year anniversary. The \$375 note will mature in July 2021 and is secured by the real estate. In



connection with these notes, Production Excellence, LLC granted a security interest in all of its assets and JREHNV, LLC (a wholly owned subsidiary of JREH, LLC) granted a second lien priority security interest on certain real property. Refer to Note 27 - Subsequent Events.

Promissory Notes – Dalitso

In September 2019, in connection with the Dalitso acquisition, the Company issued: (i) \$2,686 in 6% promissory notes issued to the sellers with a maturity of September 23, 2021 and convertible at the option of the holders on or prior to the maturity date into Subordinate Voting Shares at a conversion price of \$6.00 per share; and (ii) \$1,346 in 9% unsecured notes issued to certain sellers with a maturity of September 23, 2021, with quarterly principal installments of \$34 payable together with interest payments. In addition to the scheduled payments, in connection with the purchases of the non-controlling interests in Dalitso during the fourth quarter of 2020, certain promissory notes which were issued in connection with the original 61.765% Dalitso acquisition during 2019 were paid off during the fourth quarter of 2020, including accrued interest: the Company repaid \$2,566 principal amount of existing 6% convertible promissory notes and repaid \$1,211 principal amount of 9% promissory notes. These principal amounts are included within the total principal payments in the table above. The Company also issued a new convertible promissory note to the sellers of the non-controlling interests, of which \$37 is classified as debt, and is reflected in principal issued (\$48) and OID (\$11) in the table above. The remainder is classified as equity in the consolidated statements of financial position. Refer to Note 23 - Non-Controlling Interests.

Secured Promissory Notes – Ohio Provisionally Licensed Holder

In June 2019, the Company entered into a definitive agreement with a provisionally licensed medical marijuana processor in Ohio and issued \$1,500 in 18-month secured sellers' notes as part of the consideration. The notes bore interest at 10% per annum and are payable quarterly. The Company repaid these notes in full during the fourth quarter of 2020.

14. LEASE OBLIGATIONS

The Company leases certain business facilities for corporate, retail and cultivation purposes in Florida, Pennsylvania, Ohio, California, New York, Virginia, Illinois and Colorado from third parties under lease agreements that specify minimum rentals. In addition, the Company leases certain equipment for use in cultivation and extraction. The expiry dates of the leases, including reasonably certain estimated renewal periods, are between 2020 and 2050 and contain certain renewal provisions.

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The continuity and details of lease liabilities are as follows:

	December 31, 2020	December 31, 2019
IFRS 16 lease liabilities as of beginning of year	\$ 6,498	\$ 614
Lease additions	15,636	1,972
Lease additions from acquisitions	18,895	4,230
Lease payments	(3,168)	(853)
Interest expense on lease liabilities	3,321	535
Lease modification	(1,933)	—
Lease termination	(39)	—
IFRS 16 lease liabilities as of end of year	\$ 39,210	\$ 6,498
Short-term lease obligations	\$ 4,716	\$ 969
Long-term lease obligations	\$ 34,494	\$ 5,529

As of December 31, 2020 estimated future minimum lease payments under non-cancelable operating leases having an initial or remaining term of more than 1 year are as follows:

Less than one year	\$ 5,641
One to five years	26,113
Greater than five years	147,184
Total undiscounted lease obligations	\$ 178,938
Interest	(139,728)
Lease obligations as of December 31, 2020	\$ 39,210

As of December 31, 2020, estimated future minimum lease payments under non-cancelable operating leases having an initial term of one year or less were \$27 and are not capitalized in the consolidated statement of financial position. The Company's rent expense related to low-value and short-term leases is included in general and administrative expenses and was \$156 and \$237 for the years ended December 31, 2020 and 2019, respectively.

Some property leases may contain variable payment terms that are linked to sales generated from a store or cannabis regulation changes. Variable lease payments for both the years ended December 31, 2020 and 2019 were \$34. Variable payment terms may be used for a variety of reasons, including minimizing the fixed costs base for newly established stores. Variable lease payments that depend on sales are recognized in profit or loss in the period in which the condition that triggers those payments occurs. All extension options that are reasonably certain to be exercised have been included in the measurement of lease obligations. The Company reassesses the likelihood of extension option exercise if there is a significant event or change in circumstances within its control.

In April 2020, the Company entered into a master lease agreement for up to \$2,000 of cultivation and extraction equipment for the Dalitso Virginia operations, which will serve as security for the individual leases. As of December 31, 2020, the Company had gross ROU assets and liabilities under the master lease agreement totaling \$1,756, and the ROU assets had a net book value of \$1,738. \$189 is committed to be funded in the first quarter of 2021. The lease term is 36 months and there is a purchase option after 18 months to purchase the assets.

Refer to Note 16 - Other Debt for a financing transaction in the third quarter of 2020.



15. SENIOR NOTES AND DERIVATIVE LIABILITIES

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

	December 31, 2020	December 31, 2019
Senior Notes - principal amount ⁽¹⁾	\$ 83,327	\$ 16,760
Less:		
Amounts to accrete (from original issue discount and bifurcation of warrants)	(32,585)	(5,493)
Deferred transaction costs, net	(176)	(531)
Total Senior Notes, carrying amount	\$ 50,566	\$ 10,736
Derivative Warrants liability	\$ 204,611	\$ 5,529
Prepayment Option	750	—
Total derivative liabilities, carrying amount	\$ 205,361	\$ 5,529

(1) Included \$100 as of December 31, 2019 for a subscription received in December 2019 for which the Senior Note was issued in January 2020.

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

On December 1, 2020, the Company listed for trading on the Canadian Securities Exchange \$76,352 of 10%, senior secured notes due January 15, 2023 (the "Public Notes"). The Public Notes are listed under the symbol "JUSH.DB.U" and were tradable at approximately 100% of their principal amount as of December 31, 2020. The publicly traded senior secured notes were issued to certain existing holders of the Company's 10% senior secured notes due January 15, 2023 who elected to exchange their then-outstanding non-listed senior secured notes for the new Public Notes in the same principal amount. Other existing holders of the Company's non-listed 10% senior secured notes due January 15, 2023, representing an aggregate principal amount of \$6,975, elected to retain their non-listed/private senior secured notes.

The Senior Notes were originally issued between December 2019 and July 2020. During the year ended December 31, 2020, the Company closed on the first tranche of the Company's debt offering (a private placement) announced in December 2019 ("Tranche 1") and also closed on the second tranche of the Company's debt offering (a private placement), which was announced in June 2020 ("Tranche 2").

There were two financing structures offered in connection with the Tranche 1. The first structure comprised senior secured promissory notes which were issued with warrants to acquire Subordinate Voting Shares of the Company ("Warrant Notes") at 75% coverage of the principal amount divided by the original strike price of the warrants. The warrants were issued by the Company in connection with, but were detached from, the Company's issuance of the Senior Notes. Refer to "Derivative Warrants" below for additional information. The second structure comprised of original issue discount (OID) senior secured promissory notes with no warrants, issued at a discount of approximately 17% ("OID Notes"). Tranche 2 comprised of only Warrant Notes.

The warrants which were issued with the Warrant Notes are considered to be derivative financial liabilities as they did not meet the IFRS "fixed for fixed" criteria due to the cashless exercise option, and certain of these warrants also contain(ed) down-round price protection features which also requires liability presentation. The Company recorded derivative

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liabilities related to the Derivative Warrants which were based on the estimated fair values of the Derivative Warrants at the dates of issuance. The residual consideration amounts were allocated to the Senior Notes liability. Refer to *Derivative Warrants* below for details of the methods and assumptions used in calculating the fair values of the Derivative Warrants. The carrying amounts of the senior notes are being accreted to the principal amounts using the effective interest rate method. The OID Notes were initially recorded at the cash amount received and are being accreted to the principal amount using the effective interest rate method.

The continuity of the 10% Senior Notes, related Derivative Warrants liability and accrued interest on the Senior Notes is as follows:

	Senior Notes	Derivative Warrants Liability ⁽⁶⁾	Accrued Interest	Income (Expense)
Carrying amount as of December 31, 2018	\$ —	\$ —	\$ —	\$ —
10% Senior Notes principal amount issued	16,660	—	—	—
10% Senior Notes - subscription received	100	—	—	—
Fair value of derivative warrant liability on issuance	(5,529)	5,529	—	—
Cash based debt issuance costs	(424)	—	—	(211)
Non-cash transactions costs	(110)	—	—	(55)
Accretion and amortization expense	39	—	—	(39)
Accrued interest	—	—	40	(40)
Carrying amount as of December 31, 2019	\$ 10,736	\$ 5,529	\$ 40	\$ (345)
10% Senior Notes principal amount issued, net ⁽¹⁾⁽²⁾	67,495	—	—	—
Fair value of derivative warrant liability on issuance ⁽¹⁾	(30,245)	30,245	—	—
Original issue discount from OID Notes ⁽²⁾	(1,735)	—	—	—
Debt and derivative warrant modifications ⁽⁴⁾	(2,295)	4,179	(31)	(1,853)
Cash based debt issuance costs ⁽⁵⁾	(344)	—	—	(294)
Non-cash transaction costs and adjustments ⁽⁵⁾	110	—	—	(285)
Accretion and amortization expense ⁽⁵⁾	6,844	—	—	(6,844)
Coupon interest expense ⁽⁵⁾	—	—	6,359	(6,359)
Interest paid in cash	—	—	(6,368)	—
Fair value adjustment for derivative warrant liability ⁽³⁾	—	173,397	—	(173,397)
Derivative warrant exercises	—	(8,739)	—	—
Carrying amount as of December 31, 2020	\$ 50,566	\$ 204,611	\$ —	\$ (189,032)

(1) Includes the following acquisition related items: a) \$2,000 principal amount of Senior Notes, and 633,433 Derivative Warrants with a fair value of \$524 issued in connection with the Agape acquisition; b) \$9,555 principal amount of Senior Notes issued related to debt assumed in the TGS Transaction which was exchanged for Warrant Notes; and c) \$2,000 principal amount of Senior Notes, and 950,148 Derivative Warrants with a fair value of \$679 issued in connection with the TGS NCI Transaction. Refer to Note 9 - Business Combinations and Asset Acquisitions and Note 23 - Non-Controlling Interests.

(2) Amounts are net of amounts cancelled or voided as a result of OID Notes exchanged for Warrant Notes.

(3) The fair value loss on the derivative warrant liability above, the fair value loss of \$750 on the mandatory prepayment option (refer to *Senior Notes - Optional and Mandatory Redemptions* below) and the fair value gain on the PADS Purchase Option of \$440 (refer to Note 9 - Business Combinations and Asset Acquisitions) are all reflected within fair value changes in derivatives in the consolidated statements of operations and comprehensive loss.

(4) Included within net loss on debt and warrant modifications in the consolidated statements of operations and comprehensive loss.

(5) Included within interest expense and finance charges in the consolidated statements of operations and comprehensive loss.



(6) Refer to Note 17 - Equity for the continuity of the number of derivative warrants.

Coupon interest expense, accretion and amortization expense, and amounts expensed for debt issuance costs are included in interest expense in the consolidated statements of operations and comprehensive loss. Accrued interest payable is included in accrued liabilities in the consolidated statements of financial position. Refer to Note 12 - Accounts Payable, Accrued Expenses and Other Current Liabilities. The debt and warrants modification adjustments are included in other (expense) income in the consolidated statements of operations and comprehensive loss.

Debt and Derivative Warrant Modifications

i) Warrant Notes Exchanges for OID Notes

In January 2020, a certain Tranche 1 holder elected to exchange \$500 principal amount of Warrant Notes that had been issued in December 2019 into OID Notes of principal amount \$585 in January 2020, and the related 237,537 Warrants that were issued in December 2019 were voided. In addition, Warrant Notes of \$5,000 that were issued in January 2020 were subsequently also exchanged for OID Notes of \$5,842 in January 2020, and the related 2,375,372 warrants that were issued in connection with the Warrant Notes were also voided. The notes exchanged were determined to have substantially different terms as a result of the cancellation of the Warrants and therefore the exchanges were accounted for as an accounting extinguishment of the original financial liabilities and the recognition of new financial liabilities. The difference between the fair value of the new OID Notes of \$5,500 and the total carrying value of the extinguished Warrants Notes (carrying value of \$3,621) and the extinguished Derivative Warrants (carrying value of \$1,916), was a gain of \$37 and is included in net loss on debt and warrant modification in the consolidated statements of operations and comprehensive loss.

ii) Down-Round Price Adjustment

The warrants associated with the Tranche 1 Senior Notes contained a down-round price protection feature and were issued at ~\$1.58. As a result of the issuance of the Tranche 2 warrants at an exercise price equal to \$1.25, the Tranche 1 warrants were adjusted down to an exercise price of \$1.25. This resulted in a loss on modification of \$1,001 and is included in net loss on debt and warrant modification in the consolidated statements of operations and comprehensive loss.

iii) "Option 2" Elections

As a result of Most Favored Nation ("MFN") clauses in certain of the Tranche 1 Senior Notes holders' offering documents, at the time of the Tranche 2 offering in June 2020, those certain Tranche 1 investors were offered to either retain their existing offering documents, including the Senior Notes, and warrants, if applicable, with an unmodified MFN clause and continued down-round price protection ("Option 1"); or they could elect to exchange their offering documents for the Tranche 2 offering documents with revised terms including an increased number of warrants based on 75% warrant coverage with a strike price of \$1.25; but with a substantially narrowed MFN and no down-round price protection going forward ("Option 2"). Certain Tranche 1 Senior Notes holders accepted Option 2 to exchange their Senior Notes and warrants, or their OID Notes, for the new offered terms, with the following results:

OID Notes Exchanges for Warrant Notes

As a result of the selection of Option 2 by certain OID Note Holders, \$6,427 principal amount of OID Notes was extinguished and replaced with \$5,500 principal amount of Warrant Notes and 3,300,000 warrants. The Company determined that these modifications were substantial under IFRS 9 as a result of the change to the MFN, a greater than 10% change to the principal amount of the debt and the addition of warrants, and therefore the exchanges



were accounted for as accounting extinguishments of the original financial liabilities and the recognition of new financial liabilities. The difference between the extinguished carrying value of the OID Notes of \$5,627, and the total new fair value of \$5,500 for the replacement Warrants Notes (fair value of \$2,803) and the new Derivative Warrants (fair value of \$2,697), was a gain of \$127 and is included in net loss on debt and warrant modification in the consolidated statements of operations and comprehensive loss.

Warrant Note Holders

As a result of the election of Option 2 by the Warrant Note holders, the Company issued an additional 2,960,738 warrants. The Company determined that these modifications were substantial under IFRS 9 as a result of the change to the MFN and the removal of the down-round price protection for the Derivative Warrants, and therefore the exchanges were accounted for as accounting extinguishments of the original financial liabilities and the recognition of new financial liabilities. The difference between the extinguished total carrying value of \$25,037 for the existing Warrant Notes (carrying value \$15,777) and related Derivative Warrants liabilities (carrying value \$9,260), and the total new fair value of \$23,700 for the replacement Warrant Notes (fair value of \$12,005) and new total Derivative Warrants (fair value of \$11,695), was a gain of \$1,337 and is included in net loss on debt and warrant modification in the consolidated statements of operations and comprehensive loss.

Subsequent to all Option 2 elections made by the Warrant Notes holders in June and July of 2020, 6,128,459 Derivative Warrants were still subject to the downward price protection.

As a result of the Option 2 extinguishments, the Company expensed previously deferred financing costs of gross amount of \$491 related to Tranche 1 Senior Notes, and is included in net loss on debt and warrant modification in the consolidated statements of operations and comprehensive loss.

iv) Public Debt Listing

As a result of the public listing of the Senior Notes in December 2020, certain Senior Notes, which had a slightly different redemption right which was subject to an unrelated contingency, were modified to remove this redemption feature. The Company determined that this modification was substantial under IFRS 9, and therefore was accounted for as an accounting extinguishment of the original financial liabilities and the recognition of new financial liabilities. The difference between the extinguished total carrying value of \$8,170 and the total new value of \$10,032, was a loss of 1,862 which is included in net loss on debt and warrant modification in the consolidated statements of operations and comprehensive loss.

Derivative Warrants

The Derivative Warrants, which were issued to Warrant Note holders, have an expiration date of December 23, 2024, and an exercise price of US\$1.25 (~US\$1.58 as of December 31, 2019). The Derivative Warrants may be settled only with cash for the first year following the issuance date but may be net share settled after one year from the issuance date. These warrants are considered derivative financial liabilities at FVTPL under IAS 32 *Financial Instruments* ("IAS 32") due to the cashless exercise option, and certain of these warrants also contain(ed) down-round price protection features which also requires liability presentation. The derivatives are classified as long-term liabilities.

There were 42,017,892 and 7,392,157 Derivative Warrants outstanding as of December 31, 2020 and December 31, 2019, respectively. Refer to Note 17 - Equity for the continuity of the Derivative Warrants.

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The estimated fair value of the Warrants is measured at each reporting period and an adjustment is reflected in fair value changes in derivatives in the consolidated statements of operations and comprehensive loss. The estimated fair value of the derivative warrants was determined using the Monte Carlo simulation model taking into account the fair value of the Company's Subordinate Voting Shares on the valuation dates and into the future encompassing a wide range of possible future market conditions. These are Level 3 recurring fair value measurements. The assumptions used in the calculations at the time of grant and measurement dates for the years presented included the following:

	For the Year Ended December 31,	
	2020	2019
Stock price	\$1.02- \$5.86	\$1.32
Risk-free annual interest rate	0.11% -1.74%	1.74%
Range of estimated possible exercise price	\$0.01 - \$1.58	\$0.03 - \$1.58
Volatility	75% - 85%	75%
Remaining life	4 years - 5 years	5 years
Forfeiture rate	0%	0%
Expected annual dividend yield	0%	0%

Volatility was estimated by using a weighting of the Company volatility and the average historical volatility of comparable companies from a representative peer group of publicly traded cannabis companies. The risk-free interest rate for the expected life of the Warrants was based on the yield available on government benchmark bonds with an approximate equivalent remaining term at the time of the grant. The expected life is based on the contractual term. If any of the assumptions used in the calculation were to increase or decrease, this could result in a material or significant increase or decrease in the estimated fair value of the derivative liability. For example, the following table illustrates an increase or decrease in certain significant assumptions as of December 31, 2020:

	Input	Effect of 10% Increase	Effect of 10% Decrease
Stock price	\$ 5.86	\$ 21,856	\$ (23,707)
Volatility	80 %	\$ 1,508	\$ (4,239)

Senior Notes - Optional and Mandatory Redemptions*Optional Redemptions*

A redemption of the Senior Notes may be initiated by the Company at any time upon 3 days written notice and may redeem all or any portion of the Senior Notes at par plus accrued interest plus a premium equal to (i) 10% of the aggregate principal amount of the Senior Notes being redeemed prior to the first anniversary of the issue date, or (ii) 5% of the aggregate principal amount of the Senior Notes being redeemed on or after the first anniversary of the issue date but prior to the second anniversary of the issue date. The Company (at its option) may redeem all or any portion of the Senior Notes at par plus accrued interest (without any premium) on or after the second anniversary of the date of issuance.

In addition, prior to the twelve month anniversary of the issue date, the Company may redeem all or any portion of the Senior Note with up to 33% of the net proceeds received by the Company or any of its subsidiaries (including the Guarantors) from any equity offerings at a redemption price equal to par plus accrued interest plus a premium equal to 1% of the aggregate principal amount of the Senior Note being redeemed.

Mandatory Redemptions and Prepayment Option Liability

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

The mandatory prepayment option (“Prepayment Option”) represents an embedded derivative which must be bifurcated and recorded at fair value (FVTPL) at each reporting period. The estimated fair value of the Prepayment Option was a liability of \$750 as of December 31, 2020 and was included in derivative liabilities in the consolidated statements of financial position. The Prepayment Option was not determined to have any significant value as of December 31, 2019. The expense relating to the Prepayment Option is included in fair value changes in derivatives within the consolidated statements of operations and comprehensive loss. The estimated fair value of the Prepayment Option was determined using a probability-weighted discounted cash flow analysis, taking into account the future likelihood of the mandatory redemption. These are Level 3 recurring fair value measurements. The significant assumptions used in the calculations as of December 31, 2020 are as follows: a 65% probability of a mandatory redemption, a mid-point redemption date, a discount rate of 11.8%, which was based on market yields of similar host instruments. If any of the assumptions used in the calculation were to increase or decrease, this could result in a material or significant increase or decrease in the estimated fair value of the derivative liability. For example, the following table illustrates an increase or decrease in certain significant assumptions as of December 31, 2020:

	Input	Effect of 10% Increase (in \$000s)	Effect of 10% Decrease (in \$000s)
Discount rate	11.8%	\$ 512	\$ (532)
Probability	65%	\$ 116	\$ (116)

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

Guarantees

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

Default Provisions

The Senior Notes agreement provides for customary events of default, as well as customary remedies upon an event of default as defined in the Senior Notes agreement (“Event of Default”), including acceleration of repayment of outstanding amounts. In addition, automatically upon the occurrence and during the continuance of an Event of Default, the interest rate accruing on the outstanding principal amount of the Note shall be 3% more than the rate otherwise payable under the Senior Notes.

Covenants

The Senior Notes are subject to certain customary non-financial provisions and covenants. The covenants, among other things, generally limit the ability of the Company and certain of its subsidiaries, subject to certain exceptions, to (i) incur certain additional debt; (ii) pay dividends or make distributions from certain subsidiaries; (iii) sell certain assets; and (iv) effect certain transactions. As of December 31, 2020 and 2019, the Company was in compliance with the provisions and covenants.

**16. OTHER DEBT**

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

	Financing Obligation	Unsecured Credit Line	Total Other Debt
Total other debt as of December 31, 2019	\$ —	\$ —	\$ —
Additions	3,100	614	3,714
Payments	(164)	—	(164)
Amortization	186	—	186
Total other debt as of December 31, 2020	\$ 3,122	\$ 614	\$ 3,736
Short-term other debt	\$ 261	\$ —	\$ 261
Long-term other debt	\$ 2,861	\$ 614	\$ 3,475

The long-term portions are reflected in other debt in the consolidated statements of financial position and the short-term portion(s) and accrued interest are reflected in Accounts payable, accrued expenses and other current liabilities in the consolidated statements of financial position. Refer to Note 12 - Accounts Payable, Accrued Expenses and Other Current Liabilities. Amortization of the financing obligation is included in interest expense and finance charges in the consolidated statements of operations and comprehensive loss.

Financing Obligation

In March 2019 the Company acquired a property in Santa Barbara for \$3,146 pursuant to a contract to purchase the real estate associated with the GSG Santa Barbara adult use cannabis dispensary. The former owners of GSG Santa Barbara did not own the associated real estate. In April 2020, the Company entered into definitive documents for a sale-leaseback transaction related to this real estate acquired from a third party in connection with the Santa Barbara adult use cannabis dispensary acquisition. The sale-leaseback transaction closed in July 2020 for \$3,100 in cash proceeds. The carrying amount of the property as of December 31, 2020 was \$3,030. The Company has the option, after one year subsequent to the commencement date, to repurchase the property at amount equal to a 7.5% capitalization rate of the annual base rent which then increases by 0.1% every year up to an 8% maximum rate over the life of the lease. The Company concluded that control, including the significant risks and rewards of ownership, did not transfer to the buyer-lessor at the inception of the sale-leaseback transaction since the building may be repurchased at the Company's option, and as a result this transaction did not meet the accounting criteria for a successful sale-leaseback transaction and therefore represents a financing obligation. The initial monthly payment was \$27 and monthly payments for the financing obligation increase 2.25% annually and the expected term is 30 years.

Unsecured Credit Line

In November 2020, Jushi Europe entered into a credit agreement with a sibling of the Jushi Europe non-controlling partner, and received €500 (approximately \$614 as of December 31, 2020) principal amount which accrues interest at 5% per annum, payable annually in arrears, and matures on November 11, 2024. The outstanding balance may be prepaid at any time prior to maturity without penalty and may be offset with receivables from the lender. The credit facility may be expanded in the future, with approval of the lender(s). Refer to Note 27 - Subsequent Events.



17. EQUITY

(a) Authorized

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

(i) Subordinate Voting Shares

Holders of Subordinate Voting Shares (“Subordinate Voting Holder”) shall be entitled to notice of and to attend at any meeting of the shareholders of the Company, except a meeting of which only holders of another particular class or series of shares of the Company shall have the right to vote. At each such meeting Subordinate Voting Holders shall be entitled to one vote in respect of each Subordinate Voting Share held. As long as any Subordinate Voting Shares remain outstanding, the Company will not, without the consent of the holders of the Subordinate Voting Shares by separate special resolution, prejudice or interfere with any right or special right attached to the Subordinate Voting Shares.

Subordinate Voting Holders shall be entitled to receive as and when declared by the directors, dividends in cash or property of the Company. No dividend will be declared or paid on the Subordinate Voting Shares unless the Company simultaneously declares or pays, as applicable, equivalent dividends on the Multiple Voting Shares (on an as-converted to Subordinate Voting Share basis) and Super Voting Shares (on an as-converted to Subordinate Voting Share basis).

In the event of the liquidation, dissolution or winding-up of the Company, whether voluntary or involuntary, or in the event of any other distribution of assets of the Company among its shareholders for the purpose of winding up its affairs, the Subordinate Voting Holders shall, subject to the prior rights of the holders of any shares of the Company ranking in priority to the Subordinate Voting Shares be entitled to participate ratably along with all other holders of Multiple Voting Shares (on an as-converted to Subordinate Voting Share basis) and Super Voting Shares (on an as-converted to Subordinate Voting Share basis).

(ii) Multiple Voting Shares

The holders of Multiple Voting Shares (the “Multiple Voting Holders”) shall have the right to 10 votes for each Subordinate Voting Share into which such Multiple Voting Shares could then be converted, which for greater certainty, shall initially equal 10 votes per Multiple Voting Share, and with respect to such vote, such holder shall have full voting rights and powers equal to the voting rights and powers of the Subordinate Voting Holders, and shall be entitled to notice of any shareholders’ meeting and shall be entitled to vote, together with holders of Subordinate Voting Shares, with respect to any question upon which Subordinate Voting Holders have the right to vote. Fractional votes shall not, however, be permitted and any fractional voting rights available on an as converted basis (after aggregating all Subordinate Voting Shares into which Multiple Voting Shares could be converted) shall be rounded to the nearest whole number (with one-half being rounded upward). Except as provided by law and by certain Company Article provisions, Multiple Voting Holders shall vote the Multiple Voting Shares together with the Subordinate Voting Holders and Super Voting Holders as a single class.

As long as any Multiple Voting Shares remain outstanding, the Company will not, without the consent of the holders of the Multiple Voting Shares and Super Voting Shares by separate special resolution, prejudice or interfere with any



right or special right attached to the Multiple Voting Shares. In connection with the exercise of the voting rights for this purpose, each holder of Multiple Voting Shares will have one vote in respect of each Multiple Voting Share held.

The Multiple Voting Holders shall have the right to receive dividends, out of any cash or other assets legally available therefore, *pari passu* (on an as-converted basis, assuming conversion of all Multiple Voting Shares into Subordinate Voting Shares at the applicable Conversion Ratio and ignoring any limitations on conversion as outlined in the Company Articles) as to dividends and any declaration or payment of any dividend on the Subordinate Voting Shares. No dividend will be declared or paid on the Multiple Voting Shares unless the Company simultaneously declares or pays, as applicable, equivalent dividends on the Subordinate Voting Shares and Super Voting Shares (on an as-converted to Subordinate Voting Share basis).

In the event of the liquidation, dissolution or winding-up of the Company, whether voluntary or involuntary, or in the event of any other distribution of assets of the Company among its shareholders for the purpose of winding up its affairs, the Multiple Voting Holders shall, subject to the prior rights of the holders of any shares of the Company ranking in priority to the Multiple Voting Shares, be entitled to participate ratably, on an as-converted to Subordinate Voting Share basis, along with all other holders of Subordinate Voting Shares and Super Voting Shares (on an as-converted to Subordinate Voting Share basis).

The Multiple Voting Holders shall have optional and mandatory conversion rights as outlined in the Company's Articles. Any Multiple Voting Share converted shall be retired and cancelled and may not be reissued as shares of such series or any other class or series, and the Company may thereafter take such appropriate action (without the need for stockholder action) as may be necessary to reduce the authorized number of Multiple Voting Shares accordingly.

(iii) Super Voting Shares ("SV")

The holders of Super Voting Shares (the "Super Voting Holders") shall have the right to 10 votes for each Subordinate Voting Share into which such Super Voting Shares could then be converted (as outlined in the Company's Articles), which for greater certainty, shall initially equal 1,000 votes per Super Voting Share, and with respect to such vote, such holder shall have full voting rights and powers equal to the voting rights and powers of the Subordinate Voting Holders, and shall be entitled, to notice of any shareholders' meeting and shall be entitled to vote, together with holders of Subordinate Voting Shares, with respect to any question upon which Subordinate Voting Holders have the right to vote. Fractional votes shall not, however, be permitted and any fractional voting rights available on an as converted basis (after aggregating all Subordinate Voting Shares into which Super Voting Shares could be converted) shall be rounded to the nearest whole number (with one-half being rounded upward). Except as provided by law and by the provisions of the Company's Articles, Super Voting Holders shall vote the Super Voting Shares together with the Subordinate Voting Holders and Multiple Voting Holders as a single class.

In addition to any other rights provided by law, the Company shall not amend, alter or repeal the preferences, special rights or other powers of the Super Voting Shares or any other provision of the Company's constituting documents that would adversely affect the rights of the Super Voting Holders, without the written consent or affirmative vote of the holders of at least 66-2/3% of the then outstanding aggregate number of Super Voting Shares, as such changes relate to the Super Voting Shares, given in writing or by vote at a meeting, consenting or voting (as the case may be) separately as a class of the holders of Super Voting Shares (a "Super Majority Vote"). The Company shall have authority to issue one or more additional classes or series of shares, which may have rights and preferences superior or subordinate to the Super Voting Shares.



All shares of Super Voting Shares shall be identical with each other in all respects. The Super Voting Shares shall rank pari passu to the Subordinate Voting Shares as to dividends and upon liquidation, as described below. Any amounts herein shall be subject to appropriate adjustments in the event of any stock splits, consolidations or the like.

The Super Voting Holders shall have the right to receive dividends, out of any cash or other assets legally available therefor, pari passu (on an as converted basis, assuming conversion of all Super Voting Shares into Subordinate Voting Shares at the applicable Conversion Ratio and ignoring any limitations on conversion as outlined in the Company Articles) as to dividends and any declaration or payment of any dividend on the Subordinate Voting Shares.

In the event of any Liquidation Event (as defined in the Company Articles), either voluntary or involuntary, the holders of Super Voting Shares shall be entitled to receive the assets of the Company available for distribution to shareholders, distributed among the holders of Super Voting Shares on a pro rata basis based on the number of Super Voting Shares (on an as converted to Subordinate Voting Shares basis, assuming conversion of all Super Voting Shares into Subordinate Voting Shares at the applicable Conversion Ratio and ignoring any limitations on conversion as outlined in the Company Articles) issued and outstanding on the record date.

The Super Voting Holders shall have optional and mandatory conversion rights as outlined in the Company's Articles. Any Super Voting Share converted shall be retired and cancelled and may not be reissued as shares of such series or any other class or series, and the Company may thereafter take such appropriate action (without the need for stockholder action) as may be necessary to reduce the authorized number of Super Voting Shares accordingly. In addition, before any Super Voting Holder shall be entitled to convert Super Voting Shares into Subordinate Voting Shares, the Board of Directors (or a committee thereof) shall designate an officer of the Company to determine if any Conversion Limitation (as set forth in the Company Articles) shall apply.

(b) Issued and Outstanding

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

2020 Public Offering of Common Stock

On October 23, 2020, the Company issued 11,500,000 subordinate voting shares at a price of C\$3.55 per share for total gross proceeds of approximately C\$40,825 (~USD\$31,076), which included the full exercise of the over-allotment option granted to the underwriters. The Company incurred \$1,833 of costs directly related to the public offering.

Refer to Note 27 - Subsequent Events.

2019 Private Placements of Common Stock

(a) In February and March 2019, Jushi completed a non-brokered private placement consisting of 8,080,000 shares of Senior Subordinated Shares at a price of \$2.00 per share and warrants to purchase an additional 4,040,000 shares of Senior Subordinated Shares at \$3.00 per share for gross proceeds of \$16,160. The Company incurred \$159 of cash costs related to the private placement.

(b) In June 2019, the Company through Jushi Acquisition Corp. (a special purpose corporation) completed a brokered and non-brokered private placement of 24,800,098 subscription receipts at a price of \$2.75 per subscription receipt for



aggregate gross proceeds of \$68,200. As part of the RTO, each subscription receipt automatically converted into one Class B common share that was exchanged into Subordinate Voting Shares of Jushi Holdings Inc.

Restricted Stock and Stock Options

Refer to Note 18 - Share-Based Compensation, for details of restricted stock awards and stock option grants.

Other Equity

Refer to Note 23 - Non-Controlling Interests, for details of a convertible promissory note classified as equity.

Warrants

Each whole Super Voting warrant, each Multi-Voting warrant, and each Subordinate Voting warrant, entitles the holder to purchase one Super Voting Share, one Multi-Voting Share and one Subordinate Voting Share, respectively. The following table summarizes the warrants outstanding as of December 31, 2020 (on a non-converted basis):

JUSHI HOLDINGS INC.**Notes to the Consolidated Financial Statements****December 31, 2020 and 2019***(Amounts Expressed in Thousands of United States Dollars, Unless Otherwise Stated)*

Security Issuable	Exercise Price	Number of Warrants	Expiration Date
Super Voting Shares	\$ 0.50	13,750 (1)(7)	June 6, 2029
Super Voting Shares	\$ 1.00	149,000 (2)(7)	June 6, 2029
Total Super Voting Shares		162,750	
Multiple Voting Shares	\$ 0.50	2,750,000 (1)(7)	June 6, 2029
Multiple Voting Shares	\$ 1.00	4,000,000 (2)(7)	June 6, 2029
Total Multiple Voting Shares		6,750,000	
Subordinate Voting	\$ 2.00	100,000 (4)	March 24, 2021
Subordinate Voting	\$ 2.00	707,407 (2)(7)(8)	June 6, 2021
Subordinate Voting	\$ 2.00	1,035,077 (5)(7)	June 6, 2021
Subordinate Voting	\$ 2.75	442,191 (1)	June 6, 2021
Subordinate Voting	\$ 3.00	3,052,500 (2)(7)(8)	June 6, 2021
Subordinate Voting	\$ 1.50	325,000 (6)	September 27, 2023
Subordinate Voting	\$ 1.50	750,000 (1)	March 18, 2024
Subordinate Voting	\$ 1.35	933,335 (1)(7)(8)	June 6, 2029
Subordinate Voting	\$ 1.50	155,958 (1)	January 1, 2029
Subordinate Voting	\$ 2.00	1,500,000 (1)	April 17, 2029
Subordinate Voting	\$ 1.00	1,100,000 (2)(7)	June 6, 2029
Subordinate Voting	\$ 3.00	1,047,500 (3)(8)	September 23, 2021
Subordinate Voting	\$ 1.47	100,000 (1)	February 6, 2023
Subordinate Voting	\$ 1.35	350,000 (1)	February 22, 2022
Subordinate Voting	\$ 1.58	43,548 (1)	January 15, 2022
Subordinate Voting	\$ 1.58	139,355 (1)	December 23, 2021
Subordinate Voting	\$ 1.57	75,000 (1)	January 30, 2022
Subordinate Voting	\$ 1.25	109,560 (1)	June 22, 2022
Subordinate Voting	\$ 1.25	42,017,892 (9)	December 23, 2024
Subordinate Voting	\$ 1.31	200,000 (1)	February 2, 2022
Subordinate Voting	\$ 1.25	12,738 (1)	July 30, 2022
Subordinate Voting	\$ 2.47	1,300,000 (1)	October 2, 2025
Subordinate Voting	\$ 2.91	260,075 (1)	November 25, 2025
Total Subordinate Voting Shares		55,757,136	
Total warrants		62,669,886	

- (1) Issued for services rendered, including broker warrants issued in connection with the 10% Senior Notes. The fair value of these warrants was determined using the Black-Scholes option-pricing model, which is determined to provide a reliable estimate of the fair value of goods or services received.
- (2) Issued with the sale of stock.
- (3) Issued in 2019 in connection with an acquisition.
- (4) Issued in 2019 in connection with the agreement which provided an option to acquire certain cannabis licenses which were in the application phase.
- (5) Issued 1,000,000 warrants in 2018 in connection with the sale of notes receivable.
- (6) Issued in 2018 in connection with a contemplated financing.
- (7) Subject to exercise trigger/liquidity event noted below.
- (8) Subject to accelerated expiration or forced exercise noted below.
- (9) Issued in connection with the 10% Senior Notes. These warrants represent a derivative liability and are therefore not classified as equity in the statement of financial position. Refer to Note 15 - Senior Notes and Derivative Liabilities for further details.



As of December 31, 2020, warrants issued and outstanding have a weighted-average remaining contractual life of 5.3 years (on an as-converted basis). Certain warrants may be net share settled.

Several of the warrants contain(ed) terms under which the Company can force exercise and many of the warrants contain terms under which the Company can accelerate the expiration date following a liquidity event if the volume weighted average price for any 20 or 30 consecutive trading days, as applicable, equals or exceeds a certain per share price. Refer to 2020 *Acceleration of Warrants* below and to Note 27 - Subsequent Events.

In addition, the majority of the warrants issued prior to the RTO in 2019 have expiration dates that are subject to certain terms described in the warrant agreements. Specifically, many of the warrants have an expiration date that did not start until there was an exercise trigger/liquidity event. For this purpose, an exercise trigger/liquidity event is an amalgamation, share exchange, merger, plan or arrangement, or other form of business combination pursuant to which the Company's Common Stock (or the common shares of the resulting issuer) becomes listed on the Canadian Securities Exchange or any other securities exchange. The RTO transaction completed on June 6, 2019, qualified as an exercise trigger/liquidity event.

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

	Non-Derivative Warrants	Derivative Warrants ⁽³⁾	Total Number of Warrants	Weighted - Average Exercise Price
Balance as of December 31, 2018 ⁽¹⁾⁽²⁾	35,172,385	—	35,172,385	1.63
Granted ⁽⁴⁾	9,559,669	7,392,157	16,951,826	2.11
Cancelled	(100,000)	—	(100,000)	2.00
Expired	(215,760)	—	(215,760)	2.73
Exercised ⁽⁵⁾	(841,832)	—	(841,832)	1.19
Balance as of December 31, 2019 ⁽¹⁾⁽²⁾	43,574,462	7,392,157	50,966,619	\$ 1.75
Granted ⁽⁷⁾⁽⁹⁾	2,821,692	39,540,902	42,362,594	1.26
Exercised ⁽⁸⁾	(22,182,244)	(2,302,258)	(24,484,502)	1.90
Cancelled ⁽⁶⁾	(2,811,916)	—	(2,811,916)	1.94
Expired	(750,000)	—	(750,000)	1.50
Voided ⁽⁴⁾⁽⁷⁾	—	(2,612,909)	(2,612,909)	1.58
Balance as of December 31, 2020 ⁽¹⁾	20,651,994	42,017,892	62,669,886	\$ 1.40
Exercisable as of December 31, 2020	17,581,826	42,017,982	59,599,808	\$ 1.37

⁽¹⁾ Number of outstanding warrants on an as-converted basis was 78,782,136 and 67,078,869, 51,284,635 and as of December 31, 2020, 2019 and 2018, respectively. The 162,750 outstanding warrants for Super Voting Shares equal 16,275,000 warrants on an as-converted basis. Refer to table above for details of warrants outstanding.

⁽²⁾ The balance as of December 31, 2019 and 2018 excluded 200,000 Jushi Inc warrants held in escrow that were transferred into 200,000 Jushi Holdings Inc. Subordinate Voting Warrants during the first quarter of 2020 at the time of the TGS Transaction.

⁽³⁾ Includes derivative warrants which were issued to the 10% Senior Notes holders and which have an exercise price of \$1.25. (~US\$1.58 as of December 31, 2019) These warrants represent a derivative liability and are therefore not classified as equity in the statement of financial position. Refer to Note 15 - Senior Notes and Derivative Liabilities.

⁽⁴⁾ Includes 237,537 derivative warrants that were issued in connection with Warrant Notes during the year ended December 31, 2019 and subsequently voided during the first quarter of 2020 when the Warrant Note was exchanged for an OID Note.



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- (5) The weighted average share price for 750,000 warrants exercised in October 2019 was \$1.73 per share at the date of exercise. The weighted average share price for 91,832 shares exercised during June 2019 was \$2.39 per share for the 15 trading days that the Company's shares were trading on the NEO in June 2019.
- (6) Includes the cancellation of 2,500,000 warrants returned in the TGS Transaction. Refer to Note 9 - Business Combinations and Asset Acquisitions.
- (7) Includes 2,375,372 derivative warrants that were issued in 2020 in connection with the issuance of Warrant Notes and subsequently voided when the Warrant Notes were exchanged for OID Notes. Refer to Note 15 - Senior Notes and Derivative Liabilities.
- (8) The weighted average share price as of the dates of exercise was \$4.16. Warrants exercised includes warrants exercised as a result of the Company acceleration of the expiration of certain warrants - Refer to *2020 Acceleration of Warrants* below. Warrants exercised includes warrants that were cashless net exercises.
- (9) Includes 950,148 derivative warrants issued in connection with the Warrant Notes issued for the TGS NCI buyout, 200,000 were issued in connection with the TGS Transaction and 633,433 were issued in connection with the Warrant Notes issued for the Agape acquisition. Refer to Note 9 - Business Combinations and Asset Acquisitions.

2020 Non-Derivative Warrant Activity

2020 Acceleration of Warrants

During the year ended December 31, 2020, the Company exercised its rights to accelerate the expiration of certain outstanding warrants issued to participants in the Company's private placement offerings that closed in March 2019, October 2018, June 2018 and April 2018, respectively. Each warrant entitled the holder to purchase one Subordinate Voting Share in the capital of the Company at exercise prices ranging from \$2.00 to \$3.00 per share, subject to adjustment in certain events. As of December 31, 2020, the Company had issued 18,877,228 Subordinate Voting Shares and received cash proceeds of \$38,992 in connection with the accelerations of the applicable warrants. Pursuant to the exercise of the Company's acceleration rights, holders of these warrants had thirty days to exercise their warrants from the date the Company exercised its right to accelerate the warrants. The acceleration of the expiration of the warrants that were issued to participants in the March 2019 private placement was completed in January 2021 and the other accelerations had been completed as of December 31, 2020. Refer to Note 27 - Subsequent Events.

2020 Grants

2020 Warrants Issued for Professional Services and Consulting

During the year ended December 31, 2020, the Company issued 301,539 warrants for broker services rendered in connection with the issuance of 10% Senior Notes, with a weighted average per share exercise price of \$1.34, and a weighted average grant date fair value of \$0.54.

During the year ended December 31, 2020, the Company issued 2,285,075 warrants for other consulting or other services with a weighted average per share exercise price of \$2.17 and a weighted average per share grant date fair value of \$1.07. Certain of the warrants are subject to vesting and the expense relating to these awards is included in share-based compensation expense in the consolidated statements of operations and comprehensive loss.

**2019 Non-Derivative Warrant Activity*****2019 Warrants Issued with Stock and for Acquisitions***

The Company issued 4,040,000 warrants, with an exercise price of \$3.00 per share, in connection with the non-brokered private placement in February and March 2019. Refer to Private Placement of Common Stock above.

The Company issued warrants in connection with the RTO to purchase 307,592 Subordinate Voting Shares with an exercise price of CAD\$2.73 per share, and a grant date fair value of \$0.73. In June 2019, 91,832 of these warrants were exercised for cash proceeds of \$329 and the rest expired unexercised in July 2019.

In September 2019, the Company acquired 61.765% of the membership interests in Dalitso and issued aggregate warrants to purchase 1,047,500 Subordinate Voting Shares with an exercise price of \$3.00 per share. The warrants are not subject to vesting restrictions and were included in the purchase price. Refer to Note 9 - Business Combinations and Asset Acquisitions for further details.

2019 Warrants Issued for Professional Services and Consulting

During the year ended December 31, 2019, the Company granted 2,917,875 warrants in connection with services rendered and consulting arrangements, with exercise prices ranging from \$1.50 to \$2.00, and grant date fair values ranging from \$0.40 to \$0.55 per warrant. Certain of the warrants are subject to vesting in accordance with consulting agreements. Refer to Note 25 - Related Party Transactions for details of related party warrants issued.

In addition, the Company issued 978,405 warrants, with an exercise price of \$2.75 per share, and a grant date fair value of \$1,030 in connection with the brokered and non-brokered private placement of 24,800,098 subscription receipts in June 2019. Refer to Private Placement of Common Stock above.

During the year ended December 31, 2019, the Company issued 303,374 warrants for broker services rendered in connection with the issuance of 10% Senior Notes, with an exercise price of \$1.58 and a grant date fair value of \$0.55. The warrants are fully vested and \$56 of expense relating to these awards is included in interest expense in the consolidated statements of operations and comprehensive loss.

Grant Date Fair Values

The fair value of the warrants issued for services or consulting, including for broker services was determined using the Black-Scholes option-pricing model. The following assumptions were used for the calculations at the time of issuance or grant:

	For the Year Ended December 31,	
	2020	2019
Stock price	\$0.71 - \$3.18	\$0.86 - \$2.75
Risk-free annual interest rate	0.11% - 1.55%	2.31% - 2.62%
Expected annual dividend yield	nil	nil
Expected stock price volatility	78% - 85%	75% - 85%
Expected life of warrants	1 - 4 years	2 - 6 years
Forfeiture rate	0%	0%



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

Refer to Note 9 - Business Combinations and Asset Acquisitions, for details on the fair value and assumptions used in the calculation of the warrants issued in connection with business combinations and asset acquisitions.

18. SHARE-BASED COMPENSATION

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

	For the Year Ended December 31,	
	2020	2019
Stock options	\$ 1,741	\$ 2,110
Restricted stock grants	4,798	1,836
Warrants	753	922
Total share-based compensation expense	\$ 7,292	\$ 4,868

Equity Incentive Plan

On May 7, 2019, the Company adopted the 2019 Equity Incentive Plan, which was amended on June 3, 2020, and further amended on September 22, 2020 (the “2019 Plan”). Under the 2019 Plan, non-transferable options to purchase Subordinate Voting Shares and restricted Subordinate Voting Shares of the Company may be issued to directors, officers, employees, or consultants of the Company. The plan authorizes the issuance of up to 15% of the number of outstanding shares of common stock (of all classes) of the Company (the “Share Reserve”). Incentive stock options are limited to the Share Reserve as of June 6, 2019. As of December 31, 2020, the maximum number of incentive stock option awards available and incentive plan awards available for issuance under the 2019 Plan was 6.6 million and 7.1 million, respectively, and an additional 1.9 million was available for certain new hires.

(a) Stock Options

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

JUSHI HOLDINGS INC.**Notes to the Consolidated Financial Statements****December 31, 2020 and 2019***(Amounts Expressed in Thousands of United States Dollars, Unless Otherwise Stated)*

The continuity of stock options outstanding is as follows:

	Number of Stock Options	Weighted-Average Per Share Exercise Price
Issued and Outstanding as of December 31, 2018	6,574,998	\$ 1.10
Granted	10,036,333 ⁽¹⁾	\$ 2.02
Exercised	(2,796,152) ⁽²⁾	\$ 1.00
Forfeited	(2,053,846) ⁽³⁾	\$ 1.69
Converted	(2,700,000) ⁽⁴⁾	\$ 1.53
Issued and Outstanding as of December 31, 2019	9,061,333	\$ 1.89
Exercisable as of December 31, 2019	370,000	\$ 1.28
Issued and Outstanding as of December 31, 2019	9,061,333	\$ 1.89
Granted	1,162,500 ⁽⁵⁾	\$ 2.71
Exercised	(26,666) ⁽⁶⁾	\$ 1.54
Forfeited	(565,000) ⁽³⁾	\$ 1.78
Converted	(58,333)	\$ 1.05
Issued and Outstanding as of December 31, 2020	9,573,834	\$ 2.00
Exercisable as of December 31, 2020	3,150,986	\$ 1.85

- 1) The weighted-average per share grant date fair value was \$0.39 for the year ended December 31, 2019.
- 2) The weighted-average share price at the date of exercise was \$2.40. These stock options were net exercised.
- 3) For awards which were not fully vested at the time of forfeiture, the previously recorded expense was reversed.
- 4) Converted to restricted stock. Refer to "Restricted Stock Grants" below for details.
- 5) The weighted-average per share grant date fair value was \$1.83 for the year ended December 31, 2020.
- 6) The weighted-average share price at the date of exercise was \$4.52.

The following table summarizes the issued and outstanding stock options as of December 31, 2020:

JUSHI HOLDINGS INC.**Notes to the Consolidated Financial Statements****December 31, 2020 and 2019***(Amounts Expressed in Thousands of United States Dollars, Unless Otherwise Stated)*

Expiration Date	Stock Options Outstanding	Exercise Price	Stock Options Exercisable
February 17, 2021 - March 4, 2021	40	\$1.80 - \$2.00	40,000
May 25, 2028	150	\$1.00	100,000
October 12, 2028 - December 1, 2028	770	\$1.35	513,331
April 17, 2029	6,413 ⁽¹⁾	\$2.00	2,137,660
May 1, 2029 - June 7, 2029	360	\$2.75 - \$3.00	123,333
September 3, 2029	200	\$1.80	66,665
December 2, 2029	543	\$1.26	169,997
February 14, 2030	150	\$1.36	—
May 15, 2030 - June 19, 2030	33	\$0.91 - \$1.28	—
August 8, 2030	240	\$1.88	—
October 13, 2030	280	\$2.87	—
December 1, 2030	395	\$3.98	—
	<u>9,574</u>		<u>3,150,986</u>

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

As of December 31, 2020, stock options outstanding have a weighted-average remaining contractual life of 8.4 years.

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

	For the Year Ended December 31,	
	2020	2019
Stock price	\$0.91 - \$3.98	\$0.86 - \$1.69
Risk-free annual interest rate	0.26% - 1.47%	1.35% - 2.58%
Expected annual dividend yield	0%	0%
Volatility	80% - 85%	70% - 85%
Expected life of stock options	5 - 6.5 years	2 - 6 years
Forfeiture rate	0%	0%

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

(b) Restricted Stock Grants

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

JUSHI HOLDINGS INC.**Notes to the Consolidated Financial Statements****December 31, 2020 and 2019***(Amounts Expressed in Thousands of United States Dollars, Unless Otherwise Stated)*

	Number of Restricted Subordinate Voting Shares
Unvested restricted stock as of December 31, 2018	650,001
Granted	4,150,014
Cancelled	(366,667)
Vested	(894,063)
Unvested restricted stock as of December 31, 2019	3,539,285
Granted	4,764,766
Cancelled ⁽¹⁾	(166,667)
Vested	(1,699,198)
Unvested restricted stock as of December 31, 2020	6,438,186

(1) In addition to the cancellation of unvested restricted stock above, during the year ended December 31, 2020, the Company cancelled 300,000 SVS of which 50,000 related to a previous restricted stock grant that had vested but was cancelled, and 250,000 related to Jushi Inc shares that were previously held in escrow and that were transferable into 250,000 Jushi Holdings Inc. Subordinate Voting Shares subject to certain conditions being met, which conditions were not met during the year ended December 31, 2020 and were thus cancelled.

Generally restricted stock awards will vest either one-third on each anniversary of service from the vesting start date or will be fully vested on the completion of one year of full service from the vesting start date, depending on the award. As of December 31, 2020, unvested restricted stock awards have a weighted-average remaining vesting period of 1.7 years.

The grant date fair value of restricted stock grants is based on the closing price of the subordinate voting shares of the Company on the grant date. The restricted stock granted prior to the RTO during the year ended December 31, 2019, were valued using the Company stock valuations at the grant date.

Details of the Company's restricted stock awards during the years presented are as follows:

Description of grant/grantee	Number Granted	Weighted Average Grant Date Fair Value	Vesting Period
Grants during the year ended December 31, 2020			
Senior key management ⁽¹⁾	3,213,651	\$ 2.30	1 - 3 years
Independent directors	258,713	2.13	1 year
MEND ⁽²⁾	242,248	1.29	3 years
Employees	1,050,154	2.04	1 - 3 years
Total restricted stock award grants	4,764,766	\$ 0.63	
Grants during the year ended December 31, 2019			
Senior key management and employees ⁽³⁾	3,486,667	\$ 1.59	3 years
Independent directors	207,098	1.69	1 year
MEND ⁽¹⁾	156,249	2.00	3 years
The Clinic ⁽⁴⁾	300,000	0.94	1/2 at 6 months; 1/2 at 12 months
Total restricted stock award grants	4,150,014	\$ 1.57	



-
- (1) Refer to Note 25 - Related Party Transactions for details of promissory notes related to these awards.
- (2) Issued in accordance with the terms of the Advisory and Consulting Agreement and the Data Purchase Agreement related to the MEND acquisition completed in November 2018. Refer to Note 25 - Related Party Transactions.
- (3) Of the total restricted shares granted to employees and senior key management during the year ended December 31, 2019, 2,700,000 awards, which had an original weighted average exercise price of \$1.53 and an incremental weighted average grant date fair value of \$0.45 per share, were issued as a result of an offering to exercise non-qualified stock options previously issued to employees into restricted shares. The exercise price pertaining to the previously granted options was funded by the Company through a promissory note receivable executed with the individuals. As the Company does not have full recourse to the employees in respect of the promissory notes and the interest rate is below market, it was determined that the substance of these promissory notes and the related restricted stock awards were akin to an option. Accordingly, the terms were assessed for modification accounting and determined to be replacement equity instruments and the incremental fair value, as noted above, was recognized in expense. The awards vest over three years from the original grant date. Includes 750,000 awards issued to senior key management with a fair value of \$0.77 per share.
- (4) Issued in connection with the Clinic acquisition during the year ended December 31, 2019, the Company entered into consulting agreements with pre-existing employees of the Clinic.

19. SEGMENTS

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

The Company, as of December 31, 2020, through various subsidiaries, has several operating cannabis retail segments and several wholesale/cultivation cannabis segments, which have been aggregated for reporting purposes into one reportable retail segment, and one reportable wholesale segment, respectively. The Company defines its segments as those operations whose results the Chief Operating Decision Maker ("CODM") regularly reviews to analyze performance and allocate resources. Therefore, segment information is prepared on the same basis that management reviews financial information for operational decision-making purposes. The CODM reviews assets on a consolidated basis.

The accounting policies of the reportable segments are the same as those described in Note 1 - Nature of Operations. Any intercompany revenue and any costs between entities within a reportable segment are eliminated to arrive at consolidated segment totals.

Revenue for the Company's reportable segments is presented and reconciled to consolidated financial information in the following table. The table below may contain slight summation differences due to rounding.

JUSHI HOLDINGS INC.**Notes to the Consolidated Financial Statements****December 31, 2020 and 2019****(Amounts Expressed in Thousands of United States Dollars, Unless Otherwise Stated)**

	For the Year Ended December 31, 2020			For the Year Ended December 31, 2019		
	Revenue by Segment	Intercompany Revenue	Revenue to External Customers	Revenue by Segment	Intercompany Revenue	Revenue to External Customers
Retail	\$ 75,499	\$ —	\$ 75,499	\$ 8,180	\$ —	\$ 8,180
Wholesale	6,639	(1,901)	4,738	767	—	767
Other ⁽¹⁾	535	—	535	1,283	—	1,283
Eliminations	(1,901)	1,901	—	—	—	—
Consolidated revenue	\$ 80,772	\$ —	\$ 80,772	\$ 10,229	\$ —	\$ 10,229

(1) During the year ended December 31, 2019, the Company recognized revenue from external customers from royalty and franchise fee revenues of \$817 and consulting income of \$88.

All retail and wholesale revenues for the years ended December 31, 2020, and 2019 were generated within the United States, and all long-lived assets are located in the United States.

20. EARNINGS (LOSS) PER SHARE

Basic and diluted earnings (loss) per share

No dilutive potential shares of common stock were included in the computation of diluted net loss per share for either the year ended December 31, 2020 or 2019 because their effect would be anti-dilutive. The outstanding type of securities that could potentially dilute basic loss per common share are stock options, warrants (including derivative warrants) and convertible promissory notes. For the year ended December 31, 2020 and 2019, 89,285,970 and 76,587,806 respectively, of securities (on an as-converted basis), based on the amounts outstanding at year end, were excluded from consideration in the computation of diluted loss per share attributable to shareholders because their effect would have been anti-dilutive.



21. NATURE OF EXPENSES

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

	Note	For the Year Ended December 31,	
		2020	2019
Cost of sales:			
Inventory expensed to cost of sales excluding S&W and depreciation		\$ 40,688	\$ 5,286
Salaries, wages and employee related expenses ("S&W")		1,812	112
Depreciation expense	8	341	64
Total inventory expensed to cost of sales		\$ 42,841	\$ 5,462
Other production costs		587	136
Inventory provision, net		118	67
Total cost of sales		\$ 43,546	\$ 5,665
General, administrative and selling expenses:			
Salaries, wages and employee related expenses		\$ 21,781	\$ 14,674
Depreciation and amortization expense	8, 10	5,071	2,163
Other general and administrative expenses		17,346	13,790
Total general, administrative and selling expenses		\$ 44,198	\$ 30,627

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

Interest expense and finance charges comprise the following:

	Note	For the Year Ended December 31,	
		2020	2019
Interest and accretion on promissory notes	13	\$ 1,840	\$ 1,320
Interest on leases liabilities	14	3,321	538
Interest and accretion on 10% Senior Notes	15	13,782	344
Interest and accretion - other debt	16	190	—
Other amortization ⁽¹⁾	9	—	1,051
Total interest expense and finance charges		\$ 19,133	\$ 3,253

(1) For the year ended December 31, 2019 comprises amortization of the Redemption Liability.

JUSHI HOLDINGS INC.**Notes to the Consolidated Financial Statements****December 31, 2020 and 2019***(Amounts Expressed in Thousands of United States Dollars, Unless Otherwise Stated)***22. INCOME TAXES**

The Company is subject U.S. federal taxation and is also subject to income taxes in various state jurisdictions, all with varying tax rates. Income tax expense for the years presented consisted of the following:

	For the Year Ended December 31,	
	2020	2019
Current:		
Current tax on profits for the year	\$ 14,557	\$ 2,201
Adjustments for current tax of prior periods	(118)	216
Total current tax expense	\$ 14,439	\$ 2,417
Deferred:		
Decrease (increase) in deferred tax assets	\$ (4,698)	\$ (1,359)
(Decrease) increase in deferred tax liabilities	660	3,451
Total deferred tax expense	\$ (4,038)	\$ 2,092
Total income tax expense	\$ 10,401	\$ 4,509

The reconciliation between the effective tax rate on income from operations and the statutory rate for the years presented is as follows:

	For the Year Ended December 31,	
	2020	2019
Income (loss) before income taxes	\$ (201,465)	\$ (26,262)
Statutory tax rate	21.00%	21.00%
Expense (recovery) based on statutory rates	\$ (42,308)	\$ (5,515)
Difference in tax rates	\$ 163	\$ (557)
I.R.C. Section 280E disallowed expenses	14,021	8,641
Fair value losses on derivatives	36,479	—
Non-deductible expenses	78	2,960
Royalty income	437	—
Non-taxable income	(1,359)	—
Discount on note	605	—
Pass-throughs and non-controlling interests	4	44
Adjustments recorded for prior periods	785	216
Other differences	53	363
Current year tax losses not recognized	(910)	—
Current year temporary differences not recognized	—	—
State taxes, net	2,352	(1,643)
Total income tax expense	\$ 10,400	\$ 4,509

During the year ended December 31, 2020, there were no material changes to the statutory tax rates in the taxing jurisdictions where the majority of the Company's income for tax purposes was earned, or where its temporary differences or losses are expected to be realized or settled.

JUSHI HOLDINGS INC.**Notes to the Consolidated Financial Statements****December 31, 2020 and 2019***(Amounts Expressed in Thousands of United States Dollars, Unless Otherwise Stated)*

The components and continuity of deferred tax assets and liabilities for the years presented were as follows:

	Balance as of January 1, 2019	Recognized in Profit or Loss	Recognized in Equity	Recognized in Bargain Purchase Gain	Recognized in Goodwill	Balance as of December 31, 2019
Deferred tax assets:						
Lease liability	\$ —	\$ 151	\$ —	\$ —	\$ —	\$ 151
Tax losses	—	340	—	—	—	340
Start-up costs	—	852	—	—	—	852
Other items	—	16	—	—	—	16
Total deferred tax assets	\$ —	\$ 1,359	\$ —	\$ —	\$ —	\$ 1,359

	Balance as of January 1, 2020	Recognized in Profit or Loss	Recognized in Equity	Recognized in Bargain Purchase Gain	Recognized in Goodwill	Balance as of December 31, 2020
Deferred tax assets:						
Lease liability	\$ 151	\$ 2,881	\$ —	\$ 5,270	\$ —	\$ 8,302
Tax losses	340	601	—	—	—	941
Start-up costs	852	971	—	—	—	1,823
Other items	16	246	—	—	—	262
Total deferred tax assets	\$ 1,359	\$ 4,699	\$ —	\$ 5,270	\$ —	\$ 11,328

	Balance as of January 1, 2019	Recognized in Profit or Loss	Recognized in Equity	Recognized in Bargain Purchase Gain	Recognized in Goodwill	Balance as of December 31, 2019
Deferred tax liabilities:						
Property, plant and equipment	\$ —	\$ (735)	\$ —	\$ —	\$ (1,939)	\$ (2,674)
Right-of-use assets	—	1,173	—	—	(1,317)	(144)
Biological assets	—	(55)	—	—	—	(55)
Intangible assets	—	(744)	—	—	(14,987)	(15,731)
Investments in 50% or less owned companies	—	(3,089)	—	—	—	(3,089)
Total deferred tax liabilities	\$ —	\$ (3,450)	\$ —	\$ —	\$ (18,243)	\$ (21,693)

	Balance as of January 1, 2020	Recognized in Profit or Loss	Recognized in Equity	Recognized in Bargain Purchase Gain	Recognized in Goodwill	Balance as of December 31, 2020
Deferred tax liabilities:						
Property, plant and equipment	\$ (2,674)	\$ 1,115	\$ —	\$ (143)	\$ (330)	\$ (2,032)
Right-of-use assets	(144)	(3,597)	—	(5,031)	(167)	(8,939)
Biological assets	(55)	(1,772)	—	—	—	(1,827)
Intangible assets	(15,731)	1,826	—	(4,434)	(1,295)	(19,634)
Investments in 50% or less owned companies	(3,089)	2,341	—	—	—	(748)
Other liabilities	\$ —	\$ (574)	\$ (1,372)	\$ —	\$ —	\$ (1,946)
Total deferred tax liabilities	\$ (21,693)	\$ (661)	\$ (1,372)	\$ (9,608)	\$ (1,792)	\$ (35,126)

	Balance as of January 1, 2019	Recognized in Profit or Loss	Recognized in Equity	Recognized in Bargain Purchase Gain	Recognized in Goodwill	Balance as of December 31, 2019
Total net deferred tax liabilities	\$ —	\$ (2,091)	\$ —	\$ —	\$ (18,243)	\$ (20,334)

JUSHI HOLDINGS INC.**Notes to the Consolidated Financial Statements****December 31, 2020 and 2019***(Amounts Expressed in Thousands of United States Dollars, Unless Otherwise Stated)*

	Balance as of January 1, 2020	Recognized in Profit or Loss	Recognized in Equity	Recognized in Bargain Purchase Gain	Recognized in Goodwill	Balance as of December 31, 2020
Total net deferred tax liabilities	\$ (20,334)	\$ 4,038	\$ (1,372)	\$ (4,338)	\$ (1,792)	\$ (23,798)

Deferred tax assets and liabilities have been offset where they relate to income taxes levied by the same taxation authority and the Company has the legal right and intent to offset.

During the year ended December 31, 2020, the Company's deferred tax liabilities were impacted by (1) the PAMS acquisition; (2) the PADS acquisition; (3) the receipt of the Cresco Notes, shares and warrants, and certain sales thereof; and (4) the TGS Transaction, including receipt of the Organigram shares.

Unrecognized Deferred Tax Assets

Deferred taxes are provided as a result of temporary differences that arise due to the differences between the income tax values and the carrying amount of assets and liabilities. Deferred tax assets have not been recognized in respect of the following deductible temporary differences:

	December 31, 2020	December 31, 2019
State net operating losses - US	\$ 2,576	\$ 4,079
Federal net operating losses - US	\$ 745	\$ —
Non-capital losses carried forward - Canada	\$ 9,360	\$ 2,170
Capital losses carried forward - Canada	\$ 325	\$ —
Share issuance costs - Canada	\$ 5,927	\$ 4,784
Other temporary differences - Canada	\$ 14	\$ —

The Company's U.S. net operating losses expire as follows:

Carryforward indefinitely	3,321
Expire in 2040	265
Total	\$ 3,586

Federal and state laws can impose substantial limitations on the utilization of net operating loss and tax credit carry-forwards in the event of an "ownership change", as defined in Section 382 of the Internal Revenue Code. As of December 31, 2020, management has not determined the effect, if any, of this limitation in future years.

Uncertain Tax Positions

Internal Revenue Code ("IRC") Section 280E denies, at the US federal level, deductions and credits attributable to a trade or business trafficking in controlled substances. Case law shows that "cost of goods sold" has been permitted as a deduction in determining taxable income. Certain subsidiaries of the Company with medical and recreational cannabis operations are subject to IRC Section 280E, for those subsidiaries, the Company's US tax is based on gross receipts less cost of goods sold. As of December 31, 2020, all tax filings remain open for assessment.



The Company's tax returns for the year ended December 31, 2019 benefited from not applying IRC Section 280E to certain entities of the consolidated group either due to the entity not yet starting operations or because the entity had a separate trade or business that was not medical or recreational cannabis operations. During the year ended December 31, 2020 the Company determined that it is not probable that certain tax positions taken in the 2019 income tax returns would be sustained under IFRIC 23 *Uncertainty over Income Tax Treatments*. As a result, income tax liabilities of \$1,900 recorded during the year ended December 31, 2019, which applied IRC Section 280E, will remain on the balance sheet as uncertain tax liabilities until the tax return statute closes.

COVID-19 and The CARES Act

On March 27, 2020 the Coronavirus Aid, Relief, and Economic Security Act ("CARES Act") was enacted in response to the COVID-19 pandemic. The CARES Act, among other things, includes tax provision changes that benefit business entities. The CARES Act did not have a material effect on the Company's consolidated financial statements. The Company will continue to monitor future developments and interpretations for further impacts.



23. NON-CONTROLLING INTERESTS

The following tables present the summarized financial information as of and for the year ended December 31, 2020 and 2019 for the Company's subsidiaries that have non-controlling interests. This information represents amounts before intercompany eliminations.

December 31, 2020:

	Jushi Europe	Agape	Other Non-Material Interests	Total
Cash and cash equivalents	\$ 74	\$ 947	\$ —	\$ 1,021
Prepaid expenses	5,626	26	112	5,764
Inventory	—	329	—	329
Property, plant and equipment	311	863	—	1,174
Other intangible assets, net	—	7,881	—	7,881
Other long-term assets	324	35	—	359
Total assets	\$ 6,335	\$ 10,081	\$ 112	\$ 16,528
Accounts payable and accrued liabilities	\$ 5,989	\$ 752	\$ 332	\$ 7,073
Loan payable	614	762	—	1,376
Lease obligations	—	759	—	759
Non-controlling interests	364	1,562	1	1,927
Equity attributable to Jushi	(632)	6,246	(221)	5,393
Total liabilities and equity	\$ 6,335	\$ 10,081	\$ 112	\$ 16,528
Net (loss) income	(1,399)	7	(57)	(1,449)
Net loss (income) attributable to non-controlling interests	616	(2)	11	625
Net (loss) income and comprehensive (loss) income attributable to Jushi shareholders	\$ (783)	\$ 5	\$ (46)	\$ (824)

JUSHI HOLDINGS INC.**Notes to the Consolidated Financial Statements****December 31, 2020 and 2019***(Amounts Expressed in Thousands of United States Dollars, Unless Otherwise Stated)*

Revenues, included in the consolidated statements of operations and comprehensive loss for these entities, totaled \$2,673 for the year ended December 31, 2020.

December 31, 2019:

	Dalitso	Other Non-Material Interests	Total
Cash and cash equivalents	\$ 651	\$ —	\$ 651
Prepaid expenses	64	151	215
Property, plant and equipment	1,684	4	1,688
Other intangible assets, net	25,700	—	25,700
Other long-term assets	34	—	34
Total assets	\$ 28,133	\$ 155	\$ 28,288
Accounts payable and accrued liabilities	\$ 956	\$ 30	\$ 986
Loan payable	1,975	281	2,256
Non-controlling interests	9,642	18	9,660
Equity attributable to Jushi	15,560	(174)	15,386
Total liabilities and equity	\$ 28,133	\$ 155	\$ 28,288
Net loss	\$ (386)	\$ (229)	\$ (615)
Net loss attributable to non-controlling interests	105	55	160
Net loss and comprehensive loss attributable to Jushi shareholders	\$ (281)	\$ (174)	\$ (455)

There were no revenues included in the consolidated statements of operations and comprehensive loss for these entities for the year ended December 31, 2019.

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

	Dalitso	BHIL	Jushi Europe	Agape	Other Non-Material Interests	Total
Balance as of December 31, 2018	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
Acquisitions	9,747	—	—	—	—	9,747
Transactions with non-controlling interests	—	—	—	—	73	73
Net loss	(105)	—	—	—	(55)	(160)
Balance as of December 31, 2019	\$ 9,642	\$ —	\$ —	\$ —	\$ 18	\$ 9,660
Acquisitions	—	4,661	—	1,560	—	6,221
Purchases of non-controlling interests	(8,359)	(4,661)	—	—	—	(13,020)
Cash contribution of \$2,000 less 51% allocated to Jushi	—	—	980	—	—	980
Other transactions with non-controlling interests, net	—	—	—	—	(6)	(6)
Net (loss) income	(1,283)	—	(616)	2	(11)	(1,908)
Balance as of December 31, 2020	\$ —	\$ —	\$ 364	\$ 1,562	\$ 1	\$ 1,927



Other non-material interests in the tables above includes the non-controlling interests in Jushi Ampal NJ, LLC, which is measured using the proportionate share method.

Purchases of Non-Controlling Interests

Dalitso

In November and December 2020, the Company closed on a series of transactions pursuant to which the Company acquired all the remaining 38.24% equity interests of Dalitso (the "Dalitso NCI Transactions"), for total consideration with an estimated fair value of \$14,846. The consideration comprised of 3,294,478 Subordinate Voting Shares ("SVS") (with a total fair value of \$12,053), \$381 in cash, and an unsecured promissory note of principal amount \$2,412. The SVS were valued based on the closing price of the SVS as of the dates of the transactions. The note bears interest at 1% per annum and matures on November 19, 2022. The note is convertible after the first anniversary (but on or before maturity) into 910,000 Subordinate Voting Shares at a conversion price per share of \$2.65 and matures on November 19, 2022. The fair value of the liability component was determined to be the present value of the interest payments which totaled \$37, using a discount rate of 76%, and is included in promissory notes payable. Refer to Note 13 - Promissory Notes Payable. The difference between the fair value of the liability component and the principal amount was \$2,375 as of the date of the transaction and is classified as equity in the consolidated statements of financial position, net of deferred taxes. The Dalitso NCI Transactions resulted in an increase in accumulated deficit of \$6,486 and a decrease in non-controlling interests of \$8,359.

TGSIL/BHIL

In the first quarter of 2020, previous litigation involving a non-controlling interest holder in TGSIH was settled resulting in an agreement for the Company to purchase the remaining approximately 25% interest in TGSIH held by the non-controlling interest holders. On February 21, 2020, the Company acquired the remaining approximately 25% interest in TGSIH (the "TGSIH NCI Transaction") for total consideration with an estimated fair value of \$4,661 as of the date of the acquisition. The consideration comprised of \$2,000 in cash (of which \$150 related to the legal settlement and was expensed), 633,433 Subordinate Voting Shares (fair value \$811), and \$2,000 in 10% Senior Notes (fair value \$1,325) with 950,148 warrants (fair value \$675) to acquire Subordinate Voting Shares at an exercise price of ~\$1.57 (the exercise price has since been updated to \$1.25 as a result of a subsequent down-round - Refer to Note 15 - Senior Notes and Derivative Liabilities, for additional information). The terms of the Senior Notes and warrants are those described in Note 15 - Senior Notes and Derivative Liabilities. Refer to Note 15 - Senior Notes and Derivative Liabilities, for fair value assumptions for debt and warrants issued and valued during the year ended December 31, 2020. The SVS were valued based on the closing price of the Subordinate Voting Shares as of the date of the TGSIH NCI Transaction. The Company now owns 100% percent of TGSIH.

Agape

Refer to Note 27 - Subsequent Events.



24. COMMITMENTS AND CONTINGENCIES

Contingencies

The Company's operations are subject to a variety of local and state regulations. Failure to comply with one or more of those regulations could result in fines, restrictions on its operations, or losses of permits that could result in the Company ceasing operations. While management of the Company believes that the Company is in material compliance with applicable local and state regulations as of December 31, 2020, marijuana regulations continue to evolve and are subject to differing interpretations. As a result, the Company could be subject to regulatory fines, penalties or restrictions at any time. In addition, refer to Note 22 - Income Taxes for certain tax related contingencies.

Claims and Litigation

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

From time to time, the Company may be involved in litigation relating to claims arising out of operations in the normal course of business. Other than the civil disputes and other matters described below, the settlement discussed in Note 9 - Business Combinations and Asset Acquisitions, and the settlement discussed in Note 25 - Related Party Transactions, to the Company's knowledge, there are no material legal proceedings or regulatory actions to which the Company is a party, or has been a party to, or of which any of its property is or was the subject matter of, and no such proceedings or actions are known by the Company to be contemplated. There are also no proceedings in which any of the Company's directors, officers or affiliates is an adverse party or has a material interest adverse to the Company's interest.

TGS and TGSIH

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

A minority interest holder in TGS Illinois Holdings LLC ("TGSIH") sued the majority interest holders in TGSIH and Jushi Inc (including a Jushi-affiliated entity) in state court in Illinois relating to the confidential settlement agreement it entered with the owners of TGS National to purchase its interests in TGSIH. The state trial court dismissed the claims against Jushi and its affiliated entity. The minority interest holder filed a notice of appeal. This legal matter was settled in the first quarter of 2020. Refer to Note 9 - Business Combinations and Asset Acquisitions.

Commitments

In addition to the contractual obligations outlined in Note 26 - Financial Instruments and Financial Risk Management, the Company has the following commitments as of December 31, 2020:



(i) Acquisitions

On December 7, 2020, the Company entered into a definitive agreement to acquire approximately 78% of the equity of a retail license holder located in Grover Beach, California with the rights to acquire the remaining equity in the future. The closing of such acquisition is subject to, among other things, state and local regulatory approvals. Refer to Note 27 - Subsequent Events.

(ii) Property and Construction Commitments

The Company has various lease commitments related to various office space, retail locations and warehouses. The Company has certain operating leases with optional renewal terms that the Company may exercise at its option. Refer to Note 14 - Lease Obligations, for further details and for any equipment purchase commitments.

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

In addition, the Company expects to incur capital expenditures of approximately \$90,000 - \$110,000, subject to market conditions and regulatory changes, during 2021, for purchases of properties, and for leasehold improvements and construction of buildouts of certain locations, including for properties for which the lease is conditional on obtaining the applicable related license or for which other contingencies exist.. If the Company were to be unsuccessful in obtaining a particular license or certain other conditions are not met, the previously capitalized improvements and buildouts relating to that license may need to be expensed in the statements of operations and comprehensive income (loss).

(iii) Consulting Agreements

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

(iv) Purchase Agreements

During 2020, the Company entered into non-exclusive wholesale purchase agreements, whereby the Company will purchase inventory during 2020, with total prepayments of \$5,745 made during the year ended December 31, 2020, of which \$816 remained prepaid as of December 31, 2020.



25. RELATED PARTY TRANSACTIONS

The Company had the following related party transactions during the year ended December 31, 2020 and 2019:

Nature of transaction	For the Year Ended December 31,		As of December 31,	
	2020	2019	2020	2019
	Related Party Income (Expense)		Related Party Prepaid/Receivable (Payable)	
Management services agreements ⁽¹⁾⁽³⁾	\$ (248)	\$ (579)	\$ 7	\$ 7
Consulting agreements ⁽²⁾⁽³⁾⁽⁴⁾	\$ (325)	\$ (217)	\$ (63)	\$ (13)
Directors' fees ⁽⁵⁾	\$ (200)	\$ (75)	\$ (50)	\$ (38)
10% Senior Notes - interest expense and principal amount ⁽⁶⁾	\$ (2,284)	\$ (24)	\$ (25,050)	\$ (10,000)
Senior key management ⁽⁷⁾				
Salary and wages	\$ (1,334)	\$ (2,686)	—	—
Share-based compensation expense	\$ (3,160)	\$ (1,914)	—	—
Loans - interest charged and principal plus accrued interest outstanding ⁽⁸⁾	\$ 21	\$ —	\$ 2,470	—

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

(2) Includes consulting fees paid to former owners of acquired businesses, to Denis Arsenault (a significant shareholder of the Company and a former member of the Board of Directors of Jushi Inc) and to the wife of a former director of the Board of Directors of the Company.

(3) Excludes expense from warrants, which is included in stock-based compensation expense. For the year ended December 31, 2020 and 2019, total expense for warrants issued in connection with consulting and/or management services agreements with related parties was \$251 and \$503, respectively. The Company did not issue any additional warrants in connection with these consulting and/or management services agreements during the year ended December 31, 2020. During the year ended December 31, 2019, the Company issued the following warrants in connection with these agreements: (i) 800,000 warrants at an exercise price of \$2.00, with a grant date fair value of \$0.43 each, were issued pursuant to an amendment of a services agreement to an entity controlled by the Company's CEO; (ii) 500,000 warrants at an exercise price of \$2.00, with a grant date fair value of \$0.43 each, were issued pursuant to an amended consulting agreement with Mr. Arsenault; and (iii) 200,000 warrants at an exercise price of \$2.00, with a grant date fair value of \$0.40 each, were issued pursuant to an amendment to a consulting agreement with the wife of a former director of the Board of Directors.

(4) Includes amounts paid in connection with advisory and consulting agreements between the Company and Dr. Laszlo Mechtler, a former owner of MEND. During the year ended December 31, 2020, the agreements were terminated, all parties executed a confidential settlement agreement and a new consulting agreement with Laszlo Mechtler was entered into. Refer to Note 10 - Goodwill and Other Intangible Assets for additional information.

(5) Excludes expense from restricted stock awards, which is included in stock-based compensation expense. RSA expense relating to independent directors was \$483 and \$128 for the year ended December 31, 2020 and 2019, respectively. For the year ended December 31, 2020, 258,713 restricted shares with a weighted average grant date fair value of \$2.14 per share were granted to independent directors of the board, and for the year ended December 31, 2019, 207,098 awards, with a weighted average grant date fair value of \$1.69 per share were granted. The awards fully vest/vested on the one year anniversaries of the grant dates.



(6) Includes amounts related to senior key management, a significant shareholder and other related parties. Excludes amounts related to non-senior key management employees. Principal balances and interest paid related to other related parties represent initial investment amounts and the related interest paid; however, the notes may no longer be owned by the individual/entity as of December 31, 2020, because the notes are publicly traded. Refer to Note 27 - Subsequent Events.

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

(8) In connection with tax elections related to the issuance of certain restricted stock to key management personnel during the year ended December 31, 2020, the Company paid taxes totaling \$2,450 on behalf of these employees, for which promissory notes were issued and which amounts are included in other long-term assets as of December 31, 2020 (Refer to Note 11 - Other Long-Term Assets). The promissory notes bear interest at 5% annually, which is payable on maturity. The promissory notes have a five-year maturity and are subject to acceleration for certain reasons, such as, but not limited to, employment termination or sale of the stock.

Refer to Note 16 - Other Debt for details of a credit facility from a related party.

26. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT

Financial Instruments

Financial instruments are measured at amortized cost (adjusted for impairments or expected credit losses, as applicable) or at fair value through profit and loss ("FVTPL"). Financial instruments recorded at fair value are classified using a fair value hierarchy that reflects the significance of the inputs to fair value measurements. The three levels of hierarchy are: Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities; Level 2 – Inputs other than quoted prices that are observable for the asset or liability, either directly or indirectly; and Level 3 – Inputs for the asset or liability that are not based on observable market data. There were no transfers between fair value levels during the year ended December 31, 2020.

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

JUSHI HOLDINGS INC.**Notes to the Consolidated Financial Statements****December 31, 2020 and 2019***(Amounts Expressed in Thousands of United States Dollars, Unless Otherwise Stated)*

	Note	December 31, 2020	December 31, 2019	Classification and Measurement	Level within the Fair Value Hierarchy for FVTPL Financial Instruments
Financial Assets:					
Cash and cash equivalents		\$ 85,857	\$ 38,936	Amortized Cost	n/a
Investments in securities - shares	4	\$ 6,026	\$ 11,120	FVTPL	Level 1
Investments in securities - warrants	4	\$ 1,908	\$ 1,147	FVTPL	Level 2
Short-term notes receivable	4	\$ —	\$ 5,646	Amortized Cost	n/a
Accounts receivable		\$ 859	\$ 395	Amortized Cost	n/a
Other current assets	6	\$ 4,691	\$ 2,753	Amortized Cost	n/a
Other long-term assets - contingent consideration receivable	11	\$ 865	\$ —	FVTPL	Level 3
Other long-term assets - equity investment	11	\$ 1,500	\$ —	FVTPL	Level 2
Financial Liabilities:					
Accounts payable and accrued liabilities (excluding short-term debt)	12	\$ 30,440	\$ 8,875	Amortized Cost	n/a
Promissory notes payable	13	\$ 4,419	\$ 25,623	Amortized Cost	n/a
Lease obligations	14	\$ 39,210	\$ 6,498	Amortized Cost	n/a
10% Senior Notes	15	\$ 50,566	\$ 10,736	Amortized Cost	n/a
Derivative liabilities	15	\$ 205,361	\$ 5,529	FVTPL	Level 3
Redemption Liability	9	\$ —	\$ 8,440	FVTPL	Level 3
Other debt (including short-term portion)	16, 12	\$ 3,736	\$ —	Amortized Cost	n/a

The carrying values of the short-term financial assets and liabilities held at amortized cost approximate their fair values due to the relatively short maturity of those instruments. The long-term equity investment approximates its fair value at the balance sheet. Other long-term assets held at amortized cost approximate their fair values. The carrying amounts of the promissory notes and lease obligations approximate their fair values as the effective interest rates are consistent with market rates. The fair value of the 10% Senior Notes as of December 31, 2020 approximated the principal amount.

Financial Risk Management

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

(a) Credit and Banking Risk

Credit risk is the risk of a potential loss to the Company if a customer or third party to a financial instrument fails to meet its contractual obligations. The maximum credit exposure as of December 31, 2020, is the carrying amount of cash and cash equivalents, accounts receivable, employee receivables and other current/non-current assets. The Company does not have significant credit risk with respect to its customers. The Company provides credit to its customers in the normal course of business and has established credit evaluation and monitoring processes to mitigate credit risk but has limited risk as the majority of its sales are transacted with cash. Employee receivables include promissory notes and pledge agreement that pledge the underlying restricted stock received by the employees. Long term assets, such as deposits, are made in the normal course of business. The Company does not have significant risk from its contingent consideration receivable or other investments due to the credit worthiness of the underlying



company. The Company is not aware of any credit issues related to its assets. All cash is placed with major U.S., Canadian or European financial institutions. Financial instruments that potentially subject the Company to concentration of credit risk consist principally of cash deposits. Cash accounts at each institution are insured by either the Canada Deposit Insurance Corporation (“CDIC”) up to CAD\$100, or the Federal Deposit Insurance Corporation (“FDIC”) or the National Credit Union Association (“NCUA”) up to \$250, or Essisuisse Deposit Insurance (“ESI”) up to CHF100,000, as applicable. As of December 31, 2020, the Company had \$81,279 of cash and cash equivalents in excess of these insured limits.

(b) Liquidity Risk and Capital Management

Liquidity risk is the risk that the Company will not be able to meet its financial obligations associated with financial liabilities. The Company manages liquidity risk through the management of its capital structure. The Company manages its capital structure and makes adjustments to it based on the funds available to the Company in order to support business development. The Company’s approach to managing liquidity is to ensure that it will have sufficient liquidity to settle obligations and liabilities when due. The Company raises capital, as necessary, to meet its needs and take advantage of perceived opportunities and, therefore, does not have a numeric target for its capital structure. Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable. During the year ended December 31, 2020, the Company announced, upsized and closed Tranche 2 of the Company’s recent debt offering and upsized and closed on Tranche 1. In addition, the Company closed on public offerings in October 2020, in January 2021 and February 2021. Refer to Note 15 - Senior Notes and Derivative Liabilities, Note 17 - Equity and Note 27 - Subsequent Events

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

In addition to the commitments outlined in Note 24 - Commitments and Contingencies, the Company has the following estimated future contractual payment obligations, excluding interest payments on notes and the unsecured credit line, and excluding potential escalations in lease obligations for changes in cannabis regulations, as of December 31, 2020:

	< 1 Year	1 to 3 Years	3 to 5 Years	> 5 Years	Total
Accounts payable and accrued liabilities (excluding short-term debt)	\$ 30,440	\$ —	\$ —	\$ —	\$ 30,440
10% Senior Notes - principal	—	83,327	—	—	83,327
Promissory notes - principal	1,620	48	3,750	—	5,418
Leases (including interest)	5,641	14,013	12,100	147,184	178,938
Other debt - financing obligation (including interest)	326	674	705	11,785	13,490
Other debt - unsecured credit line - principal	—	—	614	—	614
Total	\$ 38,027	\$ 98,062	\$ 17,169	\$ 158,969	\$ 312,227

Refer to Note 27 - Subsequent Events.



(c) Market Risk

Currency Risk - The operating results and financial position of the Company are reported in U.S. dollars. As of December 31, 2020, and 2019, the Company's financial assets and liabilities are denominated primarily in U.S. dollars. From time to time, the Company may enter into financial transactions in currencies other than the U.S. dollar. The Company's results of operations are subject to currency transaction and translation risks. For the year ended December 31, 2020, and 2019, the Company recorded \$47 and \$23, respectively, in foreign exchange losses.

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

Price Risk - Price risk is the risk of variability in fair value due to movements in equity or market prices. Refer to Note 5 - Inventory and Biological Assets for the Company's sensitivity assessment of certain fair value assumptions used in the calculation of biological asset values. Refer to Note 15 - Senior Notes and Derivative Liabilities for the Company's sensitivity assessment of certain fair value assumptions used in the calculation of derivative liabilities. Investments in securities are linked to market rates and therefore expose the Company to fair value price risk. A 10% change in the value of short-term investments as of December 31, 2020 would result in a \$793 effect on net (loss) income.

27. SUBSEQUENT EVENTS**Acquisitions**

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

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



In April 2021, the Company completed the acquisition of 100% of FBS NV equity which the Company has been operating under an MSA since 2019. Refer to Note 9 - Business Combinations and Asset Acquisitions. In addition, on April 15, 2020 the remaining principal balance of the FBS NV sellers' notes of approximately \$1,500 plus accrued interest was repaid in full.

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

On March 4, 2021, the Company closed on the acquisition of approximately 78% of the equity of a retail license holder located in Grover Beach, California for \$3,592 in cash, after adjustments, and 49,348 SVS at \$7.46 per share, with the rights to acquire the remaining equity in the future. The city of Grover Beach is a limited license jurisdiction where a maximum of four retail licenses are permitted. Upon completion of the buildout of the new BEYOND/HELLO™, which is expected in the third quarter of 2021, this location will be the fourth and final retail dispensary permitted in Grover Beach. Refer to Note 24 - Commitments and Contingencies.

On January 25, 2021, the Company acquired the remaining 20% of the equity interests of Agape from the non-controlling shareholders for 500,000 SVS. The Company now owns 100% of the issued and outstanding shares of Agape.

Property Purchases and Expansions

During the first quarter of 2021, the Company acquired the following real estate properties:

- three real estate properties in Scranton, PA adjacent to its grower-processor operations for \$1,859, in connection with its expansion plans announced on November 23, 2020;
- a real estate property in Hazelton, PA for \$450, in connection with new Beyond Hello Hazelton Dispensary buildout; and
- a real estate property in Beja, Portugal for \$489, in connection with its international expansion plans previously announced in November 2020.

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

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

Public Offerings and Senior Notes Redemptions

On January 7, 2021, the Company closed on an overnight marketed offering for an aggregate of 6,210,000 subordinate voting shares at a price of C\$6.50 per share for total gross proceeds of C\$40,365, and total net proceeds of C\$37,768 (\$29,762). On February 12, 2021, the Company closed on an overnight marketed offering for an aggregate 7,475,000 subordinate voting shares at a price of C\$10.00 per share for total gross proceeds of C\$74,750 and total net proceeds of



C\$70,922 (\$55,902). These offerings included the full exercise of the over-allotment option granted to the underwriters. The Company intends to use the net proceeds of the offerings for potential strategic transactions and business expansion opportunities as well as for general corporate purposes and working capital.

Pursuant to the terms of the 10% Senior Notes, in connection with the January and February equity offerings, in January 2021, the Company redeemed \$4,900 of principal amount and in March 2021 the Company redeemed \$3,234 principal amount outstanding. Of the total amount redeemed in January 2021, \$3,072 related to related parties including certain senior management and a significant shareholder. In February 2021 certain related parties sold their remaining principal amount of publicly traded 10% Senior Notes totaling \$19,219.

Warrants – Acceleration and Exercises

In connection with the acceleration of certain warrants in December 2020, the Company completed the acceleration in January 2021, which resulted in an aggregate total issuance of approximately 3.7 million additional Subordinate Voting Shares upon the exercise of that number of warrants and received cash proceeds of approximately \$11,000, of which 987,500 Subordinate Voting Shares were issued and approximately \$3,000 was received during January 2021. During the period from January 1, 2021 to May 31, 2021, the Company issued a total of 4,115,728 SVS and received \$10,434 in total related proceeds as a result of all warrants exercised during this period.

Credit Facility - Jushi Europe

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