TERRASCEND CORP.

Unaudited Condensed Interim Consolidated Financial Statements

For the three months ended March 31, 2021 and March 31, 2020
(In Thousands of United States Dollars)

TerrAscend Corp.

Unaudited Condensed Interim Consolidated Statements of Financial Position

(Amounts expressed in thousands of United States dollars, except for per share amounts)

	Notes	At March 31, 2021	At December 31, 2020*	At January 1, 2020*
Assets				
Current Assets				
Cash and cash equivalents		**$ 234,237**	$ 59,226	$ 9,162
Receivables, net of sales returns and allowances	4	**10,391**	10,876	5,869
Share subscriptions receivable		**12**	—	24,463
Note receivable		**—**	—	4,609
Investments		**—**	—	358
Biological assets	6	**17,479**	17,816	4,222
Inventory	7	**41,220**	34,696	15,723
Prepaid expenses and other assets		**4,713**	5,165	4,757
		308,052	127,779	69,163
Non-Current Assets				
Investment in associate		**1,508**	1,379	1,000
Property, plant and equipment	8	**135,881**	129,735	86,734
Intangible assets and goodwill	9	**198,480**	199,985	185,670
Indemnification asset	16	**10,303**	11,500	11,500
Prepaid expenses and other assets		**8,852**	3,923	695
		355,024	346,522	285,599
Total Assets		**$ 663,076**	$ 474,301	$ 354,762
Liabilities and Shareholders' Equity				
Current Liabilities				
Accounts payable and accrued liabilities		**$ 23,972**	$ 27,176	$ 19,256
Deferred revenue		**740**	638	908
Loans payable	10	**1,705**	5,734	48,559
Contingent consideration payable	5	**40,553**	30,966	24,008
Lease liability	12	**2,117**	1,710	891
Corporate income tax payable	16	**32,466**	27,739	16,381
		101,553	93,963	110,003
Non-Current Liabilities				
Loans payable	10	**180,614**	178,804	4,849
Contingent consideration payable	5	**—**	6,590	135,393
Lease liability	12	**26,326**	22,609	15,070
Warrant liability	22	**121,551**	132,257	—
Convertible debentures	11	**—**	4,083	10,682
Deferred income tax liability	16	**27,275**	27,263	20,774
		355,766	371,606	186,768
Total Liabilities		**$ 457,319**	$ 465,569	$ 296,771
Shareholders' Equity				
Share capital	13	**448,449**	242,336	196,978
Contributed surplus	13	**71,012**	69,205	41,874
Cumulative translation adjustment		**(1,858)**	(3,819)	(826)
Deficit		**(320,385)**	(306,423)	(186,496)
Non-controlling interest	14	**8,539**	7,433	6,461
Total Shareholders' Equity		**205,757**	8,732	57,991
Total Liabilities and Shareholders' Equity		**$ 663,076**	$ 474,301	$ 354,762
Total Number of Common and Proportionate Voting Shares Outstanding	13	**178,956,366**	155,834,272	141,980,314

**Change in presentation currency (Note 23)*

Subsequent events (Note 25)

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

On behalf of the Board

"Jason Wild"

Executive Chairman

Unaudited Condensed Interim Consolidated Statements of Loss and Comprehensive Loss

(Amounts expressed in thousands of United States dollars, except for per share amounts)

	Notes		For the three months ended March 31, 2021		March 31, 2020*
Sales, gross		$	**56,496**	$	28,143
Excise and cultivation taxes			**(3,142)**		(2,268)
Sales, net	18		**53,354**		25,875
Cost of sales	7		**18,424**		14,315
Gross profit before gain on fair value of biological assets			**34,930**		11,560
Unrealized gain on changes in fair value of biological assets	6		**23,523**		11,071
Realized fair value amounts included in inventory sold	7		**(20,991)**		(4,643)
Gross profit			**37,462**		17,988
Operating expenses:					
General and administrative	17		**15,762**		10,856
Share-based payments	13		**4,184**		2,097
Amortization and depreciation	8, 9		**2,273**		1,218
Research and development			**—**		154
Total operating expenses			**22,219**		14,325
Income from operations			**15,243**		3,663
Revaluation of contingent consideration	5, 22		**2,997**		4,145
Finance and other expenses	10, 11, 12		**7,246**		2,457
Transaction and restructuring costs			**—**		428
Unrealized (gain) loss on investments			**(228)**		346
Impairment of intangible assets	9		**—**		344
Loss on fair value of warrants	22		**5,410**		—
Unrealized foreign exchange loss			**2,783**		40
Loss before income taxes			**(2,965)**		(4,097)
Current income tax expense (recovery)	16		**9,212**		4,361
Deferred income tax (recovery) expense	16		**571**		1,853
Net loss		$	**(12,748)**	$	(10,311)
Items that will be subsequently reclassified to profit or loss:					
Currency translation adjustment			**(1,961)**		1,853
Comprehensive loss		$	**(10,787)**	$	(12,164)
Net loss (income) attributable to:					
Shareholders of the Company			**(14,015)**		(9,822)
Non-controlling interests			**1,267**		(489)
Comprehensive loss (income) attributable to:					
Shareholders of the Company			**(12,054)**		(11,675)
Non-controlling interests			**1,267**		(489)
Net loss per share, basic and diluted					
Net loss per share – basic and diluted		$	**(0.08)**	$	(0.07)
Weighted average number of outstanding common and proportionate voting shares			**171,371,637**		146,469,201

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

TerrAscend Corp.

Unaudited Condensed Interim Consolidated Statements of Changes in Shareholders' Equity

(Amounts expressed in thousands of United States dollars, except for per share amounts)

For the three months ended March 31, 2021	**Notes**	**Share capital**	**Contributed surplus**	**Cumulative translation adjustment**	**Deficit**	**Non-controlling Interest**	**Total**
Balance at January 1, 2021		**$242,336**	**$ 69,205**	**$ (3,819)**	**$ (306,423)**	**$ 7,433**	**$ 8,732**
Private placement net of share issuance costs	13	**173,477**	**—**	**—**	**—**	**—**	**173,477**
Shares issued - stock option, warrant and RSU exercises	13	**26,589**	**(1,291)**	**—**	**—**	**—**	**25,298**
Issuance of warrants	13	**—**	**560**	**—**	**—**	**—**	**560**
Options expired/forfeited	13	**—**	**(53)**	**—**	**53**	**—**	**—**
Share-based compensation expense	13	**—**	**4,184**	**—**	**—**	**—**	**4,184**
Conversion of convertible debt	13	**6,047**	**(1,593)**	**—**	**—**	**—**	**4,454**
Return of capital		**—**	**—**	**—**	**—**	**(161)**	**(161)**
Net loss for the period		**—**	**—**	**—**	**(14,015)**	**1,267**	**(12,748)**
Cumulative translation adjustment		**—**	**—**	**1,961**	**—**	**—**	**1,961**
Balance at March 31, 2021		**$448,449**	**$ 71,012**	**$ (1,858)**	**$ (320,385)**	**$ 8,539**	**$ 205,757**

For the three months ended March 31, 2020	**Notes**	**Share Capital**	**Contributed surplus**	**Cumulative translation adjustment**	**Deficit**	**Non-controlling Interest**	**Total**
Balance at January 1, 2020		$ 196,978	$ 41,874	$ (826)	$ (186,496)	$ 6,461	$ 57,991
Private placement net of share issuance costs	13	9,760	—	—	—	—	9,760
Issuance of warrants	16	—	19,530	—	—	—	19,530
Options expired/forfeited	16	—	(1,887)	—	1,887	—	—
Share-based compensation expense	16	—	2,314	—	—	—	2,314
Shares issued - compensation for services	16	3,421	—	—	—	—	3,421
Return of capital	13	—	—	—	—	(227)	(227)
Net loss for the period		—	—	(1,853)	(9,822)	—	(11,675)
Cumulative translation adjustment	11	—	—	—	—	(489)	(489)
Balance at March 31, 2020		$ 210,159	$ 61,831	$ (2,679)	$ (194,431)	$ 5,745	$ 80,625

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

TerrAscend Corp.

Unaudited Condensed Interim Consolidated Statements of Cash Flow

(Amounts expressed in thousands of United States dollars, except for per share amounts)

		For the three months ended	
	Notes	March 31, 2021	March 31, 2020*
Operating activities			
Net loss		**$ (12,748)**	$ (10,311)
Add (deduct) items not involving cash			
Unrealized gain on changes in fair value of biological assets	6	**(23,523)**	(11,071)
Realized fair value amounts included in inventory sold	7	**20,991**	4,643
Non-cash write downs of inventory	7	**584**	1,363
Accretion and accrued interest	10	**7,036**	1,783
Depreciation of property, plant and equipment	8	**2,429**	1,401
Amortization of intangible assets	9	**1,555**	1,500
Share-based payments	13	**4,184**	2,314
Current income tax expense (recovery)	16	**9,212**	4,361
Deferred income tax (recovery) expense	16	**571**	1,853
Loss on fair value of warrants	22	**5,410**	—
Unrealized loss on investments		**(228)**	346
Revaluation of contingent consideration	5	**2,997**	4,145
Impairment of intangible assets	9	**—**	344
Release of indemnification asset	15	**1,197**	—
Changes in working capital items	20	**(1,854)**	(3,498)
Income taxes paid	16	**(4,499)**	—
Cash inflow (outflow) from operating activities		**13,314**	(827)
Financing activities			
Proceeds from warrants exercised	13	**7,671**	—
Proceeds from options exercised	13	**1,499**	—
Proceeds from loan	10	**766**	59,835
Return of capital to non-controlling interests	14	**(161)**	(227)
Loan principal and interest paid	10	**(9,956)**	(47,109)
Proceeds from private placement, net of share issuance costs	13	**173,477**	34,090
Lease payments	12	**(908)**	(620)
Cash inflow from financing activities		**172,388**	45,969
Investing activities			
Investment in property, plant and equipment	8	**(8,311)**	(8,157)
Investment in intangible assets	9	**(40)**	(2,025)
Principal and interest payments received on notes receivable		**—**	28
Principal and interest payments received on lease receivable		**193**	—
Distribution of earnings to associates		**99**	—
Deposits for property, plant and equipment		**(4,826)**	—
Payments of contingent consideration	5	**—**	(20,292)
Cash received on acquisition of State Flower	5	**—**	739
Cash outflow from investing activities		**(12,885)**	(29,707)
Increase (decrease) in cash and cash equivalents during the period		**172,817**	15,435
Net effects of foreign exchange		**2,194**	(2,465)
Cash and cash equivalents, beginning of period		**59,226**	9,162
Cash and cash equivalents, end of period		**$ 234,237**	$ 22,132

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

1. Nature of operations

TerrAscend Corp. (“TerrAscend” or the “Company”) was incorporated under the Ontario Business Corporations Act on March 7, 2017. TerrAscend is a leading North American cannabis operator with vertically integrated operations in Pennsylvania, New Jersey, and California, in addition to operating as a licensed producer in Canada. TerrAscend operates a chain of Apothecarium dispensary retail locations, as well as scaled cultivation, processing, and manufacturing facilities on both the East and West coasts of the United States. TerrAscend’s cultivation and manufacturing practices provide industry-leading product selection to both the medical and legal adult-use market. TerrAscend operates a number of synergistic businesses, including The Apothecarium (“Apothecarium”); Arise Bioscience Inc., a manufacturer and distributor of hemp-derived products; Ilera Healthcare (“Ilera”), Pennsylvania’s medical cannabis cultivator, processor and dispenser; Valhalla Confections, a manufacturer of cannabis-infused edibles and State Flower a California-based cannabis producer operating a licensed cultivation facility in San Francisco.

The Company was listed on the Canadian Stock Exchange effective May 3, 2017, 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.

2. Basis of presentation

(a) Statement of compliance

These unaudited condensed interim consolidated financial statements for the three months ended March 31, 2021 and March 31, 2020 of the Company were prepared in accordance with International Accounting Standard 34, Interim Financial Reporting. The Company followed the same accounting policies and methods of application as those disclosed in the audited annual consolidated financial statements for the year ended December 31, 2020 prepared in accordance with International Financial Reporting Standards (“IFRS”). These condensed interim consolidated financial statements should be read in conjunction with the Company’s December 31, 2020 audited annual consolidated financial statements and were authorized for issue by the Board of the Directors on May 18, 2021.

(b) Basis of measurement

These unaudited condensed interim consolidated financial statements have been prepared on the going concern basis which assumes that the Company will continue operations for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of business. In accordance with the going concern basis, these unaudited condensed interim consolidated financial statements have been prepared under the historical cost convention except for certain financial instruments that are measured at fair value and biological assets that are measured at fair value less costs to sell, as detailed in the Company’s accounting policies.

(c) Functional and presentation currency

The functional currency of the Company and its Canadian subsidiaries are the CAD. The functional currency of the Company’s US subsidiaries is the US dollar (“USD”). The Company’s presentation currency is in USD. All amounts are presented in USD unless otherwise specified. References to CAD are to Canadian dollars.

Change in presentation currency

On March 31, 2021, the Company changed its presentation currency from the CAD to USD to better reflect the Company’s business activities (Note 23). In making this change in presentation currency to USD, the Company followed the guidance in IAS 21 *The Effects of Changes in Foreign Exchange Rates* and have applied the change retrospectively as if the new presentation currency had always been the Company’s presentation currency, as follows:

(Amounts expressed in thousands of United States dollars, except for per share amounts)

2. Basis of presentation (continued)

- Assets and liabilities have been translated into USD at the rate of exchange prevailing at the respective reporting dates;
- The statements of loss and comprehensive loss were translated at the average exchange rates for the respective reporting periods, or at the exchange rates prevailing at the applicable transaction date;
- Equity transactions have been translated at the exchange rate prevailing at the date of the transactions; and
- Exchange differences arising on translation were recorded in cumulative translation adjustment in shareholders' equity.

(d) Basis of consolidation

Subsidiaries are entities controlled by the Company. Control exists when the Company has the power, directly and indirectly, to govern the financial and operating policies of an entity and be exposed to the variable returns from its activities. The financial statements of subsidiaries are included in the unaudited condensed interim consolidated financial statements from the date that control commences until the date that control ceases.

All intercompany balances and transactions were eliminated on consolidation.

(e) Use of significant estimates and judgments

The preparation of unaudited 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, 2020.

3. Significant accounting policies

The same accounting policies are applied in these unaudited condensed interim consolidated financial statements as those disclosed in the notes to the annual consolidated financial statements for the year ended December 31, 2020.

New standards, amendments and interpretations adopted

All recently issued accounting pronouncements are not expected to have a material effect on the condensed interim consolidated financial statements.

4. Receivables, net of sales returns and allowances

		March 31, 2021		December 31, 2020*
Trade receivables	**$**	**10,632**	$	12,443
Sales tax receivables		**140**		45
Other receivables		**271**		150
Provision for sales returns and allowances		**(652)**		(1,762)
Receivables, net of sales returns and allowances	**$**	**10,391**	$	**10,876**

(Amounts expressed in thousands of United States dollars, except for per share amounts)

4. Receivables, net of sales returns and allowances (continued)

Sales tax receivable represents input tax credits arising from sales tax levied on the supply of goods purchased or services received in Canada. Other receivables at March 31, 2021 and at December 31, 2021 includes amounts due from the sellers of the Apothecarium (Note 5).

		March 31, 2021		December 31, 2020*
Trade receivables	**$**	**10,632**	$	12,443
Less: provision for sales returns and allowances		**(652)**		(1,762)
Total trade receivables, net	**$**	**9,980**	$	10,681
Of which				
Current	**$**	**9,819**	$	9,893
31-90 days		**754**		2,445
Over 90 days		**59**		105
Less: provision for sales returns and allowances		**(652)**		(1,762)
Total trade receivables, net	**$**	**9,980**	$	10,681

5. Acquisitions

Acquisition of HMS

On November 6, 2020, the Company announced the signing of a definitive agreement to acquire HMS Health, LLC (“HMS Health”) and HMS Processing, LLC (“HMS Processing” and together with HMS Health “HMS”). 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 for 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 2021, 100% of HMS’ economics will be retained by the Company through full ownership of HMS Health and a master services agreement with HMS Processing. The transfer of 100% of equity of HMS Processing is expected to close in April 2022. The Company made an initial deposit of $1,014 during the year ended December 31, 2020 and is included in prepaid expenses and other assets in non-current assets. This transaction closed on May 3, 2021. Refer to Note 25 for further details.

Contingent consideration

Contingent consideration recorded relates to the Company’s business acquisitions. Contingent consideration is based upon the potential earnout of the underlying business unit and is measured at fair value using a projection model for the business and the formulaic structure for determining the consideration under the terms of the agreement. The determination of the fair value of the contingent consideration payable is primarily based on the Company’s expectations of the amount of revenue to be achieved by the underlying business units within a specified time period based on the agreement. Refer to Note 22 for further discussion surrounding the fair value of the contingent consideration.

(Amounts expressed in thousands of United States dollars, except for per share amounts)

5. Acquisitions (continued)

The balance of contingent consideration is as follows:

		Apothecarium	State Flower	Ilera	Total
Carrying amount, December 31, 2019	$	3,028 $	— $	156,373 $	159,401
Amount recognized on acquisition of State Flower		—	6,630	—	6,630
Payments of contingent consideration		—	—	(147,184)	(147,184)
Revaluation of contingent consideration		—	(40)	18,749	18,709
Carrying amount, December 31, 2020	$	3,028 $	6,590 $	27,938 $	37,556
Revaluation of contingent consideration		—	2,150	847	2,997
Carrying amount, March 31, 2021		**3,028**	**8,740**	**28,785**	**40,553**
Less: current portion		**(3,028)**	**(8,740)**	**(28,785)**	**(40,553)**
Non-current contingent consideration	**$**	**— $**	**— $**	**— $**	**—**

The contingent consideration for Ilera was calculated based on fiscal year 2019 and 2020 performance. As of March 31, 2021, the final earn out has been calculated and the remaining amount of $28,785 will be paid by the due date of June 30, 2021.

Refer to Note 22 for discussion of valuation methods used when determining the fair value of the contingent consideration liability at March 31, 2021, and the changes in fair value during the three months ended March 31, 2021.

6. Biological assets

The Company's biological assets consist of 114,545 cannabis plants as at March 31, 2021 (December 31, 2020 - 91,080). The reconciliation of biological assets is as follows:

		March 31, 2021	December 31, 2020*
Opening amount	**$**	**17,816** $	4,222
Increase in fair value due to biological transformation		**23,523**	81,225
Additions on business acquisitions		**—**	61
Capitalized costs		**5,789**	16,649
Transferred to inventories upon harvest		**(29,649)**	(84,766)
Effect of movements in foreign exchange		**—**	425
Ending balance	**$**	**17,479** $	17,816

The fair value measurements for biological assets have been categorized as Level 3 in the fair value hierarchy based on the inputs to the valuation technique used. The fair value was determined using an expected cash flow model which assumes the biological assets at the balance sheet date will grow to maturity, be harvested and converted into finished goods inventory and sold in the retail recreational or medical cannabis market. The Company's method of accounting for biological assets attributes value accretion on a straight-line basis throughout the life of the biological asset from the flowering stage to the point of harvest and assumes that the value of clones is nominal. The Company also deducts a distribution margin of 10% along with the excise and cultivation tax when estimating the fair value of biological assets.

(Amounts expressed in thousands of United States dollars, except for per share amounts)

6. Biological assets (continued)

The Company's estimates, by their nature, are subject to changes that could result from volatility of market prices, unanticipated regulatory changes, harvest yields, loss of crops, changes in estimates and other uncontrollable factors that could significantly affect the future fair value of biological assets.

Dry bud

The dry bud model utilizes the following significant assumptions:

		Weighted Average March 31, 2021	Weighted Average December 31, 2020
Weighted average of expected loss of plants until harvest		**8%**	8%
Expected yields for cannabis plants (average grams per plant)		**39 grams**	63 grams
Expected number of growing weeks		**13 weeks**	13 weeks
Estimated selling price (per gram)	**$**	**6.60**	$ 6.69
Post-harvest cost to complete and sell (per gram)	**$**	**0.92**	$ 0.84

Trim

The trim model utilizes the following significant assumptions:

		Weighted Average March 31, 2021	Weighted Average December 31, 2020
Weighted average of expected loss of plants until harvest		**8%**	8%
Expected yields for cannabis plants (average grams per plant)		**66 grams**	51 grams
Expected number of growing weeks		**13 weeks**	13 weeks
Estimated selling price (per gram)	**$**	**3.76**	$ 4.59
Post-harvest cost to complete and sell (per gram)	**$**	**0.25**	$ 0.25

These estimates are subject to volatility in market prices and a number of uncontrollable factors, which could significantly affect the fair value of biological assets in future periods.

The following table presents the effect of a 10% change on the fair valuation of biological assets at March 31, 2021 and December 31, 2020 which would be reported as part of the gross profit (loss) on the statement of loss and comprehensive loss:

		10% change at March 31, 2021	10% change at December 31, 2020
Weighted average of expected loss of plants until harvest	**$**	**59**	$ 51
Expected yields for cannabis plants (average grams per plant)		**1,746**	1,779
Expected number of growing weeks		**1,548**	1,589
Estimated selling price (per gram)		**1,967**	1,999
Post-harvest cost to complete and sell (per gram)		**532**	525

(Amounts expressed in thousands of United States dollars, except for per share amounts)

7. Inventory

The Company's inventory of dry cannabis and oil includes both purchased and internally produced inventory. The Company's inventory is comprised of the following items:

	March 31, 2021			December 31, 2020*		
	Cost	**Fair Value Component**	**Total**	**Cost**	**Fair Value Component**	**Total**
Raw materials	**$ 3,686**	**$ —**	**$ 3,686**	$ **3,322**	$ **—**	$ **3,322**
Finished goods	**6,908**	**3,794**	**10,702**	**8,254**	**3,776**	**12,030**
Work in process	**6,726**	**16,960**	**23,686**	**2,811**	**13,954**	**16,765**
Accessories	**127**	**—**	**127**	**145**	**—**	**145**
Supplies and consumables	**3,019**	**—**	**3,019**	**2,434**	**—**	**2,434**
	$ 20,466	**$ 20,754**	**$ 41,220**	$ **16,966**	$ **17,730**	$ **34,696**

Realized fair value amounts included in inventory sold were $20,991 for the three months ended March 31, 2021 (March 31, 2020-$4,643).

During the three months ended March 31, 2021, management wrote off $584 (March 31, 2020- $55) of inventory that it deemed unsaleable.

8. Property, plant and equipment

Property, plant and equipment for the three months ended March 31, 2021 were as follows:

	Land	**Assets in Process**	**Buildings and Improvements**	**Machinery & Equipment**	**Office Furniture & Equipment**	**Right of Use Assets**	**Total**
	$	**$**	**$**	**$**	**$**	**$**	**$**
Cost							
Balance at December 31, 2020	3,640	2,275	92,633	15,862	2,742	22,106	139,258
Additions	—	226	3,203	387	96	4,274	8,186
Completion of construction	—	(21)	—	—	21	—	—
Effects of movements in foreign exchange	10	—	357	52	14	2	435
Balance at March 31, 2021	**3,650**	**2,480**	**96,193**	**16,301**	**2,873**	**26,382**	**147,879**
Accumulated Depreciation							
Balance at December 31, 2020	—	—	3,705	2,269	1,114	2,435	9,523
Depreciation	—	—	1,191	623	162	453	2,429
Effects of movements in foreign exchange	—	—	26	10	9	1	46
Balance at March 31, 2021	—	—	**4,922**	**2,902**	**1,285**	**2,889**	**11,998**
Net book value at March 31, 2021	**3,650**	**2,480**	**91,271**	**13,399**	**1,588**	**23,493**	**135,881**

(Amounts expressed in thousands of United States dollars, except for per share amounts)

8. Property, plant and equipment (continued)

Property, plant and equipment for the year ended December 31, 2020 were as follows:

	Land	Assets in Process	Buildings and Improvements	Machinery & Equipment	Office Furniture & Equipment	Right of Use Assets	Total
	$	$	$	$	$	$	$
Cost							
Balance at December 31, 2019	3,623	22,404	37,733	8,428	2,575	15,463	90,226
Additions	—	15,462	17,810	8,539	312	6,240	48,363
Additions on Acquisition of State Flower	—	1,029	164	—	22	2,707	3,922
Completion of construction	—	(36,013)	36,013	—	—	—	—
Disposals	—	—	(16)	(139)	(127)	(2,146)	(2,428)
Impairment	—	—	—	(934)	(40)	—	(974)
Effects of movements in foreign exchange	17	(607)	929	(32)	—	(158)	149
Balance at December 31, 2020	**3,640**	**2,275**	**92,633**	**15,862**	**2,742**	**22,106**	**139,258**
Accumulated Depreciation							
Balance at December 31, 2019	—	—	1,398	480	770	844	3,492
Depreciation	—	—	2,280	1,952	330	1,698	6,260
Disposals	—	—	—	(60)	(4)	(84)	(148)
Impairment	—	—	—	(112)	—	—	(112)
Effects of movements in foreign exchange	—	—	27	9	18	(23)	31
Balance at December 31, 2020	—	—	**3,705**	**2,269**	**1,114**	**2,435**	**9,523**
Net book value at December 31, 2020	**3,640**	**2,275**	**88,928**	**13,593**	**1,628**	**19,671**	**129,735**

During the three months ended March 31, 2021 and the twelve months ended December 31, 2020, borrowing costs were not capitalized because the assets in process did not meet the criteria of a qualifying asset.

For the three months ended March 31, 2021, $1,161 (March 31, 2020 – $633) of depreciation was expensed to cost of sales.

(Amounts expressed in thousands of United States dollars, except for per share amounts)

9. Intangible assets and goodwill

Intangible assets and goodwill for the three months ended March 31, 2021 were as follows:

	Software & Licenses $	Intellectual Property $	Brand Name $	Customer Relationships $	Non-Compete Agreements $	Goodwill $	Total $
Cost							
Balance at December 31, 2020	2,447	92,971	29,101	4,000	1,630	78,948	209,097
Additions	40	—	—	—	—	—	40
Effects of movements in foreign exchange	20	1	—	—	—	—	21
Balance at March 31, 2021	**2,507**	**92,972**	**29,101**	**4,000**	**1,630**	**78,948**	**209,158**
Accumulated Amortization							
Balance at December 31, 2020	733	5,781	—	1,601	997	—	9,112
Amortization	113	1,104	—	200	138	—	1,555
Effects of movements in foreign exchange	10	1	—	—	—	—	11
Balance at March 31, 2021	**856**	**6,886**	**—**	**1,801**	**1,135**	**—**	**10,678**
Net book value at March 31, 2021	**1,651**	**86,086**	**29,101**	**2,199**	**495**	**78,948**	**198,480**

Intangible assets for the year ended December 31, 2020 were as follows:

	Software & Licenses $	Intellectual Property $	Brand Name $	Customer Relationships $	Non-Compete Agreements $	Goodwill $	Total $
Cost							
Balance at December 31, 2019	1,875	82,593	24,821	4,500	1,350	73,764	188,903
Additions	596	7,800	—	—	—	—	8,396
Additions on acquisition of State Flower	—	3,140	1,350	—	280	5,187	9,957
Disposal	(45)	—	—	—	—	—	(45)
Impairment	(1)	(423)	2,928	(498)	—	—	2,006
Effects of movements in foreign exchange	22	(139)	2	(2)	—	(3)	(120)
Balance at December 31, 2020	**2,447**	**92,971**	**29,101**	**4,000**	**1,630**	**78,948**	**209,097**
Accumulated Amortization							
Balance at December 31, 2019	327	1,531	—	925	450	—	3,233
Amortization	389	4,299	—	847	557	—	6,092
Impairment	—	—	—	(157)	—	—	(157)
Effects of movements in foreign exchange	17	(49)	—	(14)	(10)	—	(56)
Balance at December 31, 2020	**733**	**5,781**	**—**	**1,601**	**997**	**—**	**9,112**
Net book value at December 31, 2020	**1,714**	**87,190**	**29,101**	**2,399**	**633**	**78,948**	**199,985**

(Amounts expressed in thousands of United States dollars, except for per share amounts)

9. Intangible assets and goodwill (continued)

During the year ended December 31, 2020, the Company capitalized $7,500 related to two success fees payable to an entity controlled by the minority shareholders of TerrAscend NJ. The first success fee payment of $3,750 was due upon NJ being granted an alternative treatment center license in the state of New Jersey. The first success fee payment was settled in shares on March 25, 2020 at a fair value determined on the date NJ received the license. The second success fee payment of $3,750 was due upon NJ making its first sale of medical cannabis to a patient in compliance with the New Jersey Compassionate Use Marijuana Act, which occurred during the fourth quarter of 2020. The second success fee payment is included in accounts payable and accrued liabilities at March 31, 2021. The payments were capitalized as an intellectual property intangible asset as costs to obtain the ATC license. The useful life of the assets is based on the ATC license.

For the three months ended March 31, 2021, $550 (March 31, 2020– $405) of amortization was expensed to cost of sales.

10. Loans payable

	Credit Facility	Loans from Related Parties	Canopy Growth- formerly Canopy Rivers	Canopy Growth- Canada Inc	Other Loans	Canopy Growth- Arise	Ilera Term Loan	Total
Balance at December 31, 2019	$ 45,959	$ 2,500	$ —	$ —	$ 4,949	$ —	$ —	$ 53,408
Loan principal net of transaction costs	—	1,500	—	58,355	5,914	19,801	115,926	201,496
Loan discount - origination fee paid	—	—	—	—	—	—	(2,250)	(2,250)
Converted from convertible debt	—	—	9,657	—	—	—	—	9,657
Less: fair value of warrants	—	—	(2,845)	(19,550)	—	(10,276)	—	(32,671)
Interest accretion	1,173	—	1,222	3,875	269	71	606	7,216
Principal and interest paid	(47,085)	(4,000)	—	—	(4,993)	—	—	(56,078)
Effects of movements in foreign exchange	(47)	—	363	3,252	192	—	—	3,760
Ending carrying amount at December 31, 2020	**—**	**—**	**8,397**	**45,932**	**6,331**	**9,596**	**114,282**	**184,538**
Loan principal net of transaction costs	—	—	—	—	766	—	—	766
Interest accretion	—	—	295	1,269	132	301	4,247	6,244
Principal and interest paid	—	—	(785)	(3,881)	(883)	—	(4,407)	(9,956)
Effects of movements in foreign exchange	—	—	101	556	70	—	—	727
Ending carrying amount at March 31, 2021	**$ —**	**$ —**	**$ 8,008**	**$ 43,876**	**$ 6,416**	**$ 9,897**	**$ 114,122**	**$ 182,319**
Less: current portion	—	—	(156)	(225)	(1,282)	—	(42)	**(1,705)**
Non-current loans payable	**$ —**	**$ —**	**$ 7,852**	**$ 43,651**	**$ 5,134**	**$ 9,897**	**$ 114,080**	**$ 180,614**

Total interest paid on all loan payables during the three months ended March 31, 2021 was $9,140 (March 31, 2020 - $1,674).

10. Loans payable (continued)

Credit Facility

On December 14, 2018, the Company entered into a $75,000 credit facility (the "Credit Facility") with certain funds managed by JW Asset Management LLC, where Jason Wild, Chairman of the Board of TerrAscend, is the President and Chief Investment Officer. The Credit Facility bears interest at 8.75% per annum, with a $75 origination fee payable on a quarterly basis. Any principal amount drawn will be due in one year and interest will be payable monthly. The Credit Facility was recorded at its fair value at inception and subsequently carried at amortized cost. On December 2, 2019, the interest rate of the Credit Facility was amended to 12.5% per annum. On March 11, 2020, a portion of the proceeds received from Canopy Growth were used to fully pay off the outstanding principal and interest amounts under the Credit Facility with JW Asset Management.

Loan from Related Parties

During the year ended December 31, 2019, the Company received loan proceeds of $2,500 from key management of the Company's subsidiary, Ilera. In January 2020, the Company received additional loan proceeds of $1,500. The loans bear interest at a rate of 12% per annum, payable monthly. The principal and interest were fully paid during the year ended December 31, 2020.

Canopy Growth (formerly Canopy Rivers) Loan

On February 5, 2020, the Company and Canopy Rivers Corporation ("Canopy Rivers") agreed to amend the terms of their previously issued convertible debentures with a face value of $10,000. Pursuant to the amended terms, the first tranche of the convertible debentures was converted into a $10,000 loan payable bearing interest at a rate of 6% per annum, payable annually, with a balance due date of October 2, 2024. The effective interest rate on the loan is 15.4%. The Company also issued Canopy Rivers 2,225,714 common share purchase warrants, exercisable at $4.48 (CAD$5.95) upon the occurrence of certain triggering events. The warrants were issued such that they can be exercised upon maturity of the loan payable in a cashless exercise by offsetting the principal value of the loan payable. The amendment was treated as a modification of the convertible debenture and as a result, no gains or losses were recorded for the transaction.

During the year ended December 31, 2020, Canopy Growth acquired the common share purchase warrants previously issued to Canopy Rivers as well as the loan payable outstanding balance.

Canopy Growth Canada Inc. Loan

On March 10, 2020, TerrAscend Canada Inc. entered into a loan financing agreement with Canopy Growth in the amount of $58,645 pursuant to a secured debenture. In connection with the funding of the loan, the Company had issued 17,808,975 common share purchase warrants to Canopy Growth.

The secured debenture bears interest at a rate of 6.10% per annum, with an effective interest rate of 11.9% and matures on March 10, 2030. The debenture is secured by the assets of TerrAscend Canada, is not convertible and is not guaranteed by the Company. The warrants are comprised of 15,656,242 common share purchase warrants entitling Canopy Growth to acquire one common share of TerrAscend at an exercise price of CAD $5.14 per share, expiring on March 10, 2030, and 2,152,733 common share purchase warrants entitling Canopy Growth to acquire one common share of TerrAscend at an exercise price of $2.72 (CAD $3.74) per share, expiring on March 10, 2031.

10. Loans payable (continued)

All warrants will be exercisable following changes in US federal laws permitting the cultivation, distribution, and possession of cannabis or to remove the regulation of such activities from the federal laws of the US. The warrants were issued such that they can be exercised upon maturity of the loan payable by offsetting the principal value of the loan payable. The fair value of the debt was calculated using the effective interest rate method, with the residual value allocated to contributed surplus.

In accordance with the terms of the loan financing agreement, the funds cannot be used, directly or indirectly, in connection with or for any cannabis or cannabis-related operations in the US, unless and until such operations are permitted by the federal and applicable state laws of the US.

Of the total proceeds received from Canopy Growth, $48,243 was used to fully pay off the outstanding principal and interest amounts under the Credit Facility with JW Asset Management.

Other Loans

On April 23, 2019, the Company completed a $4,843 mortgage financing secured by its manufacturing facility in Mississauga, bearing interest of 5.5% and a balance due date of May 1, 2022. The mortgage payable was recorded at its fair value at inception and subsequently carried at amortized cost. The loan principal and interest were fully paid in June 2020. The Company has capitalized $190 of transaction costs in loan payable.

To replace the previous mortgage financing discussed above, on June 19, 2020, the Company completed a $5,336 loan financing secured by its manufacturing facility in Mississauga, bearing interest of 8.25% and a balance due date of July 1, 2023. The mortgage payable was recorded at its fair value at inception and subsequently carried at amortized cost.

On March 13, 2021, the Company's Arise business was granted a loan from Bank of America in the aggregate amount of $766, pursuant to the Paycheck Protection Program (the "PPP"), bearing interest at 1.00% per annum. The PPP, established as part of the Coronavirus Aid, Relief and Economic Security Act ("CARES Act") provides for loans to qualifying businesses with the proceeds to be used for payroll costs, rent, utilities, and interest on other debt obligations. The loans and accrued interest are forgivable after eight weeks as long as the funds are used for qualifying expenses as described in the CARES Act.

Canopy Growth Arise Loan

On December 10, 2020, the Company, through a wholly owned subsidiary Arise Bioscience Inc. ("Arise") entered into a loan financing agreement with Canopy Growth in the amount of $20,000 pursuant to a secured debenture. In connection with the funding of the loan, the Company has issued 2,105,718 common share purchase warrants to Canopy Growth.

The secured debenture bears interest at a rate of 6.10% per annum commencing four years from the effective date, with an effective interest rate of 12.76%, and matures on December 9, 2030. The debenture is secured by the assets of Arise, is not convertible, and is not guaranteed by the Company. The warrants are comprised of 1,926,983 common share purchase warrants entitling Canopy Growth to acquire one common share of TerrAscend at an exercise price of $12.00 (CAD $15.28) per share, expiring on December 9, 2030, and 178,735 common share purchase warrants entitling Canopy Growth to acquire one common share of TerrAscend at an exercise price of $13.50 (CAD $17.19) per share, expiring on December 9, 2030.

10. Loans payable (continued)

All warrants will be exercisable following changes in U.S. federal laws permitting the cultivation, distribution, and possession of cannabis or to remove the regulation of such activities from the federal laws of the US. The warrants were issued such that they can be exercised upon maturity of the loan payable by offsetting the principal value of the loan payable. The fair value of the debt was calculated using the effective interest rate method, with the residual value allocated to contributed surplus.

In accordance with the terms of the loan financing agreement, the funds cannot be used, directly or indirectly, in connection with or for any cannabis or cannabis-related operations in the US, unless and until such operations are permitted by the federal and applicable state laws of the US.

Ilera Term Loan

On December 18, 2020, Ilera Healthcare entered into a senior secured term loan with a syndicate of lenders in the amount of $120,000. The term loan bears interest at 12.875% per annum and matures on December 17, 2024. The Company has the ability to increase the facility by up to $30,000. The term loan is secured by the Ilera Healthcare Division. The loan is callable after 18 months from the closing date subject to a premium payment due. Of the total proceeds received, $105,767 was used to satisfy the remaining Ilera earn-out payments.

11. Convertible debentures

Private Placement

On October 2, 2019, the Company completed the first tranche of a non-brokered private placement of convertible debentures and warrants. The Company issued 13,243 units, at a face value of $10,000, having a maturity date of five years from the date of issue and bearing interest at 6% per annum, compounded and payable annually. Each unit comprises one convertible debenture and 25.2 common share purchase warrants. The convertible debentures are convertible at the holders' option into common shares of the Company at a conversion price of $4.48 (CAD $5.95).

On November 16, 2019, the Company completed the second tranche of the non-brokered private placement noted above. The Company issued 4,763 convertible debentures under the same term, at face value of $3,614.

On November 26, 2019, the Company completed the third tranche of the non-brokered private placement noted above. The Company issued 2,654 convertible debentures under the same terms, at face value of $1,997. The fair value of the equity portion was calculated as the residual value after determining the fair value of the convertible debentures using the effective interest method. The fair value of the equity portion is allocated to the conversion option and warrants using the relative fair value method.

The Company shall have the right to require the holder to convert the outstanding principal amount of the debentures into common shares at the exercise price if certain criteria are met including if the average trading price equals or exceeds CAD $10.82 over a five-day trading window. During the three months ended March 31, 2021, the Company converted the remaining convertible debentures for 1,284,221 common shares.

(Amounts expressed in thousands of United States dollars, except for per share amounts)

11. Convertible debentures (continued)

		March 31, 2021		December 31, 2020
Opening carrying amount	**$**	**4,479**	$	10,682
Converted loan payable		**—**		(6,812)
Conversion of convertible debt		**(4,459)**		—
Interest accretion		**38**		657
Effects of movements in foreign exchange		**(58)**		(48)
Ending carrying amount	**$**	**—**	$	4,479
Less: current portion		**—**		(396)
Non-current convertible debt	**$**	**—**	$	4,083

The fair value of the equity portion was calculated at the residual value after determining the fair value of the convertible debentures using the effective interest method. The fair value of the equity portion is allocated to conversion option and warrants using the relative fair value method.

12. Leases

The Company's leases are comprised of leased premises and offices. The Company's lease liabilities were as follows:

		March 31, 2021		December 31, 2020*
Opening lease liability	**$**	**24,319**	$	15,961
Additions on State Flower acquisition		**—**		2,707
Non-acquisition related additions		**4,255**		6,183
Lease payments		**(908)**		(3,055)
Interest expense		**754**		2,534
Effects of movements in foreign exchange		**23**		(11)
Ending lease liability	**$**	**28,443**	$	24,319
Less: current portion		**(2,117)**		(1,710)
Non-current lease liability	**$**	**26,326**	$	22,609

Undiscounted lease obligations are as follows:

	$
Less than one year	3,990
One to five years	16,411
More than five years	38,277
Total	58,678

(Amounts expressed in thousands of United States dollars, except for per share amounts)

13. Share capital and contributed surplus

Authorized share capital

The authorized share capital of the Company consists of an unlimited number of common shares, unlisted exchangeable shares, and unlisted preferred shares.

Outstanding share capital

	Common Shares	Exchangeable Shares	Proportionate Voting Shares	Preferred Shares	Total Shares [(a)]	Amount $
Outstanding, December 31, 2019	66,563,322	38,890,571	75,417	—	180,870,422	196,978
Shares issued – private placement net of share issue costs	5,313,786	—	—	18,679	23,992,786	29,641
Shares issued – stock option exercises	1,816,496	—	—	—	1,816,496	4,462
Shares issued – warrant exercises	1,229,186	—	—	—	1,229,186	2,810
Shares issued – compensation for services	1,625,701	—	—	—	1,625,701	3,420
Shares issued – RSU	157,788	—	—	—	157,788	434
Shares issued – conversion	2,820,506	—	890	(3,711)	—	—
Reallocation from share-based payment reserve	—	—	—	—	—	4,591
Outstanding, December 31, 2020	**79,526,785**	**38,890,571**	**76,307**	**14,968**	**209,692,379**	**242,336**
Shares issued – private placement net of share issue costs	**18,115,656**	**—**	**—**	**—**	**18,115,656**	**173,477**
Shares issued – stock option exercises	**381,820**	**—**	**—**	**—**	**381,820**	**1,499**
Shares issued – warrant exercises	**1,580,778**	**—**	**—**	**1,401**	**2,982,071**	**23,935**
Shares issued – RSU	**8,338**	**—**	**—**	**—**	**8,338**	**71**
Shares issued – conversion of convertible debt	**1,284,221**	**—**	**—**	**—**	**1,284,221**	**6,047**
Shares issued – conversion	**78,058,768**	**—**	**(76,307)**	**(1,751)**	**452**	**—**
Reallocation from share-based payment reserve	**—**	**—**	**—**	**—**	**—**	**1,084**
Outstanding, March 31, 2021	**178,956,366**	**38,890,571**	**—**	**14,618**	**232,464,937**	**448,449**

[(a)] *on an as converted basis*

Private Placements

On January 28, 2021, the Company completed a private placement and issued 18,115,656 common shares at a price of $9.64 (CAD $12.35) per common share for total proceeds of $173,477, net of share issuance costs of $1,643.

(Amounts expressed in thousands of United States dollars, except for per share amounts)

13. Share capital and contributed surplus (continued)

During the year ended December 31, 2020, the Company closed a non-brokered private placement, issuing 18,679 units at an issue price of $2,000 per unit, resulting in proceeds of $37,358. Each unit consists of one non-voting Preferred Share and one Preferred Share Warrant. Each preferred share will be convertible to 1,000 common shares of the Company (or the economic equivalent in proportionate voting shares for US investors) at the option of the holder, subject to customary anti-dilution provisions. If the Company completes a qualified financing for gross proceeds in excess of $30 million at a price that in the good faith determination of the Company's board of directors is less than the average price paid in the private placement, the Company's board of directors may increase the conversion ratio of the preferred shares to an amount that it considers equitable in the circumstances to provide equivalent value to participants in the private placement. This price protection will be in effect until May 22, 2021. Each warrant can be used to acquire one preferred share at an exercise price of $3,000, subject to customary anti-dilution provisions. Warrants have a term of 3 years and can be exercised cashless.

On issuance date the total proceeds were allocated as follows:

Date of Issuance	Preferred Shares Units Issued	Preferred Shares Equity Component	Preferred Shares Liability	Preferred Shares Warrant Liability	Total Proceeds
22-May-20	13,646	$ 14,750	$ 3,917	$ 8,624	$ 27,291
28-May-20	3,561	3,850	1,022	2,251	7,123
5-Jun-20	1,397	1,510	401	883	2,794
8-Jun-20	75	82	21	47	150
Total	18,679	$ 20,192	$ 5,361	$ 11,805	$ 37,358

The price protection derivative liability and warrant liability have been measured at fair value at issuance date and subsequently remeasured using the Black Scholes model and have been classified as Level 3 in the fair value hierarchy.

Refer to Note 22 for discussion regarding changes in fair value of the preferred share derivative liability and warrant liability during the three months ended March 31, 2021, as well as the key inputs and assumptions used in the model.

Transaction costs associated with the brokered preferred share issuance amounted to $754 and have been allocated pro rata between the preferred share liability, preferred share warrant liability, and share capital. Transaction costs allocated to the liability component was $370 and immediately expensed and transaction costs related to the equity component was $384 netted with share capital.

On January 27, 2020, the Company closed the third tranche of the non-brokered private placement accounted on December 30, 2019, issuing 1,863,659 units at an issue price of $1.86 (CAD $2.45) per unit, resulting in proceeds of $3,368, net of share issue costs of $96. 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 $2.47 (CAD $3.25). The fair value of the warrants issued was determined through the residual method and as a result, no value was assigned to the warrants as the market price exceeded the subscription price.

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 $1.88 (CAD $2.45) per unit, resulting in proceeds of $6,393, net of share issue costs of $84. 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 $2.49 (CAD $3.25). The fair value of the warrants issued was determined through the residual method and as a result, no value was assigned to the warrants as the market price exceeded the subscription price.

(Amounts expressed in thousands of United States dollars, except for per share amounts)

13. Share capital and contributed surplus (continued)

On December 30, 2019, the Company completed the first tranche of a private placement and issued 12,968,325 units at a price of $1.88 (CAD $2.45), each comprised of one common share and one common share purchase warrant, for total proceeds of $24,330. The proceeds were collected in January 2020.

On May 15, 2019, the Company completed the first tranche of a private placement and issued 5,257,662 common shares at a price of $5.68 (CAD $7.64) per common share for total proceeds of $29,863. On May 27, 2019 the Company completed the second tranche and issued 3,766,022 common shares at a price of $5.68 (CAD $7.64) per common share for total proceeds of $21,404. Total proceeds of the private placement were $49,955, net of share issue costs of $1,312.

Warrants reserve

The following is a summary of the outstanding warrants for Common Shares at March 31, 2021.

Number outstanding at March 31, 2021	Number of Warrants Outstanding	Number of Warrants Exercisable	Issue Date	Expiry Date	Weighted Average Exercise Price CAD	Weighted Average Remaining Life (years)
Issued in payment for services	320,000	320,000	06/06/18	06/06/23	4.16	2.18
Issued in payment for services	35,000	35,000	08/09/18	08/09/23	4.25	2.36
Issued in convertible debt	333,723	333,723	10/02/19	10/02/24	6.49	3.51
Issued in convertible debt	120,027	120,027	11/06/19	11/06/24	6.49	3.61
Issued in convertible debt	66,880	66,880	11/26/19	11/26/24	6.49	3.66
Issued during private placement	11,784,629	11,784,629	12/30/19	01/14/22	3.25	0.79
Issued during private placement	2,353,698	2,353,698	01/10/20	01/14/22	3.25	0.79
Issued during private placement	1,863,659	1,863,659	01/27/20	01/14/22	3.25	0.79
Issued in debt arrangement	2,225,714	—	02/05/20	10/02/24	5.95	3.51
Issued in debt arrangement	15,656,242	—	03/11/20	03/10/30	5.14	8.95
Issued in debt arrangement	2,152,733	—	03/11/20	03/10/31	3.74	9.95
Issued in debt arrangement	1,926,983	—	12/11/20	12/09/30	15.28	9.70
Issued in debt arrangement	178,735	—	12/11/20	12/09/31	17.19	10.70
	39,018,023	**16,877,616**			**4.90**	**5.26**

In connection with the Canopy Growth and Canopy Rivers financings, the Company determined the fair value of the liability component (Note 10) and allocated the residual amount to the equity component to determine the fair value of the warrants issued. The fair value of the warrants was recorded as an increase to contributed surplus.

(Amounts expressed in thousands of United States dollars, except for per share amounts)

13. Share capital and contributed surplus (continued)

The following is a summary of the outstanding warrants for Proportionate Voting Shares as at March 31, 2021. These warrants are exercisable for 0.001 of a Proportionate Voting Share. The Proportionate Voting Shares are exchangeable into Common Shares on a basis of 1,000 Common Shares per Proportionate Voting Share.

Number outstanding at March 31, 2021	Number of Warrants Outstanding	Number of Warrants Exercisable	Issue Date	Expiry Date	Weighted Average Exercise Price CAD	Weighted Average Remaining Life (years)
Issued as conversion incentive	8,590,908	8,590,908	08/23/19	08/23/22	7.21	1.40
	8,590,908	**8,590,908**			**7.21**	**1.40**

The following is a summary of the outstanding warrants for Preferred Shares at March 31, 2021. These warrants are exercisable into 1 preferred share:

Number outstanding at March 31, 2021	Number of Warrants Outstanding	Number of Warrants Exercisable	Issue Date	Expiry Date	Weighted Average Exercise Price	Weighted Average Remaining Life (years)
Issued during private placement	13,646	13,646	05/22/20	05/22/23	3,000	2.14
Issued during private placement	2,166	2,166	05/28/20	05/28/23	3,000	2.16
Issued during private placement	567	567	06/05/20	06/05/23	3,000	2.18
Issued during private placement	75	75	06/08/20	06/08/23	3,000	2.19
	16,454	**16,454**			**3,000**	**2.15**

Restricted Share Units

The Company's Share Unit Plan effective November 19, 2019 (the "Share Unit Plan") provides for the granting of performance share units (PSUs) and restricted share units (RSUs) to directors, officers, employees, and consultants of the Company. The PSUs generally become vested upon attainment of established performance conditions, as well as service conditions. The RSUs generally become vested upon completion of continuous employment, or service, with the Company. During the three months ended March 31, 2021, the Company granted 174,408 RSUs, which will vest over a four-year term, and recognized the grant date fair value of $117 as a share-based payment expense. There are no PSUs outstanding as of March 31, 2021.

The following is a summary of changes in the Company's RSUs for the three months ended March 31, 2021 and the year ended December 31, 2020:

(Amounts expressed in thousands of United States dollars, except for per share amounts)

13. Share capital and contributed surplus (continued)

	Number of RSUs	Number of RSUs Vested
Balance Outstanding at December 31, 2019	—	—
RSU Granted	280,099	N/A
RSU Exercised	(157,788)	N/A
RSU Forfeited/Cancelled	—	N/A
Balance Outstanding as at December 31, 2020	**122,311**	**33,733**
RSU Granted	**174,408**	N/A
RSU Exercised	**(8,338)**	N/A
RSU Forfeited/Cancelled	**(3,022)**	N/A
Balance Outstanding as at March 31, 2021	**285,359**	**25,395**

Stock Options

The Company's Stock Option Plan (the "Plan") effective March 8, 2017 provides for the granting of stock options to directors, officers, employees and consultants of the Company. Share options are granted for a term not to exceed ten years at an exercise price, which is the greater of the closing market price of the shares on the CSE on the trading day immediately preceding the date the options are granted and on the same day of the option grant, in accordance with CSE policy. The options are not transferrable. The Plan is administered by the Board of Directors, which determines individual eligibility under the Plan, number of shares reserved for optioning to each individual (not to exceed 5% of issued and outstanding shares to any one individual) and the vesting period. The maximum number of shares of the Company that are issuable pursuant to the Plan is limited to 10% of the fully diluted shares of the Company as at the date of the grant of options.

The stock options outstanding noted below consist of service-based options granted to employees, directors, officers, and consultants to purchase common stock, which vest over a one to four-year period and have a five to ten-year expiry term. These awards are subject to the risk of forfeiture until vested by virtue of continued employment or service to the Company.

The fair value of the various stock options granted during the three months ended March 31, 2021 were estimated using the Black-Scholes option pricing model with the following weighted average assumptions: Stock price volatility – 81.51% (March 31, 2020- 87.09%); risk-free interest rate – 0.90% to 1.46% (March 31, 2020- 0.68% to 1.62%); dividend yield – 0% (March 31, 2020- 0%); forfeiture rate – 23.21% (March 31, 2020- 26.5%); and expected lives – 4.57 years to 10.00 years (March 31, 2020- 5.00 years). The expected volatility of the Company's equity instruments was estimated based on the historical volatility.

The following is a summary of the changes in the Company's options for the three months ended March 31, 2021, and year ended December 31, 2020:

(Amounts expressed in thousands of United States dollars, except for per share amounts)

13. Share capital and contributed surplus (continued)

	Number of Options	Weighted Average Remaining Life in Years	Weighted Average Exercise Price CAD	Number of options Exercisable
Balance Outstanding at December 31, 2019	10,493,015	4.04	5.53	2,443,578
Options Granted	**12,861,050**	N/A	**3.76**	N/A
Options Exercised	**(1,816,496)**	N/A	**3.18**	N/A
Options Forfeited/Cancelled	**(4,174,221)**	N/A	**5.62**	N/A
Balance Outstanding at December 31, 2020	**17,363,348**	**3.96**	**4.44**	**2,703,689**
Options Granted	**2,185,000**	N/A	**14.15**	N/A
Options Exercised	**(381,820)**	N/A	**5.00**	N/A
Options Forfeited/Cancelled	**(384,144)**	N/A	**6.84**	N/A
Balance Outstanding at March 31, 2021	**18,782,384**	**5.07**	**5.51**	**4,359,365**

Contributed surplus

The Company's contributed surplus balances include the following:

	Warrants reserve	Share-based payments reserve	Contributed surplus	Total
Outstanding, December 31, 2019	$ 25,504	$ 13,352	$ 3,018	$ 41,874
Share-based compensation expense	89	11,644	686	12,419
Warrant and stock option and RSU exercise	(43)	(3,319)	(434)	(3,796)
Issuance of warrants	21,876	—	—	21,876
Reallocation on Canopy Rivers convertible debt amendment	2,846	—	(2,846)	—
Options expired/forfeited	—	(3,168)	—	(3,168)
Outstanding, December 31, 2020	**$ 50,272**	**$ 18,509**	**$ 424**	**$ 69,205**
Share-based compensation expense	**—**	**4,067**	**117**	**4,184**
Warrant and stock option and RSU exercise	**(136)**	**(1,084)**	**(71)**	**(1,291)**
Issuance of warrants	**560**			**560**
Conversion of convertible debt	**—**	**—**	**(1,593)**	**(1,593)**
Options expired/forfeited	**—**	**(53)**	**—**	**(53)**
Outstanding, March 31, 2021	**$ 50,696**	**$ 21,439**	**$ (1,123)**	**$ 71,012**

During the three months ended March 31, 2021, $nil (March 31, 2020- $217) of share-based payments expense was included in cost of goods sold.

(Amounts expressed in thousands of United States dollars, except for per share amounts)

14. Non-controlling interest

Non-controlling interest includes the Company's ownership minority interest in New Jersey operations, State Flower and IHC Real Estate operations and consists of the following amounts at March 31, 2021 and December 31, 2020:

		March 31, 2021		December 31, 2020*
Opening carrying amount balance	**$**	**7,433**	$	6,461
Capital contributions (paid) received		**(161)**		394
Net income attributable to non-controlling interest		**1,267**		578
Ending carrying amount balance	**$**	**8,539**	$	7,433

15. Related parties

(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 three months ended March 31, 2021 and March 31, 2020 respectively were as follows:

		March 31, 2021		March 31, 2020*
Salaries and wages	**$**	**1,668**	$	718
Share-based payments		**2,168**		617
Total	**$**	**3,836**	$	1,335

(b) A small number of related persons participated in the Ilera Term Loan (Note 10), which makes up $4,520 of the total loan principal balance.

(c) Refer to Note 10 for discussion regarding related party loan balances.

(d) 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 (Note 9).

(Amounts expressed in thousands of United States dollars, except for per share amounts)

16. Income taxes

The reconciliation of the combined Canadian and US federal and provincial and state corporate income taxes, and to the Company's effective income tax expenses is as follows:

		March 31, 2021		March 31, 2020
Loss before income tax	**$**	**(2,965)**	$	(4,097)
Statutory tax rate		**21.0%**		26.5%
Expected income tax recovery		**(623)**		(1,086)
Effect on income taxes of deductible & non-deductible adjustments				
IRC 280E adjustment		**3,818**		**1,987**
Transaction costs and legal fees adjustment		**—**		**9**
IFRIC 23 uncertain tax position		**(1,071)**		**617**
U.S. state income taxes		**3,326**		**—**
Canada income taxes at different statutory rate		**(255)**		**—**
U.S. income taxes at different statutory rate		**—**		**588**
Loss on revaluation of Equity/Warrants		**1,136**		**—**
Loss on revaluation of contingent consideration		**629**		**—**
Loss on foreign exchange		**581**		
Share based compensation and non-deductible expenses		**891**		**206**
Changes in tax benefits not recognized		**1,223**		**3,613**
Other adjustments		**128**		**280**
Income tax expense (recovery)	**$**	**9,783**	$	6,214
The Company's income tax expense (recovery) is allocated as follows:				
Current tax expense	**$**	**9,212**	$	4,361
Deferred tax expense (recovery)		**571**		1,853
Income tax expense (recovery)	**$**	**9,783**	$	6,214

As the operations of the Company are predominantly US based, the Company has prepared the tax rate table for the three months ended March 31, 2021 using the US Federal tax rate of 21.0%. The Company's combined Canadian federal and provincial statutory rates are at 26.5% (March 31, 2020 – 26.5%).

As many of the Company's U.S. subsidiaries operate in the cannabis industry and are subject to the limitations of the United States Internal Revenue Code ("IRC") Section 280E, the impact results in a permanent tax difference as a disallowed tax deduction. Therefore, the US effective tax rate can be highly variable and may not necessarily correlate with pre-tax income or loss due to the material impact of Section 280E. The Company's provision for income taxes for the three months ended March 31, 2021 was reduced by a $1,130 recovery resulting from the Apothecarium tax audit settlement for tax years ended September 30, 2014 and September 30, 2015. A corresponding reduction to the indemnification asset related to the Apothecarium tax audit settlement in the amount of $1,197 is included in finance and other expenses for the three months ended March 31, 2021.

(Amounts expressed in thousands of United States dollars, except for per share amounts)

16. Income taxes (continued)

The Company's current tax liability of $32,466 as of March 31, 2021 (December 31, 2020 – $27,739) includes a liability related to the application of IRC Section 280E prior to the acquisition of Apothecarium by the Company. Under Section 280E, all ordinary and necessary business deductions are disallowed if the taxpayer's trade or business is "trafficking" in a Schedule I or II Controlled Substance under the Controlled Substances Act. Cannabis remains a Schedule I controlled substance. While the Company cannot predict the outcome and timing of these matters, it has recorded a liability of $10,303 related to the pre-acquisition periods of Apothecarium as of March 31, 2021 (December 31, 2020- $11,500). On the acquisition of the Apothecarium, the seller set aside cash in an escrow account to be used on future tax indemnifications. As of March 31, 2021, an indemnification asset of $10,303 (December 31, 2020 - $11,500), has been recorded on the statement of financial position.

17. General and administrative expenses

The Company's general and administrative expenses were as follows:

	For the three months ended			
		March 31, 2021		**March 31, 2020***
Office and general	**$**	**3,697**	$	2,779
Professional fees		**2,679**		1,299
Facility and maintenance		**718**		638
Salaries and wages		**7,651**		5,529
Sales and marketing		**922**		474
Travel and entertainment		**95**		137
Total	**$**	**15,762**	$	10,856

18. Revenue

The Company's disaggregated revenue by source, primarily due to the Company's contracts with its external customers for the three months ended March 31, 2021 and 2020 were as follows:

	For the three months ended			
		March 31, 2021		**March 31, 2020***
Branded manufacturing	**$**	**38,384**	**$**	17,399
Retail		**14,970**		8,476
Total	**$**	**53,354**	$	25,875

For the three months ended March 31, 2021 and March 31, 2020, the Company did not have any single customer that accounted for 10% or more of the Company's revenue.

19. Segment disclosure

<u>Operating Segment</u>

The Company operates under one operating segment, being the cultivation, production and sale of cannabis products.

<u>Geography</u>

The Company operates with subsidiaries located in Canada and the US. For the three months ended March 31, 2021, the Company had net sales of $49,684 (March 31, 2020 - $23,017) in the US and $3,670 (March 31, 2020- $2,858) in Canada. At March 31, 2021 the Company had $322,868 (December 31, 2020 - $313,992) of non-current assets in the US and $32,156 (December 31, 2020 - $32,530) in Canada.

(Amounts expressed in thousands of United States dollars, except for per share amounts)

20. Supplemental cash flow information

The changes in working capital items during the three months ended March 31, 2021 and March 31, 2020 were as follows:

	For the three months ended March 31, 2021	March 31, 2020*
Receivables	**$ 516**	$ 504
Inventory	**(4,161)**	(2,185)
Prepaid expenses and deposits	**278**	1,020
Other asset	**(104)**	—
Accounts payable and accrued liabilities	**1,515**	(2,840)
Corporate income taxes payable	**—**	282
Deferred revenue	**102**	(279)
	$ (1,854)	$ **(3,498)**

21. Capital management

The Company's objective in managing capital is to ensure a sufficient liquidity position to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders. In order to achieve this objective, the Company prepares a capital budget to manage its capital structure. The Company defines capital as borrowings, equity comprised of issued share capital, share-based payments, accumulated deficit, as well as funds borrowed from related parties.

Since inception, the Company has primarily financed its liquidity needs through the issuance of share capital and debentures. The equity issuances are outlined in Note 13 and debt issuances are outlined in Note 10.

The Company is subject to financial covenants as a result of its loans payable with various lenders. Other than these items related to loans payable as of March 31, 2021 and December 31, 2020, the Company is not subject to externally imposed capital requirements.

22. Financial instruments and risk management

<u>Financial instruments</u>

Fair value hierarchy

Financial instruments recorded at fair value are classified using a fair value hierarchy that reflects the significance of inputs used in making the measurements. The hierarchy is summarized as follows:

Level 1 – quoted prices (unadjusted) in active markets for identical assets and liabilities

Level 2 – inputs that are observable for the asset or liability, either directly (prices) or indirectly (derived from prices) from observable market data

Level 3 – inputs for assets and liabilities not based upon observable market data

The following table represents the carrying amounts and fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy:

(Amounts expressed in thousands of United States dollars, except for per share amounts)

22. Financial instruments and risk management (continued)

	At March 31, 2021			
	Measurement basis			Fair value hierarchy
	Financial assets at amortized cost	Financial liabilities at amortized cost	Fair value through profit or loss	Level 3
Fair value of assets				
Cash and cash equivalents	**234,237**	—	—	—
Receivables, net of sales returns and allowances	**10,391**	—	—	—
Fair value of liabilities				
Accounts payable and accrued liabilities	—	**23,972**	—	—
Corporate income tax payable	—	**32,466**	—	—
Loans payable	—	**182,319**	—	—
Warrant liability	—	—	**121,551**	**121,551**
Contingent consideration payable	—	—	**40,553**	**40,553**

	At December 31, 2020			
	Measurement basis			Fair value hierarchy
	Financial assets at amortized cost	Financial liabilities at amortized cost	Fair value through profit or loss	Level 3
Fair value of assets				
Cash and cash equivalents	**59,226**	—	—	—
Receivables, net of sales returns and allowances	**10,876**	—	—	—
Fair value of liabilities				
Accounts payable and accrued liabilities	—	**27,176**	—	—
Corporate income tax payable	—	**27,739**	—	—
Loans payable	—	**184,538**	—	—
Convertible debentures	—	**4,083**	—	—
Warrant liability	—	—	**132,257**	**132,257**
Contingent consideration payable	—	—	**37,556**	**37,556**

There were no transfers between the levels of fair value hierarchy during the three months ended March 31, 2021 or the year ended December 31, 2020.

The carrying values of financial assets and liabilities measured at amortized cost approximate their fair values due to their short periods to maturity.

Fair Value of Warrant and Derivative Liabilities

The preferred share warrant liability has been remeasured to fair value at March 31, 2021 using the Black Scholes model. In addition, warrants were exercised during the quarter. The combined impact resulted in a loss of fair value of warrants of $5,410 related to the warrant liability of the USD denominated Preferred Share Warrants described in Note 13.

(Amounts expressed in thousands of United States dollars, except for per share amounts)

22. Financial instruments and risk management (continued)

Key inputs and assumptions used in the Monte Carlo simulation valuation model used at the private placement dates, is summarized below:

	22-May-20
Common stock price of TerrAscend Corp.[b]	$2.10
Unit issue price	$2,000
Warrant exercise price	$3,000
Initial conversion ratio	1,000
Annual volatility	76.8%
Annual risk-free rate	0.2%
Expected term	3 year
Probability of financing	100%

[b] Fair value input was based on the weighted-average closing price for the Company's common stock, based on all issuance dates for the Units described in Note 13.

Key inputs and assumptions used in the Black Scholes valuation at March 31, 2021 were as follows:

	March 31, 2021
Common Stock Price of TerrAscend Corp.	$10.19
Warrant exercise price	$3,000
Warrant conversion ratio	1,000
Annual volatility	61.9%
Annual risk-free rate	0.2%
Term	2.1 year

Contingent Consideration Payable

Note 5 *Acquisitions* describes the nature of contingent consideration liabilities. The fair value of contingent consideration at March 31, 2021 was determined using a probability weighted model based on the likelihood of achieving certain revenue and EBITDA scenario outcomes. A discount rate of 12.8% (December 31, 2020 – 12.3% to 12.9%) was utilized to determine the present value of the liabilities, resulting in a loss on revaluation of contingent consideration of $2,997 for the three months ended March 31, 2021 (March 31, 2020- $4,145).

The illustrative variance of the total contingent consideration at March 31, 2021 based on reasonably possible changes to one of the significant unobservable inputs, holding other inputs constant, would have the following effects:

	Implied value of contingent consideration		
Discount rate sensitivity	**State Flower**	**Ilera**	**Total**
Increase 100 basis points	$ 8,700	$ 28,721	$ 37,421
Increase 50 basis points	8,720	28,753	37,473
Decrease 50 basis points	8,760	28,817	37,577
Decrease 100 basis points	8,780	28,849	37,629

(Amounts expressed in thousands of United States dollars, except for per share amounts)

22. Financial instruments and risk management (continued)

Revenue sensitivity		State Flower
Increase 100 basis points	$	8,890
Increase 50 basis points		8,820
Decrease 50 basis points		8,660
Decrease 100 basis points		8,590

The contingent consideration for Ilera was calculated based on fiscal year 2019 and 2020 performance and the final earn out has been calculated as of March 31, 2021 (Note 5).

Financial risk factors

The financial risk factors significant to the Company's condensed interim financial statements are consistent with those disclosed in the notes to the annual consolidated financial statements for the year ended December 31, 2020.

23. Change in Presentation Currency

For comparative purposes, the consolidated statements of financial position at January 1, 2020 and December 31, 2020 includes adjustments to reflect the change in accounting policy resulting from the change in presentation currency to US dollars. The amounts previously reported in Canadian dollars as shown below have been translated into US dollars at December 31, 2020 and January 1, 2020 exchange rates (Note 2(c)). The effect of the translation is as follows:

		As of December 31, 2020		
		Previously Reported (in CAD)		**Translated (in USD)**
Current assets	**$**	**162,689**	$	127,779
Non-current assets		**441,192**		346,522
Total assets	**$**	**603,881**	$	**474,301**
Current liabilities	**$**	**119,635**		93,963
Non-current liabilities		**473,129**		371,606
Total liabilities	**$**	**592,764**	$	465,569

		As of January 1, 2020		
		Previously Reported (in CAD)		**Translated (in USD)**
Current assets	**$**	**89,830**	$	69,163
Non-current assets		**370,936**		285,599
Total assets	**$**	**460,766**	$	**354,762**
Current liabilities	**$**	**142,864**		110,003
Non-current liabilities		**242,573**		186,768
Total liabilities	**$**	**385,437**	$	296,771

(Amounts expressed in thousands of United States dollars, except for per share amounts)

23. Change in Presentation Currency (continued)

For comparative purposes, the consolidated statements of loss and comprehensive loss for the three months ended March 31, 2020 includes adjustments to reflect the change in accounting policy resulting from the change in presentation currency to US dollars. The amounts previously reported in Canadian dollars as shown below have been translated into US dollars using the average 2020 exchange rate (Note 2(c)). The effect of the translation is as follows for the three months ended March 31, 2020:

		Previously Reported (in CAD)		Translated (in USD)
Sales, net	**$**	**34,798**	$	25,875
Gross profit (loss) before gain on fair value of biological assets		**15,546**		11,560
Gross profit		**24,191**		17,988
Income from operations		**4,930**		3,663
Net loss attributable to non-controlling interests		**(658)**		(489)
Net loss attributable to shareholders of the Company		**(13,206)**		(9,822)
Net loss per share – basic and diluted		**(0.09)**		(0.07)

For comparative purposes, the consolidated statements of cash flow for the three months ended March 31, 2020 includes adjustments to reflect the change in accounting policy resulting from the change in presentation currency to US dollars. The amounts previously reported in Canadian dollars as shown have been translated into US dollars (Note (Note 2(c)). The effect of the translation is as follows for the three months ended March 31, 2020:

		For the three months ended March 31, 2020		
		Previously Reported (in CAD)		**Translated (in USD)**
Cash outflow from operating activities	**$**	**(1,262)**	$	(827)
Cash inflow from financing activities		**60,739**		45,969
Cash outflow from investing activities		**(37,544)**		(29,707)

24. 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. During a CCAA hearing in November, 261 objected to the stay of the 261 Claim. The judge presiding over the CCAA process agreed to allow 261 to discontinue the 261 Claim against the defendants 'without prejudice' to its right to recommence the 261 Claim against all parties except PharmHouse Inc., provided that such recommenced claim can only be brought after January 1, 2021. This does not affect any of the defendants' ability to move for a stay of the recommenced 261 Claim. On February 10, 2021, 261 served the Issuer and TerrAscend Canada with the recommenced 261 Claim. On March 11, 2021, the Ontario Superior Court of Justice approved a settlement agreement (the "Settlement Agreement") between the Company, TerrAscend Canada and PharmHouse. The Settlement Agreement provides that the Company make a one-time purchase of a specific quantity of cannabis that was grown under the PharmHouse Agreement for a set price per gram, and for a one-time cash payment to PharmHouse for full and final satisfaction of any claims or obligations between the Company, TerrAscend Canada and PharmHouse. Both payments are immaterial to the Company and the Company plans to monetize the purchased cannabis. The Settlement Agreement does not affect the recommenced 261 Claim issued on February 10, 2021, which the Company believes is completely baseless and without merit.

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 unaudited condensed interim consolidated financial statements.

From time to time, the Company may be involved in litigation relating to claims arising out of operations in the normal course of business. At March 31, 2021, there were no pending lawsuits other than those disclosed that could reasonably be expected to have a material effect on the results of the Company's unaudited condensed interim consolidated financial statements.

25. Subsequent events

On April 30, 2021, the Company closed its previously announced acquisition of GuadCo, LLC and KCR Holdings LLC (collectively "KCR") for an implied enterprise value of $70,000. The transaction adds three retail dispensaries located in Bethlehem, Allentown and Stroudsburg, Pennsylvania to complement the Company's existing retail footprint in Southeastern Pennsylvania. Prior to the acquisition, the Company owned 10% of KCR. The Company acquired the remaining 90% of the equity for total consideration of $63,000, comprised of $36,000 in stock, $20,250 in cash, and a $6,750 note which bears 10.0% annual interest, due April 2022.

On May 3, 2021, the Company closed its previously announced acquisition of HMS for a total consideration of $27,500, comprised of $25,000 in cash prior to net adjustments and a $2,500 note, which bears 5.0% annual interest, due October 2022.