



JUSHI HOLDINGS INC. AND SUBSIDIARIES

CONDENSED UNAUDITED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the Three and Nine Months Ended September 30, 2019,

**Three Months Ended September 30, 2018 and For the Period from January 23, 2018 (inception date) to
September 30, 2018**

(Expressed in United States Dollars)

JUSHI HOLDINGS INC. AND SUBSIDIARIES
CONDENSED UNAUDITED INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

		<u>September 30, 2019</u>	<u>December 31, 2018</u>
		(Unaudited)	
ASSETS			
CURRENT ASSETS:			
Cash and cash equivalents		\$ 26,781,331	\$ 38,113,861
Investment in trading securities	Note 4	1,263,167	1,233,228
Accounts receivable		156,338	261,748
Due from related party		68,500	263,729
Prepaid expenses and other current assets		7,530,173	353,494
Inventory	Note 6	2,548,283	-
Biological assets	Note 6	660,050	-
Short-term financial assets	Note 7	14,676,452	-
Deferred acquisition costs	Note 5	5,820,000	-
Total current assets		\$ 59,504,294	\$ 40,226,060
NON-CURRENT ASSETS:			
Long-term financial asset	Note 7	\$ -	\$ 5,454,252
Property, plant and equipment	Note 8	20,258,071	-
Other assets		1,202,128	413,250
Other intangible assets, net	Note 10	90,593,099	3,917,232
Goodwill, net	Note 10	13,812,253	170,000
Total other assets		\$ 125,865,551	\$ 9,954,734
Total assets		\$ 185,369,845	\$ 50,180,794
LIABILITIES AND EQUITY			
CURRENT LIABILITIES:			
Accounts payable		\$ 2,004,263	\$ 404,260
Accrued expenses		4,095,650	871,822
Short-term notes payable	Note 12	15,654,065	-
Short-term lease obligations	Note 11	1,153,178	-
Total current liabilities		\$ 22,907,156	\$ 1,276,082
LONG-TERM LIABILITIES:			
Other liabilities		173,908	\$ -
Long-term notes payable	Note 12	10,021,685	-
Long-term lease obligations	Note 11	5,543,639	-
Redemption liability	Note 17	7,610,220	7,388,547
Total liabilities		\$ 46,256,608	\$ 8,664,629
COMMITMENTS AND CONTINGENCIES	Note 15,17		
EQUITY:			
Share capital and share reserves	Note 13,14	\$ 160,999,955	\$ 59,572,141
Accumulated deficit		(31,626,771)	(18,055,976)
Total Jushi stockholders' equity		\$ 129,373,184	\$ 41,516,165
Non-controlling interests		\$ 9,740,053	-
Total equity		\$ 139,113,237	\$ 41,516,165
Total liabilities and equity		\$ 185,369,845	\$ 50,180,794

See accompanying notes to the condensed unaudited interim consolidated financial statements.

JUSHI HOLDINGS INC. AND SUBSIDIARIES
CONDENSED UNAUDITED INTERIM CONSOLIDATED STATEMENTS OF OPERATIONS AND
COMPREHENSIVE INCOME (LOSS)

	Three Months Ended September 30, 2019	Three Months Ended September 30, 2018	Nine Months Ended September 30, 2019	Period from January 23, 2018 (inception date) to September 30, 2018
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Revenue	\$ 3,588,233	\$ 120,792	\$ 4,195,311	\$ 250,363
Cost of goods sold	<u>2,066,153</u>	<u>-</u>	<u>2,078,586</u>	<u>-</u>
Gross profit before fair value adjustments	<u>\$ 1,522,080</u>	<u>\$ 120,792</u>	<u>\$ 2,116,725</u>	<u>\$ 250,363</u>
Fair value adjustment on sale of inventory	-	-	-	-
Fair value adjustment on biological assets	Note 6 <u>26,119</u>	<u>-</u>	<u>26,119</u>	<u>-</u>
Gross profit	<u>\$ 1,548,199</u>	<u>\$ 120,792</u>	<u>\$ 2,142,844</u>	<u>\$ 250,363</u>
Operating expenses:				
General and administrative expenses	Note 3,16 \$ 3,598,900	\$ 1,710,369	\$ 10,085,762	\$ 2,989,650
Salaries, wages and employee benefits	3,995,377	561,708	9,441,982	1,081,660
Share-based compensation expense	Note 13,14 1,821,285	238,447	3,752,076	2,083,049
Acquisition and deal costs	29,618	30,299	2,509,528	144,099
Depreciation and amortization expense	Note 8,10 <u>786,511</u>	<u>64,677</u>	<u>1,199,927</u>	<u>137,087</u>
Total operating expenses	<u>\$ 10,231,691</u>	<u>\$ 2,605,500</u>	<u>\$ 26,989,275</u>	<u>\$ 6,435,545</u>
Loss from operations before other income (expense)	<u>\$ (8,683,492)</u>	<u>\$ (2,484,708)</u>	<u>\$ (24,846,431)</u>	<u>\$ (6,185,182)</u>
Other income (expense):				
Impairment of goodwill	\$ -	\$ -	\$ -	\$ (8,990,000)
Listing expense	Note 3 -	-	(1,359,971)	-
Interest income	59,643	210,043	166,135	685,843
Gain on financial asset	Note 7 9,222,200	-	9,222,200	-
Bad debt expense	-	-	(172,408)	-
Interest expense and finance charges	(1,039,196)	(55,250)	(1,243,796)	(55,250)
Other income (expense)	<u>4,986,333</u>	<u>-</u>	<u>4,982,102</u>	<u>-</u>
Total other income (expense)	<u>\$ 13,228,980</u>	<u>\$ 154,793</u>	<u>\$ 11,594,262</u>	<u>\$ (8,359,407)</u>
Net income (loss) and comprehensive income (loss) before tax	<u>\$ 4,545,488</u>	<u>\$ (2,329,915)</u>	<u>\$ (13,252,169)</u>	<u>\$ (14,544,589)</u>
Income tax expense	<u>(389,171)</u>	<u>-</u>	<u>(389,171)</u>	<u>-</u>
Net income (loss) and comprehensive income (loss) after tax	<u>\$ 4,156,317</u>	<u>\$ (2,329,915)</u>	<u>\$ (13,641,340)</u>	<u>\$ (14,544,589)</u>
Net loss attributable to non-controlling interests	<u>(70,545)</u>	<u>-</u>	<u>(70,545)</u>	<u>-</u>
Net income (loss) and comprehensive income (loss) attributable to Jushi stockholders - basic and diluted	<u>\$ 4,226,862</u>	<u>\$ (2,329,915)</u>	<u>\$ (13,570,795)</u>	<u>\$ (14,544,589)</u>
Income (loss) and comprehensive income (loss) per share - basic	<u>\$ 0.05</u>	<u>\$ (0.05)</u>	<u>\$ (0.18)</u>	<u>\$ (0.56)</u>
Weighted average shares outstanding - basic	<u>93,238,354</u>	<u>46,243,281</u>	<u>75,598,787</u>	<u>25,991,805</u>
Income (loss) and comprehensive income (loss) per share - diluted	<u>\$ 0.04</u>	<u>\$ (0.05)</u>	<u>\$ (0.18)</u>	<u>\$ (0.56)</u>
Weighted average shares outstanding - diluted	Note 2 <u>110,039,102</u>	<u>46,243,281</u>	<u>75,598,787</u>	<u>25,991,805</u>

See accompanying notes to the condensed unaudited interim consolidated financial statements.

JUSHI HOLDINGS, INC. AND SUBSIDIARIES

CONDENSED UNAUDITED INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Number of Shares			Share Reserves				Accumulated Deficit	Total Stockholders' Equity
	Super Voting	Multiple voting	Subordinate	Share- Based	Restricted	Share Capital			
	Shares	Shares	Voting Shares	Payments	Shares				
Balances - January 23, 2018 (inception date)	-	-	-	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Issuance of shares for cash	90,947	4,000,000	1,650,000	-	-	-	7,472,329	-	7,472,329
Issuance of shares as repayment to officers for capital contribution	58,053	-	-	-	-	-	2,902,671	-	2,902,671
Issuance of shares for financial asset	-	-	250,000	-	-	-	125,000	-	125,000
Issuance of shares for cash	-	-	35,194,281	-	-	-	40,002,349	-	40,002,349
Issuance of shares for TGSNH acquisition	-	-	5,000,000	-	-	-	5,000,000	-	5,000,000
Capital raising costs	-	-	-	-	-	-	(1,218,289)	-	(1,218,289)
Share-based payments	-	-	-	107,799	1,975,250	-	-	-	2,083,049
Net loss	-	-	-	-	-	-	-	(14,544,589)	(14,544,589)
Balances - September 30, 2018 (unaudited)	149,000	4,000,000	42,094,281	\$ 107,799	\$ 1,975,250	\$ -	\$ 54,284,060	\$ (14,544,589)	\$ 41,822,520

	Number of Shares			Share Reserves				Other Share Capital	Accumulated Deficit	Total Jushi Stockholders' Equity	Non-Controlling Interests	Total Equity
	Super Voting	Multiple voting	Subordinate Voting	Share- Based	Restricted	Share Capital						
	Shares	Shares	Shares	Payments	Shares							
Balances - December 31, 2018	149,000	4,000,000	44,094,281	\$ 452,051	\$ 1,869,792	\$ 31,056	\$ 57,219,242	\$ -	\$ (18,055,976)	\$ 41,516,165	\$ -	\$ 41,516,165
Issuance of shares for cash	-	-	8,080,000	-	-	-	16,100,000	-	-	16,100,000	-	16,100,000
Subscriptions receipts	-	-	-	-	-	-	-	68,200,270	-	68,200,270	-	68,200,270
Shares issued on conversion of subscription receipts	-	-	24,800,098	-	-	-	68,200,270	(68,200,270)	-	-	-	-
Shares issuance - RTO	-	-	413,266	-	224,730	-	1,136,481	-	-	1,361,211	-	1,361,211
Capital raising costs	-	-	-	-	-	-	(4,781,597)	-	-	(4,781,597)	-	(4,781,597)
Shares issued upon exercise of stock options	-	-	1,444,371	(635,164)	-	-	877,400	-	-	242,236	-	242,236
Shares issued upon exercise of warrants	-	-	91,832	-	(67,093)	-	394,209	-	-	327,116	-	327,116
Restricted stock grants	-	-	4,800,015	-	-	1,287,588	-	-	-	1,287,588	-	1,287,588
Share-based payments	-	-	-	1,816,464	648,024	-	-	-	-	2,464,488	-	2,464,488
Issuance of shares for acquisitions	-	-	7,735,442	-	406,887	-	15,819,615	-	-	16,226,502	-	16,226,502
Transactions with non-controlling interests	-	-	-	-	-	-	-	-	-	-	9,810,598	9,810,598
Net loss	-	-	-	-	-	-	-	-	(13,570,795)	(13,570,795)	(70,545)	(13,641,340)
Balances - September 30, 2019 (unaudited)	149,000	4,000,000	91,459,305	\$ 1,633,351	\$ 3,082,340	\$ 1,318,644	\$ 154,965,620	\$ -	\$ (31,626,771)	\$ 129,373,184	\$ 9,740,053	\$ 139,113,237

See accompanying notes to the condensed unaudited interim consolidated financial statements.

JUSHI HOLDINGS INC. AND SUBSIDIARIES

CONDENSED UNAUDITED INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS

	Nine Months Ended September 30, 2019 (unaudited)	For the Period from January 23, 2018 (inception date) to September 30, 2018 (unaudited)
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net loss	\$ (13,641,340)	\$ (14,544,589)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	\$ 1,199,927	\$ 137,087
Share-based payments	3,752,076	2,083,049
Non-cash listing expense	1,361,211	-
Gain on financial assets	(9,222,200)	-
Impairment of goodwill	-	8,990,000
Finance charge on lease liabilities	299,035	-
Non-cash interest	96,589	(271,841)
Change in present value of redemption liability	221,673	41,038
Change in fair value of biological assets	(26,119)	-
Change in fair value of investments	(29,939)	-
Bad debt expense	172,408	-
Changes in operating assets and liabilities, net of acquisitions:		
Accounts receivable	\$ 105,410	\$ (332,688)
Due from related party	22,821	93,899
Prepaid expenses and other current assets	(6,919,782)	(29,505)
Inventory and biological assets	(1,758,513)	-
Other assets	(646,171)	-
Other long term liabilities	(380,227)	-
Accounts payable and accrued expenses	3,294,324	1,223,825
Net cash flows used in operating activities	<u>\$ (22,098,817)</u>	<u>\$ (2,609,725)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Payments for acquisitions, net of cash acquired	\$ (46,966,796)	\$ -
Payments for deferred acquisition costs	(4,270,000)	-
Purchases of property, plant and equipment	(6,949,173)	-
Cash acquired in acquisition of TGSNH	-	12,568
Investment in trading securities	-	(226,589)
Investment in financial asset	-	(5,004,251)
Proceeds from notes receivable	-	5,728,034
Investment in notes receivable	(100,000)	(3,953,522)
Net cash flows used in investing activities	<u>\$ (58,285,969)</u>	<u>\$ (3,443,760)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Issuance of Class B Common Stock for cash, net	79,518,673	39,071,634
Issuance of Common Stock for cash, net	-	7,289,753
Payments on note payable	(10,602,498)	(1,989,000)
Payments on lease obligations	(433,271)	-
Proceeds from exercise of share-based compensation	569,352	-
Net cash flows provided by financing activities	<u>\$ 69,052,256</u>	<u>\$ 44,372,387</u>
NET CHANGE IN CASH	<u>\$ (11,332,530)</u>	<u>\$ 38,318,902</u>
CASH, BEGINNING OF PERIOD	38,113,861	-
CASH, END OF PERIOD	<u>\$ 26,781,331</u>	<u>\$ 38,318,902</u>
SUPPLEMENTAL CASH FLOW INFORMATION:		
Cash paid for interest	\$ 625,183	\$ -
NON-CASH INVESTING AND FINANCING ACTIVITIES:		
Right of use assets from lease liabilities upon adoption of IFRS 16	\$ 614,074	\$ -
Right of use assets from lease liabilities	\$ 3,151,676	\$ -
Accrual for development of intangible assets	\$ 439,552	\$ -
Accrued capital expenditures	\$ 278,016	\$ -
Note obligations incurred for acquisitions	\$ 36,278,248	\$ -
Redemption liability incurred from acquisition	\$ -	\$ 7,296,568
Exchange of due from related party for note receivable	\$ -	\$ 1,992,550
License acquired, non-controlling interest	\$ 9,747,228	\$ -

See accompanying notes to the condensed unaudited interim consolidated financial statements.

JUSHI HOLDINGS INC. AND SUBSIDIARIES

Notes to the Condensed Unaudited Interim Consolidated Financial Statements

For the Three and Nine Months Ended September 30, 2019, Three Months Ended September 30, 2018 and For the Period from January 23, 2018 (inception date) to September 30, 2018
(Amounts Expressed in United States Dollars)

1. NATURE OF OPERATIONS

Jushi Holdings Inc. (the “Company” or “Jushi”), formerly known as Tanzania Minerals Corp. (“Tanzania”), was incorporated under the British Columbia’s Business Corporations Act (“BCBCA”), primarily to engage globally in the business of cultivation, manufacturing, distribution and retail of both medical and adult-use products derived from cannabis and hemp.

Jushi’s strategic approach to its business has been to target large adult-use markets such as California, Colorado and Nevada, as well as limited license medical markets such as Illinois, New York, Ohio, Pennsylvania, and Virginia.

Jushi either purchases controlling interests in existing licenses or applies for licenses directly. Jushi, through its subsidiaries, currently owns or manages cannabis operations and/or holds licenses in the adult use and/or medicinal cannabis marketplace in Pennsylvania, Nevada, Virginia and the Midwest with ongoing expansion and build-out plans in these jurisdictions as well as California. Jushi has rights to or has purchased controlling interests in existing licenses as well as made applications for licenses directly. Jushi has adopted or purchased controlling interests in existing licenses as well as made applications for licenses directly.

Jushi’s hemp initiative targets Nevada, Florida, and New York for purposes of the cultivation, extraction, and processing of hemp-derived cannabidiol (“CBD”). Jushi is also pursuing development of physician formulated consumer CBD products for retail.

In June 2019, Jushi Inc, completed a reverse takeover (“RTO”) of Tanzania. The RTO was structured as a series of transactions, including a Canadian three-cornered amalgamation. Prior to the RTO, Jushi Acquisition Corp., a special purpose corporation, completed a private placement. Refer to Note 3. “Reverse Takeover and Private Placement” for further information. Following the RTO, the Company’s subordinate voting shares (“SVS”) were listed on the NEO Exchange Inc. (“NEO”) under the symbol JUSH-B. The Company’s SVS are also traded on the OTCQX under the symbol JUSHF.

The Company’s registered office is Suite 1700, Park Place, 666 Burrard Street, Vancouver, British Columbia, V6C 2X8.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of Preparation

The condensed unaudited interim consolidated financial statements of the Company have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”) and interpretations of the IFRS Interpretations Committee (“IFRIC”) in effect for the nine months ended September 30, 2019.

The condensed unaudited interim consolidated financial statements for the three and nine months ended September 30, 2019, the three months ended September 30, 2018 and for the period from January 23, 2018 (inception date) to September 30, 2018, have been prepared in accordance with IAS 34 *Interim Financial Reporting*. The condensed unaudited interim consolidated financial statements do not include all the information and disclosures required in the annual financial statements and should be read in conjunction with the Company’s annual consolidated financial statements as of December 31, 2018.

JUSHI HOLDINGS INC. AND SUBSIDIARIES

Notes to the Condensed Unaudited Interim Consolidated Financial Statements

For the Three and Nine Months Ended September 30, 2019, Three Months Ended September 30, 2018 and For the Period from January 23, 2018 (inception date) to September 30, 2018
(Amounts Expressed in United States Dollars)

These condensed unaudited interim consolidated financial statements have been prepared in U.S dollars on the going concern basis under the historical cost convention, except for certain financial instruments which are measured at fair value.

Except as described below and elsewhere within this document, the accounting policies applied in these condensed unaudited interim consolidated financial statements are the same as those applied in the last annual financial statements of Jushi Inc. as of December 31, 2018 and for the period from January 23, 2018 (inception date) to December 31, 2018. Where necessary, certain prior period data has been reclassified to conform to current period presentation. Salaries, wages and employee benefits, and acquisition and deal costs have been separately presented in the condensed unaudited interim consolidated statements of operations in the current period, whereas in prior periods these amounts were presented within general and administrative expenses.

These condensed unaudited interim consolidated financial statements were approved by the Board of Directors on November 14, 2019.

(b) Basis of Consolidation

These condensed unaudited interim consolidated financial statements include the accounts of the Company, its wholly-owned subsidiaries and entities over which the Company has control as defined in IFRS 10 *Consolidated Financial Statements*. Subsidiaries over which the Company has control are fully consolidated 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 on consolidation.

The following are the Company's subsidiaries that are included in these condensed unaudited interim consolidated financial statements as of September 30, 2019:

NAME ⁽¹⁾	STATE OF INCORPORATION	OWNERSHIP PERCENTAGE
JUSHI INC	Delaware	100%
Bear Flag Assets, LLC	California	100%
JCVCA, LLC <i>and its Subsidiary</i>	California	100%
TGS National Holdings, LLC <i>and its Subsidiaries</i>	Colorado	51%
Jushi IP, LLC	Delaware	100%
JREH, LLC <i>and its Subsidiaries</i>	Delaware	100%
Mend Products, LLC	Delaware	100%
Sound Wellness Holdings, Inc. <i>and its Subsidiaries</i>	Delaware	100%
JMGT, LLC	Florida	100%
Production Excellence, LLC	Nevada	100%
Jushi Ampal NJ, LLC	New Jersey	75%
Jushi OH, LLC	Ohio	100%
Franklin Bioscience - Penn LLC <i>and its Subsidiaries</i>	Pennsylvania	100%
Jushi VA, LLC	Virginia	100%
Dalitso, LLC	Virginia	61.765%

⁽¹⁾ The Company also consolidates a Midwest Provisional License Holder, of which it has a 0% ownership percentage, 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.

JUSHI HOLDINGS INC. AND SUBSIDIARIES

Notes to the Condensed Unaudited Interim Consolidated Financial Statements

For the Three and Nine Months Ended September 30, 2019, Three Months Ended September 30, 2018 and For the Period from January 23, 2018 (inception date) to September 30, 2018
(Amounts Expressed in United States Dollars)

(c) Significant Accounting Judgments, Estimates and Assumptions

The preparation of the Company's condensed unaudited interim consolidated financial statements requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, and revenue and expenses. Actual results may differ from 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 judgements, estimates, and assumptions within these unaudited condensed unaudited interim consolidated financial statements, unless stated herein, remain the same as those applied to the annual consolidated financial statements for the year ended December 31, 2018. In addition, refer to "New Standards Adopted in Current Year – Leases" and "Inventory and Biological Assets" below, Note 7. "Financial Asset" and Note 6. "Inventory and Biological Assets".

(d) Policies Adopted in Current Year

Basic and diluted earnings (loss) per share

Basic earnings (loss) per share is calculated using the weighted average number of common shares outstanding 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. Dilutive potential shares of common stock consist of incremental shares of common stock issuable upon exercise of stock options and warrants. Dilutive common stock equivalents included in the computation of diluted net income per share for the three months ended September 30, 2019 totaled 769,613 for employee stock options and 16,031,134 for warrants, respectively. The dilutive common stock equivalents for the warrants were calculated on an as-converted basis. The basic weighted average number of common shares does not include shares on an as-converted basis. No dilutive potential shares of common stock were included in the computation of diluted net loss per share for the for the nine months ended September 30, 2019 or for comparative periods in 2018, because their impact was anti-dilutive.

Property, Plant and Equipment

Property, plant, and equipment ("PP&E") are stated at cost, less accumulated depreciation and are depreciated using the straight-line method over their estimated useful lives. Cost includes expenditures that are directly attributable to the acquisition of the asset.

PP&E are depreciated from the date of acquisition or at the date they become available for use, if these dates differ. Internally constructed assets are depreciated from the date the asset is available for use. Land has an unlimited useful life and is, therefore, not depreciated.

The useful life and depreciation method applied to each class of assets are reassessed at each reporting date. The useful lives applicable to each class of asset are as follows:

JUSHI HOLDINGS INC. AND SUBSIDIARIES

Notes to the Condensed Unaudited Interim Consolidated Financial Statements

For the Three and Nine Months Ended September 30, 2019, Three Months Ended September 30, 2018 and For the Period from January 23, 2018 (inception date) to September 30, 2018
(Amounts Expressed in United States Dollars)

- Buildings and building components: 30 – 40 years
- Computer equipment: 3 years
- Leasehold improvements: Over the life of the improvement or the life of the lease, whichever is shorter
- Furniture and fixtures: 3 – 10 years
- Machinery and equipment: 5 years

On an annual basis, the Company reviews the carrying amounts of its PP&E 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. Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash generating business unit to which the asset belongs. An asset's cash-generating unit is the smallest group of assets that includes the asset and generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets.

Where an impairment loss subsequently reverses for assets with a finite useful life, the carrying amount is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset in prior periods. A reversal of an impairment loss is immediately recognized in comprehensive income. To date, the Company has recognized no impairments on its PP&E.

Capitalization of Internally Generated Intangible Assets

The Company capitalizes expenditures on the development phase of an internal project when all of the following criteria are met:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- its intention to complete the intangible asset to use it or sell it;
- its ability to use or sell the intangible asset;
- how the intangible asset will generate probable future economic benefits;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- its ability to measure the expenditure attributable to the intangible asset reliably during its development.

Inventory and Biological Assets

Inventories of purchased finished goods, supplies, consumables, and products for resale are valued at the lower of cost and net realizable value. Inventories of harvested cannabis are transferred from biological assets at their fair value less costs to sell at harvest which becomes the deemed cost. Any subsequent post-harvest costs are capitalized to inventory to the extent that the cost is less than net realizable value. Subsequent costs also include costs such as materials, labour and depreciation expense on equipment involved in packaging, labeling and inspection. All direct and indirect costs related to inventory are capitalized as they are incurred and they are subsequently recorded

JUSHI HOLDINGS INC. AND SUBSIDIARIES

Notes to the Condensed Unaudited Interim Consolidated Financial Statements

For the Three and Nine Months Ended September 30, 2019, Three Months Ended September 30, 2018 and For the Period from January 23, 2018 (inception date) to September 30, 2018

(Amounts Expressed in United States Dollars)

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. 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. The Company reviews inventory for obsolete, redundant and slow-moving goods and any such inventory are written down to 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. The Company must also determine if the cost of any inventory exceeds its net realizable value, such as cases where prices have decreased, or inventory has spoiled or has otherwise been damaged. All direct and indirect costs of biological assets are capitalized as they are incurred, and they are all subsequently recorded within the line item 'cost of goods sold' on the statements of operations in the period that the related product is sold. Unrealized fair value gains/losses on growth of biological assets are recorded in a separate line on the face of the statement of operations. Biological assets are measured at their fair value less costs to sell on the balance sheet. Refer to Note 6. "Inventory and Biological Assets" for additional information.

(e) New Standards Adopted in Current Year

Leases

(i) Accounting Policy

In January 2016, the IASB issued IFRS 16, *Leases* ("*IFRS 16*") replaces IAS 17, *Leases*. This standard introduces a single lessee accounting model and 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 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 is 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, 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*.

JUSHI HOLDINGS INC. AND SUBSIDIARIES

Notes to the Condensed Unaudited Interim Consolidated Financial Statements

For the Three and Nine Months Ended September 30, 2019, Three Months Ended September 30, 2018 and For the Period from January 23, 2018 (inception date) to September 30, 2018

(Amounts Expressed in United States Dollars)

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 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.

Should the corresponding right-of-use asset be reduced to zero when the lease liability is remeasured, the adjustment would be recorded through profit or loss.

The lease liability is subsequently measured at amortized cost using the effective interest method whereby the balance is increased by interest expense and decreased by lease payments. It 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.

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.

The Company has included the carrying value of ROU assets under property, plant, and equipment on the statement of financial position as of September 30, 2019.

(ii) Impact of Transition to IFRS 16

The Company previously classified leases as either operating or finance leases from the perspective of the lessee. Under IFRS 16, the Company recognizes right-of-use assets and lease liabilities for most leases. The Company adopted IFRS 16 using the modified retrospective cumulative catch-up approach beginning on January 1, 2019. Under this approach, the Company did not restate its comparative amounts and recognized a right-of-use asset equal to the present value of the future lease payments.

The Company also used the following practical expedients when applying IFRS 16 to leases previously classified as operating leases under IAS 17:

- Accounted for short-term leases for which the lease terms end within 12 months of the date of the initial application as short-term leases;
- Excluded initial direct costs from measuring the ROU assets at the date of initial application;
- Used hindsight when determining the lease term if the contract contains options to extend or terminate the lease;
- Applied a single discount rate to the existing lease; and
- Applied IFRS 16 to contracts that were previously not identified as leases and did not reassess whether a contract is, or contains, a lease at the date of initial application.

When measuring lease liabilities, the Company discounted the lease payments using its

JUSHI HOLDINGS INC. AND SUBSIDIARIES
Notes to the Condensed Unaudited Interim Consolidated Financial Statements
For the Three and Nine Months Ended September 30, 2019, Three Months Ended September 30, 2018 and For the Period from January 23, 2018 (inception date) to September 30, 2018
(Amounts Expressed in United States Dollars)

incremental borrowing rate as of January 1, 2019. The Company's weighted-average incremental borrowing rate was 15% based on the underlying locations and asset class related risks.

The following table reconciles the Company's operating lease obligations as at December 31, 2018, as previously disclosed in the Company's annual consolidated financial statements, to the lease obligation recognized on initial application of IFRS 16 at January 1, 2019:

Reconciliation- IAS 17 to IFRS 16

Operating lease commitments as at December 31, 2018	<u>\$ 1,055,136</u>
Gross lease liability for lease in service at January 1, 2019	\$ 870,000
Gross lease liability for lease not available for use at January 1, 2019 ⁽¹⁾	185,136
Discounting for lease in service in January 1, 2019	<u>(255,926)</u>
Present value of IFRS 16 lease liabilities at January 1, 2019	<u>\$ 614,074</u>

(1) represents a lease not available for use as of January 1, 2019 and presented to reconcile the difference between lease commitments as at December 31, 2018 to the present value of IFRS 16 lease liabilities at January 1, 2019.

IFRS 3, Business Combinations ("IFRS 3"), as amended.

In October 2018, the IASB issued amendments to the guidance in IFRS 3, *Business Combinations* ("IFRS 3"). The amendments revise the definition of a business and provide a new framework to evaluate when an input and a substantive process are present. To be considered a business without outputs, an organized workforce must be present. In addition, the definition of the term outputs is narrowed to focus on goods and services provided to customers, generating investment income and other income, and it excludes returns in the form of lower cost and other economic benefits. An entity can apply a concentration test that, if met, eliminates the need for further assessment. Under this optional test, where substantially all of the fair value of gross assets acquired is concentrated in a single asset, the assets acquired would not represent a business. The amendments are effective for business combinations for which the acquisition date is on or after the first annual reporting period beginning on or after January 1, 2020 and early application is permitted. The Company has early adopted the guidance included in the amendment as of April 1, 2019 and has the option to elect to apply the guidance in this amendment. Refer to Note 5. "Acquisitions and Other Significant Transactions" for additional information.

IFRIC 23, Uncertainty over Income Tax Treatments ("IFRIC 23")

IFRIC 23 clarifies how to apply the recognition and measurement requirements in IAS 12, *Income Taxes*, when there is uncertainty regarding income tax treatments. The Interpretation addresses whether an entity needs to consider uncertain tax treatments separately, the assumptions an entity should make about the examination of tax treatments by taxation authorities, and how an entity considers changes in facts and circumstances in such determinations. The adoption of IFRIC 23 did not have an impact on the Company's consolidated financial statements as at the effective date of adoption.

JUSHI HOLDINGS INC. AND SUBSIDIARIES

Notes to the Condensed Unaudited Interim Consolidated Financial Statements

For the Three and Nine Months Ended September 30, 2019, Three Months Ended September 30, 2018 and For the Period from January 23, 2018 (inception date) to September 30, 2018
(Amounts Expressed in United States Dollars)

3. REVERSE TAKEOVER AND PRIVATE PLACEMENT

As discussed in Note 1. “Nature of Operations”, the Company completed its previously announced RTO with Tanzania.

In connection with the RTO, 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 \$68,200,270. 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 12. “Stockholder’s 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.

The Subordinate Voting Shares began trading on the NEO Exchange Inc. on June 10, 2019, under the symbol “JUSH.B”.

For accounting purposes, the transaction was accounted for as a capital transaction under IFRS 2, “Share-Based Payment”. 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 condensed unaudited interim consolidated financial statements. As Jushi Inc was deemed to be the acquirer for accounting purposes, the condensed unaudited interim consolidated financial statements are presented as a continuation of Jushi Inc.

JUSHI HOLDINGS INC. AND SUBSIDIARIES

Notes to the Condensed Unaudited Interim Consolidated Financial Statements

For the Three and Nine Months Ended September 30, 2019, Three Months Ended September 30, 2018 and For the Period from January 23, 2018 (inception date) to September 30, 2018
(Amounts Expressed in United States Dollars)

In accordance with IFRS 2, the amount assigned to the reverse acquisition transaction costs in the condensed unaudited interim consolidated statements of operations and comprehensive income (loss) is \$1,359,971, being the difference between the estimated fair value of the Company's shares 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 prior to the RTO of \$1,361,211 is based on the per share trading price of the Company. This amount is presented under listing expense in our condensed unaudited interim consolidated statements of operations and comprehensive loss for the nine months ended September 30, 2019. Cash-based fees related to the RTO totaled \$4,612,427 for the nine-months ended September 30, 2019 and are included in listing expense and operating expenses in the condensed unaudited interim consolidated statements of operations and comprehensive income (loss).

These condensed unaudited interim consolidated financial statements as of September 30, 2019, include the completion of the RTO. Jushi, the continuing entity for accounting purposes, is considered to have acquired the assets and liabilities of Tanzania through a capital transaction. Tanzania has no remaining net assets as of September 30, 2019.

4. INVESTMENT IN TRADING SECURITIES

Trading securities represent investments in mutual funds, which were valued at \$1,263,167 as of September 30, 2019. The Company has designated its trading securities as fair value through profit or loss and recognized \$29,939 in interest income in the condensed unaudited interim consolidated statements of operations and comprehensive income (loss) for the nine months ended September 30, 2019. Fair values have been determined based on quoted market prices.

5. DEFERRED ACQUISITION COSTS

The Company makes advance payments and deposits to certain acquisition targets for which the transfer is pending 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 are generally not refundable.

At September 30, 2019 and December 31, 2018, the Company had the following deferred acquisition costs and deposits, which are expected to be offset against the consideration payable for the related future purchases:

<u>Acquisition Target</u>	<u>September 30, 2019</u>	<u>December 31, 2018</u>
a) GSGSB	\$ 2,250,000	\$ -
b) Agape	70,000	50,000
c) Midwest Provisionally Licensed Holder	3,500,000	-
	<u>\$ 5,820,000</u>	<u>\$ 50,000</u>

a) GSG SBCA, Inc.

In February 2019, the Company entered into a binding term sheet to acquire (i) 100% of GSG SBCA, Inc. ("GSGSB"), subject to the fulfillment of certain conditions, and (ii) the contract to purchase the associated real estate. The owners of GSGSB did not own the associated real estate. GSGSB has the right to operate one of only three adult use cannabis dispensaries in the City of Santa Barbara, California. The Company's acquisition of the real estate closed on March 3, 2019.

JUSHI HOLDINGS INC. AND SUBSIDIARIES

Notes to the Condensed Unaudited Interim Consolidated Financial Statements

For the Three and Nine Months Ended September 30, 2019, Three Months Ended September 30, 2018 and For the Period from January 23, 2018 (inception date) to September 30, 2018
(Amounts Expressed in United States Dollars)

Refer to Note 8. “Property, Plant and Equipment” for additional information. An escrow account was established to hold funds on behalf of the Company and GSGSB in accordance with a securities purchase agreement dated March 3, 2019, in the amount of \$2,250,000 that will be applied against the purchase price. It is expected that the closing of the GSGSB acquisition will occur in the first quarter of 2020, subject to receipt of applicable regulatory approvals.

b) Agape Total Health Care Inc

Agape Total Health Care Inc. (“Agape”) received a provisional dispensary permit in Round II from the Pennsylvania Department of Health and plans to open three dispensaries to sell medical cannabis. The Company has entered into definitive documents to purchase a majority stake in Agape subject to applicable regulatory approval. It is expected that closing of the acquisition will occur in the fourth quarter of 2019. The Company has advanced \$70,000 as of September 30, 2019 that will be applied against the purchase price.

c) Provisional Licensed Medical Marijuana Processor in the Midwest U.S.

On June 27, 2019, the Company entered into a definitive agreement with a provisionally licensed medical marijuana processor (“Provisionally Licensed Holder”) in the Midwest U.S. to acquire 100% of the voting and economic interest of the Provisionally Licensed Holder. Concurrently, the parties also entered into a management services agreement whereby the Company will provide ongoing management and consulting services to the Provisionally Licensed Holder. 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. The Provisionally Licensed Holder does not currently have any business operations. Total consideration paid on signing was \$2,000,000 in cash and \$1,500,000 in 18-month secured sellers’ notes (“Sellers’ Notes”). Refer to Notes 12. “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 \$100.00 and the acceleration of all outstanding principal and interest due under the Sellers’ Notes. It is expected that the closing of the transaction will occur in the third quarter of 2020, upon which the Company will apply the total consideration of \$3,500,000 against the purchase price.

6. INVENTORY AND BIOLOGICAL ASSETS

Inventory

Inventory consisted of the following:

Work in progress and raw materials	\$	1,151,420
Finished goods		1,396,863
Total inventory	\$	<u>2,548,283</u>

At September 30, 2019, raw materials and work in process included supplies and harvested cannabis, and finished goods consisted of cultivation inventory transferred from work in progress and purchased from third parties, as well as retail supplies, consumables, and products for resale. Inventory expensed for both the three and nine months ended September 30, 2019 included in cost of goods sold was \$1.8 million.

JUSHI HOLDINGS INC. AND SUBSIDIARIES

Notes to the Condensed Unaudited Interim Consolidated Financial Statements

For the Three and Nine Months Ended September 30, 2019, Three Months Ended September 30, 2018 and For the Period from January 23, 2018 (inception date) to September 30, 2018
(Amounts Expressed in United States Dollars)

Biological Assets

As of September 30, 2019, the carrying amount of biological assets was \$660,050. 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 adjusts that amount for the expected selling price per gram. The following unobservable inputs, all of which are classified as Level 3 on the fair value hierarchy (Refer to Note 17. “Financial Instruments and Financial Risk Management”), were used by management as part of the biological asset models:

- Yield per plant – represents the expected number of grams of dry cannabis expected to be harvested from each plant.
- Selling price – determined using a combination of third-party cannabis spot price reports in addition to wholesale contract prices where applicable which, combined, are expected to approximate selling prices
- Stage of growth – represents the weighted average number of days remaining in cultivation prior to harvest.
- Wastage – represents the percentage of biological assets which are expected to fail to mature into cannabis plants that can be harvested.
- Post-harvest costs – calculated as the cost per gram of harvested cannabis to complete the sale of cannabis plants post-harvest, consisting of the cost of direct and indirect materials and labor related to labelling and packaging.

Biological assets as of September 30, 2019 are related to the FBS NV acquisition. The following table quantifies the significant unobservable inputs, and also provides the impact of a 10% increase or decrease to each input on the calculation of the fair value of biological assets.

	<u>September 30, 2019</u>	<u>10% Change as at September 30, 2019</u>
Selling price	\$2.50	\$76,750
Stage of growth	10 weeks	\$25,836
Yield by plant	100 grams	\$39.82
Wastage	4%	\$1,659
Post-harvest costs	\$0.35	\$10.745

The Company accretes fair value on a straight-line basis according to stage of growth. As a result, a cannabis plant that is 50% grown through its average 21-week growing cycle would be ascribed approximately 50% of its harvest date expected fair value (subject to wastage adjustments).

7. FINANCIAL ASSET

During 2018, the Company made purchases of equity for cash totaling \$5,454,252 representing a 16.5% stake in Gloucester Street Capital, LLC (“GSC”), the parent company of New York state licensed cannabis operator Valley Agricultural, LLC. Cresco Labs Inc. (“Cresco”) received regulatory approval to acquire GSC in the third quarter of 2019.

For the three and nine months ended September 30, 2019, Jushi realized a gain on investment of \$9,222,200 which was estimated based on the terms of the sale to Cresco which was completed in early

JUSHI HOLDINGS INC. AND SUBSIDIARIES
Notes to the Condensed Unaudited Interim Consolidated Financial Statements
For the Three and Nine Months Ended September 30, 2019, Three Months Ended September 30, 2018 and For the Period from January 23, 2018 (inception date) to September 30, 2018
(Amounts Expressed in United States Dollars)

October 2019. Refer to Note 18. "Subsequent Events". The gain is included in gain on financial asset in the condensed unaudited interim consolidated statements of operations and comprehensive income (loss). The value of the financial asset(s) at September 30, 2019 and December 31, 2018 was \$14,676,452 and \$5,454,252, respectively, and was reflected within short-term financial assets and long-term financial asset, respectively.

8. PROPERTY, PLANT AND EQUIPMENT

A reconciliation of the beginning and ending balances of capital assets and accumulated depreciation during the nine months ended September 30, 2019 is as follows:

	Buildings and Improvements	Land	Leasehold Improvements	Machinery and Equipment	Computer Equipment	Furniture and Fixtures	ROU Assets (1)	Construction in Progress (2)	Total
Cost									
Balance, January 1, 2019	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 614,074	\$ -	\$ 614,074
Additions from capital expenditures and leases	2,347,320	1,363,285	984,087	-	222,657	292,436	3,151,676	1,642,261	10,003,721
Additions from acquisitions	1,267,070	250,948	4,159,192	260,934	82,730	660,912	3,014,363	425,479	10,121,629
Balance, September 30, 2019	\$ 3,614,390	\$ 1,614,233	\$ 5,143,279	\$ 260,934	\$ 305,387	\$ 953,348	\$ 6,780,113	\$ 2,067,740	\$ 20,739,424
Accumulated Depreciation									
Balance, January 1, 2019	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Expense	(59,000)	-	(87,469)	(27,309)	(33,553)	(48,173)	(225,849)	-	(481,353)
Balance, September 30, 2019	\$ (59,000)	\$ -	\$ (87,469)	\$ (27,309)	\$ (33,553)	\$ (48,173)	\$ (225,849)	\$ -	\$ (481,353)
Carrying amount									
At December 31, 2018	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
At September 30, 2019	\$ 3,555,390	\$ 1,614,233	\$ 5,055,810	\$ 233,625	\$ 271,834	\$ 905,175	\$ 6,554,264	\$ 2,067,740	\$ 20,258,071

- (1) A right-of-use asset of \$614,074 was recognized at January 1, 2019 in connection with the adoption of IFRS 16. Refer to Note 2. "Summary of Significant Accounting Policies" for further information. Substantially all of the Company's ROU assets pertain to building leases. The Company has ROU assets ranging in term from 2 years to 20 years. Refer to Note 11. "Lease Liability" for further details on lease obligations.
- (2) Construction in Progress primarily represents assets under construction related to building and leasehold improvements in process for buildings acquired during the nine months ended September 30, 2019 not yet completed or otherwise not ready for use.

The Company's land and buildings are not considered investment properties nor held for capital appreciation. A summary of building and land additions completed for the nine months ended September 30, 2019 is as follows:

- (i) In January 2019, the Company purchased a commercial property in Reading, Pennsylvania for approximately \$201,000. The Company agreed to develop and lease the property to a provisional dispensary permit holder. As of September 30, 2019, the Company has incurred approximately \$530,000 to develop the purchased commercial property. The property is still under development and is not yet occupied.
- (ii) In March 2019, the Company purchased a commercial property located in Santa Barbara, California for approximately \$3,146,000. The property includes a building with suitable retail

JUSHI HOLDINGS INC. AND SUBSIDIARIES

Notes to the Condensed Unaudited Interim Consolidated Financial Statements

For the Three and Nine Months Ended September 30, 2019, Three Months Ended September 30, 2018 and For the Period from January 23, 2018 (inception date) to September 30, 2018
(Amounts Expressed in United States Dollars)

space of approximately 3,900 square feet. The Company agreed to develop and lease a portion of the property to GSG SBCA, Inc. As of September 30, 2019, the Company had incurred approximately \$94,000 to develop the purchased commercial property. The property is still under development and is not yet occupied.

- (iii) In March 2019, the Company purchased a commercial property in Pottsville, Pennsylvania for approximately \$364,000. The Company agreed to develop and lease the property to a provisional dispensary permit holder. As of September 30, 2019, the Company had incurred approximately \$357,000 to develop the purchased commercial property. The property is still under development and is not yet occupied.

In July 2019, Jushi completed the purchase of the real estate associated with the Franklin Bioscience NV, LLC (“FBS NV”) facility in North Las Vegas, Nevada, from Farman, LLC, a related party of FBS NV. The facilities acquired include two adjacent buildings with cultivation, manufacturing and distribution capabilities. The buildings may be combined and expanded further. Refer to Note 9. “Acquisitions” for further information on FBS NV.

Total depreciation expense for the three and nine months ended September 30, 2019 was \$307,230 and \$481,353, respectively, and for the period from January 23, 2018 (inception date) to September 30, 2018 was \$nil. Of the total expense, none was allocated to inventory during both the nine months ended September 30, 2019 and during the period from January 23, 2018 (inception date) to September 30, 2018.

9. ACQUISITIONS

Business Combinations

Franklin BioScience Penn, LLC

On July 10, 2019, the Company acquired 100% of the equity interests of Franklin BioScience - Penn, LLC and its subsidiaries (“FBS Penn”). The aggregate purchase price was approximately \$67 million, subject to working capital and other adjustments, and is payable by: (i) \$28 million in cash (in addition to which a \$4 million advanced payment was paid in the second quarter of 2019); (ii) \$28.1 million by way of certain 10% secured convertible notes due to the sellers (Refer to Note 12. “Notes Payable”); and (iii) the issuance of approximately 3.38 million Subordinate Voting Shares to the sellers, of which 1,500,000 shares were issued subject to certain escrow provisions and will be released from escrow to the registered holders on the six-month anniversary of the acquisition. The option to convert the 10% secured convertible notes due to sellers expired on September 30, 2019. 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 made an exclusivity payment of \$1,000,000 to FBS Penn. The \$1,000,000 amount was to be used for bona fide business expenses and not to be applied against the purchase price.

FSB Penn holds one Phase I and three Phase II dispensary permits issued by the Pennsylvania Department of Health’s Medical Marijuana Program allowing for 12 medical marijuana dispensaries in the Commonwealth of Pennsylvania. The existing retail dispensary brand, “Beyond/Hello”, has five operational dispensaries located in Philadelphia, Bristol, Johnstown, and Scranton. Jushi indirectly acquired the “Beyond/Hello” brand and related intellectual property as

JUSHI HOLDINGS INC. AND SUBSIDIARIES
Notes to the Condensed Unaudited Interim Consolidated Financial Statements
For the Three and Nine Months Ended September 30, 2019, Three Months Ended September 30, 2018 and For the Period from January 23, 2018 (inception date) to September 30, 2018
(Amounts Expressed in United States Dollars)

part of its acquisition of FBS Penn.

The following table summarizes the preliminary purchase price allocation and the total fair value of the consideration:

Cash and cash equivalents	\$ 3,885,911
Prepays	9,000
Inventory	379,909
Property, plant and equipment	6,947,472
Intangible assets	46,010,000
Other non-current assets	108,438
Total assets	<u>\$ 57,340,730</u>
Accounts payable and accrued liabilities	(522,146)
Lease liabilities	(3,065,304)
Total liabilities	<u>\$ (3,587,450)</u>
Net assets acquired	<u>\$ 53,753,280</u>
Consideration paid in cash	31,999,463
Consideration paid in notes	28,122,000
Consideration paid in shares	6,981,990
Total consideration	<u>\$ 67,103,453</u>
Goodwill	<u>\$ 13,350,173</u>

The consideration has been allocated to the estimated fair value of the assets acquired and liabilities assumed at the date of acquisition and remains preliminary as of September 30, 2019. 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

In July 2019, the Company entered into a purchase agreement to acquire 100% equity ownership of Franklin BioScience NV, LLC ("FBS NV"), subject to state and local approvals, pending which it has 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 NV. FBS NV holds medical and adult use cannabis cultivation, processing and distribution licenses issued by the Nevada Department of Taxation and currently operates 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 is pending. The closing of the equity acquisition is subject to receipt of applicable regulatory approvals.

As consideration for the acquisition, the Company paid for FBS NV's licenses and related real estate for an aggregate purchase price of \$9.3 million in a combination of \$6.7 million in cash and \$2.6 million in promissory and other notes. Refer to Note 12. "Notes Payable". The Company consolidates FBS NV, of which it has a 0% ownership percentage, 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.

JUSHI HOLDINGS INC. AND SUBSIDIARIES
Notes to the Condensed Unaudited Interim Consolidated Financial Statements
For the Three and Nine Months Ended September 30, 2019, Three Months Ended September 30, 2018 and For the Period from January 23, 2018 (inception date) to September 30, 2018
(Amounts Expressed in United States Dollars)

The following table summarizes the preliminary purchase price allocation and the total fair value of the consideration:

Cash and cash equivalents	\$	50,014
Accounts receivable and other current assets		64,811
Inventory		1,043,792
Property, plant and equipment		1,327,459
Intangible assets		5,550,000
Total assets	\$	<u>8,036,076</u>
Accounts payable and other liabilities	\$	(293,729)
Intercompany note		(192,279)
Total liabilities	\$	<u>(486,008)</u>
Net assets acquired	\$	<u>7,550,068</u>
Consideration paid in cash	\$	5,592,149
Consideration paid in notes		2,250,000
Total consideration	\$	<u>7,842,149</u>
Goodwill	\$	<u>292,081</u>

The consideration has been allocated to the estimated fair value of the assets acquired and liabilities assumed at the date of acquisition and remains preliminary as of September 30, 2019. The goodwill recognized from the acquisition is attributable to synergies expected from integrating FBS NV into the Company's existing business. Additionally, the Nevada Department of Agriculture has issued FBS NV a Hemp Handler license. The goodwill acquired is not deductible for tax purposes.

Acquisition Results and Unaudited Supplemental Pro Forma Financial Information

Total revenue of \$3.3 million and net losses of \$2.1 million from the acquisitions above are included in the condensed unaudited interim consolidated statements of operations and comprehensive income (loss) from the dates of the respective acquisitions. Had the acquisitions occurred on January 1, 2019, additional revenues of \$5.1 million and additional net losses of \$2.1 million would have been included in the condensed unaudited interim consolidated statements of operations and comprehensive income (loss) during the three and nine months ended September 30, 2019.

Other Acquisitions

Dalitso LLC (Virginia)

On September 23, 2019, the Company acquired 61.765% of the membership interests in Dalitso LLC ("Dalitso"). The aggregate purchase price was \$16 million and consisted of \$7.8 million in cash, \$3.4 million in Subordinate Voting Shares at a closing date price of \$1.61 per share, approximately 1 million warrants valued at \$0.4 million to purchase Subordinate Voting Shares at a price of \$3.00 per share (expiring two years from issuance) and \$4.0 million in promissory notes. Refer to Note 12. "Notes Payable". The warrants were valued using the Black-Scholes model binomial model. Dalitso is currently one of only five applicants to receive conditional approval for

JUSHI HOLDINGS INC. AND SUBSIDIARIES

Notes to the Condensed Unaudited Interim Consolidated Financial Statements

For the Three and Nine Months Ended September 30, 2019, Three Months Ended September 30, 2018 and For the Period from January 23, 2018 (inception date) to September 30, 2018
(Amounts Expressed in United States Dollars)

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 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. Refer to Note 2. “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 following table summarizes the estimated fair values of the assets and liabilities at the acquisition date and the fair value of the consideration:

Cash and cash equivalents	\$	20,933
Prepays and other assets		69,715
Property, plant and equipment		328,679
Intangible assets		25,700,466
Other non-current assets		34,270
Total assets	\$	<u>26,154,063</u>
Accounts payable and accrued liabilities		(146,707)
Intercompany note		(425,894)
Total liabilities	\$	<u>(572,601)</u>
Net assets acquired	\$	<u>25,581,462</u>
Non-controlling interest	\$	<u>(9,747,228)</u>
Total net assets acquired net of non-controlling interest	\$	<u>15,834,234</u>
Consideration paid in cash	\$	7,815,628
Capitalized acquisition costs		207,520
Consideration paid in notes		4,031,248
Consideration paid in shares and warrants		3,779,838
Total consideration	\$	<u>15,834,234</u>

The Clinic

In June 2019, the Company purchased certain intellectual property and consulting agreements held by HMS, LLC (“The Clinic”), for total consideration of \$9,579,675, which included (i) \$4,115,000 in cash (including cash of \$650,000 related to pre-combination services) and (ii) \$5,464,675 in equity (2,267,500 shares). The Clinic's expertise as an integrated operator and cannabis industry pioneer with sophisticated intellectual property, key performance measurements and standard operating procedures will complement 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's brand includes intellectual property consisting of proprietary concentrates and extraction techniques.

JUSHI HOLDINGS INC. AND SUBSIDIARIES

Notes to the Condensed Unaudited Interim Consolidated Financial Statements

For the Three and Nine Months Ended September 30, 2019, Three Months Ended September 30, 2018 and For the Period from January 23, 2018 (inception date) to September 30, 2018
(Amounts Expressed in United States Dollars)

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. "Summary of Significant Accounting Policies" for additional information.

10. GOODWILL AND OTHER INTANGIBLE ASSETS

Goodwill

The change in goodwill net of accumulated impairment loss for the three and nine months ended September 30, 2019 was as follows:

Balance at December 31, 2018	\$	170,000
Additions from business combinations		<u>13,642,253</u>
Balance, September 30, 2019	\$	<u>13,812,253</u>

Other Intangible Assets

The changes in other intangible assets for the nine months ended September 30, 2019 was as follows:

	Finite Life Intangible Asset					Indefinite Life Intangible Asset			Total
	Franchise Agreements	Intellectual Property	Patient Database	Tradename	Non-Compete	Licenses	Formulations	Internally Generated Intangibles	
Cost:									
Balance at December 31, 2018	\$ 1,850,000	\$ 1,290,000	\$ 880,000	\$ 50,000	\$ 8,000	\$ -	\$ 50,000	\$ -	\$ 4,128,000
Additions ⁽¹⁾	-	9,579,675	270,000	5,330,000	160,000	71,500,466	-	554,136	87,394,277
Balance, September 30, 2019	\$ 1,850,000	\$ 10,869,675	\$ 1,150,000	\$ 5,380,000	\$ 168,000	\$ 71,500,466	\$ 50,000	\$ 554,136	\$ 91,522,277
Accumulated amortization:									
Balance at December 31, 2018	\$ (103,904)	\$ (96,603)	\$ (8,519)	\$ (484)	\$ (1,258)	\$ -	\$ -	\$ -	\$ (210,768)
Amortization expense	(99,106)	(411,465)	(53,000)	(141,417)	(13,422)	-	-	-	(718,410)
Balance, September 30, 2019	\$ (203,010)	\$ (508,068)	\$ (61,519)	\$ (141,901)	\$ (14,680)	\$ -	\$ -	\$ -	\$ (929,178)
Net book value:									
Balance at December 31, 2018	\$ 1,746,096	\$ 1,193,397	\$ 871,481	\$ 49,516	\$ 6,742	\$ -	\$ 50,000	\$ -	\$ 3,917,232
Balance at September 30, 2019	\$ 1,646,990	\$ 10,361,607	\$ 1,088,481	\$ 5,238,099	\$ 153,320	\$ 71,500,466	\$ 50,000	\$ 554,136	\$ 90,593,099
Estimated useful life	14 years	10 - 10.5	5-15 years	1-15 years	3-5 years				

(1) In 2019, all additions other than internally generated intangibles were from acquisitions. Refer to Note 9. "Acquisitions" for further details.

Intangible assets with finite lives are amortized on a straight-line basis over their estimated useful lives. The Company recorded amortization expense of \$479,280 and \$718,410 for the three and nine months ended September 30, 2019, respectively, and \$210,768 for the period from January 23, 2018 (inception date) to September 30, 2018. These amounts are recorded within depreciation and amortization expense in the condensed unaudited interim consolidated statements of operations and comprehensive income (loss).

11. LEASE OBLIGATIONS

JUSHI HOLDINGS INC. AND SUBSIDIARIES

Notes to the Condensed Unaudited Interim Consolidated Financial Statements

For the Three and Nine Months Ended September 30, 2019, Three Months Ended September 30, 2018 and For the Period from January 23, 2018 (inception date) to September 30, 2018
(Amounts Expressed in United States Dollars)

The Company leases certain business facilities in Florida, New York, Pennsylvania, Virginia, Ohio, Nevada, California and Colorado from third parties under lease agreements that specify minimum rentals. The leases expire between 2020 and 2039 and contain certain renewal provisions.

Some property leases may contain variable payment terms that are linked to sales generated from a store or cannabis regulation changes. Variable payment terms may be used for a variety of reasons, including minimising the fixed costs base for newly established stores. Variable lease payments that depend on sales are recognised in profit or loss in the period in which the condition that triggers those payments occurs. Variable lease payments are included in cost of goods sold and were \$15,776 and \$19,655 for the three and nine months ended September 30, 2019, respectively. 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.

The Company's net rent expense related to low-value and short-term leases is included in general and administrative expenses and was approximately \$54,000 and \$192,000 for the three and nine months ended September 30, 2019, respectively, and for the period from January 23, 2018 (inception date) to September 30, 2018 was \$nil. The Company's interest expense related to leases having an initial or remaining term of more than one year was approximately \$225,000 and \$299,000 for the three and nine months ended September 30, 2019.

At September 30, 2019 future minimum lease payments under non-cancelable operating leases having an initial or remaining term of more than one year are as follows:

Less than one year	\$	1,260,203
One to five years		4,579,516
Greater than five years		10,322,310
Total undiscounted lease obligations	\$	<u>16,162,029</u>
Interest		<u>9,465,212</u>
Lease obligations at September 30, 2019	\$	<u>6,696,817</u>

Lease liabilities included in the statement of financial position at September 30, 2019 are as follows:

Short-term lease obligations	\$	1,153,178
Long-term lease obligations	\$	<u>5,543,639</u>
	\$	<u>6,696,817</u>

12. NOTES PAYABLE

		September 30, 2019
Short-term notes payable	\$	15,654,065
Long-term notes payable		<u>10,021,685</u>
Total notes payable	\$	<u>25,675,750</u>

Accrued interest associated with the notes payable was \$96,589 at September 30, 2019 and is included

JUSHI HOLDINGS INC. AND SUBSIDIARIES

Notes to the Condensed Unaudited Interim Consolidated Financial Statements

For the Three and Nine Months Ended September 30, 2019, Three Months Ended September 30, 2018 and For the Period from January 23, 2018 (inception date) to September 30, 2018
(Amounts Expressed in United States Dollars)

in accrued expenses in the condensed unaudited interim consolidated statement of financial position.

Secured Promissory Notes – Provisionally Licensed Holder

In June 2019, the Company entered into a definitive agreement with a provisionally licensed medical marijuana processor and issued \$1,500,000 in 18-month secured sellers' notes as part of the consideration. The notes bear interest at 10% per annum and are payable quarterly, and are subject to acceleration based upon consummation of the closing as defined in the purchase agreement. Refer to Note 5. "Deferred Acquisition Costs and Deposits" for additional information.

Secured Promissory Notes – FBS Penn

In July 2019, in connection with the FBS Penn acquisition, the Company issued \$28.1 million by way of certain 10% secured convertible notes due to the sellers, with principal payments, together with accrued interest through each such date, due in tranches. \$10.6 million in principal plus interest was paid on September 30, 2019, \$7.5 million is due on March 9, 2020, \$5.0 million is due on September 9, 2020 and the remaining balance is due on March 9, 2021. The option to convert the 10% secured convertible notes due to sellers expired on September 30, 2019. Refer to Note 9. "Acquisitions" for additional information.

Secured Promissory Notes – FBS NV

In July 2019, in connection with the FBS NV management services and purchase agreements and the related acquisition of the associated real estate, the Company issued \$2.6 million in promissory and other secured notes as part of the consideration.

The notes bear interest at 10% per annum. Of the \$2.25 million in promissory notes, 50% will mature on the one-year anniversary of issuance and the remaining amount will mature on the second-year anniversary. The \$0.4 million note will mature in July 2021 and is subject to acceleration based upon consummation of the closing as defined in the purchase agreement and is secured by the real estate. Refer to Note 9. "Acquisitions" for additional information.

Promissory Notes - Dalitso

In September 2019, in connection with the Dalitso acquisition, the Company issued: (i) approximately \$2.7 million in 6% promissory notes issued to the sellers maturing 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) approximately \$1.3 million in 9% unsecured notes issued to certain sellers maturing September 20, 2021, payable quarterly. Refer to Note 9. "Acquisitions" for additional information.

13. EQUITY

(a) Authorized

As of September 30, 2019, the authorized share capital consists of an unlimited number of Subordinate Voting Shares, an unlimited number of Multiple Voting Shares, and an unlimited number of Super Voting Shares.

JUSHI HOLDINGS INC. AND SUBSIDIARIES

Notes to the Condensed Unaudited Interim Consolidated Financial Statements

For the Three and Nine Months Ended September 30, 2019, Three Months Ended September 30, 2018 and For the Period from January 23, 2018 (inception date) to September 30, 2018
(Amounts Expressed in United States Dollars)

(i) Subordinate Voting Shares (“SVS”)

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 (“MVS”)

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

JUSHI HOLDINGS INC. AND SUBSIDIARIES

Notes to the Condensed Unaudited Interim Consolidated Financial Statements

For the Three and Nine Months Ended September 30, 2019, Three Months Ended September 30, 2018 and For the Period from January 23, 2018 (inception date) to September 30, 2018

(Amounts Expressed in United States Dollars)

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

JUSHI HOLDINGS INC. AND SUBSIDIARIES

Notes to the Condensed Unaudited Interim Consolidated Financial Statements

For the Three and Nine Months Ended September 30, 2019, Three Months Ended September 30, 2018 and For the Period from January 23, 2018 (inception date) to September 30, 2018

(Amounts Expressed in United States Dollars)

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 condensed unaudited interim consolidated statements of changes in equity for a reconciliation of the beginning and ending amounts of the issued and outstanding shares.

(i) Consulting Agreements

In accordance with the terms of the Advisory and Consulting Agreement and the Data Purchase Agreement related to the MEND transaction completed in November 2018, the Company paid \$312,500 on May 7, 2019, and on May 5, 2019 issued \$312,500 of Senior Subordinated Shares with a three-year vesting period to Dr. Mechtler for services rendered.

(ii) Private Placement 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 and warrants to purchase an additional 4,025,000 shares of Senior Subordinated Shares at \$3.00 per share for gross proceeds of \$16,100,000. The Company incurred \$158,522 of 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 (each, a "Subscription Receipt") at a price of \$2.75 per Subscription Receipt for aggregate

JUSHI HOLDINGS INC. AND SUBSIDIARIES

Notes to the Condensed Unaudited Interim Consolidated Financial Statements

For the Three and Nine Months Ended September 30, 2019, Three Months Ended September 30, 2018 and For the Period from January 23, 2018 (inception date) to September 30, 2018
(Amounts Expressed in United States Dollars)

gross proceeds of approximately \$68,200,270. As part of closing the Business Combination, each subscription receipt automatically converted into one Class B common share that was exchanged into one voting share of common stock of Jushi Holdings Inc without any further action by the holder on the satisfaction of the escrow release conditions which included the following:

- the completion or satisfaction of all conditions precedent to the RTO having occurred, been satisfied or been waived other than the filing of the applicable documentation as may be required under corporate law and release of the escrowed funds; and
- the receipt of all required shareholder, third party (as applicable) and regulatory approvals in connection with the RTO, including the conditional approval for the listing of the Subordinate Voting Shares on the NEO Exchange.

(iii) Warrants

A reconciliation of the beginning and ending balance of the warrants outstanding is as follows:

	Number of Warrants	Weighted-Average Exercise Price
Balance as of December 31, 2018 ⁽¹⁾	35,172,385	\$ 1.63
Granted	8,312,967	\$ 2.51
Cancelled	(100,000)	\$ 2.00
Expired	(215,760)	\$ 2.73
Exercised	<u>(91,832)</u>	<u>\$ 2.73</u>
Balance as of September 30, 2019	<u>43,077,760</u>	<u>\$ 1.72</u>

(1) Excludes 1.4 million shares previously presented as warrants on a converted basis.

Refer to Note 18. “Subsequent Event” for a warrant that was exercised subsequent to September 30, 2019.

During the three months ended March 31, 2019, the Company issued 4,040,000 warrants, with an exercise price of \$3.00 per share, in connection with the non-brokered private placement.

During the three months ended March 31, 2019, the Company amended a consulting agreement with an individual into an employment agreement and issued warrants to purchase 467,875 Subordinate Voting Shares exercisable at \$1.50 per share. The warrants are subject to vesting restrictions.

During the three months ended March 31, 2019, the Company entered into a consulting agreement with an entity for services and issued warrants to purchase 100,000 Subordinate Voting Shares exercisable at \$2.00 per share and subject to vesting restrictions. These warrants were cancelled in April 2019.

During the three months ended March 31, 2019, the Company entered into a consulting agreement with an individual for services and issued warrants to purchase 750,000 Subordinate Voting Shares exercisable at \$1.50 per share and subject to vesting restrictions.

During the three months ended March 31, 2019, the Company entered into the Nevada Dispensary Certificate Agreement with a group of entities and individuals. In connection with this agreement,

JUSHI HOLDINGS INC. AND SUBSIDIARIES
Notes to the Condensed Unaudited Interim Consolidated Financial Statements
For the Three and Nine Months Ended September 30, 2019, Three Months Ended September 30, 2018 and For the Period from January 23, 2018 (inception date) to September 30, 2018
(Amounts Expressed in United States Dollars)

the Company issued warrants to purchase an aggregate of 100,000 Subordinate Voting Shares exercisable at \$2.00 per share.

In April 2019, the Company entered into various consulting agreements for services and issued aggregate warrants to purchase 1,500,000 Subordinate Voting Shares with an exercise price of \$2.00 per share. The warrants are subject to vesting restrictions.

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. "Acquisitions" for further details.

During the nine months ended September 30, 2019, the Company issued warrants in connection with the RTO to purchase 307,592 Subordinate Voting Shares with an exercise price of \$2.73 per share. In June 2019, 91,832 of these warrants were exercised for cash proceeds of \$329,000 and the rest expired unexercised in July 2019.

The following table summarizes the warrants that remain outstanding as of September 30, 2019:

<u>Security Issuable</u>	<u>Exercise Price</u>	<u>Number of Warrants</u>	<u>Expiration Date</u>
Super Voting Shares	\$ 0.50	13,750 (1)	June 6, 2029
Super Voting Shares	\$ 1.00	149,000 (2)	June 6, 2029
Total Super Voting Shares		162,750	
Multiple Voting Shares	\$ 0.50	2,750,000 (1)	June 6, 2029
Multiple Voting Shares	\$ 1.00	4,000,000 (2)	June 6, 2029
Total Multiple Voting Shares		6,750,000	
Subordinate Voting Shares	\$ 1.00	750,000 (1)	November 10, 2019
Subordinate Voting Shares	\$ 1.50	750,000 (1)	May 10, 2020
Subordinate Voting Shares	\$ 2.00	750,000 (1)	October 11, 2020
Subordinate Voting Shares	\$ 2.00	100,000 (4)	March 24, 2021
Subordinate Voting Shares	\$ 2.00	21,097,135 (2),(5),(6),(7),(8)	June 6, 2021
Subordinate Voting Shares	\$ 2.25	1,000,000 (2),(7),(8)	June 6, 2021
Subordinate Voting Shares	\$ 3.00	4,040,000 (2),(7),(8)	June 6, 2021
Subordinate Voting Shares	\$ 1.50	325,000 (3)	September 27, 2023
Subordinate Voting Shares	\$ 1.50	750,000 (1),(8)	March 18, 2024
Subordinate Voting Shares	\$ 1.35	1,000,000 (1),(7)	July 1, 2028
Subordinate Voting Shares	\$ 1.50	467,875 (1),(8)	January 1, 2029
Subordinate Voting Shares	\$ 2.00	1,500,000 (1)	April 17, 2029
Subordinate Voting Shares	\$ 0.50	687,500 (1)	June 6, 2029
Subordinate Voting Shares	\$ 1.00	1,900,000 (2),(7)	June 6, 2029
Subordinate Voting Shares	\$ 3.00	1,047,500 (3),(8)	September 23, 2021
Total Subordinate Voting Shares		36,165,010	
	Total Warrants	43,077,760	

(1) Issued for services rendered.

(2) Issued with the sale of stock.

(3) Issued in connection with the acquisition of Dalitso.

(4) Issued in connection with the Nevada Dispensary Certificate Agreement.

JUSHI HOLDINGS INC. AND SUBSIDIARIES
Notes to the Condensed Unaudited Interim Consolidated Financial Statements
For the Three and Nine Months Ended September 30, 2019, Three Months Ended September 30, 2018 and For the Period from January 23, 2018 (inception date) to September 30, 2018
(Amounts Expressed in United States Dollars)

- (5) Issued 1,000,000 warrants in connection with the sale of notes receivable.
(6) Issued 2,500,000 warrants in connection with the acquisition of TGS National Holdings.
(7) Subject to exercise trigger/liquidity event noted below.
(8) Subject to accelerated expiration noted below.

Many of the warrants have expiration dates that are subject to certain terms described in the warrant agreements. Specifically, many of the warrants have an expiration date that does not start until there is 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. In addition, 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 consecutive trading days equals or exceeds a certain per share price.

During the three and nine months ended September 30, 2019, the Company recorded share-based compensation expense related to warrants issued for services rendered of \$291,186 and \$648,024, respectively, issued with a fair value ranging from \$0.21 to \$0.53 per warrant.

The fair value of warrants issued during the nine months ended September 30, 2019 was determined using the Black-Scholes option-pricing model with the following assumptions at the time of grant:

Risk-Free Annual Interest Rate	2.31% - 2.59%
Expected Annual Dividend Yield	0%
Expected Stock Price Volatility	70% - 85%
Expected Life of Warrants	2-6 years
Forfeiture Rate	-

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. As a result, the expected annual dividend yield is assumed to be 0%.

As of September 30, 2019, warrants outstanding have a weighted-average remaining contractual life of 5.9 years.

14. SHARE-BASED COMPENSATION

In February 2018, the Company adopted the 2018 Equity Incentive Plan (the "Plan"). The Plan authorizes the issuance of the lesser of: (i) 20,000,000 shares and (ii) 10% of the number of outstanding shares of common stock (of all classes) of the Company.

On May 7, 2019, the Company adopted the 2019 Equity Incentive Plan which was amended on June 7,

JUSHI HOLDINGS INC. AND SUBSIDIARIES**Notes to the Condensed Unaudited Interim Consolidated Financial Statements****For the Three and Nine Months Ended September 30, 2019, Three Months Ended September 30, 2018 and For the Period from January 23, 2018 (inception date) to September 30, 2018***(Amounts Expressed in United States Dollars)*

2019 (the “2019 Plan”). The plan authorizes the issuance of 15% of the number of outstanding shares of common stock (of all classes) of the Company. Incentive stock options are limited to the Share Reserve as of June 6, 2019.

A summary of all share-based compensation expense for the three and nine months ended September 30, 2019 is as follows:

	<u>For the Three</u> <u>Months Ended</u> <u>September 30, 2019</u>	<u>For the Nine</u> <u>Months Ended</u> <u>September 30, 2019</u>
Total stock options	\$ 560,724	\$ 1,816,464
Restricted stock grants	969,375	1,287,588
Warrant expense	291,186	648,024
Total share-based compensation	<u>\$ 1,821,285</u>	<u>\$ 3,752,076</u>

(a) Stock Options

A reconciliation of the beginning and ending balance of stock options outstanding is as follows:

	<u>Number of</u> <u>Stock Options</u>	<u>Weighted</u> <u>Average</u> <u>Exercise</u> <u>Price</u>
Balance as of December 31, 2018	6,574,998	\$1.10
Granted	9,426,333	\$2.07
Exercised	(2,796,152)	\$1.00
Forfeited	(1,263,846)	\$1.07
Converted	(2,700,000)	\$1.53
Balance as of September 30, 2019	<u>9,241,333</u>	<u>\$2.00</u>

JUSHI HOLDINGS INC. AND SUBSIDIARIES
Notes to the Condensed Unaudited Interim Consolidated Financial Statements
For the Three and Nine Months Ended September 30, 2019, Three Months Ended September 30, 2018 and For the Period from January 23, 2018 (inception date) to September 30, 2018
(Amounts Expressed in United States Dollars)

The following table summarizes the stock options that remain outstanding as of September 30, 2019:

<u>Security Issuable</u>	<u>Expiration Date</u>	<u>Number of Stock Options</u>	<u>Exercise Price</u>	<u>Stock Options Exercisable</u>
Subordinate Voting Shares	May 25, 2028	300,000	\$ 1.00 (1)	100,000
Subordinate Voting Shares	October 12, 2028	600,000	\$ 1.35 (1)	-
Subordinate Voting Shares	December 1, 2028	200,000	\$ 1.35 (1)	-
Subordinate Voting Shares	March 4, 2029	80,000	\$ 2.00 (1)	-
Subordinate Voting Shares	March 21, 2029	35,000	\$ 2.00 (1)	-
Subordinate Voting Shares	April 1, 2029	80,000	\$ 2.00 (1)	-
Subordinate Voting Shares	April 8, 2029	100,000	\$ 2.00 (1)	-
Subordinate Voting Shares	April 10, 2029	75,000	\$ 2.00 (1)	-
Subordinate Voting Shares	April 17, 2029	6,288,000	\$ 2.00 (1),(2)	-
Subordinate Voting Shares	June 12, 2021	10,000	\$ 3.00 (1)	-
Subordinate Voting Shares	April 15, 2029	753,333	\$ 2.75 (1)	-
Subordinate Voting Shares	April 29, 2029	35,000	\$ 2.75 (1)	-
Subordinate Voting Shares	May 7, 2029	25,000	\$ 2.75 (1)	-
Subordinate Voting Shares	June 1, 2029	100,000	\$ 2.75 (1)	-
Subordinate Voting Shares	June 7, 2029	275,000	\$ 2.75 (1)	-
Subordinate Voting Shares	September 3, 2029	285,000	\$ 1.80 (1)	-
		9,241,333		100,000

(1) Issued to employees of certain subsidiaries of the Company under the Company's Plan. Such options expire in ten years from the date of grant and generally have the following vesting conditions: 1/3 of the options will vest on each anniversary of the grant date.

(2) Includes 4,055,000 stock options issued to directors of the Company under the Company's Plan.

The fair value of stock options granted during the nine months ended September 30, 2019 was determined using the Black-Scholes option-pricing model with the following assumptions at the time of grant:

Risk-Free Annual Interest Rate	1.85% - 2.58%
Expected Annual Dividend Yield	0%
Volatility	70% - 85%
Expected Life of Stock Options	2 - 6 years
Forfeiture Rate	-

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 stock options 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 options. The Company does not anticipate paying dividends in the foreseeable future. As a result, the expected annual dividend yield is expected to be 0%.

For the nine months ended September 30, 2019, the weighted-average fair value of stock options granted was \$0.42 per option. As of September 30, 2019, stock options outstanding have a weighted-average remaining contractual life of 9.44 years.

JUSHI HOLDINGS INC. AND SUBSIDIARIES

Notes to the Condensed Unaudited Interim Consolidated Financial Statements

For the Three and Nine Months Ended September 30, 2019, Three Months Ended September 30, 2018 and For the Period from January 23, 2018 (inception date) to September 30, 2018
(Amounts Expressed in United States Dollars)

(b) Restricted Stock Grants

During the nine months ended September 30, 2019, the Company granted 4,800,015 restricted Subordinated Voting Shares to consultants and employees. Of the restricted shares, 4,272,917 vest one-third on each anniversary of the grant date, 300,000 vest one-half at six months and one-half at twelve months of the grant date, 177,513 vest on the one year anniversary of the grant date, 29,585 vest quarterly until the one year anniversary of the grant date and 20,000 vested upon the RTO.

15. COMMITMENTS AND CONTINGENCIES

(a) 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 compliance with applicable local and state regulations as of September 30, 2019, 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 in the future.

(b) 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 \$300,000 and, subject to regulatory approvals, grant a 5% equity interest in the applicant entity. A commitment fund will also be set up to fund \$100,000 annually towards non-profit organizations in Culver City, California.

In addition, refer to Note 16. "Related Party Transactions" for related party consulting agreements and commitments.

(c) Claims and Litigation

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 described below, to Jushi's knowledge, there are no material legal proceedings or regulatory actions to which Jushi 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 Jushi 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.

On June 1, 2018, TGS National Holdings LLC, which controls TGS National Franchise, LLC ("TGS"), a franchisor, filed a lawsuit in Colorado state court against San Felasco Nurseries, Inc. ("SFN"), as assignee of Florida Compassionate Growers, LLC. The case is currently on appeal in Colorado state court. The action was filed primarily out of TGS's 2018 exercise of a contractual

JUSHI HOLDINGS INC. AND SUBSIDIARIES

Notes to the Condensed Unaudited Interim Consolidated Financial Statements

For the Three and Nine Months Ended September 30, 2019, Three Months Ended September 30, 2018 and For the Period from January 23, 2018 (inception date) to September 30, 2018
(Amounts Expressed in United States Dollars)

right of first refusal to purchase SFN, its franchisee, following SFN entering into a letter of intent to sell its franchise to a third-party. The state court lawsuit sought equitable relief. On August 14, 2018, the state trial court dismissed the lawsuit without reaching the merits. Based on a contractual provision entitling the prevailing party to attorneys' fees and costs, the trial court also ordered TGS to pay SFN \$211,781 in combined attorney's fees and costs which were paid by the Company in 2018. TGS has appealed both the dismissal and the award of attorney's fees and costs. TGS filed its opening brief, SFN filed a response brief, and TGS filed a reply brief. The Company is pursuing this matter vigorously.

On October 22, 2018, TGS filed a claim in an arbitration action against SFN pending before the American Arbitration Association ("AAA"). During 2018, SFN terminated the franchise agreements between it and TGS. SFN then sold its business to a third-party. TGS contends the termination and transfer were wrongful and in late 2018 initiated arbitration seeking to recover its monetary damages. The arbitration has been stayed pending the resolution of the state court action. The Company is pursuing this matter vigorously.

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 has filed a notice of appeal. Jushi is pursuing this matter vigorously.

Refer to Note 18. "Subsequent Events" for discussion of a legal settlement.

(d) Purchase Commitments

In April 2019, the Company entered into a nonbinding letter of intent with Castetter Sustainability Group, Inc. ("Castetter") pursuant to which the Company had an option to acquire the entire yield of hemp biomass from no fewer than 100 acres through the 2019 growing season. In connection with the letter of intent, the Company advanced Castetter \$250,000 for the purpose of purchasing the necessary seeds related to the 2019 growing season, which will either be credited against the price of any hemp biomass purchased from Castetter or must be treated as a loan and repaid to the Company with interest on or before January 31, 2020.

(e) Pending Acquisitions

(i) Malibu Community Collective

In February 2019, the Company entered into a Membership Issuance and Acquisition of Management Agreement with Malibu Community Collective, Inc. ("MCC") pursuant to which it will, subject to the fulfillment of certain regulatory conditions, acquire 100% control of MCC. MCC has the right to operate one of only two adult use retail cannabis dispensaries in Malibu, California. Prior to that, in October 2018, the Company signed a lease giving it the right, subject to the fulfillment of certain regulatory conditions, to occupy approximately 3,000 square foot of space in a prime retail location on Pacific Coast Highway in Malibu. It is expected that closing of the definitive agreements will occur in the fourth quarter of 2019, subject to receipt of applicable regulatory approvals. The Company has agreed to advance up to \$115,000 to MCC for working capital uses which

JUSHI HOLDINGS INC. AND SUBSIDIARIES

Notes to the Condensed Unaudited Interim Consolidated Financial Statements

For the Three and Nine Months Ended September 30, 2019, Three Months Ended September 30, 2018 and For the Period from January 23, 2018 (inception date) to September 30, 2018
(Amounts Expressed in United States Dollars)

will be applied toward the purchase price. The Company has advanced \$100,000 as of September 30, 2019, which is included in prepaid expenses and other current assets.

(ii) San Diego Dispensary

In July 2019, the Company entered into a securities purchase and exchange agreement by and among Jushi Inc, a corporation owning and operating a San Diego dispensary, and the stockholders thereof, dated July 2, 2019 for the acquisition by Jushi Inc of 75% of the issued and outstanding shares of the San Diego dispensary. It is expected that closing of the acquisition will occur in the first half of 2020, subject to regulatory and other customary closing conditions.

(iii) Agape Total Health Care

In September 2019, Jushi Inc signed a definitive agreement to acquire 80% of the economic and voting interests in Agape Total Health Care Inc (“Agape”), pending regulatory approvals. Agape received a provisional dispensary permit in Round II from the Pennsylvania Department of Health to open up to three dispensaries to sell medical cannabis in the Philadelphia area Closing of the transaction is subject to regulatory and other customary closing conditions and is scheduled to be completed in the fourth quarter of 2019. Related to this transaction, in February and March 2019, Jushi Inc’s subsidiary purchased two commercial properties in Reading and Pottsville, Pennsylvania, and agreed to develop and lease these properties to Agape. Refer to Note 8. “Property, Plant and Equipment” for further details.

16. RELATED PARTY TRANSACTIONS

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. The Company had the following related party transactions during the nine months ended September 30, 2019.

Services Agreements

In July 2018, the Company entered into a services agreement with One East Management Services LLC (“OEMS”) (a wholly-owned subsidiary of One East Capital Advisors, LP (“OECA”), of which James Cacioppo is the Managing Partner). James Cacioppo is the CEO of Jushi. The services agreement, as amended, provides for, among other things, sourcing and assisting in mergers and acquisitions and capital transactions for Jushi. Pursuant to the OEMS Services Agreement, OEMS earned an initial services fee of \$50,000 and quarterly fees of \$125,000, and was issued warrants exercisable for 1,000,000 of Jushi’s Class B common stock (now, Subordinate Voting Shares) at an exercise price of \$1.35, plus reimbursement of its expenses. Pursuant to the amendment entered into on April 17, 2019, as consideration for OECA’s ongoing provision of financial and research-related advice, OECA earned a step-up fee of \$75,000 and was issued warrants exercisable for 800,000 of Jushi’s Class B common stock (now, Subordinate Voting Shares) at an exercise price of \$2.00. The grant date fair value of the warrants was \$0.43 each and the Company has recorded \$21,590 of share-based compensation expense related to the warrants for the nine months ended September 30, 2019. The OEMS Services Agreement terminates on May 31, 2020. Prepaid consulting fees were \$83,333 as of both September 30, 2019 and December 31, 2018.

JUSHI HOLDINGS INC. AND SUBSIDIARIES

Notes to the Condensed Unaudited Interim Consolidated Financial Statements

For the Three and Nine Months Ended September 30, 2019, Three Months Ended September 30, 2018 and For the Period from January 23, 2018 (inception date) to September 30, 2018
(Amounts Expressed in United States Dollars)

Key Consulting Agreements

On April 8, 2019, the Company amended its Consulting Agreement dated February 13, 2018, with Denis Arsenault (“Amendment No. 1 Consulting”), a significant shareholder of the Company. The following are the amendments included in Amendment No. 1 Consulting: (i) issue an additional warrant to Mr. Arsenault to purchase 500,000 shares of Senior Subordinated Shares at an exercise price of \$2.00 per share that vest over a three-year period beginning one year after the grant date with an expiration date of April 18, 2029; (ii) payment of an additional one-time step up fee of \$150,000; and (iii) annual compensation of \$50,000 to be paid quarterly and prorated for partial periods for so long as Mr. Arsenault continues to consult for the Company. The grant date fair value of the warrants was \$0.43 each and the Company recorded \$60,524 of share-based compensation expense related to the warrants for the nine months ended September 30, 2019. The Company recognizes expenses related to this consulting agreement as the services are performed. At September 30, 2019, amounts accrued for the consulting fees were \$25,000.

On April 9, 2019 and September 12, 2019, the Company amended its Consulting Agreement dated February 25, 2019, with Brooke Gehring (“Amendment No. 1 Consulting - Gehring” and “Amendment No. 2 Consulting - Gehring”, respectively). Brooke Gehring is the wife of a member of the Company’s key management team. The following are the amendments included in Amendment No. 1 Consulting - Gehring: (i) issue an additional warrant to Mrs. Gehring to purchase 200,000 shares of Senior Subordinated Shares at an exercise price of \$2.00 per share that vested over the six month period beginning on February 25, 2019 with an expiration date of February 25, 2029; and (ii) monthly compensation of \$19,583 while providing services to the Company. “Amendment No. 2 Consulting – Gehring extended the term of the agreement through March 1, 2020. The Company recognizes expenses related to this consulting agreement as the services are performed. The grant date fair value of the warrants was \$0.40 each and the Company recorded \$79,794 of share-based compensation expense related to the warrants for the nine months ended September 30, 2019. At September 30, 2019, amounts accrued for the consulting fees were \$39,166.

On June 28, 2019, the Company entered into a consulting agreement, with Stephanie Jordan, a former shareholder of Dalitso, to provide consulting services to the Company for \$14,585 per month for three years. The Company recognizes expenses related to this consulting agreement as the services are performed. The Company is committed to the full amount of the contract.

Also refer to Note 13. “Equity” for related party equity related agreements.

Remuneration of Directors and Key Management

The remuneration for services awarded to senior key management includes the following:

JUSHI HOLDINGS INC. AND SUBSIDIARIES

Notes to the Condensed Unaudited Interim Consolidated Financial Statements

For the Three and Nine Months Ended September 30, 2019, Three Months Ended September 30, 2018 and For the Period from January 23, 2018 (inception date) to September 30, 2018
(Amounts Expressed in United States Dollars)

	For the Three Months Ended September 30, 2019	For the Three Months Ended September 30, 2018	For the Nine Months Ended September 30, 2019	Period from January 23, 2018 (inception date) to September 30, 2018
Salary and wages	\$ 318,750	\$ 150,000	\$ 2,312,315	\$ 300,000
Share-based compensation	541,526	126,375	1,392,287	161,844
Total	<u>\$ 860,276</u>	<u>\$ 276,375</u>	<u>\$ 3,704,602</u>	<u>\$ 461,844</u>

The compensation for each independent director is \$50,000 per year commencing on July 1, 2019, to be paid quarterly, and \$100,000 in restricted stock, which will vest after one complete year of service. The Audit Committee Chair will receive an additional US\$50,000 in restricted stock for the first year commencing on July 1, 2019, which will vest quarterly. The Company has recorded \$37,500 of independent director fees expense, and \$30,872 of share-based compensation expense related to the restricted stock awards for the three and nine months ended September 30, 2019. At September 30, 2019, amounts accrued for independent director fees were \$37,500.

Lease Agreement

On January 1, 2019, the Company entered into a commercial lease agreement with Erich Mauff, a member of the Board of Directors, for an apartment on 118 Remsen Street, Apt.1 Brooklyn, New York. The monthly rental fee was \$2,550, payable in biannual installments. On April 1, 2019, the lease was terminated by the Company and Mr. Mauff.

In the ordinary course of business, the Company may enter into retail lease agreements with former owners of acquired assets or businesses. Refer to Note 11. "Lease Obligations" for details of variable lease payments. At September 30, 2019, amounts accrued for related party variable lease payments were \$15,777.

17. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT

Financial Instruments

The Company's financial instruments consist of cash and cash equivalents, investment in trading securities, accounts receivable, due from related party, financial asset, accounts payable, note payable, accrued expenses, redemption liability and lease obligations. The carrying values of these financial instruments approximate their fair values as of September 30, 2019.

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.

JUSHI HOLDINGS INC. AND SUBSIDIARIES

Notes to the Condensed Unaudited Interim Consolidated Financial Statements

For the Three and Nine Months Ended September 30, 2019, Three Months Ended September 30, 2018 and For the Period from January 23, 2018 (inception date) to September 30, 2018

(Amounts Expressed in United States Dollars)

The Company's investment in trading securities is considered to be a Level 1 instrument because it is comprised of shares of a public company, and there is an active market for the shares with observable market data or inputs. The Company's financial assets is considered to be a Level 3 instrument because it is comprised of shares and warrants of a private company and short-term notes receivable; and there was no active market for the shares, warrants or notes receivable.

The redemption liability related to the acquisition of 49% of TGSNH is recorded at fair value and is estimated using the present value of the Put Option and Call Option and is therefore considered to be a Level 3 measurement. The Company has the exclusive right ("Call Option") to purchase the remaining 49% of TGS for a period of 30 months from February 13, 2018 ("Option Period"). Concurrently, the seller may require the Company ("Put Option) to purchase the remaining 49% no earlier than 12 months from February 13, 2018, but before the end of the Option Period.

The consideration to be paid for either the Call Option or Put Option 49% of TGS shall be \$7,000,000 if purchased within 18 months from February 13, 2018, or \$8,500,000 if purchased on or after 18 months through the end of the Option Period. The consideration under the Put Option shall be paid in the form of Jushi Inc Common Stock.

The fair value of the redemption liability at September 30, 2019 related to the acquisition of 49% of TGSNH was based on the following assumptions:

Risk-Free Annual Interest Rate	1.63% - 1.91%
Expected time for redemption	0 – 2.0 years

The calculation of the redemption liability is based on the probability-weighted expected future payment at the time of redemption.

Changes in the redemption liability for the nine months ending September 30, 2019 were as follows:

	<u>For the Three</u> <u>Months Ended</u> <u>September 30,</u> <u>2019</u>	<u>For the Nine</u> <u>Months Ended</u> <u>September 30,</u> <u>2019</u>
Opening balance	\$ 7,519,404	\$ 7,388,547
Revaluation of redemption liability	90,816	221,673
Balance at September 30, 2019	<u>\$ 7,610,220</u>	<u>\$ 7,610,220</u>

Changes in the financial asset(s) for the three and nine months ending September 30, 2019 were as follows:

Opening balance	\$	5,454,252
Revaluation of Level 3 instrument		9,222,200
Balance at September 30, 2019	<u>\$</u>	<u>14,676,452</u>

There have been no transfers between fair value levels during the nine months ended September 30,

JUSHI HOLDINGS INC. AND SUBSIDIARIES
Notes to the Condensed Unaudited Interim Consolidated Financial Statements
For the Three and Nine Months Ended September 30, 2019, Three Months Ended September 30, 2018 and For the Period from January 23, 2018 (inception date) to September 30, 2018
(Amounts Expressed in United States Dollars)

2019.

The following table summarizes the Company's financial instruments as of September 30, 2019:

Financial Assets:

Cash and cash equivalents	\$ 26,781,331
Investment in trading securities	\$ 1,263,167
Accounts receivable	\$ 156,338
Due from related party	\$ 68,500
Prepaid expenses and other current assets	⁽¹⁾ \$ 7,530,173
Short-term financial assets	\$ 14,676,452
Other assets	⁽²⁾ \$ 1,202,128

Financial Liabilities:

Accounts payable and accrued expenses	\$ 6,099,913
Notes payable	\$ 25,675,750
Redemption liability	\$ 7,610,220
Lease obligations	\$ 6,696,817
Other liabilities	\$ 173,908

(1) Prepaid expenses and other current assets includes: prepaids; a \$100,000 advance relating to a pending acquisition (Refer to Note 15. "Commitments and Contingencies"); a non-controlling interest related receivable of \$63,370; and a short-term receivable of \$5 million related to a legal settlement. Refer to Note 18. "Subsequent Events".

(2) Other assets, which primarily includes escrow and other deposits, approximates its fair value at the balance sheet due.

Financial Risk Management

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

(a) Credit Risk

Credit risk is the risk of a potential loss to the Company if a customer or third party to a financial instrument fails to meet its contractual obligations. The maximum credit exposure at September 30, 2019, is the carrying amount of cash and cash equivalents. The Company does not have significant credit risk with respect to its customers. All cash and cash equivalents are placed with major U.S. financial institutions. Although some cash is placed with major U.S. financial institutions, there has been no change in the U.S. federal banking laws related to the deposit and holding of funds derived from activities related to the cannabis industry. Given that U.S. federal law provides that the production and possession of cannabis is illegal, there is a strong argument that banks cannot accept for deposit funds from business involved with the marijuana industry.

JUSHI HOLDINGS INC. AND SUBSIDIARIES

Notes to the Condensed Unaudited Interim Consolidated Financial Statements

For the Three and Nine Months Ended September 30, 2019, Three Months Ended September 30, 2018 and For the Period from January 23, 2018 (inception date) to September 30, 2018
(Amounts Expressed in United States Dollars)

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.

Financial instruments that potentially subject the Company to concentration of credit risk consist principally of cash deposits. Accounts at each institution are insured by either the Canada Deposit Insurance Corporation (“CDIC”) up to \$100,000, or the Federal Deposit Insurance Corporation (“FDIC”) up to \$250,000, as applicable. As September 30, 2019, the Company had \$24.5 million in excess of the CDIC or FDIC insured limits.

(b) Asset Forfeiture Risk

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

(c) Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations associated with financial liabilities. The Company manages liquidity risk through the management of its capital structure. The Company’s approach to managing liquidity is to ensure that it will have sufficient liquidity to settle obligations and liabilities when due.

In addition to the commitments outlined in Note 11. “Lease Liability” and Note 15. “Commitments and Contingencies” and the redemption liability outlined above, the Company has the following contractual obligations as of September 30, 2019:

	<u>< 1 Year</u>	<u>1 to 3 Years</u>	<u>3 to 5 Years</u>	<u>Total</u>
Accounts payable and accrued expenses	\$ 6,099,913	\$ -	\$ -	\$ 6,099,913
Notes payable	\$ 15,654,065	\$ 10,021,685	\$ -	\$ 25,675,750
Other liabilities	\$ -	\$ 173,908	\$ -	\$ 173,908

(d) Market Risk

(i) Currency Risk

The operating results and financial position of the Company are reported in U.S. dollars. The Company had no exposure to foreign currency transactions for the nine months ended September 30, 2019.

(ii) Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument

JUSHI HOLDINGS INC. AND SUBSIDIARIES

Notes to the Condensed Unaudited Interim Consolidated Financial Statements

For the Three and Nine Months Ended September 30, 2019, Three Months Ended September 30, 2018 and For the Period from January 23, 2018 (inception date) to September 30, 2018
(Amounts Expressed in United States Dollars)

will fluctuate because of changes in market interest rates. Cash and cash equivalents bear 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.

(iii) *Price Risk*

Price risk is the risk of variability in fair value due to movements in equity or market prices.

(iv) *Regulatory Risk*

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

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

18. SUBSEQUENT EVENTS

Financial Asset

In October 2019, Jushi was issued 1,780 Cresco proportionate voting shares which convert into a total of 1,436,000 Cresco subordinate voting shares, 1,657 warrants for proportionate voting shares of Cresco which convert into 1,436,000 warrants for Cresco subordinate voting shares, received \$134,000 of cash, and \$5,222,500 of short-term secured notes, and is eligible to receive certain contingency payouts. The approximate market value of the consideration received by Jushi for the sale of its 16.5% interest has a total value of approximately \$15 million to \$20 million, depending on the contingency payouts. The contingent consideration is tied to both performance of the Gloucester operations as well as development of the New York market. Refer to Note 7. "Financial Asset" for further information.

Warrants

On October 16, 2019, a Jushi warrant holder exercised 750,000 warrants at \$1.00 per share, for a total cash consideration of \$750,000. The warrants were outstanding at September 30, 2019 and had an expiration date of November 10, 2019.

Legal Settlement Proceeds

In October 2019, the Company received proceeds of \$5 million related to a confidential legal settlement, the effect of which was determined and recorded in other income for the three and nine months ended September 30, 2019, and a short-term receivable of \$5 million was included in prepaid expenses and other current assets at September 30, 2019.