.Jushi

JUSHI HOLDINGS INC.

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

FOR THE THREE MONTHS ENDED MARCH 31, 2022 and 2021

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

JUSHI HOLDINGS INC.
CONDENSED UNAUDITED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2022

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Notice of No Auditor Review of Condensed Interim Financial Statements

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

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

	Note	*(unaudited)* March 31, 2022		* December 31, 2021	
ASSETS					
CURRENT ASSETS:					
Cash and cash equivalents	22	$	75,717	$	94,962
Accounts receivable, net			1,460		3,200
Inventories, net	3		50,022		41,430
Biological assets	3		7,052		10,849
Prepaid expenses and other current assets	4		6,174		12,875
Total current assets		$	140,425	$	163,316
NON-CURRENT ASSETS:					
Property, plant and equipment, net	5	$	260,494	$	245,980
Other intangible assets, net	7		189,931		182,466
Goodwill, net	7		84,739		75,330
Other non-current assets	8		12,263		10,298
Non-current restricted cash	22		525		525
Total non-current assets		$	547,952	$	514,599
Total assets		$	688,377	$	677,915
LIABILITIES AND EQUITY					
CURRENT LIABILITIES:					
Accounts payable		$	21,609	$	10,539
Accrued expenses and other current liabilities	9		30,068		45,228
Income taxes payable, including uncertain tax positions	18		51,024		49,003
Debt, net - current portion	10		63,219		2,113
Lease obligations - current	12		15,465		14,964
Total current liabilities		$	181,385	$	121,847
NON-CURRENT LIABILITIES:					
Non-current debt, net	10	$	77,699	$	125,111
Lease obligations - non-current	12		103,956		103,905
Derivative liabilities	11		68,975		92,435
Deferred tax liabilities	18		48,898		43,299
Contingent consideration liabilities	9		6,945		8,223
Total non-current liabilities		$	306,473	$	372,973
Total liabilities		$	487,858	$	494,820
COMMITMENTS AND CONTINGENCIES	20				
EQUITY:					
Share capital and share reserves	13, 14	$	459,053	$	427,320
Accumulated deficit	19	$	(257,147)	$	(242,838)
Total Jushi shareholders' equity		$	201,906	$	184,482
Non-controlling interests	19	$	(1,387)	$	(1,387)
Total equity		$	200,519	$	183,095
Total liabilities and equity		$	688,377	$	677,915

** 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 LOSS

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

	Note	Three Months Ended March 31, 2022	2021
REVENUE, NET	15	$ 61,888	$ 41,675
COST OF GOODS SOLD	3, 17	(42,014)	(22,934)
GROSS PROFIT BEFORE FAIR VALUE CHANGES		$ 19,874	$ 18,741
Realized fair value changes included in inventory sold		(148)	(4,783)
Unrealized fair value changes included in biological assets	3	8,217	6,135
GROSS PROFIT		$ 27,943	$ 20,093
OPERATING EXPENSES	17	$ 37,062	$ 21,195
LOSS FROM OPERATIONS BEFORE OTHER INCOME (EXPENSE)		$ (9,119)	$ (1,102)
OTHER INCOME (EXPENSE):			
Interest expense, net	10	$ (11,245)	$ (6,556)
Fair value changes in derivatives	11	14,309	(9,358)
Other. net		155	(3,352)
Total other income (expense), net		$ 3,219	$ (19,266)
LOSS AND COMPREHENSIVE LOSS BEFORE INCOME TAXES		$ (5,900)	$ (20,368)
Current income tax expense	18	(6,346)	(6,473)
Deferred income tax (expense) benefit	18	(2,063)	40
NET LOSS AND COMPREHENSIVE LOSS		$ (14,309)	$ (26,801)
Net loss attributable to non-controlling interests	19	—	(175)
NET LOSS AND COMPREHENSIVE LOSS ATTRIBUTABLE TO JUSHI SHAREHOLDERS		$ (14,309)	$ (26,626)
NET LOSS AND COMPREHENSIVE LOSS PER SHARE ATTRIBUTABLE TO JUSHI SHAREHOLDERS - BASIC AND DILUTED	16	$ (0.08)	$ (0.18)
Weighted average shares outstanding - basic and diluted	16	188,446,340	149,933,639

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 Reserves							
	Super Voting Shares	Multiple Voting Shares	Subordinate Voting Shares	Share Capital	Stock Options	Warrants	Restricted Shares	Other	Accumulated Deficit	Total Jushi Shareholders' Equity	Non-Controlling Interests	Total Equity
Balances - January 1, 2022	—	—	182,707,359	$ 402,364	$ 10,546	$ 9,465	$ 3,941	$ 1,004	$ (242,838)	$ 184,482	$ (1,387)	$ 183,095
Public offerings	—	—	3,717,392	13,680	—	—	—	—	—	13,680	—	13,680
Acquisition of Apothecarium	—	—	527,704	1,594	—	—	—	—	—	1,594	—	1,594
Restricted stock grants and vesting, net of forfeitures	—	—	5,952	82	—	—	650	—	—	732	—	732
Warrant expense, net of cancellations	—	—	—	—	—	287	—	—	—	287	—	287
Stock option expense, net of forfeitures	—	—	—	—	5,745	—	—	—	—	5,745	—	5,745
Shares issued upon exercise of warrants	—	—	2,676,303	10,236	—	(541)	—	—	—	9,695	—	9,695
Shares issued upon exercise of stock options	—	—	93,915	202	(202)	—	—	—	—	—	—	—
Net loss	—	—	—	—	—	—	—	—	(14,309)	(14,309)	—	(14,309)
Balances - March 31, 2022	—	—	189,728,625	$ 428,158	$ 16,089	$ 9,211	$ 4,591	$ 1,004	$ (257,147)	$ 201,906	$ (1,387)	$ 200,519
Balances - January 1, 2021	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 offering	—	—	13,685,000	85,660	—	—	—	—	—	85,660	—	85,660
Purchase of non-controlling interests	—	—	500,000	3,425	—	—	—	—	(1,863)	1,562	(1,562)	—
Acquisition of Grover Beach	—	—	49,348	368	—	—	—	—	—	368	—	368
Restricted stock grants and vesting, net of forfeitures	—	—		778	—	—	1,560	—	—	2,338	—	2,338
Warrant expense, net of cancellations	—	—	—	—	—	497	—	—	—	497	—	497
Stock option expense, net of forfeitures	—	—	—	—	728	—	—	—	—	728	—	728
Shares issued upon exercise of warrants	—	—	3,898,180	13,707	—	(572)	—	—	—	13,135	—	13,135
Shares issued upon exercise of stock options	—	—	15,000	36	(6)	—	—	—	—	30	—	30
Net loss	—	—	—	—	—	—	—	—	(26,626)	(26,626)	(175)	(26,801)
Balances - March 31, 2021	149,000	4,000,000	150,543,592	$ 348,597	$ 4,371	$ 10,329	$ 5,794	$ 1,004	$ (292,580)	$ 77,515	$ 190	$ 77,705

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)

	Three Months Ended March 31, 2022	Three Months Ended March 31, 2021
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net loss	$ (14,309)	$ (26,801)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Depreciation and amortization, including amounts in cost of goods sold	$ 3,675	$ 1,769
Share-based payments	6,764	3,563
Fair value changes in derivatives	(14,309)	9,358
Non-cash interest expense	7,642	4,558
Deferred income taxes	2,063	(40)
Realized fair value changes included in inventory sold	148	4,783
Unrealized fair value changes included in biological assets	(8,217)	(6,135)
Gains on investments and financial assets	—	(1,173)
Loss on debt extinguishment	—	3,815
Non-cash other expense	(38)	(13)
Changes in operating assets and liabilities, net of acquisitions:		
Accounts receivable	$ 1,770	$ (16)
Prepaid expenses and other current assets	7,177	511
Inventory	(6,862)	(10,230)
Biological assets	12,014	4,550
Other assets	(50)	(115)
Accounts payable, accrued expenses and other current liabilities	4,836	12,077
Net cash flows provided by operating activities	$ 2,304	$ 461
CASH FLOWS FROM INVESTING ACTIVITIES:		
Payments for acquisitions, net of cash acquired	$ (6,592)	$ (3,592)
Payments for property, plant and equipment	(25,729)	(8,699)
Proceeds from investments	—	3,252
Net cash flows used in investing activities	$ (32,321)	$ (9,039)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Issuance of shares for cash, net	$ 13,680	$ 85,660
Proceeds from exercise of warrants and options	541	9,886
Redemptions of senior notes	(258)	(8,134)
Interest payments on senior notes	(1,878)	(1,975)
Payments on promissory notes	(436)	(115)
Payments on lease obligations	(4,003)	(1,609)
Proceeds from other debt	3,265	1,133
Repayments of other debt	(130)	—
Net cash flows provided by financing activities	$ 10,781	$ 84,846
Effect of currency translation on cash	(9)	(40)
NET CHANGE IN CASH AND CASH EQUIVALENTS AND RESTRICTED CASH	$ (19,245)	$ 76,228
CASH AND CASH EQUIVALENTS AND RESTRICTED CASH, BEGINNING OF PERIOD	95,487	85,857
CASH AND CASH EQUIVALENTS AND RESTRICTED CASH, END OF PERIOD	$ 76,242	$ 162,085
SUPPLEMENTAL CASH FLOW INFORMATION:		
Cash paid for income taxes	$ 3,886	$ 685
NON-CASH INVESTING AND FINANCING ACTIVITIES:		
Accrued capital expenditures	$ 7,566	$ 3,531

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

NOTES TO THE CONDENSED UNAUDITED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

1. NATURE OF OPERATIONS

Jushi Holdings Inc. (the “Company” or “Jushi”) is incorporated under the British Columbia’s Business Corporations Act (“BCBCA”). The Company is a vertically integrated, multi-state cannabis operator engaged in retail, distribution, cultivation, and processing operations in both medical and adult-use markets. As of March 31, 2022, 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, Massachusetts, Nevada, California and Ohio.

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, U.S.A., and its registered address is Suite 1700, Park Place, 666 Burrard Street, Vancouver, British Columbia V6C 2X8, Canada.

2. BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Statement of Compliance

These condensed unaudited interim consolidated financial statements of the Company have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”) and interpretations of the IFRS Interpretations Committee (“IFRIC”) in effect for the three months ended March 31, 2022, 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, 2021, which were filed on May 2, 2022 on SEDAR. These condensed unaudited interim consolidated financial statements were approved by the Board of Directors on May 27, 2022.

Basis of Presentation

These condensed unaudited interim consolidated financial statements have been prepared assuming the Company will continue as a going concern. IFRS requires that an entity to look forward at least 12 months from the end of the reporting period (the “look-forward” period) when assessing whether the going concern assumption can be used. The going concern assumption contemplates the realization of assets and satisfaction of liabilities in the normal course of business.

As reflected in these consolidated financial statements, the Company has incurred losses from operations for the three months ended March 31, 2022 and has an accumulated deficit of $257,147 as of March 31, 2022. As discussed in Note 10 - Debt, the Company’s 10% senior notes (the “Senior Notes”), which as of March 31, 2022 had an aggregate principal amount outstanding of $74,935, mature on January 15, 2023, and its Acquisition Facility (refer to Note 10 - Debt) required the Company to maintain certain covenants which the Company may not have been in compliance with if the court accepted Jushi Europe’s petition for bankruptcy and was projected to violate certain financial covenants further within the next twelve months. Management obtained an amendment in April 2022 which included a waiver related to Jushi Europe’s bankruptcy and a change to the terms of the Total Leverage ratio, as defined in the agreement, and the commencement date of leverage testing under the Acquisition Facility. Finally, while the Company may generate positive cash flows from operations, such amounts may not be sufficient to cover the outstanding principal amounts due under the Senior Notes. This condition represents a material uncertainty about the Company's ability to continue as a going concern.

Management believes that this material uncertainty has been alleviated due to: (i) cash and cash equivalents on hand, which were $75,717 as of March 31, 2022; (ii) ongoing efforts with certain lenders to refinance the Senior Notes; (iii) expected continued growth of sales, gross profit and cash flows from operations; and (iv) the ability to defer certain capital projects and reallocate funds for debt repayment, if the need arose. The Company also has access to alternative sources of debt and equity financing, including secured borrowings and through a base shelf prospectus, which allows the Company to offer up to C$500,000 in securities through the end of 2023.

Management's evaluation of the Company's liquidity position involved significant judgment. The most significant judgments involved: (i) a probability assessment of the successful refinancing of the Senior Notes; and (ii) the underlying estimates and assumptions for projected sales, gross profits and cash flow. Management believes its plans are achievable. However, there can be no assurance that the Company will be able to refinance the Senior Notes, generate positive results from operations, or obtain additional liquidity when needed or under acceptable terms, if at all.

Functional and Reporting Currency

The Company and its affiliates' functional currency, as determined by management, is the U.S. dollar. The Company's reporting currency 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 year data has been reclassified to conform to the current year presentation. These reclassifications did not have an effect on total assets, total liabilities, equity, net income (loss), net income (loss) per share or cash flows for the periods presented.

Basis of Consolidation

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

The following are the Company's subsidiaries that are included in these condensed unaudited interim consolidated financial statements as of March 31, 2022:

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

NAME [(1)]	State or Country of Incorporation	Ownership Percentage as of March 31, 2022	Ownership Percentage as of December 31, 2021
Jushi Inc	Delaware	100%	100%
Agape Total Health Care Inc.	Pennsylvania	100%	100%
Bear Flag Assets, LLC *and its wholly owned Subsidiary GSG SBCA, Inc*	California	100%	100%
Beyond Hello IL Holdings, LLC *and its wholly owned subsidiary Beyond Hello IL, LLC*	Illinois	100%	100%
Beyond Hello CA, LLC	California	100%	100%
Franklin Bioscience - Penn LLC *and its wholly owned subsidiaries*	Pennsylvania	100%	100%
JMGT, LLC	Florida	100%	100%
JREH, LLC *and its wholly owned subsidiaries*	Delaware	100%	100%
Jushi GB Holdings, LLC	California	100%	100%
Milkman, LLC	California	~78%	~78%
Jushi IP, LLC	Delaware	100%	100%
Jushi MA, Inc.	Massachusetts	100%	100%
Jushi OH, LLC *and its wholly owned subsidiaries*	Ohio	100%	100%
Jushi PS Holdings, LLC *and its wholly owned subsidiary, Organic Solutions of the Desert LLC*	California	100%	100%
Jushi VA, LLC *and its wholly owned subsidiary Dalitso, LLC*	Virginia	100%	100%
Mojave Suncup Holdings, LLC *and its wholly owned subsidiaries*	Nevada	100%	100%
Northeast Venture Holdings, LLC *and its wholly owned subsidiary, Pennsylvania Dispensary Solutions, LLC*	Pennsylvania	100%	100%
PASPV Holdings, LLC *and its wholly owned subsidiary, Pennsylvania Medical Solutions LLC*	Pennsylvania	100%	100%
Sound Wellness Holdings, Inc. *and its wholly owned Subsidiaries*	Delaware	100%	100%
Jushi Europe SA *and its wholly owned subsidiary JPTREH LDA (Portugal)*	Switzerland	51%	51%

December 31, 2021

(1) Certain subsidiaries have been omitted since, in the aggregate, they do not represent a significant subsidiary.
(2) Refer to Note 6 - Acquisition.

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, 2021.

COVID-19

At the onset of the COVID-19 pandemic, the Company implemented new procedures at all operating locations to better protect the health and safety of its employees, medical patients, and customers across its network of dispensaries at the onset of the COVID-19 outbreak. Depending on the location, some of the initiatives include, but are not limited to: reducing the number of point-of-sale registers, restricting the number of people permitted in-store, limiting store hours to those most susceptible, and offering curbside pick-up. The Company has also directed a significant amount of traffic to its recently launched online educational tool and reservation platform, www.beyond-hello.com, which enables a medical patient or customer to view real-time pricing and product availability, and reserve products for convenient in-store pick-up at BEYOND / HELLO™ locations across Pennsylvania, Illinois, California, and Virginia. Although,the Company's dispensaries and grower-processor facilities have remained open throughout the pandemic, the Company has experienced disruptions related to supply chains, labor supply and delays in expansion projects, and in certain states, cannabis license applications, and may experience further disruptions as a result of COVID-19. In particular:

- The Company may experience significant reductions or volatility in demand for its products as customers may not be able to purchase its products due to illness, quarantine or government or self-imposed restrictions placed on its dispensaries' operations or reduction in operational hours due to labor shortages;
- Inability to meet production demand if a particular grower-processor or section of the grower-processor is closed due to illness, quarantine or government or self-imposed restrictions placed on our facility operations or reduction in operational hours due to labor shortages;
- Social distancing measures or changes in consumer spending behaviors due to COVID-19 may impact traffic in the Company's dispensaries and such actions could result in a loss of sales and profit;
- The Company may experience temporary or long-term disruptions in its supply chain;
- Transportation delays and cost increases, closures or disruptions of businesses and facilities, or social, economic, political or labor instability, may impact the Company's or its suppliers' operations or its customers; and
- The Company may experience impairments of assets in markets that are disproportionately impacted by these and other effects of the COVID-19 pandemic.

To date, the Company's financial condition and results of operations have not been materially impacted by COVID-19. The extent to which the COVID-19 pandemic impacts the Company's future results will depend on future developments, which are highly uncertain and cannot be predicted with certainty, including possible future outbreaks of new strains of the virus and governmental and consumer responses to such future developments.

Recent Accounting Pronouncements

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

In May 2020, the IASB issued an amendment to *IAS 37, Provisions, Contingent Liabilities and Contingent Assets ("IAS 37")*. The amendment to IAS 37 clarifies the meaning of costs to fulfill a contract and that before a separate provision for an onerous contract is established, an entity recognizes any impairment loss that has occurred on assets used in fulfilling the contract, rather than on assets dedicated to the contract. This amendment is effective for annual periods beginning on or after January 1, 2022. The adoption did not have a material impact on the Company's consolidated financial statements.

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

3. INVENTORY AND BIOLOGICAL ASSETS

Inventory

The components of inventory are as follows:

	March 31, 2022	December 31, 2021
Finished goods	$ 42,915	$ 33,123
Work in progress and raw materials	9,890	11,198
Less: Inventory reserve	(2,783)	(2,891)
Total inventory	$ 50,022	$ 41,430

The total inventory values as of March 31, 2022 consist of capitalized costs of $36,733 plus fair value adjustments of $13,289. The total inventory values as of December 31, 2021 consist of capitalized costs of $36,690 plus fair value adjustments of $4,740. The fair value adjustments relate to finished goods. Refer to Note 17 - 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:

	Three Months Ended March 31,	
	2022	2021
Balance as of beginning of period	$ 10,849	$ 3,962
Cost incurred until harvest	4,457	2,123
Effect of unrealized change in fair value of biological assets	8,217	6,135
Transferred to inventory upon harvest	(16,471)	(6,672)
Balance as of end of period	$ 7,052	$ 5,548

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 at the stage of growth, 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.

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

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

	March 31, 2022	Effect of 10% Change as of March 31, 2022		March 31, 2021	Effect of 10% Change as of March 31, 2021	
Selling price	$1.46 to $5.16	$	1,653	$3.23 to $5.98	$	890
Stage of growth	6.5 to 8.5 weeks	$	639	8.3 to 14.8 weeks	$	403
Yield per plant	108 to 155 grams	$	632	117 to 144 grams	$	603
Wastage	3.8% to 10.5%	$	738	0.0% to 9.9%	$	33
Post-harvest costs	$0.10 -$0.66	$	805	$0.34 to $1.05	$	129

4. PREPAID EXPENSES AND OTHER CURRENT ASSETS

Prepaid expenses and other current assets include the following:

	Note	March 31, 2022		December 31, 2021	
Prepaid expenses and deposits	6	$	3,844	$	3,837
Landlord receivables for leasehold improvements			394		7,357
Employee receivable			46		248
Other current assets			1,890		1,433
Total prepaid expenses and other current assets		$	6,174	$	12,875

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

5. 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, 2021	$ 49,841	$ 12,381	$ 22,241	$ 12,656	$ 2,222	$ 8,000	$ 116,952	$ 35,622	$ 259,915
Additions from capital expenditures	—	—	32	87	45	240	—	16,600	17,004
Additions from acquisitions	—	—	53	—	—	—	2,553	445	3,051
Lease disposal - purchase of previously leased facility and ROU reassessments	—	—	—	—	—	—	(1,331)		(1,331)
Other disposals	—	—	(50)	—	(7)	(21)	(129)	(3)	(210)
Transfers	1,323	—	—	—	22	299	—	(1,644)	—
Balance as of March 31, 2022	$ 51,164	$ 12,381	$ 22,276	$ 12,743	$ 2,282	$ 8,518	$ 118,045	$ 51,020	$ 278,429
Accumulated Depreciation									
Balance as of December 31, 2021	$ (2,140)	$ —	$ (2,096)	$ (1,290)	$ (695)	$ (1,460)	$ (6,254)	$ —	$ (13,935)
Depreciation [3]	(482)		(637)	(880)	(120)	(409)	(1,592)	—	(4,120)
Lease disposal and reassessments	—	—	30		7	12	71	—	120
Balance as of March 31, 2022	$ (2,622)	$ —	$ (2,703)	$ (2,170)	$ (808)	$ (1,857)	$ (7,775)	$ —	$ (17,935)
Carrying amount									
Balance as of December 31, 2021	$ 47,701	$ 12,381	$ 20,145	$ 11,366	$ 1,527	$ 6,540	$ 110,698	$ 35,622	$ 245,980
Balance as of March 31, 2022	$ 48,542	$ 12,381	$ 19,573	$ 10,573	$ 1,474	$ 6,661	$ 110,270	$ 51,020	$ 260,494

(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 the Company's lease obligations.
(2) Construction in Progress represents assets under construction for manufacturing and retail build-outs not yet ready for use.
(3) Total depreciation for the three months ended March 31, 2022 and 2021 totaled $4,120 and $1,308, respectively. For the three months ended March 31, 2022 and 2021, depreciation absorbed into inventory production totaled $2,171, and $605, respectively.

6. ACQUISITION

Business Combination

In March 2022, the Company closed on the acquisition of 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"). The Apothecarium acquisition, together with the prior acquisition of Franklin Bioscience NV, LLC, a holder of medical and adult-use cannabis cultivation, processing, and distribution licenses, enables the Company to become vertically integrated in Nevada, as well as provide significant branding exposure for Jushi's high-quality product lines.

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

The following table summarizes the preliminary purchase price allocation for Apothecarium as of the acquisition date:

Cash and cash equivalents	$	25
Prepaids and other assets		32
Inventory		699
Property, plant and equipment		498
Right-of-use assets		2,553
Intangible asset - licenses (1)		8,200
Deposits		301
Total assets	$	12,308
Accounts payable and accrued liabilities	$	(502)
Lease liabilities		(2,544)
Deferred tax liabilities		(3,537)
Total liabilities	$	(6,583)
Net assets acquired	$	5,725
Goodwill		9,409
Total	$	15,134
Consideration paid in cash, as adjusted for working capital adjustments	$	6,617
Consideration paid in promissory notes (fair value) (2)		6,923
Consideration paid in shares (3)		1,594
Fair value of consideration	$	15,134

(1) The licenses acquired have indefinite useful lives.
(2) The Company issued a $10,000 promissory note. Refer to "Acquisition-Related Promissory Notes" in Note 10 - Debt for details on the seller notes.
(3) The Company issued 527,704 SVS with a grant date fair value of $3.02 each.

In addition, the Company may pay up to $2,000 in potential earn-out consideration based on the achievement of certain financial metrics. As of the date of acquisition, the Company has not recognized a contingent consideration liability for this acquisition as the probability is unlikely. The estimated range of such potential additional consideration is between $0 and $2,000.

The estimated fair value of the licenses was determined using the multi-period excess earnings method under the income approach based on projections extended to 2036 assuming a 5.3% revenue growth rate in 2023 and a 3% long-term revenue growth rate thereafter. The goodwill recognized from the acquisition is attributable to synergies expected from integrating Apothecarium into the Company's existing business. The goodwill acquired is not deductible for tax purposes.

Preliminary Purchase Price Allocations for Business Combination

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

The consideration has been allocated to the estimated fair values of the assets acquired and liabilities assumed at the date of the acquisition and remains preliminary as of March 31, 2022. These estimated fair values involve significant judgement and estimates. The primary area of judgement involves the valuation of the retail licenses 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: licenses acquired, inventories, leases, 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 Combination Acquisition Results and Supplemental Pro Forma Financial Information

If the business combination had occurred on January 1, 2022, consolidated proforma revenue and consolidated proforma net loss for the three months ended March 31, 2022 would have been \$64,903 and \$14,149, 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 right-of-use assets had applied from January 1, 2022, 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 March 31, 2022, Apothecarium contributed revenues of \$556 and net income of \$55 to the Company's consolidated results.

Business Combination - Acquisition and Deal Costs

For the three months ended March 31, 2022, acquisition and deal costs relating to Apothecarium totaled \$34 and are included within operating expenses in the consolidated statements of operations and comprehensive loss. The remaining acquisition and deal costs included in operating expenses were incurred either for acquisitions not completed or not expected to be completed. Refer to Note 17 - Nature of Expenses.

7. GOODWILL AND OTHER INTANGIBLE ASSETS

Goodwill

The continuity of goodwill is as follows:

Goodwill as of January 1, 2022	$	75,330
Additions from new business combination - Apothecarium		9,409
Goodwill as of March 31, 2022	$	84,739

Other Intangible Assets

During the three months ended March 31, 2022, the Company recorded additions to intangible assets of \$8,200, related to the licenses acquired as part of the Apothecarium acquisition. Refer to Note 6 - Acquisition. The Company recorded amortization expense of \$735 and \$462 for the three months ended March 31, 2022 and 2021, respectively. These amounts are recorded within operating expenses in the condensed unaudited interim consolidated statements of operations and comprehensive loss.

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

8. OTHER NON-CURRENT ASSETS

The components of other non-current assets are as follows:

	March 31, 2022	December 31, 2021
Deposits - equipment	$ 6,606	$ 4,315
Deposits and escrows - properties	1,392	1,343
Indemnification assets (1)	2,275	2,733
Equity investment (2)	1,500	1,500
Other	490	407
Total other non-current assets	$ 12,263	$ 10,298

(1) As part of the Organic Solutions of the Desert, LLC ("OSD") and Nature's Remedy of Massachusetts, Inc. ("Nature's Remedy") acquisition agreements, the sellers contractually agreed to indemnify the Company for certain 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, 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.

(2) The Company owns a 23.08% ownership interest in PV Culver City, LLC ("PVLLC"). The Company does not have significant influence over, and the Company does not have the right to vote or participate in the management of the PVLLC and therefore the investment is measured at its fair value. The fair value as of the balance sheet date approximated the initial fair value as there was no change to the business from the date of acquisition through March 31, 2022.

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

9. ACCRUED EXPENSES AND OTHER CURRENT LIABILITIES

The components of accrued expenses and other current liabilities are as follows:

	March 31, 2022	December 31, 2021
Accrued capital expenditures	7,566	17,599
Goods received not invoiced	6,501	8,007
Accrued employee related expenses and liabilities	5,838	6,062
Accrued professional and management fees	2,007	5,139
Accrued sales and excise taxes	1,189	2,535
Accrued interest on debt	1,470	1,181
Deferred revenue (loyalty program)	1,693	1,427
Other accrued expenses and current liabilities	2,121	3,278
Contingent consideration liabilities - current portion	1,683	—
Total	$ 30,068	$ 45,228

Contingent Consideration Liabilities

In connection with the Nature's Remedy acquisition in 2021, the Company agreed to issue a $5,000 increase to the principal balance of the three-year note that was issued at the time of acquisition and up to an additional $5,000 in Company Subordinate Voting Shares ("SVS") upon the occurrence or non-occurrence of certain events after the closing date. The payment of the contingent consideration depends on whether or not a competitor opens a competing dispensary within a certain radius of the Company's 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, 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). The Company used an estimated probability of approximately 80% in the calculation of the fair value. A 10% increase or decrease in the probability would have resulted in a change in the fair value of approximately $1,100. Contingent consideration that is classified as a liability is remeasured at subsequent reporting dates with the corresponding gain or loss being recognized in the consolidated statement of operations and comprehensive income (loss). The current portion of the contingent consideration is reflected in accrued expenses and other current liabilities in the table above, and the non-current portion ($6,945 and $8,223 as of March 31, 2022 and December 31, 2021, respectively) is reflected separately in the condensed unaudited interim consolidated statements of financial position. For the three months ended March 31, 2022, the Company recognized $405 in fair value losses related to the estimated contingent consideration liability.

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

10. DEBT

The components of the Company's debt are as follows:

	As of March 31, 2022	As of December 31, 2021
Principal amounts:		
10% Senior Notes	$ 74,935	$ 75,193
Acquisition Facility	40,000	40,000
Acquisition-related promissory notes payable	33,251	23,398
Other debt	14,961	11,728
Total debt - principal amounts	$ 163,147	$ 150,319
Less: debt issuance costs and original issue discounts	(22,229)	(23,095)
Total debt - carrying amounts	$ 140,918	$ 127,224
Debt - current portion	63,219	2,113
Debt - non-current portion	$ 77,699	$ 125,111

As of March 31, 2022, aggregate future contractual maturities of the Company's debt are as follows:

	2022	2023	2024	2025	2026	Thereafter	Total
10% Senior Notes	$ —	$ 74,935	$ —	$ —	$ —	$ —	$ 74,935
Acquisition Facility	—	—	3,000	4,000	33,000	—	40,000
Acquisition-related promissory notes payable	48	3,448	17,385	1,971	6,971	3,428	33,251
Other debt	3,652	390	316	303	292	10,008	14,961
Total	$ 3,700	$ 78,773	$ 20,701	$ 6,274	$ 40,263	$ 13,436	$ 163,147

Interest expense, net is comprised of the following:

	Three Months Ended March 31, 2022	Three Months Ended March 31, 2021
Interest and accretion on 10% Senior Notes	$ 5,394	$ 4,705
Interest and accretion - Acquisition Facility	1,439	—
Interest and accretion on promissory notes	611	184
Interest and accretion - other debt	403	113
Interest on leases liabilities	3,413	1,651
Total interest expense	$ 11,260	$ 6,653
Less: Interest income	15	97
Interest expense, net	$ 11,245	$ 6,556

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

SENIOR NOTES

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

	March 31, 2022	December 31, 2021
Senior Notes - public (1)	$ 68,094	$ 68,218
Senior Notes - private	6,841	6,975
Total Senior Notes - principal amount	$ 74,935	$ 75,193
Less: amounts to accrete (from original issue discount and bifurcation of warrants)	(15,473)	(18,995)
Total Senior Notes, carrying amount	$ 59,462	$ 56,198

(1) The public notes are listed under the symbol "JUSH.DB.U" and were deemed to be tradable at approximately the principal amount as of March 31, 2022.

The continuity of the 10% Senior Notes is as follows:

	Three Months Ended March 31, 2022	Three Months Ended March 31, 2021
Carrying amount as of January 1, 2022	$ 56,198	$ 50,566
Debt redemption - principal amount	(258)	(8,134)
Debt redemption - loss on extinguishment	—	3,815
Accretion and amortization expense	3,522	2,727
Carrying amount as of March 31, 2022	$ 59,462	$ 48,974

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 11 - Derivative Liabilities 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.

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

Optional Redemptions

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

ACQUISITION 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. The Company is permitted to borrow 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 bear an interest rate of 9.5% per annum, payable quarterly, and will mature five years from the closing date. Subject to the approval of the Agent's investment committee and other conditions, including compliance with the financial covenants further defined below at the time of borrowing, the Company will be able to make 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 "Accordion"). The Acquisition Facility is secured by a first lien over certain Company assets and on a pari passu basis with the collateral securing the indebtedness of the Company evidence by the Senior Notes. As of March 31, 2022, the Company had approximately $60,000 of availability under the Acquisition Facility (excluding the Accordion). The Company will consider borrowing additional amounts in the future under the Acquisition Facility for potential strategic expansion opportunities in both its core and developing markets.

Until April 20, 2023, a standby fee of 2.25% per annum of: (1) the undrawn amount minus the sum of the daily average of the outstanding amount of the acquisition facility for the preceding calendar quarter shall be paid quarterly, in arrears, on the first business day of each calendar quarter. The standby fee drops to 1.50% on the date the existing 10% Senior Notes mature or are refinanced. An exit fee of 1.50% of the original term loan amount of $100,000 shall be paid upon the earliest of the maturity date, any repayment of the principal balance of the term loans or the occurrence of an event of default. In the event the existing Senior Notes mature or are refinanced, no exit fee is owed by the Company to the lenders. In the event the Company wishes to refinance the Senior Notes, lenders have a right of first refusal to contribute up to 50% of the amount used to refinance the Senior Notes.

As of March 31, 2022, the Company has drawn down $40,000 from the Acquisition Facility to fund the cash portion of the acquisition of Nature's Remedy. The original issue discount was $980 and debt issuance costs capitalized were $721, of which $163 has been amortized as of March 31, 2022. The effective interest rate was 10.3% as of March 31, 2022. Beginning April 1, 2024, the Company must repay 10% per annum of the total amount of the term loans funded to date, in quarterly installments on the first business day of each calendar quarter.

Mandatory and Optional Redemptions

If the Company prepays any of the loans for any reason except for scheduled amortization payments, the Company must also pay a "make-whole premium". The make-whole premium is defined in the agreement as the difference between: (1) all fees and interest payments that would be payable if such Acquisition Facility had been outstanding for 27 months and (2) all payments on such Acquisition Facility or portion thereof received by the Acquisition Facility agent prior to the relevant prepayment.

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

After the Senior Notes mature or are refinanced, the Company is required to repay 100% of net cash proceeds, including all permitted dispositions and exclusions, above $5,000 (individually or in the aggregate in any calendar year) from sales of certain assets within 3 days following the receipt of net cash proceeds.

Covenants

The Acquisition Facility is subject to certain customary non-financial provisions and covenants, and contains covenants that, among other things, restrict the Company's ability to create liens, make investments and acquisitions, incur or guarantee additional indebtedness, enter into mergers or consolidations and other fundamental changes, conduct sales and other dispositions of property or assets, enter into sale-leaseback transactions or hedge agreements, prepay subordinated debt, pay dividends or make other payments in respect of capital stock, change the line of business, enter into transactions with affiliates, enter into burdensome agreements with negative pledge clauses, and make subsidiary distributions. The agreement also includes customary subjective acceleration clauses. In addition, the Company is required to comply with certain financial covenants measured on a fiscal quarter-end basis beginning at the earlier of the maturity or, if applicable, the refinancing of the Senior Notes as follows:

- Total Leverage Ratio, calculated as the ratio of Total Funded Indebtedness to EBITDA (all such terms are defined in the Acquisition Facility agreement) not to exceed the correlative ratio below:

Applicable Ratio	Fiscal Quarter Ending (1)
6.00 to 1.00	March 31, 2022 and June 30, 2022
5.00 to 1.00	September 30, 2022 and December 31, 2022
4.00 to 1.00	March 31, 2023 and June 30, 2023
3.50 to 1.00	September 30, 2023, and all fiscal quarters ending thereafter

- Debt Service Coverage Ratio of at least 1.10 to 1.0, calculated as the ratio of Adjusted EBITDA to Debt Service Amounts (all such terms are defined in the Acquisition Facility Agreement); and

- Minimum sum of unrestricted cash and cash equivalents of at least 5% of the total loan amount under the Acquisition Facility.

(1) In April 2022, the Company entered into an amendment to the Acquisition Facility pursuant to which: (i) the commencement of leverage testing was pushed back by four quarters (now beginning March 31, 2023), (ii) certain leverage ratios were revised; and (iii) the Company may proceed with a reorganization pursuant to a petition for bankruptcy in Switzerland with respect to Jushi Europe without defaulting under the Acquisition Facility. Refer to Note 19 - Non-Controlling Interests for additional information on Jushi Europe.

As of March 31, 2022, the Company was not subject to any financial covenants and was in compliance with all applicable non-financial covenants.

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

ACQUISITION-RELATED PROMISSORY NOTES PAYABLE

A summary of the Company's acquisition-related promissory notes payable is as follows:

	March 31, 2022	December 31, 2021
Total acquisition-related promissory notes payable - principal amount	$ 33,251	$ 23,398
Less: original issue discount and deferred finance charges	(5,125)	(2,370)
Total acquisition-related promissory notes payable - carrying amount	$ 28,126	$ 21,028
Current acquisition-related promissory notes payable - carrying amount	$ 48	$ 48
Non-current acquisition-related promissory notes payable - carrying amount	$ 28,079	$ 20,980

The continuity of the carrying amounts of the acquisition-related promissory notes payable is as follows:

	Total
Carrying amount as of January 1, 2022	$ 21,028
Principal issued for acquisition, net	9,853
Original issuance discount ("OID")	(2,930)
Amortization of deferred issuance costs and OID	175
Carrying amount as of March 31, 2022	$ 28,126

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 9 - Accrued Expenses and Other Current Liabilities.

Unsecured Promissory Notes – Apothecarium

In March 2022, in connection with the Apothecarium acquisition, the Company issued a principal amount $10,000, no interest unsecured five-year note maturing March 16, 2027 to the seller. The promissory note provides for a principal payment of $3,448 on the 21st month anniversary followed by 39 monthly payments to be made on their respective maturities.

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 9 - Accrued Expenses and Other Current Liabilities for additional information on $5,000 contingent consideration related to the Nature's Remedy acquisition, 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 8 - Other Non-Current Assets.

Promissory Notes – PAMS

In August 2020, in connection with the Pennsylvania Medical Solutions, LLC ("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 Franklin Bioscience NV LLC ("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 Nevada 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 connection with the purchases of the non-controlling interests in Dalitso LLC ("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 $48 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, 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.

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

OTHER DEBT

The components and continuity of other debt is as follows:

	Arlington Facility	Financing Obligations	Unsecured Credit Lines	Total Other Debt
Current portion of other debt as of January 1, 2022	$ 90	$ 290	$ 1,685	$ 2,065
Non-current other debt as of January 1, 2022	4,808	3,054	1,699	9,561
Total other debt as of January 1, 2022	$ 4,898	$ 3,344	$ 3,384	$ 11,626
Additions	73	3,265		3,338
Amortization	11	158	—	169
Payments	(64)	(118)	—	(182)
Foreign exchange impact	—	—	(56)	(56)
Balance as of March 31, 2022	$ 4,918	$ 6,649	$ 3,328	$ 14,895
Current portion	$ 97	$ 284	$ 3,328	$ 3,709
Non-current portion	$ 4,821	$ 6,365	$ —	$ 11,186

Arlington Facility

In November 2021, the Company closed on the purchase of a property in Arlington, Virginia, for $7,000. On December 28, 2021, the Company entered into a $6,900 credit facility ("Arlington Facility") with a bank to refinance the purchase. As of December 31, 2021, the Company had $1,900 of remaining availability under the Arlington Facility. The Arlington Facility bears a fixed interest rate of 5.875% per annum payable monthly and will mature on January 1, 2027, approximately 5 years from the closing date. The effective interest rate was 6.35% as of March 31, 2022.

The Company is subject to a prepayment penalty on the principal balance as follows: year one - 5%, year two - 4%, year three - 3% and year four - 2%. The carrying amount of the Arlington property was $7,028 as of March 31, 2022.

The Arlington Facility is subject to certain financial and non-financial debt covenants. Beginning December 31, 2022, the Company must maintain a Debt Service Coverage Ratio of 1.4 times at the subsidiary level and 1.2 times at the consolidated Company level, both of which are measured at year end. Per the Arlington Facility agreement, the Debt Service Coverage Ratio is defined as net operating income divided by annual debt service (principal and interest paid on the Arlington Facility) at the subsidiary level. At the consolidated Company level, the Debt Coverage Ratio is defined as Adjusted EBITDA (at the consolidated Company level) divided by annual debt service (principal and interest paid on the Arlington Facility). As of March 31, 2022, the Company was in compliance with all nonfinancial covenants.

Financing Obligations

The financing obligations primarily relate to two financing transactions. The first transaction related to a Santa Barbara property financing transaction (that did not meet the criteria for sale-leaseback accounting) 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.

The second transaction occurred in the first quarter of 2022 and related to PAMS real estate. During 2021, the Company acquired land and buildings that are adjacent to the PAMS cultivation facility in order to expand the facility. In February 2022, the Company then entered into a sale-leaseback agreement for cash proceeds of $3,065. The Company concluded that control, including the significant risks and rewards of ownership, did not transfer to the buyer-lessor at the inception of the sale-leaseback transaction. As a result, the transaction did not meet the accounting criteria for a successful sale-leaseback transaction and therefore represents a financing obligation. The Company recognized a liability of $3,265, which includes transaction costs. The annual payments are $88 and subject to certain escalation.

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

Unsecured Credit Lines

During the fourth quarter of 2020, Jushi Europe entered into a credit agreement with a sibling of the Jushi Europe non-controlling partner, and received €500 (approximately $614) principal amount. In January 2021, Jushi Europe received €1,000 (approximately $1,114 as of March 31, 2022) principal amount pursuant to a credit agreement with an individual. 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. Subsequent to December 31, 2021, it was determined that Jushi Europe was insolvent. The insolvency created an event of default under the unsecured credit agreements and the notes are immediately due and payable.

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 loans, as amended, currently accrue 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. These loans have not yet been repaid and are delinquent. Refer to Note 19 - Non-Controlling Interests for additional information on Jushi Europe.

11. DERIVATIVE LIABILITIES

The components of the Company's derivative liabilities are as follows:

	March 31, 2022	December 31, 2021
Derivative Warrants liability	$ 68,800	$ 92,261
Prepayment Option liability	174	174
Total derivative liabilities, carrying amount	$ 68,974	$ 92,435

The continuities of the Company's derivative liabilities are as follows:

	March 31, 2022		
	Derivative Warrants Liability	Prepayment Option Liability	Total Derivative Liabilities
Carrying amounts as of January 1, 2022	$ 92,261	$ 174	$ 92,435
Fair value changes in derivatives	(14,309)	—	(14,309)
Derivative warrant exercises	(9,152)	—	(9,152)
Carrying amounts as of March 31, 2022	$ 68,800	$ 174	$ 68,974

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

	March 31, 2021		
	Derivative Warrants Liability	Prepayment Option Liability	Total Derivative Liabilities
Carrying amounts as of January 1, 2021	$ 204,611	$ 750	$ 205,361
Fair value changes in derivatives	9,957	(600)	9,357
Derivative warrant exercises	(3,278)	—	(3,278)
Carrying amounts as of March 31, 2021	$ 211,290	$ 150	$ 211,440

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. There were 36,674,355 and 40,124,355 Derivative Warrants outstanding as of March 31, 2022 and December 31, 2021, respectively. The derivative warrants may be net share settled. Refer to Note 13 - Equity for the continuity of the Derivative Warrants outstanding.

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") as they did not meet the IFRS "fixed for fixed" criteria due to the cashless exercise option, and certain of these warrants also contain(ed) down-round price protection features which also requires liability presentation. The estimated fair value of the Derivative Warrants is measured at each reporting period and an adjustment is reflected in fair value changes in derivatives in the condensed unaudited interim consolidated statements of operations and comprehensive loss. These are Level 3 recurring fair value measurements. The derivatives are classified as non-current liabilities. 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.

The assumptions used in the calculations as of the balance sheet dates and used in the determination of fair value for the periods presented included the following:

	March 31, 2022	December 31, 2021	March 31, 2021
Stock price	$2.85	$3.25	$6.12
Risk-free annual interest rate	2.40%	0.97%	0.56%
Range of estimated possible exercise price	$1.25	$0.04 - $1.25	$0.01 - $1.25
Volatility	67%	73%	80%
Remaining life	2.7 years	3 years	3.7 years
Forfeiture rate	0%	0%	0%
Expected annual dividend yield	0%	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:

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

	As of March 31, 2022			As of December 31, 2021		
	Input	Effect of 10% Increase	Effect of 10% Decrease	Input	Effect of 10% Increase	Effect of 10% Decrease
Stock price	$ 2.85	$ 9,433	$ (9,284)	$ 3.25	$ 12,781	$ (10,834)
Volatility	67 %	$ 2,743	$ (2,598)	73 %	$ 4,473	$ (3,210)

Prepayment Option

The mandatory Prepayment Option on the 10% Senior Notes (Refer to "Senior Notes" in Note 10 - Debt) 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 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 include: 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 increase or decrease in the estimated fair value of the Prepayment Option.

12. LEASE OBLIGATIONS

The Company leases certain business facilities for corporate, retail and cultivation purposes in Florida, Pennsylvania, Ohio, California, Nevada, 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 2022 and 2050.

The continuity and details of lease liabilities are as follows:

	March 31, 2022	December 31, 2021
Lease liabilities as of beginning of period	$ 118,869	$ 39,210
Lease additions	—	51,148
Lease additions from acquisitions [(1)]	2,544	32,210
Lease payments	(4,003)	(9,666)
Interest expense on lease liabilities	3,404	10,729
Lease reassessment and reclassification	(1,331)	945
Lease disposals	(62)	(5,707)
Lease liabilities as of end of period	$ 119,421	$ 118,869
Current lease obligations	$ 15,465	$ 14,964
Non-current lease obligations	$ 103,956	$ 103,905

[(1)] Refer to Note 6 - Acquisition.

As of March 31, 2022 estimated future minimum lease payments under non-cancelable operating leases having an initial or remaining term of more than 1 year are as follows:

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

Less than one year	$	17,101
One to five years		55,784
Greater than five years		276,312
Total undiscounted lease obligations	$	349,197
Interest		(229,776)
Lease obligations as of March 31, 2022	$	119,421

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 March 31, 2022, estimated future minimum lease payments under non-cancelable operating leases having an initial term of one year or less were $418 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 operating expenses and was $130 and $88 for the three months ended March 31, 2022 and 2021, 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 operating expenses totaled $93 and $75 for the three months ended March 31, 2022 and 2021, 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. 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 March 31, 2022, the Company had 189,728,625 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.

Private Placements

In January 2022, the Company closed non-brokered private placement offerings for an aggregate 3,717,392 SVS at a price of $3.68 per share to an existing investor group for aggregate gross proceeds of $13,680.

Restricted Stock and Stock Options

Refer to Note 14 - Share-Based Compensation for details of restricted stock awards and stock option grants.

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

Other Equity

Refer to “Acquisition-Related Promissory Notes” in Note 10 - Debt for details of a convertible promissory note classified as equity.

Warrants

The following table summarizes the warrants outstanding as of March 31, 2022:

Expiration Date	Exercise Price ($)	Number of Warrants
2022	1.25 - 1.31	322,298
2023	1.47 - 1.50	337,500
2024	1.25	36,040,922
2025	1.25 - 2.97	2,068,508
2026	4.18	300,000
2029	0.50 - 2.00	26,367,627
Total warrants		65,436,855

As of March 31, 2022, warrants issued and outstanding have a weighted-average remaining contractual life of 4.5 years. Certain warrants may be net share settled.

The continuity of the warrants outstanding is as follows:

	Non-Derivative Warrants	Derivative Warrants (2)	Total Number of Warrants	Weighted - Average Exercise Price
Balance as of January 1, 2022	29,156,048	40,124,355	69,280,403	$ 1.19
Exercised (1)	(393,548)	(3,450,000)	(3,843,548)	$ 1.26
Balance as of March 31, 2022	28,762,500	36,674,355	65,436,855	$ 1.19
Exercisable	26,899,164	36,674,355	63,573,519	$ 1.15

(1) The weighted average share price as of the dates of exercise was $3.71. The Company issued 2,676,303 Subordinate Voting Shares and received $541 in cash proceeds during the three months ended March 31, 2022 for warrants exercised.

(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 11 - Derivative Liabilities.

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

14. SHARE-BASED COMPENSATION

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

	Three Months Ended March 31, 2022	Three Months Ended March 31, 2021
Stock options	$ 5,745	$ 728
Restricted stock grants	732	2,337
Warrants	287	498
Total share-based compensation expense	$ 6,764	$ 3,563

Equity Incentive Plan

Under the Company's 2019 Equity Incentive Plan, as amended (the "Plan"), non-transferable options to purchase Subordinate Voting Shares and restricted Subordinate Voting Shares of the Company may be issued to directors, officers, employees, or consultants of the Company. The plan authorizes the issuance of up to 15% of the number of outstanding shares of common stock (of all classes) of the Company (the "Share Reserve"). Incentive stock options are limited to the Share Reserve as of June 6, 2019. As of March 31, 2022, the maximum number of incentive awards available for issuance under the 2019 Plan, including additional awards available for certain new hires, was 9.1 million.

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 January 1, 2022	20,407,452	$ 3.20
Granted (1)	545,000	4.20
Exercised (2)	(249,998)	1.70
Forfeited/expired	(195,000)	3.63
Issued and Outstanding as of March 31, 2022	20,507,454	$ 3.24
Exercisable as of March 31, 2022	5,872,425	$ 2.02

(1) The weighted-average per share grant date fair value was $2.51.
(2) The weighted-average share price at the date of exercise was $4.03. There were no cash proceeds as all the exercises were net share settled.

The following table summarizes the issued and outstanding stock options as of March 31, 2022:

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

Expiration Year	Stock Options Outstanding		Exercise Price	Stock Options Exercisable
2028	720,000		$1.00 - $1.35	720,000
2029	7,024,668	(1)	$1.26 - $2.75	4,670,322
2030	920,834		$0.91 - $3.98	345,824
2031	11,321,952	(2)	$3.70 - $6.53	136,279
2032	520,000		$4.20	—
	20,507,454			5,872,425

(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 5,313,952 of stock options issued to independent directors and key senior management of the Company.

As of March 31, 2022, stock options outstanding have a weighted-average remaining contractual life of 8.6 years.

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

	Three Months Ended March 31,	
	2022	2021
Stock price	$3.94	$6.13
Risk-free annual interest rate	1.83% - 1.90%	0.45% - 0.69%
Expected annual dividend yield	0%	0%
Volatility	73%	78%
Expected life of stock options	5.3 - 7.5 years	5 - 6.5 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%.

(a) 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 January 1, 2022	2,851,338
Granted (1)	5,952
Vested	(100,000)
Unvested restricted stock as of March 31, 2022	2,757,290

(1) The weighted-average per share grant date fair value was $4.20.

Generally, restricted stock awards will vest either one-third on each anniversary of service from the vesting start date or will be fully vested on the completion of one year of full service from the vesting start date, depending on the award. As of March 31, 2022, unvested restricted stock awards have a weighted-average remaining vesting period of 0.9 years.

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

15. SEGMENTS

The Company currently has two reportable segments under IFRS: 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/cannabidiol ("CBD") retail operations, consulting, corporate and international operations.

The Company, as of March 31, 2022, 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.

Any intercompany revenue and any costs between entities within a reportable segment are eliminated to arrive at consolidated segment totals.

Revenue

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

	Three Months Ended March 31, 2022			Three Months Ended March 31, 2021		
	Revenue by Segment	Intercompany Revenue	Revenue to External Customers	Revenue by Segment	Intercompany Revenue	Revenue to External Customers
Retail	$ 57,914	$ —	$ 57,914	$ 39,277	$ —	$ 39,277
Wholesale	9,483	(5,595)	3,888	4,191	(1,883)	2,308
Other	86	—	86	90	—	90
Eliminations	(5,595)	5,595	—	(1,883)	1,883	—
Consolidated revenue	$ 61,888	$ —	$ 61,888	$ 41,675	$ —	$ 41,675

All Retail and Wholesale revenues for the three months ended March 31, 2022 and 2021 were generated within the United States, and substantially all of the Company's long-lived assets are located in the United States.

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

16. EARNINGS (LOSS) PER SHARE

Basic and diluted loss per share

No dilutive potential shares of common stock were included in the computation of diluted net loss per share for either of the three months ended March 31, 2022 or 2021 because their effect would be anti-dilutive. The outstanding type of securities that could potentially dilute basic loss per common share are stock options, warrants (including derivative warrants), convertible promissory notes and contingent consideration payable in SVS. For the three months ended March 31, 2022, the number of securities at period end not considered for inclusion in the computation of earnings per share ("EPS") because their effect would have been anti-dilutive totaled 86,854,309. In addition, $5,000 worth of potential subordinate voting shares for contingent consideration related to an acquisition (Refer to Note 9 - Accrued Expenses and Other Current Liabilities) are not included in the calculation of EPS because their effect would have been anti-dilutive. For the three months ended March 31, 2021, the number of securities at period end not considered for inclusion in the computation of EPS because their effect would have been anti-dilutive totaled 85,472,790.

17. NATURE OF EXPENSES

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

		Three Months Ended March 31,	
	Note	2022	2021
Cost of goods sold:			
Inventory expensed to cost of sales		$ 41,412	$ 22,669
Other production costs		266	246
Inventory provision, net		336	19
Total cost of goods sold		$ 42,014	$ 22,934
Operating expenses:			
Salaries, wages, labor and employee related expenses		$ 17,336	$ 9,882
Share-based compensation	14	6,764	3,563
Depreciation and amortization expense	5, 7	2,683	1,165
Other general and administrative expenses (1)		9,733	6,347
Acquisition and deal costs	6	141	238
Change in contingent consideration liabilities	9	405	—
Total operating expenses		$ 37,062	$ 21,195

(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.

18. 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 three months ended March 31, 2022, there were no material changes to the statutory tax rates in the taxing jurisdictions where the majority of the Company's income for tax purposes was earned, or where its temporary differences or losses are expected to be realized or settled. During the three months ended March 31, 2022, the Company's net deferred tax liabilities were mainly impacted by the change in fair value of biological assets and the Apothecarium acquisition.

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

The Company's 2019 through 2021 tax positions benefited from not applying IRC Section 280E to certain entities of the consolidated group either due to the entity not yet starting operations or because the entity had a separate trade or business that was not medical or recreational cannabis operations. During the three months ended March 31, 2022, the Company determined that it is not probable these tax positions would be sustained under IFRIC 23 Uncertainty over Income Tax Treatments. As a result, uncertain income tax liabilities of $40,791 are recorded on the balance sheet as of March 31, 2022.

The pre-acquisition tax returns of Organic Solutions of the Desert, LLC benefited from deducting certain selling, general and administrative costs and deducting accelerated depreciation. During the three months ended March 31, 2022, the Company determined that it is not probable that these tax positions would be sustained under IFRIC 23 Uncertainty over Income Tax Treatments. As a result, uncertain income tax liabilities of $952 are recorded on the balance sheet as of March 31, 2022.

19. NON-CONTROLLING INTERESTS

Jushi Europe

The Company's non-controlling interests are comprised primarily of the non-controlling interest in Jushi Europe. In March 2020, the Company finalized its agreement to expand internationally through the establishment of Jushi Europe. Jushi Europe plans to build out its European business through a combination of strategic acquisitions, partnerships, and license applications, focused on supplying the highest-quality medical cannabis products to patients throughout Europe. During the first quarter of 2020, the Company received $2,000 in cash from the 49% investor partner. The Company owns 51% of Jushi Europe and is exposed, or has rights, to variable returns from Jushi Europe and has the power to govern the financial and operating policies of Jushi Europe through voting control so as to obtain economic benefits, and therefore the Company has consolidated Jushi Europe from the date of acquisition.

On February 16, 2022, Jushi Europe filed a notice of over-indebtedness with the Swiss courts. The Swiss court declared Jushi Europe's bankruptcy on May 19, 2022. As a result of the impending proceedings, the Company determined that the assets of Jushi Europe were impaired and recognized an impairment loss of $4,561 for the year ended December 31, 2021.

20. COMMITMENTS AND CONTINGENCIES

Contingencies

Although the possession, cultivation and distribution of cannabis for medical use is permitted in certain states, cannabis is classified as a Schedule-I controlled substance under the U.S. Controlled Substances Act and its use remains a violation of federal law. 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 believes that the Company is in material compliance with applicable local and state regulations as of March 31, 2022, 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. Since federal law criminalizing the use of cannabis preempts state laws that legalize its use, strict enforcement of federal law regarding cannabis would likely result in the Company's inability to proceed with the Company's business plans. In addition, the Company's assets, including real property, cash and cash equivalents, equipment, inventory and biological assets and other goods, could be subject to asset forfeiture because cannabis is still federally illegal.

Refer to Note 18 - Income Taxes for certain tax related contingencies and to Note 9 - Accrued Expenses and Other Current Liabilities for acquisition-related contingent consideration liabilities.

Claims and Litigation

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. As of March 31, 2022, there were no known pending or threatened lawsuits that could reasonably be expected to have a material effect on the Company's financial results. 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.

Refer to Note 19 - Non-Controlling Interests for the information regarding the bankruptcy of Jushi Europe.

Gains on legal settlements totaled $24 for the three months ended March 31, 2022. Gains (losses) on legal settlements are included in other income (expense), net in the condensed unaudited interim consolidated statements of operations and comprehensive loss. There were $807 of losses on legal settlements for the three months ended March 31, 2021.

Commitments

In addition to the contractual obligations outlined in Note 10 - Debt, Note 12 - Lease Obligations, Note 22 - Financial Instruments and Financial Risk Management, the Company has the following commitments as of March 31, 2022:

(i) Acquisitions

NuLeaf

In November 2021, the Company entered into a definitive agreement to acquire NuLeaf, Inc. together with its subsidiaries and related companies (collectively, "NuLeaf"), a Nevada-based vertically-integrated operator. 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. Refer to Note 23 - Subsequent Events.

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

(ii) Property and Construction Commitments

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

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

21. RELATED PARTY TRANSACTIONS

The Company had the following related party transactions and balances:

	Three Months Ended March 31,		Balance as of	
	2022	2021	March 31, 2022	December 31, 2021
Nature of transaction	Related Party Income (Expense) $		Related Party Prepaid/ Receivable (Payable) $	
Independent directors [(1)]				
Directors' fees	$ (5)	$ (43)	—	$ (13)
Share-based compensation expense	(193)	(152)		
Senior key management [(2)]				
Salary and wages	(445)	(359)	—	—
Share-based compensation expense	(3,291)	(1,766)		

(1) For the three months ended March 31, 2022, the majority of the board of directors' fees were paid in the form of RSAs or stock options.
(2) 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.

In January 2021, an executive received a loan from the Company of $174 for withholding tax requirements for RSAs issued to the executive, which was repaid in full via payroll deductions during 2021.

10% Senior Notes

Related party outstanding principal balances and interest expense relating to the 10% Senior Notes as of and for the three months ended March 31, 2022 cannot be reliably determined as the majority of the senior notes are publicly traded since December 2020 and may no longer be owned by the original investor as of March 31, 2022. Refer to Note 10 - Debt 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.

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

Refer to "Other Debt" in Note 10 - Debt for details of other loans from related parties for Jushi Europe.

22. 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 three months ended March 31, 2022.

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

	Note	March 31, 2022	December 31, 2021	Classification and Measurement	Level within the Fair Value Hierarchy for FVTPL Financial Instruments
Financial Assets:					
Cash and cash equivalents and non-current restricted cash		$ 76,242	$ 95,487	Amortized Cost	n/a
Accounts receivable, net		$ 1,460	$ 3,200	Amortized Cost	n/a
Other current assets	4	$ 6,174	$ 12,875	Amortized Cost	n/a
Other non-current assets - indemnification assets	8	$ 2,275	$ 2,733	FVTPL	Level 3
Other non-current assets - equity investment	8	$ 1,500	$ 1,500	FVTPL	Level 3
Financial Liabilities:					
Accounts payable		$ 21,609	$ 10,539	Amortized Cost	n/a
Accrued expenses and other current liabilities, including tax liabilities	9	$ 81,092	$ 94,231	Amortized Cost	n/a
Debt (including current portion)	10	$ 140,918	$ 127,224	Amortized Cost	n/a
Lease obligations	12	$ 119,421	$ 118,869	Amortized Cost	n/a
Derivative liabilities	11	$ 68,975	$ 92,435	FVTPL	Level 3
Contingent consideration liabilities	9	$ 8,628	$ 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.

Financial Risk Management

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

(a) Credit and Banking Risk

Credit risk is the risk of a potential loss to the Company if a customer or third party to a financial instrument fails to meet its contractual obligations. The maximum credit exposure as of March 31, 2022, is the carrying amount of cash and cash equivalents and restricted cash, investments, accounts receivable, 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 retail sales which are transacted with cash. Non-current assets, such as deposits, are made in the normal course of business. 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, or the Federal Deposit Insurance Corporation ("FDIC") or the National Credit Union Association ("NCUA") up $250,000, or Essisuisse Deposit Insurance ("ESI") up to CHF100,000, as applicable. As of March 31, 2022, the Company had $70,460 of cash and cash equivalents and restricted cash in excess of these insured limits.

The non-current restricted cash of $525 as of both March 31, 2022 and December 31, 2021, 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 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 may attempt to issue new shares or issue new debt; however, there can be no assurance that the Company will be able to continue raising capital (equity or debt) in this manner.

In addition to any commitments outlined in Note 20 - Commitments and Contingencies, the Company has the following estimated future contractual payment obligations, excluding interest payments on debt, contingent consideration liabilities and potential escalations in lease obligations for changes in cannabis regulations, as of March 31, 2022:

(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, including tax liabilities	$ 102,701	$ —	$ —	$ —	$ 102,701
Debt - principal amounts	78,690	25,612	49,473	9,372	163,147
Leases (including interest)	17,101	27,665	28,119	276,312	349,197
Total	$ 198,492	$ 53,277	$ 77,592	$ 285,684	$ 615,045

(c) Market Risk

Currency Risk - The operating results and financial position of the Company are reported in U.S. dollars. As of March 31, 2022 and December 31, 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 three months ended March 31, 2022, and 2021, the Company recorded foreign exchange gains of $47 and $28, 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 3 - 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 11 - Derivative Liabilities for the Company's sensitivity assessment of certain fair value assumptions used in the calculation of derivative liabilities.

(d) Concentration Risk

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

	Three Months Ended March 31,	
	2022	2021
Pennsylvania	44%	53%
Illinois	32%	42%
Massachusetts	15%	—%

23. SUBSEQUENT EVENTS

Acquisitions

In April 2022, the Company closed on the NuLeaf acquisition. The Company paid upfront consideration comprised of $15,750 in cash (which was drawn down from the acquisition facility in April 2022), subject to working capital adjustments, issued 4,662,384 SVS (with a grant date fair value of $2.87 each), issued $15,750 in an unsecured five-year note, and may pay up to $10,000 in potential earn-out consideration based on receiving certain regulatory approval. The Company is still in the process of gathering and preparing additional disclosure information for this acquisition, including preliminary purchase price allocations and pro forma financial information. Due to the timing of the acquisition, the Company is not able to provide additional information at this time.