

JUSHI HOLDINGS, INC. AND SUBSIDIARIES

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

**For the Three and Six Months Ended June 30, 2019, Three Months Ended June 30, 2018 and for
the period from January 23, 2018 (inception date) to June 30, 2018**

(Expressed in United States Dollars)

JUSHI HOLDINGS, INC. AND SUBSIDIARIES

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

ASSETS		June 30, 2019 (unaudited)	December 31, 2018
CURRENT ASSETS:			
Cash		\$ 86,735,344	\$ 38,113,861
Investment in trading securities	Note 4	1,253,345	1,233,228
Accounts receivable		28,099	261,748
Due from related party		-	263,729
Prepaid expenses and other current assets, including \$83,333 and \$83,333 from a related party		1,808,656	353,494
Deferred acquisition costs	Note 5	10,070,000	-
Inventory	Note 6	1,322,509	-
Total Current Assets		<u>101,217,953</u>	<u>40,226,060</u>
OTHER ASSETS:			
Financial asset	Note 7	5,454,252	5,454,252
Property, plant and equipment	Note 8	6,260,086	-
Other assets		627,559	413,250
Goodwill		170,000	170,000
Intangible assets, net	Note 9	13,780,663	3,917,232
Total Other Assets		<u>26,292,560</u>	<u>9,954,734</u>
Total Assets		<u>\$ 127,510,512</u>	<u>\$ 50,180,794</u>
LIABILITIES AND STOCKHOLDERS' EQUITY			
CURRENT LIABILITIES:			
Accounts payable		\$ 812,541	\$ 404,260
Note payable	Note 11	1,500,000	-
Accrued expenses		3,050,307	871,822
Short-term lease obligation	Note 10	482,359	-
Total Current Liabilities		<u>5,845,207</u>	<u>1,276,082</u>
LONG-TERM LIABILITIES:			
Other liabilities		170,455	-
Long-term lease obligation	Note 10	1,412,235	-
Redemption liability		7,519,404	7,388,547
Total Liabilities		<u>14,947,301</u>	<u>8,664,629</u>
COMMITMENTS AND CONTINGENCIES	Note 14,16		
STOCKHOLDERS' EQUITY:			
Share capital	Note 12,13	148,416,843	59,572,141
Accumulated deficit		<u>(35,853,632)</u>	<u>(18,055,976)</u>
Total Stockholders' Equity		<u>112,563,211</u>	<u>41,516,165</u>
Total Liabilities and Stockholders' Equity		<u>\$ 127,510,512</u>	<u>\$ 50,180,794</u>

See accompanying notes to the interim condensed consolidated financial statements.

JUSHI HOLDINGS, INC. AND SUBSIDIARIES

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS

	Six Months Ended June 30, 2019	Period from January 23, 2018 (inception date) to June 30, 2018	Three Months Ended June 30, 2019	Three Months Ended June 30, 2018
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
REVENUE	\$ 607,079	\$ 129,571	\$ 226,390	\$ 117,262
COST OF GOODS SOLD	<u>12,434</u>	<u>-</u>	<u>12,434</u>	<u>-</u>
GROSS PROFIT	594,645	129,571	213,956	117,262
OPERATING EXPENSES:				
General and administrative expenses	14,413,379	1,913,033	8,703,489	1,642,826
Share-based compensation expense	1,930,792	1,844,602	1,529,748	160,227
Depreciation and amortization expense	<u>413,416</u>	<u>72,410</u>	<u>266,761</u>	<u>63,974</u>
Total Operating Expenses	<u>16,757,587</u>	<u>3,830,045</u>	<u>10,499,998</u>	<u>1,867,027</u>
LOSS FROM OPERATIONS BEFORE IMPAIRMENT OF GOODWILL, LISTING EXPENSE, AND OTHER INCOME (EXPENSE)	<u>(16,162,942)</u>	<u>(3,700,474)</u>	<u>(10,286,042)</u>	<u>(1,749,765)</u>
OTHER INCOME (EXPENSE):				
Impairment of goodwill	-	(8,990,000)	-	-
Listing expense	(1,359,971)	-	(1,359,971)	-
Interest income	107,007	475,801	64,621	454,599
Bad debt expense	(172,408)	-	(172,408)	-
Interest expense and finance charges	<u>(209,342)</u>	<u>-</u>	<u>(89,039)</u>	<u>-</u>
Total Other Income (Expense)	<u>(1,634,714)</u>	<u>(8,514,199)</u>	<u>(1,556,797)</u>	<u>454,599</u>
NET LOSS AND COMPREHENSIVE LOSS	<u>\$ (17,797,656)</u>	<u>\$ (12,214,673)</u>	<u>\$ (11,842,839)</u>	<u>\$ (1,295,166)</u>
LOSS AND COMPREHENSIVE LOSS PER SHARE	<u>\$ (0.29)</u>	<u>\$ (0.36)</u>	<u>\$ (0.17)</u>	<u>\$ (0.04)</u>
WEIGHTED AVERAGE SHARES OUTSTANDING - BASIC AND DILUTED	<u>61,320,662</u>	<u>33,597,850</u>	<u>69,920,489</u>	<u>36,459,322</u>

See accompanying notes to the interim condensed consolidated financial statements.

JUSHI HOLDINGS, INC. AND SUBSIDIARIES

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY

	Number of Shares				Share Reserves			Share Capital	Accumulated Deficit	Total Stockholders' Equity
	Super Voting Shares	Multiple Voting Shares	Subordinate Voting Shares	Treasury Shares	Share-Based Payments	Warrants	Restricted Shares			
Balances - January 23, 2018 (inception date)	-	-	-	-	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Issuance of shares for cash	90,947	4,000,000	1,650,000	-	-	-	-	7,472,329	-	7,472,329
Issuance of shares as repayment to officers for capital contribution	58,053	-	-	-	-	-	-	2,902,671	-	2,902,671
Issuance of shares for financial asset	-	-	250,000	-	-	-	-	125,000	-	125,000
Issuance of shares for cash	-	-	35,194,281	-	-	-	-	39,629,705	-	39,629,705
Issuance of shares for TGSNH acquisition	-	-	5,000,000	-	-	-	-	5,000,000	-	5,000,000
Capital raising costs	-	-	-	-	-	-	-	(1,218,289)	-	(1,218,289)
Share-based payments	-	-	-	-	66,477	1,778,125	-	-	-	1,844,602
Net loss	-	-	-	-	-	-	-	-	(12,214,673)	(12,214,673)
Balances - June 30, 2018 (unaudited)	<u>149,000</u>	<u>4,000,000</u>	<u>42,094,281</u>	<u>-</u>	<u>\$ 66,477</u>	<u>\$1,778,125</u>	<u>\$ -</u>	<u>\$ 53,911,416</u>	<u>\$(12,214,673)</u>	<u>\$ 43,541,345</u>

	Number of Shares				Share Reserves			Share Capital	Other Share Capital	Accumulated Deficit	Total Stockholders' Equity
	Super Voting Shares	Multiple Voting Shares	Subordinate Voting Shares	Treasury Shares	Share-Based Payments	Warrants	Restricted Shares				
Balances - December 31, 2018	149,000	4,000,000	44,094,281	-	\$ 452,051	\$1,869,792	\$ 31,056	\$ 57,219,242	\$ -	\$(18,055,976)	\$ 41,516,165
Issuance of shares for cash	-	-	8,080,000	-	-	-	-	16,100,000	-	-	16,100,000
Subscriptions receipts	-	-	-	-	-	-	-	-	68,200,270	-	68,200,270
Shares issued on conversion of subscription receipts	-	-	24,800,098	-	-	-	-	68,200,270	(68,200,270)	-	-
Shares issuance - RTO	-	-	413,266	-	-	224,730	-	1,136,481	-	-	1,361,211
Capital raising costs	-	-	-	-	-	-	-	(4,781,597)	-	-	(4,781,597)
Shares issued upon exercise of stock options	-	-	1,444,371	(829,901)	(635,164)	-	-	877,400	-	-	242,236
Shares issued upon exercise of warrants	-	-	91,832	-	-	(67,093)	-	394,209	-	-	327,116
Restricted stock grants	-	-	4,592,917	-	-	-	318,273	-	-	-	318,273
Share-based payments	-	-	-	-	1,255,740	356,778	-	-	-	-	1,612,518
Issuance of shares for Acquisition	-	-	2,267,500	-	-	-	-	5,464,675	-	-	5,464,675
Net loss	-	-	-	-	-	-	-	-	-	(17,797,656)	(17,797,656)
Balances - June 30, 2019 (unaudited)	<u>149,000</u>	<u>4,000,000</u>	<u>85,784,265</u>	<u>(829,901)</u>	<u>\$1,072,627</u>	<u>\$2,384,207</u>	<u>\$349,329</u>	<u>\$144,610,680</u>	<u>\$ -</u>	<u>\$(35,853,632)</u>	<u>\$ 112,563,211</u>

See accompanying notes to the condensed interim consolidated financial statements.

JUSHI HOLDINGS, INC. AND SUBSIDIARIES
CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS

	Six Months Ended June 30, 2019	For the Period from January 23, 2018 (inception date) to June 30, 2018
	(unaudited)	(unaudited)
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net loss	\$ (17,797,658)	\$ (12,214,673)
Adjustments to reconcile net loss to net cash used in operating activities:		
Bad debt expense	172,408	-
Depreciation and amortization	413,416	72,410
Share-based payments	1,930,792	1,844,602
Listing expense	1,361,211	-
Impairment of goodwill	-	8,990,000
Accrued interest	-	(271,841)
Change in present value of redemption liability	130,857	-
Finance charge on lease liabilities	73,148	-
Change in fair value of investments	(20,117)	-
Changes in operating assets and liabilities:		
Accounts receivable	233,649	(180,081)
Due from related party	91,321	93,899
Prepaid expenses and other current assets	(1,450,402)	(57,546)
Inventory	(1,322,509)	-
Other assets	(108,652)	-
Other long term liabilities	(83,333)	-
Accounts payable and accrued expenses	2,287,669	1,574,813
Net cash flows used in operating activities	<u>(14,088,200)</u>	<u>(148,417)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of property, plant and equipment	(4,596,443)	-
Payments made for deferred acquisition costs	(8,499,067)	-
Payments made to acquire intangible assets	(4,115,000)	-
Cash acquired in acquisition of TGSNH	-	12,568
Investment in trading securities	-	(224,927)
Investment in financial asset	-	(4,875,001)
Proceeds from notes receivable	-	5,728,034
Investment in notes receivable	-	(3,953,522)
Net cash flows used in investing activities	<u>(17,210,510)</u>	<u>(3,312,848)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Payments on lease obligations	(167,832)	-
Proceeds from exercise of share-based compensation	569,352	-
Issuance of Common Stock for cash, net	-	7,289,753
Payment on note payable	-	(1,989,000)
Issuance of Class B Common Stock for cash, net	79,518,671	38,593,992
Net cash flows provided by financing activities	<u>79,920,191</u>	<u>43,894,745</u>
NET CHANGE IN CASH	48,621,481	40,433,480
CASH, BEGINNING OF PERIOD	<u>38,113,861</u>	<u>-</u>
CASH, END OF PERIOD	<u>\$ 86,735,342</u>	<u>\$ 40,433,480</u>
SUPPLEMENTAL CASH FLOW INFORMATION:		
Cash paid during the year for:		
Interest	\$ -	\$ -
Income tax	\$ -	\$ -
NON-CASH INVESTING AND FINANCING ACTIVITY:		
Right of use assets from lease liabilities upon adoption of IFRS 16	\$ 614,074	\$ -
Right of use assets from lease liabilities	\$ 1,223,855	\$ -
Financing receivable from lease liabilities	\$ 151,349	\$ -
Accrual for development of intangible assets	\$ 439,552	\$ -
Issuance of Class B Common Stock for TGSNH acquisition	\$ -	\$ 5,000,000
Issuance of Common Stock as repayment to officers for capital contribution	\$ -	\$ 2,902,671
Issuance of Common Stock in exchange for financial asset	\$ -	\$ 125,000
Redemption liability incurred from acquisition	\$ -	\$ 7,296,568
Exchange of due from related party for note receivable	\$ -	\$ 1,992,550

See accompanying notes to the condensed interim consolidated financial statements.

JUSHI HOLDINGS INC. AND SUBSIDIARIES

Notes to the Condensed Interim Consolidated Financial Statements

For the Three and Six Months Ended June 30, 2019, Three Months Ended June 30, 2018 and for the period from January 23, 2018 (inception date) to June 30, 2018

(Amounts Expressed in United States Dollars)

(Unaudited)

1. NATURE OF OPERATIONS

Jushi Holdings Inc. (the “Company” or “Jushi”), formerly known as Tanzania Minerals Corp. (“Tanzania”), was incorporated under the British Columbia Business Corporations Act (“BCBCA”), primarily to engage globally in the business of cultivation, manufacturing, distribution and retail of both medical and adult-use products derived from cannabis and hemp.

Jushi’s strategic approach to cannabis is to target large adult-use markets such as California and Nevada as well as limited license medical markets such as New York, Ohio, Pennsylvania, Florida, and Virginia.

Jushi either purchases controlling interests in existing licenses or applies for licenses directly. Jushi, through its subsidiaries, currently has operations in the state of New York.

Jushi’s hemp initiative targets California, Colorado, Florida, and New York for purposes of the cultivation, extraction, and processing of hemp-derived cannabidiol (“CBD”). Jushi will leverage its hemp-derived CBD formulated brand acquired in 2018 by distributing hemp-derived CBD via the wholesale channel, direct to consumers online, and via dedicated retail storefronts.

In June 2019, Jushi Inc. completed a reverse takeover (“RTO”) of Tanzania. The RTO was structured as a series of transactions, including a Canadian three-cornered amalgamation. Prior to the RTO, Jushi Acquisition Corp., a special purpose corporation, completed a private placement. Following the RTO, the Company’s subordinate voting shares (“SVS”) were listed on the NEO Exchange Inc. (“NEO”) under the symbol, JUSH.B. See Note 3. “Reverse Takeover and Private Placement” for further information.

The Company’s registered office is 217-179 Davie Street, Vancouver, BC V6Z 2Y1.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of Preparation

The condensed 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, 2019.

The condensed interim consolidated financial statements for the three and six months ended June 30, 2019, the three months ended June 30, 2018 and for the period from January 23, 2018 (inception date) to June 30, 2018, have been prepared in accordance with IAS 34 *Interim Financial Reporting*. The condensed 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, 2018.

JUSHI HOLDINGS INC. AND SUBSIDIARIES

Notes to the Condensed Interim Consolidated Financial Statements

For the Three and Six Months Ended June 30, 2019, Three Months Ended June 30, 2018 and for the period from January 23, 2018 (inception date) to June 30, 2018

(Amounts Expressed in United States Dollars)

(Unaudited)

These condensed interim consolidated financial statements have been prepared in U.S dollars on the going concern basis under the historical cost convention, except for certain financial instruments which are measured at fair value.

Except as described below, the accounting policies applied in these condensed interim consolidated financial statements are the same as those applied in the last annual financial statements of Jushi Inc. as of December 31, 2018 and for the period from January 23, 2018 (inception date) to December 31, 2018.

These condensed interim consolidated financial statements were approved by the Board of Directors on August 13, 2019.

(b) Basis of Consolidation

These condensed interim consolidated financial statements include the accounts of the Company, its wholly-owned subsidiaries and entities over which the Company has control as defined in IFRS 10 *Consolidated Financial Statements*. Subsidiaries over which the Company has control are fully consolidated from the date control commences until the date control ceases. Control exists when the Company is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. In assessing control, potential voting rights that are currently exercisable are taken into account. All intercompany balances and transactions are eliminated on consolidation.

The following are the Company's subsidiaries that are included in these condensed interim consolidated financial statements as of June 30, 2019:

Name (1)	Place of Incorporation	Ownership Percentage
Jushi Inc	Delaware	100%
TGS National Holdings, LLC and Subsidiaries	Colorado	51%
JMGT, LLC	Florida	100%
Sound Wellness, INC and Subsidiaries	Delaware	100%
JREHPA, LLC	Pennsylvania	100%
JREHCA, LLC	California	100%
Bear Flag Assets, LLC	California	100%
MEND Products LLC	Delaware	100%
Jushi IP, LLC	Delaware	100%
Jushi OH, LLC	Ohio	100%
JCVCA, LLC	California	100%

- (1) The Company also consolidates a Midwest Provisional License Holder, of which it has a 0% ownership percentage, since the Company is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

JUSHI HOLDINGS INC. AND SUBSIDIARIES

Notes to the Condensed Interim Consolidated Financial Statements

For the Three and Six Months Ended June 30, 2019, Three Months Ended June 30, 2018 and for the period from January 23, 2018 (inception date) to June 30, 2018

(Amounts Expressed in United States Dollars)

(Unaudited)

(c) Significant Accounting Judgments, Estimates and Assumptions

The preparation of the Company's condensed 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 these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. 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. Significant judgements, estimates, and assumptions within these unaudited condensed 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, 2018.

(d) Policies Adopted in Current Year

Basic and diluted earnings (loss) per share

Basic earnings (loss) per share is calculated using the weighted average number of common shares outstanding during the respective periods presented. Diluted earnings (loss) per share is calculated using the weighted average number of common shares that would have been outstanding during the respective period had all dilutive potential common shares outstanding at period-end been converted into shares at the beginning of the period and the proceeds used to repurchase the Company's common shares at the average market price for the period. If these computations prove to be anti-dilutive, diluted earnings (loss) per share is the same as basic earnings (loss) per share. Dilutive potential shares of common stock consist of incremental shares of common stock issuable upon exercise of stock options and warrants. No dilutive potential shares of common stock were included in the computation of diluted net loss per share at June 30, 2019 and 2018, because their impact was anti-dilutive.

Property, Plant and Equipment

Property, plant, and equipment ("PP&E") are stated at cost, less accumulated depreciation and are depreciated using the straight-line method over their estimated useful lives. Cost includes expenditures that are directly attributable to the acquisition of the asset.

PP&E are depreciated from the date of acquisition or at the date they become available for use, if these dates differ. Internally constructed assets are depreciated from the date the asset is available for use. Land has an unlimited useful life and is, therefore, not depreciated.

The useful life and depreciation method applied to each class of assets are reassessed at each reporting date. The useful lives applicable to each class of asset are as follows:

- Buildings and building components: 30 – 40 years
- Computer hardware: 3 years

JUSHI HOLDINGS INC. AND SUBSIDIARIES

Notes to the Condensed Interim Consolidated Financial Statements

For the Three and Six Months Ended June 30, 2019, Three Months Ended June 30, 2018 and for the period from January 23, 2018 (inception date) to June 30, 2018

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(Unaudited)

- Leasehold improvements: Over the life of the improvement or the life of the lease, whichever is shorter
- Furniture, fixtures and equipment: 3 – 10 years

On an annual basis, the Company reviews the carrying amounts of its PP&E to determine whether there is an indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated to determine the extent of the impairment loss, if any. Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash generating business unit to which the asset belongs. An asset's cash-generating unit is the smallest group of assets that includes the asset and generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets.

Where an impairment loss subsequently reverses for assets with a finite useful life, the carrying amount is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset in prior periods. A reversal of an impairment loss is immediately recognized in comprehensive income. To date, the Company has recognized no impairments on its PP&E.

Capitalization of Internally Generated Intangible Assets

The Company capitalizes expenditures on the development phase of an internal project when all of the following criteria are met:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale.
- its intention to complete the intangible asset to use it or sell it.
- its ability to use or sell the intangible asset.
- how the intangible asset will generate probable future economic benefits.
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset.
- its ability to measure the expenditure attributable to the intangible asset reliably during its development.

Inventory

Inventories of purchased finished goods, supplies, consumables, and products for resale are valued at the lower of cost and net realizable value. Inventories of harvested cannabis are transferred from biological assets at their fair value less costs to sell at harvest which becomes the deemed cost. Any subsequent post-harvest costs are capitalized to inventory to the extent that the cost is less than net realizable value. Net realizable value is determined as the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale. Cost is determined using the average cost basis. The Company

JUSHI HOLDINGS INC. AND SUBSIDIARIES

Notes to the Condensed Interim Consolidated Financial Statements

For the Three and Six Months Ended June 30, 2019, Three Months Ended June 30, 2018 and for the period from January 23, 2018 (inception date) to June 30, 2018

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reviews inventory for obsolete, redundant and slow-moving goods and any such inventory are written-down to net realizable value.

The valuation of biological assets at the point of harvest is the cost basis for all cannabis-based inventory and thus any critical estimates and judgements related to the valuation of biological assets are also applicable for inventory. The valuation of work-in-process and finished goods also requires the estimate of conversion costs incurred, which become part of the carrying amount for the inventory. The Company must also determine if the cost of any inventory exceeds its net realizable value, such as cases where prices have decreased, or inventory has spoiled or has otherwise been damaged.

(e) New Standards Adopted in Current Year

Leases

(i) Accounting Policy

In January 2016, the IASB issued IFRS 16, *Leases* (“IFRS 16”) replaces IAS 17, *Leases*. This standard introduces a single lessee accounting model and requires a lessee to recognize assets and liabilities for all leases with a term of more than twelve months unless the underlying asset is of low value. A lessee is required to recognize a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments.

At commencement of a contract, the Company assesses whether a contract is, or contains, a lease by determining whether the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. A ROU asset and lease liability is recognized at the lease commencement date. The lease liability is initially measured at the present value of all future lease payments that have not been paid as of the commencement date of the lease, discounted using the Company's incremental borrowing rate, in the absence of a readily identifiable rate of interest implicit to the lease.

The ROU asset is initially measured at cost, which is calculated as the initial amount of the lease liability, with an adjustment for any initial direct costs incurred, plus adjustments for any lease payments made in advance of the commencement date, and less any lease incentives received. Subsequent to initial recognition, the ROU asset is depreciated on a straight-line basis over the term of the lease, with inclusion for any options to extend that the Company reasonably expects to exercise. ROU assets are tested for impairment in accordance with IAS 36 *Impairment of assets*.

The right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability. The lease liability is remeasured when there is a change in future lease payments resulting from a change in index or rate or if the Company changes its assessment of whether it will exercise an option to extend, purchase or terminate.

JUSHI HOLDINGS INC. AND SUBSIDIARIES

Notes to the Condensed Interim Consolidated Financial Statements

For the Three and Six Months Ended June 30, 2019, Three Months Ended June 30, 2018 and for the period from January 23, 2018 (inception date) to June 30, 2018

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(Unaudited)

Should the corresponding right-of-use asset be reduced to zero when the lease liability is remeasured, the adjustment would be recorded through profit or loss.

The lease liability is subsequently measured at amortized cost using the effective interest method whereby the balance is increased by interest expense and decreased by lease payments. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Company's estimate of the amount expected to be payable under a residual value guarantee, or if the Company changes its assessment of whether it will exercise a purchase, extension or termination option.

The Company has exercised judgment to determine both the applicable discount rate as well as the lease term for lease contracts that contain renewal options. The discount rate used is based on the Company's incremental borrowing rate and is risk-adjusted based on a variety of factors, such as location and planned use. The assessment of whether the Company is reasonably certain to exercise renewal options impacts the lease term, which directly affects the amount of right-of-use assets and lease liabilities recognized.

The Company has included the carrying value of ROU assets under property, plant, and equipment on the statement of financial position as of June 30, 2019.

(ii) Impact of Transition to IFRS 16

The Company previously classified leases as either operating or finance leases from the perspective of the lessee. Under IFRS 16, the Company recognizes right-of-use assets and lease liabilities for most leases. The Company adopted IFRS 16 using the modified retrospective cumulative catch-up approach beginning on January 1, 2019. Under this approach, the Company did not restate its comparative amounts and recognized a right-of-use asset equal to the present value of the future lease payments.

The Company also used the following practical expedients when applying IFRS 16 to leases previously classified as operating leases under IAS 17:

- Accounted for short-term leases for which the lease terms end within 12 months of the date of the initial application as short-term leases;
- Excluded initial direct costs from measuring the ROU assets at the date of initial application;
- Used hindsight when determining the lease term if the contract contains options to extend or terminate the lease;
- Applied a single discount rate to a portfolio of leases with similar characteristics; and
- Applied IFRS 16 to contracts that were previously not identified as leases and did not reassess whether a contract is, or contains, a lease at the date of initial application.

When measuring lease liabilities, the Company discounted the lease payments using its incremental borrowing rate as of January 1, 2019. The Company's weighted-average

JUSHI HOLDINGS INC. AND SUBSIDIARIES**Notes to the Condensed Interim Consolidated Financial Statements****For the Three and Six Months Ended June 30, 2019, Three Months Ended June 30, 2018 and for the period from January 23, 2018 (inception date) to June 30, 2018****(Amounts Expressed in United States Dollars)****(Unaudited)**

incremental borrowing rate was 15% based on the underlying locations and asset class related risks.

The following table reconciles the Company's operating lease obligations as at December 31, 2018, as previously disclosed in the Company's annual consolidated financial statements, to the lease obligation recognized on initial application of IFRS 16 at January 1, 2019:

Reconciliation - IAS 17 to IFRS 16

Operating lease commitments as at December 31, 2018	<u>\$ 1,055,136</u>
Gross lease liability for lease in service at January 1, 2019	\$ 870,000
Gross lease liability for lease not available for use at January 1, 2019 ⁽¹⁾	185,136
Discounting for lease in service in January 1, 2019	<u>(255,926)</u>
Present value of IFRS 16 lease liabilities at January 1, 2019	<u>\$ 614,074</u>

(1) represents a lease not available for use as of January 1, 2019 and presented to reconcile the difference between lease commitments as at December 31, 2018 to the present value of IFRS 16 lease liabilities at January 1, 2019.

Business Combinations

- (i) IFRS 3, *Business Combinations* ("IFRS 3"), as amended.

In October 2018, the IASB issued amendments to the guidance in IFRS 3, *Business Combinations* ("IFRS 3"). The amendments revise the definition of a business and provide a new framework to evaluate when an input and a substantive process are present. To be considered a business without outputs, an organized workforce must be present. In addition, the definition of the term outputs is narrowed to focus on goods and services provided to customers, generating investment income and other income, and it excludes returns in the form of lower cost and other economic benefits. An entity can apply a concentration test that, if met, eliminates the need for further assessment. Under this optional test, where substantially all of the fair value of gross assets acquired is concentrated in a single asset, the assets acquired would not represent a business. The amendments are effective for business combinations for which the acquisition date is on or after the first annual reporting period beginning on or after January 1, 2020 and early application is permitted. The Company has early adopted the guidance included in the amendment as of April 1, 2019 and has the option to elect to apply the guidance in this amendment. See Note 5. "Acquisitions and Other Significant Transactions" for additional information.

IFRIC 23, *Uncertainty over Income Tax Treatments* ("IFRIC 23")

IFRIC 23 clarifies how to apply the recognition and measurement requirements in IAS 12, *Income Taxes*, when there is uncertainty regarding income tax treatments. The Interpretation addresses whether an entity needs to consider uncertain tax treatments separately, the assumptions an entity should make about the examination of tax treatments by taxation

JUSHI HOLDINGS INC. AND SUBSIDIARIES

Notes to the Condensed Interim Consolidated Financial Statements

For the Three and Six Months Ended June 30, 2019, Three Months Ended June 30, 2018 and for the period from January 23, 2018 (inception date) to June 30, 2018

(Amounts Expressed in United States Dollars)

(Unaudited)

authorities, and how an entity considers changes in facts and circumstances in such determinations. The adoption of IFRIC 23 did not have an impact on the Company's consolidated financial statements as at the effective date of adoption.

3. REVERSE TAKEOVER AND PRIVATE PLACEMENT

As discussed in Note 1. "Nature of Operations", the Company completed its previously announced RTO with Tanzania.

In connection with the RTO, Tanzania (i) completed a consolidation of its common shares on the basis of one post-consolidation subordinate voting share for 22.75711 issued and outstanding pre-consolidation Tanzania Shares; (ii) amended the rights and restrictions of the existing class of common shares and re-designating such class as Subordinate Voting Shares, deleted the existing class of preferred shares and created a new class of Multiple Voting Shares and a new class of Super Voting Shares, such that an unlimited number of each class of shares are authorized to be issued without par value; and (iii) changed its name from "Tanzania Minerals Corp." to "Jushi Holdings Inc."

Prior to the RTO, Jushi Acquisition Corp. ("Jushi Acquisition"), a special purpose corporation, completed a brokered and non-brokered private placement of 24,800,098 subscription receipts (each, a "Subscription Receipt") at a price of \$2.75 per Subscription Receipt for aggregate gross proceeds of \$68,200,270. As part of closing the RTO, the holders of Subscription Receipts received Subordinate Voting Shares of the Company on a one-for-one basis. See Note 12. "Stockholder's Equity" for additional information.

After the completion of the RTO (including the conversion of the Subscription Receipts ("SR") issued under the SR Offering into Subordinate Voting Shares, which occurred prior to the closing of the RTO), there were 82,758,266 Subordinate Voting Shares outstanding, with (a) the current holders of Tanzania Shares holding 413,266 Subordinate Voting Shares (on a post-consolidation basis), representing approximately 0.5% of the issued and outstanding Subordinate Voting Shares; and (b) the holders of Jushi Inc shares (including from the conversion of the Subscription Receipts to Jushi Acquisition Shares) holding 82,345,000 Subordinate Voting Shares, representing approximately 99.5% of the issued and outstanding Subordinate Voting Shares.

In completing the RTO, the Company, 1207713 B.C. Ltd. ("Subco") and Jushi Acquisition entered into a merger agreement, in respect of an amalgamation of Jushi Acquisition and Subco to form amalco, which was wholly owned by the Company and was subsequently dissolved. Jushi Inc, Jushi Merger Sub, Inc. ("Merger Sub") and the Company entered into a merger agreement in respect of a merger of Jushi Inc with Merger Sub, whereby the shareholders of Jushi Inc were issued Subordinate Voting Shares, Multiple Voting Shares and/or Super Voting Shares of the Company, with Jushi Inc becoming a wholly-owned subsidiary of the Company and the Company owning 100% of the shares of Jushi Inc.

The Subordinate Voting Shares began trading on the NEO Exchange Inc. on June 10, 2019, under the symbol "JUSH.B".

JUSHI HOLDINGS INC. AND SUBSIDIARIES

Notes to the Condensed Interim Consolidated Financial Statements

For the Three and Six Months Ended June 30, 2019, Three Months Ended June 30, 2018 and for the period from January 23, 2018 (inception date) to June 30, 2018

(Amounts Expressed in United States Dollars)

(Unaudited)

For accounting purposes, the transaction was accounted for as a capital transaction under IFRS 2, “Share-Based Payment”. The Amalgamation was accounted for as an RTO transaction that was not a business combination and effectively a capital transaction of Jushi Inc. Jushi Inc has been treated as the accounting acquirer (legal subsidiary) and Jushi Holdings Inc. has been treated as the accounting acquiree (legal parent) in these condensed consolidated interim financial statements. As Jushi Inc was deemed to be the acquirer for accounting purposes, the condensed interim consolidated financial statements are presented as a continuation of Jushi Inc.

In accordance with IFRS 2, the amount assigned to the reverse acquisition transaction costs in the Condensed Interim Consolidated Statements of Operations and Comprehensive Loss is \$1,359,971, being the difference between the estimated fair value of the Company’s shares prior to the RTO, less the fair value of the net assets of Tanzania acquired (approximately \$1,000 in cash). The fair value of the Company’s shares prior to the RTO of \$1,361,211 is based on the per share trading price of the Company. This amount is presented under listing expense in our Condensed Interim Consolidated Statements of Operations and Comprehensive Loss for the six months ended June 30, 2019. Cash-based fees related to the RTO totaled \$4,612,427 for the six-months ended June 30, 2019 and are included in general and administrative expenses in the Condensed Interim Consolidated Statements of Operations and Comprehensive Loss.

These Condensed interim consolidated financial statements as of June 30, 2019, include the completion of the RTO. Jushi, the continuing entity for accounting purposes, is considered to have acquired the assets and liabilities of Tanzania through a capital transaction. As the acquirer for accounting purposes, Tanzania’s net assets are included in Jushi’s June 30, 2019 consolidated statement of financial position at their carrying values.

4. TRADING SECURITIES

Trading securities represent investments in mutual funds, which were valued at \$1,253,345 as of June 30, 2019. The Company has designated its trading securities as fair value through profit or loss and recognized \$20,117 in interest income in the Condensed Interim Consolidated Statements of Operations and Comprehensive Loss. Fair values have been determined based on quoted market prices.

5. DEFERRED ACQUISITION COSTS AND DEPOSITS

The Company makes advance payments and deposits to certain acquisition targets for which the transfer is pending closing conditions inclusive of certain regulatory approvals prior to the acquisition date. Advance payments and deposits for certain acquisition targets are reflected as arm’s length transactions.

At June 30, 2019 and December 31, 2018, the Company had the following deferred acquisition costs and deposits, which are expected to be offset against the consideration payable for the related future purchases:

JUSHI HOLDINGS INC. AND SUBSIDIARIES**Notes to the Condensed Interim Consolidated Financial Statements**

For the Three and Six Months Ended June 30, 2019, Three Months Ended June 30, 2018 and for the period from January 23, 2018 (inception date) to June 30, 2018

(Amounts Expressed in United States Dollars)

(Unaudited)

Acquisition Target	June 30, 2019	December 31, 2018
a) GSG SBCA, Inc.	\$ 2,250,000	\$ -
b) Pennsylvania Permit Holder	70,000	50,000
c) Franklin BioScience, Penn LLC	4,000,000	-
d) Franklin BioScience, NV LLC	250,000	-
e) Midwest Provisional License Holder	3,500,000	-
	<u>\$ 10,070,000</u>	<u>\$ 50,000</u>

a) GSG SBCA, Inc.

In February 2019, the Company entered into a binding term sheet to acquire (i) 100% of GSG SBCA Inc. (“GSGSB”), subject to the fulfillment of certain conditions, and (ii) the contract to purchase the associated real estate. The owners of GSGSB did not own the associated real estate. GSGSB has the right to operate one of only three adult use cannabis dispensaries in the City of Santa Barbara, California. The Company’s acquisition of the real estate closed on March 3, 2019. See Note 8 “Property, Plant and Equipment” for additional information. An escrow account was established to hold funds on behalf of the Company (“Buyer”) and GSGSB (“Seller”) in accordance with a Securities Purchase Agreement (“SPA”) dated March 3, 2019, in the amount of \$2,250,000 that will be applied against the purchase price. It is expected that the closing of the GSGSB acquisition will occur in the third or fourth quarter of 2019, subject to receipt of applicable regulatory approvals.

b) Pennsylvania Medical Marijuana Dispensary Permit Holder

The permit holder received a provisional dispensary permit in Round II from the Pennsylvania Department of Health and plans to open three dispensaries to sell medical cannabis. The Company has entered into a binding letter of intent, subject to negotiation of definitive documents and subsequent receipt of applicable regulatory approval, to purchase a majority stake in the permit holder. It is expected that closing of the acquisition will occur in the third or fourth quarter of 2019. The Company has advanced \$70,000 as of June 30, 2019 that will be applied against the purchase price.

c) Franklin BioScience Penn, LLC

Franklin BioScience Penn, LLC, and its subsidiaries, Franklin Bioscience NE, LLC, Franklin Bioscience SE, LLC, and Franklin Bioscience SW, LLC (collectively, “FBS Penn”) together hold one Phase I and three Phase II dispensary permits issued by the Pennsylvania Department of Health’s Medical Marijuana Program allowing for 12 medical marijuana dispensaries in the Commonwealth of Pennsylvania. The existing retail dispensary brand, “Beyond/Hello,” currently has four operational dispensaries in Pennsylvania and is in various stages of development for the remaining eight.

In March 2019, and under the terms of a letter of intent allowing the Company to negotiate definitive documents with FBS Penn, the Company made an exclusivity payment of \$1,000,000 to FBS Penn. The \$1,000,000 amount was to be used for bona fide business expenses and not to be applied against the purchase price. In June 2019, the Company entered into a definitive agreement

JUSHI HOLDINGS INC. AND SUBSIDIARIES

Notes to the Condensed Interim Consolidated Financial Statements

For the Three and Six Months Ended June 30, 2019, Three Months Ended June 30, 2018 and for the period from January 23, 2018 (inception date) to June 30, 2018

(Amounts Expressed in United States Dollars)

(Unaudited)

to purchase a majority stake in FBS Penn. Upon execution of the definitive agreement, the Company advanced FBS Penn an additional \$4,000,000. In addition, the Company contingently committed to a line of credit of up to \$5,000,000 at 10% interest per year maturing at the one-year anniversary, of which \$0 has been advanced to FBS Penn as of June 30, 2019. In July 2019, the Company completed its acquisition of 100% of the equity interest of FBS Penn. Upon closing, the \$4,000,000 deferred payment was applied to the purchase price. See Note 17. "Subsequent Events" for additional information.

d) Franklin BioScience NV, LLC

In April 2019, the Company entered into a definitive agreement to purchase 100% of the equity interests of Franklin BioScience NV, LLC ("FBS NV"), as well as related real estate owned by a related party of FBS NV, for total consideration of approximately \$6,400,000 in cash and \$2,600,000 in sellers' notes. FBS NV holds medical and adult-use cannabis cultivation, processing, and distribution licenses issued by the Nevada Department of Taxation and a hemp handler's license issued by the Nevada Department of Agriculture, and currently operates a cultivation and production facility in North Las Vegas, Nevada. Also, the Company and FBS NV entered into a Credit and Security Agreement on April 23, 2019, which provides for advances of up to \$500,000 for working capital and capital expenditure purposes, of which \$190,000 has been advanced to FBS NV as of June 30, 2019. The Credit and Security Agreement terminates on April 22, 2020. In July 2019, the Company received authorization from the City of North Las Vegas to enter the greater Las Vegas, Nevada market under a management services agreement with FBS NV. The Company also completed the purchase of the real estate owned by Farman LLC. See Note 17. "Subsequent Events" for additional information.

e) Provisional Licensed Medical Marijuana Processor in the Midwest U.S.

On June 27, 2019, the Company entered into a definitive agreement with a provisionally licensed medical marijuana processor ("Provisionally Licensed Holder") in the Midwest U.S. to acquire 100% of the voting and economic interest of the Provisionally Licensed Holder. Concurrently, the parties also entered into a management services agreement whereby the Company will provide ongoing management and consulting services to the Provisionally Licensed Holder. The Company and the Provisionally Licensed Holder also entered into a credit and security agreement, which provides for advances of up to \$500,000 for working capital purposes, of which \$0 has been advanced as of June 30, 2019. Total consideration paid on signing was \$2,000,000 in cash and \$1,500,000 in 18-month secured sellers' notes ("Sellers' Notes"). The Sellers' Notes bear interest at 10% per annum. Upon closing, the Company will receive 100% of the voting units of the provisionally licensed holder in exchange for \$100.00 and the acceleration of all outstanding principal and interest due under the Sellers' Notes. It is expected that the closing of the transaction will occur in the first quarter of 2020, upon which the Company will apply the total consideration of \$3,500,000 against the purchase price.

JUSHI HOLDINGS INC. AND SUBSIDIARIES**Notes to the Condensed Interim Consolidated Financial Statements**

For the Three and Six Months Ended June 30, 2019, Three Months Ended June 30, 2018 and for the period from January 23, 2018 (inception date) to June 30, 2018

(Amounts Expressed in United States Dollars)

(Unaudited)

6. INVENTORY

Inventory consisted of the following:

	<u>June 30, 2019</u>
Raw Materials	\$ 704,196
Finished Goods	618,313
	<u>\$ 1,322,509</u>

At June 30, 2019, inventory consisted of hemp-related cultivation inventory purchased from third parties, supplies, consumables, and products for resale.

7. FINANCIAL ASSET

During 2018, the Company made purchases of equity for cash totaling \$5,454,252 representing a 16.5% stake in Gloucester Street Capital, LLC (“GSC”), the parent company of New York state licensed cannabis operator Valley Agricultural, LLC. In October 2018, GSC executed definitive agreements to sell 100% of the company to Cresco Labs Inc. (“Cresco”). The Company estimates the cost of its equity in GSC to be the fair value as GSC is a privately held entity with limited information available. See Note 17. “Subsequent Events” for additional information.

8. PROPERTY, PLANT AND EQUIPMENT

A reconciliation of the beginning and ending balances of capital assets and accumulated depreciation and amortization during the six months ended June 30, 2019 is as follows:

	Buildings and Improvements	Land	Leasehold Improvements	Computer Equipment	Office Equipment	Furniture and Fixtures	ROU Assets (1)	Construction in Progress (2)	Total
Cost									
Balance, January 1, 2019	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 614,074	\$ -	\$ 614,074
Additions	2,347,319	1,363,285	110,104	148,820	3,749	98,355	1,223,855	524,811	5,820,297
Balance, June 30, 2019	\$ 2,347,319	\$ 1,363,285	\$ 110,104	\$ 148,820	\$ 3,749	\$ 98,355	\$ 1,837,929	\$ 524,811	\$ 6,434,371
Accumulated Depreciation and Amortization									
Balance, January 1, 2019	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Expense	(27,707)	-	(4,245)	(11,259)	(250)	(7,613)	(123,212)	-	(174,285)
Balance, June 30, 2019	\$ (27,707)	\$ -	\$ (4,245)	\$ (11,259)	\$ (250)	\$ (7,613)	\$ (123,212)	\$ -	\$ (174,285)
Carrying Amount									
At December 31, 2018	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
At June 30, 2019	\$ 2,319,613	\$ 1,363,285	\$ 105,859	\$ 137,561	\$ 3,499	\$ 90,742	\$ 1,714,717	\$ 524,811	\$ 6,260,086

- (1) A right-of-use asset of \$614,074 was recognized at January 1, 2019 in connection with the adoption of IFRS 16. Refer to Note 2. “Summary of Significant Accounting Policies” for further information. Substantially all of the Company’s ROU assets pertain to building leases. Rent expense pertaining

JUSHI HOLDINGS INC. AND SUBSIDIARIES

Notes to the Condensed Interim Consolidated Financial Statements

For the Three and Six Months Ended June 30, 2019, Three Months Ended June 30, 2018 and for the period from January 23, 2018 (inception date) to June 30, 2018

(Amounts Expressed in United States Dollars)

(Unaudited)

to low-value leases during the six months ended June 30, 2019 was \$138,000. The Company has ROU assets ranging in term from 2 years to 10 years.

- (2) Construction in Progress represent assets under construction related to buildings improvements in process for buildings acquired during the six months ended June 30, 2019 not yet completed or otherwise not ready for use.

The Company's land and buildings are not considered investment properties nor held for capital appreciation. A summary of building and land acquisitions completed for the six months ended June 30, 2019 is as follows:

- (i) On January 31, 2019, the Company purchased a commercial property in Reading, Pennsylvania for approximately \$201,000. The Company agreed to develop and lease the property to a provisional dispensary permit holder. As of June 30, 2019, the Company had incurred approximately \$313,000 to develop the purchased commercial property. At June 30, 2019, the lease had not been entered into.
- (ii) On March 6, 2019, the Company purchased a commercial property located in Santa Barbara, California for approximately \$3,146,000. The property includes a building with suitable retail space of approximately 3,900 square feet. The Company agreed to develop and lease a portion of the property to GSG SBCA, Inc. As of June 30, 2019, the Company had incurred approximately \$10,000 to develop the purchased commercial property. At June 30, 2019, the lease had not been entered into.
- (iii) On March 8, 2019, the Company purchased a commercial property in Pottsville, Pennsylvania for approximately \$364,000. The Company agreed to develop and lease the property to a provisional dispensary permit holder. As of June 30, 2019, the Company had incurred approximately \$172,000 to develop the purchased commercial property. At June 30, 2019, the lease had not been entered into.

Total depreciation expense for the six months ended June 30, 2019 and for the period from January 23, 2018 (inception date) to June 30, 2018 was \$174,285 and \$0, respectively. Of the total expense, \$0 was allocated to inventory during the six months ended June 30, 2019 and for the period from January 23, 2018 (inception date) to June 30, 2018.

9. INTANGIBLE ASSETS

As of June 30, 2019, intangible assets consisted of the following:

JUSHI HOLDINGS INC. AND SUBSIDIARIES**Notes to the Condensed Interim Consolidated Financial Statements**

For the Three and Six Months Ended June 30, 2019, Three Months Ended June 30, 2018 and for the period from January 23, 2018 (inception date) to June 30, 2018

(Amounts Expressed in United States Dollars)

(Unaudited)

	Finite life intangible asset					Indefinite life intangible asset		Total
	Franchise Agreements	Intellectual Property	Patient Database	Tradename	Non-compete	Formulations	Internally Generated Intangibles	
Balance at December 31, 2018	\$1,850,000	\$1,290,000	\$880,000	\$50,000	\$8,000	\$50,000	\$-	\$4,128,000
Additions (1)	\$-	\$9,579,675	\$-	\$-	\$-	\$-	\$522,885	\$10,102,560
Balance, June 30, 2019	\$1,850,000	\$10,869,675	\$880,000	\$50,000	\$8,000	\$50,000	\$522,885	\$14,230,560
Accumulated Amortization								
Balance at December 31, 2018	\$(103,904)	\$(96,603)	\$(8,519)	\$(484)	\$(1,258)	\$-	\$-	\$(210,768)
Expense	\$(66,070)	\$(141,259)	\$(29,333)	\$(1,667)	\$(800)	\$-	\$-	\$(239,129)
Balance, June 30, 2019	\$(169,974)	\$(237,862)	\$(37,852)	\$(2,151)	\$(2,058)	\$-	\$-	\$(449,897)
Balance at								
At December 31, 2018	\$1,746,096	\$1,193,397	\$871,481	\$49,516	\$6,742	\$50,000	\$-	\$3,917,232
At June 30, 2019	\$1,680,026	\$10,631,813	\$842,148	\$47,849	\$5,942	\$50,000	\$522,885	\$13,780,663

Estimated Useful Life:

Franchise Agreements	10 years
Intellectual Property	0 - 10.5 years
Patient Database	15 years
Tradename	15 years
Non-compete	5 years

- (1) In June 2019, the Company purchased certain intellectual property and consulting agreements held by HMS, LLC (the “Clinic”), for total consideration of \$9,579,675, which included (i) \$4,115,000 in cash (including \$650,000 related to pre-combination services) and (ii) \$5,464,675 in equity (2,267,500 shares). The Clinic's expertise as an integrated operator and cannabis industry pioneer with sophisticated intellectual property, key performance measurements and standard operating procedures will complement the Company's expanding platform. The acquired intellectual property includes The Clinic's wholly-owned consulting service's trade secrets and other proprietary intellectual information related to cannabis brands. The Bank brand includes intellectual property related to cultivation and genetics of over 150 different strains. The Lab's brand includes intellectual property consisting of proprietary concentrates and extraction techniques.

The Company early adopted IFRS 3, as amended and determined the purchase did not qualify as a business combination because substantially all of the fair value of the gross assets acquired are concentrated in a single asset. See Note 2. “Summary of Significant Accounting Policies” for additional information.

Intangible assets with finite lives are amortized on a straight-line basis over their estimated useful lives. The Company recorded amortization expense of \$239,131 for the six months ended June 30, 2019 and \$72,410 for the period from January 23, 2018 (inception date) to June 30, 2018. This amount is recorded within depreciation and amortization expense in the Condensed Interim Consolidated Statements of Operations and Comprehensive Loss.

10. LEASE LIABILITY

The Company leases certain business facilities in Florida, New York, Pennsylvania, Ohio and

JUSHI HOLDINGS INC. AND SUBSIDIARIES**Notes to the Condensed Interim Consolidated Financial Statements****For the Three and Six Months Ended June 30, 2019, Three Months Ended June 30, 2018 and for the period from January 23, 2018 (inception date) to June 30, 2018*****(Amounts Expressed in United States Dollars)******(Unaudited)***

California from third parties under lease agreements that specify minimum rentals. The leases expire between 2020 and 2029 and contain certain renewal provisions.

There are no variable lease payments included in the measurement of lease obligations. 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.

The Company's net rent expense related to short term leases for the six months ended June 30, 2019 and the period from January 23, 2018 (inception date) to June 30, 2018 was approximately \$138,000 and \$0, respectively. The Company's interest expense related to leases having an initial or remaining term or more than one year was \$73,148.

At June 30, 2019 future minimum lease payments under non-cancelable operating leases having an initial or remaining term of more than one year are as follows:

Less than one year	\$ 529,099
One to five years	1,652,011
Greater than five years	992,323
Total undiscounted lease obligations	<u>\$ 3,173,433</u>

Lease liabilities included in the Statement of Financial Position at June 30, 2019:

Short-term	\$482,359
Long-term	\$1,412,235

11. NOTE PAYABLE

	June 30, 2019
Secured Promissory Notes - 2020	<u>\$ 1,500,000</u>
	<u>1,500,000</u>

Secured Promissory Notes – 2020

In June 2019, the Company entered into a definitive agreement with a provisionally licensed medical marijuana processor and issued \$1,500,000 in 18-month secured Sellers' Notes as part of the consideration. The notes bear interest at 10% per annum and are payable quarterly. See Note 5. "Deferred Acquisition Costs and Deposits" for additional information.

JUSHI HOLDINGS INC. AND SUBSIDIARIES

Notes to the Condensed Interim Consolidated Financial Statements

For the Three and Six Months Ended June 30, 2019, Three Months Ended June 30, 2018 and for the period from January 23, 2018 (inception date) to June 30, 2018

(Amounts Expressed in United States Dollars)

(Unaudited)

12. STOCKHOLDERS' EQUITY

(a) Authorized

As of June 30, 2019, the authorized share capital consists of an unlimited number of Subordinate Voting Shares, an unlimited number of Multiple Voting Shares, and an unlimited number of Super Voting Shares.

(i) Subordinate Voting Shares ("SVS")

Holders of Subordinate Voting Shares ("Subordinate Voting Holder") shall be entitled to notice of and to attend at any meeting of the shareholders of the Company, except a meeting of which only holders of another particular class or series of shares of the Company shall have the right to vote. At each such meeting Subordinate Voting Holders shall be entitled to one vote in respect of each Subordinate Voting Share held. As long as any Subordinate Voting Shares remain outstanding, the Company will not, without the consent of the holders of the Subordinate Voting Shares by separate special resolution, prejudice or interfere with any right or special right attached to the Subordinate Voting Shares.

Subordinate Voting Holders shall be entitled to receive as and when declared by the directors, dividends in cash or property of the Company. No dividend will be declared or paid on the Subordinate Voting Shares unless the Company simultaneously declares or pays, as applicable, equivalent dividends on the Multiple Voting Shares (on an as-converted to Subordinate Voting Share basis) and Super Voting Shares (on an as-converted to Subordinate Voting Share basis).

In the event of the liquidation, dissolution or winding-up of the Company, whether voluntary or involuntary, or in the event of any other distribution of assets of the Company among its shareholders for the purpose of winding up its affairs, the Subordinate Voting Holders shall, subject to the prior rights of the holders of any shares of the Company ranking in priority to the Subordinate Voting Shares be entitled to participate ratably along with all other holders of Multiple Voting Shares (on an as-converted to Subordinate Voting Share basis) and Super Voting Shares (on an as-converted to Subordinate Voting Share basis).

(ii) Multiple Voting Shares ("MVS")

The holders of Multiple Voting Shares (the "Multiple Voting Holders") shall have the right to 10 votes for each Subordinate Voting Share into which such Multiple Voting Shares could then be converted, which for greater certainty, shall initially equal 10 votes per Multiple Voting Share, and with respect to such vote, such holder shall have full voting rights and powers equal to the voting rights and powers of the Subordinate Voting Holders, and shall be entitled to notice of any shareholders' meeting and shall be entitled to vote, together with holders of Subordinate Voting Shares, with respect to any question upon which Subordinate Voting Holders have the right to vote. Fractional votes shall not,

JUSHI HOLDINGS INC. AND SUBSIDIARIES

Notes to the Condensed Interim Consolidated Financial Statements

For the Three and Six Months Ended June 30, 2019, Three Months Ended June 30, 2018 and for the period from January 23, 2018 (inception date) to June 30, 2018

(Amounts Expressed in United States Dollars)

(Unaudited)

however, be permitted and any fractional voting rights available on an as converted basis (after aggregating all Subordinate Voting Shares into which Multiple Voting Shares could be converted) shall be rounded to the nearest whole number (with one-half being rounded upward). Except as provided by law and by certain Company Article provisions, Multiple Voting Holders shall vote the Multiple Voting Shares together with the Subordinate Voting Holders and Super Voting Holders as a single class.

As long as any Multiple Voting Shares remain outstanding, the Company will not, without the consent of the holders of the Multiple Voting Shares and Super Voting Shares by separate special resolution, prejudice or interfere with any right or special right attached to the Multiple Voting Shares. In connection with the exercise of the voting rights for this purpose, each holder of Multiple Voting Shares will have one vote in respect of each Multiple Voting Share held.

The Multiple Voting Holders shall have the right to receive dividends, out of any cash or other assets legally available therefore, *pari passu* (on an as converted basis, assuming conversion of all Multiple Voting Shares into Subordinate Voting Shares at the applicable Conversion Ratio and ignoring any limitations on conversion as outlined in the Company Articles) as to dividends and any declaration or payment of any dividend on the Subordinate Voting Shares. No dividend will be declared or paid on the Multiple Voting Shares unless the Company simultaneously declares or pays, as applicable, equivalent dividends on the Subordinate Voting Shares and Super Voting Shares (on an as-converted to Subordinate Voting Share basis).

In the event of the liquidation, dissolution or winding-up of the Company, whether voluntary or involuntary, or in the event of any other distribution of assets of the Company among its shareholders for the purpose of winding up its affairs, the Multiple Voting Holders shall, subject to the prior rights of the holders of any shares of the Company ranking in priority to the Multiple Voting Shares, be entitled to participate ratably, on an as-converted to Subordinate Voting Share basis, along with all other holders of Subordinate Voting Shares and Super Voting Shares (on an as-converted to Subordinate Voting Share basis).

The Multiple Voting Holders shall have optional and mandatory conversion rights as outlined in the Company's Articles. Any Multiple Voting Share converted shall be retired and cancelled and may not be reissued as shares of such series or any other class or series, and the Company may thereafter take such appropriate action (without the need for stockholder action) as may be necessary to reduce the authorized number of Multiple Voting Shares accordingly.

(iii) Super Voting Shares ("SV")

The holders of Super Voting Shares (the "Super Voting Holders") shall have the right to 10 votes for each Subordinate Voting Share into which such Super Voting Shares could then be converted (as outlined in the Company's Articles), which for greater certainty, shall

JUSHI HOLDINGS INC. AND SUBSIDIARIES

Notes to the Condensed Interim Consolidated Financial Statements

For the Three and Six Months Ended June 30, 2019, Three Months Ended June 30, 2018 and for the period from January 23, 2018 (inception date) to June 30, 2018

(Amounts Expressed in United States Dollars)

(Unaudited)

initially equal 1,000 votes per Super Voting Share, and with respect to such vote, such holder shall have full voting rights and powers equal to the voting rights and powers of the Subordinate Voting Holders, and shall be entitled, to notice of any shareholders' meeting and shall be entitled to vote, together with holders of Subordinate Voting Shares, with respect to any question upon which Subordinate Voting Holders have the right to vote. Fractional votes shall not, however, be permitted and any fractional voting rights available on an as converted basis (after aggregating all Subordinate Voting Shares into which Super Voting Shares could be converted) shall be rounded to the nearest whole number (with one-half being rounded upward). Except as provided by law and by the provisions of the Company's Articles, Super Voting Holders shall vote the Super Voting Shares together with the Subordinate Voting Holders and Multiple Voting Holders as a single class.

In addition to any other rights provided by law, the Company shall not amend, alter or repeal the preferences, special rights or other powers of the Super Voting Shares or any other provision of the Company's constituting documents that would adversely affect the rights of the Super Voting Holders, without the written consent or affirmative vote of the holders of at least 66-2/3% of the then outstanding aggregate number of Super Voting Shares, as such changes relate to the Super Voting Shares, given in writing or by vote at a meeting, consenting or voting (as the case may be) separately as a class of the holders of Super Voting Shares (a "Super Majority Vote"). The Company shall have authority to issue one or more additional classes or series of shares, which may have rights and preferences superior or subordinate to the Super Voting Shares.

All shares of Super Voting Shares shall be identical with each other in all respects. The Super Voting Shares shall rank *pari passu* to the Subordinate Voting Shares as to dividends and upon liquidation, as described below. Any amounts herein shall be subject to appropriate adjustments in the event of any stock splits, consolidations or the like.

The Super Voting Holders shall have the right to receive dividends, out of any cash or other assets legally available therefor, *pari passu* (on an as converted basis, assuming conversion of all Super Voting Shares into Subordinate Voting Shares at the applicable Conversion Ratio and ignoring any limitations on conversion as outlined in the Company Articles) as to dividends and any declaration or payment of any dividend on the Subordinate Voting Shares.

In the event of any Liquidation Event (as defined in the Company Articles), either voluntary or involuntary, the holders of Super Voting Shares shall be entitled to receive the assets of the Company available for distribution to shareholders, distributed among the holders of Super Voting Shares on a *pro rata* basis based on the number of Super Voting Shares (on an as converted to Subordinate Voting Shares basis, assuming conversion of all Super Voting Shares into Subordinate Voting Shares at the applicable Conversion Ratio and ignoring any limitations on conversion as outlined in the Company Articles) issued and outstanding on the record date.

The Super Voting Holders shall have optional and mandatory conversion rights as outlined

JUSHI HOLDINGS INC. AND SUBSIDIARIES**Notes to the Condensed Interim Consolidated Financial Statements**

For the Three and Six Months Ended June 30, 2019, Three Months Ended June 30, 2018 and for the period from January 23, 2018 (inception date) to June 30, 2018

(Amounts Expressed in United States Dollars)

(Unaudited)

in the Company's Articles. Any Super Voting Share converted shall be retired and cancelled and may not be reissued as shares of such series or any other class or series, and the Company may thereafter take such appropriate action (without the need for stockholder action) as may be necessary to reduce the authorized number of Super Voting Shares accordingly. In addition, before any Super Voting Holder shall be entitled to convert Super Voting Shares into Subordinate Voting Shares, the Board of Directors (or a committee thereof) shall designate an officer of the Company to determine if any Conversion Limitation (as set forth in the Company Articles) shall apply.

(b) Issued and Outstanding

A reconciliation of the beginning and ending amounts of the issued and outstanding shares is as follows:

	Number of Shares			
	Super Voting Shares	Multiple Voting Shares	Subordinate Voting Shares	Treasury Shares
Balances - December 31, 2018	149,000	4,000,000	44,094,281	-
Issuance of shares for cash	-	-	8,080,000	-
Subscriptions receipts	-	-	-	-
Shares issued on conversion of subscription receipts	-	-	24,800,098	-
Shares issuance - RTO	-	-	413,266	-
Capital raising costs	-	-	-	-
Shares issued pursuant to the exercise of stock option	-	-	1,444,371	(829,901)
Shares issued pursuant to the exercise of warrants	-	-	91,832	-
Restricted stock grants	-	-	4,592,917	-
Share-based payments	-	-	-	-
Issuance of shares for Acquisition	-	-	2,267,500	-
Net loss	-	-	-	-
Balances - June 30, 2019 (unaudited)	<u>149,000</u>	<u>4,000,000</u>	<u>85,784,265</u>	<u>(829,901)</u>

(i) Consulting Agreements

In accordance with the terms of the Advisory and Consulting Agreement and the Data Purchase Agreement related to the MEND transaction completed in November 2018, the Company paid \$312,500 on May 7, 2019, and on May 5, 2019 issued \$312,500 of Senior Subordinated Shares with a three-year vesting period to Dr. Mechtler for services rendered.

(ii) Private Placement of Common Stock

(a) In February and March 2019, Jushi completed a non-brokered private placement consisting of 8,080,000 shares of Senior Subordinated Shares and warrants to purchase an additional 4,025,000 shares of Senior Subordinated Shares at \$3.00 per share for gross proceeds of \$16,100,000. The Company incurred \$158,522 of costs related to the private placement.

(b) In June 2019, the Company through Jushi Acquisition Corp. (a special purpose corporation) completed a brokered and non-brokered private placement of 24,800,098 subscription receipts (each, a "Subscription Receipt") at a price of \$2.75 per Subscription Receipt for aggregate gross proceeds of approximately \$68,200,270. As part of closing the Business Combination, each subscription receipt automatically

JUSHI HOLDINGS INC. AND SUBSIDIARIES**Notes to the Condensed Interim Consolidated Financial Statements****For the Three and Six Months Ended June 30, 2019, Three Months Ended June 30, 2018 and for the period from January 23, 2018 (inception date) to June 30, 2018*****(Amounts Expressed in United States Dollars)******(Unaudited)***

converted into one Class B common share that was exchanged into one voting share of common stock of Jushi Holdings Inc without any further action by the holder on the satisfaction of the escrow release conditions which included the following:

- the completion or satisfaction of all conditions precedent to the RTO having occurred, been satisfied or been waived other than the filing of the applicable documentation as may be required under corporate law and release of the escrowed funds; and
- the receipt of all required shareholder, third party (as applicable) and regulatory approvals in connection with the RTO, including the conditional approval for the listing of the Subordinate Voting Shares on the NEO Exchange

The Company incurred \$4,623,376 of cash-based costs related to the private placement.

(iii) Warrants

A reconciliation of the beginning and ending balance of the warrants outstanding is as follows:

	Number of Warrants	Weighted- Average Exercise Price
Balance as of December 31, 2018	36,533,639	\$ 1.59
Granted	7,265,463	\$ 2.44
Forfeited	(100,000)	\$ 2.00
Exercised	(91,832)	\$ 2.73
Balance as of June 30, 2019	<u>43,607,270</u>	<u>\$ 1.74</u>

During the three months ended March 31, 2019, the Company issued 4,040,000 warrants in connection with the non-brokered private placement.

During the three months ended March 31, 2019, the Company amended a consulting agreement with an individual into an employment agreement and issued warrants to purchase 467,875 Subordinate Voting Shares exercisable at \$1.50 per share. The warrants are subject to vesting restrictions.

During the three months ended March 31, 2019, the Company entered into a consulting agreement with an entity for services and issued warrants to purchase 100,000 Subordinate Voting Shares exercisable at \$2.00 per share and subject to vesting restrictions. These warrants were cancelled in April 2019.

During the three months ended March 31, 2019, the Company entered into a consulting agreement with an individual for services and issued warrants to purchase 750,000 Subordinate Voting Shares exercisable at \$1.50 per share and subject to vesting restrictions.

During the three months ended March 31, 2019, the Company entered into the Nevada Dispensary Certificate Agreement with a group of entities and individuals. In connection with this agreement

JUSHI HOLDINGS INC. AND SUBSIDIARIES**Notes to the Condensed Interim Consolidated Financial Statements**

For the Three and Six Months Ended June 30, 2019, Three Months Ended June 30, 2018 and for the period from January 23, 2018 (inception date) to June 30, 2018

(Amounts Expressed in United States Dollars)

(Unaudited)

the Company issued warrants to purchase an aggregate of 100,000 Subordinate Voting Shares exercisable at \$2.00 per share.

In April 2019, the Company entered into various consulting agreements for services and issued aggregate warrants to purchase 1,500,000 Subordinate Voting Shares with an exercise price of \$2.00 per share. The warrants are subject to vesting restrictions.

During the six months ended June 30, 2019, the Company issued warrants in connection with the RTO to purchase 307,592 Subordinate Voting Shares with an exercise price of \$2.73 per share. In June 2019, 91,832 of these warrants were exercised for cash proceeds of \$329,000 and the rest expired unexercised in July 2019.

The following table summarizes the warrants that remain outstanding as of June 30, 2019:

Security Issuable	Exercise Price	Number of Warrants		Expiration Date
Super Voting Shares	\$ 0.50	1,375,000	(1)	June 6, 2029
Super Voting Shares	\$ 1.00	149,000	(2)	June 6, 2029
Total Super Voting Shares		1,524,000		
Multiple Voting Shares	\$ 0.50	2,750,000	(1)	June 6, 2029
Multiple Voting Shares	\$ 1.00	4,000,000	(2)	June 6, 2029
Total Multiple Voting Shares		6,750,000		
Subordinate Voting Shares	\$ 2.73	215,760	(7)	July 10, 2019
Subordinate Voting Shares	\$ 1.00	750,000	(1)	November 10, 2019
Subordinate Voting Shares	\$ 2.00	2,500,000	(5)	March 20, 2020
Subordinate Voting Shares	\$ 1.50	750,000	(1)	May 10, 2020
Subordinate Voting Shares	\$ 2.00	1,000,000	(4)	June 12, 2020
Subordinate Voting Shares	\$ 2.00	750,000	(1)	October 11, 2020
Subordinate Voting Shares	\$ 2.00	100,000	(6)	March 24, 2021
Subordinate Voting Shares	\$ 2.00	17,597,135	(2)	June 6, 2021
Subordinate Voting Shares	\$ 2.25	1,000,000	(2)	June 6, 2021
Subordinate Voting Shares	\$ 3.00	4,040,000	(2)	June 6, 2021
Subordinate Voting Shares	\$ 1.50	325,000	(3)	September 27, 2023
Subordinate Voting Shares	\$ 1.50	750,000	(1)	March 18, 2024
Subordinate Voting Shares	\$ 1.35	1,000,000	(1)	July 1, 2028
Subordinate Voting Shares	\$ 1.50	467,875	(1)	January 1, 2029
Subordinate Voting Shares	\$ 2.00	1,500,000	(1)	April 17, 2029
Subordinate Voting Shares	\$ 0.50	687,500	(1)	June 6, 2029
Subordinate Voting Shares	\$ 1.00	1,900,000	(2)	June 6, 2029
Total Subordinate Voting Shares		35,333,270		
		Total Warrants		43,607,270

(1) - Issued for services rendered

(2) - Issued with the sale of stock

(3) - Issued in connection with a contemplated financing

(4) - Issued in connection with the sale of notes receivable

(5) - Issued in connection with the acquisition of TGS National Holdings

(6) - Issued in connection with the Nevada Dispensary Certificate Agreement.

(7) - Issued in connection with the RTO.

JUSHI HOLDINGS INC. AND SUBSIDIARIES

Notes to the Condensed Interim Consolidated Financial Statements

For the Three and Six Months Ended June 30, 2019, Three Months Ended June 30, 2018 and for the period from January 23, 2018 (inception date) to June 30, 2018

(Amounts Expressed in United States Dollars)

(Unaudited)

Many of the warrants have expiration dates that are subject to certain terms described in the warrant agreements. Specifically, many of the warrants have an expiration date that does not start until there is an exercise trigger/liquidity event. For this purpose, an exercise trigger/liquidity event is an amalgamation, share exchange, merger, plan or arrangement, or other form of business combination pursuant to which the Company's Common Stock (or the common shares of the resulting issuer) becomes listed on the Canadian Securities Exchange or any other securities exchange. The RTO transaction completed on June 6, 2019 qualified as an exercise trigger/liquidity event. In addition, many of the warrants contain terms under which the Company can accelerate the expiration date following a liquidity event if the volume weighted average price for any 20 consecutive trading days equals or exceeds a certain per share price.

During the six months ended June 30, 2019, the Company recorded share-based compensation expense related to warrants issued for services rendered of \$356,778, including \$90,476 to related parties, issued with a fair value ranging from \$0.21 to \$0.53 per warrant.

The fair value of warrants issued during the six months ended June 30, 2019 was determined using the Black-Scholes option-pricing model with the following assumptions at the time of grant:

Risk-Free Annual Interest Rate	2.31% - 2.59%
Expected Annual Dividend Yield	0%
Expected Stock Price Volatility	70% - 85%
Expected Life of Warrants	2 - 6 years
Forfeiture Rate	-

Volatility was estimated by using 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 warrants issued are expected to be outstanding. The risk-free rate is based on U.S. Treasury bills with a remaining term equal to the expected life of the warrants. The Company currently does not anticipate paying dividends in the foreseeable future. As a result, the expected annual dividend yield is assumed to be 0%.

As of June 30, 2019, warrants outstanding have a weighted-average remaining contractual life of 5.9 years.

13. SHARE-BASED COMPENSATION

In February 2018, the Company adopted the 2018 Equity Incentive Plan (the "Plan"). The Plan authorizes the issuance of the lesser of: (i) 20,000,000 shares and (ii) 15% of the number of outstanding shares of common stock (of all classes) of the Company.

On May 7, 2019, the Company adopted the 2019 Equity Incentive Plan which was amended on June 7, 2019 (the "2019 Plan"). The plan authorizes the issuance of 15% of the number of outstanding shares of common stock (of all classes) of the Company. Incentive stock options are limited to the Share Reserve as of June 6, 2019.

A summary of share-based compensation expense from stock options and restricted stock grants for the

JUSHI HOLDINGS INC. AND SUBSIDIARIES**Notes to the Condensed Interim Consolidated Financial Statements**

For the Three and Six Months Ended June 30, 2019, Three Months Ended June 30, 2018 and for the period from January 23, 2018 (inception date) to June 30, 2018

(Amounts Expressed in United States Dollars)

(Unaudited)

six months ended June 30, 2019 is as follows:

Stock Options:	
Directors	\$ 534,714
Employees	<u>721,026</u>
Total Stock Options	1,255,740
Restricted Stock Grants	<u>318,273</u>
	<u>\$ 1,574,013</u>

(a) Stock Options

A reconciliation of the beginning and ending balance of stock options outstanding is as follows:

	Number of Stock Options	Weighted- Average Exercise Price
Balance as of December 31, 2018	6,574,998	\$1.10
Granted	9,141,333	\$2.08
Exercised	(2,796,152)	\$1.00
Forfeited	<u>(3,938,846)</u>	\$1.38
Balance as of June 30, 2019	<u>8,981,333</u>	\$2.01

The following table summarizes the stock options that remain outstanding as of June 30, 2019:

Security Issuable	Expiration Date	Number of Stock Options	Exercise Price	Stock Options Exercisable
Subordinate Voting Shares	June 12, 2021	10,000	\$ 3.00 (1)	-
Subordinate Voting Shares	May 25, 2028	300,000	\$ 1.00 (1)	100,000
Subordinate Voting Shares	October 12, 2028	625,000	\$ 1.35 (1)	-
Subordinate Voting Shares	December 1, 2028	200,000	\$ 1.35 (1)	-
Subordinate Voting Shares	March 4, 2029	80,000	\$ 2.00 (1)	-
Subordinate Voting Shares	March 21, 2029	35,000	\$ 2.00 (1)	-
Subordinate Voting Shares	April 1, 2029	80,000	\$ 2.00 (1)	-
Subordinate Voting Shares	April 8, 2029	100,000	\$ 2.00 (1)	-
Subordinate Voting Shares	April 10, 2029	75,000	\$ 2.00 (1)	-
Subordinate Voting Shares	April 15, 2029	753,333	\$ 2.75 (1)	-
Subordinate Voting Shares	April 17, 2029	6,288,000	\$ 2.00 (1), (2)	-
Subordinate Voting Shares	April 29, 2029	35,000	\$ 2.75 (1)	-
Subordinate Voting Shares	May 7, 2029	25,000	\$ 2.75 (1)	-
Subordinate Voting Shares	June 1, 2029	100,000	\$ 2.75 (1)	-
Subordinate Voting Shares	June 7, 2029	<u>275,000</u>	\$ 2.75 (1)	-
		<u>8,981,333</u>		<u>100,000</u>

(1) - Issued to employees of certain subsidiaries of the Company under the Company's Plan.

Such options expire in ten years from the date of grant and generally have the following vesting conditions: 1/3 of the options will vest on each anniversary of the grant date.

(2) - Includes 4,055,000 stock options issued to directors of the Company under the Company's Plan.

JUSHI HOLDINGS INC. AND SUBSIDIARIES

Notes to the Condensed Interim Consolidated Financial Statements

For the Three and Six Months Ended June 30, 2019, Three Months Ended June 30, 2018 and for the period from January 23, 2018 (inception date) to June 30, 2018

(Amounts Expressed in United States Dollars)

(Unaudited)

The fair value of stock options granted during the six months ended June 30, 2019 was determined using the Black-Scholes option-pricing model with the following assumptions at the time of grant:

Risk-Free Annual Interest Rate	1.85% - 2.58%
Expected Annual Dividend Yield	0%
Volatility	70% - 85%
Expected Life of Stock Options	2 - 6 years
Forfeiture Rate	-

Volatility was estimated by using 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. 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. As a result, the expected annual dividend yield is expected to be 0%.

For the six months ended June 30, 2019, the weighted-average fair value of stock options granted was \$0.44 per option. As of June 30, 2019, stock options outstanding have a weighted-average remaining contractual life of 9.73 years.

(b) Restricted Stock Grants

As of June 30, 2019, the Company had granted 4,592,917 restricted Subordinated Voting Shares to consultants and employees. Of the restricted shares, 4,272,917 vest one-third on each anniversary of the grant date, 300,000 vest one-half at six months and one-half at twelve months of the grant date, and 20,000 vested upon the RTO.

14. COMMITMENTS AND CONTINGENCIES

(a) 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 compliance with applicable local and state regulations as of June 30, 2019, 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 in the future.

(b) 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 \$300,000 and, subject to regulatory approvals, grant a 5% equity interest in the applicant entity. A commitment fund will also be set up to fund \$100,000 annually

JUSHI HOLDINGS INC. AND SUBSIDIARIES

Notes to the Condensed Interim Consolidated Financial Statements

For the Three and Six Months Ended June 30, 2019, Three Months Ended June 30, 2018 and for the period from January 23, 2018 (inception date) to June 30, 2018

(Amounts Expressed in United States Dollars)

(Unaudited)

towards non-profit organizations in Culver City, California.

(c) Claims and Litigation

From time to time, the Company may be involved in litigation relating to claims arising out of operations in the normal course of business. As of June 30, 2019, there were no pending lawsuits that could reasonably be expected to have a material effect on the results of the Company's operations. 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.

On June 1, 2018, TGS National, which controls TGS National Franchise, LLC ("TGS"), a franchisor, filed a lawsuit in Colorado state court against San Felasco Nurseries, Inc. ("SFN"), as assignee of Florida Compassionate Growers, LLC. The case is currently on appeal in Colorado state court. The action was filed primarily out of TGS's 2018 exercise of a contractual right of first refusal to purchase SFN, its franchisee, following SFN entering into a letter of intent to sell its franchise to a third-party. The state court lawsuit sought equitable relief. On August 14, 2018, the state trial court dismissed the lawsuit without reaching the merits. Based on a contractual provision entitling the prevailing party to attorneys' fees and costs, the trial court also ordered TGS to pay SFN \$211,781 in combined attorney's fees and costs which were paid by the Company in 2018. TGS has appealed both the dismissal and the award of attorney's fees and costs. TGS filed its opening brief, SFN filed a response brief, and TGS filed a reply brief. The Company is pursuing this matter vigorously.

On October 22, 2018, TGS filed a claim in an arbitration action against SFN pending before the American Arbitration Association ("AAA"). During 2018, SFN terminated the franchise agreements between it and TGS. SFN then sold its business to a third-party. TGS contends the termination and transfer were wrongful and in late 2018 initiated arbitration seeking to recover its monetary damages. The arbitration has been stayed pending the resolution of the state court action. The Company is pursuing this matter vigorously.

(d) Purchase Commitments

In April 2019, the Company entered into a letter of intent with Castetter Sustainability Group, Inc. ("Castetter") to acquire the entire yield of hemp biomass from no fewer than 100 acres through the 2019 growing season. In connection with the letter of intent, the Company paid Castetter \$250,000 for the purpose of purchasing the necessary seeds related to the 2019 growing season. This payment will be credited towards the final amounts due by the Company to Castetter for the purchased hemp biomass.

(e) Pending Acquisitions and Working Capital Facilities

(i) Franklin BioScience Penn, LLC

In June 2019, the Company entered into a definitive agreement to purchase 100% of the equity interests of FBS Penn, for a combination of cash, shares, and sellers' notes. The Company also contingently committed to a line of credit of up to \$5,000,000 at 10%

JUSHI HOLDINGS INC. AND SUBSIDIARIES

Notes to the Condensed Interim Consolidated Financial Statements

For the Three and Six Months Ended June 30, 2019, Three Months Ended June 30, 2018 and for the period from January 23, 2018 (inception date) to June 30, 2018

(Amounts Expressed in United States Dollars)

(Unaudited)

interest per year maturing at the one-year anniversary, of which \$0 has been advanced to FBS Penn as of June 30, 2019. As disclosed in Note 18. “Subsequent Events”, in July 2019, the Company acquired 100% of the equity interests of FBS Penn.

(ii) Malibu Community Collective, Inc.

In February 2019, the Company entered into a Membership Issuance and Acquisition of Management Agreement with Malibu Community Collective, Inc. (“MCC”) pursuant to which it will, subject to the fulfillment of certain regulatory conditions, acquire 100% control of MCC. MCC has the right to operate one of only two adult use retail cannabis dispensaries in Malibu, California. Prior to that, in October 2018, the Company signed a lease giving it the right, subject to the fulfillment of certain regulatory conditions, to occupy approximately 3,000 square foot of space in a prime retail location on Pacific Coast Highway in Malibu. It is expected that closing of the definitive agreements will occur in the third quarter of 2019, subject to receipt of applicable regulatory approvals. The Company has agreed to advance up to \$115,000 to MCC for working capital uses which will be applied toward the purchase price. The Company has advanced \$100,000 as of June 30, 2019.

15. RELATED PARTY TRANSACTIONS

Transactions with related parties are entered into during the normal course of business and measured at the amount established and agreed to by the parties. The Company had the following related party transactions during the six months ended June 30, 2019.

Services Agreements

On July 1, 2018, the Company entered into a Services Agreement with One East Management Services LLC (“OEMS”) to provide certain management, advisory and consulting services for Jushi. OEMS is owned and controlled by Jim Cacioppo, the CEO of the Company. The term of the Services Agreement is through May 31, 2020, and, will be automatically extended for additional one-year periods unless terminated by either party with sixty day written notice. The Company paid OEMS \$250,000 for services rendered during the six months ended June 30, 2019. OEMS is owned and controlled by Jim Cacioppo, the CEO.

On April 17, 2019, the Company amended its Services Agreement dated July 1, 2018 with OEMS (“Amendment No. 1 Services”). The following are the amendments included in Amendment No. 1 Services (i) issuance of an additional warrant to OEMS to purchase 800,000 shares of Senior Subordinated Shares at an exercise price of \$2.00 per share with an expiration date of April 19, 2029; and (ii) payment of an additional step-up fee of \$75,000.

Consulting Agreements

On April 8, 2019, the Company amended its Consulting Agreement dated February 13, 2018, with Denis Arseneault (“Amendment No. 1 Consulting”), a significant shareholder of the Company. The

JUSHI HOLDINGS INC. AND SUBSIDIARIES**Notes to the Condensed Interim Consolidated Financial Statements****For the Three and Six Months Ended June 30, 2019, Three Months Ended June 30, 2018 and for the period from January 23, 2018 (inception date) to June 30, 2018*****(Amounts Expressed in United States Dollars)******(Unaudited)***

following are the amendments included in Amendment No. 1 Consulting: (i) issue an additional warrant to Mr. Arsenaault to purchase 500,000 shares of Senior Subordinated Shares at an exercise price of \$2.00 per share that vest over a three-year period beginning one year after the grant date with an expiration date of April 18, 2029; (ii) payment of an additional one-time step up fee of \$150,000; and (iii) annual compensation of \$50,000 to be paid quarterly and prorated for partial periods for so long as Mr. Arsenaault continues to consult for the Company. The Company recognizes expenses related to this consulting agreement as the services are performed.

On April 9, 2019, the Company amended its Consulting Agreement dated February 25, 2019, with Brooke Gehring, ("Amendment No. 1 Consulting - Gehring"). The following are the amendments included in Amendment No. 1 Consulting - Gehring: (i) issue an additional warrant to Mrs. Gehring to purchase 200,000 shares of Senior Subordinated Shares at an exercise price of \$2.00 per share that vest over six-month period beginning on February 25, 2019 with an expiration date of February 25, 2029; and (ii) monthly compensation of \$19,583 while providing services to the Company. The Company recognizes expenses related to this consulting agreement as the services are performed.

Remuneration of directors and key management of the Company

The remuneration awarded to directors and senior key management includes the following:

For the six months ended June 30	2019	2018
Wages	\$1,993,565	\$150,000
Share-based compensation	783,698	35,469
	<u>\$2,777,263</u>	<u>\$185,469</u>

Lease Agreement

On January 1, 2019, the Company entered into a commercial lease agreement with Erich Mauff, a member of the Board of Directors, for an apartment on 118 Remsen Street, Apt.1 Brooklyn, New York. The monthly rental fee is \$2,550 which is paid in biannual installments. On April 1, 2019, the lease was terminated by the Company and Mr. Mauff.

Franchise Agreements

On February 29, 2016, TGS National Franchise, LLC ("TGSNF") entered into a Franchise Agreement with TGS Illinois, LLC ("TGSI"), to provide certain franchise systems for the operation of a retail cannabis business. The term of the Franchise Agreement is for a period of (10) ten years. Per the Franchise Agreement, a royalty fee based on gross sales is to be remitted to TGSNF. For the six months ended June 30, 2019 and the period from January 23, 2018 (inception date) to June 30, 2018, the Company recognized revenue of \$100,837 and \$8,114, respectively, and at June 30, 2019, the amount due from TGSI was \$172,408. The amount due from TGSI has been fully reserved as of June 30, 2019, pending the resolution of a confidential settlement agreement. TGSNF is a wholly owned subsidiary of TGS National Holdings, LLC, in which Jushi acquired a 51% ownership interest on March 18, 2018.

JUSHI HOLDINGS INC. AND SUBSIDIARIES

Notes to the Condensed Interim Consolidated Financial Statements

For the Three and Six Months Ended June 30, 2019, Three Months Ended June 30, 2018 and for the period from January 23, 2018 (inception date) to June 30, 2018

(Amounts Expressed in United States Dollars)

(Unaudited)

16. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT

Financial Instruments

The Company's financial instruments consist of cash and cash equivalents, investment in trading securities, accounts receivable, due from related party, financial asset, accounts payable, note payable, accrued expenses, redemption liability and lease obligations. The carrying values of these financial instruments approximate their fair values as of June 30, 2019.

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.

The Company's investment in trading securities is considered to be a Level 1 instrument because it is comprised of shares of a public company, and there is an active market for the shares with observable market data or inputs. The Company's financial asset is considered to be a Level 3 instrument because it is comprised of shares of a private company; thus, there is no active market for the shares and no observable market data or inputs.

The redemption liability related to the acquisition of 49% of TGSNH is recorded at fair value and is estimated using the present value of the Put Option and Call Option and is therefore considered to be a Level 3 measurement. The Company has the exclusive right ("Call Option") to purchase the remaining 49% of TGS for a period of 30 months from February 13, 2018 ("Option Period"). Concurrently, the seller may require the Company ("Put Option") to purchase the remaining 49% no earlier than 12 months from February 13, 2018, but before the end of the Option Period.

The consideration to be paid for either the Call Option or Put Option 49% of TGS shall be \$7,000,000 if purchased within 18 months from February 13, 2018, or \$8,500,000 if purchased on or after 18 months through the end of the Option Period. The consideration under the Put Option shall be paid in the form of Jushi, Inc. Common Stock.

The fair value of the redemption liability at June 30, 2019 related to the acquisition of 49% of TGSNH was based on the following assumptions:

Risk-Free Annual Interest Rate	1.83% - 2.09%
Expected time for redemption	0.5 - 2.5 years

There was no change in the Company's Level 3 financial asset for the six months ending June 30, 2019. Changes in the Level 3 financial liability were as follows:

JUSHI HOLDINGS INC. AND SUBSIDIARIES**Notes to the Condensed Interim Consolidated Financial Statements**

For the Three and Six Months Ended June 30, 2019, Three Months Ended June 30, 2018 and for the period from January 23, 2018 (inception date) to June 30, 2018

(Amounts Expressed in United States Dollars)

(Unaudited)

Balance at December 31, 2018	\$	7,388,547
Revaluation of Level 3 Instruments		130,857
Balance at June 30, 2019	\$	<u>7,519,404</u>

There have been no transfers between fair value levels during the six months ended June 30, 2019. The following table summarizes the Company's financial instruments as of June 30, 2019:

	<u>Financial Assets</u>	<u>Financial Liabilities</u>	<u>Total</u>
Financial Assets:			
Cash	\$ 86,735,344	\$ -	\$ 86,735,344
Investment in trading securities	\$ 1,253,345	\$ -	\$ 1,253,345
Accounts receivable	\$ 28,099	\$ -	\$ 28,099
Due from related party	\$ -	\$ -	\$ -
Financial assets	\$ 5,454,252	\$ -	\$ 5,454,252
Financial Liabilities:			
Accounts payable and accrued expenses	\$ -	\$ 3,862,848	\$ 3,862,848
Notes payable	\$ -	\$ 1,500,000	\$ 1,500,000
Redemption liability	\$ -	\$ 7,519,404	\$ 7,519,404
Lease obligations	\$ -	\$ 1,894,594	\$ 1,894,594

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 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 at June 30, 2019, is the carrying amount of cash and cash equivalents. The Company does not have significant credit risk with respect to its customers. All cash and cash equivalents are placed with major U.S. financial institutions. Although some cash is placed with major U.S. financial institutions, there has been no change in the U.S. federal banking laws related to the deposit and holding of funds derived from activities related to the cannabis industry. Given that U.S. federal law provides that the production and possession of cannabis is illegal, there is a strong argument that banks cannot accept for deposit funds from business involved with the marijuana industry.

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.

"Financial instruments that potentially subject the Company to concentration of credit risk consist principally of cash deposits. Accounts at each institution are insured by the Canada Deposit Insurance Corporation ("CDIC") up to \$100,000. As June 30, 2019, the Company had \$84,280,819

JUSHI HOLDINGS INC. AND SUBSIDIARIES**Notes to the Condensed Interim Consolidated Financial Statements****For the Three and Six Months Ended June 30, 2019, Three Months Ended June 30, 2018 and for the period from January 23, 2018 (inception date) to June 30, 2018*****(Amounts Expressed in United States Dollars)******(Unaudited)***

in excess of the CDIC insured limit.”

(b) Asset Forfeiture Risk

Because the cannabis industry remains illegal under U.S. federal law, any property owned by participants in the cannabis industry which are either used in the course of conducting such business, or are the proceeds of such business, could be subject to seizure by law enforcement and subsequent civil asset forfeiture. Even if the owner of the property were never charged with a crime, the property in question could still be seized and subject to an administrative proceeding by which, with minimal due process, it could be subject to forfeiture.

(c) Liquidity Risk

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’s approach to managing liquidity is to ensure that it will have sufficient liquidity to settle obligations and liabilities when due.

In addition to the commitments outlined in “Note 12 - Commitments and Contingencies”, the Company has the following contractual obligations as of June 30, 2019:

	<u>< 1 Year</u>	<u>1 to 3 Years</u>	<u>3 to 5 Years</u>	<u>Total</u>
Accounts payable and accrued expenses	\$ 3,862,848	\$ -	\$ -	\$ 3,862,848
Notes payable	\$ 1,500,000	\$ -	\$ -	\$ 1,500,000

(d) Market Risk***(i) Currency Risk***

The operating results and financial position of the Company are reported in U.S. dollars. The Company had no exposure to foreign currency transactions for the six months ended June 30, 2019.

(ii) 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 and cash equivalents bear 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.

(iii) Price Risk

Price risk is the risk of variability in fair value due to movements in equity or market prices.

(iv) Regulatory Risk

JUSHI HOLDINGS INC. AND SUBSIDIARIES**Notes to the Condensed Interim Consolidated Financial Statements****For the Three and Six Months Ended June 30, 2019, Three Months Ended June 30, 2018 and for the period from January 23, 2018 (inception date) to June 30, 2018*****(Amounts Expressed in United States Dollars)******(Unaudited)***

Regulatory risk pertains to the risk that the Company's business objectives are contingent, in part, upon the compliance of regulatory requirements. Due to the nature of the industry, the Company recognizes that regulatory requirements are more stringent and punitive in nature. Any delays in obtaining, or failure to obtain regulatory approvals can significantly delay operational and product development and can have a material adverse effect on the Company's business, results of operation, and financial condition.

The Company is cognizant of the advent of regulatory changes occurring in the cannabis industry on the city, state, and national levels. Although regulatory outlook on the cannabis industry has been moving in a positive trend, the Company is aware of the effect of unforeseen regulatory changes can have on the goals and operations of the business as a whole.

17. SUBSEQUENT EVENTS

Franklin BioScience Penn, LLC

On July 10, 2019, the Company acquired 100% of the equity interests of FBS Penn. Total consideration paid was approximately \$63,000,000 consisting of \$27,110,000 in cash (net of the \$4,000,000 advanced payment – See Note 5. “Deferred Acquisition Costs and Deposits,”) \$27,500,000 in promissory notes secured by a first priority security interest in the Company, and the issuance of 3,380,000 subordinate voting shares to the sellers, of which 1,500,000 shares were issued subject to certain escrow provisions. The promissory notes are due in tranches with \$10,000,000 due on September 30, 2019, \$7,500,000 due March 9, 2020, \$5,000,000 due September 9, 2020, and \$5,000,000 due March 9, 2021. The notes bear interest of 10% per annum, payable at tranche maturity. Of the \$27,500,000 in secured notes, \$10,000,000 are convertible at the option of the holders on or before September 30, 2019, into subordinate voting shares of the Company at a conversion price of \$3.30 per share. The shares subject to the escrow provisions will be released from escrow to the registered holders on the six-month anniversary of the acquisition. The Company is in the process of determining the financial statement impact of the acquisition of FBS Penn's equity interests as well as the fair values of the acquired assets and assumed liabilities of FBS Penn. The financial statement impact and valuation are expected to be completed before year-end.

Franklin BioScience NV, LLC

On July 24 2019, the Company received authorization from the City of North Las Vegas to enter the greater Las Vegas, Nevada market under a management services agreement with FBS NV. The Company also completed the purchase of the real estate associated with FBS NV's facility in North Las Vegas for \$1,500,000 consisting of \$1,125,000 in cash and \$375,000 in secured promissory notes. The notes mature on July 24, 2021, are secured by the real estate, and bear interest of 10% per annum. The facility acquired includes two adjacent buildings with cultivation, manufacturing, and distribution capabilities. In addition, the Company entered into a definitive agreement to purchase 100% of the equity interest in FBS NV for approximately \$5,250,000 in cash and \$2,250,000 in promissory notes, subject to receipt of applicable regulatory approvals. The promissory notes bear interest of 10% per annum. Of the \$2,250,000 in promissory notes, 50%

JUSHI HOLDINGS INC. AND SUBSIDIARIES**Notes to the Condensed Interim Consolidated Financial Statements****For the Three and Six Months Ended June 30, 2019, Three Months Ended June 30, 2018 and for the period from January 23, 2018 (inception date) to June 30, 2018*****(Amounts Expressed in United States Dollars)******(Unaudited)***

matures on the one-year anniversary of issuance and the remaining amount matures on the second-year anniversary. It is expected that closing of the acquisition will occur in the second half of 2019. See Note 5. “Deferred Acquisition Costs and Deposits” for additional information.

Virginia-Based Pharmaceutical Processor for Medical Cannabis Extracts

In July 2019, the Company entered into a definitive agreement to acquire a controlling interest in Dalitso LLC (“Dalitso”), a Virginia-based pharmaceutical processor for medical cannabis extracts. Total consideration will consist of (i) \$7,800,000 in cash, (ii) \$4,200,000 in Subordinate Voting Shares of the Company, (iii) approximately 1,000,000 warrants to purchase shares at a price of \$3.00 per share, expiring two years from issuance, and (iv) approximately \$4,000,000 in promissory notes comprised of \$2,700,000 in 6% secured notes issued to the sellers maturing 24 months and convertible at the option of the holders on or prior to maturity date at a conversion price of \$6.00 per share and \$1,300,000 in 9% unsecured notes issued to certain sellers maturing after 24 months. The Company has also committed to loan Dalitso up to \$15,000,000 through a 9% secured note for working capital needs. It is expected that closing of the acquisition will occur in the third or fourth quarter of 2019, subject to regulatory and other customary closing conditions.

Gloucester Street Capital, LLC (“GSC”)

On August 08, 2019, Cresco Labs Inc. (“Cresco Labs”) announced that it has received regulatory approval for its acquisition of 100% of the membership interests of GSC, for an undisclosed amount, via a merger between GSC and an indirect subsidiary of Cresco Labs. The acquisition is expected to close in the third quarter of 2019.