UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended March 31, 2025

OR

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

For the transition period from to

Commission File Number: 021-340690

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

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

Registrant's telephone number, including area code: (844) 628-3100

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

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

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

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

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

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

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

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

As of May 7, 2025, the registrant had 293,004,431 common shares, no par value, outstanding.

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Cautionary Note Regarding Forward-Looking Statements

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

- the projected performance of the Company’s business and operations;
- the Company’s estimates and expectations regarding revenues, expenses and need for substantial additional financing, and its ability to obtain additional financing;
- the Company's ability to source investment opportunities and complete future acquisitions, including in respect of entities in the United States, the ability to finance such acquisitions or operations in the United States, and the expected impact thereof, including potential issuances of common shares in the capital of the Company;
- the Company's ability to market itself to the capital markets, including its ability to raise equity as a result of its corporate ownership structure;
- expectations with respect to future production costs;
- the expected impact of taxation on the Company's profitability and the uncertainty around timing of any legislative changes impacting unfavorable tax treatment;
- the expected growth in the number of the Company's dispensaries and the jurisdictions in which the Company operates;
- the competitive conditions of the industry in which the Company operates;
- federal, state, provincial, territorial, local and foreign government laws, rules and regulations, including federal and state laws in the United States relating to cannabis operations in the United States;
- the legalization of the regulated use of cannabis for medical and/or adult-use in the United States and the related timing and impact thereof;
- laws and regulations and any amendments thereto applicable to the business and the impact thereof;
- the possibility of actions by individuals, or U.S. federal government enforcement actions, against the Company and the potential impact of such actions on the Company;
- the competitive advantages and business strategies of the Company;
- the grant, renewal and impact of any license or supplemental license to conduct activities with or without cannabis or any amendments thereof;
- the medical benefits, viability, safety, efficacy, dosing and social acceptance of cannabis;
- the Company's ability to source and operate facilities in the United States;
- the Company’s ability to integrate and operate the assets it acquires or may acquire in the future;
- expectations regarding the Company's liquidity;
- expectations regarding the Company's Share Repurchase Program (as defined below); and
- other risks and uncertainties, including those referenced the section titled "*Risk Factors*" in this Quarterly Report.

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

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

Readers are cautioned that the above list of cautionary statements is not exhaustive. Known and unknown risks, many of which are beyond the control of the Company, could cause actual results to differ materially from the forward-looking statements in this Quarterly Report on Form 10-Q. Such risks and uncertainties include, but are not limited to, current and future market conditions; risks related to federal, state, provincial, territorial, local and foreign government laws, rules and regulations, including federal and state laws in the United States relating to cannabis operations in the United States; and those discussed under Item 1A – "*Risk Factors*" in the Company's Annual Report on Form 10-K for the year ended December 31, 2024, filed with the Securities and Exchange Commission (the "SEC") on March 6, 2025. The purpose of forward-looking statements is to provide the reader with a description of management's expectations, and such forward-looking statements may not be appropriate for any other purpose. You should not place undue reliance on forward-looking statements contained in this Quarterly Report on Form 10-Q. The Company can give no assurance that such expectations will prove to have been correct. Forward-looking statements contained herein are made as of the date of this Quarterly Report on Form 10-Q and are based on the beliefs, estimates, expectations and opinions of management on the date such forward-looking statements are made. The Company undertakes no obligation to update or revise any forward-looking statements, whether as a result of new information, estimates or opinions, future events or results or otherwise or to explain any material difference between subsequent actual events and such forward-looking statements, except as required by applicable law.

PART I—FINANCIAL INFORMATION

Item 1. Financial Statements.

TerrAscend Corp.

Unaudited Interim Condensed Consolidated Balance Sheets

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

	At March 31, 2025	At December 31, 2024
Assets		
Current assets		
Cash and cash equivalents	$ 29,248	$ 26,381
Restricted cash	110	606
Accounts receivable, net	18,766	20,880
Investments	985	1,727
Inventory	46,946	48,799
Prepaid expenses and other current assets	5,140	6,040
Total current assets	101,195	104,433
Non-current assets		
Property and equipment, net	183,509	184,019
Deposits	168	168
Operating lease right of use assets	40,146	41,355
Intangible assets, net	168,064	169,604
Goodwill	106,929	106,929
Other non-current assets	723	722
Total non-current assets	499,539	502,797
Total assets	**$ 600,734**	**$ 607,230**
Liabilities and shareholders' equity		
Current liabilities		
Accounts payable and accrued liabilities	$ 44,208	$ 46,725
Deferred revenue	5,329	5,129
Loans payable, current	7,126	6,761
Contingent consideration payable, current	3,288	3,121
Operating lease liability, current	2,476	2,511
Derivative liability, current	93	92
Lease obligations under finance leases, current	1,908	1,864
Corporate income tax payable	11,543	11,531
Other current liabilities	1,318	795
Total current liabilities	77,289	78,529
Non-current liabilities		
Loans payable, non-current	183,254	183,461
Operating lease liability, non-current	41,411	42,469
Derivative liability, non-current	353	451
Convertible debt	9,646	9,114
Deferred income tax liability	8,885	8,428
Contingent consideration payable, non-current	—	172
Liability on uncertain tax position	114,704	106,991
Other long term liabilities	86	799
Total non-current liabilities	358,339	351,885
Total liabilities	435,628	430,414
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, 2025 and December 31, 2024, respectively	—	—
Series B, convertible preferred stock, no par value, unlimited shares authorized; 600 and 600 shares outstanding as of March 31, 2025 and December 31, 2024, respectively	—	—
Exchangeable shares, no par value, unlimited shares authorized; 63,492,038 and 63,492,038 shares outstanding as of March 31, 2025 and December 31, 2024, respectively	—	—
Common shares, no par value, unlimited shares authorized; 292,649,481 and 293,232,131 shares outstanding as of March 31, 2025 and December 31, 2024, respectively	—	—
Treasury stock, no par value; nil and 129,500 shares outstanding as of March 31, 2025 and December 31, 2024, respectively	—	—
Additional paid in capital	953,746	952,463
Accumulated other comprehensive income	3,025	3,011
Accumulated deficit	(792,085)	(778,514)
Non-controlling interest	420	(144)
Total shareholders' equity	165,106	176,816
Total liabilities and shareholders' equity	**$ 600,734**	**$ 607,230**

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, 2025	March 31, 2024
Revenue, net	**$ 70,997**	**$ 80,633**
Cost of sales	**34,194**	**41,902**
Gross profit	**36,803**	**38,731**
Operating expenses:		
General and administrative	26,380	28,008
Amortization and depreciation	1,764	2,215
Impairment of property and equipment and right of use assets	—	2,438
Total operating expenses	**28,144**	**32,661**
Income from operations	**8,659**	**6,070**
Other expense (income)		
Finance and other expenses	8,413	8,589
Unrealized and realized loss on investments	742	—
Loss from revaluation of contingent consideration	381	1,393
(Gain) loss on fair value of derivative liabilities and purchase option derivative assets	(97)	983
Unrealized and realized foreign exchange loss	42	285
Loss from operations before provision for income taxes	**(822)**	**(5,180)**
Provision for income taxes	11,447	9,671
Net loss	**$ (12,269)**	**$ (14,851)**
Foreign currency translation adjustment	(14)	(398)
Comprehensive loss	**$ (12,255)**	**$ (14,453)**
Net (loss) income attributable to:		
Common and proportionate Shareholders of the Company	$ (13,571)	$ (17,055)
Non-controlling interests	$ 1,302	$ 2,204
Comprehensive (loss) income attributable to:		
Common and proportionate Shareholders of the Company	$ (13,557)	$ (16,657)
Non-controlling interests	$ 1,302	$ 2,204
Net loss per share - basic & diluted	$ (0.05)	$ (0.06)
Weighted average number of outstanding common shares - basic & diluted	293,122,312	290,618,567

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 loss	Accumulated deficit	Non-controlling interest	Total
Balance at December 31, 2023	**288,327,497**	**63,492,038**	**12,350**	**600**	**364,769,739**	**$ 944,859**	**$ 1,799**	**(704,162)**	**(1,756)**	**$ 240,740**
Shares issued - stock options, warrant and RSU exercises	69,229	—	—	—	69,229	—	—	—	—	—
Share-based compensation expense	—	—	—	—	—	1,485	—	—	—	1,485
Options and warrants expired/forfeited	—	—	—	—	—	(3,819)	—	3,819	—	—
Capital distributions	—	—	—	—	—	—	—	—	(337)	(337)
Acquisition of non-controlling interest	2,888,088	—	—	—	2,888,088	3,300	—	—	1,374	4,674
Net (loss) income 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	Treasury Stock	Additional paid in capital	Accumulated other comprehensive loss	Accumulated deficit	Non-controlling interest	Total
Balance at December 31, 2024	**293,232,131**	**63,492,038**	**12,350**	**600**	**369,674,373**	**(129,500)**	**$ 952,463**	**$ 3,011**	**$ (778,514)**	**$ (144)**	**$ 176,816**
Shares issued - stock options, warrant and RSU exercises	54,350	—	—	—	54,350	—	—	—	—	—	—
Share-based compensation expense	—	—	—	—	—	—	1,514	—	—	—	1,514
Capital distributions	—	—	—	—	—	—	—	—	—	(738)	(738)
Repurchase of common stock, including excise tax	(637,000)	—	—	—	(637,000)	129,500	(231)	—	—	—	(231)
Net (loss) income for the period	—	—	—	—	—	—	—	—	(13,571)	1,302	(12,269)
Foreign currency translation adjustment	—	—	—	—	—	—	—	14	—	—	14
Balance at March 31, 2025	**292,649,481**	**63,492,038**	**12,350**	**600**	**369,091,723**	**—**	**$ 953,746**	**$ 3,025**	**$ (792,085)**	**$ 420**	**$ 165,106**

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, 2025	March 31, 2024
Operating activities		
Net loss	$ (12,269)	$ (14,851)
Adjustments to reconcile net loss to net cash provided by operating activities		
Accretion expense	1,906	5,875
Depreciation of property and equipment and amortization of intangible assets	4,710	5,000
Amortization of operating right-of-use assets	772	716
Share-based compensation	1,514	1,485
Deferred income tax expense	457	(256)
(Gain) loss on fair value of derivative liabilities and purchase option derivative assets	(97)	983
Unrealized and realized loss on investments	742	—
Loss from revaluation of contingent consideration	381	1,393
Impairment of property and equipment and right of use assets	—	2,438
Derecognition of ROU asset	(5)	—
Provision for expected credit losses	479	67
Unrealized and realized foreign exchange loss	42	285
Changes in operating assets and liabilities		
Receivables	1,637	1,954
Inventory	1,853	2,476
Accounts payable and accrued liabilities	(2,264)	(3,511)
Income taxes paid and tax related liabilities	7,725	8,871
Prepaid expense and other current assets	839	1,189
Other assets and liabilities	(418)	(863)
Net cash provided by operating activities	8,004	13,251
Investing activities		
Investment in property and equipment	(2,458)	(2,796)
Interest received on investment in note receivable	61	—
Investment in intangible assets	(659)	(127)
Payment for land contracts	(228)	(250)
Cash portion of consideration paid in acquisitions, net of cash of acquired	—	(250)
Net cash used in investing activities	(3,284)	(3,423)
Financing activities		
Proceeds from loan payable, net of transaction costs	—	3,137
Loan principal paid	(980)	(12,215)
Capital distributions paid to non-controlling interests	(738)	(337)
Payment for contingent consideration	(386)	—
Payments made for financing obligations and finance lease	—	(184)
Repurchases of common shares	(231)	—
Net cash used in financing activities	(2,335)	(9,599)
Net increase in cash and cash equivalents and restricted cash during the year	2,385	229
Net effects of foreign exchange	(14)	198
Cash and cash equivalents and restricted cash, beginning of the year	26,987	25,347
Cash and cash equivalents and restricted cash, end of the year	$ 29,358	$ 25,774

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

Unaudited Interim Condensed Consolidated Statements of Cash Flows (Continued)

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

	For the Three Months Ended	
	March 31, 2025	March 31, 2024
Supplemental disclosure with respect to cash flows		
Cash paid for income tax, net	$ 3,282	$ 1,013
Interest paid	6,420	6,264
Lease termination fee paid	—	163
Non-cash transactions		
Equity and warrant liability issued for acquisitions and non-controlling interest	$ —	$ 4,674
Change in accrued capital expenditures	191	1,253

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 reportable segment, which is the cultivation, production and sale of cannabis products.

The Company owns a portfolio of operating businesses, including:

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

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

2. Summary of significant accounting policies

(a) Basis of presentation

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

The accompanying Consolidated Financial Statements contained in this report are unaudited. In the opinion of management, these Consolidated Financial Statements have been prepared on the same basis as the annual consolidated financial statements and notes thereto of the Company and include all adjustments, consisting only of normal recurring adjustments, considered necessary for the fair presentation of the Company's financial position and operating results. The results for the three months ended March 31, 2025 are not necessarily indicative of the operating results for the year ended December 31, 2025, or any other interim or future periods.

The accompanying Consolidated Financial Statements should be read in conjunction with the audited consolidated financial statements and notes thereto of the Company for the year ended December 31, 2024 contained in the Company's Annual Report on Form 10-K for the year ended December 31, 2024, which was filed with the Securities and Exchange Commission (the "SEC") on March 6, 2025 (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, 2024 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").

<u>Voting Interest Entities</u>

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.

<u>Variable Interest Entities</u>

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 9 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 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.

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

4. Accounts receivable, net

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

	March 31, 2025	December 31, 2024
Trade receivables	$ 18,072	$ 20,243
Sales tax receivable	808	970
Other receivables	1,716	1,024
Provision for current expected credit losses	(1,830)	(1,357)
Total receivables, net	**$ 18,766**	**$ 20,880**

	March 31, 2025	December 31, 2024
Trade receivables	$ 18,072	$ 20,243
Less: provision for current expected credit losses	(1,830)	(1,357)
Total trade receivables, net	**$ 16,242**	**$ 18,886**
Of which		
Current	10,849	12,114
31-90 days	3,291	4,040
Over 90 days	3,932	4,089
Less: current expected credit losses	(1,830)	(1,357)
Total trade receivables, net	**$ 16,242**	**$ 18,886**

5. Acquisitions

Contingent consideration

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

	State Flower	Apothecarium	Peninsula	Total
Carrying amount, December 31, 2024	**$ 787**	**$ 2,120**	**$ 386**	**$ 3,293**
Settlement of contingent consideration	—	—	(386)	(386)
Loss on revaluation of contingent consideration	103	278	—	381
Carrying amount, March 31, 2025	**$ 890**	**$ 2,398**	**$ —**	**$ 3,288**
Less: current portion	(890)	(2,398)	—	(3,288)
Non-current contingent consideration	**$ —**	**$ —**	**$ —**	**$ —**

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, 2025	December 31, 2024
Raw materials	$ 959	$ 826
Finished goods	19,080	19,710
Work in process	23,759	25,489
Accessories, supplies and consumables	3,148	2,774
Total inventory	$ 46,946	$ 48,799

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

7. Property and equipment

Property and equipment consisted of:

	March 31, 2025	December 31, 2024
Land	$ 6,537	$ 6,469
Assets in process	20,689	18,622
Buildings & improvements	157,267	155,750
Machinery & equipment	33,950	37,293
Office furniture & equipment	12,068	9,262
Assets under finance leases	1,489	1,489
Total cost	232,000	228,885
Less: accumulated depreciation	(48,491)	(44,866)
Property and equipment, net	$ 183,509	$ 184,019

During the three months ended March 31, 2025, the Company revised the classification of certain assets within property and equipment to better reflect the underlying nature and use of the assets. Prior period amounts were not adjusted as the reclassifications had no material impact on the Company's Consolidated Financial Statements.

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

Depreciation expense was $3,150 for the three months ended March 31, 2025 ($2,286 included in cost of sales) and $3,037 for the three months ended March 31, 2024 ($2,061 included in cost of sales).

8. Intangible assets and goodwill

Intangible assets consisted of the following:

At March 31, 2025	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
Finite lived intangible assets			
Software	$ 2,708	$ (1,076)	$ 1,632
Licenses	167,459	(25,799)	141,660
Non-compete agreements	280	(280)	—
Total finite lived intangible assets	170,447	(27,155)	143,292
Indefinite lived intangible assets			
Brand intangibles	24,772	—	24,772
Total indefinite lived intangible assets	24,772	—	24,772
Intangible assets, net	**$ 195,219**	**$ (27,155)**	**$ 168,064**

At December 31, 2024	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
Finite lived intangible assets			
Software	$ 2,708	$ (964)	$ 1,744
Licenses	167,459	(24,371)	143,088
Non-compete agreements	280	(280)	—
Total finite lived intangible assets	170,447	(25,615)	144,832
Indefinite lived intangible assets			
Brand intangibles	24,772	—	24,772
Total indefinite lived intangible assets	24,772	—	24,772
Intangible assets, net	**$ 195,219**	**$ (25,615)**	**$ 169,604**

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

Amortization expense was $1,540 for the three months ended March 31, 2025, ($660 included in cost of sales) and $1,941 for the three months ended March 31, 2024 ($724 included in cost of sales).

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

2025	$	4,617
2026		6,145
2027		6,067
2028		6,017
2029		5,903
Thereafter		114,543
Total	$	143,292

As of March 31, 2025, the weighted average amortization period remaining on intangible assets was 25.5 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, 2024	$	106,929
Additions at acquisition date		—
Impairment of goodwill		—
Balance at March 31, 2025	$	106,929

9. Loans payable

The Company's loans payable consisted of the following:

		March 31, 2025		**December 31, 2024**
Pelorus term loan due October 2027				
Principal amount	$	45,478	$	45,478
Deferred financing cost		(1,083)		(1,168)
Net carrying amount	$	44,395	$	44,310
Maryland Acquisition loans (1)				
Principal amount	$	17,051	$	18,029
Unamortized discount		(608)		(746)
Net carrying amount	$	16,443	$	17,283
FocusGrowth loan due August 2028				
Principal amount	$	140,000	$	140,000
Unamortized discount and deferred financing cost		(12,146)		(12,799)
Exit fee accretion		653		390
Net carrying amount	$	128,507	$	127,591
Other loans	$	1,035	$	1,038
Short-term debt		—		—
Total debt, net	$	190,380	$	190,222
Loans payable, current		7,126		6,761
Loans payable, non-current		183,254		183,461
Total principal	$	203,564	$	204,545

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

Total interest paid on all loan payables was $6,420 for the three months ended March 31, 2025 and $6,264 for the three months ended March 31, 2024. The Company had accrued interest on loans payable of $2,543 and $2,537 as of March 31, 2025 and December 31, 2024, respectively, included in accounts payable and accrued liabilities on the Company's unaudited interim condensed consolidated balance sheets (the “Consolidated Balance Sheets”).

FocusGrowth Term Loan

On August 1, 2024, the Company and TerrAscend USA, Inc., as guarantors, and each of WDB Holding CA, Inc., WDB Holding PA, Inc., Moose Curve Holdings, LLC, Hempaid, LLC and pursuant to a joinder agreement dated September 30, 2024, WDB Holding MI, Inc., including certain of each of their respective subsidiaries, as borrowers (collectively, the “Borrowers”), and FG Agency Lending LLC, as the Administrative Agent entered into a Loan Agreement (the “FG Loan”) for a four-year, $140,000 senior-secured term loan. Net proceeds of the FG Loan were received in an amount equal to 95% of the $140,000.

The FG Loan bears interest at 12.75% per annum and matures on August 1, 2028. The FG Loan is guaranteed by the Company and TerrAscend USA, Inc. and is secured by substantially all of the assets of the Borrowers. Depending on the timing of repayment, an exit fee of between 2.0% and 4.0% of the FG Loan (the "Exit Fee") will be due upon either the prepayment or loan’s maturity date.

As of March 31, 2025, there was an outstanding principal amount of $140,000 under the FG 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: (a) 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 New Jersey businesses and certain assets of TerrAscend's Maryland business, including certain real estate in Maryland. The Pelorus Term Loan is not secured by any of the MD dispensaries.

As of March 31, 2025, there was an outstanding principal amount of $45,478 under the Pelorus Term Loan.

Maryland Acquisition Loans

In connection with the acquisition of Derby 1, LLC ("Peninsula"), Hempaid, LLC ("Blue Ridge"), and Herbiculture Inc. ("Herbiculture"), (collectively, the "Maryland Acquisitions"), the Company entered into promissory notes with an aggregate principal amount of $20,625 that bear interest at rates ranging from 7.0% to 10.75% with maturities ranging from June 28, 2025 to June 30, 2027.

As of March 31, 2025, there was an outstanding principal amount of $17,051 under the Maryland Acquisition Loans.

Other Loans

Class A Shares of TerrAscend Growth

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

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

Maturities of loans payable

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

		March 31, 2025
2025	$	6,968
2026		11,089
2027		44,490
2028 (1)		141,007
2029		7
Thereafter		3
Total principal payments	$	203,564

(1) Balance excludes the Exit Fee, as described above within this note.

The Company is subject to financial covenants as a result of its loans payable with various lenders. The Company was in compliance with its debt covenants as of March 31, 2025. 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.

10. Leases

The majority of the Company's leases are operating leases used primarily for corporate offices and retail. The operating lease periods generally range from 1 to 25 years. The Company had one finance lease at March 31, 2025 and December 31, 2024.

Amounts recognized in the Consolidated Balance Sheets were as follows:

		March 31, 2025		December 31, 2024
Operating leases:				
Operating lease right-of-use assets	$	40,146	$	41,355
Operating lease liability classified as current		2,476		2,511
Operating lease liability classified as non-current		41,411		42,469
Total operating lease liabilities	**$**	**43,887**	**$**	**44,980**
Finance leases:				
Property and equipment, net	$	1,370	$	1,370
Lease obligations under finance leases classified as current		1,908		1,864
Lease obligations under finance leases classified as non-current		—		—
Total finance lease obligations	**$**	**1,908**	**$**	**1,864**

The Company recognized operating lease expense of $1,874 for the three months ended March 31, 2025, and $2,034 for the three months ended March 31, 2024.

Other information related to operating leases at March 31, 2025 and December 31, 2024 consisted of the following:

	March 31, 2025	December 31, 2024
Weighted-average remaining lease term (years)		
Operating leases	12.0	12.0
Finance leases	0.50	0.75
Weighted-average discount rate		
Operating leases	11.45%	11.45%
Finance leases	9.44%	9.44%

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

Supplemental cash flow information related to leases are as follows:

	March 31, 2025	December 31, 2024
Cash paid for amounts included in measurement of operating lease liabilities	$ 1,820	$ 7,390
Right-of-use assets obtained in exchange for operating lease obligations	1,042	1,594
Cash paid for amounts included in measurement of finance lease liabilities	—	75

Undiscounted lease obligations are as follows:

	Operating	Finance	Total
2025	$ 5,495	$ 2,000	$ 7,495
2026	7,082	—	7,082
2027	6,961	—	6,961
2028	6,744	—	6,744
2029	6,780	—	6,780
Thereafter	50,457	—	50,457
Total lease payments	83,519	2,000	85,519
Less: interest	(39,632)	(92)	(39,724)
Total lease liabilities	$ 43,887	$ 1,908	$ 45,795

11. Convertible Debt

The Company's convertible debt consisted of the following:

	March 31, 2025	December 31, 2024
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	3,148	2,616
Net carrying amount	**$ 9,646**	**$ 9,114**

The Company had accrued interest on convertible debt of $1,414 and $1,200 as of March 31, 2025 and December 31, 2024, respectively, included in accounts payable and accrued liabilities on the Consolidated Balance Sheets.

12. Shareholders' equity

Share Repurchase Authorization

On August 20, 2024, the Board approved a share repurchase program to repurchase up to $10,000 of Common Shares. The share repurchase program authorizes the Company to repurchase up to 10,000,000 Common Shares of the Company at any time, or from time to time, from August 22, 2024 until August 21, 2025. The share repurchase program authorizes the Company to repurchase up to 65,361 Common Shares daily, which represents 25% of the Company’s average daily trading volume on the TSX of 261,445 Common Shares. Any repurchases under the program may be made by means of open market transactions, negotiated block transactions, or otherwise, including pursuant to a repurchase plan administered in accordance with Rules 10b5-1 and 10b-18 under the Securities Exchange Act of 1934, as amended. The size and timing of any repurchases will depend on price, market and business conditions, and other factors.

During the first quarter of 2025, the Company repurchased 507,500 Common Shares under the share repurchase program for total consideration of approximately $231. As of March 31, 2025, the Company had a total of 9,255,600 Common Shares remaining that can be authorized for repurchase.

	For the Three Months Ended	
	March 31, 2025	March 31, 2024
	(In thousands, except per share data)	
Total Common Shares repurchased	507,500	—
Common Shares canceled	637,000	—
Weighted average price per share	$ 0.45	$ —
Total cost	$ 221	$ —
Excise tax (1)	$ 10	$ —

(1) The excise tax accrued in connection with the share repurchases was recorded as an adjustment to the cost basis of repurchased shares in treasury stock and within accrued expenses on the Consolidated Balance Sheets as of March 31, 2025.

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, 2024	**23,370,627**	**859,012**	**$ 4.14**	**7.77**
Granted	—	—	—	—
Expired	—	—	—	—
Outstanding, March 31, 2025	**23,370,627**	**859,012**	**$ 4.14**	**7.52**

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, 2024	**3,590,334**	**—**	**$ 1.95**	**0.48**
Granted	—	—	—	—
Expired	—	—	—	—
Outstanding, March 31, 2025	**3,590,334**	**—**	**$ 1.95**	**0.23**

13. Share-based compensation plans

Share-based payments expense

Total share-based payments expense was as follows:

	For the Three Months Ended	
	March 31, 2025	March 31, 2024
Stock options	$ 840	$ 904
Restricted share units	674	581
Total share-based payments	**$ 1,514**	**$ 1,485**

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

Stock Options

The following table summarizes the stock option activity for the three months ended March 31, 2025:

	Number of Stock Options	Weighted average remaining contractual life (in years)	Weighted Average Exercise Price (per share) $	Aggregate intrinsic value
Outstanding, December 31, 2024	**16,120,919**	**5.90**	**$ 3.13**	**$ 32**
Granted	67,500	—	0.79	—
Exercised	—	—	—	—
Forfeited	(158,196)	—	2.16	—
Expired	(640,103)	—	4.46	—
Outstanding, March 31, 2025	**15,390,120**	**5.83**	**$ 3.08**	**$ 6**
Exercisable, March 31, 2025	**11,163,455**	**4.82**	**$ 3.56**	**$ 6**

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, 2025 and December 31, 2024, 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, 2025 and December 31, 2024, respectively.

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

	March 31, 2025	March 31, 2024
Volatility	72.55% - 75.19%	77.70% - 77.79%
Risk-free interest rate	4.02% - 4.4%	3.18% - 3.50%
Expected life (years)	5.07 - 6.25	10.01
Dividend yield	0.00%	0.00%

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, 2025 and 2024 was $2,730 and $3,395, respectively. As of March 31, 2025, total unrecognized compensation cost related to unvested options was $4,163, which is expected to be recognized over a weighted-average period of 2.16 years.

Restricted Share Units

The following table summarizes the activities for the RSUs for the three months ended March 31, 2025:

	Number of RSUs
Outstanding, December 31, 2024	**1,600,305**
Granted	—
Vested	(62,593)
Forfeited	—
Outstanding, March 31, 2025	**1,537,712**

As of March 31, 2025, total unrecognized compensation cost related to unvested RSUs was $2,134, which is expected to be recognized over a weighted-average period of 2.6 years.

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

14. Non-controlling interest

Non-controlling interest consists mainly of a 12.5% minority ownership interest in TerrAscend's New Jersey operations.

The following table summarizes the non-controlling interest activity for the three months ended March 31, 2025:

	March 31, 2025	December 31, 2024
Opening carrying amount	$ (144)	$ (1,756)
Capital distributions	(738)	(7,324)
Acquisition of non-controlling interest	—	1,374
Net income attributable to non-controlling interest	1,302	7,562
Ending carrying amount	**$ 420**	**$ (144)**

15. 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, 2025, amounts due to/from related parties consisted of:

(a) *Loans payable*: As of March 31, 2025, certain funds controlled by Jason Wild, a related party of the Company, held $5,500 of the total loan principal balance of the FG Loan (see Note 9), as a member of the loan syndicate.

16. Income taxes

The Company's effective tax rate was (1,392.6)% for the three months ended March 31, 2025 and (186.7)% for the three months ended March 31, 2024.

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

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

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

	March 31, 2025	December 31, 2024
Balance at beginning of year	**$ 148,979**	**$ 84,485**
Increase based on tax positions related to current periods	8,475	37,278
Increase based on tax positions related to prior periods	—	40,986
Settlements with tax authorities	—	(13,770)
Balance at end of year	**$ 157,454**	**$ 148,979**

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

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

	March 31, 2025	December 31, 2024
Balance, beginning of year	**$ 106,991**	**$ 79,627**
Increases based on tax positions related to prior years	2,161	4,536
Additions based on tax positions related to current year	6,169	26,825
Additions based on refunds received related to prior years	16	10
Release of tax payments on deposit and other	(633)	(4,007)
Ending carrying amount (1)	**$ 114,704**	**$ 106,991**

(1) Related to uncertain tax liabilities, the Company accrued $9,322 in interest and $6,123 in penalties as of March 31, 2025.

The increase in uncertain tax positions is primarily due to legal interpretations that challenge the application of Section 280E of the Code to the Company ("280E Tax Position"). The Company believes it is reasonably possible that the unrecognized tax benefits will increase over the next 12 months due to its 280E Tax Position.

During 2024, certain of the Company's amended federal income tax returns were selected for routine examinations by the Internal Revenue Service. As of March 31, 2025, there have been no material developments related to these examinations. The Company does not currently anticipate completion of the audits within the next twelve months.

17. General and administrative expenses

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

	For the Three Months Ended	
	March 31, 2025	March 31, 2024
Salaries and wages	$ 14,508	14,896
Office and general	3,354	3,889
Professional fees	2,306	3,061
Lease expense	1,875	1,820
Share-based compensation	1,514	1,485
Facility and maintenance	1,237	1,325
Sales and marketing	1,107	1,465
Provision for expected credit losses	479	67
Total	**$ 26,380**	**$ 28,008**

18. 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, 2025	March 31, 2024
Retail	$ 46,941	$ 53,858
Wholesale	24,056	26,775
Total	**$ 70,997**	**$ 80,633**

For the three months ended March 31, 2025 and 2024, the Company did not have any single customer that accounted for 10% or more of the Company's revenue.

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

19. Finance and other expenses

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

	For the Three Months Ended	
	March 31, 2025	March 31, 2024
Interest	$ 6,764	$ 7,072
Accretion	1,735	1,800
Other income	(86)	(283)
Total	**$ 8,413**	**$ 8,589**

20. Segment information

Operating Segment

The Company has determined that it operates as one reportable segment focused on the production and sale of cannabis products. While the Company manages its operations through state-level operating segments, these segments have been aggregated into one reportable segment due to similar long-term economic characteristics and other required criteria of similarity outlined in ASC 280, *Segment Reporting*, and in accordance with ASU 2023-07. The Chief Operating Decision Maker ("CODM") was determined to be the Chief Executive Officer of the Company. The CODM regularly evaluates the performance of the single reportable segment using gross profit margin as its closest measure to GAAP. Gross margin is a measure that is calculated as total revenue minus cost of goods sold, divided by total revenue. The CODM monitors this metric to assess the efficiency of the Company's production and distribution processes, as well as the effectiveness of pricing strategies.

	For the Three Months Ended	
	March 31, 2025	March 31, 2024
Revenue, net	$ 70,997	$ 80,633
Cost of sales	34,194	41,902
Gross profit	36,803	38,731
Gross profit margin	***51.8%***	***48.0%***

Assets

The measure of reportable segment assets is consistent with the presentation of total consolidated assets as reported on the Consolidated Balance Sheets.

Geography

The Company has subsidiaries located in Canada and the United States. For the three months ended March 31, 2025, net revenue was primarily generated from sales in the United States. As a result of the Reorganization (see Note 3), the Company consolidated its retail location in Canada and generated net revenue of $178 and $264 for the three months ended March 31, 2025 and three months ended March 31, 2024, respectively.

The Company had non-current assets by geography of:

	March 31, 2025	December 31, 2024
United States	$ 499,166	$ 502,260
Canada	373	537
Total	**$ 499,539**	**$ 502,797**

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

21. Financial instruments and risk management

Assets and liabilities measured at fair value

Financial instruments recorded at fair value are estimated by applying a fair value hierarchy, which prioritizes the inputs used to measure fair value into three levels and bases the categorization within the hierarchy upon the lowest level of input that is available and significant to the fair value measurement. The hierarchy is summarized as follows:

- Level 1 - quoted prices (unadjusted) in active markets for identical assets and liabilities
- Level 2 - inputs other than quoted prices that are observable for the asset or liability, either directly (prices) or indirectly (derived from prices) from observable market data
- Level 3 - inputs for assets and liabilities not based upon observable market data

The following table represents the fair value amounts of financial assets and financial liabilities:

	At March 31, 2025			At December 31, 2024		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
Assets						
Cash and cash equivalents	$ 29,248	—	—	$ 26,381	—	—
Restricted cash	110	—	—	606	—	—
Total Assets	**$ 29,358**	—	—	**$ 26,987**	—	**$ —**
Liabilities						
Contingent consideration payable	—	3,288	—	—	3,293	—
Detachable warrants	—	353	—	—	451	—
Bifurcated conversion options	—	93	—	—	92	—
Total Liabilities	**$ —**	**$ 3,734**	**$ —**	**$ —**	**$ 3,836**	**$ —**

There were no transfers between the levels of fair value hierarchy during the three months ended March 31, 2025.

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

Includes cash, cash equivalents, and restricted cash represent financial instruments for which the carrying amount approximates fair value due to their short-term maturities.

Level 2

Includes detachable warrants, bifurcated conversion options, and a contingent consideration, which are valued using the Black-Scholes Model with observable market inputs such as stock price, historical volatility, risk-free rate, and expected term. These inputs are derived from market data and do not require significant judgment.

Detachable Warrants

The detachable warrants have been measured at fair value as of March 31, 2025. Key inputs and assumptions used in the Black-Scholes Model were as follows:

	March 31, 2025	December 31, 2024
Common Stock Price of TerrAscend Corp.	$ 0.48	$ 0.65
Option exercise price	$ 1.95	$ 1.95
Annual volatility	111.5%	107.5%
Annual risk-free rate	4.32%	4.24%
Expected term (in years)	0.23	0.48

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

Bifurcated conversion options

The conversion options have been measured at fair value as of March 31, 2025. Key inputs and assumptions used in the Black-Scholes Model were as follows:

	March 31, 2025	December 31, 2024
Common Stock Price of TerrAscend Corp.	$ 0.48	$ 0.65
Option exercise price	$ 2.01	$ 2.01
Annual volatility	99.0%	86.9%
Annual risk-free rate	4.03%	4.25%
Expected term (in years)	1.23 - 1.34	1.48 - 1.59

The following table summarizes the changes in the detachable warrants and bifurcated conversion options:

Balance at December 31, 2024	**$ 543**
Fair value gain on revaluation of warrants and conversion option	(97)
Effects of movements in foreign exchange	—
Balance at March 31, 2025	**$ 446**

Contingent Consideration Payable

The contingent consideration has been measured at fair value as of March 31, 2025. Key inputs and assumptions used in the Black-Scholes Model were as follows:

	March 31, 2025	December 31, 2024
Common Stock Price of TerrAscend Corp.	$ 0.48	$ 0.65
Option exercise price	$ 1.33	$ 1.33
Annual volatility	115.4%	106.6%
Annual risk-free rate	4.23%	4.24%
Expected term (in years)	0.81	1.05

22. Commitments and contingencies

Commitments

As of March 31, 2025, the Company had no material contractual commitments other than those disclosed in Note 23.

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 Consolidated Balance Sheets or unaudited interim condensed consolidated statements of operations and comprehensive loss. At March 31, 2025, 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.

23. Subsequent events

On May 6, 2025, the Company and a consolidated entity completed the acquisition of certain assets of Ratio Cannabis LLC ("Ratio Cannabis"), a dispensary in Ohio. Under the terms of the purchase agreements entered into in connection with the acquisition, each dated as of March 14, 2025, the Company and a consolidated entity acquired certain assets of Ratio Cannabis for total consideration of $10,300, which was comprised of $5,000 in cash, $1,320 in Common Shares and a seller's note for $3,980 bearing 6% interest with a two-year maturity. The number of Common Shares issued as part of the consideration was calculated based on the twenty (20)-day volume-weighted average price of the Common Shares on the OTCQX for the period ending on May 5, 2025, resulting in the issuance of 4,570,637 Common Shares by the Company on May 6, 2025. The Company is evaluating the accounting implications and is currently unable to reasonably estimate the full financial statement impact of the acquisition.

On May 5, 2025, the Company signed an option agreement to acquire equity interests in, and fully operate, Union Chill Cannabis Company LLC, a dispensary in New Jersey for total consideration of $13,000, which will be comprised of $4,000 in cash and a convertible promissory note for $9,000. The transaction is subject to customary closing conditions and regulatory approvals.