PART I—FINANCIAL INFORMATION

Item 1. Financial Statements.

TerrAscend Corp.

Unaudited Interim Condensed Consolidated Balance Sheets

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

	At March 31, 2024	At December 31, 2023
Assets		
Current Assets		
Cash and cash equivalents	$ 22,664	$ 22,241
Restricted cash	3,110	3,106
Accounts receivable, net	17,013	19,048
Investments	1,965	1,913
Inventory	49,199	51,683
Prepaid expenses and other current assets	3,704	4,898
	97,655	102,889
Non-Current Assets		
Property and equipment, net	194,256	196,215
Deposits	284	337
Operating lease right of use assets	41,488	43,440
Intangible assets, net	214,060	215,854
Goodwill	106,929	106,929
Other non-current assets	867	854
	557,884	563,629
Total Assets	**$ 655,539**	**$ 666,518**
Liabilities and Shareholders' Equity		
Current Liabilities		
Accounts payable and accrued liabilities	$ 49,673	$ 49,897
Deferred revenue	4,510	4,154
Loans payable, current	133,668	137,737
Contingent consideration payable, current	1,490	6,446
Operating lease liability, current	1,816	1,244
Lease obligations under finance leases, current	2,079	2,030
Corporate income tax payable	5,143	4,775
Other current liabilities	737	717
	199,116	207,000
Non-Current Liabilities		
Loans payable, non-current	58,409	61,633
Operating lease liability, non-current	43,967	45,384
Lease obligations under finance leases, non-current	383	407
Derivative liability	6,075	5,162
Convertible debt	7,682	7,266
Deferred income tax liability	16,919	17,175
Contingent consideration payable, non-current	1,424	—
Liability on uncertain tax position and other long term liabilities	89,455	81,751
	224,314	218,778
Total Liabilities	423,430	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 March 31, 2024 and December 31, 2023, respectively	—	—
Series B, convertible preferred stock, no par value, unlimited shares authorized; 600 and 600 shares outstanding as of March 31, 2024 and December 31, 2023, respectively	—	—
Series C, convertible preferred stock, no par value, unlimited shares authorized; nil and nil shares outstanding as of March 31, 2024 and December 31, 2023, respectively	—	—
Series D, convertible preferred stock, no par value, unlimited shares authorized; nil and nil shares outstanding as of March 31, 2024 and December 31, 2023, respectively	—	—
Proportionate voting shares, no par value, unlimited shares authorized; nil and nil shares outstanding as of March 31, 2024 and December 31, 2023, respectively	—	—
Exchangeable shares, no par value, unlimited shares authorized; 63,492,038 and 63,492,038 shares outstanding as of March 31, 2024 and December 31, 2023, respectively	—	—
Common shares, no par value, unlimited shares authorized; 291,284,814 and 288,327,497 shares outstanding as of March 31, 2024 and December 31, 2023, respectively	—	—
Additional paid in capital	945,825	944,859
Accumulated other comprehensive income	2,197	1,799
Accumulated deficit	(717,398)	(704,162)
Non-controlling interest	1,485	(1,756)
Total Shareholders' Equity	232,109	240,740
Total Liabilities and Shareholders' Equity	**$ 655,539**	**$ 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 March 31, 2024	For the Three Months Ended March 31, 2023
Revenue, net	**80,633**	**69,398**
Cost of Sales	41,902	35,498
Gross profit	**38,731**	**33,900**
Operating expenses:		
General and administrative	28,008	27,730
Amortization and depreciation	2,215	2,029
Impairment of property and equipment and right of use assets	2,438	335
Total operating expenses	**32,661**	**30,094**
Income from operations	**6,070**	**3,806**
Other (income) expense		
Loss from revaluation of contingent consideration	1,393	—
Loss (gain) on fair value of warrants and purchase option derivative assets	983	(438)
Finance and other expenses	8,589	10,087
Transaction and restructuring costs	—	3
Unrealized and realized foreign exchange loss (gain)	285	(31)
Unrealized and realized loss on investments	—	699
Loss from continuing operations before provision for income taxes	**(5,180)**	**(6,514)**
Provision for income taxes	9,671	12,664
Net loss from continuing operations	**$ (14,851)**	**$ (19,178)**
Discontinued operations:		
Loss from discontinued operations, net of tax	$ —	$ (3,591)
Net loss	**$ (14,851)**	**$ (22,769)**
Foreign currency translation adjustment	(398)	347
Comprehensive loss	**$ (14,453)**	**$ (23,116)**
Net loss from continuing operations attributable to:		
Common and proportionate Shareholders of the Company	$ (17,055)	$ (21,364)
Non-controlling interests	$ 2,204	$ 2,186
Comprehensive loss attributable to:		
Common and proportionate Shareholders of the Company	$ (16,657)	$ (25,302)
Non-controlling interests	$ 2,204	$ 2,186
Net loss per share		
Net loss per share - basic:		
Continuing operations	$ (0.06)	$ (0.08)
Discontinued operations	$ —	$ (0.01)
Net loss per share - basic	$ (0.06)	$ (0.09)
Weighted average number of outstanding common shares	290,618,567	267,211,093
Net loss per share - diluted:		
Continuing operations	$ (0.06)	$ (0.08)
Discontinued operations	$ —	$ (0.01)
Net loss per share - diluted	$ (0.06)	$ (0.09)
Weighted average number of outstanding common shares, assuming dilution	290,618,567	267,211,093

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

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	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**

	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 contribution	—	—	—	—	—	—	—	—	(1,884)	**(1,884)**
Net loss for the period	—	—	—	—	—	—	—	(24,955)	2,186	**(22,769)**
Foreign currency translation adjustment	—	—	—	—	—	—	(347)	—	—	**(347)**
Balance at March 31, 2023	**274,653,743**	**63,492,038**	**12,350**	**600**	**351,095,985**	**$ 936,404**	**$ 1,738**	**$ (641,517)**	**$ 2,676**	**$ 299,301**

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

TerrAscend Corp.

Unaudited Interim Condensed Consolidated Statements of Cash Flows

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

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

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

1. Nature of operations

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

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

The Company owns a portfolio of operating businesses, including:

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

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

2. Summary of significant accounting policies

(a) Basis of presentation

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

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

The accompanying Consolidated Financial Statements have been prepared on the going concern basis, under the historical cost convention, except for certain financial instruments that are measured at fair value as described herein. At March 31, 2024, the Company had an accumulated deficit of $717,398. During the three months ended March 31, 2024, the Company incurred a net loss from continuing operations of $14,851. Additionally, as of March 31, 2024 the Company's current liabilities exceeded its current assets due to loans maturing within the current year. Therefore, the Company expects that it may need to refinance this debt or access additional capital to continue to fund its operations.

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

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

3. Consolidation

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

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

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

Voting Interest Entities

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

Variable Interest Entities

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

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

The Issuer determined that TerrAscend is a VIE, as all of the Company's U.S. activities continue to be conducted on behalf of the Company which has disproportionately few voting rights. After conducting an analysis of the following VIE factors; purpose and design of the VIE, the Protection Agreement in place, the structure of the Company's board of directors (the "Board"), and substantive kick-out rights of the holders of the Class A Shares, it was determined that the Company has the power to direct the activities of TerrAscend. In addition, given the structure of the Class A Shares where all of the losses and substantially all of the benefits of TerrAscend are absorbed by the Company, the Company consolidates as the primary beneficiary in accordance with Accounting Standards Codification ("ASC") 810, *Consolidation*.

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

4. Accounts receivable, net

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

	March 31, 2024	December 31, 2023
Trade receivables	$ 26,535	$ 28,403
Sales tax receivable	515	408
Other receivables	887	1,154
Provision for current expected credit losses	(10,924)	(10,917)
Total receivables, net	**$ 17,013**	**$ 19,048**

	March 31, 2024	December 31, 2023
Trade receivables	$ 26,535	$ 28,403
Less: provision for current expected credit losses	(10,924)	(10,917)
Total trade receivables, net	**$ 15,611**	**$ 17,486**
Of which		
Current	12,110	13,799
31-90 days	2,545	2,837
Over 90 days	11,880	11,767
Less: current expected credit losses	(10,924)	(10,917)
Total trade receivables, net	**$ 15,611**	**$ 17,486**

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

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**
Reduction of contingent consideration	(1,334)	(3,591)	—	(4,925)
Loss (gain) on revaluation of contingent consideration	519	1,396	(522)	1,393
Carrying amount, March 31, 2024	**$ 591**	**$ 833**	**$ 1,490**	**$ 2,914**
Less: current portion	—	—	(1,490)	(1,490)
Non-current contingent consideration	**$ 591**	**$ 833**	**$ —**	**$ 1,424**

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

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:

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

7. Discontinued operations

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

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

8. Property and equipment

Property and equipment consisted of:

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

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

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

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

9. Intangible assets and goodwill

Intangible assets consisted of the following:

At March 31, 2024	**Gross Carrying Amount**	**Accumulated Amortization**	**Net Carrying Amount**
Finite lived intangible assets			
Software	$ 2,177	$ (1,217)	$ 960
Licenses	187,759	(21,631)	166,128
Non-compete agreements	280	(280)	—
Total finite lived intangible assets	190,216	(23,128)	167,088
Indefinite lived intangible assets			
Brand intangibles	46,972	—	46,972
Total indefinite lived intangible assets	46,972	—	46,972
Intangible assets, net	**$ 237,188**	**$ (23,128)**	**$ 214,060**

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

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

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

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

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

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

10. Loans payable

The Company's loans payable consisted of the following:

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

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

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

Chicago Atlantic Term Loan

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

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

Ilera Term Loan

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

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

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

Stearns Loan

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

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

Pelorus Term Loan

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

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

Maryland Acquisition Loans

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

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

Other loans

Stadium Ventures

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

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

Class A Shares of TerrAscend Growth

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

Shares owned by the Investor to TerrAscend at the Repurchase/Put Price, payable in cash or shares. The instrument is considered as a debt for accounting purposes due to the economic characteristics and risks

Short-Term Debt

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

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

Maturities of loans payable

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

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

11. Leases

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

Amounts recognized in the consolidated balance sheet were as follows:

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

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

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

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

Supplemental cash flow information related to leases are as follows:

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

Undiscounted lease obligations are as follows:

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

12. Convertible Debt

The Company's convertible debt consisted of the following:

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

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

13. Shareholders' equity

Warrants

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

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

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, March 31, 2024	**3,590,334**	**—**	**$ 1.95**	**1.23**

14. Share-based compensation plans

Share-based payments expense

Total share-based payments expense was as follows:

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

Stock Options

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

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

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

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

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

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

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

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

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

Restricted Share Units

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

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

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

15. Non-controlling interest

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

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

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

	March 31, 2024	December 31, 2023
Opening carrying amount	$ (1,756)	$ 2,374
Capital distributions	(337)	(11,622)
Acquisition of non-controlling interest	1,374	(1,323)
Net income attributable to non-controlling interest	2,204	8,815
Ending carrying amount	**$ 1,485**	**$ (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 March 31, 2024, amounts due to/from related parties consisted of:

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

17. Income taxes

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

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

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

18. General and administrative expenses

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

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

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	
	March 31, 2024	**March 31, 2023**
Retail	$ 53,858	$ 55,422
Wholesale	26,775	13,976
Total	**$ 80,633**	**$ 69,398**

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

20. Finance and other expenses

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

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

21. Segment information

Operating Segment

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

Geography

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

The Company had non-current assets by geography of:

	March 31, 2024	December 31, 2023
United States	$ 557,235	$ 562,854
Canada	649	775
Total	**$ 557,884**	**$ 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, accumulated deficit, as well as funds borrowed from related parties.

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

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

23. Financial instruments and risk management

Assets and liabilities measured at fair value

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

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

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

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

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

Level 1

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

Level 2

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

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

Warrant liability and conversion option

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

Detachable Warrants

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

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

Bifurcated conversion options

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

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

Contingent Consideration Payable

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

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

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

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

24. Commitments and contingencies

Legal proceedings

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

Pure X Litigation

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

25. Subsequent events

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