

NOTE TO READER

The interim financial statements of Jushi Holdings Inc. for the interim period ended June 30, 2021 (the "**Financial Statement**") has been re-filed on SEDAR as the previously filed Financial Statement had not been reviewed by the auditor. This Financial Statement has been reviewed by the auditor and replaces the previously filed Financial Statement.

.Jushi



JUSHI HOLDINGS INC.

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2021 and 2020

(Unaudited, expressed in United States Dollars, unless otherwise noted)

JUSHI HOLDINGS INC.
CONDENSED UNAUDITED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2021

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JUSHI HOLDINGS INC.
CONDENSED UNAUDITED INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(in thousands of U.S. dollars)

	Note	(unaudited) June 30, 2021	* December 31, 2020
ASSETS			
CURRENT ASSETS:			
Cash and cash equivalents and restricted cash	25	\$ 120,431	\$ 85,857
Accounts receivable, net		987	859
Investments in securities	3	5,874	7,934
Inventory, net	4	25,494	12,966
Biological assets	4	2,993	3,962
Prepaid expenses and other current assets	5	8,555	4,691
Total current assets		\$ 164,334	\$ 116,269
NON-CURRENT ASSETS:			
Property, plant and equipment, net	6	\$ 157,392	\$ 72,471
Other intangible assets, net	8	136,458	132,028
Goodwill	8	34,745	31,055
Other non-current assets	9	11,011	7,456
Non-current restricted cash	25	450	—
Total non-current assets		\$ 340,056	\$ 243,010
Total assets		\$ 504,390	\$ 359,279
LIABILITIES AND EQUITY			
CURRENT LIABILITIES:			
Accounts payable, accrued expenses and other current liabilities	10	\$ 49,437	\$ 30,439
Other debt	15	1,375	261
Promissory notes payable	11	120	1,338
Lease obligations	12	9,317	4,716
Total current liabilities		\$ 60,249	\$ 36,754
NON-CURRENT LIABILITIES:			
Promissory notes payable	11	\$ 5,736	\$ 3,081
Senior notes	13	50,273	50,566
Derivative liabilities	14	190,274	205,361
Lease obligations	12	80,209	34,494
Deferred tax liabilities	21	24,766	23,798
Other debt	15	4,873	3,475
Total liabilities		\$ 416,380	\$ 357,529
COMMITMENTS AND CONTINGENCIES	23		
EQUITY:			
Share capital and share reserves	16, 17	\$ 375,640	\$ 263,914
Accumulated deficit	22	(287,630)	(264,091)
Total Jushi shareholders' equity		\$ 88,010	\$ (177)
Non-controlling interests	22	—	1,927
Total equity		\$ 88,010	\$ 1,750
Total liabilities and equity		\$ 504,390	\$ 359,279

* Derived from audited consolidated financial statements

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

JUSHI HOLDINGS INC.
CONDENSED UNAUDITED INTERIM CONSOLIDATED STATEMENTS OF OPERATIONS AND
COMPREHENSIVE INCOME (LOSS)

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

	Note	Three Months Ended June 30,		Six Months Ended June 30,	
		2021	2020	2021	2020
REVENUE, NET	18	\$ 47,744	\$ 14,932	\$ 89,419	\$ 23,565
COST OF GOODS SOLD	4, 20	(26,126)	(7,495)	(49,060)	(12,042)
GROSS PROFIT BEFORE FAIR VALUE CHANGES		\$ 21,618	\$ 7,437	\$ 40,359	\$ 11,523
Realized fair value changes included in inventory sold		(3,411)	(33)	(8,194)	(160)
Unrealized fair value changes included in biological assets	4	3,739	68	9,874	268
GROSS PROFIT		\$ 21,946	\$ 7,472	\$ 42,039	\$ 11,631
OPERATING EXPENSES:					
General, administrative and selling expenses	20	\$ 22,526	\$ 9,815	\$ 39,920	\$ 19,664
Share-based compensation expense	16, 17	2,383	1,211	5,947	2,530
Acquisition and deal costs	7	870	159	1,109	644
Total operating expenses		\$ 25,779	\$ 11,185	\$ 46,976	\$ 22,838
LOSS FROM OPERATIONS BEFORE OTHER (EXPENSE) INCOME		\$ (3,833)	\$ (3,713)	\$ (4,937)	\$ (11,207)
OTHER INCOME (EXPENSE):					
Interest income		\$ 87	\$ 38	\$ 184	\$ 115
Fair value changes in derivatives	14	21,099	(3,748)	11,741	(1,161)
Interest expense and finance charges	20	(6,085)	(3,435)	(12,738)	(6,386)
Net gains on business combinations		—	—	—	2,202
Gains (losses) on investments and financial assets	3	124	2,332	1,297	(5,878)
Gains (losses) on debt and warrant modifications	13, 14	—	235	(3,815)	267
Other expense, net	23	(532)	—	(1,240)	(793)
Total other income (expense), net		\$ 14,693	\$ (4,578)	\$ (4,571)	\$ (11,634)
INCOME (LOSS) AND COMPREHENSIVE INCOME (LOSS) BEFORE TAX		\$ 10,860	\$ (8,291)	\$ (9,508)	\$ (22,841)
Current income tax expense	21	(6,172)	(3,027)	(12,645)	(4,749)
Deferred income tax benefit	21	72	2,010	112	2,384
NET INCOME (LOSS) AND COMPREHENSIVE INCOME (LOSS)		\$ 4,760	\$ (9,308)	\$ (22,041)	\$ (25,206)
Net loss attributable to non-controlling interests	22	(190)	(429)	(365)	(710)
NET INCOME (LOSS) AND COMPREHENSIVE INCOME (LOSS) ATTRIBUTABLE TO JUSHI SHAREHOLDERS		\$ 4,950	\$ (8,879)	\$ (21,676)	\$ (24,496)
NET INCOME (LOSS) AND COMPREHENSIVE INCOME (LOSS) PER SHARE ATTRIBUTABLE TO JUSHI SHAREHOLDERS - BASIC	19	\$ 0.03	\$ (0.10)	\$ (0.14)	\$ (0.26)
Weighted average shares outstanding - basic	19	155,093,805	92,264,221	152,573,350	92,796,882
NET LOSS AND COMPREHENSIVE LOSS PER SHARE ATTRIBUTABLE TO JUSHI SHAREHOLDERS - DILUTED	19	\$ (0.09)	\$ (0.10)	\$ (0.18)	\$ (0.26)
Weighted average shares outstanding - diluted	19	188,122,697	92,264,221	186,244,720	92,796,882

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

JUSHI HOLDINGS INC.
CONDENSED UNAUDITED INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
(in thousands of U.S. dollars, except share amounts)

	Number of Shares			Share Reserves					Accumulated Deficit	Total Jushi Shareholders' Equity	Non-Controlling Interests	Total Equity
	Super Voting Shares	Multiple Voting Shares	Subordinate Voting Shares	Share Capital	Stock Options	Warrants	Restricted Shares	Other				
Balances - December 31, 2020	149,000	4,000,000	132,396,064	\$ 244,623	\$ 3,649	\$ 10,404	\$ 4,234	\$ 1,004	\$ (264,091)	\$ (177)	\$ 1,927	\$ 1,750
Public offerings	—	—	13,685,000	\$ 85,660	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 85,660	\$ —	\$ 85,660
Purchases of non-controlling interests - Agape	—	—	500,000	\$ 3,425	\$ —	\$ —	\$ —	\$ —	\$ (1,863)	\$ 1,562	\$ (1,562)	\$ —
Acquisition of Grover Beach	—	—	49,348	\$ 368	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 368	\$ —	\$ 368
Restricted stock grants and vesting, net of forfeitures	—	—	34,815	\$ 4,427	\$ —	\$ —	\$ (584)	\$ —	\$ —	\$ 3,843	\$ —	\$ 3,843
Warrant expense, net of cancellations	—	—	—	\$ —	\$ —	\$ 706	\$ —	\$ —	\$ —	\$ 706	\$ —	\$ 706
Stock option expense, net of forfeitures	—	—	—	\$ —	\$ 1,398	\$ —	\$ —	\$ —	\$ —	\$ 1,398	\$ —	\$ 1,398
Shares issued upon exercise of warrants	—	—	5,375,049	\$ 17,496	\$ —	\$ (1,220)	\$ —	\$ —	\$ —	\$ 16,276	\$ —	\$ 16,276
Shares issued upon exercise of stock options	—	—	29,173	\$ 66	\$ (16)	\$ —	\$ —	\$ —	\$ —	\$ 50	\$ —	\$ 50
Net loss	—	—	—	\$ —	\$ —	\$ —	\$ —	\$ —	\$ (21,676)	\$ (21,676)	\$ (365)	\$ (22,041)
Balances - June 30, 2021	149,000	4,000,000	152,069,449	\$ 356,065	\$ 5,031	\$ 9,890	\$ 3,650	\$ 1,004	\$ (287,630)	\$ 88,010	\$ —	\$ 88,010
Balances - December 31, 2019	149,000	4,000,000	91,842,638	\$ 147,608	\$ 1,927	\$ 12,394	\$ 1,103	\$ —	\$ (48,667)	\$ 114,365	\$ 9,660	\$ 124,025
TGS Transaction	—	—	(4,800,000)	(7,008)	—	(117)	—	—	—	(7,125)	4,661	(2,464)
Purchase of non-controlling interests	—	—	633,433	811	—	—	—	—	—	811	(4,661)	(3,850)
Non-controlling interests - Jushi Europe	—	—	—	—	—	—	—	—	—	—	2,000	2,000
Acquisition of Agape	—	—	769,231	1,000	—	—	—	—	—	1,000	1,560	2,560
Restricted stock grants and vesting, net of forfeitures	—	—	644,107	820	—	—	571	—	—	1,391	—	1,391
Warrant expense, net of cancellations	—	—	—	—	—	287	—	—	—	287	—	287
Stock option expense, net of forfeitures	—	—	—	—	967	—	—	—	—	967	—	967
Transactions with non-controlling interests	—	—	—	—	—	—	—	—	—	—	(7)	(7)
Net loss	—	—	—	—	—	—	—	—	(24,496)	(24,496)	(710)	(25,206)
Balances - June 30, 2020	149,000	4,000,000	89,089,409	\$ 143,231	\$ 2,894	\$ 12,564	\$ 1,674	\$ —	\$ (73,163)	\$ 87,200	\$ 12,503	\$ 99,703

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

JUSHI HOLDINGS INC.
CONDENSED UNAUDITED INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS
(in thousands of U.S. dollars)

	Six Months Ended June 30,	
	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net loss	\$ (22,041)	\$ (25,206)
Adjustments to reconcile net loss to net cash used in operating activities:		—
Depreciation and amortization, including amounts in cost of goods sold	\$ 4,186	\$ 2,139
Share-based payments	5,947	2,530
Fair value changes in derivatives	(11,741)	1,161
Net gain on business combination	—	(2,202)
(Gains) losses on investments and financial assets	(1,297)	5,878
Losses (gains) on debt and warrant modifications	3,815	(267)
Non-cash interest expense	8,728	3,326
Deferred income taxes	(112)	(3,247)
Fair value changes on sale of inventory and on biological assets	(1,680)	(108)
Non-cash other expense	82	792
Changes in operating assets and liabilities, net of acquisitions:		
Accounts receivable	\$ (116)	\$ 340
Prepaid expenses and other current assets	(532)	(1,917)
Inventory and biological assets	(9,694)	(2,051)
Other assets	(819)	338
Accounts payable, accrued expenses and other current liabilities	20,344	11,522
Net cash flows used in operating activities	<u>\$ (4,930)</u>	<u>\$ (6,972)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Payments for acquisitions, net of cash acquired	\$ (5,166)	\$ (5,727)
Purchases and deposits for property, plant and equipment	(41,526)	(9,804)
Proceeds from (payments for) investments	3,251	(4,354)
Proceeds from note receivable	—	5,193
Net cash flows used in investing activities	<u>\$ (43,441)</u>	<u>\$ (14,692)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Issuance of shares for cash, net	\$ 85,660	\$ —
Proceeds from exercise of warrants and options	12,981	—
(Payments for) proceeds from senior notes, including interest	(11,988)	30,629
Principal and interest payments for promissory notes	(1,697)	(8,757)
Payments for lease obligations	(3,561)	(764)
Proceeds from other debt	2,313	—
Repayments of other debt	(181)	—
Payments for non-controlling interests	—	(1,850)
Contributions from non-controlling interests	—	1,993
Net cash flows provided by financing activities	<u>\$ 83,527</u>	<u>\$ 21,251</u>
Effect of currency translation on cash and cash equivalents	(132)	(13)
NET CHANGE IN CASH AND CASH EQUIVALENTS AND RESTRICTED CASH	<u>\$ 35,024</u>	<u>\$ (426)</u>
CASH AND CASH EQUIVALENTS AND RESTRICTED CASH, BEGINNING OF PERIOD	<u>85,857</u>	<u>38,936</u>
CASH AND CASH EQUIVALENTS AND RESTRICTED CASH, END OF PERIOD	<u>\$ 120,881</u>	<u>\$ 38,510</u>
SUPPLEMENTAL CASH FLOW INFORMATION:		
Cash paid for income taxes	\$ 5,699	\$ —
NON-CASH INVESTING AND FINANCING ACTIVITIES:		
Accrued capital expenditures	\$ 2,057	\$ 3,424
Fair value of note obligations and warrant liabilities from acquisitions	\$ 2,796	\$ 13,555

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

JUSHI HOLDINGS INC.

Notes to the Condensed Unaudited Interim Consolidated Financial Statements

June 30, 2021 and 2020

(Amounts Expressed in Thousands of United States Dollars, Unless Otherwise Stated)



NOTES TO THE CONDENSED UNAUDITED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

1. NATURE OF OPERATIONS

Jushi Holdings Inc. (the “Company” or “Jushi”) is incorporated under the British Columbia’s Business Corporations Act (“BCBCA”). The Company is an acquisitive vertically integrated, multi-state cannabis operator engaged in retail, distribution, cultivation, and/or processing operations in both medical and adult-use markets. As of June 30, 2021, Jushi, through its subsidiaries, owns or manages cannabis operations and/or holds licenses in the adult-use and/or medicinal cannabis marketplace in Illinois, Pennsylvania, Virginia, Nevada, California and Ohio, as well as Europe.

The Company is listed on the Canadian Securities Exchange (the “CSE”) and trades its subordinated voting shares (“SVS”) under the ticker symbol “JUSH”. The Company’s SVS are also traded on the U.S. Over the Counter Stock Market (“OTCQX”) under the symbol JUSHF.

The Company’s head office is located at 301 Yamato Road, Suite 3250, Boca Raton, Florida 33431, and its registered address is Suite 1700, Park Place, 666 Burrard Street, Vancouver, British Columbia V6C 2X8.

2. BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Statement of Compliance

These condensed unaudited interim consolidated financial statements of the Company have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”) and interpretations of the IFRS Interpretations Committee (“IFRIC”) in effect for the six months ended June 30, 2021.

These condensed unaudited interim consolidated financial statements for the three and six months ended June 30, 2021 have been prepared in accordance with International Accounting Standards (“IAS”) 34 *Interim Financial Reporting*. The year-end balance sheet data was derived from audited annual financial statements. These condensed unaudited interim consolidated financial statements do not include all the information and disclosures required in the annual financial statements and should be read in conjunction with the Company’s annual consolidated financial statements as of December 31, 2020, which were filed on June 7, 2021 on SEDAR. These condensed unaudited interim consolidated financial statements were approved by the Board of Directors on August 25, 2021.

Basis of Measurement

These condensed unaudited interim consolidated financial statements have been prepared in thousands of United States (“U.S.”) dollars on the going concern basis, under the historical cost convention, except for biological assets and certain financial instruments, which are measured at fair value.

Functional Currency

The Company and its affiliates’ functional currency, as determined by management, is the U.S. dollar. These condensed unaudited interim consolidated financial statements are presented in thousands of U.S. dollars unless otherwise noted. Transactions in foreign currencies are recorded at a rate of exchange approximating the prevailing rate at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the statement of financial position date are translated into the functional currency at the foreign exchange rate in effect at that date. Realized and unrealized exchange gains and losses are recognized through profit and loss.



Reclassifications

Where necessary, certain prior period data has been reclassified to conform to the current period presentation. These reclassifications did not have any material effect on total assets, total liabilities, equity, net loss, net loss per share or cash flows for the periods presented. Operating expense for salaries, wages and employee related expenses and the operating expense for depreciation and amortization were previously separately disclosed within the condensed unaudited interim consolidated statements of operations and comprehensive income (loss) but have been included within general, administrative and selling expenses in the current presentation. Refer to Note 20 - Nature of Expenses for the amounts which are included in general, administrative and selling expenses. It was recently determined that the Company has two reportable segments, and as a result, prior period comparative disclosures have been included for comparison. Refer to Note 18 - Segments. The current portion of other debt was previously presented within accounts payable, accrued expenses and other current liabilities but has been disclosed separately within the condensed unaudited interim consolidated statements of financial position in the current presentation. Certain items within the condensed unaudited interim consolidated statements of cash flows have been reclassified in order to be separately disclosed in the current presentation; cash paid for interest for the prior period has been reclassified from operating cash flows to financing cash flows to conform with the current period presentation; and cash paid for non-controlling interests has been reclassified from investing cash flows to financing cash flows.

Basis of Consolidation

These condensed unaudited interim consolidated financial statements include the accounts of the Company, its wholly owned subsidiaries and entities over which the Company has control from the date control commences until the date control ceases. All intercompany balances and transactions are eliminated in consolidation.

The following are the Company's subsidiaries that are included in these condensed unaudited interim consolidated financial statements as of June 30, 2021:

JUSHI HOLDINGS INC.**Notes to the Condensed Unaudited Interim Consolidated Financial Statements****June 30, 2021 and 2020***(Amounts Expressed in Thousands of United States Dollars, Unless Otherwise Stated)*

NAME	State or Country of Incorporation	Ownership Percentage as of June 30, 2021	Ownership Percentage as of December 31, 2020
Jushi Inc and subsidiaries: ⁽¹⁾	Delaware	100%	100%
Agape Total Health Care Inc. ⁽²⁾	Pennsylvania	100%	80%
Bear Flag Assets, LLC and its wholly owned Subsidiary GSG SBCA, Inc	California	100%	100%
Beyond Hello IL Holdings, LLC and its wholly owned subsidiary Beyond Hello IL, LLC	Illinois	100%	100%
Beyond Hello CA LLC	California	100%	100%
Franklin Bioscience - Penn LLC and its wholly owned subsidiaries	Pennsylvania	100%	100%
JMGT, LLC	Florida	100%	100%
JREH, LLC and its wholly owned subsidiaries	Delaware	100%	100%
Jushi GB Holdings, LLC and its subsidiary Milkman, LLC	California	100%	—%
Milkman, LLC ⁽²⁾⁽³⁾	California	~78%	—%
Jushi IP, LLC	Delaware	100%	100%
Jushi OH, LLC	Ohio	100%	100%
Jushi PS Holdings, LLC and its wholly owned subsidiary, Organic Solutions of the Desert LLC ⁽³⁾	California	100%	—%
Jushi VA, LLC and its wholly owned subsidiary Dalitso, LLC	Virginia	100%	100%
Mojave Suncup Holdings, LLC and its wholly owned subsidiary, Production Excellence, LLC	Nevada	100%	100%
Production Excellence, LLC and its wholly owned subsidiary Franklin Bioscience NV LLC ⁽⁴⁾	Nevada	100%	—%
Northeast Venture Holdings, LLC and its wholly owned subsidiary, Pennsylvania Dispensary Solutions, LLC	Pennsylvania	100%	100%
PASPV Holdings, LLC and its wholly owned subsidiary, Pennsylvania Medical Solutions LLC	Pennsylvania	100%	100%
Sound Wellness Holdings, Inc. and its wholly owned Subsidiaries	Delaware	100%	100%
Jushi Europe SA and its wholly owned subsidiary JPTREH LDA (Portugal) ⁽²⁾	Switzerland	51%	51%

(1) Certain subsidiaries have been omitted since, in the aggregate, they do not represent a significant subsidiary.

(2) Refer to Note 22 - Non-Controlling Interests.

(3) Refer to Note 7 - Acquisitions.

(4) In April 2021, the Company completed the acquisition of 100% of the equity of Franklin Bioscience NV LLC (“FBS Nevada”). The Company had been operating FBS Nevada under a management services agreement (“MSA”) since 2019.



Critical Accounting Policies and Significant Judgments, Estimates and Assumptions

The preparation of the Company’s condensed unaudited interim consolidated financial statements requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, and revenue and expenses. Actual results may differ from those estimates. Critical accounting policies, judgements, areas involving estimates, and assumptions within these condensed unaudited interim consolidated financial statements, unless stated herein, remain the same as those applied to the annual consolidated financial statements for the year ended December 31, 2020.

COVID-19

The novel coronavirus (“COVID-19”) was declared a pandemic by the World Health Organization on March 12, 2020, and continues to cause significant economic uncertainty. Consequently, it is difficult to reliably measure the potential impact of this uncertainty on our future financial results. Although the Company has not experienced a material impact to its business as a result of COVID-19, the Company is facing approximately three month delays in its construction projects at the Pennsylvania and Virginia grower-processing facilities due to disruptions in the supply chain. It is possible that estimates in the Company’s financial statements could change as a result of COVID-19 and the effect of any such changes could be material, which could result in, among other things, impairment of long-lived assets including intangibles and goodwill.

Recent Accounting Pronouncements

The Company has not adopted any new or amended IFRS standards during the six months ended June 30, 2021.

JUSHI HOLDINGS INC.**Notes to the Condensed Unaudited Interim Consolidated Financial Statements****June 30, 2021 and 2020***(Amounts Expressed in Thousands of United States Dollars, Unless Otherwise Stated)***3. INVESTMENTS IN SECURITIES**

The details of investments in securities are as follows:

	Investments in Mutual Funds	Organigram Shares	Cresco Shares and Warrants	Cresco Notes and Accrued Interest	Total
Balance as of December 31, 2020	\$ 5,783	\$ —	\$ 2,151	\$ —	\$ 7,934
Cash received for shares sold	—	—	(3,251)	—	(3,251)
Reinvested income and change in fair value ⁽¹⁾	91	—	1,100	—	1,191
Balance as of June 30, 2021	\$ 5,874	\$ —	\$ —	\$ —	\$ 5,874
Balance as of December 31, 2019	\$ 1,272	\$ —	\$ 10,995	\$ 5,646	\$ 17,913
Cash invested	10,000	—	—	—	10,000
Redemptions/sales	(2,033)	(325)	(3,289)	—	(5,647)
Value of shares received/granted	—	1,092	387	(387)	1,092
Cash received for Cresco note	—	—	—	(5,193)	(5,193)
Fair value losses, net of investment income	(650)	(350)	(4,812)	(66)	(5,878)
Balance as of June 30, 2020	\$ 8,589	\$ 417	\$ 3,281	\$ —	\$ 12,287
Level within the Fair Value Hierarchy (Note 25)	Level 1	Level 1	Level 1 & Level 2	Level 3	

(1) The reinvested income and change in fair value in the table above, together with the fair value gain of \$106 related to the contingent consideration receivable discussed in Note 9 - Other Non-Current Assets, are included in gains (losses) on investments and financial assets in the condensed unaudited interim consolidated statements of operations and comprehensive income (loss).

Investments in Mutual Funds

As of June 30, 2021, the Company owns approximately 608,739 shares in mutual funds with a fair value of \$9.65 each.

Cresco Shares and Warrants

As of December 31, 2020, the Company owned approximately 24,600 Cresco Labs Inc. (“Cresco”) subordinate voting shares with a fair value of \$9.87 each, for a total of \$243. In addition, as of December 31, 2020, the Company owned 1,657 warrants for proportionate voting shares of Cresco with a strike price of \$4.24, which were convertible and exercisable into 331,400 Cresco subordinate voting shares, which were valued at \$1,908. During the six months ended June 30, 2021, the Company net exercised the warrants and received 207,599 Cresco subordinate voting shares. The Company subsequently sold all its outstanding Cresco shares during the six months ended June 30, 2021.

Other Equity Investment

Refer to Note 9 - Other Non-Current Assets for a non-current equity investment.



4. INVENTORY AND BIOLOGICAL ASSETS

Inventory

Inventory includes the following:

	June 30, 2021	December 31, 2020
Finished goods	\$ 18,769	\$ 12,083
Work in progress and raw materials	6,799	1,019
Less: Inventory reserve	(74)	(136)
Total inventory	\$ 25,494	\$ 12,966

Refer to Note 20 - Nature of Expenses for inventory expensed which is included in cost of goods sold and provisions for inventory losses.

Biological Assets

The continuity of biological assets is as follows:

	Six Months Ended June 30,	
	2021	2020
Balance as of beginning of period	\$ 3,962	\$ 271
Purchased as part of a business acquisition	41	—
Cost incurred until harvest	4,841	669
Effect of unrealized change in fair value of biological assets	9,874	268
Transferred to inventory upon harvest	(15,725)	(849)
Balance as of end of period	\$ 2,993	\$ 359

The Company measures its biological assets at their fair value less costs to sell. This is determined using a model which estimates the expected harvest yield in grams for plants currently being cultivated, and then multiplies that amount by the expected selling price less costs to sell per gram. The Company's model incorporates the following unobservable inputs, all of which are classified as Level 3 on the fair value hierarchy, and which were used by management as part of the biological asset models:

- Yield per plant – number of grams of dry cannabis expected to be harvested.
- Selling price – using spot price reports and where applicable, wholesale contract prices per gram.
- Stage of growth – weighted average number of weeks out of the total growing cycle that biological assets have reached as of the measurement date. The Company has an average 18-week growing cycle.
- Wastage – percentage expected to fail to mature into cannabis plants that can be harvested.
- Post-harvest costs – cost per gram of post harvested cannabis to bring the cannabis to a saleable product, consisting of the cost of direct and indirect materials, labor related to labelling and packaging, and selling costs.

The following table quantifies the ranges of the significant unobservable inputs, and also provides the effect of a 10% increase/decrease to each input on the calculation of the fair value of biological assets:

JUSHI HOLDINGS INC.**Notes to the Condensed Unaudited Interim Consolidated Financial Statements****June 30, 2021 and 2020***(Amounts Expressed in Thousands of United States Dollars, Unless Otherwise Stated)*

	June 30, 2021	Effect of 10% Change as of June 30, 2021	June 30, 2020	Effect of 10% Change as of June 30, 2020
Selling price	\$5.32 to \$7.14	\$ 507	\$3.23	\$ 127
Stage of growth	6.9 to 8.8 weeks	\$ 294	11 weeks	\$ 35
Yield per plant	102 to 155 grams	\$ 302	117 grams	\$ 32
Wastage	0.0% to 14.4%	\$ 80	10%	\$ 4
Post-harvest costs	\$1.08 to \$1.91	\$ 160	\$0.34	\$ 13

5. PREPAID EXPENSES AND OTHER CURRENT ASSETS

Prepaid expenses and other current assets include the following:

	Note	June 30, 2021	December 31, 2020
Indemnification asset	7	\$ 2,535	\$ —
Short-term employee receivable and accrued interest	24	858	—
Prepaid deposits and escrows		757	759
Prepaid insurance		1,630	971
Prepaid license fees		388	453
Prepaid inventory		428	816
Other prepaid expenses		424	319
Landlord receivable		43	806
Other current assets		1,492	567
Total prepaid expenses and other current assets		\$ 8,555	\$ 4,691

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The continuity and details of property, plant and equipment and accumulated depreciation are as follows:

	Buildings and Building Components	Land	Leasehold Improvements	Machinery and Equipment	Computer Equipment	Furniture and Fixtures	ROU Assets ⁽¹⁾	Construction in Progress ⁽²⁾	Total
Cost									
Balance as of December 31, 2020	\$ 6,679	\$ 1,994	\$ 21,187	\$ 1,218	\$ 770	\$ 3,405	\$ 36,763	\$ 4,350	\$ 76,366
Additions from capital expenditures and leases ⁽³⁾⁽⁴⁾	19,038	5,819	1,637	1,733	341	1,862	50,371	6,714	87,515
Additions from acquisitions	—	—	—	—	—	—	3,909	269	4,178
Lease disposal ⁽³⁾	13,096	—	(13,096)	—	—	—	(4,657)	—	(4,657)
ROU reassessments	—	—	—	—	—	—	1,147	—	1,147
Transfers	—	—	2,109	1,039	76	169	—	(3,393)	—
Balance as of June 30, 2021	\$ 38,813	\$ 7,813	\$ 11,837	\$ 3,990	\$ 1,187	\$ 5,436	\$ 87,533	\$ 7,940	\$ 164,549
Accumulated Depreciation									
Balance as of December 31, 2020	\$ (441)	\$ —	\$ (734)	\$ (222)	\$ (200)	\$ (461)	\$ (1,837)	\$ —	\$ (3,895)
Lease disposal ⁽³⁾	(394)	—	394	—	—	—	—	—	—
Depreciation	(457)	—	(627)	(186)	(162)	(372)	(1,458)	—	(3,262)
Balance as of June 30, 2021	\$ (1,292)	\$ —	\$ (967)	\$ (408)	\$ (362)	\$ (833)	\$ (3,295)	\$ —	\$ (7,157)
Carrying amount									
Balance as of December 31, 2020	\$ 6,238	\$ 1,994	\$ 20,453	\$ 996	\$ 570	\$ 2,944	\$ 34,926	\$ 4,350	\$ 72,471
Balance as of June 30, 2021	\$ 37,521	\$ 7,813	\$ 10,870	\$ 3,582	\$ 825	\$ 4,603	\$ 84,238	\$ 7,940	\$ 157,392

- (1) Substantially all of the Company's Right-of-Use ("ROU") assets pertain to building leases. Refer to Note 12 - Lease Obligations, for further details on lease obligations.
- (2) Construction in Progress represents assets under construction for manufacturing and retail build-outs not yet ready for use.
- (3) Included in land and building additions above is \$21,081 (approximately \$22,000 paid May 2021 offset by a \$915 net gain on the write-off of the related lease) for a 93,000 sq. ft. facility, together with approximately nine acres of surrounding land in Prince William County, Virginia. The lease disposal included in the table above for the six months ended June 30, 2021 relates to this purchase of the previously leased facility.
- (4) Included in ROU additions above is approximately \$38,000 related to April 2021 amendments to an existing Pennsylvania Medical Solutions LLC ("PAMS") lease in Pennsylvania, for the first phase of expansion of the grower-processor facility, which is expected to be completed by the fourth quarter of 2021, subject to regulatory approvals.

Total depreciation for the three months ended June 30, 2021 and 2020 totaled \$1,955 and \$588, respectively. Total depreciation for the six months ended June 30, 2021 and 2020 totaled \$3,262 and \$1,135 respectively. Refer to Note 20 - Nature of Expenses for depreciation amounts included in cost of goods sold and operating expenses.

7. ACQUISITIONS

The Company had the following acquisitions during the six months ended June 30, 2021: (i) Organic Solutions of the Desert, LLC ("OSD"); and (ii) a retail license holder located in Grover Beach, California ("Grover Beach").

The following table summarizes the purchase price allocations for the acquisitions completed during the six months ended June 30, 2021, as of their respective acquisition dates:

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	OSD	Grover Beach	Total
Assets Acquired:			
Cash and cash equivalents	\$ 259	\$ —	\$ 259
Prepays	53	—	53
Indemnification asset ⁽¹⁾	2,535	—	2,535
Accounts receivable, net	—	—	—
Inventory and biological	184	—	184
Property, plant and equipment	—	269	269
Right-of-use assets	1,859	2,050	3,909
Intangible assets - license ⁽²⁾	1,700	3,654	5,354
Deposits	8	19	27
Total assets acquired	\$ 6,598	\$ 5,992	\$ 12,590
Liabilities Assumed:			
Accounts payable and accrued liabilities	\$ (2,720)	\$ —	\$ (2,720)
Lease liabilities	(1,859)	(2,032)	(3,891)
Deferred tax liabilities	(1,080)	—	(1,080)
Total liabilities	\$ (5,659)	\$ (2,032)	\$ (7,691)
Net assets acquired	\$ 939	\$ 3,960	\$ 4,899
Goodwill	3,690		3,690
Total	\$ 4,629	\$ 3,960	\$ 8,589
Consideration:			
Consideration paid in cash, as adjusted for working capital adjustments	\$ 1,833	\$ 3,592	\$ 5,425
Consideration paid in promissory notes (fair value) ⁽³⁾	2,796	—	2,796
Consideration paid in shares	—	368	368
Fair value of consideration	\$ 4,629	\$ 3,960	\$ 8,589

⁽¹⁾ As part of the acquisition agreement, the seller contractually agreed to indemnify the Company for amounts that may become payable, including for taxes that relate to periods prior to the date of acquisition. Accordingly, the Company recorded an indemnification asset and a corresponding estimated accrued tax liability, at fair value, of \$2,535 as of the date of acquisition. The range of potential indemnification assets is from \$0 to \$5,000. Subsequent changes in the amount recognized for the indemnification



asset may occur in relation to the provision for the corresponding tax liability, according to changes in the range of outcomes or the assumptions used to develop the estimate of the liability at the time of the acquisition.

⁽²⁾ The licenses acquired have indefinite useful lives.

⁽³⁾ Refer to Note 11 - Promissory Notes Payable for details on the seller note.

Business Combination - OSD

On April 30, 2021, the Company acquired 100% of the equity of Organic Solutions of the Desert, LLC (“OSD”), an operating dispensary located in Palm Springs, California. The goodwill is not tax deductible.

Preliminary Purchase Price Allocations for Business Combination

The consideration has been allocated to the estimated fair values of the assets acquired and liabilities assumed at the dates of acquisition and remain preliminary as of June 30, 2021. These estimated fair values involve significant judgement and estimates. The primary areas of judgement involved are the valuation of the intangible assets acquired, which requires management to estimate value based on future cash flows from these assets. The primary areas of the preliminary purchase price allocations that are not yet finalized relate to: intangible assets acquired, indemnification asset, promissory note, right-of-use assets and liabilities, deferred tax liabilities, and residual goodwill. The Company expects to continue to obtain information to assist in determining the fair value of the net assets acquired at the acquisition date during the measurement period. Measurement period adjustments that the Company determines to be material will be applied retrospectively to the period of acquisition in the Company’s consolidated financial statements and, depending on the nature of the adjustments, other periods subsequent to the period of acquisition could be affected.

Business Combination Acquisition Results and Supplemental Pro Forma Financial Information

The following table summarizes the combined total amounts of revenue and net loss from the acquisition date through June 30, 2021 plus amounts as if the business combination had occurred on January 1, 2021:

		OSD
Revenue	\$	1,838
Net (loss)	\$	(403)

Business Combination - Acquisition and Deal Costs

For the six months ended June 30, 2021, acquisition and deal costs relating to OSD totaled \$20 and are included within the total acquisition and deal costs in the consolidated statements of operations and comprehensive loss. The remaining costs included within acquisition and deal costs in the consolidated statements of operations and comprehensive loss were incurred either for acquisitions not completed or not expected to be completed.

Asset Acquisition - Grover Beach

On March 4, 2021, the Company closed on the acquisition of approximately 78% of the equity of Grover Beach for \$3,592 in cash and 49,348 SVS at US\$7.46 per share, with the rights to acquire the remaining equity for \$1 in the future.

The Company determined that Grover Beach acquisition did not qualify as a business combinations under IFRS 3 *Business Combinations* (“IFRS 3”) because the assets acquired did not constitute a business, as evident from the

JUSHI HOLDINGS INC.**Notes to the Condensed Unaudited Interim Consolidated Financial Statements****June 30, 2021 and 2020***(Amounts Expressed in Thousands of United States Dollars, Unless Otherwise Stated)*

concentration test which concluded that substantially all of the fair value of the acquisition is concentrated in a single identifiable asset – the license.

Refer to Note 26 - Subsequent Events.

8. GOODWILL AND OTHER INTANGIBLE ASSETS

Goodwill

The continuity of goodwill is as follows:

Goodwill as of December 31, 2020	\$ 31,055
Additions from new business combination - OSD	3,690
Goodwill as of June 30, 2021	\$ 34,745

Other Intangible Assets

The continuity of other intangible assets is as follows:

	Indefinite Life Intangible Asset			Finite Life Intangible Asset					Total	
	Licenses	Formulations	Internally Generated Intangibles	Franchise Agreements	Intellectual Property	Patient/ Customer Database	Tradenames	Non-Compete		Website Development
Cost:										
Balance at December 31, 2020	118,080	50	—	—	9,580	1,944	5,380	160	61	\$ 135,255
Additions ⁽¹⁾	5,354	—	—	—	—	—	—	—	—	5,354
Balance at June 30, 2021	123,434	50	—	—	9,580	1,944	5,380	160	61	140,609
Accumulated amortization:										
Balance at December 31, 2020				\$ —	\$ (1,516)	\$ (730)	\$ (841)	\$ (79)	\$ (61)	\$ (3,227)
Amortization expense				—	(479)	(152)	(266)	(27)	—	(924)
Balance at June 30, 2021				\$ —	\$ (1,995)	\$ (882)	\$ (1,107)	\$ (106)	\$ (61)	\$ (4,151)
Net book value:										
Balance at December 31, 2020	\$118,080	\$ 50	\$ —	\$ —	\$ 8,064	\$ 1,214	\$ 4,539	\$ 81	\$ —	\$ 132,028
Balance at June 30, 2021	\$123,434	\$ 50	\$ —	\$ —	\$ 7,585	\$ 1,062	\$ 4,273	\$ 54	\$ —	\$ 136,458

⁽¹⁾ During the six months ended June 30, 2021, the Company recorded additions to intangible assets related to licenses acquired as part of the OSD and Grover Beach acquisitions. Refer to Note 7 - Acquisitions.

The Company recorded amortization expense of approximately \$462 and \$501 for the three months ended June 30, 2021 and 2020, respectively. The Company recorded amortization expense of approximately \$924 and \$1,004 for the six months ended June 30, 2021 and 2020, respectively. These amounts are recorded within general, administrative and selling expenses in the condensed unaudited interim consolidated statements of operations and comprehensive income (loss). Refer to Note 20 - Nature of Expenses for additional information.

JUSHI HOLDINGS INC.**Notes to the Condensed Unaudited Interim Consolidated Financial Statements****June 30, 2021 and 2020***(Amounts Expressed in Thousands of United States Dollars, Unless Otherwise Stated)***9. OTHER NON-CURRENT ASSETS**

Details of other non-current assets are as follows:

	Note	June 30, 2021	December 31, 2020
Equity investment		\$ 1,500	\$ 1,500
Contingent consideration receivable		971	865
Non-current employee receivable and accrued interest	24	1,787	2,470
Deposits - equipment		4,453	768
Deposits and escrows - properties		1,291	1,630
Other non-current deposits		886	200
Non-current portion of prepaids		123	23
		<u>\$ 11,011</u>	<u>\$ 7,456</u>

Equity Investment

The Company acquired a 23.08% ownership interest in PV Culver City, LLC (“PVLLC”) in November 2020. The Company does not have significant influence over, and the Company does not have the right to vote or participate in the management of the PVLLC and therefore the investment is measured at its fair value. The Company estimates the initial cost of its investment in PVLLC to approximate the fair value as of the balance sheet date as PVLLC had minimal operating activities since November 2020.

Contingent Consideration Receivable

The Company is eligible to receive certain contingency payouts from the 2019 sale of its minority interest in Gloucester Street Capital, LLC (“GSC”), which are tied to both the performance of the GSC operations as well as the development of the New York market. During the fourth quarter of 2020, the Company recognized a contingent consideration receivable of \$865 related to the contingent payouts. During the three and six months ended June 30, 2021, the Company recorded gains of \$82 and \$106, respectively, related to this contingent consideration receivable, which are included in gains (losses) on investments and financial assets in the condensed unaudited interim consolidated statements of operations and comprehensive income (loss).

The contingent consideration receivable was valued using the present value of expected future cash flows within 3.3 years. The following table quantifies the effect of a 10% increase/decrease in the discount rate used to calculate the fair value of the contingent consideration receivable:

	June 30, 2021	Effect of 10% Increase as of June 30, 2021	Effect of 10% Decrease as of June 30, 2021
Discount rate	17.6%	\$(227)	\$328

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Details of accounts payable and accrued liabilities are as follows:

	Note	June 30, 2021	December 31, 2020
Accounts payable		\$ 5,476	\$ 3,712
Accrued taxes and sales taxes payable	21	26,665	17,084
Accrued capital expenditures		2,057	2,177
Accrued employee related expenses and liabilities		4,374	2,303
Goods received not invoiced		7,529	2,625
Accrued professional and management fees		770	638
Accrued interest - promissory notes payable	11	62	41
Accrued interest - other debt	15	46	4
Deferred revenue (loyalty program)		1,299	935
Other accrued expenses and current liabilities		1,159	920
Total		\$ 49,437	\$ 30,439

11. PROMISSORY NOTES PAYABLE

Details of acquisition-related promissory notes payable are as follows:

	June 30, 2021	December 31, 2020
Current notes payable - principal amount	\$ 120	\$ 1,620
Non-current notes payable - principal amount	6,898	3,798
Total notes payable - principal amount	\$ 7,018	\$ 5,418
Less: deferred finance charges	—	(3)
Less: original issue discount	(1,162)	(996)
Total notes payable - carrying amount	\$ 5,856	\$ 4,419
Current notes payable - carrying amount	\$ 120	\$ 1,338
Non-current notes payable - carrying amount	\$ 5,736	\$ 3,081

The continuity of the carrying amount of the promissory notes payable is as follows:

	PAMS	FBS Nevada	Dalitso	OSD	Total
Carrying amount as of December 31, 2020	\$ 2,765	\$ 1,498	\$ 156	\$ —	\$ 4,419
Principal issued for acquisition	—	—	—	3,100	3,100
Original issuance discount ("OID")	—	—	—	(304)	(304)
Principal payments	—	(1,500)	—	—	(1,500)
Amortization of deferred issuance costs and OID	137	2	2	—	141
Carrying amount as of June 30, 2021	\$ 2,902	\$ —	\$ 158	\$ 2,796	\$ 5,856



Accrued interest payable for the promissory notes is included in accounts payable, accrued expenses and other current liabilities in the consolidated statements of financial position. Refer to Note 10 - Accounts Payable, Accrued Expenses and Other Current Liabilities and to Note 20 - Nature of Expenses.

Secured Promissory Notes – OSD

In April 2021, in connection with the OSD acquisition, the Company issued a principal amount \$3,100, 4% secured promissory note to the seller. The promissory note matures on April 30, 2027 and interest is payable quarterly. The note is secured by the equity of OSD. Pursuant to the terms of the OSD acquisition, indemnification obligations of the seller may be offset against this promissory note in the future if the Company makes a claim for such indemnification and such right of offset. Refer to Note 7 - Acquisitions.

Promissory Notes – PAMS

In August 2020, in connection with the PAMS acquisition, the Company issued a principal amount \$3,750, 8% unsecured promissory note to the seller. The promissory note matures on August 11, 2024 and interest is payable quarterly. The fair value of the promissory note at the time of issuance was determined to be \$2,658, resulting in a fair value discount on issuance of \$1,092 (the “OID”), which is being amortized using an effective interest rate of 7.2% over the life of the promissory note.

Secured Promissory Notes – FBS Nevada

In July 2019, in connection with the FBS Nevada management services and purchase agreements and the related acquisition of the associated real estate, the Company issued \$2,250 in promissory notes and \$375 in other secured notes as part of the consideration. The notes bear interest at 10% per annum. In April 2021, the Company completed the acquisition of 100% of FBS NV equity, which entity the Company had been operating under the MSA since 2019. In April 2021, the remaining principal balances of the promissory notes (plus accrued interest) were repaid in full.

Promissory Notes – Dalitso

In September 2019, in connection with the Dalitso acquisition, the Company issued 6% promissory notes to the sellers with a maturity of September 23, 2021, of which \$120 is currently outstanding and convertible at the option of the holder on or prior to the maturity date into Subordinate Voting Shares at a conversion price of \$6.00 per share.

In connection with the purchases of the non-controlling interests in Dalitso during the fourth quarter of 2020, the Company issued a new convertible promissory note to the sellers of the non-controlling interests, of which only \$37 is classified as debt. The remainder, net of deferred taxes, is classified as other equity in the consolidated statements of financial position. The total principal amount of the note is \$2,412, but is mandatorily convertible after the first anniversary (but on or before maturity) into 910,000 Subordinate Voting Shares at a conversion price per share of \$2.65, and is thus only the fair value portion of the note that will be paid in cash is classified as debt. The note bears interest at 1% per annum and matures on November 19, 2022.

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The Company leases certain business facilities for corporate, retail and cultivation purposes in Florida, Pennsylvania, Ohio, California, New York, Virginia, Illinois and Colorado from third parties under lease agreements that specify minimum rentals. In addition, the Company leases certain equipment for use in cultivation and extraction activities. The expiry dates of the leases, including reasonably certain estimated renewal periods, are between 2021 and 2050 and contain certain renewal provisions.

The continuity and details of lease liabilities are as follows:

	June 30, 2021	December 31, 2020
Lease liabilities as of beginning of period	\$ 39,210	\$ 6,498
Lease additions ⁽¹⁾	50,371	15,636
Lease additions from acquisitions ⁽²⁾	3,891	18,895
Lease payments	(3,561)	(3,168)
Interest expense on lease liabilities	4,241	3,321
Lease reassessment	946	(1,933)
Lease disposal ⁽³⁾	(5,572)	(39)
Lease liabilities as of end of period	\$ 89,526	\$ 39,210
Current lease obligations	\$ 9,317	\$ 4,716
Non-current lease obligations	\$ 80,209	\$ 34,494

(1) Included in lease additions above is \$38,000 related to second quarter amendments of a PAMS existing lease. Refer to Note 6 - Property, Plant and Equipment for additional details.

(2) Refer to Note 7 - Acquisitions.

(3) The lease disposal for the six months ended June 30, 2021 relates to the purchase of a previously leased Dalitso facility in Virginia. Refer to Note 6 - Property, Plant and Equipment.

As of June 30, 2021 estimated future minimum lease payments under non-cancelable operating leases having an initial or remaining term of more than 1 year are as follows:

Less than one year	\$ 10,482
One to five years	43,463
Greater than five years	261,368
Total undiscounted lease obligations	\$ 315,313
Interest	(225,787)
Lease obligations as of June 30, 2021	\$ 89,526

The estimated future minimum lease payments under non-cancelable leases above do not include payments that are not yet reasonably certain because of potential changes in state cannabis regulations. The increases in estimated future minimum lease payments as a result of changes in state cannabis regulations could be significant.

As of June 30, 2021, estimated future minimum lease payments under non-cancelable operating leases having an initial term of one year or less were \$115 and are not capitalized in the consolidated statement of financial position. The Company's rent expense related to low-value and short-term leases is included in general and administrative expenses and

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was \$77 and \$38 for the three months ended June 30, 2021 and 2020, respectively, and was \$165 and \$62 for the six months ended June 30, 2021 and 2020, respectively.

Some property leases may contain variable payment terms that are linked to sales generated from a store or cannabis regulation changes. Variable lease payments included in general and administrative expenses totaled \$83 and \$7 for the three months ended June 30, 2021 and 2020, respectively, and totaled \$158 and \$18 for the six months ended June 30, 2021 and 2020, respectively. Variable payment terms may be used for a variety of reasons, including minimizing the fixed costs base for newly established stores. Variable lease payments that depend on sales are recognized in profit or loss in the period in which the condition that triggers those payments occurs. All extension options that are reasonably certain to be exercised have been included in the measurement of lease obligations. The Company reassesses the likelihood of extension option exercise if there is a significant event or change in circumstances within its control.

13. SENIOR NOTES

Details of the carrying amounts of the Company's 10% senior notes due January 15, 2023 ("Senior Notes") is as follows:

	June 30, 2021	December 31, 2020
Senior Notes - public ⁽¹⁾	\$ 68,218	\$ 76,352
Senior Notes - private	6,975	6,975
Total Senior Notes - principal amount	\$ 75,193	\$ 83,327
Less:		
Amounts to accrete (from original issue discount and bifurcation of warrants)	(24,920)	(32,585)
Deferred transaction costs, net	—	(176)
Total Senior Notes, carrying amount	\$ 50,273	\$ 50,566

⁽¹⁾ The public notes are listed under the symbol "JUSH.DB.U" and were deemed to be tradable at approximately the principal amount as of June 30, 2021.

The continuities of the 10% Senior Notes and the related accrued interest are as follows:

	Six Months Ended June 30, 2021	
	Senior Notes	Accrued Interest
Carrying amount as of December 31, 2020	\$ 50,566	\$ —
Debt redemption - principal amount	(8,134)	—
Debt redemption - loss on extinguishment ⁽¹⁾	3,815	—
Accretion and amortization expense ⁽²⁾	4,026	—
Coupon interest expense ⁽²⁾	—	3,854
Interest paid in cash	—	(3,854)
Carrying amount as of June 30, 2021	\$ 50,273	\$ —

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	Six Months Ended June 30, 2020	
	Senior Notes	Accrued Interest
Carrying amount as of December 31, 2019	\$ 10,736	\$ 40
10% Senior Notes principal amount issued, net	42,485	
Fair value of derivative warrant liability on issuance	(13,446)	—
OID on issuance	(1,735)	—
Debt modifications ⁽¹⁾	(3,809)	(31)
Cash based debt issuance costs ⁽²⁾	(278)	—
Accretion and amortization expense ⁽²⁾	1,817	—
Non-cash transaction costs and adjustments ⁽²⁾	110	—
Coupon interest expense ⁽²⁾	—	2,338
Interest paid in cash	—	(2,308)
Cash subscriptions for Senior Notes received not yet issued	6,050	—
Carrying amount as of June 30, 2020	\$ 41,930	\$ 39

(1) Included within gains (losses) on debt and warrant modifications in the condensed unaudited interim consolidated statements of operations and comprehensive income (loss).

(2) Included within interest expense and finance charges in the condensed unaudited interim consolidated statements of operations and comprehensive income (loss).

The Senior Notes bear interest at 10.0% per annum, payable in cash quarterly on March 31, June 30, September 30 and December 31 of each year to, but excluding, the maturity date of the Notes, which is January 15, 2023.

Mandatory Redemptions/Prepayment Option

Following the twelve month anniversary of the issue date for private debt holders, and for all public debt holders, the Company is required to offer to redeem the Senior Notes using 33% of the net proceeds from any equity offerings by the Company or any of its subsidiaries (including the Guarantors), at a purchase price equal to par plus accrued but unpaid interest (no premiums). The note holder has the option to waive their right to redemption. This mandatory prepayment option (“Prepayment Option”) represents an embedded derivative liability. Refer to Note 14 - Derivative Liabilities for additional information on the Prepayment Option.

Pursuant to these terms of the 10% Senior Notes, in connection with the January 2021 and February 2021 equity offerings, in January 2021, the Company redeemed \$4,900 of principal amount, and in March 2021 the Company redeemed \$3,234 principal amount outstanding, for a total \$8,134 redeemed. The difference between the carrying amounts of the Senior Notes and the principal amount extinguished was \$3,815.

Other mandatory redemptions would be required: i) at par plus accrued interest with 100% of the net cash proceeds as result of certain specified dispositions; and/or; ii) 106% of the principal amount plus all accrued interest as a result of certain change of control transactions.

Optional Redemptions

A redemption of the Senior Notes may be initiated by the Company at any time upon 3 days written notice and may redeem all or any portion of the Senior Notes at par plus accrued interest plus a premium equal to 5% of the aggregate principal amount of the Senior Notes being redeemed on or after the first anniversary of the issue date but prior to the

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second anniversary of the issue date. The Company (at its option) may redeem all or any portion of the Senior Notes at par plus accrued interest (without any premium) on or after the second anniversary of the date of issuance.

14. DERIVATIVE LIABILITIES

Details of the carrying amounts of the Company's derivative liabilities are as follows:

	June 30, 2021	December 31, 2020
Derivative Warrants liability	\$ 190,161	\$ 204,611
Prepayment Option liability	113	750
Total derivative liabilities, carrying amount	\$ 190,274	\$ 205,361

The continuity of the Company's derivative liabilities are as follows:

	June 30, 2021		
	Derivative Warrants Liability ⁽¹⁾	Prepayment Option	Total
Carrying amount as of December 31, 2020	\$ 204,611	\$ 750	\$ 205,361
Fair value changes in derivatives	(11,104)	(637)	(11,741)
Derivative warrant exercises	(3,346)	—	(3,346)
Carrying amount as of June 30, 2021	\$ 190,161	\$ 113	\$ 190,274

	June 30, 2020		
	Derivative Warrants Liability ⁽¹⁾	Prepayment Option	Total
Carrying amount as of December 31, 2019	\$ 5,529	\$ —	\$ 5,529
Fair value of derivative warrants on issuance	13,446	—	13,446
Warrant modifications ⁽²⁾	3,573	—	3,573
Fair value changes in derivatives	1,161	—	1,161
Carrying amount as of June 30, 2020	\$ 23,709	\$ —	\$ 23,709

(1) Refer to Note 16 - Equity for the continuity of the number of derivative warrants which were issued in connection with senior notes.

(2) Included within gains (losses) on debt and warrant modifications in the condensed unaudited interim consolidated statements of operations and comprehensive income (loss).

Derivative Warrants Liability

The warrants to purchase Subordinate Voting Shares of the Company which were issued in connection with the Senior Notes, (the "Derivative Warrants"), have an expiration date of December 23, 2024 and an exercise price of US\$1.25. The Derivative Warrants may be settled only with cash for the first year following the issuance date but may be net share settled after one year from the issuance date. These warrants are considered derivative financial liabilities designated at fair value with all gains or losses recognized in profit or loss ("FVTPL") under IAS 32 *Financial Instruments* ("IAS 32")

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due to the cashless exercise option, and certain of these warrants also contain down-round price protection features which also requires liability presentation. The derivatives are classified as non-current liabilities.

There were 41,468,355 and 42,017,892 Derivative Warrants outstanding as of June 30, 2021 and December 31, 2020, respectively. Refer to Note 16 - Equity for the continuity of the Derivative Warrants.

The estimated fair value of the Warrants is measured at each reporting period and an adjustment is reflected in fair value changes in derivatives in the condensed unaudited interim consolidated statements of operations and comprehensive income (loss). The estimated fair value of the derivative warrants as of the balance sheet date was determined using the Monte Carlo simulation model taking into account the fair value of the Company's Subordinate Voting Shares on the valuation dates and into the future encompassing a wide range of possible future market conditions. These are Level 3 recurring fair value measurements. The assumptions used in the calculations as of the measurement dates for the periods presented included the following:

	June 30, 2021	December 31, 2020
Stock price	\$5.61	\$5.86
Risk-free annual interest rate	0.56%	0.26%
Range of estimated possible exercise price	\$0.01 - \$1.25	\$0.01 - \$1.25
Volatility	80%	80%
Remaining life	3.48	4 years
Forfeiture rate	0%	0%
Expected annual dividend yield	0%	0%

Volatility was estimated by using a weighting of the Company's volatility and the average historical volatility of comparable companies from a representative peer group of publicly traded cannabis companies. The risk-free interest rate for the expected life of the Warrants was based on the yield available on government benchmark bonds with an approximate equivalent remaining term. The expected life is based on the contractual term. If any of the assumptions used in the calculation were to increase or decrease, this could result in a material or significant increase or decrease in the estimated fair value of the derivative liability. For example, the following table illustrates an increase or decrease in certain significant assumptions as of the balance sheet dates:

	As of June 30, 2021			As of December 31, 2020		
	Input	Effect of 10% Increase	Effect of 10% Decrease	Input	Effect of 10% Increase	Effect of 10% Decrease
Stock price	\$ 5.61	\$ 22,062	\$ (21,932)	\$ 5.86	\$ 21,856	\$ (23,707)
Volatility	80 %	\$ 2,928	\$ (2,789)	80 %	\$ 1,508	\$ (4,239)

Prepayment Option

The mandatory Prepayment Option on the 10% Senior Notes (Refer to Note 13 - Senior Notes for additional details) represents an embedded derivative which must be bifurcated and recorded at fair value (FVTPL) at each reporting period. The estimated fair value of the Prepayment Option was a liability of \$113 and \$750 as of June 30, 2021 and December 31, 2020, respectively. The estimated fair value of the Prepayment Option was determined using a probability-weighted discounted cash flow analysis, taking into account the future likelihood of the mandatory redemption. These are Level 3 recurring fair value measurements. The significant assumptions used in the calculations are as follows: the probability of a mandatory redemption, a mid-point redemption date, and the discount rate, which is based on market yields of similar host instruments. If any of the assumptions used in the calculation were to increase or decrease, this could result in a

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material or significant increase or decrease in the estimated fair value of the Prepayment Option. For example, the following table illustrates an increase or decrease in certain significant assumptions as of dates indicated:

	June 30, 2021			December 31, 2020		
	Input	Effect of 10% Increase	Effect of 10% Decrease	Input	Effect of 10% Increase	Effect of 10% Decrease
Discount rate	10.8%	\$ 312	\$ (323)	11.8%	\$ 512	\$ (532)
Probability	90%	\$ 13	\$ (13)	65%	\$ 116	\$ (116)

15. OTHER DEBT

The details and continuity for the other debt is as follows:

		Financing Obligations	Unsecured Credit Lines	Total Other Debt
Current other debt as of December 31, 2020	(1)	\$ 261	\$ —	\$ 261
Non-current other debt as of December 31, 2020	(2)	2,861	614	3,475
Total other debt as of December 31, 2020		\$ 3,122	\$ 614	\$ 3,736
Additions		—	2,313	2,313
Reclassification		263	—	263
Amortization	(3)	188	—	188
Payments		(181)	—	(181)
Foreign exchange impact		—	(71)	(71)
Total other debt as of June 30, 2021		\$ 3,392	\$ 2,856	\$ 6,248
Current other debt as of June 30, 2021	(1)	\$ 304	\$ 1,071	\$ 1,375
Non-current other debt as of June 30, 2021	(2)	\$ 3,088	\$ 1,785	\$ 4,873

(1) The current portion and accrued interest are reflected in accounts payable, accrued expenses and other current liabilities in the condensed unaudited interim consolidated statements of financial position. Refer to Note 10 - Accounts Payable, Accrued Expenses and Other Current Liabilities.

(2) The non-current portions are reflected in other debt in the condensed unaudited interim consolidated statements of financial position.

(3) Amortization of the financing obligation is included in interest expense and finance charges in the condensed unaudited interim consolidated statements of operations and comprehensive income (loss).

Financing Obligations

The financing obligations primarily relate to a property financing transaction that closed in July 2020 for \$3,100 in cash proceeds. The Company has the option, after one year subsequent to the commencement date, to purchase the property at an amount equal to a 7.5% capitalization rate of the annual base rent which then increases by 0.1% every year up to an 8%



maximum rate over the life of the lease. The initial monthly payment was \$27 and monthly payments for the financing obligation increase 2.25% annually and the expected term is 30 years.

Unsecured Credit Lines - Jushi Europe

In April 2021, Jushi Europe entered into an unsecured bridge loan with the Company (51% owner) and an investment partner for a total of €1,800 principal amount, of which €900 is eliminated on consolidation. The Company and the investment partner each contributed half of the total amount. The bridge loan currently accrues interest at 0.5% per annum, which is the foreign marginal lending facility rate plus 25 basis points. All payments including interest are due on maturity, which is six months post issuance.

In January 2021, Jushi Europe received €1,000 principal amount pursuant to a credit agreement with an individual. During the fourth quarter of 2020, Jushi Europe had entered into a credit agreement with a related party, and received €500 principal amount. These credit agreements accrue interest at 5% per annum, payable annually in arrears, and mature on November 11, 2024. The outstanding balance may be prepaid at any time prior to maturity without penalty, and may be offset with receivables from the lender.

16. EQUITY

(a) Authorized

The authorized share capital consists of common shares with an unlimited number of Subordinate Voting Shares (“SVS”), an unlimited number of Multiple Voting Shares (“MVS”), and an unlimited number of Super Voting Shares (“SV”). Super Voting Shares carry 1,000 votes per share and are convertible into 100 SVS per share. Multiple Voting Shares carry 10 votes per share and are convertible into 1 SVS per share. Refer to Note 26 - Subsequent Events.

(b) Issued and Outstanding

Public Offerings

On January 7, 2021, the Company closed on an overnight marketed offering for an aggregate of 6,210,000 subordinate voting shares at a price of C\$6.50 per share for total gross proceeds of C\$40,365, and total net proceeds of C\$37,768 (\$29,762). On February 12, 2021, the Company closed on an overnight marketed offering for an aggregate 7,475,000 subordinate voting shares at a price of C\$10.00 per share for total gross proceeds of C\$74,750 and total net proceeds of C\$70,922 (\$55,902). These offerings included the full exercise of the over-allotment option granted to the underwriters.

Restricted Stock and Stock Options

Refer to Note 17 - Share-Based Compensation, for details of restricted stock awards and stock option grants.

Other Equity

Refer to Note 22 - Non-Controlling Interests, for details of a convertible promissory note classified as equity.



Warrants

Each whole Super Voting warrant, each Multi-Voting warrant, and each Subordinate Voting warrant, entitles the holder to purchase one Super Voting Share, one Multi-Voting Share and one Subordinate Voting Share, respectively. The following table summarizes the warrants outstanding as of June 30, 2021 (on a non-converted basis):

Security Issuable	Exercise Price (\$)	Number of Warrants	Expiration Date
Super Voting Shares	0.50	13,750 ⁽¹⁾⁽⁷⁾	June 6, 2029
Super Voting Shares	1.00	149,000 ⁽²⁾⁽⁷⁾	June 6, 2029
Total Super Voting Shares		162,750	
Multiple Voting Shares	0.50	2,750,000 ⁽¹⁾⁽⁷⁾	June 6, 2029
Multiple Voting Shares	1.00	4,000,000 ⁽²⁾⁽⁷⁾	June 6, 2029
Total Multiple Voting Shares		6,750,000	
Subordinate Voting	2.00	707,407 ⁽²⁾⁽⁷⁾⁽⁸⁾	⁽⁵⁾
Subordinate Voting	3.00	323,750 ⁽²⁾⁽⁷⁾⁽⁸⁾	⁽⁵⁾
Subordinate Voting	3.00	1,047,500 ⁽³⁾⁽⁸⁾	September 23, 2021
Subordinate Voting	1.58	139,355 ⁽¹⁾	December 23, 2021
Subordinate Voting	1.58	43,548 ⁽¹⁾	January 15, 2022
Subordinate Voting	1.61	25,000 ⁽¹⁾	January 30, 2022
Subordinate Voting	1.31	200,000 ⁽¹⁾	February 2, 2022
Subordinate Voting	1.35	350,000 ⁽¹⁾	February 22, 2022
Subordinate Voting	1.25	109,560 ⁽¹⁾	June 22, 2022
Subordinate Voting	1.25	12,738 ⁽¹⁾	July 30, 2022
Subordinate Voting	1.47	100,000 ⁽¹⁾	February 6, 2023
Subordinate Voting	1.50	262,500 ⁽⁶⁾	September 27, 2023
Subordinate Voting	1.50	750,000 ⁽¹⁾	March 18, 2024
Subordinate Voting	1.25	41,468,355 ⁽⁴⁾	December 23, 2024
Subordinate Voting	2.47	1,300,000 ⁽¹⁾	October 2, 2025
Subordinate Voting	2.99	135,075 ⁽¹⁾	November 25, 2025
Subordinate Voting	1.50	155,958 ⁽¹⁾	January 1, 2029
Subordinate Voting	2.00	1,486,668 ⁽¹⁾	April 17, 2029
Subordinate Voting	1.00	800,000 ⁽²⁾⁽⁷⁾	June 6, 2029
Subordinate Voting	1.35	900,001 ⁽¹⁾⁽⁷⁾⁽⁸⁾	June 6, 2029
Total Subordinate Voting Shares		50,317,415	
Total warrants		57,230,165	

- (1) Issued for services rendered, including broker warrants. The fair value of these warrants was determined using the Black-Scholes option-pricing model, which is determined to provide a reliable estimate of the fair value of goods or services received.
- (2) Issued with the sale of stock.
- (3) Issued in 2019 in connection with an acquisition.
- (4) Issued in connection with the 10% Senior Notes. These warrants represent a derivative liability and are therefore not classified as equity in the statement of financial position. Refer to Note 14 - Derivative Liabilities for further details.
- (5) These warrants are held by related parties and/or employees, and as a result of insider-trading restrictions that have limited the ability to exercise these warrants prior to the initial expiration date of June 6, 2021, the expiration date has been extended until such time that these warrants can reasonably be exercised. All of these warrants were exercised subsequent to June 30, 2021.
- (6) Issued in 2018 in connection with a contemplated financing.
- (7) Subject to exercise trigger/liquidity event.

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(8) Subject to accelerated expiration or forced exercise.

As of June 30, 2021, warrants issued and outstanding have a weighted-average remaining contractual life of 5.0 years (on an as-converted basis). Certain warrants may be net share settled.

The continuity of the warrants outstanding (on a non-converted basis) is as follows:

	Non-Derivative Warrants	Derivative Warrants ⁽³⁾	Total Number of Warrants	Weighted - Average Exercise Price
Balance as of December 31, 2020 ⁽¹⁾	20,651,994	42,017,892	62,669,886	\$ 1.40
Exercised ⁽²⁾	(4,890,184)	(549,537)	(5,439,721)	2.45
Balance as of June 30, 2021	15,761,810	41,468,355	57,230,165	1.30
Exercisable	13,948,474	41,468,355	55,416,829	\$ 1.27

⁽¹⁾ Number of outstanding warrants on an as-converted basis was 73,342,415 and 78,782,136 as of June 30, 2021 and December 31, 2020, respectively. The 162,750 outstanding warrants for Super Voting Shares equal 16,275,000 warrants on an as-converted basis. Refer to table above for details of warrants outstanding.

⁽²⁾ The weighted average share price as of the dates of exercise was \$6.13. The Company issued 5,375,049 Subordinate Voting Shares and received \$12,931 in cash proceeds during the six months ended June 30, 2021.

⁽³⁾ Includes derivative warrants which were issued to the 10% Senior Notes holders and which have an exercise price of \$1.25. These warrants represent a derivative liability and are therefore not classified as equity in the statement of financial position. Refer to Note 14 - Derivative Liabilities.

17. SHARE-BASED COMPENSATION

A summary of all share-based compensation expense is as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2021	2020	2021	2020
Stock options	\$ 669	\$ 409	\$ 1,398	\$ 967
Restricted stock grants	1,505	744	3,842	1,392
Warrants	209	58	707	171
Total share-based compensation expense	\$ 2,383	\$ 1,211	\$ 5,947	\$ 2,530

Equity Incentive Plan

Under the Company's 2019 Equity Incentive Plan, as amended, non-transferable options to purchase Subordinate Voting Shares and restricted Subordinate Voting Shares of the Company may be issued to directors, officers, employees, or consultants of the Company. The plan authorizes the issuance of up to 15% of the number of outstanding shares of common stock (of all classes) of the Company (the "Share Reserve"). Incentive stock options are limited to the Share Reserve as of June 6, 2019. As of June 30, 2021, the maximum number of incentive stock option awards available and incentive plan awards available for issuance under the 2019 Plan was 5.8 million and 11.8 million, respectively, and an additional 1.4 million was available for certain new hires.

JUSHI HOLDINGS INC.**Notes to the Condensed Unaudited Interim Consolidated Financial Statements****June 30, 2021 and 2020***(Amounts Expressed in Thousands of United States Dollars, Unless Otherwise Stated)***(a) Stock Options**

The stock options issued by the Company are options to purchase Subordinate Voting Shares of the Company. All stock options issued have been issued to employees of certain subsidiaries of the Company under the Company's Plan. Such options generally expire in ten years from the date of grant and may be net share settled. The majority of the stock options vest 1/3 on each anniversary of the grant date.

The continuity of stock options outstanding is as follows:

	Number of Stock Options	Weighted- Average Per Share Exercise Price
Issued and Outstanding as of December 31, 2020	9,573,834	\$ 2.00
Granted ⁽¹⁾	875,952	6.20
Exercised ⁽²⁾	(38,333)	2.00
Forfeited/expired ⁽³⁾	(105,000)	3.81
Issued and Outstanding as of June 30, 2021	10,306,453	\$ 2.34
Exercisable as of June 30, 2021	5,568,121	\$ 1.93

(1) The weighted-average per share grant date fair value was \$4.18. Includes 500,000 stock options issued to senior key management with a 5 year vesting period, an exercise price of \$6.10 and grant date fair value of \$4.17. Also includes 13,952 stock options issued to an independent director with quarterly vesting over one year, an exercise price of \$5.71 and grant date fair value of \$3.40.

(2) The weighted-average share price at the date of exercise was \$6.80. Total cash proceeds from option exercises was \$50.

(3) For awards which were not fully vested at the time of forfeiture, the previously recorded expense was reversed.

The following table summarizes the issued and outstanding stock options as of June 30, 2021:

Expiration Date	Stock Options Outstanding	Exercise Price	Stock Options Exercisable
May 25, 2028	150,000	\$1.00	150,000
October 12, 2028 - December 1, 2028	770,000	\$1.35	513,331
April 17, 2029	6,389,667 ⁽¹⁾	\$2.00	4,251,991
May 1, 2029 - June 7, 2029	360,000	\$2.75 - \$3.00	241,665
September 3, 2029	200,000	\$1.80	83,332
December 2, 2029	543,334	\$1.26	169,997
February 14, 2030	150,000	\$1.36	50,000
May 15, 2030 - June 19, 2030	32,500	\$0.91 - \$1.28	10,833
August 8, 2030	240,000	\$1.88	73,330
October 13, 2030	255,000	\$2.87	—
December 1, 2030	370,000	\$3.98	5,000
January 18, 2031	120,000	\$6.13	11,666
April 1, 2031	212,000	\$6.48	—
May 23, 2031 - June 15, 2031	513,952 ⁽²⁾	\$5.71 - \$6.10	6,976
	<u>10,306,453</u>		<u>5,568,121</u>

(1) Includes 5,098,000 of stock options issued to key senior management of the Company at the time of issuance.

(2) Includes 500,000 of stock options issued to key senior management of the Company.

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As of June 30, 2021, stock options outstanding have a weighted-average remaining contractual life of 8.1 years.

In determining the amount of share-based compensation expense related to options issued, the Company used the Black-Scholes option-pricing model to establish the measurement date fair value of stock options granted during the period. The following assumptions were applied at the time of grant:

	Six Months Ended June 30,	
	2021	2020
Stock price	5.55 - 6.48	0.91 - 1.36
Risk-free annual interest rate	0.45% - 1.25%	0.31% - 1.47%
Expected annual dividend yield	0%	0%
Volatility	76.0% - 78.5%	85%
Expected life of stock options	5 - 7.5 years	5 - 6 years
Forfeiture rate	0%	0%

Volatility was estimated by using the Company's volatility and a weighting of the average historical volatility of comparable companies from a representative peer group of publicly traded cannabis companies. The expected life in years represents the period of time that stock options issued are expected to be outstanding, using a simplified method. The risk-free rate is based on U.S. Treasury bills with a remaining term equal to the expected life of the options. The Company does not anticipate paying dividends in the foreseeable future, and as a result, the expected annual dividend yield is expected to be 0%.

(b) Restricted Stock Awards

The Company grants restricted Subordinated Voting Shares ("SVS") to independent directors, management, former owners of acquired businesses or assets, and to consultants and other employees. The restricted SVS are included in the issued and outstanding SVS. The continuity for unvested restricted stock awards ("RSAs") is as follows:

	Number of Restricted Subordinate Voting Shares
Unvested restricted stock as of December 31, 2020	6,438,186
Granted ⁽¹⁾	34,815
Vested	(2,535,607)
Unvested restricted stock as of June 30, 2021	3,937,394

(1) The weighted-average per share grant date fair value was \$5.63. Includes 34,815 of restricted stock issued to independent directors which will all be fully vested after one year of service.

Generally, restricted stock awards will vest either one-third on each anniversary of service from the vesting start date or will be fully vested on the completion of one year of full service from the vesting start date, depending on the award. As of June 30, 2021, unvested restricted stock awards have a weighted-average remaining vesting period of 1.4 years.

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The Company currently has two reportable segments: Retail and Wholesale. The Company's Retail segment is comprised of cannabis operations for medical and adult use dispensaries. The Company's Wholesale segment is comprised of cannabis cultivation, processing, production and distribution of cannabis for medical and adult use. The Company's Other operations primarily include the Company's hemp/CBD retail operations, consulting, corporate and international operations.

The Company, as of June 30, 2021, through various subsidiaries, has several operating cannabis retail segments and several wholesale/cultivation cannabis segments, which have been aggregated for reporting purposes into one reportable retail segment, and one reportable wholesale segment, respectively. The Company defines its segments as those operations whose results the Chief Operating Decision Maker ("CODM") regularly reviews to analyze performance and allocate resources. Therefore, segment information is prepared on the same basis that management reviews financial information for operational decision-making purposes. The CODM reviews assets on a consolidated basis.

Revenue

Revenue for the Company's reportable segments is presented and reconciled to consolidated financial information in the following tables:

	Three Months Ended June 30, 2021			Three Months Ended June 30, 2020		
	Revenue by Segment	Intercompany Revenue	Revenue to External Customers	Revenue by Segment	Intercompany Revenue	Revenue to External Customers
Retail	\$ 45,227	\$ —	\$ 45,227	\$ 14,666	\$ —	\$ 14,666
Wholesale	4,711	(2,300)	2,411	150	—	150
Other	106	—	106	116	—	116
Eliminations	(2,300)	2,300	—	—	—	—
Consolidated revenue	\$ 47,744	\$ —	\$ 47,744	\$ 14,932	\$ —	\$ 14,932

	Six Months Ended June 30, 2021			Six Months Ended June 30, 2020		
	Revenue by Segment	Intercompany Revenue	Revenue to External Customers	Revenue by Segment	Intercompany Revenue	Revenue to External Customers
Retail	\$ 84,504	\$ —	\$ 84,504	\$ 22,745	\$ —	\$ 22,745
Wholesale	8,902	(4,183)	4,719	544	—	544
Other ⁽¹⁾	196	—	196	276	—	276
Eliminations	(4,183)	4,183	—	—	—	—
Consolidated revenue	\$ 89,419	\$ —	\$ 89,419	\$ 23,565	\$ —	\$ 23,565

All retail and wholesale revenues for the six months ended June 30, 2021 and 2020 were generated within the United States, and 99% of long-lived assets are located in the United States.

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The reconciliation of the earnings (loss) and the weighted average number of shares used in the computations of basic and diluted earnings (loss) per share (“EPS”) is as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2021	2020	2021	2020
Net income (loss) and comprehensive income (loss) attributable to Jushi shareholders:				
Used in calculating basic earnings (loss) per share	\$ 4,950	\$ (8,879)	\$ (21,676)	\$ (24,496)
Deduct: fair value gains on derivative warrant liabilities	(21,061)	—	(11,104)	—
Used in calculating diluted loss per share	\$ (16,111)	\$ (8,879)	\$ (32,780)	\$ (24,496)
Weighted average number of outstanding shares:				
Weighted average number of outstanding shares - basic	155,093,805	92,264,221	152,573,350	92,796,882
Dilutive common stock equivalents: ⁽¹⁾				
Stock options	—	—	—	—
Warrants	33,028,892	—	33,671,370	—
Weighted average number of number of outstanding shares - diluted	188,122,697	92,264,221	186,244,720	92,796,882

(1) For the three and six months ended June 30, 2021, stock options and warrants outstanding at period end and potential shares from convertible promissory notes not included in the computation of EPS totaled 42,200,513. No dilutive potential shares of common stock were included in the computation of diluted net loss per share for the three and six months ended June 30, 2020 because their effect would be anti-dilutive. For the three and six months ended June 30, 2020, stock options and warrants outstanding at period end and potential shares from convertible promissory notes not included in the computation of EPS totaled 89,479,690.

Refer to Note 26 - Subsequent Events.

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Costs of sales and general, administrative and selling expenses by nature are as follows:

	Note	Three Months Ended June 30,		Six Months Ended June 30,	
		2021	2020	2021	2020
Cost of goods sold:					
Inventory expensed to cost of sales excluding S&W and depreciation		\$ 22,627	\$ 7,339	\$ 43,019	\$ 11,695
Salaries, wages, labor and employee related expenses ("S&W")		2,309	91	3,984	186
Depreciation expense	6	870	25	1,474	59
Total inventory expensed to cost of sales		\$ 25,806	\$ 7,455	\$ 48,477	\$ 11,940
Other production costs		305	29	550	85
Inventory provision, net		15	11	33	17
Total cost of goods sold		\$ 26,126	\$ 7,495	\$ 49,060	\$ 12,042
General, administrative and selling expenses:					
Salaries, wages, labor and employee related expenses		\$ 14,519	\$ 4,994	\$ 24,401	\$ 10,081
Depreciation and amortization expense	6, 8	1,547	1,064	2,712	2,080
Other general and administrative expenses		6,460	3,757	12,807	7,503
Total general, administrative and selling expenses		\$ 22,526	\$ 9,815	\$ 39,920	\$ 19,664

Other general and administrative expenses is comprised of facility related expenses, professional fees and legal expenses, marketing and selling expenses, insurance costs, administrative and application fees, software and technology costs, travel, entertainment and conferences and other.

Interest expense and finance charges comprise the following:

	Note	Three Months Ended June 30,		Six Months Ended June 30,	
		2021	2020	2021	2020
Interest and accretion on promissory notes	11	\$ 175	\$ 434	\$ 359	\$ 1,046
Interest on leases liabilities	12	2,591	490	4,241	829
Interest and accretion on 10% Senior Notes	13	3,179	2,586	7,880	4,586
Interest and accretion - other debt	15	140	—	258	—
Capitalized interest		—	(75)	—	(75)
Total interest expense and finance charges		\$ 6,085	\$ 3,435	\$ 12,738	\$ 6,386

21. INCOME TAXES

The Company is subject to U.S. federal taxation and is also subject to income taxes in various state jurisdictions, all with varying tax rates. During the six months ended June 30, 2021, there were no material changes to the statutory tax rates in the taxing jurisdictions where the majority of the Company's income for tax purposes was earned, or where its temporary differences or losses are expected to be realized or settled. During the six months ended June 30, 2021, the Company's

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deferred tax liabilities were mainly impacted by (1) the sale of Cresco shares and warrants (2) the change in fair value of biological assets and (3) the OSD acquisition.

Internal Revenue Code (“IRC”) Section 280E denies, at the US federal level, deductions and credits attributable to a trade or business trafficking in controlled substances. Case law shows that “cost of goods sold” has been permitted as a deduction in determining taxable income. Certain subsidiaries of the Company with medical and recreational cannabis operations are subject to IRC Section 280E, for those subsidiaries, the Company’s US tax is based on gross receipts less cost of goods sold.

The Company’s 2019 tax returns benefited from not applying IRC Section 280E to certain entities of the consolidated group either due to the entity not yet starting operations or because the entity had a separate trade or business that was not medical or recreational cannabis operations. The Company determined that it is not probable that certain tax positions taken in the income tax returns would be sustained under IFRIC 23 *Uncertainty over Income Tax Treatments*. As a result, these income tax liabilities of approximately \$2,000 remain recorded on the balance sheet as of June 30, 2021. In addition, refer to Note 7 - Acquisitions for additional information on uncertain tax positions related to OSD.

22. NON-CONTROLLING INTERESTS

The following tables present the summarized financial information for the Company’s subsidiaries that have non-controlling interests for the periods indicated. This information represents amounts before intercompany eliminations.

June 30, 2021:

	Jushi Europe	Other Non-Material Interests	Total
Cash and cash equivalents	\$ 159	\$ —	\$ 159
Prepaid expenses and other current assets	10,135	112	10,247
Property, plant and equipment	1,023	—	1,023
Other non-current assets	2,589	—	2,589
Total assets	\$ 13,906	\$ 112	\$ 14,018
Accounts payable and accrued liabilities	\$ 10,841	\$ 332	\$ 11,173
Loan payable	4,151	—	4,151
Non-controlling interests	—	—	—
Equity attributable to Jushi	(1,086)	(220)	(1,306)
Total liabilities and equity	\$ 13,906	\$ 112	\$ 14,018
Six Months Ended June 30, 2021			
Net loss	\$ (816)	—	\$ (816)
Net loss attributable to non-controlling interests	400	1	401
Net (loss) income and comprehensive (loss) income attributable to Jushi shareholders	\$ (416)	\$ 1	\$ (415)

JUSHI HOLDINGS INC.**Notes to the Condensed Unaudited Interim Consolidated Financial Statements****June 30, 2021 and 2020***(Amounts Expressed in Thousands of United States Dollars, Unless Otherwise Stated)***December 31, 2020:**

	Jushi Europe	Agape	Other Non-Material Interests	Total
Cash and cash equivalents	\$ 74	\$ 947	\$ —	\$ 1,021
Prepaid expenses and other current assets	5,626	26	112	5,764
Inventory	—	329	—	329
Property, plant and equipment	311	863	—	1,174
Other intangible assets, net	—	7,881	—	7,881
Other non-current assets	324	35	—	359
Total assets	\$ 6,335	\$ 10,081	\$ 112	\$ 16,528
Accounts payable and accrued liabilities	\$ 5,989	\$ 752	\$ 332	\$ 7,073
Loan payable	614	762	—	1,376
Lease obligations	—	759	—	759
Non-controlling interests	364	1,562	1	1,927
Equity attributable to Jushi	(632)	6,246	(221)	5,393
Total liabilities and equity	\$ 6,335	\$ 10,081	\$ 112	\$ 16,528

The continuity for the non-controlling interests is as follows:

	Jushi Europe	Agape	Other Non-Material Interests	Total
Balance as of December 31, 2020	364	1,562	1	1,927
Acquisitions	—	—	—	—
Purchases of non-controlling interests	—	(1,562)	—	(1,562)
Net loss	(364)	—	(1)	(365)
Balance as of June 30, 2021	\$ —	\$ —	\$ —	\$ —

Purchases of Non-Controlling Interests - Agape

On January 25, 2021, the Company acquired the remaining 20% of the equity interests of Agape from the non-controlling shareholders for 500,000 SVS for total estimated fair value of \$3,425, based on a market price of \$6.85 per share on the date of close. As a result of the transaction, the Company recorded a decrease to non-controlling interests of approximately \$1,562, and an increase in accumulated deficit of approximately \$1,863. The Company now owns 100% of the issued and outstanding shares of Agape.

23. COMMITMENTS AND CONTINGENCIES**Contingencies**

The Company's operations are subject to a variety of local and state regulations. Failure to comply with one or more of those regulations could result in fines, restrictions on its operations, or losses of permits that could result in the Company ceasing operations. While management of the Company believes that the Company is in material compliance with



applicable local and state regulations as of June 30, 2021, marijuana regulations continue to evolve and are subject to differing interpretations. As a result, the Company could be subject to regulatory fines, penalties or restrictions at any time. In addition, refer to Note 21 - Income Taxes for certain tax related contingencies.

Claims and Litigation

The Company's business activities, and the business activities of its subsidiaries, which operate in jurisdictions where the use of marijuana has been legalized under state and local laws, currently are illegal under U.S. federal law. The U.S. Controlled Substances Act classifies marijuana as a Schedule I controlled substance. Any proceeding that may be brought against the Company could have a material adverse effect on the Company's business plans, financial condition and results of operations.

From time to time, the Company may be involved in litigation relating to claims arising out of operations in the normal course of business. Other than the civil disputes and/or other matters described below, to the Company's knowledge, there are no material legal proceedings or regulatory actions to which the Company is a party, or has been a party to, or of which any of its property is or was the subject matter of, and no such proceedings or actions are known by the Company to be contemplated. There are also no proceedings in which any of the Company's directors, officers or affiliates is an adverse party or has a material interest adverse to the Company's interest.

SFN

On March 19, 2018, the Company acquired a majority stake in TGS National Holdings LLC which controlled TGS National Franchise, LLC ("TGS NF"), a franchisor. During 2018, San Felasco Nurseries, Inc. ("SFN") terminated franchise agreements between it and TGS NF. SFN then sold its business to a third-party. TGS NF contends the termination of the franchise agreements and sale to the third party were wrongful and in late 2018 initiated arbitration seeking to recover its monetary damages. In May 2020, Jushi FL SPV, LLC was substituted for TGS NF as the claimant in the arbitration. The final hearing in the arbitration commenced on May 3, 2021. Refer to Note 26 - Subsequent Events.

Loss on legal settlements totaled \$601 and \$1,408 for the three and six months ended June 30, 2021, respectively, and is included in other expense, net in the condensed unaudited interim consolidated statements of operations and comprehensive income (loss). There were no losses on legal settlements for the three and six months ended June 30, 2020.

Commitments

In addition to the contractual obligations outlined in Note 25 - Financial Instruments and Financial Risk Management, the Company has the following commitments as of June 30, 2021:

(i) Acquisitions

In April 2021, the Company entered into a definitive binding agreement to acquire Nature's Remedy of Massachusetts, Inc. and certain of its affiliates (collectively, "Nature's Remedy"), a vertically-integrated single state operator in Massachusetts, for total consideration of up to approximately \$110,000. Under the terms of the agreement, the Company has agreed to acquire Nature's Remedy for an upfront payment of \$100,000 (subject to purchase price adjustments as set forth in the Agreement), comprised of \$40,000 in cash, \$55,000 in Subordinate Voting Shares of the Company and a \$5,000 unsecured five-year promissory note. The Company will also issue up to an additional \$10,000 in Company Subordinate Voting Shares upon the occurrence or non-occurrence of certain conditions after the closing date, bringing



the total potential consideration to \$110 million. This acquisition, which is expected to close in the second half of 2021, is subject to certain customary closing conditions. There can be no assurance that the acquisition will be completed.

In April 2021, the Company entered into a definitive binding agreement to acquire OhiGrow, LLC, one of 34 licensed cultivators in Ohio, and Ohio Green Grow LLC (collectively, “OhiGrow”), for total consideration of approximately \$5,000 in cash, inclusive of an approximately 10,000 sq. ft. facility and 1.35 acres of land. The closing of the acquisition, which was subject to regulatory approvals, subsequently closed in the third quarter of 2021. Refer to Note 26 - Subsequent Events.

(ii) Property and Construction Commitments

The Company has various lease commitments related to various office space, retail locations and warehouses. The Company has certain operating leases with optional renewal terms that the Company may exercise at its option. Refer to Note 12 - Lease Obligations, for further details and for any equipment purchase commitments.

In connection with various license applications, the Company may enter into conditional leases or other property commitments which will be executed if the Company is successful in obtaining the applicable license and/or resolving other contingencies related to the license or application.

In addition, the Company expects to incur capital expenditures for leasehold improvements and construction of buildouts of certain locations, including for properties for which the lease is conditional on obtaining the applicable related license or for which other contingencies exist. If the Company were to be unsuccessful in obtaining a particular license or certain other conditions are not met, the previously capitalized improvements and buildouts relating to that license may need to be expensed in the statements of operations and comprehensive income (loss).

(iii) Consulting Agreements

In July 2019, the Company was identified as one of three applicants to move forward in the application process for a business license to operate a retail storefront within Culver City, California. If awarded, the Company is obligated to pay, under various consulting arrangements, success fees of approximately \$300 and, subject to regulatory approvals, grant a 5% equity interest in the applicant entity. A commitment fund will also be set up to fund \$100 annually towards non-profit organizations in Culver City, California.

JUSHI HOLDINGS INC.**Notes to the Condensed Unaudited Interim Consolidated Financial Statements****June 30, 2021 and 2020***(Amounts Expressed in Thousands of United States Dollars, Unless Otherwise Stated)***24. RELATED PARTY TRANSACTIONS**

The Company had related party transactions during the periods presented as follows:

Nature of transaction	Six Months Ended June 30,		Balance as of	
	2021	2020	June 30, 2021	December 31, 2020
	Related Party Income (Expense) \$		Related Party Prepaid/ Receivable (Payable) \$	
Management services agreements ⁽¹⁾⁽³⁾	(20)	(228)	7	7
Consulting agreements ⁽²⁾⁽³⁾	—	(25)	—	(13)
Directors' fees ⁽⁴⁾	(10)	(100)	(5)	(50)
10% Senior Notes - interest expense and principal	⁽⁵⁾	\$ (1,025)	⁽⁵⁾⁽⁶⁾	\$ (25,050)
Senior key management ⁽⁷⁾				
Salary and wages ⁽⁸⁾	(753)	(600)	—	—
Share-based compensation expense ⁽⁹⁾	(2,824)	(960)	—	—
Loans - interest charged / principal plus accrued interest outstanding ⁽¹⁰⁾	61	—	2,531	2,470

(1) Includes fees paid to entities controlled by the Company's CEO, James Cacioppo, for shared costs of administrative services, the provision of financial and research-related advice, and sourcing and assisting in mergers, acquisitions and capital transactions.

(2) For the six months ended June 30, 2020 consulting fees include fees paid to Denis Arsenault, a significant shareholder of the Company and former member of the Board of Directors of Jushi Inc.

(3) Excludes expense from warrants, which is included in share-based compensation expense. For the six months ended June 30, 2021 and 2020, total expense for warrants issued in connection with these related party agreements was \$44 and \$159, respectively. The Company did not issue any additional warrants in connection with related party management services or consulting agreements during the six months ended June 30, 2021 and 2020.

(4) Excludes expense from restricted stock awards and stock options, which is included in stock-based compensation expense. RSA and stock option expense relating to independent directors totaled \$223 and \$122 for the three months ended June 30, 2021 and 2020, respectively, and totaled \$375 and \$235 for the six months ended June 30, 2021 and 2020, respectively. For the six months ended June 30, 2021, the majority of the board of directors fees were paid in the form of restricted stock or stock options. Refer to Note 17 - Share-Based Compensation. Joseph Max Cohen resigned from the board of directors during the first quarter of 2021 and Marin Hahn was appointed to the board of directors during the second quarter of 2021.

(5) Outstanding principal balance and interest expense as of and for the six months ended June 30, 2021 cannot be reliably determined as the majority of the senior notes are publicly traded since December 2020 and may no longer be owned by the original investor as of June 30, 2021.

(6) Refer to Note 13 - Senior Notes for information on the Senior Notes redemptions which occurred in January and February of 2021. Of the total amount of Senior Notes redeemed in January 2021, \$3,072 was estimated to be related to related parties including certain senior management and a significant shareholder. In February 2021, certain senior key management and a significant investor sold their remaining principal amounts of publicly traded 10% Senior Notes totaling \$19,219.



(7) The Company's senior key management personnel have the authority and responsibility for planning, directing and controlling the activities of the Company and consists of the Company's executive management team.

(8) For the three months ended June 30, 2021 and 2020, salaries and wages for senior key management totaled \$394 and \$300, respectively. For the three and six months ended June 30, 2021, includes salaries and wages for a new executive employee. Excludes accrued executive severance and taxes of \$1,839 included in accounts payable, accrued expenses and other current liabilities as of June 30, 2021 related to the termination of former owners of an acquired business and the termination of Mr. Erich Mauff, Co-President and Director of the Board on June 30, 2021.

(9) For the three months ended June 30, 2021 and 2020, share-based compensation expense for senior key management totaled \$1,058 and \$483 respectively.

(10) In connection with tax elections related to the issuance of certain restricted stock to key management personnel during the year ended December 31, 2020, the Company paid taxes totaling \$2,450 on behalf of these employees, for which promissory notes were issued. The promissory notes bear interest at 5% annually, which is payable on maturity. The promissory notes have a five-year maturity and are subject to acceleration for certain reasons, such as, but not limited to, employment termination or sale of the stock. Promissory note(s) that have a maturity that has been accelerated due to termination of employment are classified as current assets as of June 30, 2021 - refer to Note 5 - Prepaid Expenses and Other Current Assets. The non-current portion of the loans are reflected in other non-current assets - refer to Note 9 - Other Non-Current Assets.

Refer to Note 15 - Other Debt for details of loans from related parties.

25. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT

Financial Instruments

Financial instruments are measured at amortized cost (adjusted for impairments or expected credit losses, as applicable) or at fair value through profit and loss ("FVTPL"). Financial instruments recorded at fair value are classified using a fair value hierarchy that reflects the significance of the inputs to fair value measurements. The three levels of hierarchy are: Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities; Level 2 – Inputs other than quoted prices that are observable for the asset or liability, either directly or indirectly; and Level 3 – Inputs for the asset or liability that are not based on observable market data. There were no transfers between fair value levels during the six months ended June 30, 2021.

The following table provides a summary of the Company's financial assets and financial liabilities, their classification and measurement and the fair value hierarchy for the Company's financial instruments that are measured at FVTPL:

JUSHI HOLDINGS INC.**Notes to the Condensed Unaudited Interim Consolidated Financial Statements****June 30, 2021 and 2020***(Amounts Expressed in Thousands of United States Dollars, Unless Otherwise Stated)*

	Note	June 30, 2021	December 31, 2020	Classification and Measurement	Level within the Fair Value Hierarchy for FVTPL Financial Instruments
Financial Assets:					
Cash and cash equivalents and restricted cash		\$ 120,431	\$ 85,857	Amortized Cost	n/a
Investments in securities - shares	3	\$ 5,874	\$ 6,026	FVTPL	Level 1
Investments in securities - warrants	3	\$ —	\$ 1,908	FVTPL	Level 2
Accounts receivable		\$ 987	\$ 859	Amortized Cost	n/a
Prepaid expenses and other current assets (excluding employee receivables)	5	\$ 7,697	\$ 4,691	Amortized Cost	n/a
Other non-current assets - contingent consideration receivable	9	\$ 971	\$ 865	FVTPL	Level 3
Other non-current assets - equity investment	9	\$ 1,500	\$ 1,500	FVTPL	Level 2
Employee receivables and accrued interest	5, 9	2,645	2,470	Amortized Cost	n/a
Financial Liabilities:					
Accounts payable and accrued liabilities	10	\$ 49,437	\$ 30,439	Amortized Cost	n/a
Promissory notes payable	11	\$ 5,856	\$ 4,419	Amortized Cost	n/a
Lease obligations	12	\$ 89,526	\$ 39,210	Amortized Cost	n/a
10% Senior Notes	13	\$ 50,273	\$ 50,566	Amortized Cost	n/a
Derivative liabilities	14	\$ 190,274	\$ 205,361	FVTPL	Level 3
Other debt (including current portions)	15	\$ 6,248	\$ 3,736	Amortized Cost	n/a

The carrying values of the short-term financial assets and liabilities held at amortized cost approximate their fair values due to the relatively short maturity of those instruments. The non-current equity investment approximates its fair value at the balance sheet date. Other assets held at amortized cost approximate their fair values. The fair value of the 10% Senior Notes as of the balance sheet dates are deemed to have approximated the principal amounts.

Financial Risk Management

The Company is exposed in varying degrees to a variety of financial instrument related risks. The Board mitigates these risks by assessing, monitoring and approving the Company's risk management processes:

(a) Credit and Banking Risk

Credit risk is the risk of a potential loss to the Company if a customer or third party to a financial instrument fails to meet its contractual obligations. The maximum credit exposure as of June 30, 2021, is the carrying amount of cash and cash equivalents and restricted cash, investments, accounts receivable, employee receivables and other current/non-current assets. The Company does not have significant credit risk with respect to its customers. The Company provides credit to its customers in the normal course of business and has established credit evaluation and monitoring processes to mitigate credit risk but has limited risk as the majority of its sales are transacted with cash. Employee receivables include promissory notes and pledge agreements that pledge the underlying restricted stock received by



the employees. Non-current assets, such as deposits, are made in the normal course of business. The Company does not have significant risk from its contingent consideration receivable or other investments due to the credit worthiness of the underlying company. The Company is not aware of any credit issues related to its assets.

All cash is placed with major U.S., Canadian or European financial institutions. Financial instruments that potentially subject the Company to concentration of credit risk consist principally of cash deposits. Cash accounts at each institution are insured by either the Canada Deposit Insurance Corporation (“CDIC”) up to CAD\$100,000, the Federal Deposit Insurance Corporation (“FDIC”) or the National Credit Union Association (“NCUA”) up to \$250,000, or Essisuisse Deposit Insurance (“ESI”) up to CHF100,000, as applicable. As of June 30, 2021, the Company had \$115,610 of cash and cash equivalents and restricted cash in excess of these insured limits.

The cash and cash equivalents and restricted cash disclosed in the condensed unaudited interim consolidated statements of financial position and in the condensed unaudited interim consolidated statements of cash flows include \$525 (\$450 non-current and \$75 current) as of June 30, 2021 and \$nil as of December 31, 2020, of cash which is subject to regulatory restrictions, set aside for specific purposes and therefore not available for general use by the Company.

(b) Liquidity Risk and Capital Management

Liquidity risk is the risk that the Company will not be able to meet its financial obligations associated with financial liabilities. The Company manages liquidity risk through the management of its capital structure. The Company manages its capital structure and makes adjustments to it based on the funds available to the Company in order to support business development. The Company’s approach to managing liquidity is to ensure that it will have sufficient liquidity to settle obligations and liabilities when due. The Company raises capital, as necessary, to meet its needs and take advantage of perceived opportunities and, therefore, does not have a numeric target for its capital structure. Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable.

These condensed unaudited interim consolidated financial statements have been prepared under the assumption that the Company will be able to realize its assets and discharge its liabilities in the normal course of business. The Company plans to use existing funds and funds from the Company’s equity offerings, the Company’s debt offering(s), as well as funds from future offerings and the future sale of products, to fund operations and expansion activities. The Company closed on public equity offerings in January 2021 and February 2021. Refer to Note 16 - Equity. The Company may attempt to issue new shares or issue new debt; however, there can be no assurance that the Company will be able to continue raising capital (equity or debt) in this manner.

In addition to the commitments outlined in Note 23 - Commitments and Contingencies, the Company has the following estimated future contractual payment obligations, excluding interest payments on notes and the unsecured credit lines, and excluding potential escalations in lease obligations for changes in cannabis regulations, as of June 30, 2021:

JUSHI HOLDINGS INC.**Notes to the Condensed Unaudited Interim Consolidated Financial Statements****June 30, 2021 and 2020***(Amounts Expressed in Thousands of United States Dollars, Unless Otherwise Stated)*

	< 1 Year	1 to 3 Years	3 to 5 Years	> 5 Years	Total
Accounts payable and accrued liabilities	\$ 49,437	\$ —	\$ —	\$ —	\$ 49,437
10% Senior Notes - principal	—	75,193	—	—	75,193
Promissory notes - principal	120	48	3,750	3,100	7,018
Leases (including interest)	10,482	22,168	21,295	261,368	315,313
Other debt - financing obligation (including interest)	303	681	713	11,605	13,302
Other debt - unsecured credit lines - principal	1,071	—	1,785	—	2,856
Total	\$ 61,413	\$ 98,090	\$ 27,543	\$ 276,073	\$ 463,119

(c) Market Risk

Currency Risk - The operating results and financial position of the Company are reported in U.S. dollars. As of June 30, 2021, the Companies financial assets and liabilities are denominated primarily in U.S. dollars. From time to time, the Company may enter into financial transactions in currencies other than the U.S. dollar. The Company's results of operations are subject to currency transaction and translation risks. For the six months ended June 30, 2021, and 2020, the Company recorded foreign exchange losses of \$62 and \$13, respectively.

Interest Rate Risk - Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Cash bears interest at market rates. The Company's financial debts have fixed rates of interest and therefore expose the Company to a limited interest rate fair value risk.

Price Risk - Price risk is the risk of variability in fair value due to movements in equity or market prices. Refer to Note 4 - Inventory and Biological Assets for the Company's sensitivity assessment of certain fair value assumptions used in the calculation of biological asset values. Refer to Note 14 - Derivative Liabilities for the Company's sensitivity assessment of certain fair value assumptions used in the calculation of derivative liabilities. Investments in securities are linked to market rates and therefore expose the Company to fair value price risk. A 10% change in the value of short-term investments as of June 30, 2021 would result in a \$587 effect on net income (loss).

26. SUBSEQUENT EVENTS**Acquisitions**

In July 2021, the Company closed its previously announced acquisition of OhiGrow, LLC, and Ohio Green Grow LLC (collectively, "OhiGrow"), for total consideration of approximately \$5,000 in cash, inclusive of an approximately 10,000 sq. ft. facility and 1.35 acres of land.

On August 25, 2021, the Company closed on its previously announced acquisition of Franklin Bioscience OH, LLC, ("FBS - OH"), a licensed medical cannabis processor in Ohio. FBS - OH operates an 8,000 sq. ft. state-of-the-art processing facility located in Columbus Ohio.

Legal

In July 2021, the American Arbitration Association (the "Panel") awarded \$14,365 (the "Interim Award") to Jushi FL SPV, LLC ("Jushi FL"), a subsidiary of Jushi Holdings Inc., in its dispute against San Felasco Nurseries, Inc. ("San Felasco"), a subsidiary of Harvest Health & Recreation, Inc. ("Harvest"). The Interim Award consists of \$10,637 in



damages, plus \$3,728 in pre-award interest (accrued at a rate of \$4 per day) and post-award interest at a rate of 12% per annum. The Panel of three arbiters also affirmed that Jushi is entitled to reimbursement of attorneys' fees from San Felasco, in an amount to be determined by the Panel. The Interim Award is based on breach of contract and breach of implied covenant of good faith claims brought by Jushi against San Felasco in October of 2018. In its order, the Panel found that San Felasco improperly terminated its franchise agreements with Jushi FL without cause and in bad faith. San Felasco then sold its Florida cannabis business to Harvest, depriving Jushi of the royalties it would otherwise have realized. Following a final hearing in May of 2021, the Panel issued the Interim Award on July 29, 2021.

Super Voting and Multiple Voting Shares Converted into Subordinate Voting Shares

On August 9, 2021, all issued and outstanding Super Voting Shares and all Multiple Voting Shares were converted into Subordinate Voting Shares in accordance with the Company's Articles of Incorporation. The outstanding warrants to acquire Super Voting Shares and Multiple Voting Shares were also converted into warrants to acquire Subordinate Voting Shares, without any amendment to the other terms of such warrants. Following these conversions, there are no Super Voting Shares or Multiple Voting Shares issued and outstanding, and no warrants to acquire Super Voting Shares and Multiple Voting Shares issued and outstanding.

Transition to Domestic Issuer Status in the United States

Since more than 50% of the Company's issued and outstanding subordinate voting shares were directly or indirectly owned by shareholders of record domiciled in the United States on June 30, 2021, Jushi no longer meets the definition of a "foreign private issuer" under United States securities laws. Therefore, the Company will be deemed a U.S. domestic issuer under United States securities laws and will be subject to SEC reporting requirements applicable to U.S. domestic companies in 2022, which will require Jushi's financial statements and financial data to be presented under U.S. GAAP.

Jushi's Partner Awarded a Conditional Retail Dispensary License in Illinois from State's Lottery Process

On August 19, 2021, the Company's partner, Northern Cardinal Ventures, LLC, was awarded a conditional retail dispensary license in Illinois via the state's lottery process. The dispensary location is designated for the Peoria Bureau of Labor Statistics region in Illinois and would be BEYOND/HELLO's fifth dispensary in the state, pending regulatory approvals.