TerrAscend Corp.
Form 51-102F4
Business Acquisition Report

Item 1 Identity of Company

1.1. Name and Address of Company

TerrAscend Corp. (the "**Company**")
P.O. Box 43125
Mississauga, Ontario
L5B 4A7

1.2. Executive Officer

An executive officer of the Company who is knowledgeable about the significant acquisition and this Business Acquisition Report is:

Adam Kozak
Chief Financial Officer
855-837-7295

Item 2 Details of the Acquisition

2.1 Nature of the Business Acquired

On September 16, 2019, the Company indirectly acquired 100% of the outstanding equity interests of Ilera Healthcare LLC, Ilera Dispensing LLC, Ilera Security LLC, Ilera InvestCo I LLC, 235 Main Street Mercersburg LLC and IHC Real Estate GP, LLC (collectively, the "**Ilera Entities**"), which operate the business of Ilera Healthcare ("**Ilera**"), a vertically-integrated cannabis cultivator, processor, and dispensary operator in Pennsylvania, USA (the "**Acquisition**"). The Ilera business operates a cultivation and processing facility in Waterfall, PA and holds a grower/processor permit issued by the Pennsylvania Department of Health, operates a medical marijuana dispensary in Plymouth Meeting, PA and holds a dispensary permit, operates business security services, and owns certain real estate in Pennsylvania. The Acquisition constitutes an "acquisition of related businesses" under Part 8 of National Instrument 51-102 – *Continuous Disclosure Obligations*.

2.2 Acquisition Date

September 16, 2019 (the "**Acquisition Date**").

2.3 Consideration

The Company agreed to pay total aggregate consideration for the Acquisition of between US$125 million and US$225 million. On closing of the Acquisition, payment was made of: (i) US$25 million (subject to certain working capital adjustments) in cash and (ii) the issuance of 5,059.102 proportionate voting shares of the Company (exchangeable for 5,059,102 common shares of the Company) valued at US$25 million (being issued using an issuance price of US$4.94 per underlying common share, based on the 45 day volume-weighted average trading price of the Company's common shares as of Monday, July 29, 2019 of C$6.5307 and an exchange rate of C$1.3216 per US$1.00). Additional cash consideration of up to US$175 million in the aggregate may be paid to the sellers if Ilera achieves certain specified revenue and profitability targets, with staged payments to be made in 2020 and 2021.

The cash portion of the purchase price paid on closing was funded by combination of cash on hand and by accessing the Company's credit facility with JW Asset Management LLC.

2.4 Effect on Financial Position

The Company presently has no plans or proposals for material changes in the Company's business affairs or the affairs of the acquired businesses which may have a significant effect on the results of operations and financial position of the Company that have not been previously disclosed. See the financial statements and the accompanying notes thereto included in this Business Acquisition Report.

2.5 Prior Valuations

To the knowledge of the Company, no valuation opinion has been obtained within the last 12 months by the acquired businesses or the Company required by securities legislation or a Canadian stock exchange or market to support the consideration paid by the Company, directly or indirectly, pursuant to the Acquisition.

2.6 Parties to Transaction

The Acquisition was not with an "informed person", "associate" or "affiliate" (each as defined under applicable Canadian securities laws) of the Company.

2.7 Date of Report

January 6, 2020.

Item 3 Financial Statements and Other Information

As required by Part 8 of National Instrument 51-102 – *Continuous Disclosure Obligations*, and in reliance on a decision by the Ontario Securities Commission dated December 6, 2019, the following financial statements are incorporated by reference into, and form a part of, this business acquisition report and are attached as Schedule A:

(A) consolidated annual financial statements of the Ilera Entities (other than Ilera Security LLC[1]) for the years ended December 31, 2018 (audited) and December 31, 2017 (unaudited), with the report of the auditor thereon;

(B) unaudited condensed consolidated interim financial statements of the Ilera Entities (other than Ilera Security LLC) for the six months ended June 30, 2019 and June 30, 2018; and

(C) audited statement of assets acquired and liabilities assumed by the Company upon completion of the Acquisition on the Acquisition Date, with the report of the auditor thereon.

Financial statements for the Ilera Entities are presented on a combined basis as they were under common control prior to the Acquisition.

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[1] Ilera Security LLC was incorporated on July 16, 2019 and did not undertake any economic activity prior to the Acquisition Date.

SCHEDULE A

FINANCIAL STATEMENTS

ILERA HEALTHCARE LLC, SUBSIDIARY AND AFFILIATES

COMBINED FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2018 AND
PERIOD FROM MARCH 2, 2017 (DATE OF INCEPTION) TO DECEMBER 31, 2017 (UNAUDITED)

SKODA MINOTTI
CPAs, BUSINESS & FINANCIAL ADVISORS

Delivering on the Promise.

ILERA HEALTHCARE LLC, SUBSIDIARY AND AFFILIATES

YEAR ENDED DECEMBER 31, 2018 AND FOR THE PERIOD
MARCH 2, 2017 (DATE OF INCEPTION) TO DECEMBER 31, 2017 (UNAUDITED)

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SKODA MINOTTI & CO.
CERTIFIED PUBLIC ACCOUNTANTS

Delivering on the Promise.

INDEPENDENT AUDITORS' REPORT

TO THE MEMBER
ILERA HEALTHCARE LLC, SUBSIDIARY AND AFFILIATES

We have audited the accompanying combined financial statements of Ilera Healthcare LLC, Subsidiary and Affiliates, which comprise the combined balance sheet as of December 31, 2018, and the related combined statements of operations, changes in members' equity and cash flows for the year then ended, and the related notes to the combined financial statements.

Management's Responsibility for the Combined Financial Statements

Management is responsible for the preparation and fair presentation of these combined financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of combined financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these combined financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the combined financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the combined financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the combined financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the combined financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the combined financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified audit opinion.

Basis for Qualified Opinion

We were not engaged as auditors of Ilera Healthcare LLC, Subsidiaries and Affiliates until after December 31, 2018, and, therefore, did not observe the counting of physical inventories at the beginning or end of the year. We were unable to satisfy ourselves by other auditing procedures concerning the inventory held at December 31, 2018, which is stated in the combined balance sheet at $795,538. As a result of this matter, we were unable to determine whether any adjustments might have been found necessary in respect of recorded or unrecorded inventories and the elements making up the combined statements of operations, changes in members' equity and cash flows.

Qualified Opinion

In our opinion, except for the possible effects of the matter discussed in the Basis for Qualified Opinion paragraph, the combined financial statements referred to above present fairly, in all material respects, the financial position of Ilera Healthcare LLC, Subsidiary and Affiliates as of December 31, 2018, and the results of their operations and their cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matter

The comparative information presented herein as of December 31, 2017 and for the period March 2, 2017 (date of inception) to December 31, 2017, has not been audited, reviewed, or compiled, and, accordingly, we express no opinion on it.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the combined financial statements as a whole. The supplementary information included in the combining schedule of costs of goods sold and combining schedule of general and administrative expenses is presented for purposes of additional analysis and is not a required part of the combined financial statements. Such information is the responsibility of management and was derived from, and relates directly to, the underlying accounting and other records used to prepare the combined financial statements. The combining information has been subjected to the auditing procedures applied in the audit of the combined financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the combined financial statements or to the combined financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, except for the effect on the supplementary information of our being unable to observe the counting of physical inventories as described in the Basis for Qualified Opinion paragraph, the information is fairly stated in all material respects in relation to the combined financial statements as a whole.

SKODA, MINOTTI & CO.

Skoda Minotti

Akron, Ohio
January 2, 2020

ILERA HEALTHCARE LLC, SUBSIDIARY AND AFFILIATES

COMBINED BALANCE SHEETS

DECEMBER 31, 2018 and 2017 (UNAUDITED)

ASSETS

	2018	2017 (UNAUDITED)
CURRENT ASSETS		
Cash and cash equivalents	$ 899,393	$ 221,678
Accounts receivable	757,259	-
Inventories	795,538	-
Prepaid expenses	113,318	24,641
	2,565,508	246,319
PROPERTY AND EQUIPMENT, NET	14,722,820	10,353,187
OTHER ASSETS		
Investment	1,000,000	-
Deposits	185,515	-
Accounts receivable, related parties	2,315,594	-
	3,501,109	-
	$ 20,789,437	$ 10,599,506

LIABILITIES

	2018	2017 (UNAUDITED)
CURRENT LIABILITIES		
Current portion of long-term debt	$ 5,788	$ -
Accounts payable	1,101,128	370
Accounts payable, related party	36,216	-
Accrued expenses and taxes	1,145,844	2,187,515
	2,288,976	2,187,885
NON-CURRENT LIABILITIES		
Line of credit, related party	14,700,000	10,000,000
Notes payable, related parties	2,639,541	808,791
Long-term debt, net	24,305	-
	17,363,846	10,808,791
	19,652,822	12,996,676

MEMBERS' EQUITY (DEFICIT)

	2018	2017 (UNAUDITED)
MEMBERS' EQUITY (DEFICIT)		
Members' deficit	(4,522,982)	(2,397,170)
Non-controlling interest	5,659,597	-
	1,136,615	(2,397,170)
	$ 20,789,437	$ 10,599,506

The accompanying notes are an integral part of these combined financial statements.

ILERA HEALTHCARE LLC, SUBSIDIARY AND AFFILIATES

COMBINED STATEMENTS OF OPERATIONS

		Year ended December 31, 2018		Period from March 2, 2017 to December 31, 2017 (UNAUDITED)
REVENUES	$	7,160,135	$	-
COSTS OF GOODS SOLD		5,635,445		-
GROSS PROFIT		1,524,690		-
GENERAL AND ADMINISTRATIVE EXPENSES		2,617,044		2,212,400
LOSS FROM OPERATIONS		(1,092,354)		(2,212,400)
OTHER INCOME (EXPENSE)				
Interest income		1,601		1,176
Other income		50,000		-
Interest expense		(802,076)		(186,064)
		(750,475)		(184,888)
NET LOSS BEFORE NON-CONTROLLING INTEREST		(1,842,829)		(2,397,288)
NET INCOME ATTRIBUTABLE TO NON-CONTROLLING INTEREST		285,587		-
NET LOSS	$	(2,128,416)	$	(2,397,288)

The accompanying notes are an integral part of these combined financial statements.

ILERA HEALTHCARE LLC, SUBSIDIARY AND AFFILIATES

COMBINED STATEMENTS OF CHANGES IN MEMBERS' EQUITY

YEAR ENDED DECEMBER 31, 2018 AND PERIOD FROM
MARCH 2, 2017 (DATE OF INCEPTION) TO DECEMBER 31, 2017 (UNAUDITED)

	Members' Deficit	Non-controlling Interest	Total
Balances at March 2, 2017 (unaudited)	$ -	$ -	$ -
Contributions (unaudited)	118	-	118
Net loss (unaudited)	(2,397,288)	-	(2,397,288)
Balances at December 31, 2017 (unaudited)	(2,397,170)	-	(2,397,170)
Net income (loss)	(2,128,416)	285,587	(1,842,829)
Distributions	-	(625,990)	(625,990)
Contributions	2,604	6,000,000	6,002,604
Balances at December 31, 2018	$ (4,522,982)	$ 5,659,597	$ 1,136,615

The accompanying notes are an integral part of these combined financial statements.

ILERA HEALTHCARE LLC, SUBSIDIARY AND AFFILIATES

COMBINED STATEMENTS OF CASH FLOWS

	Year ended December 31, 2018	Period from March 2, 2017 to December 31, 2017 (UNAUDITED)
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net loss before non-controlling interest	$ (1,842,829)	$ (2,397,288)
Adjustments to reconcile net loss before non-controlling interest to net cash used in operating activities:		
Add back item not affecting cash:		
Depreciation and amortization	469,086	-
Cash provided by (used in) changes in the followings items:		
Increase in accounts receivable	(757,259)	-
Increase in inventories	(795,538)	-
Increase in prepaid expenses	(88,677)	(24,641)
Increase in deposits	(135,515)	-
Increase in accounts payable	1,100,758	370
Increase in accounts payable, related party	36,216	-
Increase (decrease) in accrued expenses and taxes	(1,041,671)	2,187,515
Net cash used in operating activities	(3,055,429)	(234,044)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Acquisitions of property and equipment	(4,522,182)	(10,353,187)
Advances to related parties	(2,315,594)	-
Net cash used in investing activities	(6,837,776)	(10,353,187)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Repayments of long-term debt	(5,694)	-
Net proceeds on line of credit, related party	4,700,000	10,000,000
Proceeds from notes payable, related parties	500,000	808,791
Contributions from members	6,002,604	118
Distributions to members	(625,990)	-
Net cash provided by financing activities	10,570,920	10,808,909
NET INCREASE IN CASH AND CASH EQUIVALENTS	677,715	221,678
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR (PERIOD)	221,678	-
CASH AND CASH EQUIVALENTS - END OF YEAR (PERIOD)	$ 899,393	$ 221,678

The accompanying notes are an integral part of these combined financial statements.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Business

Ilera Healthcare LLC (Healthcare) was formed March 2, 2017 within the Commonwealth of Pennsylvania. Healthcare is licensed to cultivate, manufacture, process, and sell medical cannabis and certain medical cannabis products within the Commonwealth of Pennsylvania pursuant to the Pennsylvania Medical Marijuana Act of 2016.

Ilera Dispensing LLC (Dispensing) was formed February 19, 2018 within the Commonwealth of Pennsylvania. Dispensing is licensed to sell medical cannabis and certain medical cannabis products within the Commonwealth of Pennsylvania pursuant to the Pennsylvania Medical Marijuana Act of 2016.

Ilera InvestCo I, LLC (InvestCo) was formed May 30, 2018 within the Commonwealth of Pennsylvania. InvestCo was formed as an investment partnership and holds investments in a group of medical cannabis dispensaries.

235 Main St. Mercersburg LLC (Mercersburg) was formed June 1, 2018 within the Commonwealth of Pennsylvania. Mercersburg owns real estate used to house management team members when visiting Healthcare's cultivation facility.

IHC Real Estate LP (Real Estate) was formed December 22, 2017 within Delaware. Real Estate owns the cultivation facility in which Healthcare operates.

Collectively, Healthcare, Dispensing, InvestCo, Mercersburg and Real Estate are referred to as "the Company".

Basis of Combination

The accompanying combined financial statements include the accounts of Healthcare and its 50% owned subsidiary Real Estate and Dispensing, Investco and Mercersburg which are under common control.

Material balances and transactions between companies have been eliminated upon combination.

The accompanying combined financials statements of the Company are not those of a single legal entity.

Principles of Consolidation

Accounting principles generally accepted in the United States of America (GAAP) require that a related entity be consolidated with a company when certain conditions exist. An entity is considered to be a variable interest entity (VIE) when it has equity investors who lack the characteristics of having a controlling financial interest, or its capital is insufficient to permit it to finance its activities without additional subordinated financial support. Consolidation of a VIE by the parent would be required if it is determined that the parent will absorb a majority of the VIE's expected losses if they occur, receive a majority of the VIE's expected residual returns if they occur, or both. Healthcare has determined that Real Estate is a VIE requiring consolidation; thus, Real Estate has been included in the accompanying combined financial statements.

Non-Controlling Interest

Non-controlling interest represents the proportionate share of the equity of Real Estate owned by outside investors. Healthcare's controlling financial interest in Real Estate requires that its operations be included in the combined financial statements. The equity interest of Real Estate that is not owned by Healthcare is shown as non-controlling interest in the combined financial statements.

Revenue Recognition

Sales from the direct sale of medical cannabis and certain medical cannabis products for a fixed price are recognized when the Company transfers control of the goods to the consumer upon delivery or at point of sale.

Shipping and Handling Costs

Shipping and handling costs charged to customers are included in the Company's revenues. Costs incurred by the Company for shipping and handling are included in the costs of goods sold.

Use of Estimates

The preparation of combined financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the combined financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

The Company considers all highly liquid investments, such as money market deposits, with original maturities of three months or less to be cash equivalents.

Accounts Receivable

Accounts receivable are due from a variety of customers. Credit is extended based on an evaluation of the customer's financial condition, past experience and relationship. Accounts receivable are generally due within 15 days and are stated at amounts due from the customer, net of an allowance for doubtful accounts. Accounts outstanding longer than the contractual payment terms are considered past due. The Company determines its allowance by considering a number of factors, including the length of time trade accounts are past due, the Company's previous loss history, the customer's current ability to pay its obligations to the Company, and the condition of the general economy and industry as a whole. The Company writes off accounts receivable when they become uncollectible. At December 31, 2018 and 2017, the Company determined that an allowance for doubtful accounts was not necessary.

Inventories

Inventories are stated at the lower of cost (average cost method), or net realizable value, and consisted of the following at December 31, 2018 and 2017:

	2018	2017 (unaudited)
Raw materials	$ 601,149	$ -
Finished goods	194,389	-
	$ 795,538	$ -

Property and Equipment

Property and equipment are stated at cost. Depreciation of property and equipment is provided by use of the straight-line method over the following estimated useful lives of the assets:

Building and improvements	39 years
Furniture and fixtures	7 years
Machinery and equipment	3 - 7 years
Vehicles	5 years

Leasehold improvements are amortized over the lesser of useful life of the asset, or the remaining life of the lease, plus renewal periods which are reasonably assured.

Depreciation and amortization expense was $469,086 and $0 for the year ended December 31, 2018 and the period from March 2, 2017 (date of inception) to December 31, 2017, respectively. Expenditures for major renewals and betterments that extend beyond the useful lives of property and equipment are capitalized. Expenditures for maintenance and repairs are charged to expense as incurred.

Investment

During the year ended December 31, 2018, InvestCo purchased a preferred equity interest in an unrelated entity for $1,000,000 equivalent to a 10% interest. The entity owns and operates dispensaries in Northeast Pennsylvania. The investment is accounted for under the cost method of accounting. Under this method, the Company's share of the earnings or losses of the investee company is not included in the Combined Balance Sheets or Combined Statements of Operations. However, impairment charges are recognized in the Combined Statements of Operations. If circumstances suggest that the value of the investee company has subsequently recovered, such recovery is not recorded. For the year ended December 31, 2018, no impairment charge was necessary.

Income Taxes

The Companies are treated as partnerships for federal and state income tax purposes. In lieu of federal and state income taxes, the Members are taxed on their proportionate share of the Company's taxable income. Therefore, no provision or liability for federal or state income taxes has been included in the combined financial statements.

Marketing

Marketing costs are expensed as incurred. Total marketing expenses were $80,671 and $55,095 for the year ended December 31, 2018 and the period from March 2, 2017 (date of inception) to December 31, 2017, respectively, and are included in general and administrative expenses.

Concentrations of Credit Risk

The Company places its cash with regulated financial institutions. Balances with the financial institutions may exceed Federally insured limits.

Subsequent Events

The Company evaluated subsequent events through January 2, 2020, the date these combined financial statements were available to be issued. Other than the matters discussed in Notes 3, 6, 7 and 9, there are no material subsequent events that required recognition or disclosure in these combined financial statements.

2. PROPERTY AND EQUIPMENT

Property and equipment consisted of the following at December 31:

	2018	2017 (unaudited)
Building and improvements	$ 13,045,047	$ 10,309,230
Leasehold improvements	567,731	-
Furniture and fixtures	119,777	4,851
Machinery and equipment	1,395,038	39,106
Vehicles	64,313	-
	15,191,906	10,353,187
Less: Accumulated depreciation and amortization	(469,086)	-
	$ 14,722,820	$ 10,353,187

3. LINE OF CREDIT, RELATED PARTY

Healthcare has a line of credit agreement with a related party financial institution that provides for borrowings of up to $20,000,000. The first $10,000,000 matures on the ten-year anniversary of the date of the first advance (June 27, 2017), upon which the total outstanding principal, together with all accrued but unpaid interest, shall be due and payable. Any amount in excess of $10,000,000 is due and payable on July 1, 2023. The credit facility is secured by substantially all assets of Healthcare. Excluded from this collateral is security or any other interest in Healthcare's cultivator license or any other license issued to Healthcare by the Pennsylvania Department of Health or any other jurisdiction. Interest on the line of credit is charged at the prime rate plus one half of one percent (6.0% and 5.0% at December 31, 2018 and 2017, respectively). Total interest paid during the year ended December 31, 2018 and the period from March 2, 2017 (date of inception) to December 31, 2017 totaled $561,404 and $33,699, respectively. Interest accrued at December 31, 2018 and 2017 was $213,165 and $108,399, respectively. Outstanding advances totaled $14,700,000 and $10,000,000 at December 31, 2018 and 2017, respectively. The outstanding principal was paid in full in 2019 as a result of the Acquisition (Note 9).

4. LONG-TERM DEBT

During 2018, Healthcare issued a note payable to a financial institution in the amount of $30,093, due in monthly installments of $671, including interest at 8.24%, through June 2023, collateralized by a vehicle with a net book value of $32,208.

Future maturities of long-term debt are as follows:

Year ending December 31,	
2019	$ 5,788
2020	6,283
2021	6,821
2022	7,405
2023	3,796
	$ 30,093

5. LEASES

Healthcare entered into an operating lease agreement with a third party to lease a facility in Pennsylvania expiring in September 2027. The lease was transferred to Dispensing during 2018. The lease requires monthly rental payments ranging from $10,729 to $13,591 after a six month period of deferred payments. Rent expense under this lease totaled $155,689 and $140,691 for the year ended December 31, 2018 and the period from March 2, 2017 (date of inception) to December 31, 2017, respectively.

At December 31, 2018 and 2017, a deferred lease liability of $29,560 and $13,070, respectively, has been recorded and is included in accrued expenses and taxes on the Combined Balance Sheets.

Healthcare's parent entered into an operating lease agreement with a third party to lease land in Pennsylvania expiring in December 2027. The lease requires monthly rental payments ranging from $3,000 to $3,914. Healthcare subleases the land from Healthcare's parent. In addition to the monthly base rental payments, Healthcare is responsible for all real estate and any other taxes, assessments and charges imposed upon the premises and all premiums for insurance. Rent expense under this lease totaled $62,850 and $31,526 for the year ended December 31, 2018 and the period from March 2, 2017 (date of inception) to December 31, 2017, respectively. The lease contains a purchase option whereby Healthcare's parent has the right to purchase the land at any time during the lease term. Healthcare's parent has granted Healthcare a sub-tenant purchase option at equal terms for the land. Under the purchase option the agreed upon purchase price would be reduced by all rents paid and in-kind capital contributions made by the landlord to Healthcare's parent.

Minimum scheduled future payments under noncancellable terms consist of the following:

Year ending December 31,	
2019	$ 169,693
2020	174,783
2021	180,027
2022	185,427
2023	190,991
Thereafter	655,015
	$ 1,555,936

6. RELATED PARTY TRANSACTIONS

Healthcare had advances due from related parties in the amount of $2,315,594 at December 31, 2018. The advances were in the ordinary course of business and were non-interest bearing with no set repayment terms. The outstanding advances were paid in full in 2019.

Dispensing had accounts payable due to a related party in the amount of $36,216 at December 31, 2018. The accounts payable were paid in full in 2019.

Dispensing had a promissory note to a related party in the amount of $50,000 at December 31, 2018. The advances were in the ordinary course of business and were non-interest bearing with no set repayment terms. The outstanding balance was paid in full in 2019.

Mercersburg had a promissory note to a related party in the amount of $280,750 at December 31, 2018. The note was unsecured and bore interest at 12%. The note, together with all accrued but unpaid interest, was payable December 31, 2018, with an option for a six month extension at the discretion of Mercersburg. Interest paid during the year ended December 31, 2018 totaled $15,876. The outstanding balance was paid in full in 2019.

Healthcare had a promissory note to a related party financial institution. The amount outstanding totaled $250,000 at December 31, 2018 and 2017. The note was unsecured and bore interest at 8%. The note, together with all accrued but unpaid interest, was payable out of excess cash when approved by the Company's management. Accrued interest at December 31, 2018 and 2017 totaled $31,397 and $11,452, respectively. The outstanding balance was paid in full in 2019.

Healthcare had a promissory note to a related party financial institution. The amount outstanding totaled $558,791 at December 31, 2018 and 2017. The note was unsecured and bore interest at 8%. The note, together with all accrued but unpaid interest, was payable out of excess cash when approved by the Company's management. Accrued interest at December 31, 2018 and 2017 totaled $70,178 and $25,597, respectively. The outstanding balance was paid in full in 2019.

Healthcare had a promissory note to board members. The amount outstanding totaled $1,500,000 at December 31, 2018. The note was unsecured and bore interest at 12%, which accrued monthly until December 31, 2020 when all advances and unpaid interest are due. Interest paid during the year ended December 31, 2018 totaled $86,490. The outstanding balance was paid in full in 2019.

7. COMMITMENTS AND CONTINGENCIES

In 2018, Healthcare entered into a collaboration agreement with a cannabis research and advisory firm (Autism Advisor) providing strategic consultation on the subject of cannabis efficacy for autism patients. Autism Advisor provides Healthcare with consultation on matters such as product formulation, internal training and marketing. Healthcare provides facilities, formulations and packaging required for the manufacture, research and development of collaboration products. Healthcare pays Autism Advisor $6,250 per month for these advisor services as well as royalty payments equal to 5% of Healthcare's net sales up to $10,000,000 and 7% of net sales over $10,000,000 for 15 years. In addition, Dispensing pays 2% of net sales sold at Ilera Dispensing Locations for 15 years from the date of this collaboration agreement.

Subsequent to December 31, 2018, the collaboration agreement between Healthcare and Autism Advisor was terminated. As a result of the termination, Healthcare and Autism Advisor agreed that the royalty fees related to formulations developed during the collaboration period would remain at their original terms until the expiration of the 15 year period as defined in the initial collaboration agreement. There are two formulations that were developed during the collaboration period.

In 2018, Healthcare entered into a marijuana purchase agreement with a subsidiary of the Company's Investment. The marijuana purchase agreement requires the Investment's Subsidiary to purchase a minimum of 15% of the total dollar value of the Investment's Subsidiary's total orders of marijuana consumable products from the Company. The marijuana purchase agreement expires in June 2023 and then automatically renews in twelve month increments unless the agreement is terminated by either party.

The Company's operations are subject to a variety of local and state regulation. Failure to comply with one or more of those regulations could result in fines, restrictions on its operations, or losses of licenses that could result in the Company ceasing operations in that specific state or jurisdiction.

While management of the Company believe that the Company is in compliance with applicable local and state regulations at December 31, 2018, medical cannabis regulations continue to evolve and are subject to differing interpretations. As a result, the Company may be subject to regulatory fines, penalties, or restrictions in the future.

8. SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION

	2018	2017 (unaudited)
Cash paid during the year for:		
Interest	$ 632,783	$ 19,068

NON-CASH INVESTING AND FINANCING ACTIVITIES:

During the year ended December 31, 2018, the Company made a deposit on an additional dispensary location through a promissory note with a related party in the amount of $50,000.

During the year ended December 31, 2018, the Company purchased an investment directly financed through notes payable, related parties in the amount of $1,000,000.

During the year ended December 31, 2018, the Company purchased a building through a promissory note with a related party in the amount of $280,750.

During the year ended December 31, 2018, the Company directly financed a vehicle purchase in the amount of $35,787.

9. ACQUISITION

On August 1, 2019, the Company was party to a Securities Purchase and Exchange Agreement (the Agreement) between the Company's common ownership group and TerrAscend Corp. Pursuant to the terms and subject to the conditions set forth in the Agreement, the closing occurred on September 16, 2019.

TerrAscend Corp. purchased 100% of the equity of the Company, with the exception of the 50% non-controlling interest in Real Estate, for total consideration of between $125 million and $225 million paid in a combination of cash and TerrAscend Corp. Shares. At closing, TerrAscend Corp. paid to the sellers $25 million in cash and an additional $25 million worth of proportionate voting shares in the equity of TerrAscend Corp. Additional cash consideration of up to $175 million in aggregate may be paid to the sellers based on the Company achieving certain specified revenue and profitability targets, with staged payments being made in 2020 and 2021.

10. NEW ACCOUNTING PRONOUNCEMENTS

ASU 2014-09 (Revenue Recognition)

On May 28 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers*. The standard's core principle is that a company will recognize revenue when it transfers promised goods or services to customers at an amount that reflects the consideration to which the company expects to be entitled in exchange for those goods or services. This standard also includes expanded disclosure requirements that result in an entity providing users of financial statements with comprehensive information about the nature, amount, timing, and uncertainty of revenue and cash flows arising from the entity's contracts with customers. The guidance is effective for annual periods starting after December 15, 2018. The Company is evaluating the impact the pronouncement may have on the combined financial statements.

ASU 2016-02 (Leases)

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ASU 2016-13 (Measurement of Credit Losses)

In June 2016, the FASB issued Accounting Standards Update (ASU) 2016-13, *Measurement of Credit Losses on Financial Instruments*. The ASU requires a financial asset (including trade receivables) measured at amortized cost basis to be presented at the net amount expected to be collected. Thus, the income statement will reflect the measurement of credit losses for newly-recognized financial assets as well as the expected increases or decreases of expected credit losses that have taken place during the period. This standard will be effective for the Company for the fiscal year ending December 31, 2021. The Company is currently in the process of evaluating the impact of adoption of this ASU on the financial statements.

ILERA HEALTHCARE LLC, SUBSIDIARY AND AFFILIATES

COMBINING SCHEDULE OF COSTS OF GOODS SOLD

YEAR ENDED DECEMBER 31, 2018

	ILERA HEALTHCARE LLC	ILERA DISPENSING LLC	ILERA INVESTCO I, LLC	235 MAIN ST MERCERSBURG LLC	IHC REAL ESTATE LP	ELIMINATIONS	COMBINED
COSTS OF GOODS SOLD							
Bank service charges	$ 30,255	$ 29,820	$ -	$ -	$ -	$ -	$ 60,075
Community education expense	-	14,317	-	-	-	-	14,317
Delivery expense	88,282	-	-	-	-	-	88,282
Depreciation	148,837	6,992	-	-	-	-	155,829
Employee benefits	89,029	1,472	-	-	-	-	90,501
Insurance	110,142	22,918	-	-	-	-	133,060
License and permits	15,996	6,660	-	-	-	-	22,656
Miscellaneous	33,037	12,204	-	-	-	-	45,241
Packaging supplies	607,801	-	-	-	-	-	607,801
Payroll taxes	261,082	4,457	-	-	-	-	265,539
Pennsylvania excise tax	320,806	-	-	-	-	-	320,806
Product testing	336,140	-	-	-	-	-	336,140
Purchases	591,135	747,788	-	-	-	(656,127)	682,796
Rent	870,731	23,353	-	-	-	(811,024)	83,060
Salaries and wages	2,071,365	31,902	-	-	-	-	2,103,267
Security expense	-	82,328	-	-	-	-	82,328
Telephone and internet	95,315	6,520	-	-	-	-	101,835
Travel	94,582	-	-	-	-	-	94,582
Utilities	345,789	1,541	-	-	-	-	347,330
	$ 6,110,324	$ 992,272	$ -	$ -	$ -	$ (1,467,151)	$ 5,635,445

See the Independent Auditors' Report.

ILERA HEALTHCARE LLC, SUBSIDIARY AND AFFILIATES

COMBINING SCHEDULE OF GENERAL AND ADMINSTRATIVE EXPENSES

YEAR ENDED DECEMBER 31, 2018

	ILERA HEALTHCARE LLC	ILERA DISPENSING LLC	ILERA INVESTCO I, LLC	235 MAIN ST MERCERSBURG LLC	IHC REAL ESTATE LP	ELIMINATIONS	COMBINED
OPERATING EXPENSES							
Acquisition and expansion expense	$ 39,847	$ 92,697	$ -	$ -	$ -	$ -	$ 132,544
Depreciation and amortization	17,765	15,160	-	5,392	281,933	-	320,250
Development expense	-	-	12,776	-	-	-	12,776
Donations	21,125	300	-	-	-	-	21,425
Dues and subscriptions	35,596	292	-	-	-	-	35,888
Employee benefits	51,925	13,248	-	-	-	-	65,173
Freight	2,017	2,639	-	-	-	-	4,656
Insurance	12,237	91,674	-	2,765	-	-	106,676
Marketing	68,632	12,039	-	-	-	-	80,671
Office and miscellaneous	93,003	40,009	118	1,567	600	-	135,297
Other taxes	-	6,759	-	2,796	-	-	9,555
Payroll taxes	63,349	37,717	-	-	-	-	101,066
Professional fees	477,748	2,940	51,700	11,737	880	-	545,005
Repairs and maintenance	-	1,790	-	1,654	-	-	3,444
Rent	45,828	148,826	-	-	-	(42,685)	151,969
Salaries and wages	517,841	289,512	-	-	-	-	807,353
Service charges	-	594	-	-	724	-	1,318
Telephone and internet	22,868	26,081	-	-	-	-	48,949
Training and seminars	3,455	-	-	-	-	-	3,455
Travel and entertainment	7,686	4,775	-	-	-	-	12,461
Utilities	3,850	8,732	-	4,531	-	-	17,113
	$ 1,484,772	$ 795,784	$ 64,594	$ 30,442	$ 284,137	$ (42,685)	$ 2,617,044

See the Independent Auditors' Report.

ILERA HEALTHCARE

ILERA HEALTHCARE LLC, SUBSIDIARY AND AFFILIATES

CONDENSED COMBINED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED JUNE 30, 2019 AND 2018

SKODA MINOTTI

CPAs, BUSINESS & FINANCIAL ADVISORS

Delivering on the Promise.

ILERA HEALTHCARE LLC, SUBSIDIARY AND AFFILIATES

FOR THE SIX MONTHS ENDED JUNE 30, 2019 AND 2018

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ACCOUNTANTS' COMPILATION REPORT

TO THE MEMBER
ILERA HEALTHCARE LLC, SUBSIDIARY AND AFFILIATES

Management is responsible for the accompanying condensed combined financial statements of Ilera Healthcare LLC, Subsidiary and Affiliates, which comprise the condensed combined balance sheets as of June 30, 2019 and 2018, and the related condensed combined statements of operations, changes in members' equity and cash flows for the six months then ended, and the related notes to the condensed combined financial statements, in accordance with accounting principles generally accepted in the United States of America. We have performed compilation engagements in accordance with *Statements on Standards for Accounting and Review Services* promulgated by the Accounting and Review Services Committee of the AICPA. We did not audit or review the condensed combined financial statements nor were we required to perform any procedures to verify the accuracy or completeness of the information provided by management. We do not express an opinion, a conclusion, nor provide any form of assurance on these condensed combined financial statements.

SKODA, MINOTTI & CO.

Skoda Minotti

Akron, Ohio
January 4, 2020

ILERA HEALTHCARE LLC, SUBSIDIARY AND AFFILIATES

CONDENSED COMBINED BALANCE SHEETS

JUNE 30, 2019 AND 2018

ASSETS

	2019	2018
CURRENT ASSETS		
Cash and cash equivalents	$ 2,152,992	$ 92,304
Accounts receivable	2,298,051	97,466
Inventories	2,240,011	629,611
Prepaid expenses	181,910	7,002
	6,872,964	826,383
PROPERTY AND EQUIPMENT, NET	15,401,699	12,440,664
OTHER ASSETS		
Investment	1,000,000	1,000,000
Deposits	35,515	10,000
Accounts receivable, related parties	3,349,547	-
	4,385,062	1,010,000
	$ 26,659,725	$ 14,277,047

LIABILITIES

	2019	2018
CURRENT LIABILITIES		
Current portion of long-term debt	$ 7,448	$ 5,694
Accounts payable	691,783	557,078
Accounts payable, related party	35,016	35,016
Accrued expenses and taxes	1,563,778	357,733
	2,298,025	955,521
NON-CURRENT LIABILITIES		
Line of credit, related party	14,700,000	10,000,000
Notes payable, related parties	1,348,791	2,289,541
Long-term debt, net	31,750	30,093
	16,080,541	12,319,634
	18,378,566	13,275,155

MEMBERS' EQUITY (DEFICIT)

	2019	2018
MEMBERS' EQUITY (DEFICIT)		
Members' equity (deficit)	2,923,537	(4,958,615)
Non-controlling interest	5,357,622	5,960,507
	8,281,159	1,001,892
	$ 26,659,725	$ 14,277,047

See the accompanying Accountants' Compilation Report and notes.

ILERA HEALTHCARE LLC, SUBSIDIARY AND AFFILIATES

CONDENSED COMBINED STATEMENTS OF OPERATIONS

FOR THE SIX MONTHS ENDED JUNE 30, 2019 AND 2018

	2019	2018
REVENUES	$ 14,531,537	$ 702,071
COSTS OF GOODS SOLD	4,639,865	1,761,157
GROSS PROFIT (LOSS)	9,891,672	(1,059,086)
GENERAL AND ADMINISTRATIVE EXPENSES	1,715,018	1,071,067
INCOME (LOSS) FROM OPERATIONS	8,176,654	(2,130,153)
OTHER INCOME (EXPENSE)		
Interest income	2	1,599
Interest expense	(576,280)	(297,978)
	(576,278)	(296,379)
NET INCOME (LOSS) BEFORE NON-CONTROLLING INTEREST	7,600,376	(2,426,532)
NET INCOME ATTRIBUTABLE TO NON-CONTROLLING INTEREST	146,794	135,267
NET INCOME (LOSS)	$ 7,453,582	$ (2,561,799)

See the accompanying Accountants' Compilation Report and notes.

ILERA HEALTHCARE LLC, SUBSIDIARY AND AFFILIATES

CONDENSED COMBINED STATEMENTS OF CHANGES IN MEMBERS' EQUITY

FOR THE SIX MONTHS ENDED JUNE 30, 2019 AND 2018

	Members' Deficit	Non-controlling Interest	Total
Balances at January 1, 2018	$ (2,397,170)	$ -	$ (2,397,170)
Net income (loss)	(2,561,799)	135,267	(2,426,532)
Distributions	-	(174,760)	(174,760)
Contributions	354	6,000,000	6,000,354
Balances at June 30, 2018	$ (4,958,615)	$ 5,960,507	$ 1,001,892
Balance at January 1, 2019	$ (4,522,982)	$ 5,659,597	$ 1,136,615
Net income	7,453,582	146,794	7,600,376
Distributions	(7,063)	(448,769)	(455,832)
Balances at June 30, 2019	$ 2,923,537	$ 5,357,622	$ 8,281,159

See the accompanying Accountants' Compilation Report and notes.

ILERA HEALTHCARE LLC, SUBSIDIARY AND AFFILIATES

CONDENSED COMBINED STATEMENTS OF CASH FLOWS

FOR THE SIX MONTHS ENDED JUNE 30, 2019 AND 2018

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income (loss) before non-controlling interest	$ 7,600,376	$ (2,426,532)
Adjustments to reconcile net income (loss) before non-controlling interest to net cash provided by (used in) operating activities:		
Add back item not affecting cash:		
Depreciation and amortization	359,433	176,458
Cash provided by (used in) changes in the followings items:		
Increase in accounts receivable	(1,540,792)	(97,466)
Increase in inventories	(1,444,473)	(629,611)
(Increase) decrease in prepaid expenses	(68,592)	17,639
(Increase) decrease in deposits	150,000	(10,000)
Increase (decrease) in accounts payable	(409,345)	556,708
Increase (decrease) in accounts payable, related party	(1,200)	35,016
Increase (decrease) in accrued expenses and taxes	417,934	(1,829,782)
Net cash provided by (used in) operating activities	5,063,341	(4,207,570)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Acquisitions of property and equipment	(1,006,721)	(1,947,398)
Advances to related parties	(1,033,953)	-
Net cash used in investing activities	(2,040,674)	(1,947,398)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Repayments of long-term debt	(22,486)	-
Proceeds from notes payable, related parties	40,000	200,000
Payments on notes payable, related parties	(1,330,750)	-
Contributions from members	-	6,000,354
Distributions to members	(455,832)	(174,760)
Net cash provided by (used in) financing activities	(1,769,068)	6,025,594
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	1,253,599	(129,374)
CASH AND CASH EQUIVALENTS - BEGINNING OF PERIOD	899,393	221,678
CASH AND CASH EQUIVALENTS - END OF PERIOD	$ 2,152,992	$ 92,304

See the accompanying Accountants' Compilation Report and notes.

1. BASIS OF PRESENTATION

Basis of Presentation

The accompanying condensed combined financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) for interim financial information. Accordingly, they do not include all of the information and footnotes required by GAAP for complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation of Ilera's financial position as of June 30, 2019 and 2018, and the results of its operations and cash flows for the six months ended June 30, 2019 and 2018, have been made. Operating results for the six months ended June 30, 2019 and 2018, are not necessarily indicative of the results for the year.

The preparation of condensed combined financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the condensed combined financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

The accounting policies applied in these condensed combined financial statements are the same as those applied in the Company's audited combined financial statements as of and for the year ended December 31, 2018. These condensed combined financial statements should be read in conjunction with the combined financial statements and notes as of and for the year ended December 31, 2018.

Basis of Combination

The accompanying condensed combined financial statements include the accounts of Ilera Healthcare LLC (Healthcare) and its 50% owned subsidiary IHC Real Estate LP (Real Estate) and Ilera Dispensing LLC (Dispensing), Ilera InvestCo I, LLC (InvestCo) and 235 Main St. Mercersburg LLC (Mercersburg) which are under common control (collectively, "the Company").

Material balances and transactions between companies have been eliminated upon combination.

The accompanying condensed combined financials statements of the Company are not those of a single legal entity.

Principles of Consolidation

GAAP requires that a related entity be consolidated with a company when certain conditions exist. An entity is considered to be a variable interest entity (VIE) when it has equity investors who lack the characteristics of having a controlling financial interest, or its capital is insufficient to permit it to finance its activities without additional subordinated financial support. Consolidation of a VIE by the parent would be required if it is determined that the parent will absorb a majority of the VIE's expected losses if they occur, receive a majority of the VIE's expected residual returns if they occur, or both. Healthcare has determined that Real Estate is a VIE requiring consolidation; thus, Real Estate has been included in the accompanying condensed combined financial statements.

Non-Controlling Interest

Non-controlling interest represents the proportionate share of the equity of Real Estate owned by outside investors. Healthcare's controlling financial interest in Real Estate requires that its operations be included in the condensed combined financial statements. The equity interest of Real Estate that is not owned by Healthcare is shown as non-controlling interest in the condensed combined financial statements.

2. INVENTORIES

	June 30, 2019	June 30, 2018
Raw materials	$ 795,963	$ 544,927
Finished goods	1,444,048	84,684
	$ 2,240,011	$ 629,611

3. PROPERTY AND EQUIPMENT

	June 30, 2019	June 30, 2018
Building and improvements	$ 13,056,923	$ 10,671,427
Leasehold improvements	567,731	20,642
Furniture and fixtures	147,266	24,947
Machinery and equipment	2,330,136	1,864,319
Vehicles	128,162	35,787
	16,230,218	12,617,122
Less: Accumulated depreciation and amortization	(828,519)	(176,458)
	$ 15,401,699	$ 12,440,664

Depreciation and amortization expense was $359,433 and $176,458 for the six months ended June 30, 2019 and 2018, respectively.

4. LINE OF CREDIT – RELATED PARTY

Healthcare has a line of credit agreement with a related party financial institution that provides for borrowings of up to $20,000,000. The first $10,000,000 matures on the ten-year anniversary of the date of the first advance (June 27, 2017), upon which the total outstanding principal, together with all accrued but unpaid interest, shall be due and payable. Any amount in excess of $10,000,000 is due and payable on July 1, 2023. The credit facility is secured by substantially all assets of Healthcare. Excluded from this collateral is security or any other interest in Healthcare's cultivator license or any other license issued to Healthcare by the Pennsylvania Department of Health or any other jurisdiction. Interest on the line of credit is charged at the prime rate plus one half of one percent (6.0% and 5.5% at June 30, 2019 and 2018, respectively). Total interest paid during the six months ended June 30, 2019 and 2018 totaled $386,115 and $236,164, respectively. Interest accrued at June 30, 2019 and 2018 was $829,454 and $163,988, respectively. Outstanding advances totaled $14,700,000 and $10,000,000 at June 30, 2019 and 2018, respectively. The outstanding principal was paid in full in September 2019 as a result of the Acquisition (Note 10).

5. LONG-TERM DEBT

During 2018, Healthcare issued a note payable to a financial institution in the amount of $35,787, due in monthly installments of $671, including interest at 8.24%, through June 2023, collateralized by a vehicle with a net book value of $28,630 at June 30, 2019. The outstanding balance at June 30, 2019 and 2018 totaled $28,751 and $30,093, respectively.

During 2019, Healthcare issued a note payable to a financial institution in the amount of $31,591, due in monthly installments of $567, including interest at 8.7%, through March 2025, collateralized by a vehicle with a net book value of $60,657 at June 30, 2019. The outstanding balance at June 30, 2019 totaled $10,447.

Future maturities of long-term debt are as follows:

Year ending December 31,		
2019	$	7,448
2020		10,854
2021		7,320
2022		6,821
2023		6,755
	$	39,198

6. LEASES

Healthcare entered into an operating lease agreement with a third party to lease a facility in Pennsylvania expiring in September 2027. The lease was transferred to Dispensing during 2018. The lease requires monthly rental payments ranging from $10,729 to $13,591 after a six month period of deferred payments. Rent expense under this lease totaled $76,364 and $97,407 for the six months ended June 30, 2019 and 2018, respectively.

At June 30, 2019 and 2018, a deferred lease liability of $36,399 and $21,784, respectively, has been recorded and is included in accrued expenses and taxes on the Condensed Combined Balance Sheets.

Healthcare's parent entered into an operating lease agreement with a third party to lease land in Pennsylvania expiring in December 2027. The lease requires monthly rental payments ranging from $3,000 to $3,914. Healthcare subleases the land from Healthcare's parent. In addition to the monthly base rental payments, Healthcare is responsible for all real estate and any other taxes, assessments and charges imposed upon the premises and all premiums for insurance. Rent expense under this lease totaled $18,540 and $18,000 for the six months ended June 30, 2019 and 2018, respectively. The lease contains a purchase option whereby Healthcare's parent has the right to purchase the land at any time during the lease term. Healthcare's parent has granted Healthcare a sub-tenant purchase option at equal terms for the land. Under the purchase option the agreed upon purchase price would be reduced by all rents paid and in-kind capital contributions made by the landlord to Healthcare's parent.

Minimum scheduled future payments under noncancellable terms consist of the following:

Year ending December 31,		
2019	$	84,847
2020		174,783
2021		180,027
2022		185,427
2023		190,991
Thereafter		655,015
	$	1,471,090

7. RELATED PARTY TRANSACTIONS

Healthcare had advances due from related parties in the amount of $3,349,547 at June 30, 2019. The advances were in the ordinary course of business and were non-interest bearing with no set repayment terms. The outstanding advances were received in full in September 2019.

Dispensing had accounts payable due to a related party in the amount of $35,016 at both June 30, 2019 and 2018. The accounts payable were paid in full in September 2019.

Mercersburg had a promissory note to a related party in the amount of $280,750 at June 30, 2018. The note was unsecured and bore interest at 12%. The note, together with all accrued but unpaid interest, was payable December 31, 2018, with an option for a six month extension at the discretion of Mercersburg. Interest paid during the six months ended June 30, 2019 and 2018 totaled $11,999 and $0, respectively. The outstanding balance was paid in full in May 2019.

Healthcare had a promissory note to a related party financial institution. The amount outstanding totaled $250,000 at June 30, 2019 and 2018. The note was unsecured and bore interest at 8%. The note, together with all accrued but unpaid interest, was payable out of excess cash when approved by the Company's management. Accrued interest at June 30, 2019 and 2018 totaled $41,260 and $21,315, respectively. The outstanding balance was paid in full in September 2019.

Healthcare had a promissory note to a related party financial institution. The amount outstanding totaled $558,791 at June 30, 2019 and 2018. The note was unsecured and bore interest at 8%. The note, together with all accrued but unpaid interest, was payable out of excess cash when approved by the Company's management. Accrued interest at June 30, 2019 and 2018 totaled $92,223 and $47,643, respectively. The outstanding balance was paid in full in August 2019.

Healthcare had a promissory note to board members. The amount outstanding totaled $500,000 and $1,200,000 at June 30, 2019 and 2018, respectively. The note is unsecured and bears interest at 12%, which accrues monthly until December 31, 2020 when all advances and unpaid interest are due. Interest paid during the six months ended June 30, 2019 and 2018 totaled $79,397 and $0, respectively. The outstanding balance was paid in full in September 2019.

Healthcare had advances due to board members. The amount outstanding totaled $40,000 and $0 at June 30, 2019 and 2018, respectively. The advances were in the ordinary course of business and were non-interest bearing with no set repayment terms. The outstanding balance was paid in full in July 2019.

8. COMMITMENTS AND CONTINGENCIES

In 2018, Healthcare entered into a collaboration agreement with a cannabis research and advisory firm (Autism Advisor) providing strategic consultation on the subject of cannabis efficacy for autism patients. Autism Advisor provides Healthcare with consultation on matters such as product formulation, internal training and marketing. Healthcare provides facilities, formulations and packaging required for the manufacture, research and development of collaboration products. Healthcare pays Autism Advisor $6,250 per month for these advisor services as well as royalty payments equal to 5% of Healthcare's net sales up to $10,000,000 and 7% of net sales over $10,000,000 for 15 years. In addition, Dispensing pays 2% of net sales sold at Ilera Dispensing locations for 15 years from the date of this collaboration agreement.

In March 2019, the collaboration agreement between Healthcare and Autism Advisor was terminated. As a result of the termination, Healthcare and Autism Advisor agreed that the royalty fees related to formulations developed during the collaboration period would remain at their original terms until the expiration of the 15 year period as defined in the initial collaboration agreement. There are two formulations that were developed during the collaboration period.

In 2018, Healthcare entered into a marijuana purchase agreement with a subsidiary of the Company's Investment. The marijuana purchase agreement requires the Investment's Subsidiary to purchase a minimum of 15% of the total dollar value of the Investment's Subsidiary's total orders of marijuana consumable products from the Company. The marijuana purchase agreement expires in June 2023 and then automatically renews in twelve month increments unless the agreement is terminated by either party.

The Company's operations are subject to a variety of local and state regulation. Failure to comply with one or more of those regulations could result in fines, restrictions on its operations, or losses of licenses that could result in the Company ceasing operations in that specific state or jurisdiction.

While management of the Company believe that the Company is in compliance with applicable local and state regulations at June 30, 2019 and 2018, medical cannabis regulations continue to evolve and are subject to differing interpretations. As a result, the Company may be subject to regulatory fines, penalties, or restrictions in the future.

9. SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION

	Six months ended June 30, 2019	Six months ended June 30, 2018
Cash paid during the period for:		
Interest	$ 489,487	$ 244,178

NON-CASH INVESTING AND FINANCING ACTIVITIES:

During the six months ended June 30, 2018, the Company purchased an investment directly financed through notes payable, related parties in the amount of $1,000,000.

During the six months ended June 30, 2018, the Company purchased a building through a promissory note with a related party in the amount of $280,750.

During the six months ended June 30, 2018, the Company directly financed a vehicle purchase in the amount of $35,787.

During the six months ended June 30, 2019, the Company directly financed a vehicle purchase in the amount of $31,591.

10. ACQUISITION

On August 1, 2019, the Company was party to a Securities Purchase and Exchange Agreement (the Agreement) between the Company's common ownership group and TerrAscend Corp. Pursuant to the terms and subject to the conditions set forth in the Agreement, the closing occurred on September 16, 2019.

TerrAscend Corp. purchased 100% of the equity of the Company, with the exception of the 50% non-controlling interest in Real Estate, for total consideration of between $125 million and $225 million paid in a combination of cash and TerrAscend Corp. Shares. At closing, TerrAscend Corp. paid to the sellers $25 million in cash and an additional $25 million worth of proportionate voting shares in the equity of TerrAscend Corp. Additional cash consideration of up to $175 million in aggregate may be paid to the sellers based on the Company achieving certain specified revenue and profitability targets, with staged payments being made in 2020 and 2021.

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In February 2016, the FASB issued Accounting Standards Update (ASU) 2016-02, *Leases*. The ASU requires all leases with lease terms more than 12 months to be capitalized as a right-of-use asset and lease liability on the balance sheet date of lease commencement. Leases will be classified as either finance leases or operating leases. The distinction will be relevant for the pattern of expense recognition in the income statement. This standard is effective for non-public companies for fiscal years beginning after December 15, 2020, with early adoption permitted. The Company is evaluating the impact the pronouncement may have on the combined financial statements.

ASU 2016-13 (Measurement of Credit Losses)

In June 2016, the FASB issued Accounting Standards Update (ASU) 2016-13, *Measurement of Credit Losses on Financial Instruments*. The ASU requires a financial asset (including trade receivables) measured at amortized cost basis to be presented at the net amount expected to be collected. Thus, the income statement will reflect the measurement of credit losses for newly-recognized financial assets as well as the expected increases or decreases of expected credit losses that have taken place during the period. This standard will be effective for the Company for the fiscal year ending December 31, 2021. The Company is currently in the process of evaluating the impact of adoption of this ASU on the financial statements.

12. SUBSEQUENT EVENTS

The Company evaluated subsequent events through January 4, 2020, the date these condensed combined financial statements were available to be issued. Other than the matters discussed in Notes 4, 7, and 10, there are no material subsequent events that required recognition or disclosure in these condensed combined financial statements.

INDEPENDENT AUDITOR'S REPORT

To the Directors and Shareholders of
TerrAscend Corp.:

Opinion

We have audited the statement of assets acquired and liabilities assumed which comprise the assets acquired and liabilities assumed by TerrAscend Corp. on acquisition of the Ilera Entities (the "Company"), as of September 16, 2019, and notes to the financial statement, including a summary of significant accounting policies (together "the financial statement").

In our opinion, the accompanying financial statement presents fairly, in all material respects, the assets acquired and liabilities assumed by TerrAscend Corp. on acquisition of the Company as at September 16, 2019 in accordance with the basis of accounting in Note 1 to the financial statement.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statement section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statement in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of Matter – Basis of Accounting

We draw attention to Note 1 to the financial statements which describes the basis of accounting. The financial statement is prepared for inclusion in TerrAscend Corp's Business Acquisition Report related to the acquisition of the Company on the basis of the decision of the Ontario Securities Commission dated December 6, 2019. As a result, the financial statement may not be suitable for another purpose. Our opinion is not modified in respect of this matter.

Responsibilities of Management and those Charged with Governance for the Financial Statement

Management is responsible for the preparation and fair presentation of the financial statement in accordance with the basis of accounting described in Note 1 to the financial statement, and for such internal control as management determines is necessary to enable the preparation of the financial statement that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibilities for the Audit of the Financial Statement

Our objectives are to obtain reasonable assurance about whether the financial statement is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial statement.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statement, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Evaluate the overall presentation, structure and content of the financial statement, including the disclosures, and whether the financial statement represents the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

MNP LLP

Toronto, Ontario
December 27, 2019

Chartered Professional Accountants
Licensed Public Accountants

The Ilera Entities
Statement of Assets Acquired and Liabilities Assumed
(In thousands of U.S. Dollars)

As at September 16, 2019

Cash and cash equivalents	$	809
Receivables		1,480
Investments		1,000
Biological assets		2,677
Inventory		3,703
Prepaid expenses and deposits		1,046
Property, plant and equipment		16,631
Intangible assets		71,350
Goodwill		68,020
Total Assets		**166,716**
Accounts payable and accrued liabilities		(1,006)
Lease liability		(1,488)
Deferred tax liability		(4,602)
Non-controlling interest		(4,338)
Total Liabilities		**(11,434)**
Net Assets Acquired	$	155,282

The Ilera Entities
Notes to the Statement of Assets Acquired and Liabilities Assumed
(In thousands of U.S. Dollars)

As at September 16, 2019

1 Basis of accounting

On September 16, 2019, TerrAscend Corp. (“TerrAscend”) acquired all of the issued and outstanding equity interests of Ilera Healthcare LLC, Ilera Dispensing LLC, Ilera Security LLC, Ilera InvestCo I LLC, 235 Main Street Mercersburg LLC and IHC Real Estate GP, LLC (collectively, “the Ilera Entities”). The statement of assets acquired and liabilities assumed has been prepared for inclusion in the TerrAscend’s Business Acquisition Report related to the acquisition on the basis of the exemption received from the Ontario Securities Commission on December 6, 2019 (the “Exemption”). The Exemption applies to the financial statement as of and for the year ended dated December 31, 2018, filed concurrently in the business acquisition report, for the balances of biological assets, inventory and cost of goods sold.

The statement of assets acquired and liabilities assumed has been prepared in accordance with the measurement and recognition provisions of IFRS 3 Business Combinations and on the basis of the Exemption. IFRS 3 requires that the purchase consideration be allocated to the assets acquired and liabilities assumed in a business combination based upon their estimated fair values at the date of acquisition. Goodwill is measured as the difference between the consideration paid and the fair value of the assets acquired and liabilities assumed.

The purchase price is allocated to the underlying assets acquired and liabilities assumed, based upon their estimated fair values at the date of acquisition. The consideration includes cash, contingent consideration based on the Ilera Entities achieving certain specified revenue and profitability targets, and proportionate voting shares of TerrAscend Corp. Final fair values are determined based on independent appraisals, discounted cash flow models, and quoted market prices, as deemed appropriate.

2 Purchase Consideration

Cash	$	25,000
Contingent consideration		108,932
TerrAscend shares issued		20,749
Working capital adjustment payment		601
Fair value of consideration	**$**	**155,282**