TERRASCEND CORP.

MANAGEMENT DISCUSSION & ANALYSIS
Amounts in thousands of Canadian dollars, except for per share amounts
September 30, 2020

INTRODUCTION

This Management's Discussion and Analysis ("MD&A") relates to the performance, financial condition and future prospects of TerrAscend Corp. ("TerrAscend", or the "Company") and is for the three and nine months ended September 30, 2020 and 2019. It is supplemental and should be read in conjunction with the Condensed Interim Consolidated Financial Statements for the three and nine months ended September 30, 2020 and 2019 (the "Quarterly Financial Statements"). The Unaudited Condensed Interim Consolidated Financial Statements for the three and nine months ended September 30, 2020 and 2019 including the notes thereto, which have been prepared in compliance with International Accounting Standard 34 - Interim Financial Reporting. The Company followed the same accounting policies and methods of application as those disclosed in the annual audited consolidated financial statements for the year ended December 31, 2019. The interim financial statements should be read in conjunction with the annual financial statements of the Company for the year ended December 31, 2019, which have been prepared in compliance with International Financial Reporting Standards ("IFRS").References in this MD&A to TerrAscend or the Company include its subsidiaries, as the context requires. Readers are cautioned that the MD&A contains forward-looking statements and that actual events may vary from management's expectations. All amounts are presented in thousands of Canadian dollars unless otherwise specified. Readers are encouraged to read the Company's public information filings which can be accessed and viewed through a link to the Company's Canadian Securities Commissions filings via the System for Electronic Data Analysis and Retrieval (SEDAR) at www.sedar.com.

This MD&A was approved by the Board of Directors of TerrAscend on November 19, 2020 and reflects all material events up to that date.

Other than per share amounts, all dollar amounts in this MD&A are in thousands of Canadian dollars unless otherwise stated. All percentages are calculated using the rounded numbers as they appear in the tables.

Certain comparative figures have been reclassified to conform to the current period's presentation.

FORWARD-LOOKING STATEMENTS

This MD&A contains forward-looking statements with respect to expected financial performance, strategy and business conditions. The words "believe", "anticipate", "estimate", "plan", "expect", "intend", "may", "project", "will", "would" and similar expressions are intended to identify forward-looking statements, although not all forward-looking statements contain these identifying words. These statements reflect management's current beliefs with respect to future events and are based on information currently available to management.

The forward-looking statements contained herein are based on certain key expectations and assumptions, relating to:

- the ability of the Company to generate cash flow from operations and obtain necessary financing on acceptable terms, and the use of net proceeds from Private Placements;
- the suitability of the operating facilities;
- TerrAscend's expectations regarding its consolidated sales, expenses and operations;
- TerrAscend's plans for developing its business and its operations;
- expectations with respect to future production costs and capacity;
- the general economic, financial market, regulatory and political conditions in which the Company operates;
- consumer interest in the Company's products;
- the timely receipt of any required regulatory approvals, including approvals from Health Canada and/or other competent authorities;
- competition;
- the ability of the Company to obtain qualified staff, equipment and services in a timely and cost-efficient manner; and

- the ability of the Company to conduct operations in a safe, efficient and effective manner.

If any of these risks or uncertainties materialize, or if assumptions underlying the forward-looking statements prove incorrect, actual results might vary materially from those anticipated in those forward-looking statements.

Certain information of the forward-looking statements and forward-looking information and other information contained in this MD&A concerning TerrAscend's industry and the markets in which it operates, including general expectations and market position, market opportunities and market share, is based on estimates prepared by TerrAscend using data from publicly available governmental sources as well as from market research and industry analysis and on assumptions based on data and knowledge of this industry which TerrAscend believes to be reasonable. While TerrAscend is not aware of any misstatement regarding any industry or government data presented herein, the medical and recreational cannabis industry involves risks and uncertainties that are subject to change based on various factors and TerrAscend has not independently verified such third-party information (see "Risk Factors" in this MD&A). Given these risks, uncertainties and assumptions, the reader should not place undue reliance on any forward-looking statements or information. Whether actual results, performance or achievements will conform to TerrAscend's expectations and predictions is subject to a number of known and unknown risks, uncertainties, assumptions and other factors.

SUMMARY OF FINANCIAL PERFORMANCE

The following table summarizes results of operations for the three and nine months ended September 30, 2020 and September 30, 2019. See "Results from Operations" for additional details.

	For the three months ended		For the nine months ended	
	September 30, 2020	**September 30, 2019**	**September 30, 2020**	**September 30, 2019**
Sales, net	**$ 50,968**	$ 26,831	**$ 132,996**	$ 58,985
Gross profit before gain on fair value of biological assets	**30,088**	4,800	**72,098**	7,816
Gross margin before gain on fair value of biological assets	***59%***	*18%*	***54%***	*13%*
Gross profit	**34,562**	6,996	**89,406**	11,088
Other data: (1)				
EBITDA	**$ (12,187)**	$ (15,009)	**$ (6,609)**	$ (41,261)
Adjusted EBITDA	**$ 17,786**	$ (6,628)	**$ 34,158**	$ (20,820)
Adjusted EBITDA margin	***35%***	*(25%)*	*26%*	*(35%)*

(1) EBITDA and Adjusted EBITDA are non-IFRS financial measures. See "Non-IFRS Financial Measures" below for a description of these measures and a reconciliation to the nearest IFRS measure.

Third Quarter 2020 Financial and Operating Highlights

- For the three months ended September 30, 2020, TerrAscend generated net sales of $50,968, compared to 47,230 in the three months ended June 2020, an increase of 8% and compared to $26,831 for the three months ended September 30, 2019, an increase of 90%.

- For the three months ended September 30, 2020, gross margin before gains on fair value of biological assets was 59%, compared to 56% in the second quarter of 2020 and compared to 18% for the three months ended September 30, 2019.

- For the three months ended September 30, 2020, EBITDA was $(12,187), compared to $3,777 in the second quarter of 2020 and compared to ($15,009) for the three months ended September 30, 2019.

- For the three months ended September 30, 2020, adjusted EBITDA was $17,786, compared to $11,431 in the second quarter of 2020 and compared to ($6,628) for the three months ended September 30, 2019. For the three months ended September 30, 2020, adjusted EBITDA margin was 35%, compared to 24% in the second quarter of 2020 and compared to (25%) for the three months ended September 30, 2019.

BUSINESS OVERVIEW

TerrAscend provides quality products, brands, and services to the North American cannabinoid market. As the first North American Operator (NAO), with scale operations in both the US and Canada, TerrAscend participates in the medical and legal adult use market across several US states where cannabis has been legalized for therapeutic or adult use and Canada.

TerrAscend's portfolio of operating businesses and brands include:

- Ilera Healthcare ("Ilera"), a vertically integrated cannabis cultivator, processor and dispensary operator in Pennsylvania;
- TerrAscend NJ LLC ("NJ"), a majority owned subsidiary that was awarded a vertically integrated permit in Phillipsburg, NJ on January 16, 2020. TerrAscend holds a cultivation permit in the State of New Jersey and is pending final approval for a vertically integrated medical cannabis operation with the ability to operate up to 3 Alternative Treatment Centers ("ATC"s).
- The Apothecarium ("Apothecarium"), consisting of Architectural Digest award-winning retail dispensaries in San Francisco, and Valhalla Confections, a leading provider of premium edible products;
- State Flower, a California-based cannabis producer operating a licensed cultivation facility in San Francisco, California.
- Arise Bioscience ("Arise"), a manufacturer and distributor of hemp-derived products, located in Boca Raton, Florida; and
- TerrAscend Canada, a Licensed Producer (as such term is defined in the *Cannabis Act*) of cannabis, with its current principal business activities including cultivation, processing and sale of cannabis flower and oil products in Canada. A decision was made to exit the cultivation business in Canada and the final harvest occurred in September 2020.

The Company is listed on the Canadian Stock Exchange, having the ticker symbol TER and effective October 22, 2018, the Company began trading on OTCQX under the ticker symbol TRSSF. The Company's registered office is located at PO Box 43125, Mississauga, Ontario, L5C 1W2.

<u>Ilera Healthcare</u>

Ilera is one of five vertically integrated cannabis cultivator, processor, and dispensary operators to win a license in the State of Pennsylvania. The grower/processor operation began as a 67,000 sq. ft. site in Waterfall, PA in January 2018. In Q1 2020, it tripled its capacity, now spanning an approximate 150,000 sq. ft. footprint including a double-stack indoor grow and is the largest branded manufacturer in this market. Ilera distributes its product lines, which include dried flower, vaporizables, concentrates, tinctures, and topicals, to all dispensaries throughout Pennsylvania.

In addition, Ilera operates three Apothecarium-branded retail dispensaries, one in Plymouth Meeting, PA opened in March 2018, a second in Lancaster, PA opened in April 2020, with a third dispensary in Thorndale, PA opened in July 2020. Ilera's dispensaries offer a variety of products and formats, produced by Ilera and other manufacturers, to ensure its pharmacists and wellness associates can provide an appropriate product to meet a particular patient's needs. In April 2020, to mitigate patient and caregiver concerns during the COVID crisis, Ilera implemented a smooth-running curbside service at its dispensaries to promote social distancing, which has led to increased patient usage of the on-line ordering and drive-through service with approximately one-third of patients now using this service since inception in mid-April.

On September 16, 2019, the Company through a wholly owned subsidiary, WDB Holding PA, Inc. ("WDB PA"), acquired Ilera pursuant to a Securities Purchase and Exchange Agreement (the "Ilera Purchase Agreement"). The Company acquired the following group of entities (collectively the "Pennsylvania Ilera Entities"):

- Ilera Healthcare LLC, Ilera Dispensing LLC, IHC Real Estate GP, LLC, Ilera Security LLC, 235 Main Mercersburg LLC, and Ilera InvestCo I LLC – 100%;

- IHC Real Estate LP – 50%; and
- Guadco LLC and KCR Holdings LLC – 10%.

TerrAscend acquired 100% of the equity of Ilera for total consideration between $160,764-$293,244 (US$125-$225 million), paid in a combination of cash and TerrAscend shares. At closing, TerrAscend paid to the sellers $33,120 (US$25 million) in cash, subject to customary closing adjustments, an additional $27,488 (US$25 million) worth of proportionate voting shares in the equity of TerrAscend equivalent to approximately 5,059.102 proportionate voting shares (which are each exchangeable for 1,000 TerrAscend common shares), and $796 (US$0.6 million) in working capital adjustments. Additional cash consideration of $99,360 (US$75 million) to $231,840 (US$175 million) in aggregate may be paid to the sellers based on Ilera achieving certain specified sales and profitability targets, with staged payments being made in fiscal 2020 and 2021. The fair value of the contingent consideration at acquisition was $144,312. On December 27, 2019, the Company agreed to pay to the sellers of Ilera an additional amount equal to $2,269 (US$1.75 million), payable in five installments, due every three months beginning April 15, 2020 and earning interest at 6%. The Company made earnout payments to the sellers of Ilera in the amount of $26,481 (US $20.3 million) on January 15, 2020, as well as two scheduled installments from the additional amount totaling $1,033 (US $0.7 million). On September 4, 2020, the Company and the sellers of Ilera amended the Ilera Purchase Agreement to allow the Company to utilize cash flow generated by the Ilera business to prepay up to US$30.0 million (the "Pre-Payment Amount") towards the final earnout payment, of which $13,191 (US $10.0 million) was pre-paid to the sellers of Ilera on September 8, 2020. The amendment to the Ilera Purchase Agreement also allows the Company to defer up to an amount equal to the actual Pre-Payment Amount paid to the sellers of Ilera until June 30, 2021. The Company expects that the full earnout amount to the sellers of Ilera of USD $225.0 million will be paid by the due dates set out in the Ilera Purchase Agreement (as amended), of which USD $146.1 million, undiscounted, is outstanding as of September 30, 2020.

New Jersey

In December 2018, TerrAscend NJ was awarded a permit by the New Jersey Department of Health for a vertically integrated license to cultivate, process and dispense medical cannabis in its North Region. TerrAscend NJ is a majority-owned subsidiary of TerrAscend, whose minority partners are BWH NJ, LLC and Blue Marble Ventures, LLC. NJ has secured a 16-acre site in Boonton Township, Morris County. Construction of a 200,000 sq. ft. production facility is underway with the first phase covering approximately 80,000 sq. ft. of cultivation, processing and support space expected to be operational in fiscal 2020. Site plans for the second phase have been completed and submitted to the Boonton Township Planning Board for review for an additional approximately 120,000 sq. ft. The Company plans to leverage the strong brand equity of The Apothecarium as its retail banner in New Jersey. An Apothecarium-branded dispensary is slated to open in Phillipsburg in fiscal 2020 and will be followed by two additional dispensaries upon regulatory approval.

The Apothecarium

The Apothecarium is a group of licensed, full-service dispensaries in Northern California that provide quality cannabis to both medical patients and adult-use customers. The dispensaries are known for emphasizing education and customer service for seniors, first-time dispensary visitors, and patients with serious medical conditions. The focus is on providing guests with in-depth, one-on-one consultations from highly trained cannabis consultants. The Apothecarium also provides free cannabis education events that are open to the public. Guests may purchase their cannabis in the dispensaries or order online for pickup.

The Apothecarium currently operates three dispensaries in San Francisco, California. The flagship dispensary located in the Castro district of San Francisco was named the best-designed dispensary in the country by Architectural Digest. In July 2020, The Apothecarium opened a fourth California dispensary in Berkeley. The Apothecarium is in the process of opening a fifth California dispensary in the fourth quarter of 2020.

TerrAscend has agreed to continue licensing The Apothecarium, State Flower and Valhalla names and related intellectual property to Gravitas Nevada Ltd. and its related operations in Nevada. Gravitas Nevada Ltd. is a vertically-integrated business engaged in the cultivation, processing, packaging and dispensing of cannabis and cannabis related products in Nevada.

Valhalla Confections ("Valhalla") is a premier manufacturer of select cannabis-infused artisan edibles that are gluten free, and made with ingredients free of chemically formulated fertilizers, growth stimulants, antibiotics, or pesticides, all while maintaining eco-friendly practices.

On June 6, 2019, a wholly owned subsidiary of TerrAscend, WDB Holdings CA ("WDB CA"), Inc., acquired 49.9%, which comprises 100% of the common shares, of the following group of entities (collectively referred to as the "California Apothecarium Entities"). The assets included three entities operating the San Francisco locations of The Apothecarium, two additional retail locations, and Valhalla.

- RHMT, LLC, Deep Thought, LLC, and Howard Street Partners, LLC. (collectively the "SF Entities")- 49.9%; and
- BTHHM Berkeley, LLC, PNB Noriega, LLC, and V Products, LLC (collectively the "NoCal Entities")- 100%

As consideration, TerrAscend paid $95,990 (US$71.8 million), comprising $49,281 (US$36.8 million) in cash, $1,399 (US$1.1 million) in the form of a working capital adjustment, contingent consideration of $4,051 (US$3 million) and 6,700 proportionate voting shares of TerrAscend. The fair value of the share consideration at June 6, 2019 was $41,259 (US$30.9 million). The contingent consideration is the expected consideration payable to acquire the remaining 50.1% of the SF Entities, which comprises 100% of its preferred shares, subject to regulatory approval.

On January 23, 2020, the Company, through WDB CA, acquired ABI SF LLC ("State Flower"), which operates a California cannabis cultivation facility and the State Flower brand. As consideration, the Company converted its previously issued note receivable and accrued interest in the amount of $3,985 (US$3.03 million) into a 49.9% equity interest in State Flower. The Company also recorded contingent consideration payable of $8,714 (US$6.6 million), representing the expected consideration payable to acquire the remaining 50.1% of State Flower, which comprises 100% of its preferred shares, subject to regulatory approval. Effective with the conversion, the Company controls the appointment of three out of five seats on the board of directors and controls strategic and financial operations of State Flower.

RESULTS FROM OPERATIONS

Three months ended September 30, 2020 as compared to the three months ended September 30, 2019:

		$		$
Sales, gross	**$**	**54,018**	$	27,233
Excise taxes		**(3,050)**		(402)
Sales, net		**50,968**		26,831
Cost of sales		**20,880**		22,031
Gross profit before gain on fair value of biological assets		**30,088**		4,800
Unrealized gain on changes in fair value of biological assets		**25,267**		2,283
Realized loss on changes in fair value of biological assets		**(20,793)**		(87)
Gross profit		**34,562**		6,996
Operating expenses:				
General and administrative expense		**13,736**		12,187
Share-based payments		**4,164**		7,227
Amortization and depreciation		**2,550**		3,312
Research and development		**20**		197
Total operating expenses		**20,470**		22,923
Income (loss) from operations		**14,092**		(15,927)
Revaluation of contingent consideration		**8,094**		—
Finance and other expenses		**3,301**		2,099
Transaction and restructuring costs		**245**		2,419
Unrealized (gain) loss on investments		**(414)**		236
Net increase in fair value of warrant and derivative liabilities		**22,174**		—
Unrealized gain on note receivable		**—**		(120)
Foreign exchange loss		**36**		32
Loss before income taxes		**(19,344)**		(20,593)
Current income tax expense		**2,748**		(928)
Deferred income tax expense (recovery)		**(4,542)**		(2,344)
Net loss	**$**	**(17,550)**	$	(17,321)
Currency translation adjustment		**3,621**		(12)
Comprehensive loss	**$**	**(21,171)**	$	(17,309)
Net loss attributable to:				
Shareholders of the Company		**(16,917)**		(17,056)
Non-controlling interests		**(633)**		(265)
Comprehensive loss attributable to:				
Shareholders of the Company		**(20,538)**		(17,044)
Non-controlling interests		**(633)**		(265)
Net loss per share – basic and diluted	**$**	**(0.11)**	$	(0.16)
Weighted average shares outstanding		**149,492,681**		107,404,738

Sales, net

For the three months ended September 30, 2020, the Company generated net sales of $50,968 compared to $26,831 for the three months ended September 30, 2019. The increase was primarily due to operational scale up from the Company's acquisitions. The Company acquired The Apothecarium in June 2019, Ilera in September 2019 and State Flower in January 2020. The Company continued to expand organically through an increase in production and branded manufacturing capacity in Pennsylvania and store expansions in Pennsylvania and California.

Cost of sales

The cost of sales for the three months ended September 30, 2020 and three months ended September 30, 2019 are presented in the tables below:

For the three months ended	September 30, 2020 $	September 30, 2019 $
Cost of goods sold	**20,880**	21,051
Impairment of inventory	**—**	980
Cost of sales	**20,880**	22,031
Cost of sales before changes in biological assets as percentage of net sales	**41%**	82%
Unrealized gain on changes in fair value of biological assets	**(25,267)**	(2,283)
Realized loss on changes in fair value of biological assets	**20,793**	87
Cost of Sales after changes in biological assets	**16,406**	19,835
Cost of sales after changes in biological assets as percentage of net sales	**32%**	74%

The improvement in the ratio of cost of sales relative to net sales is a result of the Company becoming more cost efficient throughout their production process.

The impairment charges for the three months ended September 30, 2019 of $980 were due to the carrying value of inventory exceeding the estimated net realizable value of inventory held in Canada. The Company did not incur any crop failures in 2020 or 2019.

Fair value gains are sensitive to changes in the Company's average selling price and other changes in the Company's valuation estimates which include, but are not limited to, remaining costs to complete, the allocation rate and method of production costs, the stage of plant growth and cycles and expected yields. Any changes in underlying estimates and assumptions used to determine fair value gains on the transformation of biological assets could have a positive impact on expected gains.

General and administrative expense

General and Administrative ("G&A") expenses of $13,736 for the three months ended September 30, 2020 increased by $1,549 compared to $12,187 for the same period last year. The increase is primarily driven by an increase in professional fees and office and general expenses which were $2,150 and $3,028, respectively, during the three months ended September 30, 2020 as compared to $877 and $2,180, respectively, for the three months ended September 30, 2019. This increase was partially offset by cost reductions in Canada as the Company continues to refine its cost structure in the Canadian business unit.

Share-based payments

Share-based payments expense was $4,164 for the three months ended September 30, 2020 compared to $7,227 for the same period last year. The decrease was primarily driven by the cancellation of the 2.5 million of stock options with the higher fair value after September 30, 2019.

Amortization and depreciation

Amortization and depreciation expense were $2,550 for the three months ended September 30, 2020 compared to $3,312 for the same period last year. The decrease was primarily driven due to a reclass of amortization on certain assets from amortization and depreciation expense to cost of sales during the three months ended September 30, 2020 due to the nature of the assets.

Revaluation of contingent considerations

Revaluation of contingent consideration was $8,094 for the three months ended September 30, 2020 compared to $nil for the same period last year. The revaluation was related to the accretion of the contingent consideration payable for Ilera and State Flower which were recorded at the present value of future payments upon initial recognition, adjusted for payments made during the three months ended September 30, 2020.

Finance and other expenses

Finance expense for the three months ended September 30, 2020 totaled $3,301 compared to $2,099 for the comparable period last year. The finance expense in the current period is due to accretion of lease liabilities and interest accrued on loans and convertible debt with Canopy Rivers. The finance expense in the prior period was primarily related to borrowings on the US$75 million credit facility with JW Asset Management LLC. The JW Asset Management LLC credit facility was fully paid off in the first quarter of 2020 using proceeds received from the Canopy Growth financing.

Transaction and restructuring costs

Transaction and restructuring costs for the three months ended September 30, 2020 totaled $245 compared to $2,419 for the comparable period last year. The transaction and restructuring costs in the current period are primarily personnel related reorganization costs. The transaction and restructuring costs in the prior period are related to acquisition costs for the acquisition of Ilera.

Unrealized gain or loss on investments

For the three months ended September 30, 2020, the Company recorded unrealized gain on investments of $414 compared to a loss of $236 in the same period for 2019. The unrealized gain in the current period relates to the equity income pick up from the Company’s 10% investment in Guadco LLC and KCR Holdings LLC. The unrealized loss on investments in the prior period in Canada relates to the decrease in fair value of the Company’s investment in F&F shares and warrants.

Net increase in fair value of warrant and derivative liabilities

For the three months ended September 30, 2020, the Company recorded a net increase in fair value of warrant and derivative liabilities of $22,174, including effects of the foreign exchange of the USD denominated Preferred Shares and Preferred Share Warrants. The preferred share derivative liability and warrant liability have been remeasured to fair value at September 30, 2020 using a Monte Carlo simulation model, resulting in the $7,363 decrease in the fair value of the preferred share derivative liability and the $29,537 increase in the fair value of the warrant liability. The fair value of preferred share derivative liability decrease is largely due to the increase in the Company’s share price at September 30, 2020 making it less likely that the Company’s next round of financing would be priced lower than the preferred share and warrant private placement and thus, making it less likely that the price protection feature would be invoked. The fair value of the warrant liability increased largely due to increase in the Company’s share price making preferred share warrants more valuable.

Foreign exchange loss

For the three months ended September 30, 2020, the Company recorded foreign exchange losses of $36 compared to a loss of $32 for the same period last year. The exchange loss relates to foreign currency transactions in the normal course of operations.

Current and deferred income tax expense

For the three months ended September 30, 2020, the Company recorded current income tax expense of $2,748 and deferred income tax recovery of $4,542, respectively. For the comparable period last year, the Company recorded a current income tax recovery of $928 and deferred income tax recovery of $2,344. The increase in tax expense is related to operational scale up and from the Company's acquisitions. The Company acquired The Apothecarium in June 2019, Ilera in September 2019 and State Flower in January 2020. The current expense was impacted by a recovery resulting from the expiration of the statute of limitations to assess tax. The deferred income tax recovery during the current period primarily relates to temporary differences resulting from unrealized gain on biological assets and the recording of a deferred tax recovery related to convertible debt.

Nine months ended September 30, 2020 as compared to the nine months ended September 30, 2019:

	September 30, 2020 $	September 30, 2019 $
Sales, gross	**142,081**	61,217
Excise taxes	**(9,085)**	(2,232)
Sales, net	**132,996**	58,985
Cost of sales	**60,898**	51,169
Gross profit before gain on fair value of biological assets	**72,098**	7,816
Unrealized gain on changes in fair value of biological assets	**63,207**	3,736
Realized loss on changes in fair value of biological assets	**(45,899)**	(464)
Gross profit	**89,406**	11,088
Operating expenses:		
General and administrative expense	**44,042**	31,576
Share-based payments	**10,420**	11,593
Amortization and depreciation	**7,351**	5,305
Research and development	**395**	494
Total operating expenses	**62,208**	48,968
Income (loss) from operations	**27,198**	(37,880)
Revaluation of contingent consideration	**19,861**	—
Finance and other expenses	**9,748**	4,168
Transaction and restructuring costs	**2,558**	6,224
Unrealized loss on investments	**(81)**	2,822
Impairment of intangible assets	**1,002**	58
Net increase in fair value of warrant and derivative liabilities	**22,174**	—
Unrealized gain on note receivable	**—**	(120)
Foreign exchange loss	**139**	134
Loss before income taxes	**(28,203)**	(51,166)
Current income tax expense	**18,411**	(889)
Deferred income tax expense (recovery)	**(1,575)**	(3,130)
Net loss	**(45,039)**	(47,147)
Currency translation adjustment	**3,550**	2,894
Comprehensive loss	**(48,589)**	(50,041)
Net loss attributable to:		
Shareholders of the Company	**(42,854)**	(46,290)
Non-controlling interests	**(2,185)**	(857)
Comprehensive loss attributable to:		
Shareholders of the Company	**(46,404)**	(49,184)
Non-controlling interests	**(2,185)**	(857)
Net loss per share – basic and diluted	**(0.29)**	(0.52)
Weighted average shares outstanding	**148,335,223**	89,651,942

Sales, net

For the nine months ended September 30, 2020, the Company generated net sales of $132,996 compared to $58,985 for the nine months ended September 30, 2019. The increase was primarily due to operational scale up from the Company's acquisitions. The Company acquired the Apothecarium in June 2019, Ilera in September 2019, and State Flower in January 2020. The Company continued to expand organically through an increase in production and branded manufacturing capacity in Pennsylvania and store expansions in Pennsylvania and California.

Cost of Sales

For the nine months ended	September 30, 2020 $	September 30, 2019 $
Cost of goods sold	**56,577**	49,425
Impairment of inventory	**4,321**	1,744
Cost of sales	**60,898**	51,169
Cost of sales before changes in biological assets as percentage of net sales	**46%**	87%
Unrealized gain on changes in fair value of biological assets	**(63,207)**	(3,736)
Realized loss on changes in fair value of biological assets	**45,899**	464
Cost of Sales after changes in biological assets	**43,590**	47,897
Cost of sales after changes in biological assets as percentage of net sales	**33%**	81%

The increase in cost of sales was due to the Company's acquisitions of The Apothecarium in June 2019, Ilera in September 2019 and State Flower in January 2020. In addition, the Company has continued to expand production capacity and branded manufacturing and retail sale presence. The Company's production facility in Pennsylvania tripled production capacity in the first quarter of 2020, resulting in a significant increase in unrealized gains on changes in the fair value of biological assets. The improvement in the ratio of cost of sales relative to net sales is a result of the Company becoming more cost efficient throughout their production process.

The impairment charges for the nine months ended September 30, 2020 of $4,321 (2019 - $1,744) were due to the carrying value of inventory exceeding the estimated net realizable value of inventory held in Canada. Of the impairment charges during the nine months ended September 30, 2020, $2,414 of the charges were related to write down of inventory purchased from a third-party supplier, during the current period, at prices per prior signed agreements. The Company did not incur any crop failures in 2020 or 2019.

Fair value gains are sensitive to changes in the Company's average selling price and other changes in the Company's valuation estimates which include, but are not limited to, remaining costs to complete, the allocation rate and method of production costs, the stage of plant growth and cycles and expected yields. Any changes in underlying estimates and assumptions used to determine fair value gains on the transformation of biological assets could have a positive impact on expected gains.

General and administrative expense

General and Administrative ("G&A") expenses of $44,042 for the nine months ended September 30, 2020 increased by $12,466 compared to $31,576 for the same period last year. The increase is primarily driven by salaries and wages and office and general expenses as a result of US acquisitions of The Apothecarium, Ilera and State Flower in June 2019, September 2019 and January 2020, respectively. This increase is partially offset by a reduction in sales and marketing expenses during the current period and by cost reductions in Canada as the Company continues to refine its cost structure in the Canadian business unit.

Share-based payments

Share-based payments expense was $10,420 for the nine months ended September 30, 2020 compared to $11,593 for the same period last year. The decrease was primarily driven by the issuance of a higher value stock options during the years ended December 31, 2019 and 2018 and subsequent cancellations and forfeitures of those options after September 30, 2019.

Amortization and depreciation

Amortization and depreciation expense were $7,351 for the nine months ended September 30, 2020 compared to $5,305 for the same period last year. The increase was primarily driven by acquisitions of the Apothecarium, Ilera and State Flower in June 2019, September 2019 and January 2020, respectively.

Revaluation of contingent considerations

Revaluation of contingent consideration was $19,861 for the nine months ended September 30, 2020 compared to $nil for the same period last year. The revaluation was related to the accretion of the contingent consideration payable for Ilera and State Flower which were recorded at the present value of future payments upon initial recognition.

Finance and other expenses

For the nine months ended September 30, 2020, finance expense totaled $9,748 compared to $4,168 for the same period last year. The finance expense in the current period is due to accretion of lease liabilities and interest accrued on loans and convertible debt with Canopy Rivers. The finance expense in the prior period was primarily related to borrowings on the US$75 million credit facility with JW Asset Management LLC. The JW Asset Management LLC credit facility was fully paid off in the first quarter of 2020 using proceeds received from the Canopy Growth financing.

Transaction and restructuring costs

Transaction and restructuring costs for the nine months ended September 30, 2020 totaled $2,558 compared to $6,224 for the comparable period last year. The transaction and restructuring costs in the current period are related to acquisition costs for State Flower and preferred share issuance costs that were expensed. The transaction and restructuring costs in the prior period are related to acquisition costs for the acquisitions of Arise, the Apothecarium and Ilera.

Unrealized loss on investments

For the nine months ended September 30, 2020, the Company recorded unrealized gain on investments of $81 compared to a loss of $2,822 in the same period for 2019. The unrealized gain in the current period relates to expiry of the F&F warrants offset by the unrealized gain related to the equity income pick up from the Company's 10% investment in Guadco LLC and KCR Holdings LLC. The unrealized loss on investments in the prior period in Canada relates to the decrease in fair value of the Company's investment in F&F shares and warrants. The fair value of the investment was based on Level 3 of the fair value hierarchy.

Impairment of intangible assets

The Company recorded impairment losses for the nine months ended September 30, 2020 totalling $1,002 for intangible assets as compared to $58 for the same period in 2019. The impairment recorded is related to the write-off of intellectual property in Canada and termination of an agreement with a third party in the Arise subsidiary in the US.

Net increase in fair value of warrant and derivative liabilities

For the nine months ended September 30, 2020, the Company recorded a net increase in fair value of warrant and derivative liabilities of $22,174, including effects of the foreign exchange of the USD denominated Preferred Shares and Preferred Share Warrants. The preferred share derivative liability and warrant liability have been remeasured to fair value at September 30, 2020 using a Monte Carlo simulation model, resulting in the $7,363 decrease in the fair value of the preferred share derivative liability and the $29,537 increase in the fair value of warrant liability. The fair value of preferred share derivative liability decrease largely due to the increase in the Company's share price at September 30, 2020 making it less likely that the Company's next round of financing would be priced lower than the preferred share and warrant private placement and thus, making it less likely that the price protection feature would be invoked. The fair value of warrant liability increased largely due to increase in the Company's share price making preferred share warrants more valuable.

Foreign exchange loss

For the nine months ended September 30, 2020, the Company recorded foreign exchange losses of $139 compared to a loss of $134 for the same period last year. The exchange loss relates to foreign currency transactions in the normal course of operations.

Current and deferred income tax expense

For the nine months ended September 30, 2020, the Company recorded current income tax expense of $18,411 and deferred income tax recovery of $1,575. For the comparable period last year, the Company recorded current income tax recovery of $889 and deferred income tax recovery of $3,130. The increase in tax expense is related to operational scale up and from the Company's acquisitions. The Company acquired The Apothecarium in June 2019, Ilera in September 2019 and State Flower in January 2020. The current expense was impacted by a recovery resulting from the expiration of the statute of limitations to assess tax. The deferred income tax recovery during the current period primarily relates to temporary differences resulting from unrealized gain on biological assets and the recording of a deferred tax recovery related to convertible debt.

SUMMARY OF QUARTERLY RESULTS

The following table sets forth information regarding TerrAscend's Consolidated Financial for the periods presented, which were prepared in accordance with IFRS and should be read in conjunction with the corresponding audited annual consolidated financial statements and related notes.

	Q3 2020 $	Q2 2020 $	Q1 2020 $	Q4 2019 $	Q3 2019 $	Q2 2019 $	Q1 2019 $	Q4 2018 $
Sales, gross	54,018	50,214	37,849	28,344	27,233	19,019	14,965	5,366
Excise taxes	(3,050)	(2,984)	(3,051)	(2,461)	(402)	(1,447)	(383)	(335)
Sales, net	50,968	47,230	34,798	25,883	26,831	17,572	14,582	5,031
Cost of sales	20,880	20,766	19,252	30,126	22,031	16,063	13,075	4,150
Gross profit (loss) before gain on fair value of biological assets	30,088	26,464	15,546	(4,243)	4,800	1,509	1,507	881
Unrealized gain (loss) on changes in fair value of biological assets	25,267	23,051	14,889	1,744	2,283	1,009	444	(1,189)
Realized loss on changes in fair value of biological assets	(20,793)	(18,862)	(6,244)	(261)	(87)	(360)	(17)	(63)
Gross profit (loss)	**34,562**	**30,653**	**24,191**	**(2,760)**	**6,996**	**2,158**	**1,934**	**(371)**
Operating expenses:								
General and administrative expense	13,736	15,706	14,600	18,497	12,187	11,376	8,013	8,083
Share-based payments	4,164	3,439	2,817	11	7,227	2,459	1,907	2,492
Amortization and depreciation	2,550	3,164	1,637	194	3,312	1,241	752	190
Research & development	20	168	207	215	197	173	124	40
Total operating expenses	**20,470**	**22,477**	**19,261**	**18,917**	**22,923**	**15,249**	**10,796**	**10,805**
Income (loss) from operations	**14,092**	**8,176**	**4,930**	**(21,677)**	**(15,927)**	**(13,091)**	**(8,862)**	**(11,176)**
Impairment of goodwill	—	—	—	66,213	—	—	—	—
Revaluation of contingent consideration	8,094	6,192	5,575	61,851	—	—	—	—
Finance and other expenses (income)	3,301	3,143	3,304	1,507	2,099	1,337	732	(13)
Transaction and restructuring costs	245	1,737	576	4,922	2,419	2,997	808	—
Unrealized loss (gain) on investments	(414)	(132)	465	2,724	236	1,968	618	(98)
Impairment of intangible assets	—	540	462	4,309	—	58	—	188
Unrealized loss (gain) on note receivable	—	—	—	1,775	(120)	—	—	—
Net increase in fair value of warrant and derivative liabilities and Realized gain on investments	22,174	—	—	(1,400)	—	—	—	—
Impairment of property, plant and equipment	—	—	—	2,305	—	—	—	—
Foreign exchange loss (gain)	36	49	54	279	32	62	40	(192)
Loss before income taxes	**(19,344)**	**(3,353)**	**(5,506)**	**(166,162)**	**(20,593)**	**(19,513)**	**(11,060)**	**(11,061)**
Current income tax expense (recovery)	2,748	9,798	5,865	4,848	(928)	39	—	16
Deferred income tax expense (recovery)	(4,542)	474	2,493	795	(2,344)	(416)	(370)	688
Net loss	**(17,550)**	**(13,625)**	**(13,864)**	**(171,805)**	**(17,321)**	**(19,136)**	**(10,690)**	**(11,765)**
Currency translation adjustment	3,621	5,636	(5,707)	(902)	(12)	2,396	510	—
Comprehensive loss	**(21,171)**	**(19,261)**	**(8,157)**	**(170,903)**	**(17,309)**	**(21,532)**	**(11,200)**	**(11,765)**
Net loss attributable to:								
Shareholders of the Company	(16,917)	(12,731)	(13,206)	(169,498)	(17,056)	(18,704)	(10,530)	(11,649)
Non-controlling interests	(633)	(894)	(658)	(2,307)	(265)	(432)	(160)	(116)
Comprehensive loss attributable to:								
Shareholders of the Company	(20,538)	(18,367)	(7,499)	(168,482)	(17,044)	(21,100)	(11,040)	(11,649)
Non-controlling interests	(633)	(894)	(658)	(2,421)	(265)	(432)	(160)	(116)

NON-IFRS FINANCIAL MEASURES

The Company's "Adjusted EBITDA" is a non-IFRS measure used by management that does not have any standardized meaning prescribed by IFRS and may not be comparable to similar measures presented by other companies. Management uses Adjusted EBITDA to evaluate the performance of the Company's business as it reflects its ongoing profitability. The Company believes that certain investors and analysts use Adjusted EBITDA to measure a company's ability to service debt and to meet other payment obligations or as a common measurement to value companies in the biopharmaceutical industry. Adjusted EBITDA has no direct comparable IFRS financial measure. Such information is intended to provide additional information and should not be considered in isolation or as a substitute for measures of performance prepared in accordance with IFRS.

The Company calculates Adjusted EBITDA as EBITDA less unrealized gain on changes in fair value of biological assets and other income plus fair value changes in biological assets included in inventory sold, impairments, restructuring costs, purchase accounting adjustments, transaction costs, share based compensation, revaluation of warrants and derivative liabilities, and unrealized loss on investments. The Company believes that this definition is suited to measure the Company's ability to service debt and to meet other payment obligations.

Certain comparative figures have been reclassified to conform to the current period's presentation.

The table below reconciles net loss to EBITDA and Adjusted EBITDA for the three months ended September 30, 2020 and nine months ended September 30, 2020.

		For the three months ended September 30,		For the nine months ended September 30,	
Summary of Quarterly EBITDA and Adjusted EBITDA	**Notes**	**2020**	**2019**	**2020**	**2019**
Net loss		**(17,550)**	(17,321)	**(45,039)**	(47,147)
Add (deduct) the impact of:					
Current income tax expense (recovery)		**2,748**	(928)	**18,411**	(889)
Deferred income tax expense (recovery)		**(4,542)**	(2,344)	**(1,575)**	(3,130)
Finance expense		**3,066**	2,155	**9,709**	4,187
Amortization and depreciation		**4,091**	3,429	**11,885**	5,718
EBITDA	(a)	**(12,187)**	(15,009)	**(6,609)**	(41,261)
Add (deduct) the impact of:					
Unrealized gain on changes in fair value of biological assets	(b)	**(25,267)**	(2,283)	**(63,207)**	(3,736)
Realized fair value amounts included in inventory sold	(c)	**20,793**	87	**45,899**	464
Revaluation of contingent consideration	(d)	**8,094**	—	**19,861**	—
Share-based payments	(e)	**4,349**	7,351	**10,964**	12,113
Non-cash write downs of inventory	(f)	**—**	—	**1,907**	—
Restructuring costs	(g)	**157**	—	**1,284**	—
Unrealized loss (gain) on investments	(h)	**(414)**	98	**(81)**	2,822
Impairment of intangible assets	(i)	**—**	—	**1,002**	58
Relief of fair value of inventory upon acquisition	(j)	**—**	829	**(310)**	2,616
Transaction costs	(k)	**87**	2,419	**1,274**	6,224
Unrealized gain on note receivable	(h)	—	(120)	—	(120)
Net increase in fair value of warrant and derivative liabilities	(l)	**22,174**	—	**22,174**	—
Adjusted EBITDA		**17,786**	(6,628)	**34,158**	(20,820)

(a) EBITDA is a non-IFRS measure and is calculated as earnings before interest, tax, depreciation and amortization.

(b) Represents fair value changes of biological assets based on the average stage of growth of plants compared to expected growth period of plants from planting to harvesting.
(c) Represents the portion of inventory harvested and sold in the period that is related to the changes in fair value of biological assets.
(d) Represents the loss on period end revaluation of the Company's contingent consideration liabilities.
(e) Represents non-cash share-based compensation expense.
(f) Represents inventory write downs outside the normal course of operations.
(g) Represents costs associated with severance and winding down of business units.
(h) Represents unrealized and realized loss and gains on fair value changes on strategic investments and note receivables held.
(i) Represents impairment charges taken on the Company's intangible assets and property, plant and equipment.
(j) In connection with the Company's acquisitions, inventory was acquired at fair value, which included a markup or markdown for profit. Recording inventory at fair value in purchase accounting has the effect of increasing or decreasing inventory and thereby increasing or decreasing cost of sales as compared to the amounts the Company would have recognized if the inventory was sold through at cost. The write-up or write-down of acquired inventory represents the incremental cost of sales that were recorded as a result of purchase accounting.
(k) In connection with the Company's acquisitions, the Company incurred expenses related to professional fees, consulting, legal and accounting that would otherwise not have been incurred. These fees are not indicative of the Company's ongoing costs and are expected to be incurred only as additional acquisitions are completed.
(l) For the three and nine months ended September 30, 2020, the Company recorded a net increase in fair value of warrant and derivative liabilities of $22,174 loss, including effects of the foreign exchange of the USD denominated Preferred Shares and Preferred Share Warrants.

The increase in adjusted EBITDA was primarily due to operational scale up from the Company's acquisitions. The Company acquired the Apothecarium in June 2019, Ilera in September 2019, and State Flower in January 2020. The Company continued to expand in the US organically through an increase in production and branded manufacturing capacity in Pennsylvania and store expansions in Pennsylvania and California. The growth in the US was offset by the reduction of operations in Canada in 2020, which was driven by a shift in focus towards more profitable and sustainable sales and a decision was made to exit the cultivation business in Canada and the final harvest occurred in September 2020.

LIQUIDITY AND CAPITAL RESOURCES

Consolidated	**September 30, 2020**	**December 31, 2019**
	$	**$**
Cash and cash equivalents and restricted cash	**45,351**	11,900
Current assets	**111,265**	90,733
Non-current assets	**445,886**	370,033
Current liabilities	**253,932**	142,864
Non-current liabilities	**195,478**	242,573
Working capital	**(142,667)**	(52,131)
Total shareholders' equity	**107,741**	75,329

At September 30, 2020, TerrAscend had cash and cash equivalents and restricted cash of $45,351 which is sufficient to fund the Company's planned capital expenditures and ongoing operations. Any additional future requirements will be funded through the following sources of capital:

i) Market offering – the Company has the ability to offer equity in the market for significant potential proceeds to a large investor base, as evidenced by oversubscriptions on previous recent private placements;
ii) Debt- the Company has the ability to obtain additional debt from additional debtors.
iii) Sale leaseback – the Company has the ability to sell and lease back its capital properties.

iv) Exercise of options and warrants- the Company has the ability to obtain funds from exercise of options and warrant holders from securities that are in the money.

See “Access to Capital and Funding” section under “Risks Related to the Common Shares” for further information.

The Company’s objective with respect to its capital management is to ensure it has sufficient cash resources to maintain its ongoing operations and finance its research and development activities, corporate and administration expenses, working capital and overall capital expenditures. Since inception, the Company has primarily financed its liquidity needs through the issuance of shares and utilization of the Credit Facility. The Company has fully paid off the Credit Facility during the first quarter of 2020 using proceeds from the loan from Canopy Growth.

CASH FLOWS

	For the nine months ended September 30, 2020	September 30, 2019
Cash inflow (outflow) from operating activities	**$ 8,726**	$ (44,326)
Cash inflow from financing activities	**109,255**	147,774
Cash outflow from investing activities	**(82,323)**	(114,753)
Increase (decrease) in cash and cash equivalents during the year	**35,658**	(11,305)
Net effects of foreign exchange	**(2,207)**	(3,615)
Cash and cash equivalents, beginning of year	**11,900**	21,773
Cash and cash equivalents, end of year	**$ 45,351**	$ 6,853

Cash flows from operating activities

For the nine months ended September 30, 2020, the Company’s cash inflows from operating activities were $8,726 compared to outflows of $44,326 for the nine months ended September 30, 2019. The improvement in cash inflow is primarily due to the ramp up of the US operations, partially offset by the income tax payment of $9,101.

Cash flows from financing activities

Cash inflow provided by financing activities for the nine months ended September 30, 2020 was $109,255 compared to $147,774 for the nine months ended September 30, 2019. During the nine months ended September 30, 2020, the Company paid $76,718 in principal and interest payments. Included in this were payments made of $64,718 and $5,451 to pay off the remaining balance of the JW Asset Management credit facility and the loans from management of Ilera. In addition, during the nine months ended September 30, 2020, the Company received loans including accrued interest in the amount of $90,129 from Canopy Growth and management of Ilera and successfully completed a private placement.

Total private placement net of shares issuance proceeds amounted to $95,522.

- On December 30, 2019, the Company completed the first tranche of a private placement and issued 12,968,325 units at a price of $2.45, each comprised of one common share and one common share purchase warrant, for total proceeds of $31,772. The proceeds were collected in January 2020.
- On January 10, 2020, the Company closed the second tranche of the non-brokered private placement announced on December 30, 2019, issuing 3,450,127 units at an issue price of $2.45 per unit, resulting in proceeds of $8,343, net of share issue costs of $110. Each unit consists of one common share and one common share purchase warrant, exercisable into one common share prior to January 14, 2022 at an exercise price of $3.25.

- On January 27, 2020, the Company closed the third tranche of the non-brokered private placement announced on December 30, 2019, issuing 1,863,659 units at an issue price of $2.45 per unit, resulting in proceeds of $4,439, net of share issue costs of $127.
- During the nine months ended September 30, 2020, the Company closed a non-brokered private placement, issuing 18,679 units at an issue price of US$2,000 per unit, resulting in proceeds of $52,005 (US$37,358). Each unit consists of one non-voting Preferred Share and one Preferred Share Warrant. Transaction costs allocated to the liability component was $505 and immediately expensed and transaction costs related to the equity component was $540 net with share capital.

During the nine months ended September 30, 2020, 829,080 warrants were exercised for total gross proceeds of $1,883 and 470,002 stock options were exercised at $0.60 - $4.35 per unit for total gross proceeds of $620. In addition, 250 preferred share warrants were exercised at $3,000 US per unit for total gross proceeds of $1,003 ($750 USD), which amount was included in subscription receivable at September 30, 2020.

During the nine months ended September 30, 2019, 959,772 warrants were exercised at $1.75 per unit for total gross proceeds of $33,180, 28,636.631 proportionate voting shares warrants were exercised at $1,100 for total gross proceeds of $31,500 and 891,164 stock options were exercised at a price of $0.81 - $5.2 per unit for gross proceeds of $2,148.

During the nine months ended September 30, 2019, the Company also received a loan tranche including accrued interest in the amount of $47,085 from JW Partners L.P. and JW Opportunities Master Fund Ltd. and proceeds from mortgage in the amount of $6,500. The total proceeds from the private placement net of shares issuance amounted to $67,177.

Cash flows from investing activities

Cash outflow from investing activities during the nine months ended September 30, 2020 totaled $82,323, resulting primarily from payments of contingent consideration of $40,705 related to Ilera and from investments in property, plant and equipment of $39,950 primarily relating to the buildout of the New Jersey operations and expansions in Pennsylvania and California cultivation. In comparison, the cash outflow from investing activities during the nine months ended September 30, 2019 amounted to $114,753. This was primarily due to the acquisition of Grander (Arise), Ilera and the Apothecarium for the total cash consideration of $88,997 and investments in property plant and equipment of $23,599.

OFF-BALANCE SHEET ARRANGEMENTS

The Company does not have any off-balance sheet arrangements at September 30, 2020 and December 31, 2019.

RELATED PARTY TRANSACTIONS

(a) Key management includes directors and officers of the Company. Total compensation, comprised of salaries and share-based payments, awarded to key management for the nine months ended September 30, 2020 and September 30, 2019 respectively were as follows:

	September 30, 2020	September 30, 2019
Salaries and wages	**$ 1,895**	$ 982
Share-based payments	**5,685**	5,141
Total	**$ 7,580**	$ 6,123

(b) During the nine months ended September 30, 2020, the Company had cannabis sales of $nil (September 30, 2019 - $7,116) to Canopy Growth and other income of $11 (September 30, 2019 - $6) related to patient referral fees. During the nine months ended September 30, 2020, the Company and Canopy Growth exchanged cannabis products resulting in a cost of goods sold impact of $326. There are no amounts payable or receivable to or from Canopy Growth at September 30, 2020 or December 31, 2019.

(c) On March 25, 2020, the Company issued 1,625,701 common shares to Regulatory Consulting Group Inc., an entity controlled by the minority shareholders of NJ, pursuant to a success fee surrounding the granting of certain licenses in the state of New Jersey to NJ.

(d) Refer to Note 10 *Loans payable* of the Unaudited Condensed Interim Consolidated Financial Statements of the Company for as of and for the three and nine months ended September 30, 2020 and 2019 for discussion regarding related party loans balances.

FINANCIAL INSTRUMENTS

Refer to Note 21 *Financial instruments and risk management* of the Unaudited Condensed Interim Consolidated Financial Statements of the Company for as of and for the three and nine months ended September 30, 2020 and 2019 for the financial instrument and a fair value disclosures.

FINANCIAL RISK FACTORS

The financial risk factors significant to the financial statements are consistent with those disclosed in the notes to the annual consolidated financial statements for the year ended December 31, 2019.

COMMITMENTS AND CONTINGENCIES

On October 15, 2018, the Company's wholly owned subsidiary TerrAscend Canada entered into a multi-year cultivation agreement (the "PharmHouse Agreement") with PharmHouse Inc. ("PharmHouse"), a joint venture between Canopy Rivers Inc. and 2615975 Ontario Inc., the operators of a leading North American greenhouse produce company ("261"). Under the terms of the PharmHouse Agreement, it was expected that PharmHouse would grow and supply cannabis to TerrAscend Canada from its existing 1.3 million square foot greenhouse located in Leamington, Ontario. Once fully licensed, the production of flower, trim and clones from up to 20% of the dedicated flowering space planted at the greenhouse was expected to be made available to TerrAscend Canada. To date, PharmHouse has not yet delivered product in accordance with the terms of the PharmHouse Agreement. On September 11, 2020, the Company and TerrAscend Canada were informed that a statement of claim was issued on August 31, 2020 in the Ontario Superior Court of Justice by 261 against Canopy Rivers Inc., Canopy Growth Corporation, the Company and TerrAscend Canada (the "261 Claim"). In the 261 Claim, 261 seeks damages from the defendants in the amount of $500 million and alleges certain causes of action, including bad faith, fraud, civil conspiracy, breach of the duty of honesty and good faith in contractual relations and breach of fiduciary duty. The 261 Claim, as against the Company and TerrAscend Canada, is completely baseless and without merit, and the Company will vigorously defend itself, if necessary, in the appropriate forum. On September 16, 2020, PharmHouse obtained an order from the Ontario Superior Court of Justice granting PharmHouse creditor protection under the Companies' Creditors Arrangement Act ("CCAA"). Pursuant to the CCAA order, the 261 Claim has been stayed. Notwithstanding the 261 Claim and the CCAA order, TerrAscend Canada continues to be engaged in good faith negotiations with PharmHouse regarding the terms of the PharmHouse Agreement.

On October 20, 2018, Investments International Inc. ("Investments") signed a lease agreement with the Company and its wholly owned subsidiaries, 2627685 Ontario Inc. and 2151924 Alberta Inc. On February 8, 2019, Investments filed a statement of claim under the Court of Alberta against the Company and its wholly owned subsidiaries, for breach of the lease agreement. The amount claimed is $2,764 plus interest from and after the termination date of an unexecuted lease. The Company has paid initial lease deposits in addition to submitting a statement of defence. The Company does not expect the claim to have a material adverse impact on the Company and no amount has been accrued in the condensed interim consolidated statements of loss.

SUBSEQUENT EVENTS

On October 6, 2020, the Company successfully commenced sales from its newly expanded State Flower cultivation facility located in San Francisco, California. The Company has completed the expansion of its State Flower facility, increasing the square footage from 5,000 to 20,000 square feet while also implementing automation to improve the facilities annual production of super-premium craft flower.

On November 2, 2020, the Company announced the appointment of Ed Schutter to its Board of Directors.

On November 6, 2020, the Company announced the signing of a definitive agreement to acquire HMS Health, LLC and HMS Processing, LLC (collectively "HMS") from Curaleaf Holdings, Inc. HMS is a cultivator and processor of medical cannabis products in the state of Maryland. TerrAscend has agreed to acquire 100% of the equity of HMS from Curaleaf for a total consideration of $27,500, comprised of $25,000 in cash and a $2,500 note which bears 5.0% annual interest, due April 2022. Upon closing in the first quarter of 2021, 100% of HMS' economics will be retained by TerrAscend through full ownership of HMS Health, LLC and a master services agreement with HMS Processing, LLC. The transfer of 100% equity of HMS Processing is expected to close in April 2022. The Company made an initial deposit of $1,334 ($1,000 USD) during September 2020.

On November 6, 2020, the Company made a payment to the sellers of Ilera in the amount of $6,520 (US$5,000), reducing the final amount due.

On November 11, 2020, the Company announced the official opening of its eighth retail dispensary, located at 1850 41st Avenue, Capitola, CA. The new 3,900-square-foot Apothecarium Capitola, is the Company's fifth dispensary in California and its eighth dispensary nationwide.

OUTSTANDING SHARE DATA

At September 30, 2020, TerrAscend had 150,718,884 common shares and proportionate voting shares on a converted basis outstanding. At the date of this MD&A, fully diluted share capital outstanding was as follows:

	Number outstanding on a basic unconverted basis	Number outstanding on a fully diluted converted basis	Weighted average exercise price
			$
Common shares	77,516,733	77,516,733	N/A
Exchangeable shares	38,890,571	38,890,571	N/A
Proportionate voting shares	76,307	76,307,475	N/A
Preferred shares	15,306	15,306,000	N/A
Warrants for common shares		38,638,350	4.25
Warrants for proportionate voting shares		8,590,908	7.21
Warrants for preferred shares		18,024,000	3.93
Options		17,561,545	4.16
Total outstanding at date of this MD&A	116,498,917	290,835,582	

USE OF ESTIMATES AND JUDGEMENTS

The preparation of condensed interim consolidated financial statements requires the use of certain critical accounting estimates. It also requires management to exercise judgment in applying the Company's accounting policies. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are consistent with those disclosed in the notes to the annual consolidated financial statements for the year ended December 31, 2019.

SIGNIFICANT ACCOUNTING POLICIES

The same accounting policies have been applied in these unaudited condensed interim consolidated statements as those disclosed in the notes to the annual consolidated financial statements for the year ended December 31, 2019, except as described below.

New standards, amendments and interpretations adopted

IFRS 3 – "Business Combinations (Amendment)", the amendments clarify the definition of a business, permitting a simplified assessment to determine whether a transaction should be accounted for as a business combination or as an asset acquisition. The amendments are effective for transactions for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2020. Earlier application is permitted. The Company has adopted this standard effective January 1, 2020. There was no impact to the Company's financial statements as a result of this adoption.

RISK FACTORS

The following section describes specific and general risks that could affect the Company. These risks and uncertainties are not the only ones the Company is facing. Additional risks and uncertainties not presently known to the Company, or that it currently deems immaterial, may also impair its operations. If any such risks actually occur, the business, financial condition, liquidity and results of the Company's operations could be materially adversely affected. The risk factors described below should be carefully considered by readers.

Investment Risk

An investment in securities of the Company should only be made by persons who can afford a significant or total loss of their investment.

Reliance on Licenses

The Company's ability to grow, store and sell medical and adult-use cannabis and cannabis oil in Canada and certain US states is dependent on TerrAscend maintaining Licenses with applicable regulators for both oil and dried cannabis production and the sale of dried cannabis. Failure to comply with the requirements of its licenses or any failure to maintain its licenses would have a material adverse impact on the business, financial condition and operating results of the Company.

The Company and its subsidiaries, as applicable, will apply for, as the need arises, all necessary licenses and permits to carry on the activities it expects to conduct in the future. However, the ability of the Company or its subsidiaries to obtain, maintain or renew any such licenses and permits on acceptable terms is subject to changes in regulations and policies and to the discretion of the applicable authorities or other governmental agencies in foreign jurisdictions.

Regulatory Risks

Achievement of the Company's business objectives is contingent, in part, upon compliance with regulatory requirements enacted by governmental authorities and obtaining all regulatory approvals, where necessary, for the sale of its products. The Company cannot predict the impact of the compliance regime Health Canada, the Ontario College of Pharmacists, the applicable regulatory bodies in the United States, or any other applicable regulatory bodies are implementing that effect the business of the Company. Similarly, the Company cannot predict the time required to secure all appropriate regulatory approvals for its products, or the extent of testing and documentation that may be required by governmental authorities. The impact of governmental compliance regimes, any delays in obtaining, or failure to obtain regulatory approvals may significantly delay or impact the development of markets, products and sales initiatives and could have a material adverse effect on the business, results of operations and financial condition of the Company.

The Company will incur ongoing costs and obligations related to regulatory compliance. Failure to comply with regulations may result in additional costs for corrective measures, penalties or restrictions on the Company's operations. In addition, changes in regulations, more vigorous enforcement thereof or other unanticipated events could require extensive changes to the Company's operations, result in increased compliance costs or give rise to material liabilities, which could have a material adverse effect on the business, results of operations and financial condition of the Company.

The cannabis industry is subject to extensive controls and regulations, which may significantly affect the financial condition of market participants. The marketability of any product may be affected by numerous factors that are beyond the control of the Company and which cannot be predicted, such as changes to government regulations, including those relating to taxes and other government levies which may be imposed. Changes in government levies, including taxes, could reduce the Company's earnings and could make future capital investments or the Company's operations uneconomic. The industry is also subject to numerous legal challenges, which may significantly affect the financial condition of market participants and which cannot be reliably predicted.

U.S.-Specific Regulatory Risk

The Company engages in the manufacture, possession and sale of hemp derived CBD products in the United States.

While some states in the United States have authorized the use and sale of cannabis in some form, it remains illegal under U.S. federal law. On January 4, 2018, United States Attorney General Jeff Sessions issued a memorandum to United States Attorneys which rescinded previous guidance from the U.S. Department of Justice specific to cannabis enforcement in the United States, including the Cole Memorandum, which stated that the U.S. Department of Justice would not prioritize the prosecution of cannabis-related violations of U.S. federal law in jurisdictions that had enacted laws legalizing medical cannabis in some form and had implemented strong and effective regulatory and enforcement systems. With the Cole Memorandum rescinded, U.S. federal prosecutors have greater discretion in determining whether to prosecute medical cannabis-related violations of U.S. federal law; there was never such a policy statement in relation to United States state and territories with adult use cannabis programs. Because the Company engages in cannabis-related activities in the United States, an increase in federal enforcement efforts with respect to current U.S. federal laws applicable to cannabis could cause financial damage to the Company. In addition, the Company is at risk of being prosecuted under U.S. federal law and having its assets seized.

Enforcement of the U.S. federal law is a significant risk.

Violations of any United States federal laws and regulations could result in significant fines, penalties, administrative sanctions, convictions or settlements arising from civil proceedings conducted by either the United States federal government or private citizens, or criminal charges, including, but not limited to, disgorgement of profits, cessation of business activities, civil forfeiture or divestiture. This could have a material adverse effect on the Company, including its reputation and ability to conduct business, the listing of its securities on various stock exchanges, its financial position, operating results, profitability or liquidity or the market price of its publicly traded shares. In addition, it is difficult for the Company to estimate the time or resources that would be needed for the investigation of any such matters or its final resolution because, in part, the time and resources that may be needed are dependent on the nature and extent of any information requested by the applicable authorities involved, and such time or resources could be substantial.

Unlike in Canada which has federal legislation uniformly governing the cultivation, distribution, sale and possession of cannabis under the Cannabis Act, investors are cautioned that in the United States, cannabis is largely regulated at the state level. Notwithstanding the permissive regulatory environment of cannabis at the state level, cannabis continues to be categorized as a controlled substance under the Controlled Substance Act (CSA) in the United States and as such, is in violation of federal law in the United States.

Further, there can be no assurance that state laws legalizing and regulating the sale and use of cannabis will not be repealed or overturned, or that local governmental authorities will not limit the applicability of state laws within their respective jurisdictions. It is also important to note that local and city ordinances may strictly limit and/or restrict the distribution of cannabis in a manner that will make it extremely difficult or impossible to transact business in the cannabis industry.

As stated above, the United States Congress has passed appropriations bills each of the last several years, since 2014, to prevent the federal government from using congressionally appropriated funds to enforce federal marijuana laws against regulated medical marijuana actors operating in compliance with state and local law. Most recently, on October 1, 2020, President Trump signed a short-term continuing resolution to extend current appropriations through December 11, 2020. The continuing resolution contains, among other things, the Rohrabacher Blumenauer Amendment (the "RBA"), which prevents the federal government from using congressionally appropriated funds to enforce federal marijuana laws against regulated medical marijuana actors operating in compliance with state medical cannabis laws.

One United States federal appellate court construed these appropriations bills to prevent the federal government from prosecuting individuals when those individuals comply with state medical cannabis laws, vacated numerous convictions and sent the cases back to the trial courts for further determination. However, because this conduct continues to violate federal law, American courts have observed that should Congress at any time choose to appropriate funds to fully prosecute the CSA, any individual or business—even those that have fully complied with state law—could be prosecuted for violations of federal law. If Congress restores funding, for example by declining to include the RBA in the 2019 budget resolution, or by failing to pass necessary budget legislation and causing another government shutdown, the government will have the authority to prosecute individuals for violations of the law before it lacked funding under the five-year statute of limitations applicable to non-capital CSA violations. Additionally, it is important to note that the appropriations protections only apply to medical cannabis operations and provide no protection against businesses operating in compliance with a state's recreational cannabis laws.

Although the 2018 Farm Bill, among other things, generally removes hemp from the controlled substances list under the CSA, it does not legalize CBD generally. In particular, the 2018 Farm Bill preserves the FDA's authority to regulate products containing cannabis or cannabis-derived compounds. Pursuant to a statement released December 20, 2018, an FAQ on the FDA's website, and numerous public statements, the FDA has taken the position that all CBD is a drug ingredient and therefore illegal to add to food or health products without its approval or further action by the FDA. The FDA considers products containing CBD or other cannabis-derived compounds the same as any other FDA-regulated products and takes the position that they are subject to the same authorities and requirements as similarly regulated products, including but not limited to required approvals for food ingredients and dietary supplements based on safety standards. Importantly, the FDA has taken the position that it is unlawful under the FDCA to introduce food containing added CBD into interstate commerce, or to market CBD products as, or in, food or dietary supplements, regardless of whether the substances are hemp derived. The FDA has however indicated that it will work towards providing ways for companies to seek approval from the FDA to market CBD products. Further, many state criminal laws and food and drug laws prohibit or restrict the production and/or sale of hemp-derived CBD products. The Company's U.S. hemp operations will be subject to FDA oversight. There is no guarantee that the Company will be able to obtain necessary approval from regulatory authorities for its products in the U.S.

The Company's activities and operations in the U.S. are, and will continue to be, subject to evolving regulation by governmental authorities. The approach to the enforcement of cannabis laws may be subject to change or may not proceed as previously outlined. The USDA will promulgate additional rules governing the production of hemp in the US, with many states in the process of amending state laws to regulate hemp production and the sale of hemp-derived products within their borders. In addition, the FDA is expected to make determinations as to how CBD products will be regulated and is expected to issue a substantial change in its regulation of dietary supplements generally. Accordingly, there are significant changes in both federal and state law that may materially impact the Company's operations.

Tax Risk

Tax risk is the risk of changes in the tax environment that would have a material adverse effect on the Company's business, results of operations, and financial condition. Currently, state licensed marijuana businesses are assessed a comparatively high effective federal tax rate due to section 280E, which bars businesses from deducting all expenses except their cost of sales when calculating federal tax liability. Any increase in tax levies resulting from additional tax measures may have a further adverse effect on the operations of the Company, while any decrease in such tax levies will be beneficial to future operations. See Income Tax note of the Company's unaudited condensed interim consolidated financial statements for the Company's disclosure of uncertain tax positions.

Changes in Laws, Regulations and Guidelines

The Cannabis Act came into force in Canada on October 17, 2018 along with various related regulations. The cultivation, processing, distribution and sale of cannabis, among other things, remains subject to extensive regulatory oversight under the Cannabis Act, as it was prior to its implementation. It is possible that these statutory requirements, including any new regulations that are subsequently issued, could significantly and adversely affect the business, financial condition and results of operations of the Company.

While the foregoing activities in respect of cannabis are under the regulatory oversight of the Government of Canada, the distribution of recreational use cannabis is the responsibility of the respective provincial and territorial governments. These jurisdictions have chosen varying retail frameworks with private, public and hybrid models being implemented. There is no guarantee that provincial and territorial legislation regulating the distribution and sale of cannabis for recreational purposes will be continued according to their current terms, that they will not be materially amended or that such regimes will create the growth opportunities that the Company currently anticipates.

In the United States, the operations of the Company and its subsidiaries are subject to a variety of laws, including, among other things, state and local regulations and guidelines relating to the cultivation, manufacture, management, transportation, distribution, sale, storage and disposal of cannabis. Changes to such laws, regulations and guidelines due to matters beyond the control of the Company may cause adverse effects to the Company’s business, financial condition and result of operations. Local, state and federal laws and regulations governing marijuana for medicinal and recreational purposes are broad in scope and are subject to evolving interpretations, which could require the Company to incur substantial costs associated with bringing the Company’s operations into compliance. In addition, violations of these laws, or allegations of such violations, could disrupt the Company’s operations and result in a material adverse effect on its financial performance. It is beyond the Company’s scope to predict the nature of any future change to the existing laws, regulations, policies, interpretations or applications, nor can the Company determine what effect such changes, when and if promulgated, could have on the Company’s business.

In addition, government policy changes or public opinion may also result in a significant influence over the regulation of the cannabis industry in Canada, the United States or elsewhere. A negative shift in the public’s perception of medical or recreational cannabis in Canada, the United States or any other applicable jurisdiction could affect future legislation or regulation. Among other things, a shift could cause state and local jurisdictions to abandon initiatives or proposals to legalize medical or recreational cannabis, thereby limiting the number of new state jurisdictions into which the Company could expand. Any inability to fully implement the Company’s expansion strategy may have a material adverse effect on the Company’s business, financial condition and results of operations.

Regulatory Approval and Permits

The Company may be required to obtain and maintain certain permits, licenses and approvals in the jurisdictions where its products are manufactured and/or sold. There can be no assurance that the Company will be able to obtain or maintain any necessary licenses, permits or approvals. Any material delay or inability to receive these items is likely to delay and/or inhibit the Company's ability to conduct its business, and would have an adverse effect on its business, financial condition and results of operations.

U.S. State Cannabis Laws and Enforcement are not Uniform from State to State and can, and do, Change Constantly

State cannabis laws are inconsistent with each other and federal laws and are constantly changing. Similarly, local cannabis laws are also constantly changing. The changing and inconsistent nature of the laws may create conflict and the inability for the Company to conduct business in a particular state or across state lines. Interstate cannabis activities are currently prohibited by the CSA. With respect to hemp, local law enforcement officials in Oklahoma and Idaho seized shipments of hemp that were traveling through those states on the grounds that the products qualified as marijuana and were illegal under the states’ controlled substances laws. Criminal charges were filed along with product seizure, and an argument was made that the transportation provision of the 2018 Farm Bill has not yet taken effect. Despite the intent of the 2018 Farm Bill to allow transportation of hemp products through states without hemp programs, the novelty of the 2018 Farm Bill hemp provision, and conflicts among state laws and applicable federal laws remains an area of confusion and the cause of differing interpretations for many local authorities. Accordingly, there remains risk of enforcement even when activity is lawful under federal and state law.

Risks associated with the change in U.S. Administrations

There continues to be uncertainty as to the position the United States will take with respect to world affairs and events. This uncertainty may include issues such as enforcement of the U.S. federal laws. Implementation by the U.S. of new legislative or regulatory regimes could impose additional costs on the Company, decrease U.S. demand for the Company's services or otherwise negatively impact the Company, which may have a material adverse effect on the Company's business, financial condition and operations.

Risk of Heightened Scrutiny by Regulatory Authorities in Canada

The Company's future investments, joint ventures and operations in the United States may become the subject of heightened scrutiny by regulators, stock exchanges and other authorities in Canada. As a result, the Company may be subject to significant direct and indirect interaction with public officials. There can be no assurance that this heightened scrutiny will not in turn lead to the imposition of certain restrictions on the Company's ability to invest in the United States or any other jurisdiction, in addition to those described herein.

Although a Memorandum of Understanding signed by CDS and the Canadian recognized exchanges (Aequitas NEO Exchange Inc., the CSE, the Toronto Stock Exchange and the TSX Venture Exchange) dated February 8, 2018, confirms that CDS relies on the exchanges to review the conduct of listed issuers, and therefore there is currently no CDS ban on the clearing of securities of issuers with cannabis-related activities in the United States, there can be no guarantee that this approach to regulation will continue in the future. If such a ban were to be implemented, it would have a material adverse effect on the ability of holders of Common Shares to make and settle trades. In particular, the Common Shares would become highly illiquid as and until an alternative was implemented, investors would have no ability to affect a trade of Common Shares through the facilities of a stock exchange.

International Regulatory Risks

If the Company intends to expand internationally or engage in the international sale of hemp-derived products, it will become subject to the laws and regulations of the foreign jurisdictions in which it operates, or in which it imports or exports products or materials, including but not limited to customs regulations in the importing and exporting countries. The laws governing hemp and CBD differ in various jurisdictions and are subject to change. Under the 1961 United Nation Single Convention, all extracts of the cannabis plant are considered Schedule I substances. The varying laws and rapidly changing regulations may impact the Company's operations, including but not limited to the Company's ability to ensure compliance. In addition, the Company may avail itself of proposed legislative changes in certain jurisdictions to expand its product portfolio, which expansion may include business and regulatory compliance risks as yet undetermined. Failure by the Company to comply with the evolving regulatory framework in any jurisdiction could have a material adverse effect on the Company's business, financial condition and results of operations.

Risks Concerning Banking and Anti-Money Laundering Laws and Regulations

The U.S. federal prohibitions on the sale of marijuana may result in the Company and its partners being restricted from accessing the U.S. banking system and they may be unable to deposit funds in federally insured and licensed banking institutions. Banking restrictions could be imposed due to the Company's banking institutions not accepting payments and deposits. The Company is at risk that any bank accounts it has could be closed at any time. Such risks increase costs to the Company.

The Company's activities in the U.S., and any proceeds thereof, may be considered proceeds of crime due to the fact that cannabis remains federally illegal in the U.S. This may restrict the ability of the Company to declare or pay dividends, effect other distributions or subsequently repatriate such funds back to Canada. Furthermore, while the Company has no current intention to declare or pay dividends on its common shares in the foreseeable future, the Company may decide or be required to suspend declaring or paying dividends without advance notice and for an indefinite period of time.

The guidance provided in the FinCEN Memorandum as described above may change depended on the position of the U.S. government administration at any given time and is subject to revision or retraction in the future, which may restrict the Company's access to banking services.

U.S. Border Officials Could Deny Entry into the U.S. to Management, Employees and/or Investors in Companies with Cannabis Operations in the U.S.

Because cannabis remains illegal under U.S. federal law, those employed at or investing in legal and licensed Canadian cannabis companies could face detention, denial of entry or lifetime bans from the U.S. for their business associations with U.S. cannabis businesses. Entry happens at the sole discretion of the U.S. Customs and Border Protection officers on duty, and these officers have wide latitude to ask questions to determine the admissibility of a foreign national. The government of Canada has started warning travelers on its website that previous use of cannabis, or any substance prohibited by U.S. federal laws, could mean denial of entry to the U.S. Business or financial involvement in the legal cannabis industry in Canada or in the U.S. could also be reason enough for U.S. border guards to deny entry**.**

Constraints on Marketing Products

The development of the Company's business and results of operations may be hindered by applicable regulatory restrictions on sales and marketing activities. For example, the regulatory environment in Canada limits our ability to compete for market share in a manner similar to other industries. If the Company is unable to effectively market its products and compete for market share, or if the costs of compliance with government legislation and regulation cannot be absorbed through increased selling prices for the Company's products, our sales and results of operations could be adversely affected. See "*Description of the Business - Regulatory Framework in Canada – Recent Regulatory Developments – Federal Developments – Packaging and Labelling*".

Environmental and Employee Health and Safety Regulations

The Company's operations are subject to environmental and safety laws and regulations concerning, among other things, emissions and discharges to water, air and land, the handling and disposal of hazardous and non-hazardous materials and wastes, and employee health and safety. Changes in environmental, employee health and safety or other laws, more vigorous enforcement thereof or other unanticipated events could require extensive changes to the Company's operations or give rise to material liabilities, which could have a material adverse effect on the business, results of operations and financial condition of the Company.

Product Recalls

The Company's products may be subject to recall or return for a variety of reasons, including product defects such as contamination, unintended harmful side effects or interactions with other substances, packaging safety and inadequate or inaccurate labeling disclosure. If any of the Company's products are recalled due to an alleged product defect or for any other reason, the Company could be required to incur the unexpected expense of the recall and any legal proceedings that might arise in connection therewith. The Company may lose a significant amount of sales and may not be able to replace those sales at an acceptable margin or at all. In addition, a product recall may require significant management attention. Although the Company has detailed procedures in place for testing its products, there can be no assurance that any quality, potency or contamination problems will be detected in time to avoid unforeseen product recalls, regulatory action or lawsuits. Additionally, if one of the products produced by the Company were subject to recall, the image of that product and the Company could be harmed. A recall for any of the foregoing reasons could lead to decreased demand for the Company's products and could have a material adverse effect on the results of operations and financial condition of the Company. Additionally, product recalls may lead to increased scrutiny of the Company's operations by Health Canada and other regulatory agencies, requiring further management attention and potential legal fees and other expenses.

Product Liability Claims

As a manufacturer of products designed to be ingested by humans, the Company faces an inherent risk of exposure to product liability claims, regulatory action and litigation if its products are alleged to have caused significant loss or injury. In addition, the manufacturing and sale of cannabis and other products involve the risk of injury to consumers due to tampering by unauthorized third parties or product contamination. Previously unknown adverse reactions resulting from human consumption of cannabis products alone or in combination with other medications or substances could occur. The Company may be subject to various product liability claims, including, among others, that the products produced by the Company caused injury or illness, include inadequate instructions for use or include inadequate warnings concerning possible side effects or interactions with other substances.

A product liability claim or regulatory action against the Company could result in increased costs, could adversely affect the Company's reputation with its clients and consumers generally, and could have a material adverse effect on the results of operations and financial condition of the Company.

Consumer-Protection Liability

The Company's products may be considered misbranded or adulterated, or otherwise unlawful under federal and state food and drug laws and could subject the company to local, federal, or state enforcement or private litigation. Some states permit advertising, labeling laws, false and deceptive trade practices, and other consumer-protection laws to be enforced by state attorney generals, who may seek relief for consumers, class action certifications, class wide damages and product recalls of products sold by the Company. Private litigations may also seek relief for consumers, class action certifications, class wide damages and product recalls of products sold by the Company. Any actions against the Company by governmental authorities or private litigants could have a material adverse effect on the Company's business, financial condition and results of operations.

History of Net Losses

The Company started sales in April 2018 and historically has had negative cash flow from operating activities. The Company may not be able to achieve or maintain profitability and may continue to incur losses in the future. In addition, the Company expects to continue to increase operating expenses as it implements initiatives to continue to grow its business. If the Company's sales do not increase to offset these expected increases in costs and operating expenses, the Company will not be profitable.

Continued losses may have the following consequences:

- increasing the Company's vulnerability to general adverse economic and industry conditions;
- limiting the Company's ability to obtain additional financing to fund future working capital, capital expenditures, operating costs and other general corporate requirements; and
- limiting the Company's flexibility in planning for, or reacting to, changes in its business and the industry.

Production Capacity and Management of Growth

The Company may be subject to growth-related risks including capacity constraints and pressure on its internal systems and controls. The ability of the Company to manage growth effectively will require it to continue to implement and improve its operational and financial systems and to expand, train and manage its employee base. The inability of the Company to deal with this growth may have a material adverse effect on the Company's business, financial condition, results of operations and prospects.

Limited Operating History

The Company has a limited operating history and, accordingly, potential investors will have a limited basis on which to evaluate its ability to achieve its business objectives. The future success of the Company is dependent on management's ability to implement its strategy, there is no certainty that anticipated outcomes and sustainable revenue streams will be achieved and there is no certainty that the Company will successfully produce commercial medical cannabis, establish a market for and sell its product, maintain the License or obtain other necessary licenses and/or approvals.

The Company faces risks frequently encountered by early-stage companies. In particular, its future growth and prospects will depend on its ability to expand its operation and gain additional revenue streams while at the same time maintaining effective cost controls. Any failure to expand is likely to have a material adverse effect on the Company's business, financial condition and results. As such, there is no assurance that the Company will be successful in achieving a return on shareholders' investment and the likelihood of success must be considered in light of the early stage of operations.

Early Stage of the Cannabis Industry

As a Licensed Producer under the Cannabis Act, the Company is operating its business in a relatively new industry and market. Competitive conditions, consumer preferences, patient requirements and spending patterns in this new industry and market are relatively unknown and may have unique circumstances that differ from existing industries and markets.

In addition, the Cannabis Act also permits patients to produce a limited amount of cannabis for their own medical purposes or to designate a person to produce a limited amount of cannabis on their behalf. This could potentially significantly reduce the market for the Company's products, which could have a material adverse effect on the Company's business, financial condition and results of operations.

Accordingly, there are no assurances that this industry and market will continue to exist or grow as currently estimated or anticipated, or function and evolve in a manner consistent with management's expectations and assumptions. Any event or circumstance that affects the medical cannabis industry and market could have a material adverse effect on the Company's business, financial condition and results of operations.

Early Stage of the Hemp Industry

The Company, as a result of its indirect acquisition of substantially all of the assets of Grander, operates a hemp manufacturing, processing and distribution business, which business is in a relatively new industry and market. In addition to being subject to general business risks, the Company must continue to build brand awareness in this industry and market through significant investments in its strategy, its production capacity, quality assurance and compliance with regulations. In addition, there is no assurance that the industry and market will continue to exist and grow as currently estimated or anticipated or function and evolve in the manner consistent with management’s expectations and assumptions. Any event or circumstance that adversely affects the hemp industry and market could have a material adverse effect on the Company’s business, financial conditions and results of operations.

Risks Associated with Joint Venture Investments

The Company currently operates parts of its business through joint ventures with other companies, and it may enter into additional joint ventures and strategic alliances in the future. Joint venture investments may involve risks not otherwise present for investments made solely by the Company, including: (i) we may not control the joint ventures; (ii) our joint venture partners may not agree to distributions that we believe are appropriate; (iii) where we do not have substantial decision-making authority, we may experience impasses or disputes with our joint venture partners on certain decisions, which could require us to expend additional resources to resolve such impasses or disputes, including litigation or arbitration; (iv) our joint venture partners may become insolvent or bankrupt, fail to fund their share of required capital contributions or fail to fulfil their obligations as a joint venture partner; (v) the arrangements governing our joint ventures may contain certain conditions or milestone events that may never be satisfied or achieved; (vi) our joint venture partners may have business or economic interests that are inconsistent with ours and may take actions contrary to our interests; (vii) we may suffer losses as a result of actions taken by our joint venture partners with respect to our joint venture investments; and (viii) it may be difficult for us to exit a joint venture if an impasse arises or if we desire to sell our interest for any reason. Any of the foregoing risks could have a material adverse effect on the Company’s business, financial condition and results of operations. In addition, the Company may, in certain circumstances, be liable for the actions of its joint venture partners.

Risks Associated with Strategic Alliances

The Company currently has, and may in the future, enter into strategic alliances with third parties that we believe will complement or augment our existing business. Our ability to complete strategic alliances is dependent upon, and may be limited by, the availability of suitable candidates and capital. In addition, strategic alliances could present unforeseen integration obstacles or costs, may not enhance our business, and may involve risks that could adversely affect us, including significant amounts of management time that may be diverted from operations in order to pursue and complete such transactions or maintain such strategic alliances. Future strategic alliances could result in the incurrence of additional debt, costs and contingent liabilities, and there can be no assurance that future strategic alliances will achieve, or that our existing strategic alliances will continue to achieve, the expected benefits to our business or that we will be able to consummate future strategic alliances on satisfactory terms, or at all. Any of the foregoing could have a material adverse effect on our business, financial condition and results of operations.

Competition in the Cannabis Industry

The introduction of a recreational model for cannabis production and distribution may impact the medical cannabis market. The impact of this potential development may be negative for the Company and could result in increased levels of competition in its existing medical market and/or the entry of new competitors in the overall cannabis market in which the Company operates.

There is potential that the Company will face intense competition from other companies, some of which can be expected to have longer operating histories and more financial resources and manufacturing and marketing experience than the Company. Increased competition by larger and better financed competitors could materially and adversely affect the business, financial condition and results of operations of the Company.

If the number of users of medical cannabis in North America increases, the demand for products will increase and the Company expects that competition will become more intense, as current and future competitors begin to offer an increasing number of diversified products. To remain competitive, the Company will require a continued high level of investment in research and development, marketing, sales and client support. The Company may not have sufficient resources to maintain research and development, marketing, sales and client support efforts on a competitive basis, which could materially and adversely affect the business, financial condition and results of operations of the Company.

As well, the legal landscape for medical and recreational cannabis is changing internationally. More countries have passed laws that allow for the production and distribution of medical cannabis in some form or another. Increased international competition might lower the demand for the Company's products on a global scale.

The government has only issued to date a limited number of licenses under the Cannabis Act to produce and sell cannabis. According to Health Canada, as of the date hereof, there are currently 171 licensed producers under the Cannabis Act. There are, however, several hundred applicants for licenses. The number of licenses granted could have an impact on the operations of the Company. Because of the early stage of the industry in which the Company operates, the Company expects to face additional competition from new entrants. The Company also faces competition from illegal cannabis dispensaries that are selling cannabis to individuals despite not having a valid license under the Cannabis Act.

Competition in the Hemp Industry

The market for CBD-based hemp products is highly competitive and evolving. In particular, the Company faces strong competition from both existing and emerging companies that offer similar products to the Company. Competition consists of publicly and privately-owned companies, which tend to be highly fragmented in terms of both geographic market coverage and products offered. Some of the Company’s current and potential competitors may have longer operating histories, greater financial, marketing and other resources and larger customer bases. The Company’s competitors may be able to respond more quickly to new or emerging technologies and changes in customer requirements. Changes in regulations and the passing of the 2018 Farm Bill are likely to dramatically increase competition. Increased competition could impede the Company’s ability to sell additional products and services on terms favorable to it. The Company’s current and potential competitors may develop and market new technologies that render the Company’s existing or future products obsolete, unmarketable, or less competitive. The Company’s current and potential competitors may make strategic acquisitions or establish cooperative relationships among themselves or with other providers, thereby increasing the availability of their services to address the needs of our current and prospective customers. The Company may not be able to compete successfully against its current and future competitors, and competitive pressures that we encounter may seriously harm the business. The Company’s success will depend on its ability to keep pace with any changes in the marketplace. The Company’s success will depend on its ability to respond to, among other things, changes in the economy, market conditions and competitive pressures. Any failure to anticipate or respond adequately to such changes could have a material adverse effect on the Company’s financial condition, operating results, liquidity, cash flow and operational performance.

Inherent Risks Associated with Relying on Hemp as an Active Pharmaceutical Ingredient in CBD Products

The Company's business involves the manufacturing and processing of innovative hemp-derived CBD products. The Company’s operations rely on a consistent supply of hemp from independent third-party producers. Hemp is an agricultural product and its cultivation is therefore subject to the risks inherent in the agricultural business, such as insects, plant diseases and similar agricultural risks.

Although hemp is grown indoors under climate-controlled conditions, and while all growing conditions are carefully monitored with trained personnel, there can be no assurance that natural elements will not have a material adverse effect on the production of hemp, which could have a material impact on the business and operations of the Company given the Company's reliance on hemp as the active pharmaceutical ingredient in certain of its CBD products.

Vulnerability to Rising Energy Costs

The Company's medical cannabis growing operations consume considerable energy, which make the Company vulnerable to rising energy costs. Accordingly, rising or volatile energy costs may adversely impact the business of the Company and its ability to operate profitably.

Client Acquisitions

The Company's success depends on its ability to attract and retain clients. There are many factors which could impact the Company's ability to attract and retain clients, including but not limited to the Company's ability to continually produce desirable and effective products, the successful implementation of a client-acquisition plan and the continued growth in the aggregate number of patients selecting medical cannabis as a treatment option. The Company's failure to acquire and retain clients would have a material adverse effect on the Company's business, operating results and financial condition.

Dependence on Suppliers and Skilled Labour

The ability of the Company to compete and grow will be dependent on having access, at a reasonable cost and in a timely manner, to skilled labour, equipment, parts and components. No assurances can be given that the Company will be successful in maintaining its required supply of skilled labour, equipment, parts and components.

Transportation Risks

The Company depends on fast and efficient courier services to distribute its product. Any prolonged disruption of this courier service could have an adverse effect on the financial condition and results of operations of the Company. Rising costs associated with the courier services used by the Company to ship its products may also adversely impact the business of the Company and its ability to operate profitably. Due to the nature of the Company's products, security of the product during transportation to and from its facilities is of the utmost concern. A breach of security during transport or delivery could have a material and adverse effect on the Company's business, financial condition and prospects. Any breach of the security measures during transport or delivery, including any failure to comply with recommendations or requirements of various regulatory bodies, could also have an impact on the Company's ability to continue operating under its licenses or the prospect of renewing its licenses or obtaining additional licenses and/or approvals.

Market Development

The Company's success in North America is dependent on the market building out direct to consumer channels including but not limited to retail outlets. There are many factors which could impact the Company's ability to gain market share and distribute its products, including but not limited to the continued growth and expansion of retail outlets in the North American adult use market which may have a material adverse effect on the Company's business, operating results and financial condition.

Our ability to continue to grow, process, store and sell medical cannabis and participate in the adult-use cannabis markets is dependent on the maintenance and validity of our licenses from regulatory authorities.

The cannabis industry and markets are relatively new in North America and in other jurisdictions, and this industry and market may not continue to exist or grow as anticipated or we may ultimately be unable to succeed in this industry and market.

Research and Development and Product Obsolescence

The introduction of new products embodying new technologies, including new manufacturing processes, and the emergence of new industry standards may render the Company's products obsolete, less competitive or less marketable. The process of developing the Company's products is complex and requires significant continuing costs, development efforts and third-party commitments. The Company's failure to develop new technologies and products and the obsolescence of existing technologies could adversely affect the business, financial condition and operating results of the Company. The Company may be unable to anticipate changes in its potential customer requirements that could make the Company's existing technology obsolete.

The development of the Company's proprietary technology entails significant technical and business risks. The Company may not be successful in using its new technologies or exploiting its niche markets effectively or adapting its businesses to evolving customer or medical requirements or preferences or emerging industry standards.

Privacy and Cyber Security

A security breach at the Facility could expose the Company to additional liability and to potentially costly litigation, increase expenses relating to the resolution and future prevention of these breaches and may deter potential patients from choosing the Company's products. In addition, the Company collects and stores personal information about its patients and is responsible for protecting that information from privacy breaches. A privacy breach may occur through procedural or process failure, information technology malfunction, or deliberate unauthorized intrusions.

The Company has entered into agreements with third parties for hardware, software, telecommunications and other information technology ("IT") services in connection with its operations. The Company's operations depend, in part, on how well it and its suppliers protect networks, equipment, IT systems and software against damage from a number of threats, including, but not limited to, cable cuts, damage to physical plants, natural disasters, intentional damage and destruction, fire, power loss, hacking, computer viruses, vandalism and theft. The Company's operations also depend on the timely maintenance, upgrade and replacement of networks, equipment, IT systems and software, as well as pre-emptive expenses to mitigate the risks of failures. Any of these and other events could result in information system failures, delays and/or increase in capital expenses. The failure of information systems or a component of information systems could, depending on the nature of any such failure, adversely impact the Company's reputation and results of operations.

Theft of data for competitive purposes is an ongoing risk whether perpetrated via employee collusion or negligence or through deliberate cyber-attack. Any such theft or privacy breach would have a material adverse effect on the Company's business, financial condition and results of operations. In addition, there are a number of federal and provincial laws protecting the confidentiality of certain patient health information, including patient records, and restricting the use and disclosure of that protected information. In particular, the privacy rules under the Personal Information Protection and Electronics Documents Act (Canada) ("PIPEDA"), protect medical records and other personal health information by limiting their use and disclosure of health information to the minimum level reasonably necessary to accomplish the intended purpose. If the Company was found to be in violation of the privacy or security rules under PIPEDA or other laws protecting the confidentiality of patient health information, it could be subject to sanctions and civil or criminal penalties, which could increase its liabilities, harm its reputation and have a material adverse effect on the business, results of operations and financial condition of the Company.

Intellectual Property

The ownership and protection of trademarks, patents, trade secrets and intellectual property rights, and the protection thereof, are significant aspects of the Company's future success. The Company has no patented technology or trademarked business methods at this time, nor has it registered any patents. The Company has filed trademark applications in Canada and the United States. Even if the Company moves to protect its technology with trademarks, patents, copyrights or by other means, the Company is not assured that competitors will not develop similar technology, business methods or that the Company will be able to exercise its legal rights. Other countries may not protect intellectual property rights to the same standards as does Canada or the United States. Actions taken to protect or preserve intellectual property rights may require significant financial and other resources such that said actions have a meaningful impact on the Company's ability to successfully grow the business.

In addition, other parties may claim that the Company's products infringe on their proprietary and perhaps patent protected rights. Such claims, whether or not meritorious, may result in the expenditure of significant financial and managerial resources, legal fees, result in injunctions, temporary restraining orders and/or require the payment of damages.

Insurance Coverage and Uninsured Risks

The Company's business is subject to a number of risks and hazards generally, including adverse environmental conditions, accidents, disputes and changes in the regulatory environment. Such occurrences could result in damage to assets, personal injury or death, environmental damage, delays in operations, monetary losses and possible legal liability.

Although the Company maintains insurance to protect against certain risks in such amounts as it considers to be reasonable, its insurance does not cover all the potential risks associated with its operations. The Company may also be unable to maintain insurance to cover these risks at economically feasible premiums. Insurance coverage may not continue to be available or may not be adequate to cover any resulting liability. Moreover, insurance against risks such as environmental pollution or other hazards encountered in the operations of the Company is not generally available on acceptable terms. Losses from these events may cause the Company to incur significant costs that could have a material adverse effect upon its financial performance and results of operations.

Litigation

The Company may become party to litigation from time to time in the ordinary course of business which could adversely affect its business. Should any litigation in which the Company becomes involved be determined against the Company, such a decision could adversely affect the Company's ability to continue operating and the market price for the Common Shares. Even if the Company is involved in litigation and wins, litigation can redirect significant resources.

Reliance on and Retention of Qualified Personnel

The success of the Company is dependent upon the ability, expertise, judgment, discretion and good faith of its senior management (collectively, "Key Personnel"). Moreover, the Company's future success depends on its continuing ability to attract, develop, motivate and retain highly qualified and skilled employees. Qualified individuals are in high demand, and the Company may incur significant costs to attract and retain them. The loss of the services of Key Personnel, or an inability to attract other suitably qualified persons when needed, could have a material adverse effect on the Company's ability to execute on its business plan and strategy, and the Company may be unable to find adequate replacements on a timely basis, or at all. While employment agreements are customarily used as a primary method of retaining the services of Key Personnel, these agreements cannot assure the continued services of such employees.

There is no assurance that any of the Company's existing personnel who presently or may in the future require a security clearance will be able to obtain or renew such clearances or that new personnel who require a security clearance will be able to obtain one. A failure by Key Personnel to maintain or renew their security clearance would result in a material adverse effect on the Company's business, financial condition and results of operations. In addition, if a Key Person leaves the Company, and the Company is unable to find a suitable replacement that has a security clearance in a timely manner, or at all, it could have a material adverse effect on the Company's business, financial condition and results of operations.

Conflicts of Interest

Certain of the directors and officers of the Company are also directors and officers of other companies or are engaged and will continue to be engaged in activities that may put them in conflict with the business strategy of the Company. Consequently, there exists the possibility for such directors and officers to be in a position of conflict.

In particular, the Company may also become involved in other transactions which conflict with the interests of its directors and officers, who may from time to time deal with persons, firms, institutions or companies with which the Company may be dealing, or which may be seeking investments similar to those desired by it. All decisions to be made by directors and officers of the Company are required to be made in accordance with their duties and obligations to act honestly and in good faith with a view to the best interests of the Company. In addition, the directors and officers are required to declare their interests in, and such directors are required to refrain from voting on, any matter in which they may have a material conflict of interest.

The Company's Chairman of the Board, Jason Wild, who is active and has other interests in the Canadian cannabis industry, has indirect and direct control or direction over 69,607.49 Proportionate Voting Shares and 8,509,908 warrants, each exercisable for 0.01 of a Proportionate Voting Share and on a fully diluted basis representing 92% of the issued and outstanding Proportionate Voting Shares through JW Asset Management, LLC. and may exercise a significant degree of control over the business, future transactions and the composition of the Board and management.

Unfavorable Publicity or Consumer Perception

The Company believes the cannabis industry is highly dependent upon consumer perception regarding the safety, efficacy and quality of the cannabis distributed to such consumers. Consumer perception of the Company's products can be significantly influenced by scientific research or findings, regulatory investigations, litigation, media attention and other publicity regarding the consumption of medical cannabis products. There can be no assurance that future scientific research, findings, regulatory proceedings, litigation, media attention or other research findings or publicity will be favourable to the medical cannabis market or any particular product, or consistent with earlier publicity.

Future research reports, findings, regulatory proceedings, litigation, media attention or other publicity that are perceived as less favourable than, or that question, earlier research reports, findings or publicity could have a material adverse effect on the demand for the Company's products and the business, results of operations, financial condition of the Company. In particular, adverse publicity reports or other media attention regarding the safety, efficacy and quality of medical cannabis in general, or the Company's products specifically, or associating the consumption of medical cannabis with illness or other negative effects or events, could have such a material adverse effect. Such adverse publicity reports or other media attention could arise even if the adverse effects associated with such products resulted from consumers' failure to consume such products appropriately or as directed. For instance, the vape crisis that began in the summer of 2019 was ultimately linked to cutting agents almost exclusively found in the illicit market. Regardless, several states moved to ban the sale of vape products in legal markets, severely impacting entire revenue streams.

Although the Company believes that it takes care in protecting its image and reputation, the Company does not ultimately have direct control over how it is perceived by others. Reputation loss may result in decreased investor confidence, increased challenges in developing and maintaining community relations and an impediment to the Company's overall ability to advance its business, thereby having a material adverse impact on the financial condition and results of operations of the Company.

Reputational Risk to Third Parties

The parties with which the Company does business may perceive that they are exposed to reputational risk as a result of the Company's cannabis business activities. Failure to establish or maintain business relationships could have a material adverse effect on the Company.

Enforcement of Legal Rights

In the event of a dispute arising from the Company's U.S. operations, the Company may be subject to the exclusive jurisdiction of foreign courts or may not be successful in subjecting foreign persons to the jurisdictions of courts in Canada. Similarly, to the extent that the Company's assets are located outside of Canada, investors may have difficulty collecting from the Company any judgments obtained in the Canadian courts and predicated on the civil liability provisions of securities provisions. The Company may also be hindered or prevented from enforcing its rights with respect to a governmental entity or instrumentality because of the doctrine of sovereign immunity.

COVID-19

On March 12, 2020, the World Health Organization ("WHO") declared a global pandemic known as COVID-19. The impacts on global commerce are expected to be far reaching. This will likely impact demand for the Company's products in the near term and will also likely impact our supply chains. It may also impact expected credit losses on our trade receivables and may cause staff shortages and increased government regulations or interventions, which may negatively impact the financial condition or results of the Company. The production and sale of cannabis have been recognized as essential services across Canada and the United States and the Company has not experienced production delays or prolonged retail closures to date as a result.

Due to the rapid developments and uncertainty surrounding COVID-19, it is not possible to predict the impact that COVID-19 will have on our business, financial position and operating results in the future. In addition, it is possible that estimates in the Company's financial statements will change in the near term as a result of COVID-19 and the effect of any such changes could be material, which could result in, among other things, impairment of long-lived assets including intangibles and goodwill. An impairment test has not been performed as of September 30, 2020 for the Company's goodwill and indefinite life intangibles. Management is closely monitoring the impact of the pandemic on all aspects of its business. At September 30, 2020, management has not observed any material impairments of our assets or a significant change in the fair value of assets due to the COVID-19 pandemic.

Risks Related to the Common Shares

Limited Market for Securities

The Common Shares are listed on the CSE and also trade over the counter in the United States on the OTCQX Best Market, however, there can be no assurance that an active and liquid market for the Common Shares will develop or be maintained and an investor may find it difficult to resell any securities of the Company.

Share Price Volatility

The market price of the Common Shares may be subject to wide price fluctuations. Price fluctuations may be in response to many factors, including variations in the operating results of the Company and its subsidiaries, divergence in financial results from analysts' expectations, changes in earnings estimates by stock market analysts, changes in the business prospects for the Company and its subsidiaries, general economic conditions, legislative changes, community support for the medical cannabis industry and other events and factors outside of the Company's control. In addition, stock markets have from time to time experienced extreme price and volume fluctuations, which, as well as general economic and political conditions, could adversely affect the market price for the Common Shares.

Risks Related to Dilution

The Company may issue additional Common Shares in the future, which may dilute a shareholder's holdings in the Company. The Company's articles permit the issuance of an unlimited number of Common Shares, and shareholders will have no pre-emptive rights in connection with such further issuance. The directors of the Company have discretion to determine the price and the terms of issue of further issuances. Moreover, additional Common Shares will be issued by the Company on the exercise of options under the Company's stock option plan and upon the exercise of outstanding warrants.

Access to Capital and Funding

The building and operation of the Company's business, including its facilities, are capital intensive. In order to execute the anticipated growth strategy, the Company may require additional equity and/or debt financing to support on-going operations, to undertake capital expenditures or to undertake acquisitions or other business combination transactions. There can be no assurance that additional financing will be available to the Company when needed or on terms which are acceptable. The Company's inability to raise financing to support on-going operations or to fund capital expenditures or acquisitions could limit the Company's growth and may have a material adverse effect upon future profitability.

The Company may require additional financing to fund its operations to the point where it is generating positive cash flows. Any debt financing secured in the future could involve restrictive covenants relating to capital raising activities and other financial and operational matters, which may make it more difficult for the Company to obtain additional capital and to pursue business opportunities, including potential acquisitions.

November 19, 2020
"Jason Ackerman"
Executive Chairman and CEO