

# FORM 10-Q

As of May 8, 2024, the registrant had 291,507,430 common shares, \$0.01 par value per share, outstanding.

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### Cautionary Note Regarding Forward-Looking Statements

This Quarterly Report on Form 10-Q contains statements that TerrAscend Corp. (the "Issuer") believes are, or may be considered to be, "forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended (the "Securities Act"), and Section 21E of the Securities Exchange Act of 1934, as amended (the "Exchange Act"). All statements other than statements of historical fact included in this Quarterly Report on Form 10-Q regarding the prospects of the industry in which the Issuer, its subsidiaries, TerrAscend Growth Corp. ("TerrAscend") and its subsidiaries (collectively, the "Company") operate or the Company's prospects, plans, financial position or business strategy may constitute forward-looking statements. Such statements can be identified by the use of forward-looking terminology such as "can", "expect", "likely", "may", "will", "should", "intend", "anticipate", "potential", "proposed", "estimate" and other similar words, including negative and grammatical variations thereof, or statements that certain events or conditions "may" or "will" happen, or by discussions of strategy. Forward-looking statements include estimates, plans, expectations, opinions, forecasts, projections, targets, guidance, or other statements that are not statements of fact. Forward-looking statements in this Quarterly Report on Form 10-Q include, but are not limited to, statements with respect to:

- the projected performance of the Company's business and operations;
  - the Company's estimates and expectations regarding revenues, expenses and need for substantial additional financing, and its ability to obtain additional financing;
  - the Internal Revenue Service's (the "IRS") review of the Company's tax positions, including heightened risk of added scrutiny or increased frequency or depth of reviews or audits by the IRS;
  - the Company's joint venture interests, including, as applicable, required regulatory approvals and licensing, anticipated costs and timing, expected impact thereof, and the ability to enter into future joint ventures;
  - the Company's ability to complete future strategic alliances and the expected impact thereof;
  - the Company's ability to source investment opportunities and complete future acquisitions, including in respect of entities in the United States, the ability to finance such acquisitions or operations in the United States, and the expected impact thereof, including potential issuances of common shares in the capital of the Company ("Common Shares");
  - the Company's ability to market itself to the capital markets, including its ability to raise equity as a result of its corporate ownership structure;
  - the Company's ability to continue as a going concern;
  - the expected growth in the number of customers and patients using the Company's adult-use and medical cannabis, respectively;
  - the expected growth in cultivation and production capacities of the Company;
  - expectations with respect to future production costs;
  - the expected impact of taxation on the Company's profitability and the uncertainty around timing of any legislative changes impacting unfavorable tax treatment;
  - the expected methods to be used by the Company to distribute cannabis;
  - the expected growth in the number of the Company's dispensaries;
  - the competitive conditions of the industry in which the Company operates;
  - federal, state, provincial, territorial, local and foreign government laws, rules and regulations, including federal and state laws in the United States relating to cannabis operations in the United States;
  - the legalization of the regulated use of cannabis for medical and/or adult-use in the United States and the related timing and impact thereof;
  - laws and regulations and any amendments thereto applicable to the business and the impact thereof;
  - the possibility of actions by individuals, or U.S. federal government enforcement actions, against the Company and the potential impact of such actions on the Company;
  - the competitive advantages and business strategies of the Company;
  - the grant, renewal and impact of any license or supplemental license to conduct activities with or without cannabis or any amendments thereof;
  - the medical benefits, viability, safety, efficacy, dosing and social acceptance of cannabis;
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- the Company's future product offerings;
- TerrAscend's ability to source and operate facilities in the United States and to operate such facilities;
- the Company's ability to integrate and operate the assets it acquires or may acquire in the future;
- the Company's ability to protect its intellectual property;
- the outcome of litigation to which the Company is party;
- the possibility that the Company's products may be subject to product recalls and returns; and
- other risks and uncertainties, including those listed under the section titled "*Risk Factors*" in this Quarterly Report.

Certain of the forward-looking statements contained herein concerning the cannabis industry and the general expectations of the Company concerning the cannabis industry are based on estimates prepared by the Company using data from publicly-available governmental sources as well as from market research and industry analysis and on assumptions based on data and knowledge of the cannabis industry. Such data is inherently imprecise. The cannabis industry involves risks and uncertainties that are subject to change based on various factors, which factors are described further below.

With respect to the forward-looking statements contained in this Quarterly Report on Form 10-Q, the Company has made assumptions regarding, among other things: (i) its ability to generate cash flows from operations and obtain necessary financing on acceptable terms; (ii) general economic, financial market, regulatory and political conditions in jurisdictions in which the Company operates; (iii) the output from the Company's operations; (iv) consumer interest in the Company's products; (v) competition in the cannabis industry; (vi) anticipated and unanticipated costs; (vii) government regulation of the Company's activities and products; (viii) government regulation of licensing, taxation and environmental protection; (ix) the timely receipt of any required regulatory approvals; (x) the Company's ability to obtain qualified staff, equipment and services in a timely and cost efficient manner; (xi) the Company's ability to conduct operations in a safe, efficient and effective manner; and (xii) the Company's construction plans and timeframe for completion of such plans.

Readers are cautioned that the above list of cautionary statements is not exhaustive. Known and unknown risks, many of which are beyond the control of the Company, could cause actual results to differ materially from the forward-looking statements in this Quarterly Report on Form 10-Q. Such risks and uncertainties include, but are not limited to, current and future market conditions; risks related to federal, state, provincial, territorial, local and foreign government laws, rules and regulations, including federal and state laws in the United States relating to cannabis operations in the United States; and those discussed under Item 1A – "*Risk Factors*" in the Company's Annual Report on Form 10-K for the year ended December 31, 2023, filed with the Securities and Exchange Commission (the "SEC") on March 14, 2024 and this Quarterly Report on Form 10-Q. The purpose of forward-looking statements is to provide the reader with a description of management's expectations, and such forward-looking statements may not be appropriate for any other purpose. You should not place undue reliance on forward-looking statements contained in this Quarterly Report on Form 10-Q. The Company can give no assurance that such expectations will prove to have been correct. Forward-looking statements contained herein are made as of the date of this Quarterly Report on Form 10-Q and are based on the beliefs, estimates, expectations and opinions of management on the date such forward-looking statements are made. The Company undertakes no obligation to update or revise any forward-looking statements, whether as a result of new information, estimates or opinions, future events or results or otherwise or to explain any material difference between subsequent actual events and such forward-looking statements, except as required by applicable law.

## PART I—FINANCIAL INFORMATION

### Item 1. Financial Statements.

#### TerrAscend Corp.

#### Unaudited Interim Condensed Consolidated Balance Sheets

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

	At March 31, 2024	At December 31, 2023
<b>Assets</b>		
<b>Current Assets</b>		
Cash and cash equivalents	\$ 22,664	\$ 22,241
Restricted cash	3,110	3,106
Accounts receivable, net	17,013	19,048
Investments	1,965	1,913
Inventory	49,199	51,683
Prepaid expenses and other current assets	3,704	4,898
	97,655	102,889
<b>Non-Current Assets</b>		
Property and equipment, net	194,256	196,215
Deposits	284	337
Operating lease right of use assets	41,488	43,440
Intangible assets, net	214,060	215,854
Goodwill	106,929	106,929
Other non-current assets	867	854
	557,884	563,629
<b>Total Assets</b>	<b>\$ 655,539</b>	<b>\$ 666,518</b>
<b>Liabilities and Shareholders' Equity</b>		
<b>Current Liabilities</b>		
Accounts payable and accrued liabilities	\$ 49,673	\$ 49,897
Deferred revenue	4,510	4,154
Loans payable, current	133,668	137,737
Contingent consideration payable, current	1,490	6,446
Operating lease liability, current	1,816	1,244
Lease obligations under finance leases, current	2,079	2,030
Corporate income tax payable	5,143	4,775
Other current liabilities	737	717
	199,116	207,000
<b>Non-Current Liabilities</b>		
Loans payable, non-current	58,409	61,633
Operating lease liability, non-current	43,967	45,384
Lease obligations under finance leases, non-current	383	407
Derivative liability	6,075	5,162
Convertible debt	7,682	7,266
Deferred income tax liability	16,919	17,175
Contingent consideration payable, non-current	1,424	—
Liability on uncertain tax position and other long term liabilities	89,455	81,751
	224,314	218,778
<b>Total Liabilities</b>	<b>423,430</b>	<b>425,778</b>
<b>Commitments and Contingencies</b>		
<b>Shareholders' Equity</b>		
<b>Share Capital</b>		
Series A, convertible preferred stock, no par value, unlimited shares authorized; 12,350 and 12,350 shares outstanding as of March 31, 2024 and December 31, 2023, respectively	—	—
Series B, convertible preferred stock, no par value, unlimited shares authorized; 600 and 600 shares outstanding as of March 31, 2024 and December 31, 2023, respectively	—	—
Series C, convertible preferred stock, no par value, unlimited shares authorized; nil and nil shares outstanding as of March 31, 2024 and December 31, 2023, respectively	—	—
Series D, convertible preferred stock, no par value, unlimited shares authorized; nil and nil shares outstanding as of March 31, 2024 and December 31, 2023, respectively	—	—
Proportionate voting shares, no par value, unlimited shares authorized; nil and nil shares outstanding as of March 31, 2024 and December 31, 2023, respectively	—	—
Exchangeable shares, no par value, unlimited shares authorized; 63,492,038 and 63,492,038 shares outstanding as of March 31, 2024 and December 31, 2023, respectively	—	—
Common shares, no par value, unlimited shares authorized; 291,284,814 and 288,327,497 shares outstanding as of March 31, 2024 and December 31, 2023, respectively	—	—
Additional paid in capital	945,825	944,859
Accumulated other comprehensive income	2,197	1,799
Accumulated deficit	(717,398 )	(704,162 )
Non-controlling interest	1,485	(1,756 )
<b>Total Shareholders' Equity</b>	<b>232,109</b>	<b>240,740</b>
<b>Total Liabilities and Shareholders' Equity</b>	<b>\$ 655,539</b>	<b>\$ 666,518</b>

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

TerrAscend Corp.

**Unaudited Interim Condensed Consolidated Statements of Operations and Comprehensive Loss**

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

	For the Three Months Ended	
	March 31, 2024	March 31, 2023
<b>Revenue, net</b>	<b>80,633</b>	<b>69,398</b>
<b>Cost of Sales</b>	<b>41,902</b>	<b>35,498</b>
<b>Gross profit</b>	<b>38,731</b>	<b>33,900</b>
<b>Operating expenses:</b>		
General and administrative	28,008	27,730
Amortization and depreciation	2,215	2,029
Impairment of property and equipment and right of use assets	2,438	335
<b>Total operating expenses</b>	<b>32,661</b>	<b>30,094</b>
<b>Income from operations</b>	<b>6,070</b>	<b>3,806</b>
<b>Other (income) expense</b>		
Loss from revaluation of contingent consideration	1,393	—
Loss (gain) on fair value of warrants and purchase option derivative assets	983	(438 )
Finance and other expenses	8,589	10,087
Transaction and restructuring costs	—	3
Unrealized and realized foreign exchange loss (gain)	285	(31 )
Unrealized and realized loss on investments	—	699
<b>Loss from continuing operations before provision for income taxes</b>	<b>(5,180 )</b>	<b>(6,514 )</b>
Provision for income taxes	9,671	12,664
<b>Net loss from continuing operations</b>	<b>\$ (14,851 )</b>	<b>\$ (19,178 )</b>
<b>Discontinued operations:</b>		
Loss from discontinued operations, net of tax	\$ —	\$ (3,591 )
<b>Net loss</b>	<b>\$ (14,851 )</b>	<b>\$ (22,769 )</b>
Foreign currency translation adjustment	(398 )	347
<b>Comprehensive loss</b>	<b>\$ (14,453 )</b>	<b>\$ (23,116 )</b>
<b>Net loss from continuing operations attributable to:</b>		
Common and proportionate Shareholders of the Company	\$ (17,055 )	\$ (21,364 )
Non-controlling interests	\$ 2,204	\$ 2,186
<b>Comprehensive loss attributable to:</b>		
Common and proportionate Shareholders of the Company	\$ (16,657 )	\$ (25,302 )
Non-controlling interests	\$ 2,204	\$ 2,186
<b>Net loss per share</b>		
Net loss per share - basic:		
Continuing operations	\$ (0.06 )	\$ (0.08 )
Discontinued operations	\$ —	\$ (0.01 )
Net loss per share - basic	\$ (0.06 )	\$ (0.09 )
Weighted average number of outstanding common shares	290,618,567	267,211,093
Net loss per share - diluted:		
Continuing operations	\$ (0.06 )	\$ (0.08 )
Discontinued operations	\$ —	\$ (0.01 )
Net loss per share - diluted	\$ (0.06 )	\$ (0.09 )
Weighted average number of outstanding common shares, assuming dilution	290,618,567	267,211,093

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

TerrAscend Corp.

**Unaudited Interim Condensed Consolidated Statements of Changes in Shareholders' Equity**

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

	Number of Shares				Common Shares Equivalent	Additional paid in capital	Accumulated other comprehensive income	Accumulated deficit	Non-controlling interest	Total
	Common Shares	Exchangeable Shares	Series A	Series B						
Balance at December 31, 2023	288,327,497	63,492,038	12,350	600	364,769,739	\$ 944,859	\$ 1,799	\$ (704,162 )	\$ (1,756 )	\$ 240,740
Shares issued - stock options, warrant and RSU exercises	69,229	—	—	—	69,229	—	—	—	—	—
Share-based compensation expense	—	—	—	—	—	1,485	—	—	—	1,485
Options and warrants expired/forfeited	—	—	—	—	—	(3,819 )	—	3,819	—	—
Capital distributions	—	—	—	—	—	—	—	—	(337 )	(337 )
Acquisition of non-controlling interest	2,888,088	—	—	—	2,888,088	3,300	—	—	1,374	4,674
Net loss for the period	—	—	—	—	—	—	—	(17,055 )	2,204	(14,851 )
Foreign currency translation adjustment	—	—	—	—	—	—	398	—	—	398
Balance at March 31, 2024	291,284,814	63,492,038	12,350	600	367,727,056	\$ 945,825	\$ 2,197	\$ (717,398 )	\$ 1,485	\$ 232,109

	Number of Shares				Common Shares Equivalent	Additional paid in capital	Accumulated other comprehensive income (loss)	Accumulated deficit	Non-controlling interest	Total
	Common Shares	Exchangeable Shares	Series A	Series B						
Balance at December 31, 2022	259,624,531	76,996,538	12,608	600	349,829,273	\$ 934,972	\$ 2,085	(618,260 )	2,374	\$ 321,171
Shares issued - stock options, warrant and RSU exercises	392,846	—	—	—	392,846	81	—	—	—	81
Shares, options and warrants issued - acquisitions	471,681	—	—	—	471,681	743	—	—	—	743
Shares, options and warrants issued - legal settlement	402,185	—	—	—	402,185	593	—	—	—	593
Shares issued- conversion	13,762,500	(13,504,500 )	(258 )	—	—	—	—	—	—	—
Share-based compensation expense	—	—	—	—	—	1,713	—	—	—	1,713
Options and warrants expired/forfeited	—	—	—	—	—	(1,698 )	—	1,698	—	—
Capital contribution	—	—	—	—	—	—	—	—	(1,884 )	(1,884 )
Net loss for the period	—	—	—	—	—	—	—	(24,955 )	2,186	(22,769 )
Foreign currency translation adjustment	—	—	—	—	—	—	(347 )	—	—	(347 )
Balance at March 31, 2023	274,653,743	63,492,038	12,350	600	351,095,985	\$ 936,404	\$ 1,738	\$ (641,517 )	\$ 2,676	\$ 299,301

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

# TerrAscend Corp.

## Unaudited Interim Condensed Consolidated Statements of Cash Flows

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

	For the Three Months Ended	
	March 31, 2024	March 31, 2023
<b>Operating activities</b>		
Net loss from continuing operations	\$ (14,851 )	\$ (19,178 )
Adjustments to reconcile net loss to net cash provided by operating activities		
Non-cash adjustments of inventory	—	797
Accretion expense	5,875	4,763
Depreciation of property and equipment and amortization of intangible assets	5,000	4,771
Amortization of operating right-of-use assets	716	454
Share-based compensation	1,485	1,713
Deferred income tax expense	(256 )	1,446
Loss (gain) on fair value of warrants and purchase option derivative	983	(438 )
Gain on disposal of fixed assets	—	307
Loss from revaluation of contingent consideration	1,393	—
Impairment of property and equipment and right of use assets	2,438	—
Loss on derecognition of right of use assets and lease termination	—	205
Bad debt expense	67	—
Unrealized and realized foreign exchange loss (gain)	285	(31 )
Unrealized and realized loss on investments	—	699
Changes in operating assets and liabilities		
Receivables	1,954	773
Inventory	2,476	(4,969 )
Prepaid expense and other current assets	1,189	1,203
Deposits	—	97
Other assets	(12 )	(131 )
Accounts payable and accrued liabilities and other payables	(3,511 )	6,882
Operating lease liability	(670 )	(473 )
Other liability	(537 )	(14 )
Uncertain tax position liabilities	8,503	—
Corporate income tax payable	368	11,773
Deferred revenue	356	(195 )
<b>Net cash provided by operating activities- continuing operations</b>	<b>13,251</b>	<b>10,454</b>
Net cash used in operating activities - discontinued operations	—	(2,020 )
<b>Net cash provided by operating activities</b>	<b>13,251</b>	<b>8,434</b>
<b>Investing activities</b>		
Investment in property and equipment	(2,796 )	(2,497 )
Investment in intangible assets	(127 )	(14 )
Principal payments received on lease receivable	—	111
Success fees related to ATC and other investment	—	738
Payment for land contracts	(250 )	(308 )
Cash portion of consideration paid in acquisitions, net of cash of acquired	(250 )	(9,611 )
<b>Net cash used in investing activities - continuing operations</b>	<b>(3,423 )</b>	<b>(11,581 )</b>
Net cash provided investing activities - discontinued operations	—	—
<b>Net cash used in investing activities</b>	<b>(3,423 )</b>	<b>(11,581 )</b>
<b>Financing activities</b>		
Transfer of Employee Retention Credit	—	12,677
Proceeds from loan payable, net of transaction costs	3,137	—
Proceeds from options and warrants exercised	—	81
Loan principal paid	(12,215 )	(1,204 )
Capital distributions paid to non-controlling interests	(337 )	(1,884 )
Payments made for financing obligations and finance lease	(184 )	(157 )
<b>Net cash (used in) provided by financing activities- continuing operations</b>	<b>(9,599 )</b>	<b>9,513</b>
Net cash used in financing activities- discontinued operations	—	(115 )
<b>Net cash (used in) provided by financing activities</b>	<b>(9,599 )</b>	<b>9,398</b>
<b>Net increase in cash and cash equivalents and restricted cash during the period</b>	<b>229</b>	<b>6,251</b>
Net effects of foreign exchange	198	523
<b>Cash and cash equivalents and restricted cash, beginning of the period</b>	<b>25,347</b>	<b>26,763</b>
<b>Cash and cash equivalents and restricted cash, end of the period</b>	<b>\$ 25,774</b>	<b>\$ 33,537</b>
<b>Supplemental disclosure with respect to cash flows</b>		
Income taxes paid (refund received)	\$ 1,013	\$ (551 )
Interest paid	\$ 6,264	\$ 2,456
Lease termination fee paid	\$ 163	\$ —
<b>Non-cash transactions</b>		
Equity and warrant liability issued for acquisitions and non-controlling interest	\$ 4,674	\$ 750
Shares issued for Canopy USA arrangement	\$ —	\$ 593
Accrued capital purchases	\$ 1,253	\$ 555

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



## Notes to the Unaudited Interim Condensed Consolidated Financial Statements

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

### 1. Nature of operations

TerrAscend Corp. (the "Issuer") was incorporated under the Business Corporations Act (Ontario) on March 7, 2017. The Issuer, through its subsidiaries, TerrAscend Growth Corp. ("TerrAscend") and its subsidiaries (collectively, the Company"), is a leading North American cannabis company. TerrAscend has vertically integrated licensed operations in Pennsylvania, New Jersey, Michigan, Maryland and California. In addition, the Company has retail operations in Ontario, Canada with a majority-owned dispensary in Toronto, Ontario, Canada. In the United States, TerrAscend's cultivation and manufacturing provide product selection to both the medical and legal adult-use markets. Notwithstanding the fact that various states in the United States have implemented medical marijuana laws or have otherwise legalized the use of cannabis, the use of cannabis remains illegal under U.S. federal law for any purpose, by way of the Controlled Substances Act of 1970.

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

The Company owns a portfolio of operating businesses, including:

- TerrAscend New Jersey ("TerrAscend NJ"), a majority owned operation with three dispensaries, and a cultivation/processing facility;
- TerrAscend Maryland ("TerrAscend MD"), a wholly-owned operation with four dispensaries, and a cultivation/processing facility;
- TerrAscend Pennsylvania ("TerrAscend PA"), a wholly-owned operation with six dispensaries, and a cultivation/processing facility;
- TerrAscend Michigan ("TerrAscend MI"), a wholly-owned operation with nineteen dispensaries, and three cultivation and processing facilities;
- TerrAscend California ("TerrAscend CA"), a wholly-owned operation with five dispensaries, and a cultivation facility; and;
- TerrAscend Canada Inc. ("TerrAscend Canada") is a cannabis retailer in Ontario, Canada with a majority-owned dispensary in Toronto, Ontario, Canada ("Cookies Canada").

The common shares in the capital of the Company ("Common Shares") commenced trading on the Canadian Securities Exchange ("CSE") on May 3, 2017 under the ticker symbol "TER" and continued trading on the CSE until the listing of the Common Shares on the Toronto Stock Exchange (the "TSX"). Effective July 4, 2023, the Common Shares commenced trading on the TSX under the ticker symbol "TSND". The Common Shares commenced trading on OTCQX on October 22, 2018 under the ticker symbol "TRSSF", which was subsequently changed to "TSNDF", effective July 6, 2023. The Company's registered office is located at 77 City Centre Drive, Suite 501, Mississauga, Ontario, L5B 1M5, Canada.

### 2. Summary of significant accounting policies

#### (a) Basis of presentation

These unaudited interim condensed consolidated financial statements included herein (the "Consolidated Financial Statements") of the Company and its subsidiaries were prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP").

The accompanying Consolidated Financial Statements contained in this report are unaudited. In the opinion of management, these Consolidated Financial Statements have been prepared on the same basis as the annual consolidated financial statements and notes thereto of the Company and include all adjustments, consisting only of normal recurring adjustments, considered necessary for the fair presentation of the Company's financial position and operating results. The results for the three months ended March 31, 2024 are not necessarily indicative of the operating results for the year ended December 31, 2024, or any other interim or future periods.

The accompanying Consolidated Financial Statements have been prepared on the going concern basis, under the historical cost convention, except for certain financial instruments that are measured at fair value as described herein. At March 31, 2024, the Company had an accumulated deficit of \$717,398. During the three months ended March 31, 2024, the Company incurred a net loss from continuing operations of \$14,851. Additionally, as of March 31, 2024 the Company's current liabilities exceeded its current assets due

## Notes to the Unaudited Interim Condensed Consolidated Financial Statements

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

to loans maturing within the current year. Therefore, the Company expects that it may need to refinance this debt or access additional capital to continue to fund its operations.

The aforementioned indicators raise substantial doubt about the Company's ability to continue as a going concern for at least one year from the issuance of these Consolidated Financial Statements. The Company believes this concern is mitigated by steps it has taken, or intends to take to improve its operations and cash position, including: (i) identifying access to future capital required to pay down or refinance the Company's maturing debt, (ii) improved cashflow growth from the Company's consolidated operations, particularly TerrAscend's operations in New Jersey and most recently Maryland with conversion to adult-use sales, and (iii) various cost and efficiency improvements. The Consolidated Financial Statements do not include any adjustments relating to the recoverability and classification of asset carrying amounts or the amounts of and classification of liabilities that may result should the Company be unable to continue as a going concern.

The accompanying Consolidated Financial Statements should be read in conjunction with the audited consolidated financial statements and notes thereto of the Company for the year ended December 31, 2023 contained in the Company's Annual Report on Form 10-K for the year ended December 31, 2023, which was filed with the Securities and Exchange Commission (the "SEC") on March 14, 2024 (the "Annual Report"). There were no significant changes to the policies disclosed in Note 2 of the summary of significant accounting policies of the Company's audited consolidated financial statements for the year ended December 31, 2023 in the Company's Annual Report.

### 3.Consolidation

The Company consolidates entities in which it has a controlling financial interest by evaluating whether the entity is a voting interest entity ("VOE") or a variable interest entity ("VIE").

In connection with the listing of the Common Shares on the TSX, the Company reorganized its ownership structure to segregate the Company's Canadian retail operations from TerrAscend's cultivation and manufacturing operations in the United States (the "Reorganization"). Following the completion of the Reorganization, the Company owns 95% of its Canadian retail business. The Company continues to consolidate both its Canadian and U.S. cannabis operations under two different consolidation models.

Subsequent to the Reorganization, all operations in the United States have a functional currency of the U.S. dollar ("USD"). Canadian operations continue to have a functional currency of the Canadian dollar ("CAD").

#### Voting Interest Entities

A VOE is an entity in which (1) the total equity investment at risk is deemed sufficient to absorb the expected losses of the entity, (2) the at-risk equity holders, as a group, have all of the characteristics of a controlling financial interest and (3) the entity is structured with substantive voting rights. The Company consolidates the Canadian operations under a VOE model based on the controlling financial interest obtained through Common Shares with substantive voting rights.

#### Variable Interest Entities

A VIE is an entity that lacks one or more characteristics of a controlling financial interest defined under the voting interest model. The Company consolidates VIE when it has a variable interest that provide it with (1) the power to direct the activities of a VIE that most significantly impact the VIE's economic performance (power) and (2) the obligation to absorb losses of the VIE that potentially could be significant to the VIE or the right to receive benefits from the VIE that potentially could be significant to the VIE (benefits).

In connection with the Reorganization, TerrAscend issued and sold, on a private placement basis, Class A shares in the capital of TerrAscend ("Class A Shares") for aggregate gross proceeds of \$1,000 to an investor ("Investment"). See Note 10 for accounting treatment of the Class A Shares. Following the closing of the Investment, the Class B shares ("Class B Shares") in the capital of TerrAscend held by the Company, representing all of the issued and outstanding Class B shares, were automatically exchanged for non-voting, non-participating exchangeable shares in the capital of TerrAscend ("Non-Voting Shares"), representing approximately 99.8% of the issued and outstanding shares of TerrAscend on an as-converted basis. As a result of the limited rights associated with Non-Voting Shares that the Company holds following the closing of the Investment, the Company and TerrAscend entered into a protection agreement dated April 18, 2023 ("Protection Agreement"). The Protection Agreement provides for certain negative covenants in order to preserve the value of the Non-Voting Shares until such time as the Non-Voting Shares are converted into Class A Shares.

The Issuer determined that TerrAscend is a VIE, as all of the Company's U.S. activities continue to be conducted on behalf of the Company which has disproportionately few voting rights. After conducting an analysis of the following VIE factors; purpose and design

## TerrAscend Corp.

### Notes to the Unaudited Interim Condensed Consolidated Financial Statements

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

of the VIE, the Protection Agreement in place, the structure of the Company's board of directors (the "Board"), and substantive kick-out rights of the holders of the Class A Shares, it was determined that the Company has the power to direct the activities of TerrAscend. In addition, given the structure of the Class A Shares where all of the losses and substantially all of the benefits of TerrAscend are absorbed by the Company, the Company consolidates as the primary beneficiary in accordance with Accounting Standards Codification ("ASC") 810, *Consolidation*.

The Company's U.S. operations are consolidated through the VIE model. Therefore, substantially all of the Company's current assets, non-current assets, current liabilities and non-current liabilities are consolidated through the VIE model. The Company's assets and liabilities that are not consolidated through the VIE model include convertible debt, and derivative liability. The Company also consolidates a minimal amount of assets and liabilities within Canada. See Note 21 for more information.

#### 4.Accounts receivable, net

The Company's accounts receivable, net consisted of the following:

	March 31, 2024	December 31, 2023
Trade receivables	\$ 26,535	\$ 28,403
Sales tax receivable	515	408
Other receivables	887	1,154
Provision for current expected credit losses	(10,924 )	(10,917 )
<b>Total receivables, net</b>	<b>\$ 17,013</b>	<b>\$ 19,048</b>
	March 31, 2024	December 31, 2023
Trade receivables	\$ 26,535	\$ 28,403
Less: provision for current expected credit losses	(10,924 )	(10,917 )
<b>Total trade receivables, net</b>	<b>\$ 15,611</b>	<b>\$ 17,486</b>
Of which		
Current	12,110	13,799
31-90 days	2,545	2,837
Over 90 days	11,880	11,767
Less: current expected credit losses	(10,924 )	(10,917 )
<b>Total trade receivables, net</b>	<b>\$ 15,611</b>	<b>\$ 17,486</b>

The over 90 days aged balance relates mainly to one customer which was deemed uncollectible.

#### 5.Acquisitions

##### Contingent consideration

The balances of the Company's contingent considerations are as follows:

	State Flower	Apothecarium	Peninsula	Total
<b>Carrying amount, December 31, 2023</b>	<b>\$ 1,406</b>	<b>\$ 3,028</b>	<b>\$ 2,012</b>	<b>\$ 6,446</b>
Reduction of contingent consideration	(1,334 )	(3,591 )	—	(4,925 )
Loss (gain) on revaluation of contingent consideration	519	1,396	(522 )	1,393
<b>Carrying amount, March 31, 2024</b>	<b>\$ 591</b>	<b>\$ 833</b>	<b>\$ 1,490</b>	<b>\$ 2,914</b>
<b>Less: current portion</b>	<b>—</b>	<b>—</b>	<b>(1,490 )</b>	<b>(1,490 )</b>
<b>Non-current contingent consideration</b>	<b>\$ 591</b>	<b>\$ 833</b>	<b>\$ —</b>	<b>\$ 1,424</b>

During the three months ended March 31, 2024, the Company issued an aggregate of 2,888,088 Common Shares and paid \$250 of cash to the sellers of its previously-acquired State Flower and The Apothecarium businesses. The issuance of Common Shares fully settled the previously owing contingent consideration balances. The Company provided a price protection on the Common Shares issued. The remaining balance recorded as at March 31, 2024 relates to the fair value of the price protection clause using the Black-Scholes Option Pricing Model ("Black-Scholes Model")

**Notes to the Unaudited Interim Condensed Consolidated Financial Statements***(Amounts expressed in thousands of United States dollars, except for share and per share amounts)***6.Inventory**

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

	<b>March 31, 2024</b>	<b>December 31, 2023</b>
Raw materials	\$ 730	\$ 378
Finished goods	17,650	18,821
Work in process	27,559	28,451
Accessories, supplies and consumables	3,260	4,033
	\$ 49,199	\$ 51,683

**7.Discontinued operations**

TerraAscend Canada operated out of a 67,300 square foot facility located in Mississauga, Ontario and was licensed to cultivate, process and sell cannabis for medical and adult-use purposes. These licenses allowed for sales of dried cannabis, cannabis oil and extracts, topicals, and edibles. The Company ceased operations at TerraAscend Canada's manufacturing facility during the three months ended December 31, 2022. As such, TerraAscend Canada's Licensed Producer (as such term is defined in the Cannabis Act) results are presented in discontinued operations.

The results of operations for the discontinued operations includes revenues and expenses directly attributable to the operations disposed. Corporate and administrative expenses, including interest expense, not directly attributable to the operations were not allocated to the Canadian Licensed Producer business. The results of discontinued operations were as follows:

	<b>For the Three Months Ended</b>	
	<b>March 31, 2024</b>	<b>March 31, 2023</b>
<b>Revenue, net</b>	<b>\$ —</b>	<b>\$ —</b>
Cost of Sales	—	—
<b>Gross profit</b>	<b>—</b>	<b>—</b>
Operating expenses:		
General and administrative	—	301
Amortization and depreciation	—	48
Impairment of property and equipment	—	3,064
<b>Total operating expenses</b>	<b>—</b>	<b>3,413</b>
<b>Loss from discontinued operations</b>	<b>—</b>	<b>(3,413 )</b>
Other expense		
Finance and other expenses	—	178
<b>Net loss from discontinued operations</b>	<b>\$ —</b>	<b>\$ (3,591 )</b>

**Notes to the Unaudited Interim Condensed Consolidated Financial Statements***(Amounts expressed in thousands of United States dollars, except for share and per share amounts)***8. Property and equipment**

Property and equipment consisted of:

	March 31, 2024	December 31, 2023
Land	\$ 6,129	\$ 6,103
Assets in process	26,085	24,211
Buildings & improvements	150,673	151,989
Machinery & equipment	35,869	35,370
Office furniture & equipment	9,084	9,066
Assets under finance leases	2,362	2,362
Total cost	230,202	229,101
Less: accumulated depreciation	(35,946 )	(32,886 )
Property and equipment, net	\$ 194,256	\$ 196,215

Assets in process primarily represent construction in progress related to both cultivation and dispensary facilities not yet completed, or otherwise not placed in service.

As of March 31, 2024 and December 31, 2023, borrowing costs were not capitalized because the assets in process did not meet the criteria of a qualifying asset.

Depreciation expense was \$3,037 for the three months ended March 31, 2024 (\$2,061 included in cost of sales) and \$3,257 for the three months ended March 31, 2023 (\$2,017 included in cost of sales).

**9. Intangible assets and goodwill**

Intangible assets consisted of the following:

	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
<b>At March 31, 2024</b>			
<i>Finite lived intangible assets</i>			
Software	\$ 2,177	\$ (1,217 )	\$ 960
Licenses	187,759	(21,631 )	166,128
Non-compete agreements	280	(280 )	—
Total finite lived intangible assets	190,216	(23,128 )	167,088
<i>Indefinite lived intangible assets</i>			
Brand intangibles	46,972	—	46,972
Total indefinite lived intangible assets	46,972	—	46,972
<b>Intangible assets, net</b>	<b>\$ 237,188</b>	<b>\$ (23,128 )</b>	<b>\$ 214,060</b>
<b>At December 31, 2023</b>			
<i>Finite lived intangible assets</i>			
Software	\$ 2,050	\$ (720 )	\$ 1,330
Licenses	186,624	(20,216 )	166,408
Brand intangibles	1,144	(1,144 )	—
Non-compete agreements	280	(280 )	—
Total finite lived intangible assets	190,098	(22,360 )	167,738
<i>Indefinite lived intangible assets</i>			
Brand intangibles	48,116	—	48,116
Total indefinite lived intangible assets	48,116	—	48,116
<b>Intangible assets, net</b>	<b>\$ 238,214</b>	<b>\$ (22,360 )</b>	<b>\$ 215,854</b>

## Notes to the Unaudited Interim Condensed Consolidated Financial Statements

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

Amortization expense was \$1,941 for the three months ended March 31, 2024 (\$724 included in cost of sales) and \$1,514 for the three months ended March 31, 2023 (\$725 included in cost of sales).

Estimated future amortization expense for finite lived intangible assets for the next five years is as follows:

2024	\$	5,257
2025		6,835
2026		6,820
2027		6,740
2028		6,740

As of March 31, 2024, the weighted average amortization period remaining on intangible assets was 27.3 years.

The Company's goodwill is allocated to one reportable segment. The following table summarizes the activity in the Company's goodwill balance:

<b>Balance at December 31, 2023</b>	\$	106,929
Additions at acquisition date		-
Impairment of goodwill		-
<b>Balance at March 31, 2024</b>	\$	106,929

### 10.Loans payable

The Company's loans payable consisted of the following:

	March 31, 2024		December 31, 2023	
Chicago Atlantic term loan due November 2024				
Principal amount	\$	24,404	\$	24,611
Deferred financing cost		—		—
Net carrying amount	\$	24,404	\$	24,611
Ilera term loan due December 2024				
Principal amount	\$	72,127	\$	76,927
Deferred financing cost		(2,340 )		(3,191 )
Net carrying amount	\$	69,787	\$	73,736
Stearns loan due December 2024				
Principal amount	\$	24,721	\$	24,809
Deferred financing cost		(611 )		(791 )
Net carrying amount	\$	24,110	\$	24,018
Pelorus term loan due October 2027				
Principal amount	\$	45,478	\$	45,478
Deferred financing cost		(1,413 )		(1,490 )
Net carrying amount	\$	44,065	\$	43,988
Maryland Acquisition loans (1)				
Principal amount	\$	19,495	\$	19,873
Unamortized discount		(1,229 )		(1,403 )
Net carrying amount	\$	18,266	\$	18,470
Other loans	\$	2,322	\$	2,698
Short-term debt	\$	9,123	\$	11,849
Current portion of long-term debt	\$	124,545		125,888
Loans payable, current	\$	133,668		137,737
Loans payable, non-current	\$	58,409	\$	61,633
Total loans payable	\$	192,077	\$	199,370

(1) For maturity breakout, refer to Maryland Acquisition Loans section below.

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## Notes to the Unaudited Interim Condensed Consolidated Financial Statements

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

Total interest paid on all loan payables was \$6,264 for the three months ended March 31, 2024, and \$2,456 for the three months ended March 31, 2023. The Company had accrued interest on loans payable of \$3,064 and \$3,491 as of March 31, 2024 and December 31, 2023, respectively, included in accounts payable and accrued liabilities on the Consolidated Balance Sheets.

### Chicago Atlantic Term Loan

In connection with the acquisition of Gage Growth on March 10, 2022 (the "Gage Acquisition"), the Company assumed a senior secured term loan that was amended to provide an amount of \$25,000 (the "Chicago Atlantic Term Loan") bearing an interest rate equal to the greater of (i) the U.S. "prime rate" plus 6.00%, and (ii) 13.0% and matures on November 1, 2024. The Chicago Atlantic Loan was secured by a first lien on all Gage Growth assets.

As of March 31, 2024, there was an outstanding principal amount of \$24,404 under the Chicago Atlantic Term Loan.

### Ilera Term Loan

On December 18, 2020, WDB Holding PA, a subsidiary of TerrAscend, entered into a senior secured term loan with a syndicate of lenders in the amount of \$120,000 ("Ilera Term Loan"). The Ilera Term Loan is solely secured by the Company's Pennsylvania-based Ilera Healthcare LLC ("Ilera"). The Ilera Term Loan bears interest at 12.875% matures on December 17, 2024.

On January 2, 2024, the Company completed a prepayment of the Ilera Term Loan of \$4,800 at the prepayment price of 100% to par. Subsequent to March 31, 2024, the Company made a prepayment of \$3,200 of the Ilera Term Loan, at the prepayment price of 100% to par. In accordance with ASC 470, *Debt*, these amendments were not considered extinguishment of debt.

As of March 31, 2024, there was an outstanding principal amount of \$72,127 under the Ilera Term Loan.

### Stearns Loan

On June 26, 2023, the Company closed on a \$25,000 commercial loan with Stearns Bank, secured by the Company's cultivation facility in Pennsylvania and its Allegany Medical Marijuana Dispensary ("AMMD") dispensary in Cumberland, Maryland ("Stearns Loan"). The Stearns Loan bears an interest rate of prime plus 2.25% and matures on December 26, 2024.

As of March 31, 2024, there was an outstanding principal amount of \$24,721 under the Stearns Loan.

### Pelorus Term Loan

On October 11, 2022, subsidiaries of, TerrAscend, among others, entered into a loan agreement with Pelorus Fund REIT, LLC ("Pelorus") for a single-draw senior secured term loan (the "Pelorus Term Loan") in an aggregate principal amount of \$45,478. The Pelorus Term Loan is based on a variable rate tied to the one month Secured Overnight Financing Rate ("SOFR"), subject to a base rate, plus 9.5%, with interest-only payments for the first 36 months and matures on October 11, 2027. The base rate is defined as, on any day, the greatest of: (i) 2.5%, (b) the effective federal funds rate in effect on such day plus 0.5%, and (c) one month Secured Overnight Financing Rate ("SOFR") in effect on such day. The obligations of the borrowers under the Pelorus Term Loan are guaranteed by the Company, TerrAscend USA and certain other subsidiaries of TerrAscend and are secured by all of the assets of TerrAscend's Maryland and New Jersey businesses, including certain real estate in Maryland and New Jersey, but excludes all MD dispensaries

As of March 31, 2024, there was an outstanding principal amount of \$45,478 under the Pelorus Term Loan.

### Maryland Acquisition Loans

In connection with the acquisition Derby 1, LLC ("Peninsula"), Hempaid, LLC ("Blue Ridge"), and Herbiculture Inc. ("Herbiculture"), (collectively, the "Maryland Acquisitions"), the Company entered into promissory notes with an aggregate principal amount of \$20,625 that bear interest at rates ranging from 7.0% to 10.5% with maturities ranging from June 28, 2025 to June 30, 2027.

As of March 31, 2024, there was an outstanding principal amount of \$19,495 under the Maryland Acquisition Loans.

## TerrAscend Corp.

### Notes to the Unaudited Interim Condensed Consolidated Financial Statements

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

#### Other loans

##### *Stadium Ventures*

In connection with the Gage Acquisition, the Company assumed existing indebtedness in the form of a promissory note in the amount of \$4,065, which matures on December 31, 2024. The promissory note bears interest at a rate of 6%.

As of March 31, 2024, there was an outstanding principal amount of \$1,322 under the Stadium Ventures loan.

##### *Class A Shares of TerrAscend Growth*

In connection with the Reorganization (see Note 3), TerrAscend issued \$1,000 of Class A shares with a 20% guaranteed annual dividend to an investor (the “Investor”) pursuant to the terms of a subscription agreement between TerrAscend and the Investor dated April 20, 2023 (the “Subscription Agreement”). Pursuant to the terms of the Subscription Agreement, TerrAscend holds a call right to repurchase all of the Class A Shares issued to the Investor for an amount equal to the sum of: (a) the Repurchase/Put Price (as defined in the Subscription Agreement); plus (b) the amount equal to 40% of the subscription amount less the aggregate dividends paid to the Investor as of the date of the exercise of the option. In addition, the Investor holds a put right that is exercisable at any time after four months’ advanced written notice following the five-year anniversary of the closing of the investment to put all (and only all) of the Class A Shares owned by the Investor to TerrAscend at the Repurchase/Put Price, payable in cash or shares. The instrument is considered as a debt for accounting purposes due to the economic characteristics and risks

#### Short-Term Debt

The average dollar amount of short-term debt for the three months ended March 31, 2024 was \$10,254 with a weighted-average interest rate of 16.69% as of March 31, 2024.

On January 15, 2024, the Company paid off the IHC Real Estate LP promissory note with a payment of \$5,000.

#### Maturities of loans payable

Stated maturities of loans payable over the next five years are as follows:

		March 31, 2024
2024	\$	132,677
2025		7,942
2026		11,082
2027		44,483
2028		1,000
Thereafter		—
Total principal payments	\$	197,184



## Notes to the Unaudited Interim Condensed Consolidated Financial Statements

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

### 11. Leases

The majority of the Company's leases are operating leases used primarily for corporate offices, retail, cultivation and manufacturing. The operating lease periods generally range from 1 to 26 years. The Company had two finance leases at March 31, 2024 and December 31, 2023.

Amounts recognized in the consolidated balance sheet were as follows:

	March 31, 2024	December 31, 2023
Operating leases:		
Operating lease right-of-use assets	\$ 41,488	\$ 43,440
Operating lease liability classified as current	1,816	1,244
Operating lease liability classified as non-current	43,967	45,384
<b>Total operating lease liabilities</b>	<b>\$ 45,783</b>	<b>\$ 46,628</b>
Finance leases:		
Property and equipment, net	\$ 2,073	\$ 2,112
Lease obligations under finance leases classified as current	2,079	2,030
Lease obligations under finance leases classified as non-current	383	407
<b>Total finance lease obligations</b>	<b>\$ 2,462</b>	<b>\$ 2,437</b>

The Company recognized operating lease expense of \$2,034 for the three months ended March 31, 2024 and \$1,254 for the three months ended March 31, 2023.

Other information related to operating leases at March 31, 2024 and December 31, 2023 consisted of the following:

	March 31, 2024	December 31, 2023
Weighted-average remaining lease term (years)		
Operating leases	12.5	12.5
Finance leases	2.0	1.2
Weighted-average discount rate		
Operating leases	11.43 %	11.43 %
Finance leases	9.47 %	9.47 %

Supplemental cash flow information related to leases are as follows:

	March 31, 2024	December 31, 2023
Cash paid for amounts included in measurement of operating lease liabilities	\$ 2,034	\$ 6,264
Right-of-use assets obtained in exchange for operating lease obligations	—	16,603
Cash paid for amounts included in measurement of finance lease liabilities	32	153

**Notes to the Unaudited Interim Condensed Consolidated Financial Statements***(Amounts expressed in thousands of United States dollars, except for share and per share amounts)*

Undiscounted lease obligations are as follows:

	Operating	Finance	Total
2024	\$ 5,513	\$ 98	\$ 5,611
2025	7,393	2,132	9,525
2026	7,158	134	7,292
2027	7,014	136	7,150
2028	6,852	80	6,932
Thereafter	56,206	—	56,206
Total lease payments	90,136	2,580	92,716
Less: interest	(44,353 )	(118 )	(44,471 )
Total lease liabilities	\$ 45,783	\$ 2,462	\$ 48,245

**12.Convertible Debt**

The Company's convertible debt consisted of the following:

	March 31, 2024	December 31, 2023
Convertible debt proceeds, net of transaction costs - Maturing June 2026	\$ 10,098	\$ 10,098
Allocation to conversion option	(3,600 )	(3,600 )
Allocation to debt	6,498	6,498
Interest and accretion	1,184	768
<b>Net carrying amount</b>	<b>\$ 7,682</b>	<b>\$ 7,266</b>

The Company had accrued interest on convertible debt of \$577 and \$nil as of March 31, 2024 and December 31, 2023, respectively, included in accounts payable and accrued liabilities on the Consolidated Balance Sheets.

**13.Shareholders' equity***Warrants*

The following is a summary of the outstanding warrants for Common Shares:

	Number of Common Share Warrants Outstanding	Number of Common Share Warrants Exercisable	Weighted Average Exercise Price \$	Weighted Average Remaining Life (years)
<b>Outstanding, December 31, 2023</b>	<b>23,330,542</b>	<b>818,927</b>	<b>\$ 4.56</b>	<b>8.74</b>
Granted	—	—	—	—
Expired	—	—	—	—
<b>Outstanding, March 31, 2024</b>	<b>23,330,542</b>	<b>818,927</b>	<b>\$ 4.45</b>	<b>8.49</b>

## Notes to the Unaudited Interim Condensed Consolidated Financial Statements

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

The weighted-average exercise price in the above table is denominated in a currency that is different from the functional currency of the Company and can influence the USD conversion.

The following is a summary of the outstanding warrant liabilities that are exchangeable into Common Shares:

	Number of Common Share Warrants Outstanding	Number of Common Share Warrants Exercisable	Weighted Average Exercise Price \$	Weighted Average Remaining Life (years)
<b>Outstanding, December 31, 2023</b>	<b>3,590,334</b>	<b>—</b>	<b>\$ 1.95</b>	<b>1.48</b>
Granted	—	—	—	—
Expired	—	—	—	—
<b>Outstanding, March 31, 2024</b>	<b>3,590,334</b>	<b>—</b>	<b>\$ 1.95</b>	<b>1.23</b>

### 14.Share-based compensation plans

#### Share-based payments expense

Total share-based payments expense was as follows:

	For the Three Months Ended	
	March 31, 2024	March 31, 2023
Stock options	\$ 904	\$ 1,260
Restricted share units	581	453
<b>Total share-based payments</b>	<b>\$ 1,485</b>	<b>\$ 1,713</b>

#### Stock Options

The following table summarizes the stock option activity for the three months ended March 31, 2024:

	Number of Stock Options	Weighted average remaining contractual life (in years)	Weighted Average Exercise Price (per share) \$	Aggregate intrinsic value
<b>Outstanding, December 31, 2023</b>	<b>16,278,380</b>	<b>4.74</b>	<b>\$ 3.35</b>	<b>\$ 658</b>
Granted	495,000	—	1.86	—
Exercised	—	—	—	—
Forfeited	(219,312 )	—	1.67	—
Expired	(1,256,315 )	—	2.55	—
<b>Outstanding, March 31, 2024</b>	<b>15,297,753</b>	<b>5.64</b>	<b>\$ 3.48</b>	<b>\$ 1,917</b>
<b>Exercisable, March 31, 2024</b>	<b>10,437,578</b>	<b>4.25</b>	<b>\$ 3.78</b>	<b>\$ 636</b>
<b>Nonvested, March 31, 2024</b>	<b>4,860,175</b>	<b>8.63</b>	<b>\$ 2.82</b>	<b>\$ 1,281</b>

The aggregate intrinsic value in the table above represents the total pre-tax intrinsic value (the difference between Company's closing stock price on March 31, 2024 and December 31, 2023, respectively, and the exercise price, multiplied by the number of the in-the-money options) that would have been received by the option holders had they exercised their in-the-money options on March 31, 2024 and December 31, 2023, respectively.

The total pre-tax intrinsic value (the difference between the market price of the Common Shares on the exercise date and the price paid by the option holder to exercise the option) related to stock options exercised is presented below:

**Notes to the Unaudited Interim Condensed Consolidated Financial Statements***(Amounts expressed in thousands of United States dollars, except for share and per share amounts)*

	For the Three Months Ended	
	March 31, 2024	March 31, 2023
Exercised	\$ —	\$ 551

The fair value of the various stock options granted were estimated using the Black-Scholes Model with the following assumptions:

	March 31, 2024	March 31, 2023
Volatility	77.70% - 77.79%	80.04% - 80.16%
Risk-free interest rate	3.18% - 3.50%	2.85% - 3.21%
Expected life (years)	10.01	10.01
Dividend yield	0.00 %	0.00 %
Forfeiture rate	26.11 %	26.11 %

Volatility was estimated by using the historical volatility of the Company's stock price. The expected life in years represents the period of time that the options issued are expected to be outstanding. The risk-free rate is based on U.S. treasury bond issues with a remaining term approximately equal to the expected life of the options. Dividend yield is based on the fact that the Company has never paid cash dividends and does not expect to pay cash dividends in the foreseeable future.

The total estimated fair value of stock options that vested during the three months ended March 31, 2024 and 2023 was \$3,395 and \$4,263, respectively. As of March 31, 2024, there was \$8,570 of total unrecognized compensation cost related to unvested options.

Restricted Share Units

The following table summarizes the activities for the RSUs for the three months ended March 31, 2024:

	Number of RSUs
<b>Outstanding, December 31, 2023</b>	<b>1,078,584</b>
Granted	3,750
Vested	(82,365 )
Forfeited	—
<b>Outstanding, March 31, 2024</b>	<b>999,969</b>

As of March 31, 2024, there was \$2,232 of total unrecognized compensation cost related to unvested RSUs.

**15.Non-controlling interest**

Non-controlling interest consists mainly of TerrAscend's minority ownership interest in TerrAscend's New Jersey operations.

On January 19, 2024, the Company reduced its non-controlling interest through the acquisition of the remaining 50.1% equity in both State Flower and three Apothecarium dispensaries in California. The carrying amount of non-controlling interest was adjusted by \$1,374 and recognized in additional paid in capital and attributed to the parent's equity holders.

The following table summarizes the non-controlling interest activity for the three months ended March 31, 2024:

	March 31, 2024	December 31, 2023
Opening carrying amount	\$ (1,756 )	\$ 2,374
Capital distributions	(337 )	(11,622 )
Acquisition of non-controlling interest	1,374	(1,323 )
Net income attributable to non-controlling interest	2,204	8,815
<b>Ending carrying amount</b>	<b>\$ 1,485</b>	<b>\$ (1,756 )</b>

**Notes to the Unaudited Interim Condensed Consolidated Financial Statements***(Amounts expressed in thousands of United States dollars, except for share and per share amounts)***16.Related parties**

Parties are related if one party has the ability to control or exercise significant influence over the other party in making financing and operating decisions. At March 31, 2024, amounts due to/from related parties consisted of:

*(a)Loans payable:* During the year ended December 31, 2020, a small number of related persons, which consisted of key management of the Company, participated in the Ilerra term loan (Note 10), which makes up \$149 and \$159 of the total loan principal balance at March 31, 2024 and December 31, 2023, respectively.

**17.Income taxes**

The Company's effective tax rate was (186.7)% for the three months ended March 31, 2024 and (194.4)% for the three months ended March 31, 2023. As the Company operates in the cannabis industry, it is subject to Section 280E of the Internal Revenue Code of 1986, as amended (the "Code"), under which the Company is only allowed to deduct expenses directly related to sales of product. This results in permanent differences between ordinary and necessary business expenses deemed non-deductible under the Code. Therefore, the effective tax rate can be highly variable and may not necessarily correlate with pre-tax income or loss.

The Company had an unrecognized tax benefits of \$93,955 and \$84,485 as of March 31, 2024 and December 31, 2023, respectively. The increase in uncertain tax positions is primarily due to legal interpretations that challenge the Company's tax liability under the Code ("280E Tax Position"). The Company believes that it is reasonably possible that the unrecognized tax benefits will increase over the next 12 months due to its 280E Tax Position. Of the unrecognized tax benefits amounts, \$11,537 and \$10,459 as of March 31, 2024 and December 31, 2023, respectively, is unrelated to its 280E Tax Position.

Related to its 280E Tax Position, the Company has filed amended federal returns related to 2020 and 2021 and is in the process of completing various other federal and state amendments related to 2020, 2021 and 2022. The Company's tax returns generally remain subject to examination by the U.S. Federal, U.S. State and non U.S. taxing authorities for years ending December 31, 2020 and forward.

**18.General and administrative expenses**

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

	<b>For the Three Months Ended</b>	
	<b>March 31, 2024</b>	<b>March 31, 2023</b>
Office and general	\$ 3,956	\$ 4,004
Professional fees	3,061	3,373
Lease expense	1,820	1,244
Facility and maintenance	1,325	1,244
Salaries and wages	14,896	13,496
	1,485	1,713
Share-based compensation		
Sales and marketing	1,465	2,656
<b>Total</b>	<b>\$ 28,008</b>	<b>\$ 27,730</b>

**19.Revenue, net**

The Company's disaggregated net revenue by source, primarily due to the Company's contracts with its external customers was as follows:

	<b>For the Three Months Ended</b>	
	<b>March 31, 2024</b>	<b>March 31, 2023</b>
Retail	\$ 53,858	\$ 55,422
Wholesale	26,775	13,976
<b>Total</b>	<b>\$ 80,633</b>	<b>\$ 69,398</b>

**Notes to the Unaudited Interim Condensed Consolidated Financial Statements***(Amounts expressed in thousands of United States dollars, except for share and per share amounts)*

For the three months ended March 31, 2024, the Company did not have any single customer that accounted for 10% or more of the Company's revenue.

**20. Finance and other expenses**

The Company's finance and other expenses included the following:

	<b>For the Three Months Ended</b>	
	<b>March 31, 2024</b>	<b>March 31, 2023</b>
Interest and accretion	\$ 8,872	\$ 7,875
Employee retention credits and transfer fee	—	2,235
Other income	(283 )	(23 )
<b>Total</b>	<b>\$ 8,589</b>	<b>\$ 10,087</b>

**21. Segment information**Operating Segment

The Company determines its operating segments according to how the business activities are managed and evaluated by the Company's chief operating decision maker. The Company operates under one operating segment, being the cultivation, production and sale of cannabis products.

Geography

The Company has subsidiaries located in Canada and the United States. For the three months ended March 31, 2024, net revenue was primarily generated from sales in the United States. As a result of the Reorganization (Note 3), the Company consolidated its retail location in Canada and generated net revenue of \$264 the three months ended March 31, 2024.

The Company had non-current assets by geography of:

	<b>March 31, 2024</b>	<b>December 31, 2023</b>
United States	\$ 557,235	\$ 562,854
Canada	649	775
<b>Total</b>	<b>\$ 557,884</b>	<b>\$ 563,629</b>

**22. Capital management**

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

Since inception, the Company has primarily financed its liquidity needs through the issuance of share capital and debt. The equity issuances are outlined in Note 13, debt modifications are outlined in Note 10, and debt financing are outlined in Note 12.

The Company is subject to financial covenants as a result of its loans payable with various lenders. The Company is in compliance with its debt covenants as of March 31, 2024. In the event that, in future periods, the Company's financial results are below levels required to maintain compliance with any of its covenants, the Company will assess and undertake appropriate corrective initiatives with a view to allowing it to continue to comply with its covenants. Other than these items related to loans payable, the Company is not subject to externally imposed capital requirements.

**Notes to the Unaudited Interim Condensed Consolidated Financial Statements***(Amounts expressed in thousands of United States dollars, except for share and per share amounts)***23. Financial instruments and risk management**Assets and liabilities measured at fair value

Cash and cash equivalents, net accounts receivable, accounts payable and accrued liabilities, loans payable, convertible debentures, and other current receivables and payables represent financial instruments for which the carrying amount approximates fair value due to their short-term maturities.

The following table represents the fair value amounts of financial assets and financial liabilities measured at estimated fair value on a recurring basis:

	At March 31, 2024			At December 31, 2023		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
<b>Assets</b>						
Cash and cash equivalents	\$ 22,664	—	—	\$ 22,241	—	—
Restricted cash	3,110	—	—	3,106	—	—
<b>Total Assets</b>	<b>\$ 25,774</b>	<b>—</b>	<b>—</b>	<b>\$ 25,347</b>	<b>—</b>	<b>—</b>
<b>Liabilities</b>						
Contingent consideration payable	—	2,914	—	—	2,012	4,434
Derivative liability	—	6,075	—	—	5,162	—
<b>Total Liabilities</b>	<b>\$ —</b>	<b>\$ 8,989</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$ 7,174</b>	<b>\$ 4,434</b>

There were no transfers between the levels of fair value hierarchy during the three months ended March 31, 2024.

The valuation approaches and key inputs for each category of assets or liabilities that are classified within levels of the fair value hierarchy are presented below:

Level 1

Cash, cash equivalents, and restricted cash, net accounts receivable, accounts payable and accrued liabilities, and other current receivables and payables represent financial instruments for which the carrying amount approximates fair value due to their short-term maturities.

Level 2

The following table summarizes the changes in the derivative liability for the three months ended March 31, 2024:

<b>Balance at December 31, 2023</b>	<b>\$ 5,162</b>
Fair value gain on revaluation of warrants and conversion option	983
Effects of movements in foreign exchange	(70 )
<b>Balance at March 31, 2024</b>	<b>\$ 6,075</b>

Warrant liability and conversion option

The Company's warrant liability consists of a detachable warrant issued through the private placement (Note 13), and a conversion option related to the convertible debenture offering (Note 12).

Detachable Warrants

The detachable warrants issued as a part of the June 2023 private placement (Note 13) have been measured at fair value as of March 31, 2024. Key inputs and assumptions used in the Black-Scholes Model were as follows:

	March 31, 2024	December 31, 2023
Common Stock Price of TerrAscend Corp.	\$ 1.89	\$ 1.63
Option exercise price	\$ 1.95	\$ 1.95
Annual volatility	64.6 %	74.7 %
Annual risk-free rate	5.03 %	4.23 %
Expected term (in years)	1.23	1.48

## TerrAscend Corp.

### Notes to the Unaudited Interim Condensed Consolidated Financial Statements

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

#### Bifurcated conversion options

The conversion option issued as a part of the June and August 2023 private placement (Note 12) has been measured at fair value as of March 31, 2024. Key inputs and assumptions used in the Black-Scholes Model were as follows:

	March 31, 2024	December 31, 2023
Common Stock Price of TerrAscend Corp.	\$ 1.89	\$ 1.63
Option exercise price	\$ 2.01	\$ 2.01
Annual volatility	72.1 %	70.1 %
Annual risk-free rate	4.59 %	4.23 %
Expected term (in years)	2.23 - 2.34	2.48 - 2.59

#### Contingent Consideration Payable

The fair value of the Peninsula Contingent Consideration was calculated using the Black-Scholes Model. Key inputs and assumptions were as follows:

	March 31, 2024	December 31, 2023
Common Stock Price of TerrAscend Corp.	\$ 1.89	\$ 1.63
Option exercise price	\$ 1.65	\$ 1.65
Annual volatility	69.2 %	63.3 %
Annual risk-free rate	5.21 %	4.73 %
Expected term (in years)	0.75	0.99

The fair value of the State Flower and The Apothecarium Contingent Considerations were calculated using the Black-Scholes Model. Key inputs and assumptions were as follows:

	March 31, 2024	January 19, 2024
Common Stock Price of TerrAscend Corp.	\$ 1.89	\$ 1.95
Option exercise price	\$ 1.76	\$ 1.76
Annual volatility	70.0 %	68.7 %
Annual risk-free rate	5.38 %	5.21 %
Expected term (in years)	1.81	2.00

## 24.Commitments and contingencies

### Legal proceedings

In the ordinary course of business, the Company is involved in a number of lawsuits incidental to its business, including litigation related to intellectual property, product liability, employment, and commercial matters. Although it is difficult to predict the ultimate outcome of these matters, management believes that any ultimate liability would not have a material adverse effect on the Company's Consolidated Balance Sheets or Consolidated Statements of Operations and Comprehensive Income (Loss). Other than as set out below, at March 31, 2024, there were no pending lawsuits that could reasonably be expected to have a material effect on the results of the Company's Consolidated Financial Statements, except for the proceedings described below.

#### Pure X Litigation

On August 9, 2023, AEY Capital LLC ("AEY"), a licensed subsidiary of TerrAscend, filed a lawsuit in Oakland County Circuit Court (the "Oakland Court") against Pure X, LLC ("Pure X") seeking damages in the amount of \$14,969 (the "AEY Claim"). The AEY Claim alleges breach of contract, quantum meruit/unjust enrichment, account stated and statutory conversion. AEY's alleged damages are related to Pure X's failure to pay for various cannabis products sold by AEY. This matter is still pending. The Company has not recorded an additional receivable for this matter as of March 31, 2024.



TerrAscend Corp.

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**Notes to the Unaudited Interim Condensed Consolidated Financial Statements**

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

**25.Subsequent events**

On April 30, 2024, the Company made a prepayment of the Ilera Term Loan of \$3,200 at 100% to par.

## ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

*The following discussion and analysis of financial condition and results of operations of TerrAscend Corp. (the "Issuer"), its subsidiaries, TerrAscend Growth Corp. ("TerrAscend") and its subsidiaries (collectively, the "Company") should be read in conjunction with the Company's unaudited interim condensed consolidated financial statements and related notes appearing elsewhere in this Quarterly Report on Form 10-Q and the audited consolidated financial information and the notes thereto included in the Company's Annual Report on Form 10-K for the year ended December 31, 2023, which was filed with the Securities and Exchange Commission, (the "SEC") , on March 14, 2024, (the "Annual Report"). Some of the information contained in this discussion and analysis or set forth elsewhere in this Quarterly Report on Form 10-Q including information with respect to the Company's plans and strategy for its business, includes forward-looking statements that involve risks and uncertainties. As a result of many factors, including those factors set forth under "Risk Factors" in the Company's Annual Report, its actual results could differ materially from the results described in or implied by the "Cautionary Note Regarding Forward-Looking Statements" contained in this Quarterly Report on Form 10-Q and in the following discussion and analysis.*

*Unless otherwise noted, dollar amounts in this Item 2 are in thousands of U.S. dollars.*

This Management's Discussion and Analysis ("MD&A") of the financial condition and results of operations of the Company is for the three months ended March 31, 2024 and 2023 and the accompanying notes for each respective period.

### **Overview**

The Company is a leading North American cannabis company. The Company has vertically integrated licensed operations in Pennsylvania, New Jersey, Michigan, Maryland and California. In addition, the Company has retail operations in Ontario, Canada with a majority-owned dispensary in Toronto, Ontario, Canada. Notwithstanding the fact that various states in the U.S. have implemented medical marijuana laws or have otherwise legalized the use of cannabis, the use of cannabis remains illegal under U.S. federal law for any purpose, by way of the Controlled Substances Act of 1970.

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

The Company owns a portfolio of operating businesses, including:

- TerrAscend New Jersey ("TerrAscend NJ"), a majority owned operation with three dispensaries, and a cultivation/processing facility;
- TerrAscend Maryland ("TerrAscend MD"), a wholly-owned operation with four dispensaries, and a cultivation/processing facility;
- TerrAscend Pennsylvania ("TerrAscend PA"), a wholly-owned operation with six dispensaries, and a cultivation/processing facility;
- TerrAscend Michigan ("TerrAscend MI"), a wholly-owned operation with nineteen dispensaries, and three cultivation and processing facilities;
- TerrAscend California ("TerrAscend CA"), a wholly-owned operation with five dispensaries, and a cultivation facility; and;
- TerrAscend Canada Inc. ("TerrAscend Canada") is a cannabis retailer in Ontario, Canada with a majority-owned dispensary in Toronto, Ontario, Canada ("Cookies Canada").

### **Recent Developments**

- On January 2, 2024, the Company made a prepayment of the Ilera Term Loan of \$4,800 at 100% to par.
- On January 15, 2024, the Company paid off the IHC Real Estate LP promissory note with a final payment of \$5,000.
- On January 19, 2024, the Company acquired the remaining 50.1% equity in State Flower, a California cultivator, with a payment of \$250 in cash and an aggregate of 2,888,088 Common Shares. The Company also acquired the remaining 50.1% equity in three Apothecarium dispensaries in California with a payment of \$1,233 in stock for each entity. As a result of these acquisitions, the Company now wholly owns State Flower and the three Apothecarium dispensaries in California.

## **Subsequent Transactions**

•On April 30, 2024, the Company made a prepayment of the Ilera Term Loan of \$3,200 at 100% to par.

## **Components of Results of Operations**

The following discussion sets forth certain components of the Company's Unaudited Condensed Consolidated Statements of Comprehensive Loss as well as factors that impact those items.

### ***Revenue, net***

The Company generates revenue from the sale of cannabis products, brands, and services to the U.S. and Canadian markets. Revenues consist of wholesale and retail sales in the legal medical and adult-use market across Canada and in several U.S. states where cannabis has been legalized for medical or adult-use cannabis.

### ***Cost of sales***

Cost of sales primarily consists of expenses related to providing cannabis products and services to the Company's customers, including personnel-related expenses, the depreciation of property and equipment, amortization of acquired intangible assets, certain royalties, and other overhead costs.

### ***Operating Expenses***

#### **General and administrative**

General and administrative ("G&A") expenses consist primarily of personnel costs related to finance, human resources, legal, certain royalties, and other administrative functions. Additionally, G&A expenses include professional fees to third parties, as well as marketing expenses. Moreover, G&A expenses includes share-based compensation on options, restricted stock units and warrants. The Company expects that G&A expenses will increase in absolute dollars as the business grows.

#### **Amortization and depreciation**

Amortization and depreciation includes the amortization of intangible assets. Amortization is calculated on a straight-line basis over the following terms:

Brand intangibles- indefinite lives	Indefinite useful lives
Brand intangibles- definite lives	3 years
Software	5 years
Licenses	5-30 years
Non-compete agreements	3 years

Depreciation of property and equipment is calculated on a straight-line basis over the estimated useful life of the asset using the following terms:

Buildings and improvements	15-30 years
Land	Not depreciated
Machinery & equipment	5-15 years
Office furniture & production equipment	3-5 years
Right of use assets	Lease term
Assets in process	Not depreciated

#### **Impairment of intangible assets and goodwill**

Goodwill and indefinite lived intangible assets are reviewed for impairment annually and whenever there are events or changes in circumstances that indicate that the carrying amount has been impaired. The Company first performs a qualitative assessment. If based on the results of a qualitative assessment it has been determined that it is more likely than not that the fair value of a reporting unit

exceeds its carrying value, an additional quantitative impairment test is performed which compares the carrying value of the reporting unit to its estimated fair value. If the carrying value exceeds the estimated fair value, an impairment is recorded.

Definite lived intangible assets are tested for impairment when there are indications that an asset may be impaired. When indicators of impairment exist, the Company performs a quantitative impairment test which compares the carrying value of the assets for intangible assets to their estimated fair values. If the carrying value exceeds the estimated fair value, an impairment is recorded.

#### Impairment of property and equipment and right of use assets

The Company evaluates the recoverability of property and equipment and right of use assets whenever events or changes in circumstances indicate that the carrying value of the asset, or asset group, may not be recoverable. When the Company determines that the carrying value of the long-lived asset may not be recoverable based upon the existence of one or more indicators, the assets are assessed for impairment based on the estimate of future undiscounted cash flows expected to result from the use of the asset and its eventual disposition. If the carrying value of an asset exceeds its estimated future undiscounted cash flows, an impairment loss is recorded for the excess of the asset's carrying value over its fair value.

#### ***(Gain) loss from revaluation of contingent consideration***

As a result of some of its acquisitions, the Company recognizes a contingent consideration payable, which is an obligation to transfer additional assets to the seller if future events occur. The liability is revalued at the end of each reporting period to determine its fair value. A gain or loss is recognized as a result of the revaluation.

#### ***Loss (gain) on fair value of warrants and purchase option derivative asset***

The Company issues warrants that are remeasured to fair value at the end of each reporting unit using the Black-Scholes Option Pricing Model. A gain or loss is recognized as a result of the revaluation.

#### ***Finance and other expenses***

Finance and other expenses consist primarily of interest and accretion expense on the Company's outstanding debt obligations.

#### ***Transaction and restructuring costs***

Transaction costs include costs incurred in connection with the Company's acquisitions, such as expenses related to professional fees, consulting, legal and accounting. Restructuring costs are those costs associated with severance and restructuring of business units.

#### ***Unrealized and realized foreign exchange (gain) loss***

Unrealized and realized foreign exchange loss represents the loss recognized on the remeasurement of USD denominated cash and other assets recorded in the Canadian dollars functional currency at the Company's Canadian operations.

#### ***Unrealized and realized loss (gain) on investments***

The Company accounts for its investment in equity securities without readily determinable fair values using a valuation technique which maximizes the use of relevant observable inputs, with subsequent holding changes in fair value recognized in unrealized gain or loss on investments in the Consolidated Statement of Comprehensive Loss.

#### ***Provision for income taxes***

Provision for income taxes consists of U.S. federal and state income taxes in certain jurisdictions in which the Company conducts business.

**Results from Operations - Three Months Ended March 31, 2024 and March 31, 2023**

The following tables represent the Company's results from operations for the three months ended March 31, 2024 and 2023.

**Revenue, net**

	For the Three Months Ended	
	March 31, 2024	March 31, 2023
Revenue, net	\$ 80,633	\$ 69,398
\$ change	\$ 11,235	
% change	16 %	

Revenue increased from \$69,398 to \$80,633 for the three months ended March 31, 2024 as compared to the three months ended March 31, 2023 primarily driven by the implementation of adult-use sales in Maryland and the Company's four Maryland acquisitions in 2023, a doubling of wholesale sales in New Jersey, and an 80% increase in wholesale sales in Pennsylvania, partially offset by retail declines in New Jersey and Michigan.

**Cost of sales**

	For the Three Months Ended	
	March 31, 2024	March 31, 2023
Cost of sales	\$ 41,902	\$ 34,701
Non-cash adjustment of inventory	-	797
<b>Total cost of sales</b>	<b>\$ 41,902</b>	<b>\$ 35,498</b>
\$ change	\$ 6,404	
% change	18 %	
Cost of sales as a % of revenue	52 %	51 %

The increase of \$6,404 in cost of sales for the three months ended March 31, 2024 as compared to the three months ended March 31, 2023 was mainly due to an increase in sales. Cost of sales as a percentage of revenue was relatively constant for the three months ended March 31, 2024, as compared to the three months ended March 31, 2023.

**Loss from revaluation of contingent consideration**

	For the Three Months Ended	
	March 31, 2024	March 31, 2023
Loss from revaluation of contingent consideration	\$ 1,393	\$ -
\$ change	\$ 1,393	
% change	100 %	

The loss from the revaluation of contingent consideration for the three months ended March 31, 2024 as compared to the three months ended March 31, 2023 was due to fair value changes of \$1,915 relating to the settlement of the State Flower and The Apothecarium contingent consideration. This was offset by a gain on the revaluation of contingent liability for Peninsula acquisition of \$522, resulting from the increase in the Company's share price from December 31, 2023, as compared to March 31, 2024.

**Loss (gain) on fair value of warrants and purchase option derivative asset**

	For the Three Months Ended	
	March 31, 2024	March 31, 2023
Loss (gain) on fair value of warrants and purchase option derivative assets	\$ 983	\$ (438 )
\$ change	\$ 1,421	
% change	-324 %	

The warrant liability was remeasured to fair value at March 31, 2024 using the Black-Scholes Model. The Company recognized a loss of \$983 during the three months ended March 31, 2024 as a result of the rising share price from March 31, 2024, as compared to December 31, 2023.

During the three months ended March 31, 2023, the Company recognized a gain on fair value warrants of \$438 as a result of the reduction of the Company's share price from March 31, 2023, as compared to December 31, 2022.

### *Impairment of property and equipment and right of use assets*

	For the Three Months Ended	
	March 31, 2024	March 31, 2023
Impairment of property and equipment and right of use assets	\$ 2,438	\$ 335
\$ change	\$ 2,103	
% change	628 %	

During the three months ended March 31, 2024, the Company recorded an impairment of property and equipment of \$2,438 due to the wind-down of one of its California dispensaries.

### *Provision for income taxes*

	For the Three Months Ended	
	March 31, 2024	March 31, 2023
Provision for income taxes	\$ 9,671	\$ 12,664
\$ change	\$ (2,993 )	
% change	24 %	

The change in provision for income taxes from \$12,664 for the three months ended March 31, 2023 as compared to a provision for income taxes of \$9,671 for the three months ended March 31, 2024 was primarily driven by a return to provision adjustment.

### *Liquidity and Capital Resources*

	March 31, 2024	December 31, 2023
	\$	\$
Cash and cash equivalents	22,664	22,241
Restricted Cash	3,110	3,106
Current assets	97,655	102,889
Non-current assets	557,884	563,629
Current liabilities	199,116	207,000
Non-current liabilities	224,314	218,778
Working capital	(101,461 )	(104,111 )
Total shareholders' equity	232,109	240,740

The calculation of working capital provides additional information and is not defined under GAAP. The Company defines working capital as current assets less current liabilities. This measure should not be considered in isolation or as a substitute for any standardized measure under GAAP.

### *Liquidity and going concern*

At March 31, 2024, the Company had an accumulated deficit of \$717,398. During the three months ended March 31, 2024, the Company incurred a net loss from continuing operations of \$14,851. Additionally, as of March 31, 2024 the Company's current liabilities exceed its current assets. Therefore, it is possible that the Company may need additional capital to continue to fund its operations.

The aforementioned indicators raise substantial doubt about the Company's ability to continue as a going concern for at least one year from the issuance of the Consolidated Financial Statements included elsewhere in this Quarterly Report on Form 10-Q. The Company believes this concern is mitigated by steps it has taken, or intends to take to improve its operations and cash position, including: (i) identifying access to future capital required to pay down or refinance the Company's maturing debt, (ii) improved cashflow growth from the Company's consolidated operations, particularly TerrAscend's operations in New Jersey and most recently Maryland with conversion to adult-use sales, and (iii) various cost and efficiency improvements. The Consolidated Financial Statements do not include any adjustments relating to the recoverability and classification of asset carrying amounts or the amounts of and classification of liabilities that may result should the Company be unable to continue as a going concern.

Since its inception, the Company's primary sources of capital have been through the issuance of equity securities or debt facilities, and the Company has received aggregate net proceeds from such transactions totaling \$656,143 as of March 31, 2024.

The Company expects to fund any additional future requirements through the following sources of capital:

- cash from ongoing operations.
- market offerings.

- additional debt from additional creditors.
- sale of real property.
- sale leaseback transactions.
- exercise of options and warrants.

#### *Capital requirements*

The Company has \$197,184 in principal amounts of loans payable at March 31, 2024. Of this amount, \$136,291 are due within the next twelve months.

The Company has entered into leases for certain premises and offices for which it owes monthly lease payments. The Company has \$92,716 in lease obligations. Of this amount, \$9,479 are due in the next twelve months.

The Company's undiscounted contingent consideration payable is \$2,914 at March 31, 2024, of which, \$1,490 is due in the next twelve months. The contingent consideration payable relates to the Company's acquisitions of Peninsula and the remaining 50.1% equity in both State Flower and three Apothecarium dispensaries in California. The contingent considerations are based upon the price protection of Common Shares issued under the terms of the applicable acquisition agreements. The contingent considerations are measured at fair value using the Black-Scholes Model and revalued at the end of each reporting period.

At March 31, 2024, the Company had accounts payable and accrued liabilities of \$49,673 and corporate income taxes payable of \$5,143.

The Company does not have any off-balance sheet arrangements that have, or are reasonably likely to have, a current or future effect on the Company's results of operations or financial condition, including and without limitation, such consideration as liquidity and capital resources.

The Company intends to meet its capital commitments through any or all of the sources of capital noted above. The Company's objective with respect to its capital management is to ensure it has sufficient cash resources to maintain its ongoing operations and finance future obligations.

#### *Debt facilities*

##### Ilera Term Loan

On December 18, 2020, WDB Holding PA, a subsidiary of TerrAscend, entered into a senior secured term loan with a syndicate of lenders in the amount of \$120,000 (the "Ilera Term Loan"). The Ilera Term Loan is solely secured by Ilera. The Ilera Term Loan bears interest at 12.875% per annum and matures on December 17, 2024. Subject to certain conditions of the agreement, the Company has the ability to increase the facility by up to \$30,000. WDB Holding PA's obligations under the Ilera Term Loan and related transaction documents are guaranteed by the Company, TerrAscend USA, Inc. ("TerrAscend USA"), and certain subsidiaries of WDB Holding PA, and secured by TerrAscend USA's equity interest in WDB Holding PA and substantially all of the assets of WDB Holding PA and the subsidiary guarantors party thereto. The loan can be refinanced at the option of the WDB Holding PA after 18 months from the closing date subject to a premium payment due. Of the total proceeds received, \$105,767 was used to satisfy the remaining Ilera earn-out payments.

On April 28, 2022, the Ilera Term Loan was amended to provide WDB Holding PA with greater flexibility by resetting the minimum consolidated interest coverage ratio levels that must be satisfied at the end of each measurement period and extending the date in which WDB Holding PA is required to deliver its budget for the fiscal year ending December 31, 2021. In addition, the no-call period was extended from 18 months to 30 months, subject to a premium payment. This modification was not considered extinguishments of debt under ASC 470, *Debt*.

On November 11, 2022, WDB Holding PA, the Company, TerrAscend USA and the subsidiary guarantors party to the Ilera Term Loan and the PA Agent (on behalf of the required lenders) entered into an amendment to the Ilera Term Loan, pursuant to which the parties agreed that WDB Holding PA's obligation to maintain the consolidated interest coverage ratio as set forth in the Ilera Term Loan for the period ended September 30, 2022, shall not apply, subject to certain conditions, including (but not limited to) an obligation to enter into a subsequent amendment agreement on or before December 15, 2022, documenting certain enhancements and amendments to the Ilera Term Loan. In addition, WDB Holding PA offered a prepayment of \$5,000 pro rata to all lenders holding outstanding loans thereunder at a price equal to 103.22% of the principal amount prepaid, plus accrued and unpaid interest.

On December 21, 2022, WDB Holding PA completed an amendment to reduce the Company's principal debt by \$35,000 and annual interest expense by \$5,000. The Company agreed to make a \$35,000 payment at the original prepayment price of 103.22% to par, and

agreed to use commercially reasonable efforts to add certain collateral to the Ilera Term Loan, collectively by March 15, 2023. The amendment further provided that should WDB Holding PA fail to maintain the prescribed interest coverage ratio, the Company shall be required to deposit funds, as outlined in the amendment, into a restricted account, and no event of default shall occur. This amendment was not considered an extinguishment of debt under ASC 470, *Debt*.

On March 15, 2023, WDB Holding PA, in exchange for a fee in the amount of 1% of the then outstanding principal loan balance, agreed to an amendment to, among other things: (i) extend the obligation date to prepay the Company's debt from March 15, 2023 to June 30, 2023, during which WDB Holding PA agreed to use commercially reasonable efforts to add additional collateral to the Ilera Term Loan, (ii) increase the amount of debt to be reduced by up to \$37,000, subject to certain reductions in amount based on meeting certain time based milestones, at a prepayment price of 103.22% to par, and (iii) extend the next test date in respect of the interest coverage ratio until June 30, 2023. This amendment was not considered an extinguishment of debt under ASC 470, *Debt*.

On April 14, 2023, WDB Holding PA entered into an amendment to the Ilera Term Loan to, among other things, (i) permit changes necessary for the TSX Transaction (as defined in the Ilera Term Loan), and (ii) to waive certain tax provisions.

On June 8, 2023, June 15, 2023, and June 29, 2023, WDB Holding PA made repayments of principal in the amounts of \$7,896, \$442, and \$28,236, respectively.

On June 22, 2023, WDB Holding PA entered into a further amendment to the Ilera Term Loan to, among other things, (i) extend the next test date for the interest coverage ratio from June 30, 2023 to September 30, 2023, and (ii) amend the terms for which WDB Holding PA may incur certain indebtedness and liens. This amendment was not considered extinguishment of debt under ASC 470, *Debt*.

On October 2, 2023, the Company made a mandatory prepayment of the Ilera Term Loan of \$1,500 at the original prepayment price of 103.22% to par.

On December 4, 2023, the parties entered into an amendment that requires WDB Holding PA to make a prepayment of \$4,800 by January 2, 2024 and a prepayment of \$3,200 by April 30, 2024, at the prepayment price of 100% to par. On January 2, 2024, the Company made a prepayment of \$4,800 of the Ilera Term Loan, at the prepayment price of 100% to par.

On April 30, 2024, the Company made a prepayment of the Ilera Term Loan of \$3,200 of the Ilera Term Loan, at the prepayment price of 100% to par.

As of March 31, 2024, there was an outstanding principal amount of \$72,127 under the Ilera Term Loan. Subsequently, the Company paid an additional \$3,200 which resulted in a current outstanding principal amount of \$68,927.

#### Chicago Atlantic Term Loan

In connection with the Gage Acquisition, the Company assumed a senior secured term loan (the "Chicago Atlantic Term Loan") with an acquisition date fair value of \$53,857. The credit agreement bears interest at a rate equal to the greater of (i) the Prime Rate plus 7% or (ii) 10.25%. The term loan was payable monthly and had a maturity date of November 30, 2022. The Chicago Atlantic Term Loan was secured by a first lien on all Gage Growth assets. As a result of the amendment, the Company paid a loan amendment fee of \$1,109 which was capitalized.

On August 10, 2022, the Chicago Atlantic Term Loan was amended as a result of the corporate restructure in conjunction with the Gage Acquisition. The amendment to the Chicago Atlantic Term Loan includes the addition of a borrower and guarantor under the term loan and a right of first offer in favor of the administrative agent for a refinancing of the term loan. This amendment was not considered extinguishment of debt under ASC 470, *Debt*.

On November 29, 2022, the Company repaid \$30,000 outstanding principal amount on the Chicago Atlantic Term Loan. On November 30, 2022, the remaining loan principal amount of \$25,000 on the Chicago Atlantic Term Loan was amended (the "Amended Chicago Atlantic Term Loan"). The Amended Chicago Atlantic Term Loan bears interest on \$25,000 at a per annum rate equal to the greater of (i) the U.S. "prime rate" plus 6.00%, and (ii) 13.0% and matures on November 1, 2024. Commencing on May 31, 2023, the Company will make monthly principal repayments of 0.40% of the aggregate principal amount outstanding. Additionally, the unpaid principal amount of the loan shall bear paid in kind interest at a rate of 1.50% per annum. No prepayment fees are owed if the Company voluntarily prepays the loan after 18 months. If such prepayment occurs prior to 18 months, a prepayment fee equal to all of the interest on the loans that would be due after the date of such prepayment, is owed. Under the Amended Chicago Atlantic Term Loan, the Company has the ability to borrow incremental term loans of \$30,000 at the option of the Company and subject to consents from the required lenders. The additional \$30,000 incremental term loans available under the amendment have not been drawn as of December 31, 2023. This loan represents a loan syndication, and therefore the Company assessed each of the lenders separately under ASC 470, *Debt* to determine if



this represents a modification, or an extinguishment of debt. For three of the four remaining lenders, it was determined that this was a modification. For the remaining lender, it was determined that this represented an extinguishment of debt and therefore the fees paid to the lenders on modification were expensed. As a result of this transaction, the Company expensed \$1,907 of fees paid to the lenders and third parties as they did not meet the criteria for capitalization under ASC 470, *Debt*.

On June 9, 2023, the Company agreed to an amendment, among other things, to (i) permit changes necessary for the TSX Transaction (as defined therein) and (ii) to permit certain indebtedness and waive certain tax provisions. This amendment was not considered extinguishment of debt under ASC 470, *Debt*.

As of March 31, 2024, there was an outstanding principal amount of \$24,404 under the Chicago Atlantic Term Loan.

#### Pinnacle Loans

The Pinnacle Acquisition purchase price included two promissory notes in an aggregate amount of \$10,000 to pay down all Pinnacle liabilities and encumbrances. The promissory note matures on June 30, 2023 and bears interest rates of 6%. On June 27, 2023, Spartan Partners Properties, LLC, agreed to an amendment among other things, to extend the obligation date of the loan until December 1, 2023. As of March 31, 2024, there was an outstanding principal amount of \$5,582 on the two promissory notes. The obligations are subject to restructuring upon the resolution of indemnity claims.

#### Pelorus Term Loan

On October 11, 2022, subsidiaries of TerrAscend, among others, entered into a loan agreement with Pelorus Fund REIT, LLC ("Pelorus") for a single-draw senior secured term loan ("Pelorus Term Loan") in an aggregate principal amount of \$45,478. The Pelorus Term Loan bears interest at a variable rate tied to the one month SOFR, subject to a base rate, plus 9.5%, with interest-only payments for the first 36 months. The base rate is defined as, on any day, the greatest of (a) 2.5%, (b) the effective federal funds rate in effect on such day plus 0.5%, and (c) SOFR in effect on such day. The obligations of the borrowers under the Pelorus Term Loan are guaranteed by the Company, TerrAscend USA and certain other subsidiaries of TerrAscend and are secured by all of the assets of the Company's Maryland and New Jersey businesses, including certain real estate in Maryland and New Jersey, but excludes all Maryland dispensaries. The Pelorus Term Loan matures on October 11, 2027.

On April 17, 2023, TerrAscend NJ, LLC agreed to an amendment to the Pelorus Term Loan to, among other things, (i) permit changes necessary for the TSX Transaction (as defined therein), and (ii) to waive certain tax provisions.

On June 22, 2023, TerrAscend NJ, LLC further agreed to an amendment to the Pelorus Term Loan to permit the Company to incur certain indebtedness. This amendment was not considered an extinguishment of debt under ASC 470, *Debt*. As of March 31, 2024, there was an outstanding principal amount of \$45,478 under the Pelorus Term Loan.

#### Stearns Loan

On June 26, 2023, the Company closed on a \$25,000 commercial loan with Stearns Bank, secured by the Company's cultivation facility in Pennsylvania and its Allegany Medical Marijuana Dispensary ("AMMD") dispensary in Cumberland, Maryland (the "Stearns Loan"). The Company was required to hold \$5,000 on deposit in a restricted account, of which \$2,500 of the restricted cash was released on July 28, 2023 upon meeting certain criteria pursuant to the terms of the Stearns Loan. The Stearns Loan bears interest at a rate of prime plus 2.25% and matures on December 26, 2024. The proceeds from the loan were used to pay down the Company's higher interest rate debt, thereby lowering the Company's overall interest expense. As of March 31, 2024, there was an outstanding principal amount of \$24,721 under the Stearns Loan.

#### Maryland Acquisition Loans

On June 28, 2023, in connection with the Peninsula Acquisition, the Company assumed existing indebtedness in the form of a promissory note in the amount of \$7,698, which matures on June 28, 2025. The promissory note bears interest at a rate of 8.25%. The Company will make monthly payments of principal and interest totaling \$157 beginning on July 28, 2023. The Company is required to make a mandatory prepayment of 50% of the outstanding principal balance on January 28, 2025. The consideration also included a promissory note in the amount of \$3,927. The promissory note interest at a rate of 7.25% and is payable in twelve quarterly installments, maturing on June 28, 2026.

On June 30, 2023, in connection with the Blue Ridge Acquisition, the Company entered into a promissory note in the amount of \$3,750 payable in four quarterly installments of accrued interest commencing on September 30, 2023 and twelve equal quarterly installments of principal and accrued interest commencing on September 30, 2024. The remaining amount of the principal and accrued interest is due on June 30, 2027, the maturity date. The promissory note bears interest at a rate of 7.0%.

On July 10, 2023, in connection with the Herbiculture Acquisition, the Company entered into a promissory note in the amount of \$5,250. The promissory note bears interest at a rate of 10.50%. Commencing on September 30, 2023, and thereafter until December 31, 2024, all accrued interest during each quarter will be added to the outstanding principal balance on the last day of each fiscal quarter. Beginning on March 31, 2025, and thereafter until March 31, 2026, only interest payments will be due on the last day of each fiscal quarter. The entire outstanding balance of the principal and accrued interest is due on June 30, 2026, the maturity date of the promissory note.

As of March 31, 2024, there was an outstanding principal amount of \$19,495 under the promissory notes related to the Maryland acquisitions.

#### Stadium Ventures

In connection with the Gage Acquisition, the Company assumed existing indebtedness in the form of a promissory note in the amount of \$4,065, which matures on December 31, 2024. The promissory note bears interest at a rate of 6%. As of March 31, 2024, there was an outstanding principal amount of \$1,322 on the promissory note.

#### Class A Share of TerrAscend Growth

In connection with the Reorganization (see Note 3), TerrAscend Growth Corp. ("TerrAscend") issued \$1,000 of Class A shares with a 20% guaranteed annual dividend ("Class A Shares") to an investor (the "Investor") pursuant to the terms of a subscription agreement between TerrAscend and the Investor dated April 20, 2023 (the "Subscription Agreement"). Pursuant to the terms of the Subscription Agreement, TerrAscend holds a call right to repurchase all of the Class A Shares issued to the Investor for an amount equal to the sum of: (a) the Repurchase/Put Price (as defined in the Subscription Agreement); plus (b) the amount equal to 40% of the subscription amount less the aggregate dividends paid to the Investor as of the date of the exercise of the option. In addition, the Investor holds a put right that is exercisable at any time after four months' advanced written notice following the five-year anniversary of the closing of the investment to put all (and only all) of the Class A Shares owned by the Investor to TerrAscend at the Repurchase/Put Price, payable in cash or shares. The instrument is considered as a debt for accounting purposes due to the economic characteristics and risks. As of March 31, 2024, there was an outstanding principal amount of \$1,000.

#### IHC Real Estate LP Loan

On June 26, 2023, the Company bought out the minority interest in IHC Real Estate LP and entered into a promissory note of \$7,500. The promissory note carries an interest rate of 15% and matures on January 15, 2024. On June 28, 2023 and July 31, 2023, the Company made a payment of \$1,500 and \$1,000, respectively. On January 15, 2024, the Company paid off all amounts owed under the promissory note with a payment of \$5,000.

### **Cash Flows**

#### *Cash flows provided by operating activities*

	For the Three Months Ended			
	March 31, 2024		March 31, 2023	
Net cash provided by operating activities	\$	13,251	\$	8,434

The increase of \$4,826 in net cash provided by operating activities for the three months ended March 31, 2024 as compared to three months ended March 31, 2023 is due primarily to growth in revenue and gross margin while maintaining SG&A expenses relatively flat.

#### *Cash flows used in investing activities*

	For the Three Months Ended			
	March 31, 2024		March 31, 2023	
Net cash used in investing activities	\$	(3,423 )	\$	(11,581 )

The net cash used in investing activities for the three months ended March 31, 2024 primarily relates to investment in property and equipment of \$2,796.

Net cash used in investing activities for the three months ended March 31, 2023 primarily relates to the cash paid to AMMD of \$9,611. Additionally, investment in property and equipment was \$2,497 during the three months ended March 31, 2023.

***Cash flows (used in) provided by financing activities***

	<b>For the Three Months Ended</b>	
	<b>March 31, 2024</b>	<b>March 31, 2023</b>
Net cash (used in) provided by financing activities	\$ (9,599 )	\$ 9,398

Net cash used in financing activities for the three months ended March 31, 2024 was primarily due to net loan principal payments of \$9,078 and distributions to minority partners of \$337.

Net cash provided by financing activities for the three months ended March 31, 2023 was primarily due to cash inflow of \$12,677 as a result of transfer with recourse of Employee Retention Credit, offset by principal payments on loans of \$1,204 and capital contributions paid to non-controlling interest holders of \$1,884.

**Reconciliation of Non-GAAP Measures**

In addition to reporting the financial results in accordance with GAAP, the Company reports certain financial results that differ from what is reported under GAAP. Non-GAAP measures used by management do not have any standardized meaning prescribed by GAAP and may not be comparable to similar measures presented by other companies. The Company believes that certain investors and analysts use these measures to measure a company's ability to meet other payment obligations or as a common measurement to value companies in the cannabis industry, and the Company calculates (i) Free cash flow from net cash provided by (used in) operating activities from continuing operations less capital expenditures for property and equipment which management believes is an important measurement of the Company's ability to generate additional cash from its business operations, and (ii) Adjusted EBITDA from continuing operations as net (loss) income, adjusted to exclude provision for income taxes, finance expenses, depreciation and amortization, relief of fair value upon acquisition, share-based compensation, gain on extinguishment of debt, restructuring related charges, impairment of goodwill and intangible assets and certain other items, which management believes is not reflective of the ongoing operations and performance. Such information is intended to provide additional information and should not be considered in isolation or as a substitute for measures of performance prepared in accordance with GAAP.

The Company believes Adjusted EBITDA from continuing operations is a useful performance measure to assess the performance of the Company as it provides more meaningful ongoing operating results by excluding the effects of expenses that are not reflective of the Company's underlying business performance and other one-time or non-recurring expenses. The table below reconciles net loss to

EBITDA from continuing operations and Adjusted EBITDA from continuing operations for the three months ended March 31, 2024 and 2023:

	Notes	March 31, 2024	March 31, 2023
<b>Net loss</b>		<b>\$ (14,851 )</b>	<b>\$ (22,769 )</b>
Loss from discontinued operations		—	3,591
Loss from continuing operations		(14,851 )	(19,178 )
<i>Add (deduct) the impact of:</i>			
Provision for income taxes		9,671	12,664
Finance expenses		8,872	7,875
Amortization and depreciation		5,000	4,771
<b>EBITDA from continuing operations</b>	<b>(a)</b>	<b>8,692</b>	<b>6,132</b>
<i>Add (deduct) the impact of:</i>			
Share-based compensation	<b>(b)</b>	1,485	1,713
Loss from revaluation of contingent consideration	<b>(c)</b>	1,393	—
Other one-time items	<b>(d)</b>	958	1,358
Employee Retention Credits and Transfer Fee	<b>(e)</b>	—	2,235
Loss on lease termination and derecognition of right of use assets	<b>(f)</b>	—	205
Loss (gain) on fair value of warrants and purchase option derivative asset	<b>(g)</b>	983	(438 )
Impairment of property and equipment and right of use assets	<b>(h)</b>	2,438	335
Unrealized and realized loss on investments	<b>(i)</b>	—	699
Unrealized and realized foreign exchange loss (gain)	<b>(j)</b>	285	(31 )
<b>Adjusted EBITDA from continuing operations</b>		<b>\$ 16,234</b>	<b>\$ 12,208</b>

The table below reconciles net cash provided by (used in) operating activities from continuing operations to free cash flow for the three months ended March 31, 2024 and 2023:

	Notes	For the Three Months Ended March 31, 2024	For the Three Months Ended March 31, 2023
Net cash provided by operating activities - continuing operations		<b>\$ 13,251</b>	<b>\$ 10,454</b>
Capital expenditures for property and equipment		(2,796 )	(2,497 )
<b>Free Cash Flow</b>		<b>\$ 10,455</b>	<b>\$ 7,957</b>

a)EBITDA from continuing operations is a non-GAAP measure and is calculated from net (loss) income.

b)Represents non-cash share-based compensation expense.

c)Represents the revaluation of the Company's contingent consideration liabilities.

d)Includes one-time fees incurred in connection with the Company's acquisitions, such as expenses related to professional fees, consulting, legal, and accounting, that would otherwise not have incurred. These fees are not indicative of the Company's ongoing costs.

e)Represents income recorded from ERC as a result of the CARES Act and its transfer fee.

f)Represents the (gain) loss taken as a result on lease termination and derecognition of right of use assets.

g)Represents the gain on fair value of warrants, including effects of the foreign exchange of the U.S. denominated Preferred Share warrants, as well as the revaluation of the fair value of the purchase option derivative asset.

h)Represents impairment charges taken on the Company's property and equipment.

i)Represents unrealized and realized gain on fair value changes on strategic investments.

j)Represents the remeasurement of USD denominated cash and other assets recorded in CAD functional currency.

The increase in Adjusted EBITDA from continuing operations for the three months ended March 31, 2024 compared to the three months ended March 31, 2023 was primarily due to the implementation of adult-use sales in Maryland and the Company's four Maryland acquisitions in 2023 while cost of sales for the Company remained constant.

#### Critical Accounting Estimates and Policies

The condensed consolidated financial statements have been prepared in accordance with GAAP. The preparation of these condensed consolidated financial statements requires the Company to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenue and expenses, and related disclosures. The Company bases its estimates on historical experience and assumptions on an ongoing basis. Actual results may differ from these estimates. To the extent that there are material differences between these estimates and actual results, the Company's future financial statements will be affected.

There have been no significant changes to the critical accounting estimates from the information provided in Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations", as contained in the Company's Annual Report on Form 10-K for the year ended December 31, 2023.

#### **Emerging Growth Company Status**

The Company is an emerging growth company, as defined in the Jumpstart Our Business Startups Act of 2012 (the "JOBS Act"). Under the JOBS Act, emerging growth companies can delay adopting new or revised accounting standards issued subsequent to the enactment of the JOBS Act until such time as those standards apply to private companies. The Company has elected to use this extended transition period for complying with new or revised accounting standards that have different effective dates for public and private companies until the earlier of the date that the Company (i) is no longer an emerging growth company or (ii) affirmatively and irrevocably opts out of the extended transition period provided in the JOBS Act. As a result, the Company's Consolidated Financial Statements may not be comparable to companies that comply with the new or revised accounting pronouncements as of public company effective dates.

The Company will remain an emerging growth company until the earlier to occur of: (i) December 31, 2027 (a) in which the Company has total annual gross revenue of \$1,235,000 or more, or (b) in which the Company is deemed to be a large accelerated filer, which means the market value of the Company's Common Stock that is held by non-affiliates exceeds \$700,000 as of the last business day of the Company's most recent second fiscal quarter; and (ii) the date on which the Company has issued more than \$1,000,000 in non-convertible debt during the prior three-year period.

#### **Item 3. Quantitative and Qualitative Disclosures About Market Risk.**

There have been no material changes in the Company's primary risk exposures or management of market risks from those disclosed in its Annual Report on Form 10-K for the fiscal year ended December 31, 2023.

#### **Item 4. Controls and Procedures.**

##### **Evaluation of Disclosure Controls and Procedures**

The Company's management, with the participation of its Chief Executive Officer and Chief Financial Officer, has evaluated the effectiveness of the Company's disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended, or the Exchange Act), as of the end of the period covered by this Quarterly Report on Form 10-Q. Based upon that evaluation, the Company's Chief Executive Officer and Chief Financial Officer concluded that, as of March 31, 2024, the Company's disclosure controls and procedures were effective to provide reasonable assurance that information required to be disclosed by us in the reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported, within the time periods specified in the SEC's rules and forms and to provide reasonable assurance that such information is accumulated and communicated to the Company's management, including its Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure.

##### **Changes in Internal Control over Financial Reporting**

There were no changes in the Company's internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) during the quarter ended March 31, 2024, that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

##### **Limitations on Effectiveness of Controls and Procedures**

In designing and evaluating the Company's disclosure controls and procedures, management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives. In addition, the design of disclosure controls and procedures must reflect the fact that there are resource constraints and that management is required to apply judgment in evaluating the benefits of possible controls and procedures relative to their costs.

## PART II—OTHER INFORMATION

### Item 1. Legal Proceedings.

In the ordinary course of business, the Company is involved in a number of lawsuits incidental to its business, including litigation related to intellectual property, product liability, employment, and commercial matters. Although it is difficult to predict the ultimate outcome of these matters, management believes that any ultimate liability would not have a material adverse effect on the Company's Consolidated Balance Sheets or results of operations. As of March 31, 2024, there were no pending lawsuits that could reasonably be expected to have a material effect on the results of the Company's consolidated financial statements, except for the proceedings described below.

#### Pure X Litigation

On August 9, 2023, AEY Capital LLC ("AEY"), a licensed subsidiary of the Company, filed a lawsuit in Oakland County Circuit Court (the "Oakland Court") against Pure X, LLC ("Pure X") seeking damages in the amount of \$14,969 (the "AEY Claim"). The AEY Claim alleges breach of contract, quantum meruit/unjust enrichment, account stated and statutory conversion. AEY's alleged damages are related to Pure X's failure to pay for various cannabis products sold by AEY. This matter is still pending.

### Item 1A. Risk Factors.

Investing in the Company's Common Shares involves a high degree of risk. In addition to the other information set forth in this Quarterly Report on Form 10-Q, you should carefully consider the factors described in Part I, Item 1.A. "Risk Factors" in the Company's Annual Report. The Company may disclose changes to risk factors or disclose additional factors from time to time in its future filings with the SEC. Additional risks and uncertainties not presently known to the Company or that the Company currently deems immaterial may impair its business operations.

### Item 2. Unregistered Sales of Equity Securities and Use of Proceeds.

None.

### Item 3. Defaults Upon Senior Securities

None.

### Item 4. Mine Safety Disclosures

Not applicable.

### Item 5. Other Information

None.

### Item 6. Exhibits.

Exhibit	Description of Exhibit Incorporated Herein by Reference	Filed
34		

Number	Description	Form	File No.	Exhibit	Filing Date	Herewith
3.1	<a href="#">Articles of TerrAscend Corp., dated March 7, 2017.</a>	10-12G	000-56363	3.1	11/02/2021	
3.2	<a href="#">Articles of Amendment to the Articles of TerrAscend Corp., dated November 30, 2018.</a>	10-12G/A	000-56363	3.2	12/22/2021	
3.3	<a href="#">Articles of Amendment to the Articles of TerrAscend Corp., dated May 22, 2020.</a>	10-12G/A	000-56363	3.3	12/22/2021	
3.4	<a href="#">By-laws of TerrAscend Corp., dated March 7, 2017.</a>	10-12G	000-56363	3.3	11/02/2021	
10.1	<a href="#">Form Unit Purchase Agreement, dated January 19, 2024, by and among RHMT, LLC, Deep Thought, LLC, Howard Street Partners, LLC, Anthony and Jamie Shira, Arion Luce, Michael Thomsen, Ryan Hudson and WDB Holding CA, Inc., a wholly-owned subsidiary of TerrAscend Corp.</a>					X
31.1	<a href="#">Certification of Principal Executive Officer Pursuant to Rules 13a-14(a) and 15d-14(a) under the Securities Exchange Act of 1934, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.</a>					X
31.2	<a href="#">Certification of Principal Financial Officer Pursuant to Rules 13a-14(a) and 15d-14(a) under the Securities Exchange Act of 1934, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.</a>					X
32.1*	<a href="#">Certification of Principal Executive Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.</a>					X
32.2*	<a href="#">Certification of Principal Financial Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.</a>					X
101.INS	Inline XBRL Instance Document					X
101.SCH	Inline XBRL Taxonomy Extension Schema With Embedded Linkbase Documents					X
104	Cover Page Interactive Data File (embedded within the Inline XBRL document)					X

\* This certification accompanies the Form 10-Q to which it relates, is not deemed filed with the Securities and Exchange Commission and is not to be incorporated by reference into any filing of TerrAscend Corp. under the Securities Exchange Act of 1934, as amended (whether made before or after the date of the Form 10-Q), irrespective of any general incorporation language contained in such filing.

## SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

**TerrAscend Corp.**

Date: May 9, 2024

By:

/s/ Ziad Ghanem  
**Ziad Ghanem**  
**President and Chief Executive Officer**  
**(Principal Executive Officer)**

Date: May 9, 2024

By:

/s/ Keith Stauffer  
**Keith Stauffer**  
**Chief Financial Officer**  
**(Principal Financial Officer)**





## Unit Purchase Agreement

This Unit Purchase Agreement (this “**Agreement**”) is entered into effective as of January 19, 2024 (the “**Effective Date**”), and is made by and between WDB Holding CA, Inc., a Delaware corporation (the “**Buyer**”) and \_\_\_\_\_ (the “**Seller**”).

### RECITALS

A. The Seller holds \_\_\_\_\_ Preferred Units (the “**Units**”) of \_\_\_\_\_ (the “**Company**”).

B. The Buyer has agreed to purchase all of the Units from the Seller, and the Seller has agreed to sell the Units to the Buyer, upon the terms and conditions set forth herein.

Now, therefore, in consideration of the foregoing statements and the mutual promises made in this Agreement and for other valuable consideration, it is hereby agreed as follows:

### AGREEMENT

1. Purchase of Units. Subject to the terms and conditions of this Agreement, on the Closing Date, the Seller agrees to sell and transfer to the Buyer, and the Buyer agrees to purchase from the Seller, all of the Seller’s right, title and interest in and to the Units, for the purchase price of Twenty-Four Thousand Six Hundred Fifteen Dollars and Nineteen Cents (\$24,615.19) per Unit for a total purchase price of \_\_\_\_\_ (the “**Purchase Price**”). The Purchase Price shall be paid in shall be paid in an equivalent value of common shares of TerrAscend Corp. (the “**TA Shares**”) issued by Buyer Parent (“**Buyer Parent**” means TerrAscend Corp) and which price per Share shall be calculated based on a 20-day Volume-weighted Average Price (“**VWAP**”) based on the Trading Day (as defined below) immediately preceding the Effective Date and shall be issued within ten (10) days of the Effective Date.

2. Price Protection. At the written request of a Seller and in accordance with this section, following each Determination Date (as defined below), the Parties shall assess the combined value of (i) all TA Shares in the possession of the Seller, based on the trailing 20-day VWAP as of the Trading Day prior to each Determination Date (“**Trading Day**” means any day on which the primary market on which shares of TA Shares are listed is open for trading), (ii) any currently held Additional Seller Shares (as defined below) issued at any Determination Date based on the trailing 20-day VWAP as of the Trading Day prior to each Determination Date, (iii) the proceeds resulting from the sale of any Additional Seller Shares (as defined below) and (iv) the proceeds resulting from the sale of any TA Shares (“**Determination Value**”).

At each Determination Date, if the aggregate value of the Determination Value is less than the amount due under this agreement to such Seller (the “**Minimum Proceeds**”), then the Buyer Parent shall issue to the Seller an amount of common shares of Buyer Parent (“**Additional Seller Shares**”) equal to the difference, if greater than zero, of the Minimum Proceeds minus the Determination Value, based on the trailing 20-day VWAP as of the Trading Day prior to the issuance date of the Additional Seller Shares, subject to the approval of the Toronto Stock Exchange, which approval Buyer shall diligently pursue. The Determination Dates shall occur on the 6 month, 12 month, 18 month and 24 month anniversary of the Effective Date (each a “**Determination Date**” and collectively, the “**Determination Dates**”).

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A Seller requesting the issuance of Additional Seller Shares shall provide the written notice required by this section to Buyer on or before the 35th day following the applicable Determination Date, in which the Seller shall include the Seller's calculation of the value of the Additional Seller Shares requested, the issuance price for the TA Shares sold, the sale price for the TA Shares sold, the number of all TA Shares sold, the issuance price for any Additional Seller Shares sold, the sale price for any Additional Seller Shares sold, the number of Additional Seller Shares sold, and a certification by the Seller attesting to the accuracy of the information provided to the best of the Seller's knowledge without investigation (collectively, the "**Seller's Notice**").

Buyer shall deliver a response to the Seller's Notice within 7 days following receipt of the Seller's Notice (the "**Buyer's Response Date**") notifying the Seller that it either accepts or rejects the Seller's determination that Additional Seller Shares are required to be issued and the value of the Additional Seller Shares ("**Buyer's Response**") as set forth in the Seller's Notice and specifying with reasonable particularity the information required to complete the Seller's Notice. If additional supporting evidence is reasonably required to validate the Seller's calculation of the value of the Additional Seller Shares to be issued, then the Seller shall provide the reasonably requested information within 5 days of receipt of the Buyer's Response. The parties shall have 30 days from the Buyer's Response Date to negotiate in good faith and agree upon the value of the Additional Seller Shares, if any, to be issued for that Determination Date. If the parties cannot so agree within those 30 days, then the parties shall appoint an independent accounting firm or a qualified and independent firm, to render a final determination regarding the value of the Additional Seller Shares, if any, to be issued for that Determination Date (the "**Independent Determination**"). The Independent Determination shall be final and binding upon the parties and the value of the Seller Additional Shares contained therein shall be issued within 21 days of the Independent Determination date. Each party shall bear one-half of the Independent Determination fee and shall bear its own attorneys' fees and other costs incurred in connection therewith; however, if the Independent Determination is within 15% of either the Seller's or the Buyer's determination, then that party, as the substantially prevailing party, shall be reimbursed by the other party for its reasonable legal fees and costs associated with the Independent Determination (including fees paid for the Independent Determination). If the Buyer accepts the Seller's calculation of the value of the Additional Seller Shares, or if Buyer fails to timely respond to Seller's notice, then the value of the Additional Seller Shares as set forth on the Seller's notice shall be issued within 21 days of the Response Date.

By way of example and not limitation, if (i) the Minimum Proceeds are \$100,000, and (ii) Sellers transfer twenty percent (20%) of the TA Shares by the 12 month Determination Date for gross proceeds of \$16,000, and (iii) at the 6-month Determination Date, the Buyer issued \$1,000 of Additional Seller Shares which the Seller currently owns, and (iv) the Seller has sold none of the Additional Seller Shares issued and (v) the remaining TA Shares have a market value of \$70,000, then (vi) Buyer Parent shall issue Seller the number of Additional Seller Shares that equal \$13,000 [ie. (vi) = (i) – (ii) – (iii) – (iv) – (v)].

$$[(vi)=(i) - (ii) - (iii) - (iv) - (v)]$$

$$(i)= 100,000 = \text{Minimum Proceeds}$$

$$(ii)= \$16,000 = (\text{Number TA Shares Sold} \times \text{Price Sold})$$

$$(iii)= \$1,000 = (\text{Number of Additional Shares from the 6-month Determination Date Issuance currently held by the Seller} \times \text{20-day VWAP})$$

$$(iv)=\$0 = (\text{Number of Additional Seller Shares issued at the 6-month Determination Date sold} \times \text{Price Sold})$$

$$(v)= \$70,000 = (\text{Number of TA Share currently held by the Seller} \times \text{20-day VWAP})$$

$$(vi)= \$13,000 = (\$13,000 \text{ of Additional Shares would be issued based on a 20-day VWAP})$$

$$(\$100,000)-(\$16,000)-(\$70,000)-(\$1,000)-(\$0)= \$13,000 \rightarrow \$13,000 \text{ worth of shares would}$$

be issued based on a 20-VWAP as of the Trading Day prior to the issuance date of the Additional Seller Shares.

Nothing in this Agreement shall be interpreted to require any Seller to transfer any Shares concurrently with any other Seller or party or upon the happening of any event. For clarity, Price Protection may be sought by one Seller without requiring another Seller to exercise their Price Protection rights.

3. Closing; Payment of Purchase Price. The closing of the transactions contemplated by this agreement will take place on the Effective Date (the “**Closing Date**”) through the electronic exchange of signature pages. On the Closing Date, (i) the Seller will deliver to the Buyer a duly executed assignment separate from certificate in the form attached hereto as Appendix A, and (ii) the Buyer will deliver to the Seller the Purchase Price.

4. Representations and Warranties of the Seller. The Seller represents and warrants as follows:

(a) Execution and Validity. Seller has all necessary power and authority to enter into this Agreement, to carry out Seller’s obligations hereunder and to consummate the transactions contemplated hereby. The execution and delivery by Seller of this Agreement, the performance by Seller of its obligations hereunder and the consummation by Seller of the transactions contemplated hereby have been duly authorized by all requisite action on the part of Seller. This Agreement has been duly executed and delivered by Seller, and (assuming due authorization, execution and delivery by the Buyer) this Agreement constitutes a legal, valid and binding obligation of Seller, enforceable against Seller in accordance with its terms, except as such enforceability may be limited by bankruptcy, insolvency, reorganization, moratorium or similar laws affecting creditors’ rights generally and by general principles of equity (regardless of whether enforcement is sought in a proceeding at law or in equity), and excluding any federal law or treaty respecting cannabis to the extent such law would prohibit enforcement or execution of this Agreement, including without limitation the Controlled Substances Act.

(b) No Conflicts; Consents. The execution, delivery and performance by Seller of this Agreement and the documents to be delivered hereunder, and the consummation of the transactions contemplated hereby, do not and will not: (a) violate or conflict with the organizational documents of Seller, if applicable; (b) violate or conflict with any judgment, order, decree, statute, Law, ordinance, rule or regulation applicable to Seller; or (c) conflict with, or result in (with or without notice or lapse of time or both) any violation of, or default under, or give rise to a right of termination, acceleration or modification of any obligation or loss of any benefit under any material contract or other instrument to which Seller is a party. Except as otherwise disclosed to Buyer, no notice, consent, approval, waiver or authorization is required to be obtained by Seller from any person or entity (including any governmental authority) in connection with the execution, delivery and performance by Seller of this Agreement and the consummation of the transactions contemplated hereby.

(c) Units. Seller represents he or she is the record and beneficial owner of the Units. All Units are owned by the Seller free and clear of any security or other property interest or right, claim, lien, pledge, option, charge, community property interest, security interest, contingent or conditional sale, or other title claim or retention agreement or lease or use agreement in the nature thereof, interest or other right or claim of third parties, whether voluntarily incurred or arising by operation of law, and including any agreement to grant or submit to any of the foregoing in the future (collectively, “**Encumbrance**”), other than restrictions on transfer arising under the Company’s Operating Agreement. Seller has the full right, authority and power to sell, assign and transfer the Units to Buyer. The Units have not been sold, assigned or transferred, nor has any agreement been entered

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into to sell, assign or transfer any of the Units to any other person. There are no restrictions on or agreements with respect to the voting rights of Seller that would impair Buyer's rights under this Agreement. Upon delivery to Buyer of an assignment separate from certificate for the Units on the Closing Date and Buyer's payment of the Purchase Price, Buyer shall acquire good, valid and marketable title to the Units, free and clear of all Encumbrances.

(d)Brokers. No broker, finder or investment banker is entitled to any brokerage, finder's or other fee or commission in connection with the transactions contemplated hereby based upon arrangements made by or on behalf of Seller.

5.Representations and Warranties of Buyer. The Buyer represents and warrants as follows:

(a)Buyer is a corporation duly organized, validly existing and in good standing under the laws of the state of California. Buyer has full corporate power and authority to enter into this Agreement and the documents to be delivered hereunder to which it is a party, to carry out its obligations hereunder and to consummate the transactions contemplated hereby. The execution, delivery and performance by Buyer of this Agreement and the documents to be delivered by Buyer hereunder and the consummation of the transactions contemplated hereby have been duly authorized by all requisite corporate action on the part of Buyer. This Agreement and the documents to be delivered hereunder by Buyer have been duly executed and delivered by Buyer, and (assuming due authorization, execution and delivery by the Seller) this Agreement and the documents to be delivered hereunder constitute legal, valid and binding obligations of Buyer, enforceable against Buyer in accordance with their respective terms, except as such enforceability may be limited by bankruptcy, insolvency, reorganization, moratorium or similar laws affecting creditors' rights generally and by general principles of equity (regardless of whether enforcement is sought in a proceeding at law or in equity), and excluding any federal law or treaty respecting cannabis to the extent such law would prohibit enforcement or execution of this Agreement, including without limitation the Controlled Substances Act.

(b)No Conflicts: Consents. The execution, delivery and performance by Buyer of this Agreement and the documents to be delivered hereunder, and the consummation of the transactions contemplated hereby, do not and will not: (a) violate or conflict with the organizational documents of Buyer; or (b) violate or conflict with any judgment, order, decree, statute, Law, ordinance, rule or regulation applicable to Buyer. Except as otherwise disclosed to Seller, no consent, approval, waiver or authorization is required to be obtained by Buyer from any person or entity (including any governmental authority) in connection with the execution, delivery and performance by Buyer of this Agreement and the consummation of the transactions contemplated hereby.

(c)Investment Purpose. Buyer is acquiring the Units solely for its own account for investment purposes and not with a view to, or for offer or sale in connection with, any distribution thereof. Buyer acknowledges that the Units are not registered under the Securities Act of 1933, as amended, or any state securities laws, and that the Units may not be transferred or sold except pursuant to the registration provisions of the Securities Act of 1933, as amended or pursuant to an applicable exemption therefrom and subject to state securities laws and regulations, as applicable.

(d)Brokers. No broker, finder or investment banker is entitled to any brokerage, finder's or other fee or commission in connection with the transactions contemplated by this Agreement based upon arrangements made by or on behalf of Buyer.

6.Indemnification. Seller shall indemnify Buyer and its respective Affiliates (including the Company) and each of their respective members, managers, officers and employees (collectively, the "**Buyer Indemnified Parties**") against, and shall hold the Buyer Indemnified Parties harmless

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from and against, any and all claims, judgments, damages, liabilities, settlements, losses, costs and expenses, including reasonable attorneys' fees and disbursements (a "**Loss**"), incurred or sustained by, or imposed upon, any of the Buyer Indemnified Parties based upon, arising out of, with respect to or by reason of any inaccuracy in or breach of any of the representations or warranties made by Seller in this Agreement. Buyer shall indemnify Seller against, and shall hold the Seller harmless from and against, any and all Losses incurred or sustained by, or imposed upon, Seller based upon, arising out of, with respect to or by reason of any inaccuracy in or breach of any of the representations or warranties of Buyer contained in this Agreement. For purposes of this Agreement, "**Affiliates**" means, with respect to any specified person or entity, any other person or entity who, directly or indirectly, controls, is controlled by, or is under common control with such person or entity, including, without limitation, any general partner, managing member, officer or director of such person or any venture capital fund now or hereafter existing that is controlled by one or more general partners or managing members of, or shares the same management company with, such person or entity.

## 7. Miscellaneous.

(a)Governing Law. This Agreement shall be governed, construed and interpreted in accordance with the laws of the State of California, without giving effect to principles of conflicts of law.

(b)Entire Agreement; Enforcement of Rights. This Agreement constitutes the entire agreement and understanding of the parties relating to the subject matter of this Agreement. Any prior agreements, promises, negotiations or representations concerning such subject matter that are not expressly set forth in this Agreement are of no force or effect. No modification or amendment to this Agreement, nor any waiver of any rights under this Agreement, shall be effective unless in writing signed by the parties to this Agreement. The failure by either party to enforce any rights under this Agreement shall not be construed as a waiver of any rights of such party. For purposes of clarity, nothing in this Agreement is intended to alter or modify the rights or obligations of Buyer and Seller under that certain Securities Purchase Agreement dated as of February 10, 2019, by and among RHMT, LLC, a California limited liability company, Deep Thought, LLC, a California limited liability company, and Howard Street Partners, LLC, a California limited liability company (RHMT, Deep Thought and Howard Street are collectively the "**Companies**"), the holders of the outstanding securities of each of the Companies as listed on the Schedule of Sellers thereto, which includes Seller here ("**Sellers**"), TerrAscend Corp., a corporation incorporated under the Business Corporations Act (Ontario), WDB Holding CA, Inc., and Michael Thomsen, an individual residing in the State of California, as agent for the Sellers (the "**Sellers' Agent**").

(c)Performance. Each party to this Agreement agrees to perform any and all other acts and execute and deliver any and all other documents as may be necessary and proper under the circumstances in order to accomplish the intents and purposes of this Agreement and to carry out its provisions.

(d)Severability. If one or more provisions of this Agreement are held to be unenforceable under applicable law, the parties agree to renegotiate such provision in good faith. In the event that the parties cannot reach a mutually agreeable and enforceable replacement for such provision, then (i) such provision shall be excluded from this Agreement, (ii) the balance of the Agreement shall be interpreted as if such provision were so excluded, and (iii) the balance of the Agreement shall be enforceable in accordance with its terms.

(e)Construction. This Agreement is the result of negotiations between and has been reviewed by each of the parties hereto and their respective counsel, if any; accordingly, this Agreement shall

be deemed to be the product of all of the parties hereto, and no ambiguity shall be construed in favor of or against any one of the parties hereto.

(f)Counterparts and Electronic Execution. This Agreement may be executed and delivered electronically (including use of a third-party service such as DocuSign) and in two or more counterparts, each of which shall be deemed an original and all of which together shall constitute one instrument.

(g)Successors and Assigns. The rights and benefits of this Agreement shall inure to the benefit of, and be enforceable by the Buyer's successors and assigns. The rights and obligations of the Seller under this Agreement may only be assigned with the prior written consent of the Buyer.

*[signature pages follow]*

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IN WITNESS WHEREOF, the parties hereto have executed this Unit Purchase Agreement effective as of the Effective Date.

**BUYER:** WDB HOLDING CA, INC. **SELLER:** \_\_\_\_\_

By:\_\_\_\_

By:

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Appendix A

**ASSIGNMENT**

For value received, \_\_\_\_\_ ("**Assignor**") hereby assigns and transfers unto ("**Buyer**") \_\_\_\_\_ Preferred Units of \_\_\_\_\_ (the "**Company**"), registered in Assignor's name on the books of the Company, and does hereby irrevocably constitute and appoint the secretary of the Company to transfer the said stock on the books of the Company with full power of substitution in the premises.

Dated:

\_\_\_\_\_  
**ASSIGNOR**

\_\_\_\_\_

**Schedule I**

<b>Entity Name</b>	<b>Seller</b>	<b>Buyer</b>	<b>Number of Preferred Units Purchased</b>	<b>Aggregate Purchase Price</b>
Deep Thought, LLC	Anthony and Jamie Shira	WDB Holding CA, Inc.*	9.1482	\$225,184.68
Deep Thought, LLC	Arion Luce	WDB Holding CA, Inc.*	12.4499	\$306,456.65
Deep Thought, LLC	Michael Thomsen	WDB Holding CA, Inc.*	13.9729	\$343,945.58
Deep Thought, LLC	Ryan Hudson	WDB Holding CA, Inc.*	14.529	\$357,634.09
Howard Street Partners, LLC	Anthony and Jamie Shira	WDB Holding CA, Inc.*	9.1482	\$225,184.68
Howard Street Partners, LLC	Arion Luce	WDB Holding CA, Inc.*	12.4499	\$306,456.65
Howard Street Partners, LLC	Michael Thomsen	WDB Holding CA, Inc.*	13.9729	\$343,945.58
Howard Street Partners, LLC	Ryan Hudson	WDB Holding CA, Inc.*	14.529	\$357,634.09
RHMT, LLC	Anthony and Jamie Shira	WDB Holding CA, Inc.*	9.1482	\$225,184.68
RHMT, LLC	Arion Luce	WDB Holding CA, Inc.*	12.4499	\$306,456.65
RHMT, LLC	Michael Thomsen	WDB Holding CA, Inc.*	13.9729	\$343,945.58
RHMT, LLC	Ryan Hudson	WDB Holding CA, Inc.*	14.529	\$357,634.09

\*A Delaware corporation wholly-owned by TerrAscend Corp.

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**Certification of Principal Executive Officer Pursuant to Exchange Act Rule 13a-14(a)/15d-14(a)  
as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002**

I, Ziad Ghanem, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q for the quarter ended March 31, 2024 of TerrAscend Corp.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report), that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 9, 2024

/s/ Ziad Ghanem  
Ziad Ghanem  
President and Chief Executive Officer  
(Principal Executive Officer)



**Certification of Principal Financial Officer Pursuant to Exchange Act Rule 13a-14(a)/15d-14(a)  
as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002**

I, Keith Stauffer, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q for the quarter ended March 31, 2024 of TerrAscend Corp.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report), that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 9, 2024

/s/ Keith Stauffer  
\_\_\_\_\_  
Keith Stauffer  
Chief Financial Officer  
(Principal Financial Officer)



**Certification of Principal Executive Officer Pursuant to 18 U.S.C. Section 1350 as Adopted  
Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002**

Pursuant to the requirement set forth in Rule 13a-14(b) of the Securities Exchange Act of 1934, as amended, (the “Exchange Act”) and 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, I, Ziad Ghanem, Chief Executive Officer of TerrAscend Corp. (the “Company”), hereby certify, that, to the best of my knowledge:

1. the Quarterly Report on Form 10-Q for the quarter ended March 31, 2024 (the “Report”) of the Company fully complies with the requirements of Section 13(a) or 15(d) of the Exchange Act; and
2. the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: May 9, 2024

/s/ Ziad Ghanem  
Ziad Ghanem  
President and Chief Executive Officer  
(Principal Executive Officer)

This certification accompanies the Form 10-Q to which it relates, is not deemed filed with the Securities and Exchange Commission and is not to be incorporated by reference into any filing of TerrAscend Corp. under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended (whether made before or after the date of the Form 10-Q), irrespective of any general incorporation language contained in such filing.

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**Certification of Principal Financial Officer Pursuant to 18 U.S.C. Section 1350 as Adopted  
Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002**

Pursuant to the requirement set forth in Rule 13a-14(b) of the Securities Exchange Act of 1934, as amended, (the “Exchange Act”) and 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, I, Keith Stauffer, Chief Financial Officer of TerrAscend Corp. (the “Company”), hereby certify, that, to the best of my knowledge:

1. the Quarterly Report on Form 10-Q for the quarter ended March 31, 2024 (the “Report”) of the Company fully complies with the requirements of Section 13(a) or 15(d) of the Exchange Act; and
2. the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: May 9, 2024

/s/ Keith Stauffer  
Keith Stauffer  
Chief Financial Officer  
(Principal Financial Officer)

This certification accompanies the Form 10-Q to which it relates, is not deemed filed with the Securities and Exchange Commission and is not to be incorporated by reference into any filing of TerrAscend Corp. under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended (whether made before or after the date of the Form 10-Q), irrespective of any general incorporation language contained in such filing.

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