

November 20, 2019



TerrAscend Announces Strong Revenue Growth and Margin Improvement for the Third Quarter of 2019

- Third quarter revenue of \$26.8 million, an increase of 53% from \$17.6 million in the second quarter and compared with \$1.8 million in the third quarter of 2018
- Improved gross profit margin to 26.1% from 12.3% in the second quarter
- Increasing strategic focus on larger and higher margin U.S. markets
- Significantly higher revenue and continued improvement in Adjusted EBITDA¹ margin anticipated in the fourth quarter

TORONTO, Nov. 20, 2019 /PRNewswire/ - TerrAscend Corp. (CSE: TER; OTCQX: TRSSF) ("TerrAscend" or "the Company"), the first and only global cannabis company licensed for sales in Canada, the U.S., and the EU, today reported financial results for the third quarter ending September 30, 2019. All figures are reported in Canadian dollars, unless otherwise indicated.



Third Quarter 2019 Financial Highlights

- Third quarter 2019 revenue increased 53% quarter-over-quarter to \$26.8 million from \$17.6 million in the second quarter of 2019 and compared with \$1.8 million in the third quarter of 2018. Revenue growth was driven by higher overall sales in Canada as well as strong sales in the U.S.
- Pro forma revenue¹ for the third quarter of 2019 was approximately \$44 million.
- Gross profit for the third quarter of 2019 was \$7.0 million, compared with \$2.2 million in the second quarter of 2019 and (\$0.6) million in the third quarter of 2018.
- Adjusted EBITDA¹ for the third quarter of 2019 was (\$6.5) million, compared with (\$8.7) million in the second quarter of 2019 and (\$6.3) million in the third quarter of 2018.
- As of September 30, 2019, the Company held \$6.9 million in cash and cash equivalents. Subsequent to quarter end, the Company closed on two tranches of the previously announced non-brokered private placement for total proceeds of approximately \$18.0 million.

1. Pro forma revenue, EBITDA and Adjusted EBITDA are Non-IFRS measures. Please see discussion and reconciliation of Non-IFRS measures below.

Management Commentary

"Two weeks into my new role, I continue to be impressed with TerrAscend's unique assets and competitive positioning in both the United States and Canada," said Jason Ackerman, TerrAscend's Executive Chairman. "I see even greater potential for our business as we sharpen our focus on the U.S., where we are extremely well positioned to become a leader in the markets we serve. My top priority now is to operationalize the company's strategy while driving continued growth, improving profitability and fortifying our financial strength."

Added Michael Nashat, CEO of TerrAscend, "We are on track to deliver a year of tremendous progress for the overall company both operationally and financially. This has been especially evident in recent months, where we expanded our portfolio of U.S. assets with the addition of Ilera Healthcare in Pennsylvania, booked our first international shipment of medical cannabis to Europe, and received Health Canada approvals which tripled the licensed space at our Mississauga facility enabling future sales of new product formats and extracts for the Canadian Cannabis 2.0 market. Meanwhile, we have grown total sales in the third quarter to nearly \$27 million from less than \$2 million a year ago with improving margins."

"Looking ahead, we anticipate significantly higher revenue and continued improvement in Adjusted EBITDA margin in the fourth quarter, and further improvement on both fronts next year. While the current Canadian environment has presented challenges for the industry as a whole, the future is bright for TerrAscend and our ability to build long-term shareholder value."

Financial Summary

(In 000's of Canadian Dollars, Except Per Share Amounts)

	<u>Q3 2019</u>	<u>Q2 2019</u>	<u>Q1 2019</u>	<u>Q3 2018</u>
Sales	\$ 26,831	\$ 17,572	\$ 14,582	\$ 1,786
Gross profit (loss) before gain on fair value of biological assets	4,800	1,509	1,507	(1,464)
Net impact, fair value of biological assets	2,196	649	427	848
Gross profit (loss)	6,996	2,158	1,934	(616)
Total operating expenses	25,342	18,246	11,604	7,338
Loss from operations	(18,346)	(16,088)	(9,670)	(7,954)
Net loss and comprehensive loss after income tax	(17,309)	(21,532)	(11,200)	(2,834)
Less: Net loss attributable to non-controlling interest	(265)	(432)	(160)	(71)
Net loss and comprehensive loss attributable to TerrAscend Corp.	(17,044)	(21,100)	(11,040)	(2,763)
Net loss per share - basic and diluted	(0.33)	(0.37)	(0.26)	(0.03)
EBITDA (non-IFRS measure)	(15,009)	(16,777)	(9,475)	(2,582)
Adjusted EBITDA (non-IFRS measure)	(6,508)	(8,707)	(5,543)	(6,318)

1. EBITDA and Adjusted EBITDA are Non-IFRS measures. Please see discussion and reconciliation of Non-IFRS measures below.

Corporate Highlights

- Late in the third quarter, TerrAscend acquired Ilera Healthcare LLC ("Ilera"), the owner

of one of five fully vertically integrated licenses in the State of Pennsylvania. Ilera operates a retail dispensary in Plymouth Meeting, PA, with plans to open two additional dispensary sites in the Philadelphia area. The operations include a 67,000 sq. ft. site for cultivation and processing in Waterfall, PA with planned expansion to over 120,000 sq. ft. in 2020. In addition to selling its cannabis products in its own dispensary, Ilera distributes to 70 dispensaries throughout Pennsylvania.

- TerrAscend entered into a definitive agreement to acquire a company that operates a Bay Area cultivation facility and owns State Flower, the premium cannabis brand. State Flower is currently sold through dispensaries in California and Nevada, including The Apothecarium.
- TerrAscend Canada received an amendment to its license from Health Canada to allow it to sell cannabis oils from its EU GMP certified facility in Mississauga, Ontario. Sale of cannabis oil sales began immediately through TerrAscend's medical marketplace, Solace Health.
- TerrAscend Canada made its first international shipment to Germany through its sales and distribution agreement with iuvo Therapeutics GmbH, making it the first and only global cannabis operator with sales in the US, Canada, and the EU.
- TerrAscend Canada entered into an exclusive distribution agreement with Syqe Medical, an Israel-based pharma-tech company, to launch its flagship inhaler product to the Canadian market. The SyqeTM Inhaler is the world's first metered dose medical cannabis inhaler that provides predictable, precise and consistent treatment at pharmaceutical standards.

Subsequent Events

- On October 7, 2019, TerrAscend Canada announced that it received approval from Health Canada for an expansion at its Mississauga, Ontario facility, nearly tripling its licensed space to 51,800 sq. ft. The expanded space includes additional cultivation capacity, a commercial kitchen, formulation rooms, and increased primary and secondary packaging capacity to allow for new product formats and extracts for the Canadian Cannabis 2.0 market.
- On October 11, 2019, The Apothecarium was nominated as a finalist in the U.S. Retail Market Leader category in the inaugural MJBizDaily Awards.
- On October 22, 2019, TerrAscend Canada received an additional amendment to its license from Health Canada to allow for sales of cannabis extracts, topicals and edibles.
- On October 23, 2019, TerrAscend Canada announced a strategic partnership with Kindred Partners Inc., a specialty cannabis brokerage and services company, where Kindred will serve as the exclusive broker for TerrAscend's adult-use cannabis products in Canada.
- On November 4, 2019, the Company announced the appointment of Jason Ackerman to the Board of Directors in the role of Executive Chairman.

Financings

- On August 27, 2019, the Company announced the early exercise of purchase warrants to acquire proportionate voting shares representing 28,636,361 common shares of the Company for aggregate proceeds of approximately \$31.5 million. The proceeds were used to fund the Company's growth initiatives and for working capital purposes.

- On October 2, 2019, the Company announced a non-brokered private placement of unsecured convertible debentures and warrants in the amount of US\$25 million and has successfully closed two tranches for total proceeds of \$18.0 million. The first tranche of the offering consisted of a US\$10 million investment from Canopy Rivers Inc. (TSX: RIV, OTC: CNPOF) into TerrAscend Canada. The Company intends to use the proceeds from the first tranche to fund its growth initiatives, capital expenditures, working capital and general corporate purposes, provided that none of the proceeds may be used in connection with any cannabis or cannabis-related operations in the U.S. The Company subsequently closed on a second tranche on November 7, 2019, for additional gross proceeds of approximately \$4.76 million, which may be used for all operations. The Company continues to work toward the closing an additional tranche or tranches. The Company is also discussing financing options with multiple strategic investors to support growth and looks forward to providing updates at the appropriate time.
- On November 4, 2019, the Company's wholly owned subsidiary, Ilera, entered into a loan agreement with a related party to borrow up to US\$4 million, bearing interest at 12% per annum, payable monthly, and due on or before June 30, 2020, with no prepayment penalty. US\$2 million has been subsequently drawn to fund the expansion of the Pennsylvania facility.

Financial results and analyses are available on the Company's website (www.terrascend.com) and SEDAR (www.sedar.com).

The Canadian Securities Exchange ("CSE") has neither approved nor disapproved the contents of this news release. Neither the CSE nor its Market Regulator (as that term is defined in the policies of the CSE) accepts responsibility for the adequacy or accuracy of this release.

About TerrAscend

TerrAscend provides quality products, brands, and services to the global cannabinoid market. As the first North American Operator (NAO), with scale operations in both Canada and the US, the Company participates in the medical and legal adult use market across Canada and in several US states where cannabis has been legalized for therapeutic or adult use. TerrAscend is the first and only cannabis company with sales in the US, Canada, and Europe. TerrAscend operates a number of synergistic businesses, including The Apothecarium, an award-winning cannabis dispensary with several retail locations in California and Nevada; Arise Bioscience Inc., a manufacturer and distributor of hemp-derived products; Ilera Healthcare LLC, Pennsylvania's premier medical marijuana cultivator, processor and dispenser; Ascendant Laboratories Inc., a biotechnology and licensing company committed to the continuous improvement of cannabinoid expressing plants; Solace RX Inc., a proposed Drug Preparation Premises (DPP) focused on the development of novel formulations and delivery forms; and Valhalla Confections, a manufacturer of premium cannabis-infused edibles. Additionally, TerrAscend has been chosen by the State of New Jersey to be one of six permit applicants for a vertically integrated medical cannabis operation. For more information, visit www.terrascend.com.

Non-IFRS Measures, Reconciliation and Discussion

Certain financial measures in this news release are non-IFRS measures, including Pro forma revenue, EBITDA and Adjusted EBITDA. These terms are not defined by IFRS and,

therefore, may not be comparable to similar measures provided by other companies. These metrics have 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. For more information, please see "Non-IFRS Financial Measures" in the Company's Interim MD&A available on www.sedar.com.

Pro forma revenue is a non-IFRS measure which management uses to capture total revenue plus revenue from pending and closed acquisitions as if such acquisitions had occurred at the beginning of the performance period. The Company considers this measure to be an appropriate indicator of the growth and scope of the business.

EBITDA is a non-IFRS measure which management uses to evaluate the performance of the Company's business as it reflects its ongoing profitability. EBITDA is calculated as earnings before interest, tax, depreciation and amortization.

Adjusted EBITDA is a non-IFRS measure which management uses 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. The Company measures 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, purchase accounting adjustments, transaction costs, share based compensation 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.

Caution Regarding Cannabis Operations in the United States

Investors should note that there are significant legal restrictions and regulations that govern the cannabis industry in the United States. Cannabis remains a Schedule I drug under the US Controlled Substances Act, making it illegal under federal law in the United States to, among other things, cultivate, distribute or possess cannabis in the United States. Financial transactions involving proceeds generated by, or intended to promote, cannabis-related business activities in the United States may form the basis for prosecution under applicable US federal money laundering legislation.

While the approach to enforcement of such laws by the federal government in the United States has trended toward non-enforcement against individuals and businesses that comply with medical or adult-use cannabis programs in states where such programs are legal, strict compliance with state laws with respect to cannabis will neither absolve TerrAscend of liability under US federal law, nor will it provide a defense to any federal proceeding which may be brought against TerrAscend. The enforcement of federal laws in the United States is a significant risk to the business of TerrAscend and any proceedings brought against TerrAscend thereunder may adversely affect TerrAscend's operations and financial performance.

Forward Looking Information

This news release contains "forward-looking information" within the meaning of applicable securities laws. Forward-looking information contained in this press release may be identified by the use of words such as, "may", "would", "could", "will", "likely", "expect", "anticipate", "believe", "intend", "plan", "forecast", "project", "estimate", "outlook" and other similar expressions, and include statements with respect to future revenue and profits. Forward-looking information is not a guarantee of future performance and is based upon a number of estimates and assumptions of management in light of management's experience and perception of trends, current conditions and expected developments, as well as other factors relevant in the circumstances, including assumptions in respect of current and future market conditions, the current and future regulatory environment; and the availability of licenses, approvals and permits.

Although the Company believes that the expectations and assumptions on which such forward-looking information is based are reasonable, undue reliance should not be placed on the forward-looking information because the Company can give no assurance that they will prove to be correct. Actual results and developments may differ materially from those contemplated by these statements. Forward-looking information is subject to a variety of risks and uncertainties that could cause actual events or results to differ materially from those projected in the forward-looking information. Such risks and uncertainties include, but are not limited to, risks related to closing subsequent tranches of the Offerings; the expected timing for completion of subsequent tranches of the Offerings, including the satisfaction of customary closing conditions; current and future market conditions, including the market price of the common shares of the Company; risks related to federal, state, provincial, territorial, local and foreign government laws, rules and regulations, including federal and state laws in the United States relating to cannabis operations in the United States; and the risk factors set out in the Company's annual information form dated May 31, 2019, filed with the Canadian securities regulators and available under the Company's profile on SEDAR at www.sedar.com.

The statements in this press release are made as of the date of this release. The Company disclaims any intent or obligation to update any forward-looking information, whether as a result of new information, future events or results or otherwise, other than as required by applicable securities laws.

Financial Outlook

This press release contains a financial outlook within the meaning of applicable Canadian securities laws. The financial outlook has been prepared by management of TerrAscend to provide an outlook for the fourth quarter of 2019 and may not be appropriate for any other purpose. The financial outlook has been prepared based on a number of assumptions including the assumptions discussed under the heading "Forward Looking Information" above and assumptions with respect to production, pricing, and demand, and that the acquisition of the Nevada operations of The Apothecarium will be completed late in the fourth quarter of 2019. The actual results of TerrAscend's operations for any period will likely vary from the amounts set forth in these projections and such variations may be material. TerrAscend and its management believe that the financial outlook has been prepared on a reasonable basis. However, because this information is highly subjective and subject to numerous risks, including the risks discussed under the heading "Forward Looking Information" above, it should not be relied on as necessarily indicative of future results. Except as required by applicable Canadian securities laws, TerrAscend undertakes no

obligation to update the financial outlook.

TerrAscend undertakes no obligation to comment on analyses, expectations or statements made by third parties in respect of TerrAscend, its securities, or financial or operating results (as applicable).

SCHEDULE 1

TerrAscend Corp.

Unaudited Condensed Interim Consolidated Statements of Loss and Comprehensive Loss
For the Three and Nine Months Ended September 30, 2019 and 2018
(Amounts expressed in thousands of Canadian dollars, except for per share amounts)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2019	2018	2019	2018
Sales	\$ 26,831	\$ 1,786	\$ 58,985	\$ 1,795
Cost of sales:				
Cost of goods sold	19,496	1,706	46,569	1,713
Impairment of inventory	980	1,081	1,744	1,704
Production salaries and wages	915	93	1,635	543
Production amortization and depreciation	114	103	316	280
Production supplies and expenses	526	267	905	456
Gross profit (loss) before gain on fair value of biological assets	4,800	(1,464)	7,816	(2,901)
Unrealized gain on changes in fair value of biological assets	2,283	917	3,736	1,593
Realized fair value amounts included in inventory sold	(87)	(69)	(464)	(69)
Gross profit (loss)	6,996	(616)	11,088	(1,377)
General and administrative expense	14,606	5,029	37,800	10,030
Research and development	197	70	494	101
Share-based payments	7,227	2,090	11,593	4,066
Amortization and depreciation	3,312	149	5,305	344
Total operating expenses	25,342	7,338	55,192	14,541
Loss from operations	(18,346)	(7,954)	(44,104)	(15,918)
Finance expense (income)	2,118	(100)	4,187	(435)
Impairment of intangible assets	—	—	58	—
Unrealized loss (gain) on investments	236	(5,079)	2,822	(5,079)
Unrealized gain on note receivable	(120)	—	(120)	—
Foreign exchange loss	32	168	134	168
Other income	(19)	(109)	(19)	(193)
Loss before income taxes	(20,593)	(2,834)	(51,166)	(10,379)
Current income tax recovery	(928)	—	(889)	—
Deferred tax recovery	(2,344)	—	(3,130)	—
Net loss	(17,321)	(2,834)	(47,147)	(10,379)
Other comprehensive (income) loss	(12)	—	2,894	—
Comprehensive loss	(17,309)	(2,834)	(50,041)	(10,379)
Net loss attributable to:				
TerrAscend Corp.	(17,056)	(2,763)	(46,290)	(10,308)
Non-controlling interests	(265)	(71)	(857)	(71)
Comprehensive loss attributable to:				
TerrAscend Corp.	(17,044)	(2,763)	(49,184)	(10,308)
Non-controlling interests	(265)	(71)	(857)	(71)
Net loss per share – basic and diluted	(0.33)	(0.03)	(0.99)	(0.11)
Weighted average number of outstanding common shares	53,140,274	95,870,702	47,556,603	95,218,013

SCHEDULE 2

TerrAscend Corp.

Unaudited Consolidated Revenue

For the Three and Nine Months Ended September 30, 2019 and 2018

(Amounts expressed in thousands of Canadian dollars)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2019	2018	2019	2018
Canada	\$ 8,879	\$ 1,786	\$ 25,038	\$ 1,795
United States	17,952	—	33,947	—
Consolidated	<u>\$ 26,831</u>	<u>\$ 1,786</u>	<u>\$ 58,985</u>	<u>\$ 1,795</u>

SCHEDULE 3

TerrAscend Corp.

Unaudited Reconciliation of Net Loss to Adjusted EBITDA

For the Three and Nine Months Ended September 30, 2019 and 2018

(Amounts expressed in thousands of Canadian dollars)

	Notes	Three Months Ended September 30,		Nine Months Ended September 30,	
		2019	2018	2019	2018
Net loss		(17,321)	(2,834)	(47,147)	(10,379)
<i>Add (deduct) the impact of:</i>					
Current income tax recovery		(928)	—	(889)	—
Deferred tax recovery		(2,344)	—	(3,130)	—
Finance expense		2,155	—	4,187	—
Depreciation of property, plant and equipment		555	216	1,401	549
Amortization of intangible assets		2,874	36	4,317	75
EBITDA	(a)	(15,009)	(2,582)	(41,261)	(9,755)
<i>Add (deduct) the impact of:</i>					
Unrealized gain on changes in fair value of biological assets	(b)	(2,283)	(917)	(3,736)	(1,593)
Realized loss on changes in fair value of biological assets	(c)	87	69	464	69
Purchase accounting adjustments	(d)	829	—	2,616	—
Transaction costs	(e)	2,419	—	6,224	—
Share-based payments	(f)	7,351	2,191	12,113	4,478
Unrealized loss (gain) on investments	(g)	98	(5,079)	2,822	(5,079)
Adjusted EBITDA	(h)	(6,508)	(6,318)	(20,758)	(11,880)

Notes:

(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) In connection with the Company's acquisitions, inventory was acquired at fair value, which included a markup for profit. Recording inventory at fair value in purchase accounting had the effect of increasing inventory and thereby increasing the cost of sales in subsequent periods as compared to the amounts the Company would have recognized if the inventory was sold through at cost. The write-up of acquired inventory represents the incremental cost of sales that were recognized as a result of purchase accounting. It is anticipated that this inventory will be sold in fiscal 2019 and fiscal 2020 and will impact net income in both periods.

(e) 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.

(f) Represents non-cash share-based compensation expense.

(g) Represents unrealized loss on fair value changes on strategic investments held.

(h) Adjusted EBITDA is a non-IFRS measure and is calculated as EBITDA before realized and unrealized fair value changes in biological assets, acquisition related adjustments and transactions costs, share-based payments and fair value changes in investments.

SCHEDULE 4

TerrAscend Corp.

Unaudited Condensed Interim Consolidated Statements of Financial Position
(Amounts Expressed in Canadian Dollars)

	September 30 2019	December 31, 2018
Assets		
Cash and cash equivalents	\$ 6,853	\$ 21,773
Receivables, net of expected credit losses	18,225	9,641
Notes receivable	6,290	1,561
Investments	4,993	7,690
Biological assets	4,916	545
Inventory	32,182	14,844
Prepaid expenses and deposits	10,939	2,427
Deferred costs	291	313
Total Current Assets	84,689	58,794
Investment in joint venture	—	2,732
Investment in associate	1,324	—
Property, plant and equipment	98,243	25,427
Intangible assets and goodwill	345,280	2,025
Deferred tax asset	1,165	—
Total Assets	\$ 530,701	\$ 88,978
Liabilities and Shareholders' Equity		
Accounts payable and accrued liabilities	27,062	17,677
Deferred revenue	1,256	12
Loan payable	60,546	12,683
Contingent consideration payable	47,802	—
Lease liability	983	—
Corporate income tax payable	2,329	16
Total Current Liabilities	139,978	30,388
Loan payable	6,331	—
Contingent consideration payable	118,566	—
Lease liability	20,566	—
Other liability	18,111	—
Deferred tax liability	25,180	688
Total Liabilities	328,732	31,076
Shareholders' Equity		
Share capital	228,975	64,883
Warrants reserve	30,707	14,335
Share-based payments reserve	17,886	7,849
Accumulated other comprehensive loss	(2,894)	—
Deficit	(76,649)	(30,596)
Non-controlling interest	3,944	1,431
Total Shareholders' Equity	201,969	57,902
Total Liabilities and Shareholders' Equity	\$ 530,701	\$ 88,978

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