THIS MANAGEMENT’S DISCUSSION AND ANALYSIS

OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

FOR JUSHI HOLDINGS INC. ARE ALSO INCLUDED IN THE

FORM 10-K FOR THE YEAR ENDED DECEMBER 31, 2023, FILED ON SEDAR IN ITS ENTIRETY

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations

This Management's Discussion and Analysis ("MD&A") should be read in conjunction with the consolidated financial statements and notes thereto for the years ended December 31, 2023, 2022 and 2021 (the "Annual Financial Statements"). Unless the context indicates or requires otherwise, the terms "Jushi", "the Company", "we", "us" and "our" refers to Jushi Holdings Inc. and its controlled entities. The Annual Financial Statements have been prepared by management and are in accordance with generally accepted accounting principles in the United States ("GAAP"), and all amounts are expressed in U.S. dollars unless otherwise noted. This discussion contains forward-looking statements and involves numerous risks and uncertainties, including but not limited to those described in the "Risk Factors" section of this Annual Report on Form 10-K. Actual results may differ materially from those contained in any forward-looking statements. You should read "Cautionary Note Regarding Forward-Looking Statements" and "Risk Factors" contained in this Annual Report on Form 10-K.

We have elected to omit in this Annual Report on Form 10-K, discussion on the earliest of the three years (the year ended December 31, 2022 as compared to the year ended December 31, 2021) covered by the Annual Financial Statements presented. Refer to the Management's Discussion and Analysis of Financial Condition and Results of Operations section of Jushi Holdings Inc.'s Annual Report on Form 10-K for the fiscal year ended December 31, 2022, filed in the United States with the U.S. Securities and Exchange Commission ("SEC") on April 18, 2023, and filed in Canada on the System for Electronic Document Analysis and Retrieval ("SEDAR") for the omitted discussion.

Company Overview

We are a vertically integrated, multi-state cannabis operator engaged in retail, distribution, cultivation, and processing operations in both medical and adult-use markets. We are focused on building a diverse portfolio of cannabis assets through opportunistic investments and pursuing application opportunities in attractive limited license jurisdictions and capitalizing on such assets through strategic deployment in our day-to-day operations. We have targeted assets in highly populated, limited license medical markets on a trajectory toward adult-use legalization, including Pennsylvania, markets that are in the process of transitioning to adult-use, namely Ohio and Virginia, and limited license, fast-growing, large adult-use markets, such as Illinois, Nevada and Massachusetts, and certain municipalities of California.

Refer to "*Item I. Business*" section and to our Annual Financial Statements and the related notes included elsewhere in this Annual Report on Form 10-K for additional information about us.

Factors Affecting our Performance and Related Trends

Competition and Pricing Pressure

The cannabis industry is subject to significant competition and pricing pressures, which is often market specific and can be caused by an oversupply of cannabis in the market, and may be transitory from period to period. We may experience significant competitive pricing pressures as well as competitive products and service providers in the markets in which we operate. Several significant competitors may offer products and/or services with prices that may match or are lower than ours. We believe that the products and services we offer are generally competitive with those offered by other cannabis companies. It is possible that one or more of our competitors could develop a significant research advantage over us that allows them to provide superior products or pricing, which could put us at a competitive disadvantage. Continued pricing pressure due to competition, increased cannabis supply or shifts in customer preferences could adversely impact our customer base or pricing structure, resulting in a material impact on our results of operations, or asset impairments in future periods. For further discussion on the impact of asset impairments during the years ended December 31, 2023 and 2022, refer to Note 7 - Goodwill and Other Intangible Assets of our Annual Financial Statements.

Recent Developments

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

The following represents our recent developments since the filing of our Form 10-Q for the quarterly period ended September 30, 2023, which was filed on November 14, 2023. For information on our developments in the earlier part of 2023, also refer to (i) Form 10-Q for the quarterly period ended June 30, 2023, which was filed on August 11, 2023, and (ii) Form 10-Q for the quarterly period ended March 31, 2023, which was filed on May 15, 2023. The Form 10-Qs may also be accessed on SEDAR.

Amendment Number 2 to CEO Employment Agreement

In November 2023, the Company, JMGT, LLC, and the Company's CEO entered into an amendment to his existing employment agreement (the "Second Amendment") pursuant to which the CEO agreed to waive the $100 base salary annual increase for the year 2024, and the $850 annual cash bonus for the year 2023 that would otherwise have been paid to him, and agreed to the Company cancelling his 3,000,000-share option grant issued on October 27, 2021 in exchange for: (i) a lump sum cash payment of $213, which was paid in November 2023, (ii) $1,150 aggregate principal amount of Second Lien Notes due December 7, 2026 (the "Second Lien Notes"), which were issued in December 2023, and (iii) fully-detached warrants to purchase up to approximately $575 worth of the Company's subordinate voting shares ("SVS"), which were issued in December 2023 resulting in the issuance of Warrants to purchase 718,750 SVS at an exercise price of $0.80 per share. The fair value of the Warrants that were issued was $191, which was recorded as additional debt discount to the Second Lien Notes, with a corresponding offset to Paid-in capital.

Stock Option Cancellation and Regrant Program

On November 15, 2023, a limited stock option cancellation and regrant program was approved, pursuant to which a limited number of the Company's senior management team, including the Company's President Jon Barack and the Company's Chief Legal Officer Tobi Lebowitz, and the Company's non-employee directors (the "Eligible Participants") may elect to cancel each option held by the Eligible Participants with an exercise price per SVS greater than or equal to $3.91, and to be granted a replacement option to purchase an identical number of SVS. Mr. Barack's option to purchase 1,000,000 SVS and Ms. Lebowitz's option to purchase 465,000 SVS and options to purchase up to an aggregate of 140,000 SVS held by the Company's non-employee directors were eligible for the program, in addition to options to purchase up to an aggregate of 1,619,000 SVS held by other members of senior management. The vesting schedule for the officer and director replacement options, other than 300,000 of Ms. Lebowitz's option, shall be reset to the replacement grant date. James Cacioppo, the Company's Chief Executive Officer and Chairman of the board of directors was not eligible for the limited stock option cancellation and regrant program. On November 17, 2023, the Eligible Participants participated in this program, cancelling options that were previously granted at $3.91 or higher, and were regranted the same number of options on December 17, 2023, at an exercise price of $0.55.

Cancellation and Reissuance of CFO's Warrants

On November 15, 2023, the Company's board of directors also approved an offer to cancel warrants to purchase 200,000 SVS at an exercise price of $1.75 held by Michelle Mosier, the Company's Chief Financial Officer, that were originally issued on December 9, 2022 (the "CFO Warrants"). The offer to cancel the CFO Warrants was accepted, and on December 17, 2023, Ms. Mosier was reissued the CFO Warrants at an exercise price of $0.55.

Second Lien Notes

As disclosed in Note 25 - Subsequent Events of the Annual Financial Statements, on January 24, 2024, the Company entered into two Note Exchange Agreements with holders of approximately $9,850 of the Company's unsecured debt (the "Existing Notes"). The transaction closed in February 2024, whereby the holders of the Existing Notes delivered the Existing Notes to the Company for cancellation, and the Company: (1) issued to certain direct and beneficial holders of the Existing Notes an aggregate of $4,750 principal amount of Second Lien Notes, which was issued under the Company's existing Trust Indenture, dated December 7, 2022, as amended on June 27, 2023, by and between the Company and Odyssey Trust Company, as trustee (the "Trust Indenture"); (2) issued to certain direct and beneficial holders of the Existing Notes fully-detached warrants to purchase an aggregate of 1,800,000 of the Company's SVS, with each warrant having an exercise price of $1.00 per SVS and an expiration of December 7, 2026; and (3) paid to the direct holders of the Existing Notes an aggregate of $2,750 in cash.

Results of Operations

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

	Year Ended December 31,			
	2023	2022	$ Change	% Change
REVENUE, NET	$ 269,445	$ 284,284	$ (14,839)	(5)%
COST OF GOODS SOLD	(153,217)	(188,806)	35,589	(19)%
GROSS PROFIT	116,228	95,478	20,750	22 %
OPERATING EXPENSES				
Selling, general and administrative	110,472	156,166	(45,694)	(29)%
Asset impairments	8,574	159,645	(151,071)	(95)%
Total operating expenses	119,046	315,811	(196,765)	(62)%
LOSS FROM OPERATIONS	(2,818)	(220,333)	217,515	(99)%
OTHER INCOME (EXPENSE) :				
Interest expense, net	(36,966)	(45,591)	8,625	(19)%
Fair value gain on derivative warrants	9,589	91,887	(82,298)	(90)%
Other, net	(3,101)	(19,839)	16,738	(84)%
Total other income (expense), net	(30,478)	26,457	(56,935)	(215)%
INCOME (LOSS) BEFORE INCOME TAX	(33,296)	(193,876)	160,580	(83)%
Income tax expense	(31,806)	(8,448)	(23,358)	276 %
NET INCOME (LOSS) AND COMPREHENSIVE INCOME (LOSS)	(65,102)	(202,324)	137,222	(68)%
Less: net loss attributable to non-controlling interests	—	—	—	— %
NET INCOME (LOSS) AND COMPREHENSIVE INCOME (LOSS) ATTRIBUTABLE TO JUSHI SHAREHOLDERS	$ (65,102)	$ (202,324)	$ 137,222	(68)%
EARNINGS (LOSS) PER SHARE - BASIC	$ (0.33)	$ (1.06)	$ 0.73	(69)%
Weighted average shares outstanding - basic	194,770,212	190,021,550	4,748,662	2 %
EARNINGS (LOSS) PER SHARE - DILUTED	$ (0.33)	$ (1.44)	$ 1.11	(77)%
Weighted average shares outstanding - diluted	194,770,212	204,235,432	(9,465,220)	(5)%

Year Ended December 31, 2023 as compared to the Year Ended December 31, 2022

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

Revenue, Net

The following table presents revenue by type for the periods indicated:

	Year Ended December 31, 2023	Year Ended December 31, 2022	$ Change	% Change
Retail cannabis	$ 239,351	$ 261,016	$ (21,665)	(8)%
Wholesale cannabis	30,094	23,160	6,934	30 %
Other	—	108	(108)	(100)%
Total revenue, net	$ 269,445	$ 284,284	$ (14,839)	(5)%

Revenue, net was $269,445, compared to $284,284, a decrease of $14,839, or 5%. Retail revenue decreased $21,665 due primarily to the closure of four underperforming stores, as well as declines in revenue in Illinois, due to the impact of the state of Missouri beginning adult-use (i.e. recreational) cannabis sales and in Pennsylvania due to increased competition. The decrease in retail revenue was partially offset by new Beyond Hello™ dispensary openings in Virginia and Ohio. The Company ended 2023 with thirty-four operating dispensaries in seven states, as compared to thirty-five in six states at the end of 2022.

Wholesale revenue increased $6,934 primarily due to continued advancements at our cultivation and processing facilities that have enabled us to diversify our product offerings, and increase our competitiveness with respect to quality, cost and distribution.

Gross Profit

Gross profit was $116,228 compared to $95,478, an increase of $20,750, or 22%. Gross profit margin increased to 43% compared to 34%. The improvement in gross profit and gross profit margin was driven by operating efficiencies at our grower processor facilities and cost optimization initiatives such as changes to our packaging and changes to our retail labor model. The benefit of these improvements was partially offset by declines in retail revenue in Illinois and Pennsylvania driven by competition both inside of such states and, with respect to Illinois, in neighboring Missouri. Additionally, gross profit and gross profit margin for the prior year were negatively impacted by the sell through of inventory acquired in the acquisitions of Nature's Remedy, which was acquired in September 2021, and Apothecarium and NuLeaf acquired in 2022, which had a fair value step-up.

Operating Expenses

Operating expenses were $119,046 compared to $315,811, a decrease of $196,765, or 62%. The following table presents information of our operating expenses for the periods indicated:

	Year Ended December 31, 2023	Year Ended December 31, 2022	$ Change	% Change
Salaries, wages and employee related expenses	$ 56,483	$ 71,237	$ (14,754)	(21)%
Rent and related expenses	11,789	13,162	(1,373)	(10)%
Depreciation and amortization expense	10,656	12,724	(2,068)	(16)%
Share-based compensation expense	8,092	23,073	(14,981)	(65)%
Professional fees and legal expenses	7,732	10,371	(2,639)	(25)%
Goodwill impairment	7,329	39,643	(32,314)	(82)%
Indefinite-lived intangible asset impairment	845	111,515	(110,670)	(99)%
Tangible long-lived asset impairment	400	8,487	(8,087)	(95)%
Other expenses [1]	15,720	25,599	(9,879)	(39)%
Total operating expenses	$ 119,046	$ 315,811	$ (196,765)	(62)%

(1) Other expenses are primarily comprised of marketing and selling expenses, insurance costs, administrative and licensing fee, software and technology costs, travel, and entertainment and conference and other.

The decrease in total operating expenses is primarily due to impairment charges incurred in 2022 and a decrease in employee-related costs. The impairment charges in 2022 relate to our operations in California, Massachusetts, Nevada, Ohio and Pennsylvania. Refer to Note 7 - Goodwill and Other Intangible Assets of our Annual Financial Statements included elsewhere in this Annual Report on Form 10-K for more information on the impairment charges.

Salaries, wages, and employee-related expenses decreased due to a decrease in the number of employees as we worked to right size the organization, as well as changes to our staffing model at our retail stores. Lower share-based compensation expense for the year ended December 31, 2023 reflects lower value of share-based compensation granted as well as forfeitures of unvested equity awards. The year ended December 31, 2022 includes general and administrative expenses related to our transition to GAAP reporting and costs associated with our registration with the SEC, which is included in professional fees and legal expenses.

Other Income (Expense)

Interest Expense, Net

Interest expense, net, was $36,966 compared to $45,591, a decrease of $8,625, or 19%. The decrease is due primarily to lower amortization of debt discount driven by the redemption of the Senior Notes in December 2022, partially offset by higher overall debt balance due in part to funding of the acquisitions made in 2022, as well as higher interest rates associated with the December 2022 modification of the Acquisition Facility, and the issuance of the Second Lien Notes.

Fair Value Gain on Derivatives

Fair value gain on derivatives was $9,589 compared to $91,887. Fair value gain on derivatives include the fair value changes relating to the derivative warrants. The derivative warrants are required to be remeasured at fair value at each reporting period. The fair value changes in derivatives were primarily attributable to the movement in our stock price during the corresponding period.

Other, Net

Other, net, was an expense of $3,101 compared to an expense of $19,839, a decrease in expense of approximately $16,738, or 84%. Other, net for the year ended December 31, 2022 was primarily related to a loss of $18,858 on redemptions of the Senior Notes.

Income Tax Expense

Income tax expense was $31,806 compared to $8,448, an increase of $23,358, or 276%. The change in income tax expense is primarily due to increased gross profit, fair value change of derivatives, uncertain tax positions, decreased non-deductible expenses pursuant to Internal Revenue Code Sec 280E and goodwill impairment in 2023. Whereas 2022 was primarily due to increased non-deductible expenses pursuant to Internal Revenue Code Sec 280E and impairment charges associated with our California, Massachusetts, Nevada, Ohio and Pennsylvania operations.

Non-GAAP Measures and Reconciliation

In addition to providing financial measurements based on GAAP, we provide additional financial metrics that are not prepared in accordance with GAAP. We use non-GAAP financial measures, in addition to GAAP financial measures, to understand and compare operating results across accounting periods, for financial and operational decision making, for planning and forecasting purposes and to evaluate our financial performance. These non-GAAP financial measures are EBITDA and Adjusted EBITDA (each as defined below). We believe that these non-GAAP financial measures reflect our ongoing business by excluding the effects of expenses that are not reflective of our operating business performance and allow for meaningful comparisons and analysis of trends in our business. These non-GAAP financial measures also facilitate comparing financial results across accounting periods and to those of peer companies. As there are no standardized methods of calculating these non-GAAP measures, our methods may differ from those used by others, and accordingly, the use of these measures may not be directly comparable to similar measures used by others, thus limiting their usefulness. Accordingly, these non-GAAP measures are intended to provide additional information and should not be considered in isolation or as a substitute for measures of performance prepared in accordance with GAAP.

EBITDA and Adjusted EBITDA

EBITDA and Adjusted EBITDA are financial measures that are not defined under GAAP. We define EBITDA as net income (loss), or “earnings”, before interest, income taxes, depreciation and amortization. We define Adjusted EBITDA as EBITDA before: (i) non-cash share-based compensation expense; (ii) inventory-related adjustments; (iii) fair value changes in derivatives; (iv) other (income)/expense items; (v) transaction costs; (vi) asset impairment; (vii) loss on debt extinguishment; and (viii) start-up costs. These financial measures are metrics that have been adjusted from the GAAP net income (loss) measure in an effort to provide readers with a normalized metric in making comparisons more meaningful across the cannabis industry, as well as to remove non-recurring, irregular and one-time items that may otherwise distort the GAAP net income measure. Other companies in our industry may calculate this measure differently, limiting their usefulness as comparative measures.

Reconciliation of EBITDA and Adjusted EBITDA (Non- GAAP Measures)

The table below reconciles net loss to EBITDA and Adjusted EBITDA for the periods indicated.

(Amounts expressed in thousands of U.S. dollars)

	Year Ended December 31,	
	2023	2022
NET LOSS [(1)]	$ (65,102)	$ (202,324)
Income tax expense	31,806	8,448
Interest expense, net	36,966	45,591
Depreciation and amortization [(2)]	26,588	26,492
EBITDA (Non-GAAP)	30,258	(121,793)
Non-cash share-based compensation	8,092	23,073
Inventory charge adjustments [(3)]	285	7,792
Indefinite-lived intangible asset impairment	845	111,515
Goodwill impairment	7,329	39,643
Tangible long-lived asset impairment	400	8,487
Fair value changes in derivatives	(9,589)	(91,887)
Losses on debt redemptions/extinguishments/modifications	—	18,858
Other, net [(4)(7)]	3,129	2,021
Start-up costs [(5)]	—	4,143
Transaction costs [(6)]	19	5,221
Adjusted EBITDA (Non-GAAP) [(7)]	$ 40,768	$ 7,073

(1) Net loss includes amounts attributable to non-controlling interests.

(2) Includes amounts that are included in cost of goods sold and in operating expenses.

(3) Includes: (i) inventory step-up on business combinations; (ii) inventory recall reserves; and (iii) reserves for discontinued products. The inventory step-up on business combinations relate to the fair value write-up on inventory acquired on the business acquisition date and then sold subsequent to the acquisition date. The inventory recall reserves relate to the estimated impact of the Pennsylvania Department of Health recall and ban of vape products containing certain cannabis concentrates. The ban was lifted in June 2022.

(4) Includes: (i) remeasurement of contingent consideration related to acquisitions; (ii) losses (gains) on investments and financial assets; (iii) losses (gains) on legal settlements; (iv) severance costs; (v) foreign exchange losses (gains); and (vi) indemnification asset adjustments related to acquisitions.

(5) Expansion and start-up costs incurred in order to prepare a location for its intended use. Start-up costs are expensed as incurred and are not indicative of ongoing operations of each new location.

(6) Transaction costs include: (i) registration statement costs such as professional fees and other costs relating to our SEC registration; and (ii) acquisition and deal costs.

(7) The sum of the four quarters in 2023 will not add to the year to date amounts due to an overstatement of $503 add back relating to net foreign exchange losses.

Liquidity

(Amounts expressed in thousands of U.S. dollars, unless otherwise stated)

Sources and Uses of Cash

We had cash, cash equivalents and restricted cash of $31,305 as of December 31, 2023. Capital expenditures for the year ended December 31, 2023 were $10,743. As of December 31, 2023, we had total current assets of $81,635, and total current liabilities of $162,460. We therefore had a net working capital deficit of $80,825.

The major components of our statements of cash flows for the years ended December 31, 2023 and 2022, are as follows:

	Year Ended December 31,	
	2023	2022
Net cash flows used in operating activities	$ (3,318)	$ (21,416)
Net cash flows used in investing activities	(6,392)	(80,859)
Net cash flows provided by financing activities	13,869	33,983
Effect of currency translation on cash	—	(49)
Net change in cash, cash equivalents and restricted cash	$ 4,159	$ (68,341)

Operating activities. Cash used in operations for the year ended December 31, 2023 was $3,318, as compared to $21,416 for the year ended December 31, 2022. The decrease in cash used in operations was due to a reduction in the net loss, net of non-cash adjustments, partially offset by cash used for operating assets and liabilities in 2023 as opposed to cash provided by operating assets and liabilities in the prior year.

Investing activities. Net cash used in investing activities totaled $6,392 for the year ended December 31, 2023, as compared to $80,859 for the year ended December 31, 2022. The net cash used in investing activities for the year ended December 31, 2023 was comprised of $10,743 for the purchases of property, plant and equipment for use in our operations partially offset by $4,351 in proceeds from sale of property, plant and equipment. The net cash used in investing activities for the year ended December 31, 2022 was comprised of (i) $56,881 for the purchases of property, plant and equipment for use in our operations, (ii) $20,978 in payments for the acquisitions of Apothecarium and NuLeaf, net of cash acquired and (iii) $3,000 payment of contingent consideration liability for NuLeaf.

Financing activities. Net cash provided by financing activities totaled $13,869 for the year ended December 31, 2023, as compared to $33,983 for the year ended December 31, 2022. The net cash provided by financing activities for the year ended December 31, 2023 was comprised of (i) $21,900 in proceeds from mortgage loans and (ii) $3,862 in proceeds from other financing activities, partially offset by (i) $3,526 in net finance lease obligation payments, (ii) $4,875 payments related to the Acquisition Facility debt, (iii) $3,031 in payments of other financing activities, (iv) $250 in payments of loan financing costs, and (v) $211 in payments of mortgage-related debt. The net cash provided by financing activities for the year ended December 31, 2022 was comprised of (i) $31,594 in aggregate proceeds from the Second Lien Notes to partially fund the redemption of the Senior Notes, (ii) $25,000 in aggregate proceeds from the Acquisition Facility to fund the acquisitions of NuLeaf and Apothecarium, (iii) $13,680 in aggregate proceeds from private equity offerings in January 2022 and February 2022, (iv) $6,030 in proceeds from other debt and financing activities, (v) $2,800 in proceeds from mortgage-related debt and (vi) $1,203 in proceeds from the exercise of warrants and stock options. Partially offsetting these cash inflows in 2022 were (i) $33,726 in principal redemption repayments on the Senior Notes, (ii) $8,775 in payments of finance lease obligations, net (iii) $2,437 in payments of loan financing costs, (iv) $148 in payments of mortgage-related debt and (v) $1,238 in payments of other financing activities.

Liquidity Concerns

As reflected in our consolidated financial statements, we used net cash of $3,318 for operating activities for the year ended December 31, 2023, and as of that date, our current liabilities exceeded our current assets by $80,825. Such current liabilities as of December 31, 2023 include aggregate contractual maturities of (i) $60,125 of the Senior Secured Credit Facility debt that is to be paid in cash within the next twelve months, absent a refinancing, (ii) $22,484 of debt (including $1,817 of interest and $4,167 of milestone accruals) that are subject to indemnity claims in favor of the Company and not currently expected to be paid in cash within the next twelve months and (iii) $3,298 debt related to Jushi Europe SA, where the payments are subject to completion of the liquidation of Jushi Europe. Refer to Note 10 - Debt and Note 22 - Commitments and Contingencies of our Audited Financial Statements included elsewhere in this Annual Report on Form 10-K for more information. Absent a refinancing, we will not meet our obligations within the next year. We believe with refinancing, we will be able to meet our obligations.

As a result of the above, substantial doubt exists about our ability to continue as a going concern within the next twelve months from the date these financial statements are issued. We have a history of refinancing our debt and management intends to refinance the Senior Secured Credit Facility debt before the maturity date. The ability to continue as a going concern is dependent upon future financing. There is no assurance that we will be successful in this or any of our endeavors and continue as a going concern.

Additionally, the Acquisition Facility, as further described in Note 10 - Debt of our Audited Financial Statements included elsewhere in this Annual Report on Form 10-K, contains certain financial and other covenants with which we are required to comply. The required financial covenants relate to (i) a minimum unrestricted cash and cash equivalents balance requirement and (ii) a minimum quarterly revenue requirement. On February 24, 2023, February 27, 2023, and May 10, 2023, we were non-compliant with an affirmative covenant relating to a minimum cash deposit requirement in a specified bank account. We received waivers for the first two instances of non-compliance on April 17, 2023, and received a waiver for the third instance of non-compliance on May 11, 2023. Because we anticipated that the audit reports associated with our financial statements for the years ended December 31, 2022 and December 31, 2023 would contain a going concern qualification, and such going concern qualifications would constitute non-compliance with an affirmative covenant requiring us to obtain auditor reports associated with our annual financial statements that do not contain a going concern qualification, we obtained waivers of non-compliance with the aforementioned affirmative covenant on April 17, 2023, and March 12, 2024, respectively.

The consolidated financial statements have been prepared on a going concern basis which assumes we will be able to realize our assets and discharge our liabilities in the normal course of business for the foreseeable future, and do not include any adjustments to reflect the possible future effects on the recoverability and classification of assets or amounts and classification of liabilities that may result from the outcome of this uncertainty.

Capital Resources

Off-Balance Sheet Arrangements and Contractual Obligations

As of December 31, 2023, we do not have any off-balance sheet arrangements. Our principal and interest future obligations in relation to our debt that is subject to scheduled repayments in the amount of $200,794 as of December 31, 2023 are as follows: $89,300 for the year ended December 31, 2024, $106,444 for the two years ended December 31, 2026, and $53,087 for the two years ended December 31, 2028. Refer to Note 10 - Debt for additional information.

For our other contractual obligations, refer to Note 11 - Leases and Note 22 - Commitments and Contingencies of our Audited Financial Statements included elsewhere in this Annual Report on Form 10-K.

Critical Accounting Estimates

The preparation of our Annual Financial Statements in conformity with GAAP 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 these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. The estimates and associated assumptions are based on historical experience and other factors that are relevant. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods. The critical accounting estimates and judgements are disclosed in Note 2 - Basis of Presentation and Summary of Significant Accounting Policies of our Annual Financial Statements included in this Annual Report on Form 10-K.