



Ayr Wellness Inc.

**MANAGEMENT'S DISCUSSION & ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS
FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2024 AND 2023
(EXPRESSED IN UNITED STATES DOLLARS)**

Ayr Wellness Inc.
Management's Discussion and Analysis of Financial Condition and Results of Operations
For the Three and Nine Months Ended September 30, 2024 and 2023
(Expressed in United States Dollars, in thousands, except where stated otherwise)

Introduction

The following management's discussion and analysis ("MD&A") of the financial condition and results of the operations of Ayr Wellness Inc. ("Ayr", the "Company", "we", "our" or "us") constitutes management's review of the factors that affected the Company's financial and operating performance for the three and nine months ended September 30, 2024 and 2023. This discussion should be read in conjunction with the unaudited interim condensed consolidated financial statements for the three and nine months ended September 30, 2024 and 2023 (the "interim financial statements"). Results are reported in United States dollars, unless otherwise noted. In the opinion of management, all adjustments (which consist only of normal recurring adjustments) considered necessary for a fair presentation have been included. The interim financial statements are prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP") and the financial information contained herein is derived from the interim financial statements. Further information about the Company and its operations can be obtained on ir.ayrwellness.com, sec.gov/edgar, and www.sedarplus.ca. The information contained on such websites is not a part of, nor is it incorporated by reference into, this MD&A.

The effective date of this MD&A is November 13, 2024.

Overview of the Company

Ayr Wellness Inc. is a United States multi-state cannabis business operating as a retailer and consumer packaged goods company. Founded in 2019 and headquartered in Miami, Florida, the Company is focused on delivering quality cannabis products and strong customer experience throughout its footprint. As of September 30, 2024, the Company employed approximately 2,600 personnel. The Company, through its subsidiaries, holds, operates, and/or manages licenses and permits in the States of Florida, Massachusetts, Nevada, New Jersey, Ohio, Pennsylvania, Illinois, and Connecticut.

The Company owns and operates chains of cannabis retail stores under brand names including AYR Cannabis Dispensary and The Dispensary. Ayr owns stores under other names, primarily where the stores acquired still retain their pre-acquisition branding, though the Company intends to unify its retail footprint under the AYR retail brand name over time. The revenue of Ayr's retail stores derives primarily from the sale of cannabis products, with an immaterial portion of income resulting from the sale of other merchandise (such as cannabis accessories). As of September 30, 2024, Ayr operated 95 retail stores, located across Ayr's portfolio.

The Company's strategy is to vertically integrate through the consolidation of cultivating, producing, distributing, and dispensing cannabis brands and products at scale. The Company's current portfolio of consumer-packaged goods brands includes kynd, HAZE, Later Days, and Levia, and in select markets Origyn Extracts, STiX Preroll Co., Secret Orchard, Wicked, CannaPunch and Entourage, among others. The Company distributes and markets its products to Ayr-owned retail stores and to third-party licensed retail cannabis stores throughout Ayr's operating footprint.

The Company does not currently accept payments for products or services online.

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Cautionary Note Regarding Forward-Looking Statements

Certain statements in this MD&A are forward-looking statements and contain forward-looking information within the meaning of applicable securities laws, including, but not limited to, those statements relating to the Company and its financial capacity and availability of capital and other statements that are not historical facts. These statements are based upon certain material factors, assumptions, and analyses that were applied in drawing a conclusion or making a forecast or projection, including the experience of the Company, as applicable, and its perception of historical trends, current conditions, and expected future developments, as well as other factors that are believed to be reasonable in the circumstances. Forward-looking statements are provided for the purpose of presenting information about management's current expectations and plans relating to the future, and readers are cautioned that such statements may not be appropriate for other purposes. These statements may include, without limitation, statements regarding the operations, business, financial condition, expected financial results, performance, prospects, opportunities, priorities, targets, goals, ongoing objectives, strategies, and outlook of the Company. Forward-looking statements are often identified by the words "pro forma", "may", "would", "could", "should", "will", "assumes", "intends", "plans", "anticipates", "believes", "estimates", "projects", "expects", "targets", "continue", "forecasts", "seeks", "likely", "design", "goal" or negative versions thereof and other similar expressions.

By their nature, forward-looking statements are subject to inherent risks and uncertainties that may be general or specific and which give rise to the possibility that expectations, forecasts, predictions, projections, or conclusions will not prove to be accurate, that assumptions may not be correct, and that objectives, strategic goals and priorities will not be achieved. A variety of material factors, many of which are beyond Ayr's control, could affect operations, business, financial condition, performance, and results that may be expressed or implied by such forward-looking statements and could cause actual results to differ materially from current expectations of estimated or anticipated events or results. These factors include, but are not limited to, the following:

- laws and regulations and any amendments thereto applicable to our business and the impact thereof, including uncertainty regarding the application of U.S. state and federal law to U.S. cannabis products and the scope of any regulations by the U.S. Food and Drug Administration, the U.S. Drug Enforcement Administration, the U.S. Federal Trade Commission, the U.S. Patent and Trademark Office, the U.S. Department of Agriculture and any state equivalent regulatory agencies over U.S. cannabis products;
- climate change impacting economic factors such as prices and supply chain disruption, as well as governmental response through laws or regulations regarding greenhouse gas emissions;
- assumptions and expectations described in the Company's critical accounting policies and estimates;
- changes in U.S. GAAP or its interpretation or the adoption or impact of certain accounting pronouncements;
- the number of users of cannabis or the size of the regulated cannabis market in the U.S.;
- risks related to litigation and regulatory proceedings;
- the potential time frame for the implementation of legislation to legalize and regulate medical or adult-use cannabis (and the consumer products derived from each of the foregoing) in various states of the U.S., and the potential form the legislation and regulations will take;
- the effect of unfavorable tax treatment for cannabis businesses;
- the effect of taxation on our business in the U.S. and Canada;
- the higher risk of tax audits;
- the Company's future financial and operating performance and anticipated profitability;
- future performance, results and terms of strategic initiatives, strategic agreements, and supply agreements;
- the market for the Company's current and proposed products and services, as well as the Company's ability to capture market share;

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- the benefits and applications of the Company's products and services and expected sales thereof;
- development of affiliated brands, product diversification and future corporate development;
- anticipated investment in and results of research and development;
- inventory and production capacity, including discussions of plans or the potential for expansion of capacity at existing or new facilities;
- future expenditures, strategic investments, and capital activities;
- the competitive landscape in which the Company operates and the Company's market expertise;
- the Company's ability to comply with its debt covenants;
- the Company's ability to secure further equity or debt financing, when required;
- the Company's ability to refinance its indebtedness and the terms of any such refinancing;
- the risk of significant dilution from the issuances of equity, equity-linked contracts, or convertible debt securities;
- the level of demand for cannabis products, including the Company's products and third-party products sold by the Company;
- the Company's ability to mitigate risks relating to the cannabis industry, the larger economy (such as inflation or fluctuations in interest rates); breaches of and unauthorized access to the Company's systems and related cybersecurity risks, money laundering, litigation, and health pandemics;
- the risks related to maintaining cash deposits in excess of federally insured limits;
- the ability to gain appropriate regulatory approvals in the timeframe anticipated;
- the application for additional licenses and the grant of licenses or renewals of existing licenses that have been applied for;
- the rollout of new dispensaries, including the number of planned dispensaries to be opened in the future and the timing and location in respect of the same, and related forecasts;
- the Company's ability to hit anticipated development targets of cultivation and production projects;
- the Company's ability to mitigate the risk of contamination and other risks inherent in the agricultural sector;
- the ability to successfully integrate and maintain employees from recent acquisitions;
- risks related to the Company's cash flows from operations;
- the ability to develop the Company's brands and meet growth objectives;
- risks related to limited market data and difficulty to forecast results;
- market volatility and the risks associated with selling of a substantial amount of our subordinate, restricted, and limited voting shares ("Equity Shares");
- the risk of natural hazards related to severe and extreme weather and climate events;
- product liability claims related to the products the Company cultivates, produces, and sells;
- the risk of significant pricing pressures which are often market specific and can be caused by an oversupply of cannabis in the market and may be transitory from period to period; and
- other events or conditions that may occur in the future.

In making these statements, in addition to those described above and elsewhere herein, we have made assumptions with respect to expected cash provided by continuing operations, future capital expenditures, including the amount and nature thereof, trends and developments in the industry, business strategy and outlook, expansion and growth of business and operations, accounting policies, credit risks, anticipated acquisitions, opportunities available to or pursued by Ayr, and other matters.

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Ayr has also assumed that business and economic conditions will continue substantially in the ordinary course, including, without limitation, with respect to general economic and industry conditions, competition, weather, regulation, taxes, that there will be no pandemics or substantially worsened pandemics or other material outbreaks of disease or safety issues or material recalls required, and that there will be no unplanned material changes in facilities, equipment, or customer and employee relations.

Management's Definition and Reconciliation of Non-GAAP Measures

Management reports certain non-GAAP measures that are used to evaluate the performance of such businesses and the performance of their respective states, as well as to manage their capital structure. As non-GAAP measures generally do not have a standardized meaning, they may not be comparable to similar measures presented by other issuers. Securities regulations require such measures to be clearly defined and reconciled with their most directly comparable GAAP measure.

The Company references non-GAAP measures, including cannabis industry metrics, in this document and elsewhere. These are provided as additional information to complement those GAAP measures by providing further understanding of the results of the operations of the Company from management's perspective. Accordingly, these measures should not be considered in isolation, nor as a substitute for analysis of the Company's financial information reported under GAAP. Non-GAAP measures used to analyze the performance of the Company include "Adjusted EBITDA" and "Adjusted Gross Profit".

The Company believes that these non-GAAP financial measures may be useful to investors because they allow for greater transparency with respect to key metrics used by management in its financial and operational decision-making. These financial measures are intended to highlight trends in the Company's core businesses that may not otherwise be apparent when solely relying on the GAAP measures.

Adjusted EBITDA

"Adjusted EBITDA" represents (loss) income from continuing operations, as reported under GAAP, before interest and taxes, adjusted to exclude non-core costs, other non-cash items, including depreciation and amortization and further adjusted to remove non-cash stock-based compensation, impairment expense, the incremental costs to acquire cannabis inventory in a business combination (when applicable; none of which was incurred for any of the periods presented), acquisition and transaction related costs, and start-up costs.

Adjusted Gross Profit

"Adjusted Gross Profit" represents gross profit, as reported under GAAP, adjusted to exclude the incremental costs to acquire cannabis inventory in a business combination (when applicable; none of which was incurred for any of the periods presented), interest, depreciation and amortization, start-up costs and other non-core costs.

Reconciliations are provided below.

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Review of the Financial Results for the Three and Nine Months Ended September 30, 2024 and 2023

Adjusted EBITDA Reconciliation for the Three and Nine Months Ended September 30, 2024 and 2023

	<i>Three Months Ended</i>		<i>Nine Months Ended</i>	
	<u>September 30, 2024</u>	<u>September 30, 2023</u>	<u>September 30, 2024</u>	<u>September 30, 2023</u>
	\$	\$	\$	\$
Loss from continuing operations (GAAP)	(17,444)	(1,429)	(27,082)	(27,603)
Interest (within cost of goods sold "COGS")	575	776	1,869	2,290
Depreciation and amortization (from statement of cash flows)	21,151	22,019	65,008	68,812
Acquisition and transaction costs	1,270	(1,182)	3,634	3,460
Stock-based compensation, non-cash	8,794	3,410	15,696	13,417
Impairment of assets	2,150	-	2,150	-
Start-up costs ¹	4,762	2,909	10,638	8,871
Other ²	4,888	1,924	9,024	14,961
	<u>43,590</u>	<u>29,856</u>	<u>108,019</u>	<u>111,811</u>
Adjusted EBITDA from continuing operations (non-GAAP)	<u>26,146</u>	<u>28,427</u>	<u>80,937</u>	<u>84,208</u>

Notes:

¹ Includes costs to prepare a location for its intended use, including facilities not yet operating at scale. Start-up costs are expensed as incurred and are not indicative of ongoing operations.

² Other non-core costs including non-operating adjustments, severance costs and non-cash inventory write-downs.

Adjusted Gross Profit Reconciliation for the Three and Nine Months Ended September 30, 2024 and 2023

	<i>Three Months Ended</i>		<i>Nine Months Ended</i>	
	<u>September 30, 2024</u>	<u>September 30, 2023</u>	<u>September 30, 2024</u>	<u>September 30, 2023</u>
	\$	\$	\$	\$
Gross profit (GAAP)	43,012	48,131	140,833	153,060
Interest (within COGS)	575	776	1,869	2,290
Depreciation and amortization (within COGS)	9,119	10,109	28,892	29,422
Start-up costs (within COGS)	3,102	1,295	6,258	4,305
Other (within COGS)	4,567	196	5,886	5,773
Adjusted Gross Profit from continuing operations (non-GAAP)	<u>60,375</u>	<u>60,507</u>	<u>183,738</u>	<u>194,850</u>

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Revenues, net of Discounts

Revenues, net of discounts for the three months ended September 30, 2024 and 2023, were \$114,328 and \$114,392, respectively, decreasing \$64 or 0.1%. Retail revenues decreased by \$5,123 or approximately 5.0%, which was driven by a decrease in retail dollars for same-store sales of \$11,853 or 11.6%, while the number of transactions has been roughly flat and partially offset by an increase of \$6,729 from new store openings and acquisitions. Same-store sales represent the revenue generated from locations that have been in operation for a certain period, typically 12 months, allowing for a comparison over a consistent timeframe. Wholesale revenues grew by \$5,059 or approximately 41.6%, primarily driven by a rapid increase in store openings in New Jersey, presenting increased wholesale opportunity, paired with the conversion to adult-use in Ohio, which also created more wholesale opportunity in an expanding market.

Revenues, net of discounts for the nine months ended September 30, 2024 and 2023, were \$349,676 and \$348,795, respectively, increasing \$881 or 0.3%. Retail revenues decreased by \$14,446 or approximately 4.7%, which was driven by a decrease in retail dollars for same-store sales of \$30,803 or 10.1%, while the number of transactions has been roughly flat and partially offset by an increase of \$16,362 from new store openings and acquisitions. Wholesale revenues grew by \$15,327 or approximately 39.5%, primarily driven by a rapid increase in store openings in New Jersey, presenting increased wholesale opportunity, and a modest increase in Massachusetts and from the conversion to adult-use in Ohio, which also created more wholesale opportunity in an expanding market.

Disaggregation of Revenue

	<i>Three Months Ended</i>		<i>Nine Months Ended</i>	
	September 30, 2024	September 30, 2023	September 30, 2024	September 30, 2023
	\$	\$	\$	\$
Retail revenue	97,110	102,233	295,564	310,010
Wholesale revenue	17,218	12,159	54,112	38,785
Total revenue, net	114,328	114,392	349,676	348,795

Gross profit

Gross profit for the three months ended September 30, 2024 and 2023, was \$43,012 and \$48,131, respectively, a decrease of \$5,119 or 10.6%. Gross profit percentage for the three months ended September 30, 2024 and 2023 was 37.6% and 42.1%, respectively. Adjusted Gross Profit (non-GAAP) was 52.8% and 52.9%, respectively.

Gross profit for the nine months ended September 30, 2024 and 2023, was \$140,833 and \$153,060, respectively, a decrease of \$12,227 or 8%. Gross profit percentage for the nine months ended September 30, 2024 and 2023 was 40.3% and 43.9%, respectively. Adjusted Gross Profit (non-GAAP) was 52.5% and 55.9%, respectively.

The decrease in gross profit pertains to price compression in retail across the majority of our footprint, due to the rapid increase in competition from new store growth.

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Total Operating Expenses

Total operating expenses for the three months ended September 30, 2024 and 2023, were \$60,456 and \$49,560, respectively, increasing \$10,896 or 22%. Total operating expenses as a percent of revenue during the three months ended September 30, 2024 and 2023, were 52.9% and 43.3%, respectively. The increase in total operating expenses was primarily attributable to \$7,044 of severance, of which \$6,325 relates to non-cash stock compensation, a \$2,150 non-cash impairment expense on assets and a \$2,452 increase in acquisition and transaction costs.

Total operating expenses for the nine months ended September 30, 2024 and 2023, were \$167,915 and \$180,663, respectively, decreasing \$12,748 or 7.1%. Total operating expenses as a percent of revenue during the nine months ended September 30, 2024 and 2023, were 48.0% and 51.8%, respectively. The decrease in total operating expenses was primarily attributable to lower payroll expenses, depreciation and amortization. This was partially offset by a \$2,150 non-cash impairment expense on assets.

Total Other (Expense) Income, net

Total other (expense) income, net for the three months ended September 30, 2024 and 2023, was \$(19,956) and \$(4,298), respectively, decreasing \$15,658 or 364.3%. The decrease for the period was primarily driven by the \$9,473 increase in interest expense due to the terms of the debt extension and new debts and the \$5,238 as other income for Employee Retention Credit ("ERC") recorded during the third quarter of 2023.

Total other (expense) income, net for the nine months ended September 30, 2024 and 2023, was \$(131,648) and \$2,356, respectively, decreasing \$134,004 or 5,687.8%. The decrease for the period was primarily driven by the loss on debt extinguishment of \$79,172 relating to the debt restructuring, the \$29,358 increase in interest expense due to the terms of the debt extension and new debts, and the \$23,731 change in fair value on financial liabilities relating to the GSD NJ, LLC and Sira Naturals, Inc. earnout settlements and the \$5,238 as other income for ERC recorded during the third quarter of 2023. This was partially offset by the \$2,862 recognition of a gain resulting from the reclassification of a cultivation facility lease; refer to Note 8, "Right-of-Use Assets and Lease Liabilities" of the interim financial statements for additional information.

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Income Taxes

Income tax expense is recognized based on the expected tax payable on the taxable income for the period and the deferred tax, using tax rates enacted at year-end. The deferred tax benefit is mainly driven by changes in the amortization of intangibles.

The internal revenue service has taken the position that cannabis companies are subject to the limitations of Internal Revenue Code ("IRC") Section 280E, under which such companies are only allowed to deduct expenses directly related to the sales of product. This results in permanent differences between ordinary and necessary business expenses deemed non-allowable under IRC Section 280E and those allowed for financial statement reporting purposes ("book-to-tax" differences). Cannabis companies operating in states that align their tax codes with IRC Section 280E are also unable to deduct ordinary and necessary business expenses for state tax purposes. Ordinary and necessary business expenses deemed non-deductible under IRC Section 280E are treated as permanent book-to-tax differences. Therefore, the effective tax rate on income realized by cannabis companies can be highly variable and may not necessarily correlate with pre-tax income or loss. As of September 30, 2024, the Company recorded an uncertain tax liability totaling \$117,644 for uncertain tax positions related to the treatment of certain transactions and deductions under IRC Section 280E based on legal interpretations that challenge the Company's tax liability under IRC Section 280E; refer to Note 15, "Income Taxes," in the interim financial statements for additional information.

The Company's quarterly tax provision is calculated under the discrete method which treats the interim period as if it were the annual period and determines the income tax expense or benefit on that basis. The discrete method is applied when application of the estimated annual effective tax rate is impractical because it is not possible to reliably estimate the annual effective tax rate. The Company has computed its provision for income taxes based on the actual effective tax rate for the quarter as the Company believes that this approach more accurately represents the annual effective tax rate. The Company believes that this method is consistent with other large multi-state operators in the cannabis industry. The actual effective tax rate provides investors better information on the Company's financial condition for better comparison to industry peers.

Total income tax expense for the three months ended September 30, 2024 and 2023, was \$13,113 and \$13,543, respectively. Total income tax expense for the nine months ended September 30, 2024 and 2023, was \$39,425 and \$37,608, respectively.

Net loss attributable to Ayr Wellness Inc. from continuing operations

Net loss for the three months ended September 30, 2024 and 2023 was \$50,513 and \$19,270, respectively. The increase was primarily driven by the factors described above.

Net loss for the nine months ended September 30, 2024 and 2023 was \$198,155 and \$62,855, respectively. The increase was primarily driven by the factors described above.

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Liquidity and Capital Resources as of September 30, 2024

Selected Liquidity and Capital Resource Information

	<u>September 30, 2024</u>	<u>December 31, 2023</u>
	\$	\$
Cash, cash equivalents and restricted cash	50,578	50,766
Total current assets	187,856	193,220
Total assets	1,421,201	1,459,855
Total current liabilities	117,949	200,478
Total liabilities	894,432	889,203
Total shareholders' equity	526,769	570,652

As of September 30, 2024, the Company had cash, cash equivalents and restricted cash of \$50,578 and working capital of \$69,907 compared to December 31, 2023, when the Company had cash of \$50,766, and negative working capital of \$7,258. The overall increase in working capital is primarily due to the decrease of \$84,625 in income tax payable based on the Company’s legal interpretations that challenge the Company’s tax liability under IRC Section 280E, resulting in an uncertain tax position liability of \$117,644. The Company re-evaluates the long-term classification of the uncertain tax liability with circumstances change, in accordance with ASC Topic 740. Given the uncertainty and the plausibility of expected timing of cash payments to be greater than 12 months, the uncertain tax position liability is currently reflected within non-current liabilities. If circumstances change that would impact the classification of the uncertain tax position liability from non-current to current liabilities, this will result in a decrease in working capital. Refer to the Capital Management section for additional information on the Company’s liquidity plan.

Senior Secured Notes

Refer to Note 10, “Debts Payable and Senior Secured Notes,” of the interim financial statements for additional information regarding the Company’s debt transactions.

Refer to the definition and reconciliation of Adjusted EBITDA, which is a non-GAAP measure. Consolidated EBITDA is defined in the Amended and Restated Indenture of the 13% Senior Notes (“the Indenture”) and while being a more detailed definition than the Company uses for Adjusted EBITDA, leads to the same numerical result as Adjusted EBITDA for the most recent 12-month period as many of its component parts are not applicable.

Consolidated Net Leverage Ratio, also as defined in the Indenture, is a non-GAAP ratio. The calculation is essentially (i) consolidated debt (comprised of the sum of ‘Debts payable – current portion’ and Long-term debts payable’ per the interim balance sheets as of such date) less cash equivalents, with that amount then divided by (ii) Consolidated EBITDA for the most recent 12-month period.

The senior secured notes due December 10, 2026 (the “13% Senior Notes”) require the Company to comply with two financial covenants. The Company is required to maintain an amount of unrestricted cash balance of no less than \$20,000, to be tested on the last day of each month, beginning on January 31, 2024.

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Additionally, commencing with the fiscal quarter ending September 30, 2024, the Company may not permit the Consolidated Net Leverage Ratio, a non-GAAP term as defined in the Indenture, to be greater than the specified leverage ratio as of the end of any period of four (4) consecutive fiscal quarters ending on any date set forth below:

Fiscal Quarter End	Consolidated Net Leverage Ratio
September 30, 2024	4.65:1.00
December 31, 2024	4.35:1.00
March 31, 2025	4.30:1.00
June 30, 2025	4.20:1.00
September 30, 2025	4.10:1.00
December 31, 2025	3.95:1.00
March 31, 2026	3.90:1.00
June 30, 2026	3.55:1.00
September 30, 2026	3.50:1.00

As of September 30, 2024, the calculation of the consolidated debt of the Company in accordance with the Indenture (comprised of the sum of ‘Debts payable – current portion’ and Long-term debts payable’ per the interim balance sheets as of such date), less cash equivalents, was \$355,197. As of September 30, 2024 Adjusted EBITDA (a non-GAAP term commensurate with Consolidated EBITDA as defined in the Indenture) for the most recently completed twelve fiscal months was \$110,699. As of September 30, 2024, the Consolidated Net Leverage Ratio was 3.21 and the unrestricted cash balance was \$50,578. As such, the Company was in compliance with these financial covenants as of September 30, 2024.

Summary of Future Commitments

Year	Operating leases	Finance leases	Debt	Total
Remainder of 2024	\$ 3,441	\$ 2,704	\$ 4,337	\$ 10,482
2025	14,910	6,879	24,895	46,684
2026	40,293	4,876	358,502	403,671
2027	39,493	3,732	15,374	58,599
2028	39,238	2,893	3,359	45,490
Thereafter :	332,987	6,559	69,837	409,383
Total commitments	\$ 470,362	\$ 27,643	\$ 476,304	\$ 974,309

Employee Retention Credit

In 2023, the Company filed for an ERC claim amounting to approximately \$12,354. During 2023, the Company received notices from the Internal Revenue Service for a total ERC refund of \$5,238 and recorded a receivable included as part of prepaid expenses, deposits, and other current assets in the interim balance sheets and other income on the interim statements of operations. In accordance with ASC 958-605, the Company determined that the condition to record a receivable is met when the IRS confirms the claim is valid or the cash is received. Absent of any confirmation, there remains uncertainty as to whether the amounts will be received.

Due to the degree of uncertainty regarding the implementation of the CARES Act and other stimulus legislation and the nature of our business, although the Company expects to receive the remaining ERC, the Company determined that the remaining claim did not yet meet the criteria to record as a receivable as of September 30, 2024. As of September 30, 2024, the Company received partial proceeds relating to its ERC refund in the amount of \$5,196.

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Selected Cash Flow Information

	<i>Nine Months Ended</i>	
	September 30, 2024	September 30, 2023
	\$	\$
Cash provided by continuing operations	18,993	22,925
Cash provided by operating activities	18,993	25,105
Cash used in investing activities from continuing operations	(21,154)	(33,936)
Cash used in investing activities	(21,154)	(15,056)
Cash provided by (used in) financing activities by continuing operations	1,973	(17,722)
Cash provided by (used in) financing activities	1,973	(17,846)
Net decrease in cash and cash equivalents and restricted cash	(188)	(7,797)
Cash, cash equivalents and restricted cash at beginning of the period	50,766	76,827
Cash included in assets held-for-sale	-	3,813
Cash, cash equivalents and restricted cash at end of the period	<u>50,578</u>	<u>72,843</u>

Operating Activities

Cash provided by operating activities from continuing operations during the nine months ended September 30, 2024 and 2023 was \$18,993 and \$22,925, respectively, a decrease of \$3,932. This decline was primarily driven by a \$14,815 change in inventory, which was partially offset by changes in trade payables and accounts receivable of \$7,447 and \$3,694, respectively

Investing Activities

Cash used in investing activities from continuing operations during the nine months ended September 30, 2024 and 2023 was \$(21,154) and \$(33,936), respectively, a decrease of \$12,782. This reduction was mainly driven by a \$4,299 decline in purchases of property, plant, and equipment, a \$4,100 decrease in cash used for business combinations, a \$2,508 reduction in capitalized interest, and a \$1,487 decrease in purchases of intangible assets.

Financing Activities

Cash provided by (used in) financing activities from continuing operations during the nine months ended September 30, 2024 and 2023 was \$1,973 and \$(17,722), respectively, an increase of \$19,695. The increase is primarily due to an increase in proceeds from notes payable of \$29,570, consisting of proceeds of \$40,000 related to the debt restructuring. The increase was partially offset by the \$9,216 in payments of debt issuance costs.

Capital Management

The Company's short-term liquidity requirements consist primarily of funds necessary to maintain our operations, repay borrowings and other general business needs. The Company plans to use existing funds, as well as funds from the future sale of products, to fund short-term working capital needs for at least the next 12 months. If these sources of liquidity need to be augmented, additional cash requirements would likely be sought to be financed through additional capital raises. The Company has raised capital through the issuance and/or refinancing of debt, or equity, to meet its needs and take advantage of perceived opportunities, however, there can be no assurance that the Company will be able to continue raising capital in this manner. In addition, further issuances of equity, convertible debt securities, or warrants could result in significant dilution to existing Equity Shares, and any new equity securities issued could have rights, preferences, or privileges superior to the existing Equity Shares. The Company's long-term liquidity requirements will be affected by its ability to generate positive cash flow from operations and the ability to refinance existing debt on acceptable terms and/or raise equity.

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Share Capital

As of September 30, 2024 and December 31, 2023, the Company had share capital of \$1,516,384 and \$1,370,600, respectively, consisting of additional paid-in capital.

Number of Outstanding Shares

	<u>September 30, 2024</u>	<u>December 31, 2023</u>
Multiple Voting Shares	-	3,696
Subordinate Voting Shares	10,459	9,573
Restricted Voting Shares	10,426	5,876
Limited Voting Shares	85,921	49,125
Exchangeable Shares	9,379	9,645
Treasury Stock	-	(645)
Total number of shares	<u>116,185</u>	<u>77,270</u>

As of September 30, 2024, the Company had 23,033 Equity Shares issuable upon the exercise of warrants of the Company ("Warrants"), 3,399 restricted Exchangeable Share units, of which 1,050 are market and performance based, and 110 Equity Shares issuable upon the exercise of options. As of December 31, 2023, the Company had 2,874 Equity Shares issuable upon the exercise of Warrants of the Company, 4,989 restricted Exchangeable Share units, of which 1,300 are market and performance based, and 159 Equity Shares issuable upon the exercise of options. As of May 24, 2024, the 2,874 outstanding Warrants that were issued on May 24, 2019 with a strike price of \$9.07 expired. On June 12, 2024, the Company retired 645 of Treasury Shares, constituting all the then outstanding Treasury Shares.

Off-Balance Sheet Arrangements

As of the date of this filing, the Company does not have any off-balance sheet arrangements, with the exception of the commitments referenced in Note 13 in the interim financial statements, that have, or are reasonably likely to have, a current or future effect on the results of operations or financial condition of the Company (including, without limitation, such considerations as liquidity and capital resources) that have not previously been discussed.

Subsequent Events

See Note 16 in the interim financial statements for the Company's disclosures on subsequent events, if any.

Related Party Transactions

See Note 9 in the interim financial statements for the Company's disclosures on related party transactions.

Significant Accounting Judgments and Estimates

See Note 3.3 in the interim financial statements for the Company's accounting policies regarding *Significant Accounting Judgments and Estimates*.

Recent Accounting Pronouncements

See Note 3.5 in the interim financial statements for the Company's action on recent accounting pronouncements.

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Risk Factors

Please refer to the Company's final prospectus dated April 11, 2024, the Company's management information circular dated April 26, 2024, and the Annual Information Form dated March 13, 2024, for information on the risk factors to which the Company is subject. In addition, see "Cautionary Note Regarding Forward-Looking Statements" above.

Financial Instruments, Financial Risk Management and Other Instruments

The Company does not utilize financial instruments such as derivatives to manage financial risks. See Note 14 in the interim financial statements for the Company's financial instruments, financial risks factors, and other instruments.

The Company is exposed to interest rate risk. The Company's management oversees the management of these risks. The Company's management is supported by the members that advise on financial risks and the appropriate financial risk governance framework for the Company. The Company's financial risk activities are governed by appropriate policies and procedures and financial risks are identified, measured, and managed in accordance with Company policies and risk appetite.