UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549

FORM 10-Q

(Mark One)

☒ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended June 30, 2024

OR

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from to

Commission File Number: 021-340690

TERRASCEND CORP.
(Exact Name of Registrant as Specified in its Charter)

Ontario	**N/A**
(State or other jurisdiction of incorporation or organization)	**(I.R.S. Employer Identification No.)**
77 City Centre Drive **Suite 501 - East Tower** **Mississauga, Ontario, Canada**	**L5B 1M5**
(Address of principal executive offices)	**(Zip Code)**

Registrant's telephone number, including area code: (717) 610-4165

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
None	N/A	N/A

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	☐	Accelerated filer	☒
Non-accelerated filer	☐	Smaller reporting company	☐
Emerging growth company	☒		

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

As of August 7, 2024, the registrant had 291,513,055 common shares, no par value, 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 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;

•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 June 30, 2024	At December 31, 2023
Assets		
Current assets		
Cash and cash equivalents	$ 27,378	$ 22,241
Restricted cash	3,113	3,106
Accounts receivable, net	16,799	19,048
Investments	1,737	1,913
Inventory	51,009	51,683
Prepaid expenses and other current assets	4,771	4,898
Total current assets	104,807	102,889
Non-current assets		
Property and equipment, net	193,340	196,215
Deposits	284	337
Operating lease right of use assets	41,645	43,440
Intangible assets, net	212,515	215,854
Goodwill	106,929	106,929
Other non-current assets	724	854
Total non-current assets	555,437	563,629
Total assets	**$ 660,244**	**$ 666,518**
Liabilities and shareholders' equity		
Current liabilities		
Accounts payable and accrued liabilities	$ 46,918	$ 49,897
Deferred revenue	4,699	4,154
Loans payable, current	15,946	137,737
Contingent consideration payable, current	2,632	6,446
Operating lease liability, current	2,330	1,244
Derivative liability, current	899	—
Lease obligations under finance leases, current	93	2,030
Corporate income tax payable	3,184	4,775
Other current liabilities	756	717
Total current liabilities	77,457	207,000
Non-current liabilities		
Loans payable, non-current	171,926	61,633
Operating lease liability, non-current	42,654	45,384
Lease obligations under finance leases, non-current	2,140	407
Derivative liability, non-current	2,253	5,162
Convertible debt	8,126	7,266
Deferred income tax liability	16,760	17,175
Contingent consideration payable, non-current	2,109	—
Liability on uncertain tax position and other long term liabilities	110,673	81,751
Total non-current liabilities	356,641	218,778
Total liabilities	434,098	425,778
Commitments and contingencies		
Shareholders' equity		
Share capital		
Series A, convertible preferred stock, no par value, unlimited shares authorized; 12,350 and 12,350 shares outstanding as of June 30, 2024 and December 31, 2023, respectively	—	—
Series B, convertible preferred stock, no par value, unlimited shares authorized; 600 and 600 shares outstanding as of June 30, 2024 and December 31, 2023, respectively	—	—
Series C, convertible preferred stock, no par value, unlimited shares authorized; nil and nil shares outstanding as of June 30, 2024 and December 31, 2023, respectively	—	—
Series D, convertible preferred stock, no par value, unlimited shares authorized; nil and nil shares outstanding as of June 30, 2024 and December 31, 2023, respectively	—	—
Proportionate voting shares, no par value, unlimited shares authorized; nil and nil shares outstanding as of June 30, 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 June 30, 2024 and December 31, 2023, respectively	—	—
Common shares, no par value, unlimited shares authorized; 291,507,430 and 288,327,497 shares outstanding as of June 30, 2024 and December 31, 2023, respectively	—	—
Additional paid in capital	945,797	944,859
Accumulated other comprehensive income	2,457	1,799
Accumulated deficit	(723,590)	(704,162)
Non-controlling interest	1,482	(1,756)
Total shareholders' equity	226,146	240,740
Total liabilities and shareholders' equity	**$ 660,244**	**$ 666,518**

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		For the Six Months Ended	
	June 30, 2024	**June 30, 2023**	**June 30, 2024**	**June 30, 2023**
Revenue, net	**$ 77,523**	**$ 72,124**	**$ 158,156**	**$ 141,522**
Cost of sales	39,840	35,898	81,742	71,396
Gross profit	**37,683**	**36,226**	**76,414**	**70,126**
Operating expenses:				
General and administrative	24,060	30,476	52,068	58,206
Amortization and depreciation	2,190	2,242	4,405	4,271
Impairment of property and equipment and right of use assets	—	—	2,438	28
Other operating (income) expense	(1,186)	10	(1,186)	317
Total operating expenses	**25,064**	**32,728**	**57,725**	**62,822**
Income from operations	**12,619**	**3,498**	**18,689**	**7,304**
Other expense (income)				
Loss from revaluation of contingent consideration	1,827	—	3,220	—
Gain on fair value of derivative liabilities and purchase option derivative assets	(2,922)	(215)	(1,939)	(653)
Finance and other expenses	8,891	8,171	17,480	18,258
Transaction and restructuring costs	—	389	—	392
Unrealized and realized foreign exchange loss (gain)	104	(101)	389	(132)
Unrealized and realized loss on investments	227	1,661	227	2,360
Income (loss) from continuing operations before provision for income taxes	**4,492**	**(6,407)**	**(688)**	**(12,921)**
Provision for income taxes	10,729	6,448	20,400	19,112
Net loss from continuing operations	**$ (6,237)**	**$ (12,855)**	**$ (21,088)**	**$ (32,033)**
Discontinued operations:				
Loss from discontinued operations, net of tax	$ —	$ (621)	$ —	$ (4,212)
Net loss	**$ (6,237)**	**$ (13,476)**	**$ (21,088)**	**$ (36,245)**
Foreign currency translation adjustment	(260)	408	(658)	755
Comprehensive loss	$ (5,977)	$ (13,884)	**$ (20,430)**	**$ (37,000)**
Net loss from continuing operations attributable to:				
Common and proportionate Shareholders of the Company	$ (8,180)	$ (14,998)	$ (25,235)	$ (36,362)
Non-controlling interests	$ 1,943	$ 2,143	$ 4,147	$ 4,329
Comprehensive loss attributable to:				
Common and proportionate Shareholders of the Company	$ (7,920)	$ (16,027)	$ (24,577)	$ (41,329)
Non-controlling interests	$ 1,943	$ 2,143	$ 4,147	$ 4,329
Net loss per share - basic:				
Continuing operations	$ (0.03)	$ (0.05)	$ (0.09)	$ (0.13)
Discontinued operations	—	—	—	(0.02)
Net loss per share - basic	$ (0.03)	$ (0.05)	$ (0.09)	$ (0.15)
Weighted average number of outstanding common shares	291,488,661	275,186,279	291,053,614	271,223,233
Net loss per share - diluted:				
Continuing operations	$ (0.03)	$ (0.05)	$ (0.09)	$ (0.13)
Discontinued operations	—	—	—	$ (0.02)
Net loss per share - diluted	$ (0.03)	$ (0.05)	$ (0.09)	$ (0.15)
Weighted average number of outstanding common shares, assuming dilution	291,488,661	275,186,279	291,053,614	271,223,233

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

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									
			Convertible Preferred Stock							
	Common Shares	Exchangeable Shares	Series A	Series B	Common Shares Equivalent	Additional paid in capital	Accumulated other comprehensive income (loss)	Accumulated deficit	Non-controlling interest	Total
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 distributions	—	—	—	—	—	—	—	—	(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**
Shares issued - stock options, warrant and RSU exercises	1,078	—	—	—	1,078	—	—	—	—	—
Shares, options and warrants issued - acquisitions	5,442,282	—	—	—	5,442,282	9,524	—	—	—	9,524
Shares, options and warrants issued - legal settlement	130,000	—	—	—	130,000	201	—	—	—	201
Private placement net of share issuance costs	6,580,677	—	—	—	6,580,677	7,507	—	—	—	7,507
Share-based compensation expense	—	—	—	—	—	1,981	—	—	—	1,981
Options and warrants expired/forfeited	—	—	—	—	—	(3,514)	—	3,514	—	—
Capital distributions	—	—	—	—	—	—	—	—	(1,531)	(1,531)
Acquisition of non-controlling interest	—	—	—	—	—	(6,177)	—	—	(1,323)	(7,500)
Net loss for the period	—	—	—	—	—	—	—	(15,620)	2,144	(13,476)
Foreign currency translation adjustment	—	—	—	—	—	—	(408)	—	—	(408)
Balance at June 30, 2023	**286,807,780**	**63,492,038**	**12,350**	**600**	**363,250,022**	**$ 945,926**	**$ 1,330**	**$ (653,623)**	**$ 1,966**	**$ 295,599**

	Number of Shares									
			Convertible Preferred Stock							
	Common Shares	Exchangeable Shares	Series A	Series B	Common Shares Equivalent	Additional paid in capital	Accumulated other comprehensive income (loss)	Accumulated deficit	Non-controlling interest	Total
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**
Shares issued - stock options, warrant and RSU exercises	222,616	—	—	—	222,616	—	—	—	—	—
Share-based compensation expense	—	—	—	—	—	1,960	—	—	—	1,960
Options and warrants expired/forfeited	—	—	—	—	—	(1,988)	—	1,988	—	—
Capital distributions	—	—	—	—	—	—	—	—	(1,946)	(1,946)
Net loss for the period	—	—	—	—	—	—	—	(8,180)	1,943	(6,237)
Foreign currency translation adjustment	—	—	—	—	—	—	260	—	—	260
Balance at June 30, 2024	**291,507,430**	**63,492,038**	**12,350**	**600**	**367,949,672**	**945,797**	**2,457**	**(723,590)**	**1,482**	**226,146**

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

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 Six Months Ended	
	June 30, 2024	June 30, 2023
Operating activities		
Net loss from continuing operations	$ (21,088)	$ (32,033)
Adjustments to reconcile net loss to net cash provided by operating activities		
Non-cash adjustments of inventory	—	1,081
Accretion expense	8,375	5,673
Depreciation of property and equipment and amortization of intangible assets	9,993	9,761
Amortization of operating right-of-use assets	1,481	932
Share-based compensation	3,446	3,694
Deferred income tax (recovery) expense	(415)	815
Gain on fair value of derivative liabilities and purchase option derivative assets	(1,939)	(653)
Gain on disposal of fixed assets	(17)	345
Unrealized and realized loss on investments	227	2,410
Loss from revaluation of contingent consideration	3,220	—
Impairment of property and equipment and right of use assets	2,438	—
Gain on lease termination	(1,169)	—
Bad debt recovery	(1,307)	(23)
Unrealized and realized foreign exchange loss (gain)	389	(132)
Changes in operating assets and liabilities		
Receivables	1,358	318
Inventory	1,970	(7,851)
Prepaid expense and other current assets	119	(319)
Deposits	53	431
Other assets	77	714
Accounts payable and accrued liabilities and other payables	(8,019)	4,089
Operating lease liability	(1,147)	(337)
Other liability	(536)	(173)
Uncertain tax position liabilities	29,917	1,258
Corporate income tax payable	(1,591)	22,127
Deferred revenue	545	157
Net cash provided by operating activities- continuing operations	26,380	12,284
Net cash used in operating activities - discontinued operations	—	(3,164)
Net cash provided by operating activities	26,380	9,120
Investing activities		
Investment in property and equipment	(4,272)	(4,504)
Investment in intangible assets	(699)	(262)
Principal payments received on lease receivable	—	104
Insurance recovery for property and equipment	871	—
Receipt of convertible debenture payment	—	738
Payment for land contracts	(478)	(769)
Cash portion of consideration paid in acquisitions, net of cash of acquired	(250)	(14,469)
Net cash used in investing activities - continuing operations	(4,828)	(19,162)
Net cash provided investing activities - discontinued operations	—	14,285
Net cash used in investing activities	(4,828)	(4,877)
Financing activities		
Transfer of Employee Retention Credit	—	12,677
Proceeds from loan payable, net of transaction costs	3,137	23,872
Proceeds from options and warrants exercised	—	81
Loan principal paid	(18,048)	(40,359)
Loan amendment fee paid and prepayment premium paid	—	(1,178)
Capital distributions paid to non-controlling interests	(1,564)	(3,415)
Proceeds from private placement, net of share issuance costs	—	19,218
Payments made for financing obligations and finance lease	(316)	(941)
Net cash (used in) provided by financing activities- continuing operations	(16,791)	9,955
Net cash used in financing activities- discontinued operations	—	(5,539)
Net cash (used in) provided by financing activities	(16,791)	4,416
Net increase in cash and cash equivalents and restricted cash during the period	4,761	8,659
Net effects of foreign exchange	383	(901)
Cash and cash equivalents and restricted cash, beginning of the period	25,347	26,763
Cash and cash equivalents and restricted cash, end of the period	$ 30,491	$ 34,521
Supplemental disclosure with respect to cash flows		
Income taxes paid (refund received)	$ (8,116)	$ (4,582)
Interest paid	$ 12,599	$ 9,259
Lease termination fee paid	$ 271	$ —
Non-cash transactions		
Equity and warrant liability issued for acquisitions and non-controlling interest	$ 4,674	$ 10,267
Shares issued for legal and liability settlement	$ —	$ 794
Distribution payable to non-controlling interests	$ 719	$ —
Accrued capital purchases	$ 811	$ 529

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

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 twenty dispensaries, and three cultivation and processing facilities;

•TerrAscend California (“TerrAscend CA”), a wholly-owned operation with four dispensaries, and a cultivation facility; and

•TerrAscend Canada Inc. (“TerrAscend Canada”), 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 and six months ended June 30, 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 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.

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.

The Company previously concluded that substantial doubt existed as to its ability to continue as a going concern primarily due to the Company's current liabilities exceeding its current assets related to its loans maturing within the current year. On August 1, 2024, the Company entered into a four-year $140,000 senior secured term loan with an initial draw of $114,000 used to retire the majority of its loans coming due within the next year and a delayed draw of $26,000, expected to occur on September 30, 2024 which will be used to retire the Chicago Atlantic Term Loan resulting in positive net working capital for the Company (see Note 25).

Following the retiring and financing of the Company's loans coming due within the next year, along with its ability to identify access to future capital, and continued improvement in cash flow from the Company's consolidated operations, management has determined that substantial doubt no longer exists in the Company's ability to continue as a going concern.

Reclassification

Certain prior year amounts have been reclassified to conform to the current year presentation. Specifically, (Gain) loss on disposal of fixed assets has been reclassified out of Impairment of property and equipment and right of use assets and into Other operating (income) expense on the Consolidated Statements of Operations and Comprehensive Loss.

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.

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

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 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:

	June 30, 2024	December 31, 2023
Trade receivables	$ 16,811	$ 28,403
Sales tax receivable	617	408
Other receivables	530	1,154
Provision for current expected credit losses	(1,159)	(10,917)
Total receivables, net	**$ 16,799**	**$ 19,048**

	June 30, 2024	December 31, 2023
Trade receivables	$ 16,811	$ 28,403
Less: provision for current expected credit losses	(1,159)	(10,917)
Total trade receivables, net	**$ 15,652**	**$ 17,486**
Of which		
Current	12,023	13,799
31-90 days	2,035	2,837
Over 90 days	2,753	11,767
Less: current expected credit losses	(1,159)	(10,917)
Total trade receivables, net	**$ 15,652**	**$ 17,486**

During the second quarter, the Company settled accounts receivable that had been previously accounted for as expected credit losses which resulted in a bad debt recovery of $4,188 within General and administrative expenses on the Consolidated Statements of Operations and Comprehensive Loss.

5.Acquisitions

<u>Contingent consideration</u>

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

	State Flower	Apothecarium	Peninsula	Total
Carrying amount, December 31, 2023	**$ 1,406**	**$ 3,028**	**$ 2,012**	**$ 6,446**
Settlement of contingent consideration	(1,334)	(3,591)	—	(4,925)
Loss on revaluation of contingent consideration	705	1,895	620	3,220
Carrying amount, June 30, 2024	**$ 777**	**$ 1,332**	**$ 2,632**	**$ 4,741**
Less: current portion	—	—	(2,632)	(2,632)
Non-current contingent consideration	**$ 777**	**$ 1,332**	**$ —**	**$ 2,109**

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

During the six months ended June 30, 2024, the Company amended the original purchase agreement and 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 previous contingent consideration balances. The Company provided a price protection on the Common Shares issued. The remaining balance recorded as at June 30, 2024 relates to the fair value of the price protection clause using the Black-Scholes Option Pricing Model ("Black-Scholes Model")

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:

	June 30, 2024	December 31, 2023
Raw materials	$ 552	$ 378
Finished goods	19,636	18,821
Work in process	26,953	28,451
Accessories, supplies and consumables	3,868	4,033
Total inventory	$ 51,009	$ 51,683

7.Discontinued operations

TerrAscend 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 TerrAscend Canada's manufacturing facility during the three months ended December 31, 2022. As such, TerrAscend 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 disposed of operations. 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:

	For the Three Months Ended		For the Six Months Ended	
	June 30, 2024	June 30, 2023	June 30, 2024	June 30, 2023
Revenue, net	**$ —**	**$ —**	**$ —**	**$ —**
Cost of Sales	—	—	—	—
Gross profit	**—**	**—**	**—**	**—**
Operating expenses:				
General and administrative	—	455	—	756
Amortization and depreciation	—	-	—	48
Impairment of property and equipment	—	—	—	3,064
Total operating expenses	**—**	**455**	**—**	**3,868**
Loss from discontinued operations	**—**	**(455)**	**—**	**(3,868)**
Other expense				
Finance and other expenses	—	166	—	344
Net loss from discontinued operations	**$ —**	**$ (621)**	**$ —**	**$ (4,212)**

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

8.Property and equipment

Property and equipment consisted of:

	June 30, 2024	December 31, 2023
Land	$ 6,152	$ 6,103
Assets in process	19,130	24,211
Buildings & improvements	159,186	151,989
Machinery & equipment	36,146	35,370
Office furniture & equipment	9,185	9,066
Assets under finance leases	2,114	2,362
Total cost	231,913	229,101
Less: accumulated depreciation	(38,573)	(32,886)
Property and equipment, net	$ 193,340	$ 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. During the six months ended June 30, 2024, the Company recorded an impairment loss of certain property and equipment of $2,438 due to the wind-down of one of its California dispensaries.

As of June 30, 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 $3,055 and $6,092 for the three and six months ended June 30, 2024, respectively ($2,079 and $4,140 included in cost of sales) and $3,395 and $6,652 for the three and six months ended June 30, 2023, respectively ($2,023 and $4,040 included in cost of sales).

9.Intangible assets and goodwill

Intangible assets consisted of the following:

At June 30, 2024	**Gross Carrying Amount**	**Accumulated Amortization**	**Net Carrying Amount**
Finite lived intangible assets			
Software	$ 2,529	$ (1,714)	$ 815
Licenses	187,759	(23,031)	164,728
Non-compete agreements	280	(280)	—
Total finite lived intangible assets	190,568	(25,025)	165,543
Indefinite lived intangible assets			
Brand intangibles	46,972	—	46,972
Total indefinite lived intangible assets	46,972	—	46,972
Intangible assets, net	**$ 237,540**	**$ (25,025)**	**$ 212,515**

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

At December 31, 2023	**Gross Carrying Amount**	**Accumulated Amortization**	**Net Carrying Amount**
Finite lived intangible assets			
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
Indefinite lived intangible assets			
Brand intangibles	48,116	—	48,116
Total indefinite lived intangible assets	48,116	—	48,116
Intangible assets, net	**$ 238,214**	**$ (22,360)**	**$ 215,854**

Amortization expense was $1,941 and $3,872 for the three and six months ended June 30, 2024, respectively, ($724 and $1,448 included in cost of sales) and $1,595 and $3,109 for the three and six months ended June 30, 2023 ($725 and $1,450 included in cost of sales).

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

2024	$ 3,684
2025	7,253
2026	7,242
2027	7,164
2028	7,112
Thereafter	133,088
Total	$ 165,543

As of June 30, 2024, the weighted average amortization period remaining on intangible assets was 25.0 years.

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

Balance at December 31, 2023	$ 106,929
Additions at acquisition date	-
Impairment of goodwill	-
Balance at June 30, 2024	$ 106,929

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

10.Loans payable

The Company's loans payable consisted of the following:

		June 30, 2024		December 31, 2023
Chicago Atlantic term loan due November 2024 (1)				
Principal amount	$	24,196	$	24,611
Deferred financing cost		—		—
Net carrying amount	$	24,196	$	24,611
Ilera term loan due December 2024 (1)				
Principal amount	$	68,927	$	76,927
Deferred financing cost		(1,552)		(3,191)
Net carrying amount	$	67,375	$	73,736
Stearns loan due December 2024 (1)				
Principal amount	$	24,638	$	24,809
Deferred financing cost		(426)		(791)
Net carrying amount	$	24,212	$	24,018
Pelorus term loan due October 2027				
Principal amount	$	45,478	$	45,478
Deferred financing cost		(1,334)		(1,490)
Net carrying amount	$	44,144	$	43,988
Maryland Acquisition loans (2)				
Principal amount	$	19,115	$	19,873
Unamortized discount		(1,065)		(1,403)
Net carrying amount	$	18,050	$	18,470
Other loans	$	3,651	$	2,698
Short-term debt (1)	$	6,244	$	11,849
Current portion of long-term debt		9,702		125,888
Loans payable, current	$	15,946		137,737
Loans payable, non-current	$	171,926	$	61,633
Total loans payable	$	187,872	$	199,370

(1) Subsequent to June 30, 2024, the Company retired four of its debt facilities and entered into a new loan agreement. The new debt is set to mature in August 2028 which resulted in a reclassification of $115,998, net of deferred financing costs, between Loans payable, current and Loans payable, non-current. See note 25 for further details of the refinancing.

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

Total interest paid on all loan payables was $6,335 and $12,599 for the three and six months ended June 30, 2024, respectively, and $6,803 and $9,259 for the three and six months ended June 30, 2023, respectively. The Company had accrued interest on loans payable of $3,261 and $3,491 as of June 30, 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 June 30, 2024, there was an outstanding principal amount of $24,196 under the Chicago Atlantic Term Loan.

Subsequent to June 30, 2024, the Company made a prepayment of the Chicago Atlantic Term Loan of $1,500 at par. On August 1, 2024, the Company entered into a four-year $140,000 senior secured term loan that matures in August 2028, of which, a portion of the proceeds will be used to retire the Chicago Atlantic Term Loan and pay the outstanding principal amount of $22,696 (see Note 25).

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. On April 30, 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 June 30, 2024, there was an outstanding principal amount of $68,927 under the Ilera Term Loan. Subsequent to June 30, 2024, the Company entered into a four-year $140,000 senior secured term loan that matures in August 2028, of which, a portion of the proceeds were used to retire the Ilera Term Loan and pay the outstanding principal amount of $68,927 (see Note 25).

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 June 30, 2024, there was an outstanding principal amount of $24,638 under the Stearns Loan. Subsequent to June 30, 2024, the Company entered into a four-year $140,000 senior secured term loan that matures in August 2028, of which, a portion of the proceeds were used to retire the Stearns Loan and pay the outstanding principal amount of $24,638 (see Note 25).

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 June 30, 2024, there was an outstanding principal amount of $45,478 under the Pelorus Term Loan.

Maryland Acquisition Loans

In connection with the acquisition of 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 June 30, 2024, there was an outstanding principal amount of $19,115 under the Maryland Acquisition Loans.

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 June 30, 2024, there was an outstanding principal amount of $936 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

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

Short-Term Debt

The average dollar amount of short-term debt for the six months ended June 30, 2024 was $8,727 with a weighted-average interest rate of 11.06% as of June 30, 2024.

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

Subsequent to June 30, 2024, the Company entered into a four-year $140,000 senior secured term loan that matures in August 2028, of which, a portion of the proceeds were used to retire certain short-term debt and pay the outstanding principal amount of $1,715 (see Note 25).

Maturities of loans payable

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

		June 30, 2024
2024	$	9,449
2025		7,942
2026		10,771
2027		44,483
2028		118,980
Thereafter		—
Total principal payments	$	191,625

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 25 years. The Company had two finance leases at June 30, 2024 and December 31, 2023.

Amounts recognized in the consolidated balance sheet were as follows:

		June 30, 2024		December 31, 2023
Operating leases:				
Operating lease right-of-use assets	$	41,645	$	43,440
Operating lease liability classified as current		2,330		1,244
Operating lease liability classified as non-current		42,654		45,384
Total operating lease liabilities	**$**	**44,984**	**$**	**46,628**
Finance leases:				
Property and equipment, net	$	1,792	$	2,112
Lease obligations under finance leases classified as current		93		2,030
Lease obligations under finance leases classified as non-current		2,140		407
Total finance lease obligations	**$**	**2,233**	**$**	**2,437**

The Company recognized operating lease expense of $2,204 and $4,024 for the three and six months ended June 30, 2024, respectively, and $1,254 and $2,451 for the three and six months ended June 30, 2023, respectively.

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

Other information related to operating leases at June 30, 2024 and December 31, 2023 consisted of the following:

	June 30, 2024	December 31, 2023
Weighted-average remaining lease term (years)		
Operating leases	12.3	12.5
Finance leases	1.8	1.2
Weighted-average discount rate		
Operating leases	11.42 %	11.43 %
Finance leases	9.47 %	9.47 %

Supplemental cash flow information related to leases are as follows:

	June 30, 2024	December 31, 2023
Cash paid for amounts included in measurement of operating lease liabilities	$ 3,720	$ 6,264
Right-of-use assets obtained in exchange for operating lease obligations	509	16,603
Cash paid for amounts included in measurement of finance lease liabilities	65	153

Undiscounted lease obligations are as follows:

	Operating	Finance	Total
2024	$ 3,597	$ 65	$ 3,662
2025	7,278	2,132	9,410
2026	7,051	134	7,185
2027	6,933	136	7,069
2028	6,730	80	6,810
Thereafter	55,773	—	55,773
Total lease payments	87,362	2,547	89,909
Less: interest	(42,378)	(314)	(42,692)
Total lease liabilities	$ 44,984	$ 2,233	$ 47,217

12.Convertible Debt

The Company's convertible debt consisted of the following:

	June 30, 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	1,628	768
Net carrying amount	**$ 8,126**	**$ 7,266**

The Company had $778 of accrued interest on convertible debt as of June 30, 2024 and no accrued interest on convertible debt as of December 31, 2023, included in accounts payable and accrued liabilities on the Consolidated Balance Sheets.

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

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)
Outstanding, December 31, 2023	**23,330,542**	**818,927**	**$ 4.56**	**8.74**
Granted	344,140	344,140	2.17	3.01
Expired	—	—	—	—
Outstanding, June 30, 2024	**23,674,682**	**1,163,067**	**$ 4.37**	**8.17**

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)
Outstanding, December 31, 2023	**3,590,334**	**—**	**$ 1.95**	**1.48**
Granted	—	—	—	—
Expired	—	—	—	—
Outstanding, June 30, 2024	**3,590,334**	**—**	**$ 1.95**	**0.98**

14.Share-based compensation plans

Share-based payments expense

Total share-based payments expense was as follows:

	For the Three Months Ended		For the Six Months Ended	
	June 30, 2024	June 30, 2023	June 30, 2024	June 30, 2023
Stock options	$ 1,183	$ 1,437	$ 2,087	$ 2,697
Restricted share units	777	544	1,358	997
Total share-based payments	**$ 1,960**	**$ 1,981**	**$ 3,445**	**$ 3,694**

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

Stock Options

The following table summarizes the stock option activity for the six months ended June 30, 2024:

	Number of Stock Options	Weighted average remaining contractual life (in years)	Weighted Average Exercise Price (per share) $	Aggregate intrinsic value
Outstanding, December 31, 2023	**16,278,380**	**4.74**	**$ 3.35**	**$ 658**
Granted	1,845,000	—	2.82	—
Exercised	(25,000)	—	1.60	—
Forfeited	(420,354)	—	2.35	—
Expired	(1,707,057)	—	3.48	—
Outstanding, June 30, 2024	**15,970,969**	**5.47**	**$ 3.36**	**$ 243**
Exercisable, June 30, 2024	**11,313,294**	**4.21**	**$ 3.63**	**$ 165**
Nonvested, June 30, 2024	**4,657,675**	**8.52**	**$ 2.68**	**$ 78**

The aggregate intrinsic value in the table above represents the total pre-tax intrinsic value (the difference between Company's closing stock price on June 30, 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 June 30, 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:

	For the Three Months Ended		For the Six Months Ended	
	June 30, 2024	**June 30, 2023**	**June 30, 2024**	**June 30, 2023**
Exercised	$ 5	$ —	$ 5	$ 551

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

	June 30, 2024	December 31, 2023
Common Stock Price of TerrAscend Corp.	1.91 - 2.89	1.71 - 2.81
Volatility	77.70% - 78.31%	77.79% - 80.16%
Risk-free interest rate	3.18% - 3.76%	2.85% - 4.26%
Expected life (years)	4.01 - 10.01	9.78 - 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 six months ended June 30, 2024 and 2023 was $4,594 and $5,563, respectively. As of June 30, 2024, there was $7,658 of total unrecognized compensation cost related to unvested options.

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

Restricted Share Units

The following table summarizes the activities for the RSUs for the six months ended June 30, 2024:

	Number of RSUs
Outstanding, December 31, 2023	**1,078,584**
Granted	2,234,612
Vested	(336,037)
Forfeited	(162,090)
Outstanding, June 30, 2024	**2,815,069**

As of June 30, 2024, there was $4,194 of total unrecognized compensation cost related to unvested RSUs.

15.Non-controlling interest

Non-controlling interest consists mainly of a 12.5% 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 six months ended June 30, 2024:

	June 30, 2024	December 31, 2023
Opening carrying amount	$ (1,756)	$ 2,374
Capital distributions	(2,283)	(11,622)
Acquisition of non-controlling interest	1,374	(1,323)
Net income attributable to non-controlling interest	4,147	8,815
Ending carrying amount	**$ 1,482**	**$ (1,756)**

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 June 30, 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 Ilera term loan (Note 10), which makes up $142 and $159 of the total loan principal balance at June 30, 2024 and December 31, 2023, respectively.

17.Income taxes

The Company's effective tax rate was 239% and (2,965)% for the three and six months ended June 30, 2024 and (101)% and (148)% for the three and six months ended June 30, 2023.

The Company has computed its provision for income taxes based on the actual effective tax rate for the quarter as the Company believes this is the best estimate for the annual effective tax rate. The Company is subject to income taxes in the United States and Canada.

Significant judgment is required in evaluating the Company’s uncertain tax positions and determining the provision for income taxes. The Company recognizes benefits from uncertain tax positions based on the cumulative probability method whereby the largest benefit with a cumulative probability of greater than 50% is recorded. An uncertain tax position is not recognized if it has less than a 50% likelihood of being sustained.

A reconciliation of the beginning and ending amount of unrecognized tax benefits for the period presented:

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

		For the Six Months Ended June 30, 2024
Balance, beginning of period	**$**	**84,485**
Increases based on tax positions related to prior years		32,976
Additions based on tax positions related to the current year		17,248
Expirations of applicable statutes of limitations		-
Settlements with tax authorities		-
Ending carrying amount	**$**	**134,709**

A reconciliation of the beginning and ending amount of uncertain tax liabilities, inclusive of accruals for related penalties and interest, for the period presented:

		For the Six Months Ended June 30, 2024
Balance, beginning of period	**$**	**77,084**
Increases based on tax positions related to prior years		6,899
Additions based on tax positions related to the current year		16,081
Additions based on refunds received related to prior years		8,371
Reclass of tax payments on deposit		1,108
Ending carrying amount	**$**	**109,543**

The Company had an unrecognized tax benefits of $134,709 and $84,485 as of June 30, 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, $12,772 and $10,459 as of June 30, 2024 and December 31, 2023, respectively, is unrelated to its 280E Tax Position. The unrecognized tax liabilities are combined with other long term liabilities of $1,130 and $4,667 as at June 30, 2024 and December 31, 2023, respectively, on the consolidated balance sheets.

Related to its 280E Tax Position, the Company has filed the majority of its amended federal and state returns for tax years 2020 through 2022. During the period ended June 30, 2024, the Company received refunds related primarily to the amended federal tax return for tax year 2020 in the amount of $8,371, including interest.

18.General and administrative expenses

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

	For the Three Months Ended		For the Six Months Ended	
	June 30, 2024	June 30, 2023	June 30, 2024	June 30, 2023
Office and general	$ 3,662	$ 3,733	$ 7,551	7,828
Professional fees	3,840	5,103	6,901	8,476
Lease expense	2,204	1,294	4,024	2,538
Facility and maintenance	1,034	1,364	2,359	2,608
Salaries and wages	14,974	14,334	29,870	27,830
Share-based compensation	1,960	1,981	3,445	3,694
Sales and marketing	1,493	2,599	2,958	5,255
Bad debt (recovery) expense	(4,236)	68	(4,169)	(23)
Insurance recovery for property and equipment	(871)	—	(871)	—
Total	**$ 24,060**	**$ 30,476**	**$ 52,068**	**$ 58,206**

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

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:

	For the Three Months Ended		For the Six Months Ended	
	June 30, 2024	June 30, 2023	June 30, 2024	June 30, 2023
Retail	$ 53,240	$ 58,254	$ 107,098	$ 113,676
Wholesale	24,283	13,870	51,058	27,846
Total	**$ 77,523**	**$ 72,124**	**$ 158,156**	**$ 141,522**

For the three and six months ended June 30, 2024 and 2023, 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:

	For the Three Months Ended		For the Six Months Ended	
	June 30, 2024	June 30, 2023	June 30, 2024	June 30, 2023
Interest and accretion	$ 9,132	$ 7,965	$ 18,004	$ 15,840
Employee retention credits and transfer fee	—	—	—	2,235
Other income	(241)	206	(524)	183
Total	**$ 8,891**	**$ 8,171**	**$ 17,480**	**$ 18,258**

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 June 30, 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 $274 and $538 the three and six months ended June 30, 2024, respectively.

The Company had non-current assets by geography of:

	June 30, 2024	December 31, 2023
United States	$ 554,839	$ 562,854
Canada	598	775
Total	**$ 555,437**	**$ 563,629**

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 and accumulated deficit, as well as funds borrowed from related parties.

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

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 financings 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 June 30, 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.

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 June 30, 2024			At December 31, 2023		
	Level 1	**Level 2**	**Level 3**	**Level 1**	**Level 2**	**Level 3**
Assets						
Cash and cash equivalents	$ 27,378	—	—	$ 22,241	—	—
Restricted cash	3,113	—	—	3,106	—	—
Total Assets	**$ 30,491**	—	—	**$ 25,347**	—	**$ —**
Liabilities						
Contingent consideration payable	—	4,741	—	—	2,012	4,434
Detachable warrants	—	2,253	—	—	3,332	—
Bifurcated conversion options	—	899	—	—	1,830	—
Total Liabilities	**$ —**	**$ 7,893**	**$ —**	**$ —**	**$ 7,174**	**$ 4,434**

There were no transfers between the levels of fair value hierarchy during the three and six months ended June 30, 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 six months ended June 30, 2024:

Balance at December 31, 2023	**$ 5,162**
Fair value gain on revaluation of warrants and conversion option	(1,939)
Effects of movements in foreign exchange	(71)
Balance at June 30, 2024	**$ 3,152**

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).

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

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 June 30, 2024. Key inputs and assumptions used in the Black-Scholes Model were as follows:

	June 30, 2024	December 31, 2023
Common Stock Price of TerrAscend Corp.	$ 1.35	$ 1.63
Option exercise price	$ 1.95	$ 1.95
Annual volatility	74.9 %	74.7 %
Annual risk-free rate	5.09 %	4.23 %
Expected term (in years)	0.98	1.48

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 June 30, 2024. Key inputs and assumptions used in the Black-Scholes Model were as follows:

	June 30, 2024	December 31, 2023
Common Stock Price of TerrAscend Corp.	$ 1.35	$ 1.63
Option exercise price	$ 2.01	$ 2.01
Annual volatility	77.0 %	70.1 %
Annual risk-free rate	4.71 %	4.23 %
Expected term (in years)	1.98 - 2.09	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:

	June 30, 2024	December 31, 2023
Common Stock Price of TerrAscend Corp.	$ 1.35	$ 1.63
Option exercise price	$ 1.65	$ 1.65
Annual volatility	83.1 %	63.3 %
Annual risk-free rate	5.33 %	4.73 %
Expected term (in years)	0.50	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:

	June 30, 2024	January 19, 2024
Common Stock Price of TerrAscend Corp.	$ 1.35	$ 1.95
Option exercise price	$ 1.76	$ 1.76
Annual volatility	83.1 %	68.7 %
Annual risk-free rate	5.33 %	5.21 %
Expected term (in years)	1.56	2.00

24.Commitments and contingencies

<u>Legal proceedings</u>

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, 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 Loss. At June 30, 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 were related to Pure X’s failure to pay for various cannabis products sold by AEY. This matter was settled between the parties and dismissed with prejudice by the Oakland Court on June 28, 2024.

25.Subsequent events

On July 19, 2024, the Company made a prepayment of the Chicago Atlantic Term Loan of $1,500 at par.

On August 1, 2024, the Company and TerrAscend USA, Inc., as guarantors, and each of WDB Holding CA, Inc., WDB Holding PA, Inc., WDB Holding MI, Inc., Moose Curve Holdings, LLC, and Hempaid, LLC, including certain of each of their respective subsidiaries, as borrowers (collectively, the "Borrowers"), and FG Agency Lending LLC, as the Administrative Agent (the "Agent") entered into a Loan Agreement (the "FG Loan"). The FG Loan provides for a four-year, $140,000 senior-secured term loan with an initial draw on August 1, 2024, upon closing of the FG Loan, of $114,000 (the "Initial Draw") and a delayed draw of $26,000 expected to occur on September 30, 2024 (the "Delayed Draw"). Proceeds from the Initial Draw were used to retire the Ilera Term Loan, the Stearns Loan and certain other indebtedness (collectively, the "Retired Loans"), in addition to being used for working capital and general corporate purposes. As a result, each outstanding obligation under the Retired Loans were repaid in full and subsequently terminated. The proceeds from the Delayed Draw will be used to retire the Chicago Atlantic Term Loan. The FG Loan is guaranteed by the Company and TerrAscend USA, Inc. and is secured by substantially all of the assets of the Borrowers. The FG Loan bears interest at 12.75% per annum and matures on August 1, 2028. Certain funds controlled by the Company's Executive Chairman, Jason Wild, a related party of the Company, have invested approximately $7,500 under the FG Loan.

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 and six months ended June 30, 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 twenty dispensaries, and three cultivation and processing facilities;
- TerrAscend California ("TerrAscend CA"), a wholly-owned operation with four dispensaries, and a cultivation facility; and
- TerrAscend Canada Inc. ("TerrAscend Canada"), a cannabis retailer in Ontario, Canada with a majority-owned dispensary in Toronto, Ontario, Canada ("Cookies Canada").

Recent Developments

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

Subsequent Transactions

- On July 19, 2024, the Company made a prepayment of the Chicago Atlantic Term Loan of $1,500 at par.

•On August 1, 2024, the Company and TerrAscend USA, Inc., as guarantors, and each of WDB Holding CA, Inc., WDB Holding PA, Inc., WDB Holding MI, Inc., Moose Curve Holdings, LLC, and Hempaid, LLC, including certain of each of their respective subsidiaries, as borrowers (collectively, the “Borrowers”), and FG Agency Lending LLC, as the Administrative Agent (the “Agent”) entered into a Loan Agreement (the “FG Loan”). The FG Loan provides for a four-year, $140,000 senior-secured term loan with an initial draw on August 1, 2024, upon closing of the FG Loan, of $114,000 (the “Initial Draw”) and a delayed draw of $26,000 expected to occur on September 30, 2024 (the “Delayed Draw”). Proceeds from the Initial Draw were used to retire the Ilera Term Loan, the Stearns Loan and certain other indebtedness (collectively, the “Retired Loans”), in addition to being used for working capital and general corporate purposes. As a result, each outstanding obligation under the Retired Loans were repaid in full and subsequently terminated. The proceeds from the Delayed Draw will be used to retire the Chicago Atlantic Term Loan. The FG Loan is guaranteed by the Company and TerrAscend USA, Inc. and is secured by substantially all of the assets of the Borrowers. The FG Loan bears interest at 12.75% per annum and matures on August 1, 2028. Certain funds controlled by the Company’s Executive Chairman, Jason Wild, a related party of the Company, have invested approximately $7,500 under the FG Loan.

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.

Other operating (income) expense

Other operating (income) expense primarily represents (gains) losses on lease terminations and (gains) losses on disposal of fixed assets.

(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 derivative liabilities and purchase option derivative assets

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 June 30, 2024 and June 30, 2023

The following tables represent the Company's results from operations for the three months ended June 30, 2024 and 2023.

Revenue, net

	For the Three Months Ended			
		June 30, 2024		**June 30, 2023**
Revenue, net	**$**	**77,523**	**$**	**72,124**
$ change	$	5,399		
% change		7 %		

Revenue increased from $72,124 to $77,523 for the three months ended June 30, 2024 as compared to the three months ended June 30, 2023 primarily driven by the implementation of adult-use sales in Maryland and the Company's four Maryland acquisitions in 2023, as well as an increase in sales in New Jersey and Pennsylvania, partially offset by declines in California and Michigan.

Cost of sales

	For the Three Months Ended			
		June 30, 2024		**June 30, 2023**
Cost of sales	$	39,840	$	34,817
Non-cash adjustment of inventory		-		1,081
Total cost of sales	**$**	**39,840**	**$**	**35,898**
$ change	$	3,942		
% change		11 %		
Cost of sales as a % of revenue		51 %		50 %

The increase of $3,942, in cost of sales for the three months ended June 30, 2024 as compared to the three months ended June 30, 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 June 30, 2024, as compared to the three months ended June 30, 2023.

General and administrative expense

	For the Three Months Ended			
		June 30, 2024		**June 30, 2023**
General and administrative expense	$	24,060	$	30,476
$ change	$	(6,416)		
% change		-21 %		

The decrease of $6,416 in general and administrative expense for the three months ended June 30, 2024 as compared to the three months ended June 30, 2023, is primarily related to a bad debt recovery of $4,188 as well as an insurance recovery of $871.

Loss from revaluation of contingent consideration

	For the Three Months Ended	
	June 30, 2024	June 30, 2023
Loss from revaluation of contingent consideration	$ 1,827	$ -
$ change	$ 1,827	
% change	100 %	

The loss from the revaluation of contingent consideration for the three months ended June 30, 2024 as compared to the three months ended June 30, 2023 was due to a loss on the revaluation of contingent liability for State Flower, The Apothecarium, and Peninsula acquisition resulting from a decrease in the Company's share price on June 30, 2024, as compared to March 31, 2024.

Gain on fair value of derivative liabilities and purchase option derivative assets

	For the Three Months Ended	
	June 30, 2024	June 30, 2023
Gain on fair value of derivative liabilities and purchase option derivative assets	$ (2,922)	$ (215)
$ change	$ (2,707)	
% change	1259 %	

The warrant liability was remeasured to fair value at June 30, 2024 using the Black-Scholes Model. The Company recognized a gain of $2,922 during the three months ended June 30, 2024 as a result of the reduction of the Company's share price from June 30, 2024, as compared to March 31, 2024.

During the three months ended June 30, 2023, the Company recognized a gain on fair value warrants of $215 as a result of the reduction of the Company's share price from June 30, 2023, as compared to March 31, 2023.

Other operating (income) expense

	For the Three Months Ended	
	June 30, 2024	June 30, 2023
Other operating (income) expense	$ (1,186)	$ 10
$ change	$ (1,196)	
% change	11960 %	

During the three months ended June 30, 2024, Other operating (income) loss increased as compared to the three months ended June 30, 2023, primarily due to the Company recording a gain on lease termination of $1,169 related to its California business.

Provision for income taxes

	For the Three Months Ended	
	June 30, 2024	June 30, 2023
Provision for income taxes	$ 10,729	$ 6,448
$ change	$ 4,281	
% change	66 %	

The change in provision for income taxes from $6,448 for the three months ended June 30, 2023 as compared to a provision for income taxes of $10,729 for the three months ended June 30, 2024 was primarily driven by a higher gross profit margin in the second quarter of 2024.

Results from Operations - Six Months Ended June 30, 2024 and June 30, 2023

The following tables represent the Company's results from operations for the six months ended June 30, 2024 and 2023.

Revenue, net

	For the Six Months Ended	
	June 30, 2024	June 30, 2023
Revenue, net	**$ 158,156**	**$ 141,522**
$ change	$ 16,634	
% change	12 %	

Revenue increased from $141,522 to $158,156 for the six months ended June 30, 2024 as compared to the six months ended June 30, 2023 primarily driven by the implementation of adult-use sales in Maryland and the Company's four Maryland acquisitions in 2023, as well as an increase in sales in New Jersey and Pennsylvania, partially offset by declines in California and Michigan.

Cost of sales

	For the Six Months Ended	
	June 30, 2024	June 30, 2023
Cost of sales	$ 81,742	$ 70,315
Non-cash adjustment of inventory	-	1,081
Total cost of sales	**$ 81,742**	**$ 71,396**
$ change	$ 10,346	
% change	14 %	
Cost of sales as a % of revenue	52 %	50 %

The increase of $10,346 in cost of sales for the six months ended June 30, 2024 as compared to the six months ended June 30, 2023 was mainly due to an increase in sales. Cost of sales as a percentage of revenue was relatively constant for the six months ended June 30, 2024, as compared to the six months ended June 30, 2023.

General and administrative expense

	For the Six Months Ended	
	June 30, 2024	June 30, 2023
General and administrative expense	$ 52,068	$ 58,206
$ change	$ (6,138)	
% change	-11 %	

The decrease of $6,138 in general and administrative expense for the six months ended June 30, 2024 as compared to the six months ended June 30, 2023, is primarily related to a bad debt recovery of $4,188 as well as an insurance recovery of $871.

Loss from revaluation of contingent consideration

	For the Six Months Ended	
	June 30, 2024	June 30, 2023
Loss from revaluation of contingent consideration	$ 3,220	$ -
$ change	$ 3,220	
% change	100 %	

The loss from the revaluation of contingent consideration for the six months ended June 30, 2024 as compared to the six months ended June 30, 2023 was due to a loss on the revaluation of contingent liability for State Flower, The Apothecarium, and Peninsula acquisition resulting from a decrease in the Company's share price on June 30, 2024, as compared to December 31, 2023.

Loss (gain) on fair value of derivative liabilities and purchase option derivative assets

	For the Six Months Ended	
	June 30, 2024	**June 30, 2023**
Gain on fair value of derivative liabilities and purchase option derivative assets	$ (1,939)	$ (653)
$ change	$ (1,286)	
% change	197 %	

The warrant liability was remeasured to fair value at June 30, 2024 using the Black-Scholes Model. The Company recognized a gain of $1,939 during the six months ended June 30, 2024 as a result of the reduction of the Company's share price from June 30, 2024, as compared to December 31, 2023.

During the six months ended June 30, 2023, the Company recognized a gain on fair value warrants of $653 as a result of the reduction of the Company's share price from June 30, 2023, as compared to December 31, 2022.

Impairment of property and equipment and right of use assets

	For the Six Months Ended	
	June 30, 2024	**June 30, 2023**
Impairment of property and equipment and right of use assets	$ 2,438	$ 28
$ change	$ 2,410	
% change	8607 %	

During the six months ended June 30, 2024, the Company recorded an impairment of property and equipment of $2,438 due to the wind-down of one of its California dispensaries.

Other operating (income) expense

	For the Six Months Ended	
	June 30, 2024	**June 30, 2023**
Other operating (income) expense	$ (1,186)	$ 317
$ change	$ (1,503)	
% change	474 %	

During the six months ended June 30, 2024, Other operating (income) loss increased as compared to the six months ended June 30, 2023, primarily due to the Company recording a gain on lease termination of $1,169 related to its California business.

Provision for income taxes

	For the Six Months Ended	
	June 30, 2024	**June 30, 2023**
Provision for income taxes	$ 20,400	$ 19,112
$ change	$ 1,288	
% change	7 %	

The change in provision for income taxes from $19,112 for the six months ended June 30, 2023 as compared to a provision for income taxes of $20,400 for the six months ended June 30, 2024 was primarily driven by higher gross profit margin.

Liquidity and Capital Resources

	June 30, 2024	December 31, 2023
Cash and cash equivalents	$ 27,378	$ 22,241
Restricted Cash	3,113	3,106
Current assets	104,807	102,889
Non-current assets	555,437	563,629
Current liabilities	77,457	207,000
Non-current liabilities	356,641	218,778
Working capital	27,350	(104,111)
Total shareholders' equity	$ 226,146	$ 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

The Company previously concluded that substantial doubt existed as to its ability to continue as a going concern primarily due to the Company's current liabilities exceeding its current assets related to its loans maturing within the current year. On August 1, 2024, the Company entered into a four-year $140,000 senior secured term loan with an initial draw of $114,000 used to retire the majority of its loans coming due within the next year and a delayed draw of $26,000, expected to occur on September 30, 2024 which will be used to retire the Chicago Atlantic Term Loan resulting in positive net working capital for the Company. See Note 10 and Note 25 for more information regarding the refinancing.

Following the retiring and financing of the Company’s loans coming due within the next year , along with its ability to identify access to future capital, and continued improvement in cash flow from the Company's consolidated operations, management has determined that substantial doubt no longer exists in the Company's ability 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 June 30, 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 $191,625 in principal amounts of loans payable at June 30, 2024. Of this amount, $15,402 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 $89,909 in lease obligations. Of this amount, $7,357 are due in the next twelve months.

The Company's undiscounted contingent consideration payable is $4,741 at June 30, 2024, of which, $2,632 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 June 30, 2024, the Company had accounts payable and accrued liabilities of $46,918 and corporate income taxes payable of $3,184.

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, WBD 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 June 30, 2024, there was an outstanding principal amount of $68,927 under the Ilera Term Loan. Subsequent to June 30, 2024, the Company entered into a four-year $140,000 senior secured term loan that matures in August 2028, of which, the proceeds were used to retire the Ilera Term Loan and pay the 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 June 30, 2024, there was an outstanding principal amount of $24,196 under the Chicago Atlantic Term Loan. Subsequent to June 30, 2024, the Company made a prepayment of the Chicago Atlantic Term Loan of $1,500 at par. On August 1, 2024, the Company entered into a four-year $140,000 senior secured term loan that matures in August 2028, of which, a portion of the proceeds will be used to retire the Chicago Atlantic Term Loan and pay the outstanding principal amount of $22,696.

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 June 30, 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 June 30, 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 June 30, 2024, there was an outstanding principal amount of $24,638 under the Stearns Loan. Subsequent to June 30, 2024, the Company entered into a four-year $140,000 senior secured term loan that matures in August 2028, of which, the proceeds were used to retire the Stearns Loan and pay the outstanding principal amount of $24,638.

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 June 30, 2024, there was an outstanding principal amount of $19,115 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 June 30, 2024, there was an outstanding principal amount of $936 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 June 30, 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 carried an interest rate of 15% and matured 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 Six Months Ended	
	June 30, 2024	June 30, 2023
Net cash provided by operating activities	$ 26,380	$ 9,120

The increase of $17,260 in net cash provided by operating activities for the six months ended June 30, 2024 as compared to six months ended June 30, 2023 is due primarily to growth in revenue and gross margin while maintaining SG&A expenses relatively flat. Additionally, the change was driven by $2,881 of cash received for a bad debt recovery and an income tax refund related to the amended federal tax return for tax year 2020 in the amount of $8,371.

Cash flows used in investing activities

	For the Six Months Ended	
	June 30, 2024	June 30, 2023
Net cash used in investing activities	$ (4,828)	$ (4,877)

The net cash used in investing activities for the six months ended June 30, 2024 primarily relates to the investment in property and equipment of $4,272.

Net cash used in investing activities for the six months ended June 30, 2023 primarily relates to the cash paid for the acquisition of three dispensaries in Maryland of $14,469. Additionally, the Company increased the investment in property and equipment by $5,426 during the six months ended June 30, 2023. The Company also recognized a disposal of fixed assets related to its discontinued operations of $14,285.

Cash flows (used in) provided by financing activities

	For the Six Months Ended	
	June 30, 2024	June 30, 2023
Net cash (used in) provided by financing activities	$ (16,791)	$ 4,416

Net cash used in financing activities for the six months ended June 30, 2024 was primarily due to net loan principal payments of $18,048 and distributions to minority partners of $2,283.

Net cash provided by financing activities for the six months ended June 30, 2023 was primarily due to cash inflow as a result of transfer with recourse of Employee Retention Credit of $12,677, net proceeds from the commercial loan with Stearns bank of $23,872, and net proceeds from private placements of $19,218, offset by loan principal paid of $40,359 and distributions to minority partners of $3,415.

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, adjusted to exclude provision for income taxes, finance expenses, depreciation and amortization, share-based compensation, loss from revaluation of contingent consideration, gain on fair value of derivative liabilities and purchase option derivative assets, gain on lease termination, 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 and six months ended June 30, 2024 and 2023:

		For the Three Months Ended		**For the Six Months Ended**	
	Notes	**June 30, 2024**	**June 30, 2023**	**June 30, 2024**	**June 30, 2023**
Net loss		**$ (6,237)**	**$ (13,476)**	**$ (21,088)**	**$ (36,245)**
Loss from discontinued operations		—	621	—	4,212
Loss from continuing operations		(6,237)	(12,855)	(21,088)	(32,033)
Add (deduct) the impact of:					
Provision for income taxes		10,729	6,448	20,400	19,112
Finance expenses		9,132	7,963	18,004	15,838
Amortization and depreciation		4,993	4,991	9,993	9,762
EBITDA from continuing operations	(a)	**18,617**	**6,547**	**27,309**	**12,679**
Add (deduct) the impact of:					
Share-based compensation	(b)	1,960	1,981	3,445	3,694
Loss from revaluation of contingent consideration	(c)	1,827	—	3,220	—
Bad debt recovery	(d)	(4,169)	—	(4,169)	—
Unrealized and realized loss on investments	(e)	227	1,661	227	2,360
Unrealized and realized foreign exchange loss (gain)	(f)	104	(101)	389	(132)
Gain on disposal of fixed assets	(g)	(17)	—	(17)	—
Gain on lease termination	(h)	(1,169)	—	(1,169)	205
Gain on fair value of derivative liabilities and purchase option derivative assets	(i)	(2,922)	(215)	(1,939)	(653)
Other one-time items	(j)	1,176	2,932	2,134	4,290
Impairment of property and equipment and right of use assets	(k)	—	10	2,438	345
Employee Retention Credits and Transfer Fee	(l)	—	—	—	2,235
Adjusted EBITDA from continuing operations		**$ 15,634**	**$ 12,815**	**$ 31,868**	**$ 25,023**

The table below reconciles net cash provided by (used in) operating activities from continuing operations to free cash flow for the six months ended June 30, 2024 and 2023:

	For the Six Months Ended	
	June 30, 2024	June 30, 2023
Net cash provided by operating activities - continuing operations	$ 26,380	$ 9,120
Capital expenditures for property and equipment	(4,272)	(4,504)
Free Cash Flow	**$ 22,108**	**$ 4,616**

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)Represents the recovery of one-time write offs of accounts receivable related to one customer that were deemed uncollectible.

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

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

g)Represents gain taken on write-down of property and equipment.

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

i)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.

j)Includes one-time fees incurred primarily in connection with the Company's acquisitions and other costs considered one-time in nature, such as expenses related to professional fees, consulting, legal, and accounting. These fees are not indicative of the Company's ongoing costs.

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

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

The increase in Adjusted EBITDA from continuing operations for the three and six months ended June 30, 2024 compared to the three months ended June 30, 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 June 30, 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 June 30, 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, 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 June 30, 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 were related to Pure X’s failure to pay for various cannabis products sold by AEY. This matter was settled between the parties and dismissed with prejudice by the Oakland Court on June 28, 2024.

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 Number	Description	Description of Exhibit Incorporated Herein by Reference				Filed Herewith
		Form	File No.	Exhibit	Filing Date	
3.1	Articles of TerrAscend Corp., dated March 7, 2017.	10-12G	000-56363	3.1	11/02/2021	
3.2	Articles of Amendment to the Articles of TerrAscend Corp., dated November 30, 2018.	10-12G/A	000-56363	3.2	12/22/2021	
3.3	Articles of Amendment to the Articles of TerrAscend Corp., dated May 22, 2020.	10-12G/A	000-56363	3.3	12/22/2021	
3.4	By-laws of TerrAscend Corp., dated March 7, 2017.	10-12G	000-56363	3.3	11/02/2021	
31.1	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.					X
31.2	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.					X
32.1*	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.					X
32.2*	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.					X
101.INS	Inline XBRL Instance Document – the instance document does not appear in the Interactive Data File because XBRL tags are embedded within the Inline XBRL 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: August 8, 2024	By:	/s/ Ziad Ghanem **Ziad Ghanem** **President and Chief Executive Officer** **(Principal Executive Officer)**
Date: August 8, 2024	By:	/s/ Keith Stauffer **Keith Stauffer** **Chief Financial Officer** **(Principal Financial Officer)**

Exhibit 31.1

**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 June 30, 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: August 8, 2024

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

Exhibit 31.2

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 June 30, 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: August 8, 2024

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

Exhibit 32.1

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 June 30, 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: August 8, 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.

Exhibit 32.2

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 June 30, 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: August 8, 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.