THIS MANAGEMENT’S DISCUSSION AND ANALYSIS

OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

FOR JUSHI HOLDINGS INC. ARE ALSO INCLUDED IN THE

FORM 10-K FOR THE YEAR ENDED DECEMBER 31, 2022, FILED ON SEDAR IN ITS ENTIRETY

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations

This Management's Discussion and Analysis ("MD&A") should be read in conjunction with the consolidated financial statements and notes thereto for the years ended December 31, 2022, 2021 and 2020 (the "Annual Financial Statements"). Unless the context indicates or requires otherwise, the terms "Jushi", "the Company", "we", "us" and "our" refers to Jushi Holdings Inc. and its controlled entities. The Annual Financial Statements have been prepared by management and are in accordance with generally accepted accounting principles in the United States ("GAAP"), and all amounts are expressed in U.S. dollars unless otherwise noted. This discussion contains forward-looking statements and involves numerous risks and uncertainties, including but not limited to those described in the "Risk Factors" section of this Annual Report on Form 10-K. Actual results may differ materially from those contained in any forward-looking statements. You should read "Cautionary Note Regarding Forward-Looking Statements" and "Risk Factors" contained in this Annual Report on Form 10-K.

We have elected to omit in this Annual Report on Form 10-K, discussion on the earliest of the three years (the year ended December 31, 2021 as compared to the year ended December 31, 2020) covered by the Annual Financial Statements presented. Refer to the Management's Discussion and Analysis of Financial Condition and Results of Operations section of Jushi Holdings Inc.'s Registration Statement on Form S-1, as amended and declared effective by the SEC on August 12, 2022 ("S-1"), and was also filed on the System for Electronic Document Analysis and Retrieval ("SEDAR") on November 21, 2022.

Company Overview

We are a vertically integrated, multi-state cannabis operator engaged in retail, distribution, cultivation, and processing in both medical and adult-use markets. We are focused on building a diverse portfolio of cannabis assets through opportunistic investments and pursuing application opportunities in attractive limited license jurisdictions. We have targeted assets in highly populated, limited license medical markets on a trajectory toward adult-use legalization, including Pennsylvania and Ohio, markets that are in the process of transitioning to adult-use, namely Virginia, and limited license, fast-growing, large adult-use markets, such as Illinois, Nevada and Massachusetts, and certain municipalities of California.

Refer to "*Item I. Business*" section and to our Annual Financial Statements and the related notes included elsewhere in this Annual Report on Form 10-K for additional information about us.

Factors Affecting our Performance and Related Trends

Competition and Pricing Pressure

The cannabis industry is subject to significant competition and pricing pressures, which is often market specific and can be caused by an oversupply of cannabis in the market, and may be transitory from period to period. We may experience significant competitive pricing pressures as well as competitive products and service providers in the markets in which we operate. Several significant competitors may offer products and/or services with prices that may match or are lower than ours. We believe that the products and services we offer are generally competitive with those offered by other cannabis companies. It is possible that one or more of our competitors could develop a significant research advantage over us that allows them to provide superior products or pricing, which could put us at a competitive disadvantage. Continued pricing pressure due to competition, increased cannabis supply or shifts in customer preferences could adversely impact our customer base or pricing structure, resulting in a material impact on our results of operations, or asset impairments in future periods. For further discussion on the impact of asset impairments during the years ended December 31, 2022 and 2021, refer to Note 8 - Goodwill and Other Intangible Assets of our Annual Financial Statements.

COVID-19

In March 2020, the World Health Organization categorized coronavirus disease 2019 (together with its variants "COVID-19") as a pandemic. COVID-19 continues to spread throughout the U.S. and other countries across the world, and the duration and severity of its effects and those of its variants are currently unknown. To date, our financial condition and results of operations have not been materially impacted by COVID-19. The extent to which the COVID-19 pandemic impacts our 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 Developments

(Amounts expressed in thousands of U.S. dollars)

The following represents our recent developments since the filing of our Form 10-Q for the quarterly period ended September 30, 2022, which was filed on November 21, 2022. For information on our developments in the earlier part of 2022, also refer to (i) Form 10-Q for the quarterly period ended June 30, 2022, which was filed on September 26, 2022, and (ii) Amendment No. 1 to Form S-1 Registration Statement, which was filed on August 8, 2022. The Form 10-Qs and Form S-1 may also be accessed on SEDAR.

Manassas loan agreement

On April 6, 2023, we entered into a loan agreement with FVCbank for a commercial loan in an aggregate principal amount of $20,000 (the "Loan"). The Loan has a five (5) year term and is principally secured by the Company's cultivation and manufacturing facility located in Manassas, Virginia. The Loan will bear interest based on the 30-day average secured overnight financing rate plus 3.55%, with a floor rate of not less than 8.25%.

Opened 37th Retail Location Nationwide and Fifth Virginia Dispensary

In January 2023, we expanded our retail footprint in Virginia with the opening of our 37th retail location nationally, our fifth Virginia medical cannabis dispensary located in Arlington. The medical cannabis dispensary is operating under the retail brand Beyond Hello™.

Opened 36th Retail Location Nationwide and First Ohio Dispensary

In January 2023, we expanded our retail footprint in Ohio with the opening of our 36th retail location nationally, our first Ohio medical cannabis dispensary as well as our fifth vertically integrated state-level operation located in Cincinnati. The medical cannabis dispensary is operating under the retail brand Beyond Hello™.

Strengthened Board and Senior Leadership

In January 2023, we appointed Michelle Mosier as our Chief Financial Officer effective January 16, 2023. Additionally, we announced the resignation of Leonardo "Leo" Garcia-Berg from his position as Chief Operations Officer, effective January 20, 2023. In addition, we appointed Nichole Upshaw as Chief People Officer effective December 1, 2022, and designated Shaunna Patrick as Chief Commercial Director and Trent Woloveck as Chief Strategy Director.

CEO Received Options

In December 2022, we announced that CEO, Chairman, and Founder, Jim Cacioppo, was granted 3,000,000 options to acquire Class B subordinate voting shares ("Subordinate Voting Shares") under the 2019 Equity Incentive Plan of the Issuer (the "Option Grant"). Following the Option Grant, Mr. Cacioppo holds in the aggregate and on an as-converted basis, approximately 19.24% of the issued and outstanding Subordinate Voting Shares on a non-diluted basis.

Debt Redemption and Financing

In December 2022, we redeemed all our outstanding 10% senior secured notes ("Senior Notes") in the amount of $74,935. The redemption of the Senior Notes were funded in part by the issuance of 12% second lien notes ("Second Lien Notes") in December 2022 in an aggregate amount of $73,061. The Senior Notes redemption resulted in a loss of $18,858. Refer to Note 12 - Debt of the Annual Financial Statements included elsewhere in this Annual Report on Form 10-K for more information on the Senior Notes redemption and the Second Lien Notes issuance. After the December 2022 closing, James Cacioppo, the Company's CEO, Chairman and Founder, entered into an amendment to his employment agreement pursuant to which in lieu of cash, Mr. Cacioppo's 2022 annual bonus was paid in Second Lien Notes and warrants (such warrants to be priced and issued as soon as practicable in accordance with US and Canadian securities laws).

Results of Operations

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

	Year Ended December 31,		
	2022	2021	% Change
REVENUE, NET	$ 284,284	$ 209,292	36 %
COST OF GOODS SOLD	(188,806)	(125,898)	50 %
GROSS PROFIT	$ 95,478	$ 83,394	14 %
OPERATING EXPENSES			
Selling, general and administrative	$ 156,166	$ 112,815	38 %
Asset impairments	159,645	6,344	2416 %
Total operating expenses	$ 315,811	$ 119,159	165 %
LOSS FROM OPERATIONS	$ (220,333)	$ (35,765)	516 %
OTHER INCOME (EXPENSE) :			
Interest expense, net	$ (45,591)	$ (30,610)	49 %
Fair value gains (losses) on derivative warrants	91,887	105,170	(13)%
Other, net	(19,839)	8,309	(339)%
Total other income (expense), net	$ 26,457	$ 82,869	(68)%
(LOSS) INCOME BEFORE INCOME TAX	$ (193,876)	$ 47,104	(512)%
Income tax expense	(8,448)	(29,625)	(71)%
NET (LOSS) INCOME AND COMPREHENSIVE (LOSS) INCOME	$ (202,324)	$ 17,479	(1258)%
Less: net loss attributable to non-controlling interests	—	(2,772)	(100)%
NET (LOSS) INCOME AND COMPREHENSIVE (LOSS) INCOME ATTRIBUTABLE TO JUSHI SHAREHOLDERS	$ (202,324)	$ 20,251	(1099)%
(LOSS) EARNINGS PER SHARE - BASIC	$ (1.06)	$ 0.12	(983)%
Weighted average shares outstanding - basic	190,021,550	170,292,035	12 %
(LOSS) EARNINGS PER SHARE - DILUTED	$ (1.44)	$ (0.42)	243 %
Weighted average shares outstanding - diluted	204,235,432	201,610,251	1 %

Revenue, Net

The following table presents revenue by type for the periods indicated:

	Year Ended December 31, 2022	Year Ended December 31, 2021	$ Change	% Change
Retail cannabis	$ 261,016	$ 195,085	$ 65,931	34 %
Wholesale cannabis	23,160	13,792	9,368	68 %
Other	108	415	(307)	(74)%
Total revenue, net	$ 284,284	$ 209,292	$ 74,992	36 %

Revenue, net, for the year ended December 31, 2022 totaled $284,284, as compared to $209,292 for the year ended December 31, 2021, an increase of $74,992, or 36%.

The increase in retail revenue is due primarily to new dispensary openings from build outs and acquisitions. We acquired Nature's Remedy in Massachusetts during September 2021, and Apothecarium and NuLeaf in Nevada during March 2022 and April 2022, respectively, and opened new Beyond Hello™ dispensaries in Pennsylvania and Virginia. In 2022, the Company opened a total of seven stores, and ended the year with thirty-five operating dispensaries in six states, as compared to twenty-eight in five states in 2021.

The increase in wholesale revenue is primarily attributable to increased cultivation and processing activities at our grower processor facilities: (i) in Massachusetts from the acquisition of Nature's Remedy; (ii) in Nevada from the acquisition of NuLeaf; and (iii) in Virginia from operations at our Dalitso facility, which commenced in the third quarter of 2021.

Gross Profit

Gross profit totaled $95,478 for the year ended December 31, 2022, as compared to $83,394 for year ended December 31, 2021, an increase of $12,084, or 14%. Gross profit margin declined to 34% for the year ended December 31, 2022 compared to 40% in the prior year. During the fourth quarter of 2022, we incurred a non-cash inventory charge of $9,418 that reduced our gross margin by 331 basis points. Gross profit margin decreased primarily due to: (i) infrastructure and headcount investments in our wholesale business that continue to have a transitional impact on our results, (ii) slower than expected growth in our wholesale operations as other operators dedicated more shelf space to their own brands resulting in price compression, (iii) market price compression, and (iv) the sell through of inventory acquired in the acquisitions of Nature's Remedy, Apothecarium and NuLeaf, which had a fair value step-up. Gross margins were also impacted by the increased promotional activity at retail operations in Illinois, Massachusetts and Pennsylvania.

Operating Expenses

Operating expenses for the year ended December 31, 2022 were $315,811, as compared to $119,159 for the year ended December 31, 2021, an increase of $196,652, or 165%. The following table presents information of our operating expenses for the periods indicated:

	Year Ended December 31, 2022	Year Ended December 31, 2021	$ Change	% Change
Salaries, wages and employee related expenses	$ 71,237	$ 58,228	$ 13,009	22 %
Share-based compensation expense	23,072	14,506	8,566	59 %
Rent and related expenses	13,162	9,722	3,440	35 %
Depreciation and amortization expense	12,724	5,805	6,919	119 %
Professional fees and legal expenses	10,371	6,507	3,864	59 %
Indefinite-lived intangible asset impairment	111,515	—	111,515	NM
Goodwill impairment	39,643	1,783	37,860	2123 %
Tangible long-lived asset impairment	8,487	4,561	3,926	86 %
Other expenses [1]	25,599	18,047	7,552	42 %
Total operating expenses	$ 315,811	$ 119,159	$ 196,652	165 %

(1) Other expenses are primarily comprised of marketing and selling expenses, insurance costs, administrative and application fee, software and technology costs, travel, entertainment and conferences and other.

The increase in total operating expenses is primarily due to impairment charges and an increase in employee-related costs. The impairment charges relate to our operations in California, Massachusetts, Nevada, Ohio and Pennsylvania. Refer to Note 8 - Goodwill and Other Intangible Assets of our Annual Financial Statements included elsewhere in this Annual Report on Form 10-K for more information on the impairment charges.

Salaries, wages, and employee-related expenses increased due to an increase in the number of employees to support our ongoing growth and the impact of our recent acquisitions. Share-based compensation expense increased primarily due to stock options granted to new employees and management in 2022. The total depreciation and amortization recorded in operating expenses and cost of goods sold for 2022 increased due in part to: (i) depreciation and amortization related to property, plant and equipment ("PP&E") and amortizable intangible assets that were acquired with the 2022 acquisition of NuLeaf and Apothecarium; (ii) a full year of depreciation and amortization in 2022 for PP&E and amortizable intangible assets that were acquired in connection with the 2021 acquisition of Nature's Remedy, Organic Solutions of the Desert, LLC, OhiGrow, LLC and Grover Beach; (iii) accelerated depreciation for certain PP&E for which the useful lives were shortened; and (iv) depreciation associated with PP&E that were purchased and/or placed in service during 2022. Furthermore, the fourth quarter of 2022 was impacted by depreciation relating to fair value measurement period adjustment for NuLeaf which increased PP&E, and as such resulted in catch-up depreciation expense. Rent and related expenses increased primarily due to the additions in finance lease right-of-use assets, and investment in our infrastructure to support our growth, as well as the impact of our recent acquisitions. Professional fees and legal expenses increased primarily due to our transition to US GAAP accounting and reporting and costs associated with our registration with the SEC, which was completed in August 2022.

Other Income (Expense)

Interest Expense, Net

Interest expense, net, was $45,591 for the year ended December 31, 2022, as compared to $30,610 for the year ended December 31, 2021, an increase of $14,981, or 49%. The increase in interest expense, net is due primarily to a higher overall debt balance due in part to funding of our recent acquisitions as well as higher finance lease obligations.

Fair Value Gains on Derivatives

Fair value gains on derivatives was $91,887 for the year ended December 31, 2022, as compared to $105,170 for the year ended December 31, 2021. Fair value gains on derivatives include the fair value changes relating to the derivative warrants liability. The derivative warrants are required to be remeasured at fair value at each reporting period. The fair value changes in derivatives for the year ended December 31, 2022 and 2021 were primarily attributable to the movement in our stock price during the corresponding period.

Other, Net

Other, net, was an expense of $19,839 for the year ended December 31, 2022, as compared to an income of $8,309 for the year ended December 31, 2021, an increase in expense of approximately $28,148, or 339%. Other, net for the year ended December 31, 2022 was primarily related to a loss of $18,858 on redemptions of the Senior Notes. Other, net for the year ended December 31, 2021 includes a gain of $10,350 on a legal settlement primarily relating to a breach of contract case involving San Felasco Nurseries, Inc. (the "SFN Litigation"), a gain of $1,216 on investments and investment income from mutual funds, and $558 in other miscellaneous income, partially offset by losses of $3,815 on the redemptions of Senior Notes.

Income Tax Expense

Income tax expense was $8,448 for the year ended December 31, 2022, as compared to $29,625 for the year ended December 31, 2021, a decrease of $21,177, or 71%. The decrease in income tax expense is primarily due to a reduction in taxable gross profit, and impairment charges associated with our California, Massachusetts, Nevada, Ohio and Pennsylvania operations.

Non-GAAP Measures and Reconciliation

In addition to providing financial measurements based on GAAP, we provide additional financial metrics that are not prepared in accordance with GAAP. We use non-GAAP financial measures, in addition to GAAP financial measures, to understand and compare operating results across accounting periods, for financial and operational decision making, for planning and forecasting purposes and to evaluate our financial performance. These non-GAAP financial measures are EBITDA and Adjusted EBITDA (each as defined below). We believe that these non-GAAP financial measures reflect our ongoing business by excluding the effects of expenses that are not reflective of our operating business performance and allow for meaningful comparisons and analysis of trends in our business. These non-GAAP financial measures also facilitate comparing financial results across accounting periods and to those of peer companies. As there are no standardized methods of calculating these non-GAAP measures, our methods may differ from those used by others, and accordingly, the use of these measures may not be directly comparable to similar measures used by others, thus limiting their usefulness. Accordingly, these non-GAAP measures are intended to provide additional information and should not be considered in isolation or as a substitute for measures of performance prepared in accordance with GAAP.

EBITDA and Adjusted EBITDA

EBITDA and Adjusted EBITDA are financial measures that are not defined under GAAP. We define EBITDA as net income (loss), or "earnings", before interest, income taxes, depreciation and amortization. We define Adjusted EBITDA as EBITDA before: (i) non-cash share-based compensation expense and other one-time charges; (ii) inventory-related adjustments; (iii) fair value changes in derivatives; (iv) other (income)/expense items; (v) transaction costs; (vi) asset impairment; (vii) loss on debt extinguishment; and (viii) start-up costs. These financial measures are metrics that have been adjusted from the GAAP net income (loss) measure in an effort to provide readers with a normalized metric in making comparisons more meaningful across the cannabis industry, as well as to remove non-recurring, irregular and one-time items that may otherwise distort the GAAP net income measure. Other companies in our industry may calculate this measure differently, limiting their usefulness as comparative measures.

Reconciliation of EBITDA and Adjusted EBITDA (Non- GAAP Measures)

The table below reconciles net (loss) income to EBITDA and Adjusted EBITDA for the periods indicated.

(Amounts expressed in thousands of U.S. dollars)

	Year Ended December 31,	
	2022	2021
NET (LOSS) INCOME [1]	$ (202,324)	$ 17,479
Income tax expense	8,448	29,625
Interest expense, net	45,591	30,610
Depreciation and amortization [2]	26,492	8,411
EBITDA (Non-GAAP)	$ (121,793)	$ 86,125
Non-cash share-based compensation	23,073	14,506
Inventory charge adjustments [3]	7,792	3,432
Indefinite-lived intangible asset impairment	111,515	—
Goodwill impairment	39,643	1,783
Tangible long-lived asset impairment	8,487	4,561
Fair value changes in derivatives	(91,887)	(105,170)
Losses on debt redemptions/extinguishments/modifications	18,858	3,815
Other, net [4]	2,021	(6,956)
Start-up costs [5][7]	4,143	9,747
Transaction costs [6][7]	5,221	2,471
Adjusted EBITDA (Non-GAAP)	$ 7,073	$ 14,314

(1) Net (loss) income includes amounts attributable to non-controlling interests.

(2) Includes amounts that are included in cost of goods sold and in operating expenses.

(3) Includes: (i) inventory step-up on business combinations; (ii) inventory recall reserves; and (iii) reserves for discontinued products. The inventory step-up on business combinations relate to the fair value write-up on inventory acquired on the business acquisition date and then sold subsequent to the acquisition date. The inventory recall reserves relate to the estimated impact of the Pennsylvania Department of Health recall and ban of vape products containing certain cannabis concentrates. The ban was lifted in June 2022.

(4) Includes: (i) remeasurement of contingent consideration related to acquisitions; (ii) losses (gains) on investments and financial assets; (iii) losses (gains) on legal settlements; and (iv) severance costs.

(5) Expansion and start-up costs incurred in order to prepare a location for its intended use. Start-up costs are expensed as incurred and are not indicative of ongoing operations of each new location.

(6) Transaction costs include: (i) registration statement costs such as professional fees and other costs relating to our SEC registration; and (ii) acquisition and deal costs.

(7) During the second quarter of 2021, we revised our methodology for calculating Adjusted EBITDA to also adjust for the effects of acquisition and deal costs, and start-up costs. We revised our methodology for calculating Adjusted EBITDA because we believe that the fluctuations caused in our operating results from these items are not reflective of our core performance, and that the revised methodology provides management and investors more useful information to evaluate the operations of our business. The prior period data for these items has been added to conform to current period presentation.

Liquidity and Capital Resources

(Amounts expressed in thousands of U.S. dollars, unless otherwise stated)

Sources and Uses of Cash

We had cash and cash equivalents of $27,146 as of December 31, 2022. Capital expenditures for the year ended December 31, 2022 were $56,881. As of December 31, 2022, we had total current assets of $70,051, and total current liabilities of $107,628. We therefore had net working capital deficit of $37,577.

The major components of our statements of cash flows for the years ended December 31, 2022 and 2021, are as follows:

	Year Ended December 31,	
	2022	2021
Net cash flows used in operating activities	$ (21,416)	$ (14,304)
Net cash flows used in investing activities	(80,859)	(113,455)
Net cash flows provided by financing activities	33,983	137,663
Effect of currency translation on cash	(49)	(274)
Net change in cash and cash equivalents	$ (68,341)	$ 9,630

Operating activities. Cash used in operations for the year ended December 31, 2022 was $21,416, as compared to $14,304 for the year ended December 31, 2021. The increase in cash used in operations is due primarily to an increase in size and scope of our general and administrative functions to support our expected continued growth, partially offset by improved management of working capital.

Investing activities. Net cash used in investing activities totaled $80,859 for the year ended December 31, 2022, as compared to $113,455 for the year ended December 31, 2021. The net cash used in investing activities for the year ended December 31, 2022 was comprised of (i) $56,881 for the purchases of property, plant and equipment for use in our operations, (ii) $20,978 in payments for the acquisitions of Apothecarium and NuLeaf, net of cash acquired, and (iii) $3,000 payment of contingent consideration liability for NuLeaf. The net cash used in investing activities for the year ended December 31, 2021 was comprised of (i) $75,296 for the purchases of property, plant and equipment for use in our operations, and (ii) $47,308 in payments for the acquisitions of Nature's Remedy, Ohio Green Grow LLC, OhiGrow, Grover Beach and Organic Solutions of the Desert, LLC, net of cash acquired. Partially offsetting these cash outflows in 2021 was $9,149 in proceeds from the sales and redemptions of investments.

Financing activities. Net cash provided by financing activities totaled $33,983 for the year ended December 31, 2022, as compared to $137,663 for the year ended December 31, 2021. The net cash provided by financing activities for the year ended December 31, 2022 was comprised of (i) $31,594 in aggregate proceeds from the Second Lien Notes to partially fund the redemption of the Senior Notes, (ii) $25,000 in aggregate proceeds from the Acquisition Facility to fund the acquisitions of NuLeaf and Apothecarium, (iii) $13,680 in aggregate proceeds from private placement equity offerings in January 2022 and February 2022, (iv) $8,830 in proceeds from other debt and financing activities, and (v) $1,203 in proceeds from the exercise of warrants and stock options. Partially offsetting these cash inflows in 2022 were (i) $33,726 in principal redemption repayments on the Senior Notes, (ii) $8,775 in payments of finance lease obligations, net, (iii) $2,437 in payments of loan financing costs and (iv) $1,386 in other financing activities, net. The net cash provided by financing activities for the year ended December 31, 2021 was comprised of (i) $85,660 in aggregate proceeds from public equity offerings, net of issuance costs, in January 2021 and February 2021, (ii) $40,000 in aggregate proceeds from the Acquisition Facility, (iii) $17,128 in proceeds from the exercise of warrants and stock options, and (iv) $7,910 in proceeds from other debt. Partially offsetting these cash inflows in 2021 were (i) $8,134 in principal redemption repayments on the Senior Notes, (ii) $1,163 in payments of finance lease obligations, net (iii) $1,620 in payments on acquisition-related promissory notes, (iv) $1,701 in payments of loan financing costs, and (v) $417 in repayment of other debt.

Liquidity

As reflected in our consolidated financial statements, we incurred a loss from operations of $220,333, including non-cash asset impairment charges of $159,645, and used net cash of $21,416 for operating activities for the year ended December 31, 2022, and as of that date, our current liabilities exceeded our current assets by $37,577. Since inception, we have focused on building a diverse portfolio of assets in attractive markets to vertically integrate our business. As such, we incurred losses as we continue to expand. We have put in place plans to increase the profitability of the business in fiscal year 2023 and beyond. In order to achieve profitable future operations, we began to commercialize production from our recently expanded grower-processing facilities in Pennsylvania and Virginia, as well as implemented a cost-savings and efficiency optimization plan which includes, among others, reduction in labor and packaging costs as well as operating efficiencies at our retail and grower-processing facilities.

However, as of December 31, 2022, substantial doubt exists about our ability to continue as a going concern within the next twelve months from the date these financial statements are available to be issued. We intend to fund our operations, capital expenditures and debt service with existing cash and cash equivalents on hand, cash generated from operations and, as needed, future financing (equity and/or debt) as well as the potential sales of non-core assets. The ability to continue as a going concern is dependent upon profitable future operations and positive cash flows from operations as well as future financing and/or sales of assets if necessary. There is no assurance that we will be successful in this or any of our endeavors or become financially viable and continue as a going concern.

Additionally, the Acquisition Facility, as more further described in Note 12 - Debt elsewhere in this Annual Report on Form 10-K, contains certain financial and other covenants with which we are required to comply. The required financial covenants related to minimum (i) unrestricted cash and cash equivalents balance requirement and (ii) minimum quarterly revenue requirement. Subsequent to year end December 31, 2022, on February 24, 2023 and February 27, 2023, the Company was non-compliant with an affirmative covenant relating to a minimum cash deposit requirement in a specified bank account. We also anticipated not being able to provide a certification to the lender in connection with its annual financial statements that the audit report did not contain a going concern qualification. We received waivers for these two instances on April 17, 2023.

The consolidated financial statements have been prepared on a going concern basis which assumes we will be able to realize our assets and discharge our liabilities in the normal course of business for the foreseeable future, and do not include any adjustments to reflect the possible future effects on the recoverability and classification of assets or amounts and classification of liabilities that may result from the outcome of this uncertainty.

Off-Balance Sheet Arrangements and Contractual Obligations

As of December 31, 2022, we do not have any off-balance sheet arrangements that have, or are reasonably likely to have, a material current or future effect on the financial performance or financial condition of the Company. Our principal and interest future obligations in relation to our debt balance of $206,358 as of December 31, 2022 are as follows: $31,733 for the year ended December 2023, $114,649 for the two years ended December 2025, and $121,123 for the two years ended December 2027. Refer to Note 12 - Debt for additional information.

For our other contractual obligations, refer to Note 13 - Leases and Note 22 - Commitments and Contingencies of our Annual Financial Statements on Form 10-K.

Critical Accounting Estimates

The preparation of our Annual Financial Statements in conformity with GAAP requires management to make judgments, estimates, and assumptions that affect the application of policies and reported amounts of assets and liabilities, and revenue and expenses. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. The estimates and associated assumptions are based on historical experience and other factors that are relevant. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods. The critical accounting estimates and judgements are disclosed in Note 2 - Basis of Presentation and

Summary of Significant Accounting Policies of our Annual Financial Statements included in this Annual Report on Form 10-K.

Item 7A. Quantitative and Qualitative Disclosures About Market Risk

(Amounts expressed in thousands of U.S. dollars, unless otherwise stated)

We are exposed to market risks in the ordinary course of business. Some potential market risks are discussed below:

Market Risk

Strategic and operational risks arise if we fail to carry out business operations and/or raise sufficient equity and/or debt financing. These strategic opportunities or threats arise from a range of factors that might include changing economic and political circumstances and regulatory approvals and competitor actions. The risk is mitigated by consideration of other potential development opportunities and challenges which management may undertake.

Currency Risk

Our operating results and financial position are reported in U.S. dollars. As of December 31, 2022, the Company had Second Lien Notes in the amount of C$25,090 (~$18,526). Additionally, some of the Company's other financial transactions are denominated in currencies other than the U.S. dollar. Accordingly, the Company's results of operations are subject to currency transaction risks.

We have no hedging agreements in place with respect to foreign exchange rates. We have not entered into any agreements or purchased any instruments to hedge possible currency risks at this time.

Credit Risk

Management does not believe that the Company currently has credit risk related to its operations, as the Company's revenue is generated primarily through cash transactions. Concentrations of credit risk with respect to our cash and cash equivalents are limited primarily to amounts held with financial institutions. Credit risk related to operations could increase as the Company continues to expand its wholesale operations.

Interest Rate Risk

Interest rate risk is the risk that the fair value or the future cash flows of a financial instrument will fluctuate as a result of changes in market interest rates. Cash equivalents bear interest at market rates. Substantially all of our debt has fixed rates of interest and therefore our exposure is limited.

Inflation Risk

If our costs become subject to significant inflationary pressures, we may not be able to fully offset such higher costs through price increases. Our inability or failure to do so could harm our business, financial condition, and operating results.

Asset Forfeiture Risk

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

Banking Risk

There has been no change in U.S. federal banking laws related to the deposit and holding of funds derived from activities related to the marijuana industry. Given that U.S. federal law provides that the production and possession of cannabis is illegal, there is a strong argument that banks cannot accept for deposit funds from businesses involved with the marijuana industry. Consequently, businesses involved in the marijuana industry often have difficulty accessing the U.S. banking system and traditional financing sources. The inability to open bank accounts with certain institutions may make it difficult to operate the businesses of Jushi, its subsidiaries and investee companies, and leaves their cash holdings vulnerable. We have banking relationships in all jurisdictions in which we operate.