

.Jushi



JUSHI HOLDINGS INC.

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2021 and 2020

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

JUSHI HOLDINGS INC.
CONDENSED UNAUDITED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2021

Table of Contents

CONDENSED UNAUDITED INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION	1
CONDENSED UNAUDITED INTERIM CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME (LOSS)	2
CONDENSED UNAUDITED INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY	3
CONDENSED UNAUDITED INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS	4
NOTES TO THE CONDENSED UNAUDITED INTERIM CONSOLIDATED FINANCIAL STATEMENTS	5

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

	Note	(unaudited) September 30, 2021	* December 31, 2020
ASSETS			
CURRENT ASSETS:			
Cash and cash equivalents	25	\$ 53,168	\$ 85,857
Accounts receivable, net		1,829	859
Investments in securities	3	5,905	7,934
Inventory, net	4	50,758	12,966
Biological assets	4	14,476	3,962
Prepaid expenses		4,094	3,319
Other current assets	5	9,102	1,372
Total current assets		\$ 139,332	\$ 116,269
NON-CURRENT ASSETS:			
Property, plant and equipment, net	6	\$ 219,328	\$ 72,471
Other intangible assets, net	8	192,113	132,028
Goodwill	8	63,072	31,055
Other non-current assets	9	11,503	7,456
Non-current restricted cash	25	525	—
Total non-current assets		\$ 486,541	\$ 243,010
Total assets		\$ 625,873	\$ 359,279
LIABILITIES AND EQUITY			
CURRENT LIABILITIES:			
Accounts payable		\$ 6,982	\$ 3,712
Accrued expenses and other current liabilities	10	55,169	26,727
Other debt	15	2,029	261
Promissory notes payable	11	—	1,338
Lease obligations	12	15,059	4,716
Total current liabilities		\$ 79,239	\$ 36,754
NON-CURRENT LIABILITIES:			
Promissory notes payable	11	\$ 21,191	\$ 3,081
Senior notes	13	53,065	50,566
Derivative liabilities	14	133,421	205,361
Lease obligations	12	104,244	34,494
Deferred tax liabilities	21	52,472	23,798
Other debt and other non-current liabilities	15	13,041	3,475
Total liabilities		\$ 456,673	\$ 357,529
COMMITMENTS AND CONTINGENCIES			
EQUITY:			
Share capital and share reserves	16, 17	\$ 418,596	\$ 263,914
Accumulated deficit	22	(249,334)	(264,091)
Total Jushi shareholders' equity		\$ 169,262	\$ (177)
Non-controlling interests	22	(62)	1,927
Total equity		\$ 169,200	\$ 1,750
Total liabilities and equity		\$ 625,873	\$ 359,279

* Derived from audited consolidated financial statements

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

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

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

	Note	Three Months Ended September 30,		Nine Months Ended September 30,	
		2021	2020	2021	2020
REVENUE, NET	18	\$ 53,981	\$ 24,913	\$ 143,400	\$ 48,478
COST OF GOODS SOLD	4, 20	(30,664)	(13,888)	(79,725)	(25,930)
GROSS PROFIT BEFORE FAIR VALUE CHANGES		\$ 23,317	\$ 11,025	\$ 63,675	\$ 22,548
Realized fair value changes included in inventory sold		(3,077)	(761)	(11,271)	(921)
Unrealized fair value changes included in biological assets	4	4,213	1,986	14,087	2,254
GROSS PROFIT		\$ 24,453	\$ 12,250	\$ 66,491	\$ 23,881
OPERATING EXPENSES:					
General, administrative and selling expenses	20	\$ 24,348	\$ 11,843	\$ 70,215	\$ 34,035
Acquisition and deal costs	7	258	88	1,367	732
Total operating expenses		\$ 24,606	\$ 11,931	\$ 71,582	\$ 34,767
(LOSS) INCOME FROM OPERATIONS BEFORE OTHER INCOME (EXPENSE)		\$ (153)	\$ 319	\$ (5,091)	\$ (10,886)
OTHER INCOME (EXPENSE):					
Interest income		\$ 60	\$ 69	\$ 244	\$ 184
Fair value changes in derivatives	14	55,060	(36,888)	66,801	(38,049)
Interest expense	20	(8,093)	(6,791)	(20,831)	(13,178)
Net gains on business combinations		—	15,313	—	17,515
Gains (losses) on investments and financial assets	3	76	1,654	1,373	(4,225)
(Losses) gains on debt and warrant modifications	13, 14	—	(257)	(3,815)	10
Other income (expense), net	23	189	(1,569)	(1,049)	(2,360)
Total other income (expense), net		\$ 47,292	\$ (28,469)	\$ 42,723	\$ (40,103)
INCOME (LOSS) AND COMPREHENSIVE INCOME (LOSS) BEFORE TAX		\$ 47,139	\$ (28,150)	\$ 37,632	\$ (50,989)
Current income tax expense	21	(7,632)	(3,796)	(20,277)	(8,545)
Deferred income tax (expense) benefit	21	(1,273)	1,947	(1,162)	4,331
NET INCOME (LOSS) AND COMPREHENSIVE INCOME (LOSS)		\$ 38,234	\$ (29,999)	\$ 16,193	\$ (55,203)
Net loss attributable to non-controlling interests	22	(62)	(573)	(427)	(1,282)
NET INCOME (LOSS) AND COMPREHENSIVE INCOME (LOSS) ATTRIBUTABLE TO JUSHI SHAREHOLDERS		\$ 38,296	\$ (29,426)	\$ 16,620	\$ (53,921)
NET INCOME (LOSS) AND COMPREHENSIVE INCOME (LOSS) PER SHARE ATTRIBUTABLE TO JUSHI SHAREHOLDERS - BASIC	19	\$ 0.23	\$ (0.31)	\$ 0.10	\$ (0.58)
Weighted average shares outstanding - basic	19	169,542,990	93,572,969	158,688,176	93,060,539
NET LOSS AND COMPREHENSIVE LOSS PER SHARE ATTRIBUTABLE TO JUSHI SHAREHOLDERS - DILUTED	19	\$ (0.08)	\$ (0.31)	\$ (0.26)	\$ (0.58)
Weighted average shares outstanding - diluted	19	200,022,949	93,572,969	191,458,626	93,060,539

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

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

	Number of Shares			Share Capital	Share Reserves				Accumulated Deficit	Total Jushi Shareholders' Equity	Non-Controlling Interests	Total Equity
	Super Voting Shares	Multiple Voting Shares	Subordinate Voting Shares		Stock Options	Warrants	Restricted Shares	Other				
Balances - December 31, 2020	149,000	4,000,000	132,396,064	\$ 244,623	\$ 3,649	\$ 10,404	\$ 4,234	\$ 1,004	\$ (264,091)	\$ (177)	\$ 1,927	\$ 1,750
Public offerings	—	—	13,685,000	85,660	—	—	—	—	—	85,660	—	85,660
Purchases of non-controlling interests - Agape	—	—	500,000	3,425	—	—	—	—	(1,863)	1,562	(1,562)	—
Acquisition of Grover Beach	—	—	49,348	368	—	—	—	—	—	368	—	368
Acquisition of Nature's Remedy	—	—	8,700,000	35,670	—	—	—	—	—	35,670	—	35,670
Conversion of Super Voting Shares and Multiple Voting Shares	(149,000)	(4,000,000)	18,900,000	—	—	—	—	—	—	—	—	—
Restricted stock grants and vesting, net of forfeitures	—	—	34,815	5,001	—	—	(243)	—	—	4,758	—	4,758
Warrant expense, net of cancellations	—	—	—	—	—	832	—	—	—	832	—	832
Stock option expense, net of forfeitures	—	—	—	—	2,391	—	—	—	—	2,391	—	2,391
Shares issued upon exercise of warrants	—	—	7,813,023	23,398	—	(1,932)	—	—	—	21,466	—	21,466
Shares issued upon exercise of stock options	—	—	126,024	185	(73)	—	—	—	—	112	—	112
Net income (loss)	—	—	—	—	—	—	—	—	16,620	16,620	(427)	16,193
Balances - September 30, 2021	—	—	182,204,274	\$ 398,330	\$ 5,967	\$ 9,304	\$ 3,991	\$ 1,004	\$ (249,334)	\$ 169,262	\$ (62)	\$ 169,200
Balances - December 31, 2019	149,000	4,000,000	91,842,638	\$ 147,608	\$ 1,927	\$ 12,394	\$ 1,103	\$ —	\$ (48,667)	\$ 114,365	\$ 9,660	\$ 124,025
TGS Transaction	—	—	(4,800,000)	(7,008)	—	(117)	—	—	—	(7,125)	4,661	(2,464)
Purchase of non-controlling interests	—	—	633,433	811	—	—	—	—	—	811	(4,661)	(3,850)
Non-controlling interests - Jushi Europe	—	—	—	—	—	—	—	—	—	—	2,000	2,000
Acquisition of Agape	—	—	769,231	1,000	—	—	—	—	—	1,000	1,560	2,560
Restricted stock grants and vesting, net of forfeitures	—	—	4,286,949	1,127	—	—	1,050	—	—	2,177	—	2,177
Warrant expense, net of cancellations	—	—	—	—	—	452	—	—	—	452	—	452
Stock option expense, net of forfeitures	—	—	—	—	1,350	—	—	—	—	1,350	—	1,350
Shares issued upon exercise of warrants	—	—	404,851	678	—	(83)	—	—	—	595	—	595
Transactions with non-controlling interests	—	—	—	—	—	—	—	—	—	—	(6)	(6)
Net loss	—	—	—	—	—	—	—	—	(53,921)	(53,921)	(1,282)	(55,203)
Balances - September 30, 2020	149,000	4,000,000	93,137,102	\$ 144,216	\$ 3,277	\$ 12,646	\$ 2,153	\$ —	\$ (102,588)	\$ 59,704	\$ 11,932	\$ 71,636

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

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

	Nine Months Ended September 30,	
	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income (loss)	\$ 16,193	\$ (55,203)
Adjustments to reconcile net income (loss) to net cash used in operating activities:		
Depreciation and amortization, including amounts in cost of goods sold	\$ 6,190	\$ 3,508
Share-based payments	7,981	3,804
Fair value changes in derivatives	(66,801)	38,049
Net gains on business combinations	—	(17,515)
(Gains) losses on investments and financial assets	(1,373)	4,225
Losses (gains) on debt and warrant modifications	3,815	(10)
Non-cash interest expense	14,856	7,284
Deferred income taxes	1,162	(4,331)
Fair value changes on sale of inventory and on biological assets	(2,816)	(1,333)
Non-cash other expense	63	2,644
Changes in operating assets and liabilities, net of acquisitions:		
Accounts receivable	\$ (808)	\$ (251)
Prepaid expenses and other current assets	(3,526)	(4,014)
Inventory and biological assets	(15,978)	(1,236)
Other assets	(545)	(165)
Accounts payable, accrued expenses and other current liabilities	27,073	18,207
Net cash flows used in operating activities	\$ (14,514)	\$ (6,337)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Payments for acquisitions, net of cash acquired	\$ (47,303)	\$ (25,608)
Purchases and deposits for property, plant and equipment	(56,351)	(12,417)
Proceeds from investments	3,251	2,157
Proceeds from note receivable	—	5,193
Net cash flows used in investing activities	\$ (100,403)	\$ (30,675)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Issuance of shares for cash, net	\$ 85,660	\$ —
Proceeds from exercise of warrants and options	16,438	596
Payments for senior notes	(13,868)	(4,325)
Proceeds from senior notes	—	51,877
Principal and interest payments for promissory notes	(1,925)	(15,566)
Payments for lease obligations	(6,055)	(1,876)
Proceeds from other debt	3,013	3,017
Repayments of other debt	(298)	—
Payments for non-controlling interests	—	(1,850)
Contributions from non-controlling interests	—	1,994
Net cash flows provided by financing activities	\$ 82,965	\$ 33,867
Effect of currency translation on cash and cash equivalents	(212)	(24)
NET CHANGE IN CASH AND CASH EQUIVALENTS AND RESTRICTED CASH	\$ (32,164)	\$ (3,169)
CASH AND CASH EQUIVALENTS AND RESTRICTED CASH, BEGINNING OF PERIOD	85,857	38,936
CASH AND CASH EQUIVALENTS AND RESTRICTED CASH, END OF PERIOD	\$ 53,693	\$ 35,767
SUPPLEMENTAL CASH FLOW INFORMATION:		
Cash paid for income taxes	\$ 5,965	\$ 468
NON-CASH INVESTING AND FINANCING ACTIVITIES:		
Accrued capital expenditures	\$ 2,952	\$ 4,190
Fair value of note obligations and warrants issued for acquisitions and acquisitions of non-controlling interests	\$ 18,141	\$ 16,213
Fair value of shares issued for acquisitions and acquisitions of non-controlling interests	\$ 39,463	\$ 1,811

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

JUSHI HOLDINGS INC.

Notes to the Condensed Unaudited Interim Consolidated Financial Statements

September 30, 2021 and 2020

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



NOTES TO THE CONDENSED UNAUDITED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

1. NATURE OF OPERATIONS

Jushi Holdings Inc. (the “Company” or “Jushi”) is incorporated under the British Columbia’s Business Corporations Act (“BCBCA”). The Company is an acquisitive vertically integrated, multi-state cannabis operator engaged in retail, distribution, cultivation, and/or processing operations in both medical and adult-use markets. As of September 30, 2021, Jushi, through its subsidiaries, owns or manages cannabis operations and/or holds licenses in the adult-use and/or medicinal cannabis marketplace in Illinois, Pennsylvania, Virginia, Nevada, California, Massachusetts and Ohio, as well as Europe.

The Company is listed on the Canadian Securities Exchange (the “CSE”) and trades its subordinated voting shares (“SVS”) under the ticker symbol “JUSH”, and trades on the U.S. Over the Counter Stock Market (“OTCQX”) under the symbol JUSHF.

The Company’s head office is located at 301 Yamato Road, Suite 3250, Boca Raton, Florida 33431, and its registered address is Suite 1700, Park Place, 666 Burrard Street, Vancouver, British Columbia V6C 2X8.

2. BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Statement of Compliance

These 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, 2021, and comply with International Accounting Standard (“IAS”) 34 *Interim Financial Reporting*. The year-end balance sheet data was derived from audited annual financial statements. These 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, 2020, which were filed on June 7, 2021 on SEDAR. These condensed unaudited interim consolidated financial statements were approved by the Board of Directors on November 23, 2021.

Since more than 50% of the Company's issued and outstanding subordinate voting shares were directly or indirectly owned by shareholders of record domiciled in the United States as of June 30, 2021, the Company no longer meets the definition of a "foreign private issuer" under United States securities laws. Therefore, the Company will be deemed a U.S. domestic issuer under United States securities laws and will be subject to the U.S. Securities and Exchange Commission (“SEC”) reporting requirements applicable to U.S. domestic companies in 2022, which will require the Company’s financial statements to be presented under U.S. GAAP in future periodic filings.

Basis of Measurement

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



Functional Currency

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

Reclassifications

Where necessary, certain prior period data has been reclassified to conform to the current period presentation. These reclassifications did not have any material effect on total assets, total liabilities, equity, net loss, net loss per share or cash flows for the periods presented. Operating expense for salaries, wages and employee related expenses, operating expense for depreciation and amortization and operating expense for share-based compensation were previously separately disclosed within the condensed unaudited interim consolidated statements of operations and comprehensive income (loss) but have been included within general, administrative and selling expenses in the current presentation. Refer to Note 20 - Nature of Expenses for the amounts which are included in general, administrative and selling expenses. The Company has two reportable segments, and as a result, prior period comparative disclosures have been included for comparison. Refer to Note 18 - Segments. The current portion of other debt was presented within accrued expenses and other current liabilities as of December 31, 2020, but has been disclosed separately within the condensed unaudited interim consolidated statements of financial position in the current presentation. Certain items within the condensed unaudited interim consolidated statements of cash flows have been reclassified in order to be separately disclosed in the current presentation; cash paid for interest for the prior period has been reclassified from operating cash flows to financing cash flows to conform with the current period presentation; and cash paid for non-controlling interests has been reclassified from investing cash flows to financing cash flows.

Basis of Consolidation

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

The following are the Company's subsidiaries that are included in these condensed unaudited interim consolidated financial statements as of September 30, 2021:

JUSHI HOLDINGS INC.**Notes to the Condensed Unaudited Interim Consolidated Financial Statements****September 30, 2021 and 2020***(Amounts Expressed in Thousands of United States Dollars, Unless Otherwise Stated)*

NAME ⁽¹⁾	State or Country of Incorporation	Ownership Percentage as of September 30, 2021	Ownership Percentage as of December 31, 2020
Jushi Inc	Delaware	100%	100%
Agape Total Health Care Inc. ⁽²⁾	Pennsylvania	100%	80%
Bear Flag Assets, LLC <i>and its wholly owned Subsidiary GSG SBCA, Inc</i>	California	100%	100%
Beyond Hello IL Holdings, LLC <i>and its wholly owned subsidiary Beyond Hello IL, LLC</i>	Illinois	100%	100%
Beyond Hello CA, LLC	California	100%	100%
Franklin Bioscience - Penn LLC <i>and its wholly owned subsidiaries</i>	Pennsylvania	100%	100%
JMGT, LLC	Florida	100%	100%
JREH, LLC <i>and its wholly owned subsidiaries</i>	Delaware	100%	100%
<i>Jushi GB Holdings, LLC</i>	California	100%	—%
Milkman, LLC ⁽²⁾⁽³⁾	California	~78%	—%
Jushi IP, LLC	Delaware	100%	100%
Jushi MA, Inc. ⁽³⁾	Massachusetts	100%	—%
Jushi OH, LLC <i>and its wholly owned subsidiaries</i> ⁽³⁾⁽⁴⁾	Ohio	100%	100%
Jushi PS Holdings, LLC <i>and its wholly owned subsidiary, Organic Solutions of the Desert LLC</i> ⁽³⁾	California	100%	—%
Jushi VA, LLC <i>and its wholly owned subsidiary Dalitso, LLC</i>	Virginia	100%	100%
Mojave Suncup Holdings, LLC <i>and its wholly owned subsidiary, Production Excellence, LLC</i>	Nevada	100%	100%
<i>Production Excellence, LLC and its wholly owned subsidiary Franklin Bioscience NV LLC</i> ⁽³⁾	Nevada	100%	—%
Northeast Venture Holdings, LLC <i>and its wholly owned subsidiary, Pennsylvania Dispensary Solutions, LLC</i>	Pennsylvania	100%	100%
PASPV Holdings, LLC <i>and its wholly owned subsidiary, Pennsylvania Medical Solutions LLC</i>	Pennsylvania	100%	100%
Sound Wellness Holdings, Inc. <i>and its wholly owned Subsidiaries</i>	Delaware	100%	100%
Jushi Europe SA <i>and its wholly owned subsidiary JPTREH LDA (Portugal)</i> ⁽²⁾	Switzerland	51%	51%

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

(2) Refer to Note 22 - Non-Controlling Interests.

(3) Refer to Note 7 - Acquisitions.

(4) Wholly owned subsidiaries were acquired during the third quarter of 2021. In addition, in August 2021, the Company completed the acquisition of 100% of Franklin Bioscience OH, LLC, (“FBS - OH”). The Company had been operating FBS - OH under a management services agreement (“MSA”) since 2019.

(5) In April 2021, the Company completed the acquisition of 100% of the equity of Franklin Bioscience NV LLC (“FBS Nevada”). The Company had been operating FBS Nevada under a MSA since 2019.



Critical Accounting Policies and Significant Judgments, Estimates and Assumptions

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

COVID-19

The novel coronavirus (“COVID-19”) was declared a pandemic by the World Health Organization on March 12, 2020, and continues to cause significant economic uncertainty. Consequently, it is difficult to reliably measure the potential impact of this uncertainty on our future financial results. Although the Company has not experienced a material impact to its business as a result of COVID-19, the Company has faced delays and may continue to experience delays in its construction projects due to disruptions in the supply chain. It is possible that estimates in the Company’s financial statements could change as a result of COVID-19 and the effect of any such changes could be material, which could result in, among other things, impairment of long-lived assets including intangibles and goodwill.

Recent Accounting Pronouncements

The Company has not adopted any new or amended IFRS standards during the nine months ended September 30, 2021.

3. INVESTMENTS IN SECURITIES

The details of investments in securities are as follows:

	Investments in Mutual Funds	Organigram Shares	Cresco Shares and Warrants	Cresco Notes and Accrued Interest	Total
Balance as of December 31, 2020	\$ 5,783	\$ —	\$ 2,151	\$ —	\$ 7,934
Cash received for shares sold	—	—	(3,251)	—	(3,251)
Reinvested income and change in fair value ⁽¹⁾	122	—	1,100	—	1,222
Balance as of September 30, 2021	\$ 5,905	\$ —	\$ —	\$ —	\$ 5,905
Balance as of December 31, 2019	\$ 1,272	\$ —	\$ 10,995	\$ 5,646	\$ 17,913
Cash invested	10,000	—	—	—	10,000
Redemptions/sales	(5,037)	(685)	(6,434)	—	(12,156)
Value of shares received/granted	—	1,092	387	(387)	1,092
Cash received for Cresco note	—	—	—	(5,193)	(5,193)
Fair value losses, net of investment income	(523)	(407)	(3,229)	(66)	(4,225)
Balance as of September 30, 2020	\$ 5,712	\$ —	\$ 1,719	\$ —	\$ 7,431
Level within the Fair Value Hierarchy (Note 25)	Level 1	Level 1	Level 1 & Level 2	Level 3	

⁽¹⁾ The reinvested income and change in fair value in the table above, together with the fair value gain of \$151 related to the contingent consideration receivable discussed in Note 9 - Other Non-Current Assets, are included in gains (losses) on investments

JUSHI HOLDINGS INC.**Notes to the Condensed Unaudited Interim Consolidated Financial Statements****September 30, 2021 and 2020***(Amounts Expressed in Thousands of United States Dollars, Unless Otherwise Stated)*

and financial assets in the condensed unaudited interim consolidated statements of operations and comprehensive income (loss).

Investments in Mutual Funds

As of September 30, 2021, the Company owns approximately 611,280 shares in mutual funds with a fair value of \$9.66 each.

Cresco Shares and Warrants

As of December 31, 2020, the Company owned approximately 24,600 Cresco Labs Inc. (“Cresco”) subordinate voting shares with a fair value of \$9.87 each, for a total of \$243. In addition, as of December 31, 2020, the Company owned 1,657 warrants for proportionate voting shares of Cresco with a strike price of \$4.24, which were convertible and exercisable into 331,400 Cresco subordinate voting shares, which were valued at \$1,908. During the nine months ended September 30, 2021, the Company net exercised the warrants and received 207,599 Cresco subordinate voting shares. The Company subsequently sold all its outstanding Cresco shares during the nine months ended September 30, 2021.

Other Equity Investment

Refer to Note 9 - Other Non-Current Assets for a non-current equity investment.

4. INVENTORY AND BIOLOGICAL ASSETS**Inventory**

Inventory includes the following:

	September 30, 2021	December 31, 2020
Finished goods	\$ 35,987	\$ 12,083
Work in progress and raw materials	14,951	1,019
Less: Inventory reserve	(180)	(136)
Total inventory	\$ 50,758	\$ 12,966

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

Biological Assets

The continuity of biological assets is as follows:

	Nine Months Ended September 30,	
	2021	2020
Balance as of beginning of period	\$ 3,962	\$ 271
Purchased as part of a business acquisition	7,895	2,853
Cost incurred until harvest	9,421	1,427
Effect of unrealized change in fair value of biological assets	14,087	2,254
Transferred to inventory upon harvest	(20,889)	(3,165)
Balance as of end of period	\$ 14,476	\$ 3,640

JUSHI HOLDINGS INC.**Notes to the Condensed Unaudited Interim Consolidated Financial Statements****September 30, 2021 and 2020***(Amounts Expressed in Thousands of United States Dollars, Unless Otherwise Stated)*

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

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

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

	September 30, 2021	Effect of 10% Change as of September 30, 2021	September 30, 2020	Effect of 10% Change as of September 30, 2020
Selling price	\$5.42 to \$10.00	\$ 1,048	\$3.23 to \$5.10	\$ 497
Stage of growth	6.5 to 9.2 weeks	\$ 656	11.5 to 12 weeks	\$ 345
Yield per plant	121 to 155 grams	\$ 963	117 to 241 grams	\$ 362
Wastage	3.9% to 10.1%	\$ 985	9.9% to 11.7%	\$ 49
Post-harvest costs	\$1.13 to \$1.96	\$ 312	\$0.34 to \$0.73	\$ 65

5. OTHER CURRENT ASSETS

Other current assets include the following:

	Note	September 30, 2021	December 31, 2020
Indemnification assets	7	\$ 2,733	\$ —
Short-term employee receivable		228	—
Landlord receivable for leasehold improvements		5,279	806
Other current assets		862	566
Total other current assets		\$ 9,102	\$ 1,372

JUSHI HOLDINGS INC.**Notes to the Condensed Unaudited Interim Consolidated Financial Statements****September 30, 2021 and 2020***(Amounts Expressed in Thousands of United States Dollars, Unless Otherwise Stated)***6. PROPERTY, PLANT AND EQUIPMENT**

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

	Buildings and Building Components	Land	Leasehold Improvements	Machinery and Equipment	Computer Equipment	Furniture and Fixtures	ROU Assets ⁽¹⁾	Construction in Progress ⁽²⁾	Total
Cost									
Balance as of December 31, 2020	\$ 6,679	\$ 1,994	\$ 21,187	\$ 1,218	\$ 770	\$ 3,405	\$ 36,763	\$ 4,350	\$ 76,366
Additions from capital expenditures and leases ⁽³⁾⁽⁴⁾	18,900	5,970	199	297	326	1,559	51,444	25,482	104,177
Additions from acquisitions	5,080	2,680	5,532	5,510	430	520	32,550	520	52,822
Lease disposal ⁽³⁾	13,096	—	(13,096)	—	—	—	—	—	—
ROU reassessments	—	—	—	—	—	—	(3,510)	(571)	(4,081)
Transfers	—	—	5,344	2,711	208	1,253	—	(9,516)	—
Balance as of September 30, 2021	\$ 43,755	\$ 10,644	\$ 19,166	\$ 9,736	\$ 1,734	\$ 6,737	\$ 117,247	\$ 20,265	\$ 229,284
Accumulated Depreciation									
Balance as of December 31, 2020	\$ (441)	\$ —	\$ (734)	\$ (222)	\$ (200)	\$ (461)	\$ (1,837)	\$ —	\$ (3,895)
Lease disposal ⁽³⁾	(394)	—	394	—	—	—	—	—	—
Depreciation	(927)	—	(959)	(478)	(286)	(635)	(2,776)	—	(6,061)
Balance as of September 30, 2021	\$ (1,762)	\$ —	\$ (1,299)	\$ (700)	\$ (486)	\$ (1,096)	\$ (4,613)	\$ —	\$ (9,956)
Carrying amount									
Balance as of December 31, 2020	\$ 6,238	\$ 1,994	\$ 20,453	\$ 996	\$ 570	\$ 2,944	\$ 34,926	\$ 4,350	\$ 72,471
Balance as of September 30, 2021	\$ 41,993	\$ 10,644	\$ 17,867	\$ 9,036	\$ 1,248	\$ 5,641	\$ 112,634	\$ 20,265	\$ 219,328

- (1) Substantially all of the Company's Right-of-Use ("ROU") assets pertain to building leases. Refer to Note 12 - Lease Obligations, for further details on lease obligations.
- (2) Construction in Progress represents assets under construction for manufacturing and retail build-outs not yet ready for use.
- (3) Included in land and building additions above is \$21,081 (approximately \$22,000 paid May 2021 offset by a \$915 net gain on the write-off of the related lease) for a 93,000 sq. ft. facility, together with approximately nine acres of surrounding land in Prince William County, Virginia. The lease disposal included in the table above for the nine months ended September 30, 2021 relates to this purchase of the previously leased facility.
- (4) Included in ROU additions above is approximately \$38,000 related to April 2021 amendments to an existing Pennsylvania Medical Solutions LLC ("PAMS") lease in Pennsylvania, for the first phase of expansion of the grower-processor facility, which is expected to be completed in the first quarter of 2022, subject to regulatory approvals.

Total depreciation for the three months ended September 30, 2021 and 2020 totaled \$2,798 and \$841, respectively. Total depreciation for the nine months ended September 30, 2021 and 2020 totaled \$6,061 and \$1,976 respectively. For the three months ended September 30, 2021 and 2020, depreciation absorbed into inventory production totaled \$1,265, and \$59, respectively. For the nine months ended September 30, 2021 and 2020 depreciation absorbed into inventory production totaled \$2,739, and \$118, respectively.

7. ACQUISITIONS

The Company had the following acquisitions during the nine months ended September 30, 2021: (i) Nature's Remedy; (ii) Oh!Grow; (iii) OSD; and (iv) Grover Beach (all defined below).

The following table summarizes the purchase price allocations for the acquisitions completed during the nine months ended September 30, 2021, as of their respective acquisition dates:

JUSHI HOLDINGS INC.
Notes to the Condensed Unaudited Interim Consolidated Financial Statements
September 30, 2021 and 2020
(Amounts Expressed in Thousands of United States Dollars, Unless Otherwise Stated)


	Business Combinations		Asset Acquisitions		Total
	Nature's Remedy	OSD	OhiGrow	Grover Beach	
Assets Acquired:					
Cash and cash equivalents	\$ 3,195	\$ 259	\$ —	\$ —	\$ 3,454
Prepays	325	53	—	—	378
Indemnification asset ⁽¹⁾	1,322	1,411	—	—	2,733
Accounts receivable, net	263	—	—	—	263
Inventory and biological assets	27,971	184	—	—	28,155
Property, plant and equipment	16,838	—	3,165	269	20,272
Right-of-use assets	28,641	1,859	—	2,050	32,550
Intangible assets - license ⁽²⁾	46,000	1,700	1,817	3,654	53,171
Intangible assets - customer database ⁽²⁾	4,800	—	—	—	4,800
Intangible assets - tradenames ⁽²⁾	3,600	—	—	—	3,600
Deposits	20	8	—	19	47
Total assets acquired	\$ 132,975	\$ 5,474	\$ 4,982	\$ 5,992	\$ 149,423
Liabilities Assumed:					
Accounts payable and accrued liabilities	\$ (6,975)	\$ (1,596)	\$ —	\$ —	\$ (8,571)
Lease liabilities	(28,319)	(1,859)	—	(2,032)	(32,210)
Deferred tax liabilities	(26,420)	(1,080)	—	—	(27,500)
Total liabilities	\$ (61,714)	\$ (4,535)	\$ —	\$ (2,032)	\$ (68,281)
Net assets acquired	\$ 71,261	\$ 939	\$ 4,982	\$ 3,960	\$ 81,142
Goodwill	28,327	3,690	—	—	32,017
Total	\$ 99,588	\$ 4,629	\$ 4,982	\$ 3,960	\$ 113,159
Consideration:					
Consideration paid in cash, as adjusted for working capital adjustments	\$ 40,350	\$ 1,833	\$ 4,949	\$ 3,592	\$ 50,724
Consideration paid in promissory notes (fair value) ⁽³⁾	15,345	2,796	—	—	18,141
Consideration paid in shares	35,670	—	—	368	36,038
Contingent consideration	8,223	—	—	—	8,223
Capitalized costs	—	—	33	—	33
Fair value of consideration	\$ 99,588	\$ 4,629	\$ 4,982	\$ 3,960	\$ 113,159

⁽¹⁾ As part of the OSD and Nature's Remedy acquisition agreements, the sellers contractually agreed to indemnify the Company for amounts that may become payable, including for taxes that relate to periods prior to the date of acquisition. Accordingly, the Company recorded indemnification assets and corresponding estimated accrued tax liabilities, at fair value, for a total of \$2,733 as of the dates of the acquisitions. The range of total estimated potential indemnification assets is from \$0 to \$6,322; however, there is no limit on the Nature's Remedy indemnification asset. During the quarter ended September 30, 2021, the Company adjusted the indemnification assets and corresponding estimated accrued tax liability for OSD by \$1,124 as a result of additional information obtained about facts and circumstances that existed as of the acquisition date. Additional subsequent changes in the amounts recognized for the indemnification assets may occur in relation to the provision for the corresponding tax liabilities,



according to changes in the range of outcomes or the assumptions used to develop the estimates of the liabilities at the time of the acquisition.

- (2) The licenses acquired have indefinite useful lives. The customer relationships have a useful life of 15 years and the tradenames have a useful life of 5 years.
- (3) Refer to Note 11 - Promissory Notes Payable for details on the seller notes.

Business Combinations

Nature's Remedy

On September 10, 2021, the Company acquired 100% of the equity of Nature's Remedy of Massachusetts, Inc. and certain of its affiliates (collectively, "Nature's Remedy"), for upfront consideration comprised of cash, net of working capital adjustments, 8,700,000 subordinate voting shares (with a grant date fair value of \$4.10 each), a \$11,500 unsecured three-year note and a \$5,000 unsecured five-year note. Refer to Note 11 - Promissory Notes Payable for details on the seller notes.

Under the agreement, the Company also agreed to issue a \$5,000 increase to the principal balance of the three-year note and up to an additional \$5,000 in Company SVS upon the occurrence or non-occurrence of certain events after the closing date. The payment of contingent consideration depends on whether or not a competitor opens a competing dispensary in the Town of Tyngsborough, MA during the first 12 months following the acquisition (The "First Milestone Period") or during the 18 months following the end of the First Milestone Period. As of the date of acquisition, the Company recognized a contingent consideration liability of \$8,223, a Level 3 measurement amount (Refer to Note 25 - Financial Instruments and Financial Risk Management), which was based on the weighted-average probability of the potential outcomes. The estimated range of such additional consideration is between \$0 and \$10,800 (which also includes the interest on the additional principal for the three-year note). Contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. Contingent consideration that is classified as a liability is remeasured at subsequent reporting dates in accordance with IFRS 9 – Financial Instruments with the corresponding gain or loss being recognized in the unaudited interim condensed consolidated statement of profits or losses. There was no change in the fair value of the contingent consideration from the date of acquisition through September 30, 2021.

Nature's Remedy currently operates two retail dispensaries, in Millbury, MA and Tyngsborough, MA, and a 50,000 sq. ft. cultivation and production facility in Lakeville, MA. The goodwill is not tax deductible.

OSD

On April 30, 2021, the Company acquired 100% of the equity of Organic Solutions of the Desert, LLC ("OSD"), an operating dispensary located in Palm Springs, California. The goodwill is not tax deductible.

Preliminary Purchase Price Allocations for Business Combinations

The consideration has been allocated to the estimated fair values of the assets acquired and liabilities assumed at the dates of the acquisitions and remain preliminary as of September 30, 2021. These estimated fair values involve significant judgement and estimates. The primary areas of judgement involved are the valuation of the intangible assets acquired, which requires management to estimate value based on future cash flows from these assets. The primary areas of the preliminary purchase price allocations that are not yet finalized relate to: intangible assets acquired, property, plant and equipment, indemnification assets, contingent consideration, promissory notes, deferred tax liabilities, and residual goodwill. The Company expects to continue to obtain information to assist in determining the fair value of the net assets



acquired at the acquisition date during the measurement period. Measurement period adjustments that the Company determines to be material will be applied retrospectively to the period of acquisition in the Company's consolidated financial statements and, depending on the nature of the adjustments, other periods subsequent to the period of acquisition could be affected.

Business Combinations Acquisition Results and Supplemental Pro Forma Financial Information

If the business combinations had occurred on January 1, 2021, consolidated proforma revenue and consolidated proforma net income for the three months ended September 30, 2021 would have been \$62,197 and \$36,246, respectively, and for the nine months ended September 30, 2021 would have been \$174,045 and \$11,218, respectively. These amounts have been calculated using actual results and adding pre-acquisition results, after adjusting for additional depreciation and amortization that would have been charged assuming the fair value adjustments to property, plant and equipment and intangible assets had applied from January 1, 2021, as well as adjustments for acquisition costs and incremental interest expense relating to consideration paid, and changes to conform to the Company's accounting policies.

For the three months ended September 30, 2021, these two acquired businesses contributed revenues of \$3,127 and net losses of \$885 to the Company's consolidated results, and for the nine months ended September 30, 2021 these businesses contributed revenues of \$3,619 and net losses of \$944.

Business Combination - Acquisition and Deal Costs

For the nine months ended September 30, 2021, acquisition and deal costs relating to Nature's Remedy and OSD totaled \$206 and are included within the total acquisition and deal costs in the consolidated statements of operations and comprehensive income (loss). The remaining costs included within acquisition and deal costs in the consolidated statements of operations and comprehensive income (loss) were incurred either for acquisitions not completed or not expected to be completed.

Asset Acquisitions

OhiGrow

In July 2021, the Company acquired OhiGrow, LLC, a licensed cultivator in Ohio, and Ohio Green Grow LLC (collectively, "OhiGrow"), inclusive of an approximately 10,000 sq. ft. facility and 1.35 acres of land.

Grover Beach

On March 4, 2021, the Company closed on the acquisition of approximately 78% of the equity of a retail license holder located in Grover Beach, California ("Grover Beach") for \$3,592 in cash and 49,348 SVS at a fair value of \$7.46 per share, with the rights to acquire the remaining equity for \$1 in the future.

The Company determined that the OhiGrow and Grover Beach acquisitions did not qualify as business combinations under IFRS 3 *Business Combinations* ("IFRS 3") because, for OhiGrow, the assets acquired did not constitute a business, and for Grover Beach, under the concentration test, substantially all of the fair value of the acquisition is concentrated in a single identifiable asset – the license.

JUSHI HOLDINGS INC.**Notes to the Condensed Unaudited Interim Consolidated Financial Statements****September 30, 2021 and 2020***(Amounts Expressed in Thousands of United States Dollars, Unless Otherwise Stated)***8. GOODWILL AND OTHER INTANGIBLE ASSETS****Goodwill**

The continuity of goodwill is as follows:

Goodwill as of December 31, 2020	\$ 31,055
Additions from new business combinations	32,017
Goodwill as of September 30, 2021	\$ 63,072

Other Intangible Assets

The continuity of other intangible assets is as follows:

	Indefinite Life Intangible Asset		Finite Life Intangible Asset				Total	
	Licenses	Formulations	Intellectual Property	Patient/ Customer Database	Tradenames	Non-Compete		Website Development
<u>Cost:</u>								
Balance at December 31, 2020	\$ 118,080	\$ 50	\$ 9,580	\$ 1,944	\$ 5,380	\$ 160	\$ 61	\$ 135,255
Additions ⁽¹⁾	53,171	—	—	4,800	3,600	—	—	61,571
Balance at September 30, 2021	\$ 171,251	\$ 50	\$ 9,580	\$ 6,744	\$ 8,980	\$ 160	\$ 61	\$ 196,826
<u>Accumulated amortization:</u>								
Balance at December 31, 2020			\$ (1,516)	\$ (730)	\$ (841)	\$ (79)	\$ (61)	\$ (3,227)
Amortization expense			(719)	(285)	(442)	(40)	—	(1,486)
Balance at September 30, 2021			\$ (2,235)	\$ (1,015)	\$ (1,283)	\$ (119)	\$ (61)	\$ (4,713)
<u>Net book value:</u>								
Balance at December 31, 2020	\$ 118,080	\$ 50	\$ 8,064	\$ 1,214	\$ 4,539	\$ 81	\$ —	\$ 132,028
Balance at September 30, 2021	\$ 171,251	\$ 50	\$ 7,345	\$ 5,729	\$ 7,697	\$ 41	\$ —	\$ 192,113

⁽¹⁾ During the nine months ended September 30, 2021, the Company recorded additions to intangible assets from its acquisitions. Refer to Note 7 - Acquisitions.

The Company recorded amortization expense of \$562 and \$528 for the three months ended September 30, 2021 and 2020, respectively. The Company recorded amortization expense of \$1,486 and \$1,532 for the nine months ended September 30, 2021 and 2020, respectively. These amounts are recorded within general, administrative and selling expenses in the condensed unaudited interim consolidated statements of operations and comprehensive income (loss). Refer to Note 20 - Nature of Expenses.

JUSHI HOLDINGS INC.**Notes to the Condensed Unaudited Interim Consolidated Financial Statements****September 30, 2021 and 2020***(Amounts Expressed in Thousands of United States Dollars, Unless Otherwise Stated)***9. OTHER NON-CURRENT ASSETS**

Details of other non-current assets are as follows:

	Note	September 30, 2021	December 31, 2020
Equity investment		\$ 1,500	\$ 1,500
Contingent consideration receivable		1,016	865
Non-current employee receivable and accrued interest	24	1,818	2,470
Deposits - equipment		4,550	768
Deposits and escrows - properties		1,325	1,630
Other non-current deposits		1,191	200
Non-current portion of prepaids		103	23
Total other non-current assets		\$ 11,503	\$ 7,456

Equity Investment

The Company acquired a 23.08% ownership interest in PV Culver City, LLC (“PVLLC”) in November 2020. The Company does not have significant influence over, and the Company does not have the right to vote or participate in the management of the PVLLC and therefore the investment is measured at its fair value. The Company estimates the initial cost of its investment in PVLLC to approximate the fair value as of the balance sheet date as PVLLC had minimal operating activities since November 2020.

Contingent Consideration Receivable

The Company is eligible to receive certain contingency payouts from the 2019 sale of its minority interest in Gloucester Street Capital, LLC (“GSC”), which are tied to both the performance of the GSC operations as well as the development of the New York market. During the three and nine months ended September 30, 2021, the Company recorded gains of \$45 and \$151, respectively, related to this contingent consideration receivable, which are included in gains (losses) on investments and financial assets in the condensed unaudited interim consolidated statements of operations and comprehensive income (loss).

The contingent consideration receivable was valued using the present value of expected future cash flows within 3.0 years. The following table quantifies the effect of a 10% increase/decrease in the discount rate used to calculate the fair value of the contingent consideration receivable:

	September 30, 2021	Effect of 10% Increase as of September 30, 2021	Effect of 10% Decrease as of September 30, 2021
Discount rate	17.4%	\$(222)	\$314

JUSHI HOLDINGS INC.**Notes to the Condensed Unaudited Interim Consolidated Financial Statements****September 30, 2021 and 2020***(Amounts Expressed in Thousands of United States Dollars, Unless Otherwise Stated)***10. ACCRUED EXPENSES AND OTHER CURRENT LIABILITIES**

Details of accrued expenses and other current liabilities are as follows:

	Note	September 30, 2021	December 31, 2020
Accrued income taxes - state and federal	21	\$ 35,201	\$ 15,685
Accrued taxes - other		1,609	1,399
Accrued capital expenditures		2,952	2,177
Accrued employee related expenses and liabilities		4,055	2,303
Goods received not invoiced		6,518	2,625
Accrued professional and management fees		810	638
Accrued interest - promissory notes payable	11	135	41
Accrued interest - other debt	15	68	4
Deferred revenue (loyalty program)		1,416	935
Other accrued expenses and current liabilities		2,405	920
Total		\$ 55,169	\$ 26,727

11. PROMISSORY NOTES PAYABLE

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

	September 30, 2021	December 31, 2020
Current notes payable - principal amount	\$ —	\$ 1,620
Non-current notes payable - principal amount	23,398	3,798
Total notes payable - principal amount	\$ 23,398	\$ 5,418
Less: deferred finance charges	—	(3)
Less: original issue discount	(2,207)	(996)
Total notes payable - carrying amount	\$ 21,191	\$ 4,419
Current notes payable - carrying amount	\$ —	\$ 1,338
Non-current notes payable - carrying amount	\$ 21,191	\$ 3,081

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

	PAMS	FBS Nevada	Dalitso	OSD	Nature's Remedy	Total
Carrying amount as of December 31, 2020	\$ 2,765	\$ 1,498	\$ 156	\$ —	\$ —	\$ 4,419
Principal issued for acquisition	—	—	—	3,100	16,500	19,600
Original issuance discount ("OID")	—	—	—	(304)	(1,155)	(1,459)
Principal payments	—	(1,500)	(120)	—	—	(1,620)
Amortization of deferred issuance costs and OID	208	2	2	21	18	251
Carrying amount as of September 30, 2021	\$ 2,973	\$ —	\$ 38	\$ 2,817	\$ 15,363	\$ 21,191



Accrued interest payable for the promissory notes is included in accrued expenses and other current liabilities in the consolidated statements of financial position. Refer to Note 10 - Accrued Expenses and Other Current Liabilities and to Note 20 - Nature of Expenses.

Unsecured Promissory Notes – Nature’s Remedy

In September 2021, in connection with the Nature’s Remedy acquisition, the Company issued a principal amount \$11,500, 8% unsecured three-year note maturing September 10, 2024 and a \$5,000 8% unsecured five-year note maturing September 10, 2026 to the seller. The promissory notes provide for cash interest payments to be made quarterly and all principal and accrued and unpaid interest are due at their respective maturities. Refer to Note 7 - Acquisitions for additional information on the Nature’s Remedy acquisition and the portion of contingent consideration of \$5,000 which would be payable as an addition to the 8% unsecured three-year note.

Secured Promissory Notes – OSD

In April 2021, in connection with the OSD acquisition, the Company issued a principal amount \$3,100, 4% secured promissory note to the seller. The promissory note matures on April 30, 2027 and interest is payable quarterly. The note is secured by the equity of OSD. Pursuant to the terms of the OSD acquisition, indemnification obligations of the seller may be offset against this promissory note in the future if the Company makes a claim for such indemnification and such right of offset. Refer to Note 7 - Acquisitions.

Promissory Notes – PAMS

In August 2020, in connection with the PAMS acquisition, the Company issued a principal amount \$3,750, 8% unsecured promissory note to the seller. The promissory note matures on August 11, 2024 and interest is payable quarterly. The fair value of the promissory note at the time of issuance was determined to be \$2,658, resulting in a fair value discount on issuance of \$1,092 (the “OID”), which is being amortized using an effective interest rate of 7.2% over the life of the promissory note.

Secured Promissory Notes – FBS Nevada

In July 2019, in connection with the FBS Nevada management services and purchase agreements and the related acquisition of the associated real estate, the Company issued \$2,250 in promissory notes and \$375 in other secured notes as part of the consideration. The notes bear interest at 10% per annum. In April 2021, the Company completed the acquisition of 100% of FBS NV equity, which the Company had been operating under an MSA since 2019. In April 2021, the remaining principal balances of the promissory notes (plus accrued interest) were repaid in full.

Promissory Notes – Dalitso

In September 2019, in connection with the Dalitso acquisition, the Company issued 6% promissory notes to the sellers, of which the remaining \$120 matured and was repaid in September 2021.

In connection with the purchases of the non-controlling interests in Dalitso during the fourth quarter of 2020, the Company issued a convertible promissory note to the sellers of the non-controlling interests, of which only \$37 is classified as debt. The remainder, net of deferred taxes, is classified as other equity in the consolidated statements of financial position. The total principal amount of the note is \$2,412, but is mandatorily convertible after the first anniversary (but on or before maturity) into 910,000 Subordinate Voting Shares at a conversion price per share of \$2.65,

JUSHI HOLDINGS INC.**Notes to the Condensed Unaudited Interim Consolidated Financial Statements****September 30, 2021 and 2020***(Amounts Expressed in Thousands of United States Dollars, Unless Otherwise Stated)*

and is thus only the fair value portion of the note that will be paid in cash is classified as debt. The note bears interest at 1% per annum and matures on November 19, 2022.

During the third quarter of 2021, \$120 of 6% convertible promissory notes related to the original September 2019 Dalitso acquisition was repaid on maturity.

12. LEASE OBLIGATIONS

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

The continuity and details of lease liabilities are as follows:

	September 30, 2021	December 31, 2020
Lease liabilities as of beginning of period	\$ 39,210	\$ 6,498
Lease additions ⁽¹⁾	51,444	15,636
Lease additions from acquisitions ⁽²⁾	32,210	18,895
Lease payments	(6,055)	(3,168)
Interest expense on lease liabilities	7,256	3,321
Lease reassessment and reclassification	945	(1,933)
Lease disposals ⁽³⁾	(5,707)	(39)
Lease liabilities as of end of period	\$ 119,303	\$ 39,210
Current lease obligations	\$ 15,059	\$ 4,716
Non-current lease obligations	\$ 104,244	\$ 34,494

⁽¹⁾ Included in lease additions above is approximately \$38,000 related to second quarter amendments of a PAMS existing lease. Refer to Note 6 - Property, Plant and Equipment for additional details.

⁽²⁾ Refer to Note 7 - Acquisitions.

⁽³⁾ Lease disposals for the nine months ended September 30, 2021 primarily relate to the purchase of a previously leased Dalitso facility in Virginia. Refer to Note 6 - Property, Plant and Equipment.

As of September 30, 2021 estimated future minimum lease payments under non-cancelable operating leases having an initial or remaining term of more than 1 year are as follows:

Less than one year	\$ 16,598
One to five years	55,833
Greater than five years	303,369
Total undiscounted lease obligations	\$ 375,800
Interest	(256,497)
Lease obligations as of September 30, 2021	\$ 119,303

JUSHI HOLDINGS INC.**Notes to the Condensed Unaudited Interim Consolidated Financial Statements****September 30, 2021 and 2020***(Amounts Expressed in Thousands of United States Dollars, Unless Otherwise Stated)*

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

As of September 30, 2021, estimated future minimum lease payments under non-cancelable operating leases having an initial term of one year or less were \$293 and are not capitalized in the consolidated statement of financial position. The Company's rent expense related to low-value and short-term leases is included in general and administrative expenses and was \$102 and \$44 for the three months ended September 30, 2021 and 2020, respectively, and was \$268 and \$105 for the nine months ended September 30, 2021 and 2020, respectively.

Some property leases may contain variable payment terms that are linked to sales generated from a store or cannabis regulation changes. Variable lease payments included in general and administrative expenses totaled \$88 and \$7 for the three months ended September 30, 2021 and 2020, respectively, and totaled \$247 and \$25 for the nine months ended September 30, 2021 and 2020, respectively. Variable payment terms may be used for a variety of reasons, including minimizing the fixed costs base for newly established stores. Variable lease payments that depend on sales are recognized in profit or loss in the period in which the condition that triggers those payments occurs. All extension options that are reasonably certain to be exercised have been included in the measurement of lease obligations. The Company reassesses the likelihood of extension option exercise if there is a significant event or change in circumstances within its control.

13. SENIOR NOTES

Details of the carrying amounts of the Company's 10% senior notes due January 15, 2023 ("Senior Notes") is as follows:

	September 30, 2021	December 31, 2020
Senior Notes - public ⁽¹⁾	\$ 68,218	\$ 76,352
Senior Notes - private	6,975	6,975
Total Senior Notes - principal amount	\$ 75,193	\$ 83,327
Less:		
Amounts to accrete (from original issue discount and bifurcation of warrants)	(22,128)	(32,585)
Deferred transaction costs, net	—	(176)
Total Senior Notes, carrying amount	\$ 53,065	\$ 50,566

⁽¹⁾ The public notes are listed under the symbol "JUSH.DB.U" and were deemed to be tradable at approximately the principal amount as of September 30, 2021.

JUSHI HOLDINGS INC.**Notes to the Condensed Unaudited Interim Consolidated Financial Statements****September 30, 2021 and 2020***(Amounts Expressed in Thousands of United States Dollars, Unless Otherwise Stated)*

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

	Nine Months Ended September 30, 2021	
	Senior Notes	Accrued Interest
Carrying amount as of December 31, 2020	\$ 50,566	\$ —
Debt redemption - principal amount	(8,134)	—
Debt redemption - loss on extinguishment ⁽¹⁾	3,815	—
Accretion and amortization expense ⁽²⁾	6,818	—
Coupon interest expense ⁽²⁾	—	5,734
Interest paid in cash	—	(5,734)
Carrying amount as of September 30, 2021	\$ 53,065	\$ —
	Nine Months Ended September 30, 2020	
	Senior Notes	Accrued Interest
Carrying amount as of December 31, 2019	\$ 10,736	\$ 40
10% Senior Notes principal amount issued, net	67,495	—
Fair value allocated to derivative warrant liabilities on issuance	(30,244)	—
OID on issuance	(1,735)	—
Debt modifications ⁽¹⁾	(4,158)	(31)
Adjustments for debt issuance costs	(227)	—
Accretion and amortization expense ⁽²⁾	4,647	—
Coupon interest expense ⁽²⁾	—	4,316
Interest paid in cash	—	(4,325)
Cash subscriptions for Senior Notes received not yet issued	—	—
Carrying amount as of September 30, 2020	\$ 46,514	\$ —

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

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

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

Mandatory Redemptions

The Company is required to offer to redeem the Senior Notes using 33% of the net proceeds from any equity offerings by the Company or any of its subsidiaries (including the Guarantors), at a purchase price equal to par plus accrued but unpaid interest (no premiums). The note holder has the option to waive their right to redemption. This mandatory prepayment option (“Prepayment Option”) represents an embedded derivative liability. Refer to Note 14 - Derivatives for additional information on the Prepayment Option.

Pursuant to these terms of the 10% Senior Notes, in connection with the January 2021 and February 2021 equity offerings, in January 2021, the Company redeemed \$4,900 of principal amount, and in March 2021 the Company redeemed \$3,234 principal amount outstanding, for a total \$8,134 redeemed. The difference between the carrying amounts of the Senior Notes and the principal amount extinguished was \$3,815.

JUSHI HOLDINGS INC.**Notes to the Condensed Unaudited Interim Consolidated Financial Statements****September 30, 2021 and 2020***(Amounts Expressed in Thousands of United States Dollars, Unless Otherwise Stated)*

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

Optional Redemptions

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

14. DERIVATIVES

Details of the carrying amounts of the Company's derivatives are as follows:

	September 30, 2021	December 31, 2020
Derivative Warrants liability	\$ 133,346	\$ 204,611
Prepayment Option liability	75	750
Total derivative liabilities, carrying amount	\$ 133,421	\$ 205,361

The continuity of the Company's derivatives are as follows:

	September 30, 2021		
	Derivative Warrants Liability ⁽¹⁾	Prepayment Option Liability	Total Derivative Liabilities
Carrying amounts as of December 31, 2020	\$ 204,611	\$ 750	\$ 205,361
Fair value changes in derivatives	(66,126)	(675)	(66,801)
Derivative warrant exercises	(5,139)	—	(5,139)
Carrying amounts as of September 30, 2021	\$ 133,346	\$ 75	\$ 133,421

⁽¹⁾ Refer to Note 16 - Equity for the continuity of the number of derivative warrants which were issued in connection with the 10% senior notes.

	September 30, 2020		
	Derivative Warrants Liability	Prepayment Option Liability	Total Derivatives
Carrying amount as of December 31, 2019	\$ 5,529	\$ —	\$ 5,529
Fair value of Derivative Warrants on issuance	30,244	—	30,244
Warrant modifications ⁽²⁾	4,179	—	4,179
Fair value changes in derivatives	38,049	—	38,049
Warrant exercises	(82)	—	(82)
Carrying amount as of September 30, 2020	\$ 77,919	\$ —	\$ 77,919

⁽²⁾ Included within gains (losses) on debt and warrant modifications in the condensed unaudited interim consolidated statements of operations and comprehensive income (loss).



Derivative Warrants Liability

The warrants to purchase Subordinate Voting Shares of the Company which were issued in connection with the Senior Notes (the “Derivative Warrants”) have an expiration date of December 23, 2024 and an exercise price of US\$1.25. The Derivative Warrants may be net share settled. These warrants are considered derivative financial liabilities designated at fair value with all gains or losses recognized in profit or loss (“FVTPL”) under IAS 32 *Financial Instruments* (“IAS 32”) due to the cashless exercise option, and certain of these warrants also contain down-round price protection features which also requires liability presentation. The derivatives are classified as non-current liabilities.

There were 41,024,355 and 42,017,892 Derivative Warrants outstanding as of September 30, 2021 and December 31, 2020, respectively. Refer to Note 16 - Equity for the continuity of the Derivative Warrants.

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

	September 30, 2021	December 31, 2020
Stock price	\$4.21	\$5.86
Risk-free annual interest rate	0.58%	0.26%
Range of estimated possible exercise price	\$0.01 - \$1.25	\$0.01 - \$1.25
Volatility	80%	80%
Remaining life	3.23	4 years
Forfeiture rate	0%	0%
Expected annual dividend yield	0%	0%

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

	As of September 30, 2021			As of December 31, 2020		
	Input	Effect of 10% Increase	Effect of 10% Decrease	Input	Effect of 10% Increase	Effect of 10% Decrease
Stock price	\$ 4.21	\$ 16,096	\$ (15,959)	\$ 5.86	\$ 21,856	\$ (23,707)
Volatility	80 %	\$ 2,835	\$ (2,772)	80 %	\$ 1,508	\$ (4,239)



Prepayment Option

The mandatory Prepayment Option on the 10% Senior Notes (Refer to Note 13 - Senior Notes) represents an embedded derivative which must be bifurcated and recorded at fair value (FVTPL) at each reporting period. The estimated fair value of the Prepayment Option was a liability of \$75 and \$750 as of as of September 30, 2021 and December 31, 2020, respectively. The estimated fair value of the Prepayment Option was determined using a probability-weighted discounted cash flow analysis, taking into account the future likelihood of the mandatory redemption. These are Level 3 recurring fair value measurements. The significant assumptions used in the calculations are as follows: the probability of a mandatory redemption, a mid-point redemption date, and the discount rate, which is based on market yields of similar host instruments. If any of the assumptions used in the calculation were to increase or decrease, this could result in a material or significant increase or decrease in the estimated fair value of the Prepayment Option.

15. OTHER DEBT AND OTHER NON-CURRENT LIABILITIES

The details and continuity of other debt and other non-current liabilities is as follows:

	Financing Obligations	Unsecured Credit Lines	Contingent Consideration Liability ⁽²⁾	Total Other Debt and Other Non- Current Liabilities
Current portion of other debt as of December 31, 2020	\$ 261	\$ —	\$ —	\$ 261
Non-current other debt as of December 31, 2020	2,861	614	—	3,475
Total other debt as of December 31, 2020	\$ 3,122	\$ 614	\$ —	\$ 3,736
Additions	—	3,013	8,223	11,236
Reclassification	263	—	—	263
Amortization ⁽¹⁾	282	—	—	282
Payments	(298)	—	—	(298)
Foreign exchange impact	—	(149)	—	(149)
Total other debt and non-current liabilities as of September 30, 2021	\$ 3,369	\$ 3,478	\$ 8,223	\$ 15,070
Current portion of other debt as of September 30, 2021	\$ 297	\$ 1,732	\$ —	\$ 2,029
Non-current other debt and other liabilities as of September 30, 2021	\$ 3,072	\$ 1,746	\$ 8,223	\$ 13,041

JUSHI HOLDINGS INC.

Notes to the Condensed Unaudited Interim Consolidated Financial Statements

September 30, 2021 and 2020

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



-
- (1) Amortization of the financing obligation is included in interest expense in the condensed unaudited interim consolidated statements of operations and comprehensive income (loss). for additional information on the contingent consideration liability, which relates to the Nature's Remedy acquisition.
- (2) Refer to Note 7 - Acquisitions for details on the contingent consideration liability, which relates to the Nature's Remedy acquisition during the third quarter of 2021.

Financing Obligations

The financing obligations primarily relate to a property financing transaction that closed in July 2020 for \$3,100 in cash proceeds. The initial monthly payment was \$27 and monthly payments for the financing obligation increase 2.25% annually and the expected term is 30 years.

Unsecured Credit Lines - Jushi Europe

In April 2021, Jushi Europe entered into an unsecured bridge loan with the Company (51% owner) and an investment partner for a total of €1,800 principal amount, of which €900 was contributed by the Company and is eliminated on consolidation. In September 2021, the parties amended the loan agreement and an additional €1,200 in funding was provided for Jushi Europe, of which 51% was contributed by the Company and is eliminated on consolidation. The bridge loan, as amended, currently accrues interest at 0.5% per annum, which is the foreign marginal lending facility rate plus 25 basis points. All payments including interest are due on maturity, which is 180 days post amendment.

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

16. EQUITY

Authorized, Issued and Outstanding

The authorized share capital of the Company consists of common shares with an unlimited number of Subordinate Voting Shares ("SVS"), an unlimited number of Multiple Voting Shares ("MVS"), and an unlimited number of Super Voting Shares ("SV"). As of September 30, 2021, the Company had 182,204,274 SVS issued and outstanding and no MVS or SV outstanding. On August 9, 2021, all of the 149,000 previously issued and outstanding Super Voting Shares and all of the 4,000,000 previously outstanding Multiple Voting Shares were converted into Subordinate Voting Shares in accordance with their terms as described in Jushi Holdings Inc.'s Articles of Incorporation. All previously outstanding warrants to acquire Super Voting Shares and Multiple Voting Shares were also converted into warrants to acquire Subordinate Voting Shares, without any other amendment to the terms of such warrants.

Public Offerings

On January 7, 2021, the Company closed on an overnight marketed offering for an aggregate of 6,210,000 subordinate voting shares at a price of C\$6.50 per share for total gross proceeds of C\$40,365, and total net proceeds of C\$37,768 (\$29,762). On February 12, 2021, the Company closed on an overnight marketed offering for an aggregate 7,475,000 subordinate voting shares at a price of C\$10.00 per share for total gross proceeds of C\$74,750 and total net proceeds of C\$70,922 (\$55,902). These offerings included the full exercise of the over-allotment option granted to the underwriters.

JUSHI HOLDINGS INC.**Notes to the Condensed Unaudited Interim Consolidated Financial Statements****September 30, 2021 and 2020***(Amounts Expressed in Thousands of United States Dollars, Unless Otherwise Stated)***Restricted Stock and Stock Options**

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

Other Equity

Refer to Note 11 - Promissory Notes Payable for details of a convertible promissory note classified as equity.

Warrants

The following table summarizes the warrants outstanding as of September 30, 2021:

Expiration Date	Exercise Price (\$)	Number of Warrants
February 2, 2022 - July 17, 2022	\$1.31 - \$1.35	550,000 ⁽¹⁾
February 6, 2023	1.47	100,000 ⁽¹⁾
September 27, 2023	1.50	237,500 ⁽³⁾
December 23, 2024	1.25	41,024,355 ⁽⁴⁾
June 25, 2025 - November 25, 2025	\$2.47 - \$ 2.93	1,435,075 ⁽¹⁾
January 1, 2029	1.50	155,959 ⁽¹⁾
April 17, 2029	2.00	1,486,668 ⁽¹⁾
June 6, 2029	0.50	4,125,000 ⁽¹⁾⁽⁷⁾⁽⁵⁾
June 6, 2029	1.00	19,700,000 ⁽²⁾⁽⁷⁾⁽⁵⁾
June 6, 2029	1.35	900,000 ⁽¹⁾⁽⁷⁾⁽⁶⁾
December 23, 2029	1.58	139,355 ⁽¹⁾
January 15, 2030 - July 30, 2030	\$1.25 - \$1.58	165,846 ⁽¹⁾
Total warrants		70,019,758

⁽¹⁾ Issued for services rendered, including consulting and broker warrants. The fair value of these warrants was determined using the Black-Scholes option-pricing model, which is determined to provide a reliable estimate of the fair value of goods or services received.

⁽²⁾ Issued with the sale of stock.

⁽³⁾ Issued in 2018 in connection with a contemplated financing.

⁽⁴⁾ Issued in connection with the 10% Senior Notes. These warrants represent a derivative liability and are therefore not classified as equity in the statement of financial position. Refer to Note 14 - Derivatives for further details.

⁽⁵⁾ In August 2021, all outstanding warrants to acquire Super Voting Shares and Multiple Voting Shares were converted into warrants to acquire Subordinate Voting Shares, without any other amendment to the terms of such warrants. The 162,750 outstanding warrants for Super Voting Shares were converted to 16,275,000 warrants for Subordinated Voting Shares. The 6,750,000 warrants for Multi-Voting shares were converted into 6,750,000 warrants for Subordinate Voting Shares.

⁽⁶⁾ Subject to accelerated expiration or forced exercise.

⁽⁷⁾ Subject to exercise trigger/liquidity event.

JUSHI HOLDINGS INC.**Notes to the Condensed Unaudited Interim Consolidated Financial Statements****September 30, 2021 and 2020***(Amounts Expressed in Thousands of United States Dollars, Unless Otherwise Stated)*

As of September 30, 2021, warrants issued and outstanding have a weighted-average remaining contractual life of 4.9 years. Certain warrants may be net share settled.

The continuity of the warrants outstanding is as follows:

	Non-Derivative Warrants	Derivative Warrants ⁽³⁾	Total Number of Warrants	Weighted - Average Exercise Price
Balance as of December 31, 2020 ⁽¹⁾	36,764,244	42,017,892	78,782,136	\$ 1.31
Exercised ⁽²⁾	(7,518,841)	(993,537)	(8,512,378)	2.38
Cancelled	(250,000)	—	(250,000)	1.50
Balance as of September 30, 2021	28,995,403	41,024,355	70,019,758	1.18
Exercisable	27,432,067	41,024,355	68,456,422	\$ 1.15

⁽¹⁾ The number of outstanding warrants on a non-converted basis was 62,669,886 as of December 31, 2020. During August 2021, 162,750 warrants for Super Voting Shares were converted to 16,275,000 warrants for SVS.

⁽²⁾ The weighted average share price as of the dates of exercise was \$5.72. The Company issued 7,813,023 Subordinate Voting Shares and received \$16,327 in cash proceeds during the nine months ended September 30, 2021.

⁽³⁾ Includes derivative warrants which were issued to the 10% Senior Notes holders and which have an exercise price of \$1.25. These warrants represent a derivative liability and are therefore not classified as equity in the statement of financial position. Refer to Note 14 - Derivatives.

17. SHARE-BASED COMPENSATION

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2021	2020	2021	2020
Stock options	\$ 993	\$ 384	\$ 2,391	\$ 1,350
Restricted stock grants	915	785	4,758	2,177
Warrants	127	105	833	277
Total share-based compensation expense	\$ 2,035	\$ 1,274	\$ 7,982	\$ 3,804

Equity Incentive Plan

Under the Company's 2019 Equity Incentive Plan, as amended, non-transferable options to purchase Subordinate Voting Shares and restricted Subordinate Voting Shares of the Company may be issued to directors, officers, employees, or consultants of the Company. The plan authorizes the issuance of up to 15% of the number of outstanding shares of common stock of the Company (the "Share Reserve"). Incentive stock options are limited to the Share Reserve as of June 6, 2019. As of September 30, 2021, the maximum number of incentive stock option awards available and incentive plan awards available for issuance under the 2019 Plan was 5.2 million and 13.1 million, respectively, and an additional 0.7 million was available for certain new hires.

JUSHI HOLDINGS INC.**Notes to the Condensed Unaudited Interim Consolidated Financial Statements****September 30, 2021 and 2020***(Amounts Expressed in Thousands of United States Dollars, Unless Otherwise Stated)***(a) Stock Options**

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

The continuity of stock options outstanding is as follows:

	Number of Stock Options	Weighted- Average Per Share Exercise Price
Issued and Outstanding as of December 31, 2020	9,573,834	\$ 2.00
Granted ⁽¹⁾	1,790,952	5.44
Exercised ⁽²⁾	(171,666)	2.01
Forfeited/expired ⁽³⁾	(271,668)	2.90
Issued and Outstanding as of September 30, 2021	10,921,452	\$ 2.55
Exercisable as of September 30, 2021	5,559,940	\$ 1.94

⁽¹⁾ The weighted-average per share grant date fair value was \$3.60. Includes 500,000 stock options issued to senior key management with a 5-year vesting period, an exercise price of \$6.10 and grant date fair value of \$4.17. Also includes 13,952 stock options issued to an independent director with quarterly vesting over one year, an exercise price of \$5.71 and grant date fair value of \$3.40.

⁽²⁾ The weighted-average share price at the date of exercise was \$5.72. Total cash proceeds from option exercises was \$112.

⁽³⁾ For awards which were not fully vested at the time of forfeiture, the previously recorded expense was reversed.

The following table summarizes the issued and outstanding stock options as of September 30, 2021:

Expiration Date	Stock Options Outstanding	Exercise Price
October 12, 2021	99,999	\$1.35 - \$2.00
May 25, 2028 - December 1, 2028	870,000	\$1.00 - \$1.35
April 17, 2029 - September 3, 2029	6,659,667 ⁽¹⁾	\$1.80 - \$2.75
December 2, 2029	538,334	\$1.26
February 14, 2030	150,000	\$1.36
May 15, 2030 - June 19, 2030	32,500	\$0.91 - \$1.28
August 8, 2030	240,000	\$1.88
October 13, 2030	205,000	\$2.87
December 1, 2030	370,000	\$3.98
January 18, 2031 - June 15, 2031	840,952 ⁽²⁾	\$5.71 - \$6.53
August 27, 2031	915,000	\$4.71
	<u>10,921,452</u>	

⁽¹⁾ Includes 5,098,000 of stock options, which at the time of issue, were issued to key senior management of the Company.

⁽²⁾ Includes 500,000 of stock options issued to key senior management of the Company.

JUSHI HOLDINGS INC.**Notes to the Condensed Unaudited Interim Consolidated Financial Statements****September 30, 2021 and 2020***(Amounts Expressed in Thousands of United States Dollars, Unless Otherwise Stated)*

As of September 30, 2021, stock options outstanding have a weighted-average remaining contractual life of 8.0 years.

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

	Nine Months Ended September 30,	
	2021	2020
Stock price	\$4.71 - \$6.53	\$0.91 - \$ 1.87
Risk-free annual interest rate	0.45% - 1.25%	0.26% - 1.47%
Expected annual dividend yield	0%	0%
Volatility	74.0% - 78.5%	80% - 85%
Expected life of stock options	5 - 7.5 years	5 - 6 years
Forfeiture rate	0%	0%

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

(b) Restricted Stock Awards

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

	Number of Restricted Subordinate Voting Shares
Unvested restricted stock as of December 31, 2020	6,438,186
Granted ⁽¹⁾	34,815
Vested	(2,806,490)
Unvested restricted stock as of September 30, 2021	3,666,511

⁽¹⁾ The weighted-average per share grant date fair value was \$5.63. Includes 34,815 of restricted stock issued to independent directors which will all be fully vested after one year of service.

Generally, restricted stock awards will vest either one-third on each anniversary of service from the vesting start date or will be fully vested on the completion of one year of full service from the vesting start date, depending on the award. As of September 30, 2021, unvested restricted stock awards have a weighted-average remaining vesting period of 1.2 years.



18. SEGMENTS

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

The Company, as of September 30, 2021, through various subsidiaries, has several operating cannabis retail dispensaries and several wholesale/cultivation cannabis facilities, which have been aggregated for reporting purposes into one reportable retail segment, and one reportable wholesale segment, respectively. The Company defines its segments as those operations whose results the Chief Operating Decision Maker (“CODM”) regularly reviews to analyze performance and allocate resources. Therefore, segment information is prepared on the same basis that management reviews financial information for operational decision-making purposes. The CODM reviews assets on a consolidated basis.

Revenue

Revenue for the Company’s reportable segments is presented and reconciled to consolidated financial information in the following tables:

	Three Months Ended September 30, 2021			Three Months Ended September 30, 2020		
	Revenue by Segment	Intercompany Revenue	Revenue to External Customers	Revenue by Segment	Intercompany Revenue	Revenue to External Customers
Retail	\$ 50,694	\$ —	\$ 50,694	\$ 22,602	\$ —	\$ 22,602
Wholesale	7,611	(4,439)	3,172	2,723	(532)	2,191
Other	115	—	115	120	—	120
Eliminations	(4,439)	4,439	—	(532)	532	—
Consolidated revenue	\$ 53,981	\$ —	\$ 53,981	\$ 24,913	\$ —	\$ 24,913

	Nine Months Ended September 30, 2021			Nine Months Ended September 30, 2020		
	Revenue by Segment	Intercompany Revenue	Revenue to External Customers	Revenue by Segment	Intercompany Revenue	Revenue to External Customers
Retail	\$ 135,173	\$ —	\$ 135,173	\$ 45,347	\$ —	\$ 45,347
Wholesale	16,541	(8,622)	7,919	3,266	(532)	2,734
Other ⁽¹⁾	308	—	308	397	—	397
Eliminations	(8,622)	8,622	—	(532)	532	—
Consolidated revenue	\$ 143,400	\$ —	\$ 143,400	\$ 48,478	\$ —	\$ 48,478

All Retail and Wholesale revenues for the nine months ended September 30, 2021 and 2020 were generated within the United States, and substantially all of the Company’s long-lived assets are located in the United States.



19. EARNINGS (LOSS) PER SHARE

Basic and diluted earnings (loss) per share

The reconciliation of the earnings (loss) and the weighted average number of shares used in the computations of basic and diluted EPS is as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2021	2020	2021	2020
Net income (loss) and comprehensive income (loss) attributable to Jushi shareholders:				
Used in calculating basic earnings (loss) per share	\$ 38,296	\$ (29,426)	\$ 16,620	\$ (53,921)
Deduct: fair value gains on derivative warrant liabilities	(55,022)	—	(66,126)	—
Used in calculating diluted loss per share	\$ (16,726)	\$ (29,426)	\$ (49,506)	\$ (53,921)
Weighted average number of outstanding shares:				
Weighted average number of outstanding shares - basic	169,542,990	93,572,969	158,688,176	93,060,539
Dilutive common stock equivalents: ⁽¹⁾				
Stock options	—	—	—	—
Warrants	30,479,959	—	32,770,450	—
Weighted average number of outstanding shares - diluted	200,022,949	93,572,969	191,458,626	93,060,539

⁽¹⁾ For the three and nine months ended September 30, 2021, stock options and warrants outstanding at period end not considered for inclusion in the computation of EPS because their effect would have been anti-dilutive totaled 39,916,855. In addition, \$5,000 worth of potential subordinate voting shares for contingent consideration related to an acquisition (Refer to Note 7 - Acquisitions) are not included in the calculation of EPS because their effect would have been anti-dilutive. No dilutive potential shares of common stock were included in the computation of diluted net loss per share for the three and nine months ended September 30, 2020 because their effect would be anti-dilutive. For the three and nine months ended September 30, 2020, stock options and warrants outstanding at period end and potential shares from convertible promissory notes not considered for inclusion in the computation of EPS totaled 110,804,737.

JUSHI HOLDINGS INC.**Notes to the Condensed Unaudited Interim Consolidated Financial Statements****September 30, 2021 and 2020***(Amounts Expressed in Thousands of United States Dollars, Unless Otherwise Stated)***20. NATURE OF EXPENSES**

Costs of sales and general, administrative and selling expenses by nature are as follows:

	Note	Three Months Ended September 30,		Nine Months Ended September 30,	
		2021	2020	2021	2020
Cost of goods sold:					
Inventory expensed to cost of sales		\$ 29,377	\$ 13,636	\$ 76,106	\$ 25,481
Other production costs		1,085	241	3,383	420
Inventory provision, net		202	11	236	29
Total cost of goods sold		\$ 30,664	\$ 13,888	\$ 79,725	\$ 25,930
General, administrative and selling expenses:					
Salaries, wages, labor and employee related expenses		\$ 13,240	\$ 4,964	\$ 37,641	\$ 15,045
Depreciation and amortization expense	6, 8	2,096	1,310	4,808	3,390
Other general and administrative expenses ⁽¹⁾		6,977	4,295	19,784	11,796
Share-based compensation	17	2,035	1,274	7,982	3,804
Total general, administrative and selling expenses		\$ 24,348	\$ 11,843	\$ 70,215	\$ 34,035

⁽¹⁾ Other general and administrative expenses is comprised of facility related expenses, professional fees and legal expenses, marketing and selling expenses, insurance costs, administrative and application fees, software and technology costs, travel, entertainment and conferences and other.

Interest expense is comprised of the following:

	Note	Three Months Ended September 30,		Nine Months Ended September 30,	
		2021	2020	2021	2020
Interest and accretion on promissory notes	11	\$ 291	\$ 461	\$ 649	\$ 1,509
Interest on leases liabilities	12	3,014	1,084	7,256	1,913
Interest and accretion on 10% Senior Notes	13	4,671	4,916	12,552	9,501
Interest and accretion - other debt	15	117	93	374	93
Other		—	237	—	162
Total interest expense		\$ 8,093	\$ 6,791	\$ 20,831	\$ 13,178

21. INCOME TAXES

The Company is subject to U.S. federal taxation and is also subject to income taxes in various state jurisdictions, all with varying tax rates. During the nine months ended September 30, 2021, there were no material changes to the statutory tax rates in the taxing jurisdictions where the majority of the Company's income for tax purposes was earned, or where its temporary differences or losses are expected to be realized or settled. During the nine months ended September 30, 2021, the Company's deferred tax liabilities were mainly impacted by (i) the sale of Cresco shares and warrants; (ii) the change in fair value of biological assets; (iii) the OSD acquisition and (iv) the Nature's Remedy acquisitions.

Internal Revenue Code ("IRC") Section 280E denies, at the US federal level, deductions and credits attributable to a trade or business trafficking in controlled substances. Case law shows that "cost of goods sold" has been permitted as a

JUSHI HOLDINGS INC.**Notes to the Condensed Unaudited Interim Consolidated Financial Statements****September 30, 2021 and 2020***(Amounts Expressed in Thousands of United States Dollars, Unless Otherwise Stated)*

deduction in determining taxable income. Certain subsidiaries of the Company with medical and recreational cannabis operations are subject to IRC Section 280E, for those subsidiaries, the Company's US tax is based on gross receipts less cost of goods sold.

The Company's 2019 and 2020 tax returns benefited from not applying IRC Section 280E to certain entities of the consolidated group either due to the entity not yet starting operations or because the entity had a separate trade or business that was not medical or recreational cannabis operations. During 2020, the Company determined that it is not probable that certain tax positions taken in the 2019 income tax returns would be sustained under IFRIC 23 *Uncertainty over Income Tax Treatments*. During the nine months ended September 30, 2021, the Company came to a similar conclusion regarding the 2020 income tax returns. As a result, income tax liabilities of \$15,830 are recorded on the balance sheet as of September 30, 2021, including uncertain tax positions from an acquisition.

22. NON-CONTROLLING INTERESTS

The following tables present the summarized financial information for the Company's subsidiaries that have non-controlling interests for the periods indicated. This information represents amounts before intercompany eliminations.

September 30, 2021:

	Jushi Europe	Other Non-Material Interests	Total
Cash and cash equivalents	\$ 537	\$ —	\$ 537
Prepaid expenses and other current assets	11,178	112	11,290
Property, plant and equipment	4,451	—	4,451
Other non-current assets	31	—	31
Total assets	\$ 16,197	\$ 112	\$ 16,309
Accounts payable and accrued liabilities	\$ 11,894	\$ 332	\$ 12,226
Loan payable	5,466	—	5,466
Non-controlling interests	(62)	—	(62)
Equity attributable to Jushi	(1,101)	(220)	(1,321)
Total liabilities and equity	\$ 16,197	\$ 112	\$ 16,309
Nine Months Ended September 30, 2021			
Net loss	\$ (893)	\$ —	\$ (893)
Net loss attributable to non-controlling interests	426	1	427
Net (loss) income and comprehensive (loss) income attributable to Jushi shareholders	\$ (467)	\$ 1	\$ (466)

JUSHI HOLDINGS INC.**Notes to the Condensed Unaudited Interim Consolidated Financial Statements****September 30, 2021 and 2020***(Amounts Expressed in Thousands of United States Dollars, Unless Otherwise Stated)***December 31, 2020:**

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

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

	Jushi Europe	Agape	Other Non-Material Interests	Total
Balance as of December 31, 2020	\$ 364	\$ 1,562	\$ 1	\$ 1,927
Acquisitions	—	—	—	—
Purchases of non-controlling interests	—	(1,562)	—	(1,562)
Net loss	(426)	—	(1)	(427)
Balance as of September 30, 2021	\$ (62)	\$ —	\$ —	\$ (62)

Purchases of Non-Controlling Interests - Agape

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

23. COMMITMENTS AND CONTINGENCIES**Contingencies**

The Company's operations are subject to a variety of local and state regulations. Failure to comply with one or more of those regulations could result in fines, restrictions on its operations, or losses of permits that could result in the Company ceasing operations. While management of the Company believes that the Company is in material compliance with



applicable local and state regulations as of September 30, 2021, marijuana regulations continue to evolve and are subject to differing interpretations. As a result, the Company could be subject to regulatory fines, penalties or restrictions at any time. In addition, refer to Note 21 - Income Taxes for certain tax related contingencies.

Refer to Note 7 - Acquisitions for an acquisition-related contingent consideration liability and to Note 9 - Other Non-Current Assets for a contingent consideration receivable.

Claims and Litigation

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

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

SFN

On March 19, 2018, the Company acquired a majority stake in TGS National Holdings LLC which controlled TGS National Franchise, LLC ("TGS NF"), a franchisor. During 2018, San Felasco Nurseries, Inc. ("SFN") terminated franchise agreements between it and TGS NF. SFN then sold its business to a third-party. TGS NF contends the termination of the franchise agreements and sale to the third party were wrongful and in late 2018 initiated arbitration seeking to recover its monetary damages. In May 2020, Jushi FL SPV, LLC was substituted for TGS NF as the claimant in the arbitration. The final hearing in the arbitration was held in May 2021. In July 2021, in an Interim Award, three arbitrators of the American Arbitration Association (the "Panel") found that SFN improperly terminated its franchise agreements with Jushi FL SPV, LLC without cause and in bad faith. SFN then sold its Florida cannabis business to Harvest Health & Recreation, Inc., depriving Jushi of the royalties it would otherwise have realized.

The Panel issued a Final Award on October 20, 2021, awarding Jushi \$16,365 for its claims for breach of contract; pre-award interest as of the award date; reasonable attorneys' fees and other costs and fees; plus post award interest. Subject to appeal of the Final Award, a third party is entitled to receive 25% of the recovery of the arbitration, net of all fees and costs related to SFN.

Gain on legal settlements totaled \$22 for the three months ended September 30, 2021 and loss on legal settlements totaled \$1,386 for the nine months ended September 30, 2021. Gains (losses) on legal settlements are included in other income (expense), net in the condensed unaudited interim consolidated statements of operations and comprehensive income (loss). There were \$2,018 of losses on legal settlements for the three and nine months ended September 30, 2020.

Commitments

In addition to the contractual obligations outlined in Note 25 - Financial Instruments and Financial Risk Management, the Company has the following commitments as of September 30, 2021:



(i) Acquisitions

In September 2021, the Company entered into a definitive agreement to acquire 100% of the equity interest of an entity operating an adult-use and medical retail dispensary under the name The Apothecarium in Las Vegas, Nevada (“Apothecarium Nevada”). The Apothecarium Nevada acquisition, together with the prior acquisition of Franklin Bioscience NV, LLC, a holder of medical and adult-use cannabis cultivation, processing, and distribution licenses, will enable the Company to become vertically integrated in Nevada, as well as provide significant branding exposure for Jushi’s high-quality product lines. There can be no assurance that this acquisition will ultimately close.

Refer to Note 26 - Subsequent Events.

(ii) Property and Construction Commitments

The Company has various lease commitments related to various office space, retail locations and warehouses. The Company has certain operating leases with optional renewal terms that the Company may exercise at its option. Refer to Note 12 - Lease Obligations, for further details and for any equipment purchase commitments.

In connection with various license applications, the Company may enter into conditional leases or other property commitments which will be executed if the Company is successful in obtaining the applicable license and/or resolving other contingencies related to the license or application. During the third quarter of 2021, the Company entered into an agreement to purchase a property in Arlington, Virginia, for \$7,000. Refer to Note 26 - Subsequent Events.

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

(iii) Consulting Agreements

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



24. RELATED PARTY TRANSACTIONS

The Company had related party transactions during the periods presented as follows:

Nature of transaction	Nine Months Ended September 30,		Balance as of	
	2021	2020	September 30, 2021	December 31, 2020
	Related Party Income (Expense) \$		Related Party Prepaid/ Receivable (Payable) \$	
Management services agreements ⁽¹⁾⁽³⁾	\$ (30)	\$ (238)	\$ 7	\$ 7
Consulting agreements ⁽²⁾⁽³⁾	—	(38)	—	(13)
Directors' fees ⁽⁴⁾	(36)	(150)	(13)	(50)
10% Senior Notes - interest expense and principal	⁽⁵⁾	(1,657)	⁽⁵⁾⁽⁶⁾	(25,050)
Senior key management ⁽⁷⁾				
Salary and wages ⁽⁸⁾	(1,107)	(925)	—	—
Share-based compensation expense ⁽⁹⁾	(3,764)	(1,286)	—	—
Loans - interest charged / principal plus accrued interest outstanding ⁽¹⁰⁾	91	—	1,850	2,470

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

⁽²⁾ For the nine months ended September 30, 2020 consulting fees include fees paid to Denis Arsenault, a significant shareholder of the Company and former member of the Board of Directors of Jushi Inc.

⁽³⁾ Excludes expense from warrants, which is included in share-based compensation expense. For the nine months ended September 30, 2021 and 2020, total expense for warrants issued in connection with these related party agreements was \$52 and \$203, respectively. The Company did not issue any additional warrants in connection with related party management services or consulting agreements during the nine months ended September 30, 2021 and 2020.

⁽⁴⁾ Excludes expense from restricted stock awards and stock options, which is included in stock-based compensation expense. RSA and stock option expense relating to independent directors totaled \$74 and \$43 for the three months ended September 30, 2021 and 2020, respectively, and totaled \$449 and \$279 for the nine months ended September 30, 2021 and 2020, respectively. For the nine months ended September 30, 2021, the majority of the board of directors' fees were paid in the form of restricted stock or stock options. Refer to Note 17 - Share-Based Compensation. Joseph Max Cohen resigned from the board of directors during the first quarter of 2021 and Marina Hahn was appointed to the board of directors during the second quarter of 2021.

⁽⁵⁾ Outstanding principal balance and interest expense as of and for the nine months ended September 30, 2021 cannot be reliably determined as the majority of the senior notes are publicly traded since December 2020 and may no longer be owned by the original investor as of September 30, 2021.

⁽⁶⁾ Refer to Note 13 - Senior Notes for information on the Senior Notes redemptions which occurred in January and February of 2021. Of the total amount of Senior Notes redeemed in January 2021, \$3,072 was estimated to be related to related parties including certain senior management and a significant shareholder. In February 2021, certain senior key management and a significant investor sold their remaining principal amounts of publicly traded 10% Senior Notes totaling \$19,219.

JUSHI HOLDINGS INC.

Notes to the Condensed Unaudited Interim Consolidated Financial Statements

September 30, 2021 and 2020

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



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

⁽⁸⁾ For the three months ended September 30, 2021 and 2020, salaries and wages for senior key management totaled \$354 and \$325, respectively. For the three and nine months ended September 30, 2021, salaries and wages includes payroll for a new executive employee. Excludes executive severance of \$1,839 related to the termination of former owners of an acquired business and the termination of Mr. Erich Mauff, Co-President and Director of the Board on June 30, 2021.

⁽⁹⁾ For the three months ended September 30, 2021 and 2020, share-based compensation expense for senior key management totaled \$919 and \$326 respectively.

⁽¹⁰⁾ Includes amounts for loans issued in connection with tax elections related to the issuance of certain restricted stock to key management personnel during the year ended December 31, 2020. The Company paid taxes totaling \$2,450 on behalf of these employees, for which promissory notes were issued. The promissory notes bear interest at 5% annually, which is payable on maturity. The promissory notes have a five-year maturity and are subject to acceleration for certain reasons, such as, but not limited to, employment termination or sale of the stock. The loans are reflected in other non-current assets. Refer to Note 9 - Other Non-Current Assets.

Refer to Note 15 - Other Debt and Other Non-Current Liabilities for details of loans from related parties.

25. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT

Financial Instruments

Financial instruments are measured at amortized cost (adjusted for impairments or expected credit losses, as applicable) or at fair value through profit and loss ("FVTPL"). Financial instruments recorded at fair value are classified using a fair value hierarchy that reflects the significance of the inputs to fair value measurements. The three levels of hierarchy are: Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities; Level 2 – Inputs other than quoted prices that are observable for the asset or liability, either directly or indirectly; and Level 3 – Inputs for the asset or liability that are not based on observable market data. There were no transfers between fair value levels during the nine months ended September 30, 2021.

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

JUSHI HOLDINGS INC.**Notes to the Condensed Unaudited Interim Consolidated Financial Statements****September 30, 2021 and 2020***(Amounts Expressed in Thousands of United States Dollars, Unless Otherwise Stated)*

	Note	September 30, 2021	December 31, 2020	Classification and Measurement	Level within the Fair Value Hierarchy for FVTPL Financial Instruments
Financial Assets:					
Cash and cash equivalents and non-current restricted cash		\$ 53,693	\$ 85,857	Amortized Cost	n/a
Accounts receivable		\$ 1,829	\$ 859	Amortized Cost	n/a
Investments in securities - shares	3	\$ 5,905	\$ 6,026	FVTPL	Level 1
Investments in securities - warrants	3	\$ —	\$ 1,908	FVTPL	Level 2
Other current assets	5	\$ 9,102	\$ 1,372	Amortized Cost	n/a
Other non-current assets - contingent consideration receivable	9	\$ 1,016	\$ 865	FVTPL	Level 3
Other non-current assets - equity investment	9	\$ 1,500	\$ 1,500	FVTPL	Level 3
Long-term employee receivables and accrued interest	5, 9	\$ 1,818	\$ 2,470	Amortized Cost	n/a
Financial Liabilities:					
Accounts payable		\$ 6,982	\$ 3,712	Amortized Cost	n/a
Accrued expenses and other current liabilities	10	\$ 55,169	\$ 26,727	Amortized Cost	n/a
Promissory notes payable	11	\$ 21,191	\$ 4,419	Amortized Cost	n/a
Lease obligations	12	\$ 119,303	\$ 39,210	Amortized Cost	n/a
10% Senior Notes	13	\$ 53,065	\$ 50,566	Amortized Cost	n/a
Derivative liabilities	14	\$ 133,421	\$ 205,361	FVTPL	Level 3
Other debt (including current portions and excluding contingent consideration)	15	\$ 6,847	\$ 3,736	Amortized Cost	n/a
Contingent consideration	7	\$ 8,223	\$ —	FVTPL	Level 3

The carrying values of the short-term financial assets and liabilities held at amortized cost approximate their fair values due to the relatively short maturity of those instruments. The non-current equity investment approximates its fair value at the balance sheet date. Other assets held at amortized cost approximate their fair values. The fair value of the 10% Senior Notes as of the balance sheet dates are deemed to have approximated the principal amounts.

Financial Risk Management

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

(a) Credit and Banking Risk

Credit risk is the risk of a potential loss to the Company if a customer or third party to a financial instrument fails to meet its contractual obligations. The maximum credit exposure as of September 30, 2021, is the carrying amount of cash and cash equivalents and restricted cash, investments, accounts receivable, employee receivables and other current/non-current assets. The Company does not have significant credit risk with respect to its customers. The Company provides credit to its customers in the normal course of business and has established credit evaluation and monitoring processes to mitigate credit risk but has limited risk as the majority of its sales are transacted with cash. Employee receivables include promissory notes and pledge agreements that pledge the underlying restricted stock



received by the employees. Non-current assets, such as deposits, are made in the normal course of business. The Company does not have significant risk from its contingent consideration receivable or other investments due to the credit worthiness of the underlying company. The Company is not aware of any credit issues related to its assets.

All cash is placed with major U.S., Canadian or European financial institutions. Financial instruments that potentially subject the Company to concentration of credit risk consist principally of cash deposits. Cash accounts at each institution are insured by either the Canada Deposit Insurance Corporation (“CDIC”) up to CAD\$100,000, the Federal Deposit Insurance Corporation (“FDIC”) or the National Credit Union Association (“NCUA”) up to \$250,000, or Essisuisse Deposit Insurance (“ESI”) up to CHF100,000, as applicable. As of September 30, 2021, the Company had \$47,793 of cash and cash equivalents and restricted cash in excess of these insured limits.

The non-current restricted cash of \$525 as of September 30, 2021 and \$nil as of December 31, 2020, which is disclosed in the condensed unaudited interim consolidated statements of financial position and included in the condensed unaudited interim consolidated statements of cash flows, is subject to regulatory restrictions, set aside for specific purposes and therefore not available for general use by the Company.

(b) Liquidity Risk and Capital Management

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

These condensed unaudited interim consolidated financial statements have been prepared under the assumption that the Company will be able to realize its assets and discharge its liabilities in the normal course of business. The Company plans to use existing funds and funds from the Company’s equity offerings, the Company’s debt offering(s), as well as funds from future offerings and the future sale of products, to fund operations and expansion activities. The Company closed on public equity offerings in January 2021 and February 2021. Refer to Note 16 - Equity. The Company may attempt to issue new shares or issue new debt; however, there can be no assurance that the Company will be able to continue raising capital (equity or debt) in this manner. Refer to Note 26 - Subsequent Events.

In addition to the commitments outlined in Note 23 - Commitments and Contingencies, the Company has the following estimated future contractual payment obligations, excluding interest payments on notes and the unsecured credit lines, and excluding contingent considerations and potential escalations in lease obligations for changes in cannabis regulations, as of September 30, 2021:

JUSHI HOLDINGS INC.**Notes to the Condensed Unaudited Interim Consolidated Financial Statements****September 30, 2021 and 2020***(Amounts Expressed in Thousands of United States Dollars, Unless Otherwise Stated)*

	< 1 Year	1 to 3 Years	3 to 5 Years	> 5 Years	Total
Accounts payable, accrued expenses and accrued liabilities	\$ 62,151	\$ —	\$ —	\$ —	\$ 62,151
10% Senior Notes - principal	—	75,193	—	—	75,193
Promissory notes - principal	—	15,298	5,000	3,100	23,398
Leases - including interest	16,598	28,035	27,798	303,369	375,800
Other debt - including interest	2,186	996	2,573	11,513	17,268
Total	\$ 80,935	\$ 119,522	\$ 35,371	\$ 317,982	\$ 553,810

(c) Market Risk

Currency Risk - The operating results and financial position of the Company are reported in U.S. dollars. As of September 30, 2021, the Companies financial assets and liabilities are denominated primarily in U.S. dollars. From time to time, the Company may enter into financial transactions in currencies other than the U.S. dollar. The Company's results of operations are subject to currency transaction and translation risks. For the nine months ended September 30, 2021, and 2020, the Company recorded foreign exchange losses of \$42 and \$24, respectively.

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

Price Risk - Price risk is the risk of variability in fair value due to movements in equity or market prices. Refer to Note 4 - Inventory and Biological Assets for the Company's sensitivity assessment of certain fair value assumptions used in the calculation of biological asset values. Refer to Note 14 - Derivatives for the Company's sensitivity assessment of certain fair value assumptions used in the calculation of derivative liabilities. Investments in securities are linked to market rates and therefore expose the Company to fair value price risk. A 10% change in the value of short-term investments as of September 30, 2021 would result in a \$591 effect on net income (loss).

Concentration Risk

The Company has a geographical concentration of revenues from external customers as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2021	2020	2021	2020
Pennsylvania	52%	53%	52%	55%
Illinois	36%	43%	39%	41%

26. SUBSEQUENT EVENTS**Debt Facility**

On October 20, 2021, the Company entered into definitive documentation in respect of a \$100,000 Senior Secured Credit Facility (the "Acquisition Facility") with Roxbury, LP acting as agent to SunStream Bancorp Inc. ("Sunstream"), a joint venture sponsored by Sundial Growers Inc.. Jushi has drawn down a notional amount of \$40,000 from the Acquisition Facility to fund the cash portion of the recently completed acquisition of Nature's Remedy. Additionally, the Company will consider borrowing future amounts under the Acquisition Facility for potential strategic expansion opportunities in both its core and developing markets. After being drawn, loans issued under the Acquisition Facility will bear an interest



rate of 9.5% per annum, payable quarterly, and will mature five years from the closing date. The Company will be able to make additional draws under the facility for an 18-month period, and will have a two-year interest-only period before partial amortization begins on a quarterly basis. The Company also may increase the total commitment of the Acquisition Facility by an aggregate amount of up to \$25,000, subject to certain conditions. The Acquisition Facility is secured by a first lien over certain Company assets and on a pari passu basis with current senior indebtedness on existing assets that are collateralized under the Company's current senior debt.

Chief Financial Officer

On October 18, 2021, Edward Kremer was appointed Chief Financial Officer ("CFO") of the Company. Mr. Kremer replaces Kimberly Bambach who has stepped down from her role as CFO.

Property Purchase

In November 2021, the Company closed on the purchase of a property in Arlington, Virginia, for \$7,000.

Preliminary Base Shelf Prospectus

On November 11, 2021, the Company announced it had filed a preliminary short form base shelf prospectus (the "Shelf Prospectus") with the Securities Commissions in each of the provinces of Canada (except Quebec). The Shelf Prospectus, when made final, will allow the Company to offer up to C\$500 million subscription receipts, debt securities, convertible securities, warrants, subordinate voting shares, and units, or any combination thereof, from time to time during the 25-month period that the (final) Shelf Prospectus is effective. The final short form base shelf prospectus will be filed after the expiry of and will replace the Company's existing short form base shelf prospectus, which was filed on October 9, 2020 with certain Canadian securities regulatory authorities. The Company filed the Shelf Prospectus in order to maintain financial flexibility, including for responding to significant regulatory improvements and pursuing opportunistic acquisitions.

Acquisitions

On November 17, 2021, the Company announced it entered a definitive agreement to acquire NuLeaf, Inc. together with its subsidiaries and related companies (collectively, "NuLeaf"), a Nevada-based vertically integrated operator, for total consideration of up to \$62,500. NuLeaf currently operates two high-performing adult-use and medical retail dispensaries in Las Vegas, NV and Lake Tahoe, NV, in addition to a 27,000 sq. ft. cultivation facility in Sparks, NV, as well as a 13,000 sq. ft. processing facility in Reno, NV. Additionally, NuLeaf owns a third licensed retail dispensary located directly on Las Vegas Boulevard, expected to become operational in early 2022, subject to regulatory approval and other conditions. This will expand the Company's permitted licensed retail footprint to 39 locations nationwide.