NOTICE TO READER

4Front Ventures Corp. (the “Company”) assessed its status as a “foreign private issuer” and determined that it no longer qualified as a “foreign private issuer” as such term is defined in Rule 405 under the United States Securities Act of 1933. This means that as of January 1, 2021, the Company has been required to comply with all of the periodic disclosure requirements of the Securities Exchange Act of 1934 applicable to U.S. domestic issuers, such as Forms 10-K, 10-Q, and 8-K, rather than the forms the Company has filed with the Securities and Exchange Commission (“SEC”) in the past as a foreign private issuer, such as Forms 40-F and 6-K.

Accordingly, the Company is now required to prepare its financial statements filed with the SEC in accordance with generally accepted accounting principles in the United States (“U.S. GAAP”). As required pursuant to section 4.3(4) of National Instrument 51-102 – Continuous Disclosure Obligations, the Company must restate its interim financial reports for the fiscal year ended December 31, 2020, in accordance with U.S. GAAP, such interim financial reports having previously been prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board.

The attached amended and restated condensed consolidated interim financial statements (the “Financial Statements”) for the three and nine months ended September 30, 2020 and 2019 have been prepared in accordance with U.S. GAAP, are current as of November 25, 2020, and provide financial information for the three and nine months ended September 30, 2020 and 2019, as amended, and restated on March 31, 2021. Other than as expressly set forth above, the revised Financial Statements do not, and do not purport to, update, or restate the information in the original condensed consolidated interim financial statements or reflect any events that occurred after the date of the filing of the original condensed consolidated interim financial statements.

NOTICE OF NO AUDITOR REVIEW OF CONDENSED INTERIM FINANCIAL STATEMENTS

Under Part 4, subsection 4.3(3)(a) of National Instrument 51-102 – Continuous Disclosure Obligations, if an auditor has not performed a review of the condensed interim financial statements, they must be accompanied by a notice indicating that the condensed interim financial statements have not been reviewed by an auditor.

The accompanying unaudited condensed interim financial statements of 4Front Ventures Corp. (the “Company”) have been prepared by and are the responsibility of the Company’s management. The Company’s independent auditor has not performed a review of these condensed interim financial statements in accordance with standards established by the Canadian Institute of Chartered Accountants for a review of interim financial statements by an entity’s auditor.

4FRONT VENTURES CORP.

Formerly 4Front Holdings, LLC

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
(UNAUDITED)

FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2020 AND 2019

(EXPRESSED IN THOUSANDS OF US DOLLARS)

4FRONT VENTURES CORP.
Formerly 4Front Holdings, LLC

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4FRONT VENTURES CORP.
Formerly 4Front Holdings, LLC
Condensed Consolidated Interim Balance Sheets (unaudited)
As of September 30, 2020 and December 31, 2019
Amounts expressed in thousands of United States dollars unless otherwise stated

	Note	September 30, 2020	December 31, 2019
ASSETS			
Current assets			
Cash		$ 8,499	$ 5,789
Accounts receivable - related parties		677	677
Other receivables		—	325
Current portion of lease receivables	*9*	11,626	9,556
Inventory, net	*5*	15,594	9,825
Current portion of notes receivable		4,138	1,871
Prepaid expenses		1,668	2,198
Total current assets		42,202	30,241
Restricted cash		—	2,352
Property and equipment, net	*6*	45,565	41,822
Notes receivable and accrued interest from related parties		414	1,049
Lease receivables	*9*	22,186	23,944
Intangible assets, net	*7,8*	32,902	35,147
Goodwill	*7,8*	35,149	40,283
Right-of-use assets	*9*	25,695	20,757
Other non-current assets		3,894	7,106
TOTAL ASSETS		$ 208,007	$ 202,701
LIABILITIES AND SHAREHOLDERS' EQUITY			
LIABILITIES			
Current liabilities			
Accounts payable		$ 3,095	$ 5,866
Accrued expenses and other current liabilities		2,209	3,465
Taxes payable		7,368	1,609
Current portion of lease liability	*9*	1,499	972
Current portion of contingent consideration payable	*16*	2,100	750
Current portion of notes payable and accrued interest	*10*	8,026	6,190
Total current liabilities		24,297	18,852
Convertible notes	*10*	48,128	35,607
Notes payable and accrued interest from related party	*10*	45,027	44,289
Long term notes payable	*10*	1,857	1,903
Long term accounts payable		1,600	1,600
Contingent consideration payable	*8,16*	3,122	4,714
Deferred tax liability		1,175	—
Lease liability	*9*	25,391	20,976
TOTAL LIABILITIES		150,597	127,941
SHAREHOLDERS' EQUITY (DEFICIENCY)			
Equity attributable to 4Front Ventures Corp.		240,362	252,656
Reserves		32,708	25,618
Deficit		(215,938)	(203,497)
Total 4Front Ventures Corp. shareholders' equity		57,132	74,777
Non-controlling interest	*13*	278	(17)
TOTAL SHAREHOLDERS' EQUITY		57,410	74,760
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		$ 208,007	$ 202,701
Contingencies (Note 16)			

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

4FRONT VENTURES CORP.

Formerly 4Front Holdings, LLC

Condensed Consolidated Interim Statements of Operations and Comprehensive Loss (unaudited)

For the Three and Nine Months Ended September 30, 2020 and 2019

Amounts expressed in thousands of United States dollars except share amounts

	Note	Three Months Ended September 30, 2020	Three Months Ended September 30, 2019	Nine Months Ended September 30, 2020	Nine Months Ended September 30, 2019
REVENUE					
Revenue from sale of goods		$ 12,410	$ 3,805	$ 32,132	$ 8,410
Real estate income		2,883	1,676	8,514	1,676
Total Revenues		15,293	5,481	40,646	10,086
Cost of goods sold, sale of grown and manufactured products		(3,696)	(1,308)	(11,545)	(3,657)
Cost of goods sold, sale of purchased products		(2,365)	(1,519)	(7,211)	(2,195)
Gross Profit		9,232	2,654	21,890	4,234
OPERATING EXPENSES					
Selling and marketing expenses		4,125	4,507	16,429	7,843
General and administrative expenses		3,855	3,980	12,036	13,257
Equity based compensation	*14*	1,517	3,491	3,792	4,200
Depreciation and amortization	*6,7,9*	780	1,824	2,668	2,530
Total operating expenses		10,277	13,802	34,925	27,830
Loss from operations		(1,045)	(11,148)	(13,035)	(23,596)
Other Income (Expense)					
Interest income		7	15	71	15
Interest expense		(4,678)	(2,714)	(11,691)	(3,707)
Change in fair value of derivative liability		—	3,035	—	3,035
Gain on restructuring of notes receivable		—	—	281	—
Loss on investment		(518)	—	(518)	—
Other income		—	—	2,456	2,500
Foreign exchange gain (loss)		8	56	(10)	56
Total other income (expense)		(5,181)	392	(9,411)	1,899
Net loss from continuing operations before income taxes		(6,226)	(10,756)	(22,446)	(21,697)
Income tax (expense) benefit	*20*	(2,504)	12	(5,427)	(440)
Net loss from continuing operations, net of taxes		(8,730)	(10,744)	(27,873)	(22,137)
Net income (loss) from discontinued operations, net of taxes		4,761	(274)	15,473	(1,224)
Net loss		(3,969)	(11,018)	(12,400)	(23,361)
Net income (loss) attributable to non-controlling interest		67	(6)	41	(116)
Net loss attributable to shareholders		$ (4,036)	$ (11,012)	$ (12,441)	$ (23,245)
Basic and diluted loss per share		$ (0.01)	$ (0.02)	$ (0.02)	$ (0.06)
Weighted average number of shares outstanding, basic and diluted		503,793,796	466,668,216	517,323,350	382,932,216

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

4FRONT VENTURES CORP.
Formerly 4Front Holdings, LLC
Condensed Consolidated Interim Statements of Changes in Shareholders' Equity (unaudited)
For the Nine Months Ended September 30, 2020 and 2019
Amounts expressed in thousands of United States dollars unless otherwise stated

		Share Capital							
	Note	**Units**	**Shares**	**Amount**	**Reserves**	**Deficit**	**Total 4Front Ventures Corp. Shareholders' Equity**	**Non-Controlling Interest**	**Total Equity**
Balance, December 31, 2018		803,591	—	$ 68,960	$ 2,227	$ (21,487)	$ 49,700	$ (1,623)	$ 48,077
Class F units of Holdings for acquisition of PHX	*8*	5,496	—	2,675	—	—	2,675	—	2,675
Class F units of Holdings for acquisition of Om Medicine	*8*	9,040	—	4,400	—	—	4,400	—	4,400
Class F units of Holdings for acquisition of non-controlling interests		11,642	—	13,656	—	—	13,656	—	13,656
Purchase of non-controlling interests		—	—	(15,093)	—	—	(15,093)	1,036	(14,057)
Issuance of Class F units due to Cannex acquisition		3,901	—	—	—	—	—	—	—
Issuance of Class F units to brokers		236	—	115	—	—	115	—	115
Share issuance costs		—	—	(115)	—	—	(115)	—	(115)
Equity-based compensation through July 31, 2019		34,572	—	—	3,776	—	3,776	—	3,776
Conversion of 4Front Holdings units to 4Front Ventures Corp. shares		(868,478)	340,370,271	—		—	—	—	—
Cannex Acquisition	*8*	—	190,482,146	181,110	6,825	—	187,935	—	187,935
GGP warrants acquired with Cannex	*8*	—	—	—	5,779	—	5,779	—	5,779
Issuance of stock warrants to brokers		—	—	—	1,823	—	1,823	—	1,823
Share issuance costs		—	—	—	(1,823)	—	(1,823)	—	(1,823)
Issuance of stock to brokers		—	1,035,456	429	—	—	429	—	429
Share issuance costs		—	—	(420)	—	—	(420)	—	(420)
Conversion option on GGP notes transferred to equity	*10*	—	—	—	4,874	—	4,874	—	4,874
Purchase of non-controlling interests in Arkansas entities		—	—	(2,322)	—	—	(2,322)	—	(2,322)
Share-based compensation after July 31, 2019		—	—	—	424	—	424	—	424
Net loss		—	—	—	—	(23,245)	(23,245)	(116)	(23,361)
Balance, September 30, 2019		—	531,887,873	$ 253,395	$ 23,905	$ (44,732)	$ 232,568	$ (703)	$ 231,865

4FRONT VENTURES CORP.
Formerly 4Front Holdings, LLC
Condensed Consolidated Interim Statements of Changes in Shareholders' Equity (unaudited)
For the Nine Months Ended September 30, 2020 and 2019
Amounts expressed in thousands of United States dollars unless otherwise stated

		Share Capital							
	Note	Units	Shares	Amount	Reserves	Deficit	Total 4Front Ventures Corp. Shareholders' Equity	Non-Controlling Interest	Total Equity
Balance, December 31, 2019		—	531,522,819	$ 252,656	$ 25,618	$ (203,497)	$ 74,777	$ (17)	$ 74,760
GGP conversion feature and warrants with convertible debt	*15*	—	—	$ —	$ 411	$ —	$ 411	$ —	$ 411
Shares issued for Pure Ratios earnout	*16*	—	223,145	94	—	—	94	—	94
Share-based compensation	*14*	—	—	—	3,791	—	3,791	—	3,791
Exchange of stock for convertible swap notes		—	(29,775,670)	(13,661)	—	—	(13,661)	—	(13,661)
Conversion option on swap notes transferred to equity		—	—	—	2,888	—	2,888	—	2,888
Shares issued with exercise of warrants and options		—	3,616,834	1,273	—	—	1,273	—	1,273
Purchase of non-controlling interests in Maryland entities	*13*	—	—	—		—	—	254	254
Net loss		—	—	—	—	(12,441)	(12,441)	41	(12,400)
Balance, September 30, 2020		—	505,587,128	$ 240,362	$ 32,708	$ (215,938)	$ 57,132	$ 278	$ 57,410

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

4FRONT VENTURES CORP.
Formerly 4Front Holdings, LLC
Condensed Consolidated Interim Statements of Cash Flows (unaudited)
For the Nine Months Ended September 30, 2020 and 2019
Amounts expressed in thousands of United States dollars unless otherwise stated

	Nine Months Ended September 30,	
CASH FLOWS FROM OPERATING ACTIVITIES	**2020**	**2019**
Net Loss	$ (12,400)	$ (23,361)
Adjustments to reconcile net loss to net cash provided by (used in) operating activities		
Depreciation and amortization	7,148	5,241
Equity based compensation	3,792	4,200
Change in value of contingent consideration	24	—
Change in fair value of derivative liabilities	—	(3,035)
Loss on investment	581	—
Gain on restructuring note payable	(281)	—
Accretion of contingent consideration	484	—
Accretion of lease liability	384	(1,163)
Accretion of convertible debenture and interest	(605)	(1,648)
Accrued interest - notes receivable	—	671
Accrued interest - lease receivable	(213)	(308)
Accrued interest - notes payable	4,175	572
Deferred taxes	—	911
Amortization of debt discount	321	—
Changes in operating assets and liabilities	(2,588)	(883)
NET CASH PROVIDED BY (USED IN) CONTINUED OPERATING ACTIVITIES	822	(18,803)
Net cash provided by (used in) discontinued operation activities (Note 21)	12,888	(1,699)
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	13,710	(20,502)
CASH FLOWS FROM INVESTING ACTIVITIES		
Long term deposits	3,103	(5,571)
Issuance of notes receivable, net of repayments	(2,096)	645
Repayment of notes receivable	518	—
Purchase of Cannex, net of cash acquired	—	9,119
Purchase of PHX, net of cash acquired	—	(3,258)
Purchase of Om of Medicine	—	(176)
Purchases of property and equipment	(12,528)	(14,076)
NET CASH USED IN CONTINUED INVESTING ACTIVITIES	(11,003)	(13,317)
Net cash used in discontinued investing activities (Note 21)	(14)	(2,016)
NET CASH USED IN INVESTING ACTIVITIES	(11,017)	(15,333)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from related party loan from Cannex	—	12,497
Proceeds from related party loan from LI Lending	—	34,877
Payment of contingent consideration	(750)	—
Issuance of convertible debt	10,937	—
Repayment of debt	(13,798)	(572)
Issuance of notes payable, net of repayments	1,276	(4,058)
NET CASH PROVIDED BY (USED IN) CONTINUED FINANCING ACTIVITIES	(2,335)	42,744
Net cash provided by discontinued financing activities (Note 21)	—	4,049
NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES	(2,335)	46,793
NET INCREASE IN CASH AND RESTRICTED CASH	358	10,958
CASH AND RESTRICTED CASH, BEGINNING OF PERIOD	8,141	1,435
CASH AND RESTRICTED CASH, END OF PERIOD	$ 8,499	$ 12,393

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

1. NATURE OF OPERATIONS

4Front Ventures Corp. ("4Front" or the "Company") exists pursuant to the provisions of the British Columbia Corporations Act. On July 31, 2019, 4Front Holdings LLC ("Holdings") completed a Reverse Takeover Transaction ("RTO") with Cannex Capital Holdings, Inc. ("Cannex") whereby Holdings acquired Cannex, and the shareholders of Holdings became the controlling shareholders of the Company (Note 8). Following the RTO, the Company is listed on the Canadian Securities Exchange ("CSE") under the ticker "FFNT" and is quoted on the OTC (OTCQX: FFNTF).

As of September 30, 2020, the Company operates four dispensaries in Massachusetts, Illinois, Michigan, and Arkansas. The Company operates two production facilities in Massachusetts, and one in Illinois. The Company produces the majority of the products that are sold at its Massachusetts and Illinois dispensaries.

The Company leases real estate and sells equipment, supplies, and intellectual property to cannabis producers in the state of Washington. The Company also owns and operates Pure Ratios (which was acquired by Cannex in June 2019), a CBD-focused wellness company in California, that sells non-THC products throughout the United States.

While marijuana is legal under the laws of several U.S. states (with varying restrictions), the United States Federal Controlled Substances Act classifies all "marijuana"as a Schedule I drug, whether for medical or recreational use. Under U.S. federal law, a Schedule I drug or substance has a high potential for abuse, no accepted medical use in the United States, and a lack of safety for the use of the drug under medical supervision.

The Company's business could be materially and adversely affected by the outbreak of a widespread epidemic or pandemic or other public health crisis, including arising from the novel strain of the coronavirus known as "COVID-19." This has resulted in significant economic uncertainty and consequently, it is difficult to reliably measure the potential impact of this uncertainty on our future financial results.

The head office address of the Company is 5060 North 40th Street, Suite 120, Phoenix, Arizona, and the registered office is 550 Burrard Street, Suite 2900, Vancouver, British Columbia.

2. BASIS OF PRESENTATION

The accompanying unaudited condensed consolidated interim financial statements have been prepared in accordance with accounting principles generally accepted in the United States ("U.S. GAAP") for interim financial information.

In the opinion of management, the financial statements included herein contain all adjustments, including normal recurring adjustments, considered necessary to present fairly the financial position, the results of operations and comprehensive income (loss) and cash flows of the Company for the periods presented in accordance with U.S. GAAP.

The results reported in these condensed consolidated interim financial statements should not be regarded as necessarily indicative of results that may be expected for an entire fiscal year. The policies set out below are consistently applied to all periods presented, unless otherwise noted.

(a) Principles of consolidation

The accompanying condensed consolidated interim financial statements include the accounts of the Company and all entities in which the Company either has a controlling voting interest or is the primary beneficiary of a variable interest entity. All intercompany accounts and transactions have been eliminated on consolidation. Information on the Company's subsidiaries with non-controlling interests is included in Note 13.

The financial statements of the subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies.

3. SUMMARY OF SIGNICANT ACCOUNTING POLICIES

(a) Critical accounting estimates and judgements

The preparation of the Company's condensed consolidated interim financial statements requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, and revenue and expenses. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods. The significant judgements made by management in applying the Company's accounting policies and the key sources of estimation uncertainty were the same as those described in the latest annual consolidated financial statements.

(b) Recently Accounting Pronouncements

Recently Adopted

(i) In February 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2016-02 "Leases (Topic 842)" ("ASU 2016-02"), which requires lessees to record most leases on the balance sheet but recognize expense on the income statement in a manner similar to current accounting. For lessors, ASU 2016-02 also modifies the classification criteria and the accounting for sales-type and direct financing leases. The standard requires a modified retrospective approach for leases that exist or are entered into after the beginning of the earliest comparative period in the financial statements and was effective in the first quarter of 2019.

Upon adoption of ASU 2016-02, the Company recorded right-of-use assets of $5,580 and corresponding lease liabilities of $5,897 with the difference of $317 recorded in opening retained earnings. The adoption did not have a material impact on consolidated net earnings or cash flows. See Note 9 for additional information.

(ii) In June 2016, the FASB issued ASU 2016-13, "Financial Instruments - Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments". ASU 2016-13 requires the measurement of current expected credit losses for financial assets held at the reporting date based on historical experience, current conditions, and reasonable and supportable forecasts. Adoption of ASU 2016-13 requires financial institutions and other organizations to use forward-looking information to better formulate their credit loss estimates. In addition, the ASU amends the accounting for credit losses on available for sale debt securities and purchased financial assets with credit deterioration. This update was effective for fiscal years beginning after December 15, 2019, including interim periods within those fiscal years. The Company adopted the provisions of ASU 2016-13 as of January 1, 2020. The adoption did not have a material impact on the Company's condensed consolidated interim financial statements.

(iii) In January 2017, the FASB issued ASU No. 2017-04 "Intangibles— Goodwill and Other (Topic 350): Simplifying the Test for Goodwill Impairment", which simplifies the accounting for goodwill impairment. ASU 2017-04 requires entities to record an impairment charge based on the excess of a reporting unit's carrying amount over its fair value (Step 1 under the current impairment test). The standard eliminates Step 2 from the current goodwill impairment test, which included determining the implied fair value of goodwill and comparing it with the carrying amount of that goodwill. ASU 2017-04 is applied prospectively, and the Company adopted the new standard in the first quarter of 2020. The adoption did not have a material impact on the Company's condensed consolidated interim financial statements.

(iv) In August 2018, the FASB issued ASU 2018-13, "Disclosure Framework - Changes to the Disclosure Requirements for Fair Value Measurement (Topic 820)". ASU 2018-13 adds, modifies, and removes certain fair value measurement disclosure requirements. ASU 2018-13 is effective for annual and interim periods beginning after December 15, 2019. ASU 2018-13 is applied prospectively, and the Company adopted the new standard in the first quarter of 2020. The adoption did not have a material impact on the Company's condensed consolidated interim financial statements.

Accounting Pronouncements Not Yet Adopted

(i) In December 2019, the FASB issued ASU 2019-12, "Income Taxes (Topic 740): Simplifying the Accounting for Income Taxes." The new guidance is intended to simplify the accounting for income taxes by removing certain exceptions and by updating accounting requirements around franchise taxes, goodwill recognized for tax purposes, the allocation of current and deferred tax expense among legal entities, among other minor changes. The ASU is effective for fiscal years beginning after December 15, 2020, including interim periods within those fiscal years. Early adoption is permitted. The Company is assessing what impact ASU 2019-12 will have on the condensed consolidated interim financial statements.

(ii) In January 2020, the FASB issued ASU 2020-01, "Investments—Equity Securities (Topic 321), Investments—Equity Method and Joint Ventures (Topic 323), and Derivatives and Hedging (Topic 815): Clarifying the Interactions between Topic 321, Topic 323, and Topic 815." The amendments in ASU 2020-01 clarify the interaction of the accounting for equity securities under Topic 321 and investments accounted for under the equity method of accounting. The ASU is effective for fiscal years beginning after December 15, 2020, including interim periods within those fiscal years. Early adoption is permitted. The Company is assessing what impact ASU 2020-01 will have on the condensed consolidated interim financial statements.

(iii) In March 2020, the FASB issued ASU 2020-04, "Reference Rate Reform (Topic 848): Facilitation of the Effects of Reference Rate Reform on Financial Reporting." This ASU provides temporary optional expedients for applying GAAP to contract modifications, hedging relationships and other transactions if certain criteria are met in order to ease the potential accounting and financial reporting burden associated with the expected market transaction away from the London Interbank Offered Rate (LIBOR) and other interbank offered rates to alternative reference rates. The ASU is currently effective and may be applied prospectively at any point through December 31, 2022 at the Company's option. The Company is assessing what impact ASU 2020-04 will have on the condensed consolidated interim financial statements.

(iv) In August 2020, the FASB issued ASU 2020-06, "Debt – Debt with Conversion and Other Options (Subtopic 470-20) and Derivatives and Hedging – Contracts in Entity's Own Equity (Subtopic 815-40)". ASU 2020-06 simplifies the accounting for certain financial instruments with characteristics of liabilities and equity, including convertible instruments and contracts on an entity's own equity. ASU 2020-06 is effective for fiscal years beginning after December 15, 2021, and interim periods within those fiscal years. The Company is currently evaluating the impact of adopting this ASU on the Company's financial statements.

4. CAPITAL MANAGEMENT

The Company's primary objectives, when managing its capital, are to maintain adequate levels of funding to ensure the Company's ability to continue as a going concern, support the operations of the Company and to maintain corporate and administrative functions. The Company defines capital as notes payable, convertible notes and equity, consisting of the issued units of the Company. The capital structure of the Company is managed to provide sufficient funding for planned operating activities of the Company. Funds are primarily secured through a combination of equity capital raised by way of private placements and debt. There can be no assurances that the Company will be able to continue raising equity capital and debt in this manner.

Capital is comprised of the Company's shareholders' equity. As of September 30, 2020, the Company's shareholders' equity was $63,689. There were no changes to the Company's approach to capital management during the nine months ended September 30, 2020. The Company is exposed to certain externally imposed capital requirements, as described in Note 10.

Amounts expressed in thousands of United States dollars unless otherwise stated

5. INVENTORY

Raw material consists of unharvested cannabis plants, and materials used to manufacture CBD and cannabis products. Work in process is harvested cannabis, processed cannabis oil, and manufactured products that are not complete. Finished goods are cultivation supplies to be sold to cultivators, purchased, and manufactured packaged flower, pre-rolls, vape cartridges, edibles, CBD products, and paraphernalia.

	September 30, 2020	December 31, 2019
Raw materials – unharvested cannabis	$ 1,900	$ 687
Raw materials – CBD and ingredients	208	76
Work in process – flower and extract	11,253	6,757
Finished goods – cultivation supplies	243	677
Finished goods – packaged products	1,990	1,628
Total	$ 15,594	$ 9,825

Inventories of purchased finished goods and packing materials are initially valued at cost and subsequently at the lower of cost or net realizable value. Costs incurred during the growing and production process are capitalized as incurred to the extent that cost is less than net realizable value. These costs include materials, labor and manufacturing overhead used in the growing and production processes. During 2020 and 2019, no inventory was pledged as collateral.

6. PROPERTY AND EQUIPMENT

Property and equipment and related depreciation are summarized in the table below:

Cost	Land	Buildings	Building Improvements	Furniture, Equipment, and Other	Leasehold Improvements	Total
Balance, December 31, 2018	50	624	2,586	2,843	14,286	20,389
Additions	1,586	5,901	1,983	4,273	9,289	23,032
Acquisitions	—	—	—	357	1,137	1,494
Balance, December 31, 2019	$ 1,636	$ 6,525	$ 4,569	$ 7,473	$ 24,712	$ 44,915
Additions	—	471	452	4,448	7,157	12,528
Disposals	(774)	—	—	(333)	(1,458)	(2,565)
Transferred to assets held for sale	—	(362)	(637)	(835)	(2,254)	(4,088)
Balance, September 30, 2020	$ 862	$ 6,634	$ 4,384	$ 10,753	$ 28,157	$ 50,790
Accumulated Depreciation						
Balance, December 31, 2018	—	12	174	174	180	540
Depreciation	—	101	305	763	1,384	2,553
Balance, December 31, 2019	—	113	479	937	1,564	3,093
Depreciation	—	376	1,020	1,249	1,541	4,186
Disposals	—	(119)	(28)	(454)	(1,453)	(2,054)
Balance, September 30, 2020	—	$ 370	$ 1,471	$ 1,732	$ 1,652	$ 5,225
Net Book Value						
December 31, 2018	$ 50	$ 612	$ 2,412	$ 2,669	$ 14,106	$ 19,849
December 31, 2019	$ 1,636	$ 6,412	$ 4,090	$ 6,536	$ 23,148	$ 41,822
September 30, 2020	$ 862	$ 6,264	$ 2,913	$ 9,021	$ 26,505	$ 45,565

Depreciation expense for the nine months ended September 30, 2020 and 2019 was $4,186 and $2,279, respectively, of which $3,994 and $542, respectively, is included in costs of goods sold. ROU assets and depreciation are not included in the table above.

Amounts expressed in thousands of United States dollars unless otherwise stated

7. GOODWILL AND INTANGIBLE ASSETS

(a) Goodwill

A summary of goodwill is as follows:

Balance, December 31, 2018	$ 6,066
Cannex acquisition (Note 8)	166,557
Om acquisition (Note 8)	1,435
PHX/Greens Goddess acquisition (Note 8)	6,225
Impairment of PHX/Greens Goddess goodwill	(1,091)
Impairment of continuing operations goodwill	(138,909)
Balance, December 31, 2019	$ 40,283
Disposal of PHX/Greens Goddess (Note 21)	(5,134)
Balance, September 30, 2020	$ 35,149

(b) Intangible Assets

	Licenses	Customer Relationships	Non-Competition Agreements	Trademarks	Know-How	Total
Balance, December 31, 2018	$ 18,741	$ 2,827	$ 237	$ 88	$ —	$ 21,893
Cannex acquisition (Note 8)	—	—	—	3,900	9,700	13,600
Om of Medicine acquisition (Note 8)	7,700	—	—	—	—	7,700
Accumulated amortization	—	(580)	(100)	(263)	(808)	(1,751)
Impairment	(6,295)	—	—	—	—	(6,295)
Balance, December 31, 2019	$ 20,146	$ 2,247	$ 137	$ 3,725	$ 8,892	$ 35,147
Amortization expense	—	(435)	(75)	(280)	(1,455)	(2,245)
Balance, September 30, 2020	$ 20,146	$ 1,812	$ 62	$ 3,445	$ 7,437	$ 32,902

(c) Impairment of Intangible Assets and Goodwill

On an annual basis, the Company assesses the Company's Reporting Unit's ("RUs") for indicators of impairment or when facts or circumstances suggest that it is more likely than not that the carrying amount may exceed the recoverable amount. For the purpose of impairment testing, goodwill is allocated to the Company's RUs to which it relates.

Goodwill was not tested during the nine months ended September 30, 2020 and 2019.

8. ACQUISITIONS AND BUSINESS COMBINATIONS

Cannex Capital Holdings, Inc.

On July 31, 2019, 4Front Holdings LLC ("Holdings") and Cannex Capital Holdings, Inc. ("Cannex") completed their business combination and the creation of 4Front Ventures Corp. ("4Front"). The acquisition combines Cannex's understanding of large-scale cultivation and manufacturing operations with 4Front's existing asset base and its retail and regulatory capabilities.

The business combination was completed by way of a plan of arrangement agreement under the Business Corporations Act (British Columbia) pursuant to the terms of the business combination agreement among Holdings, Cannex, 4Front and 1196260 B.C. Ltd. dated March 1, 2019, as amended (the "Arrangement Agreement"). Pursuant to the terms of the Arrangement Agreement, the former owners of Holdings exchanged, through a series of transactions, their respective interests in Holdings in exchange for a total of 340.4 million shares in 4Front when calculated as if all share classes were converted to Subordinate Voting Shares.

Holdings has been identified for accounting purposes as the acquirer, and accordingly 4Front is considered a continuation of Holdings and the net assets of Cannex on July 31, 2019, the date of the business combination, are deemed to have been acquired by Holdings.

Amounts expressed in thousands of United States dollars unless otherwise stated

The Company recorded the acquired balance at fair value as determined by third party valuation firms.

The following table summarizes the purchase price allocation:

Consideration transferred:		
Equity issued (1)	$	181,110
Fair value of GGP warrants (2)		5,779
Replacement warrants (3)		5,317
Replacement stock options (4)		6,825
Total	$	199,031
Fair value of net assets acquired:		
Cash	$	9,119
Accounts receivable		1,869
Prepaid expenses		352
Inventory		527
Property and equipment		1,230
Notes receivable		2,233
Notes receivable – 4Front (5)		12,497
Deposits – equipment		2,182
Deposits – real estate		820
Right-of-use assets		15,160
Investments		759
Lease receivables		33,192
Intangible assets		13,600
Goodwill		166,557
Accounts payable and accrued liabilities		(3,042)
Notes payable		(201)
Contingent consideration payable – Pure Ratios		(1,500)
Convertible notes		(39,881)
Lease liability		(16,442)
	$	199,031

(1) As part of the business combination, 190,482,146 shares were issued to Cannex investors with a value of $0.95 per share ($1.25 CAD).

(2) On July 31, 2019, 13,521,328 warrants that were held by Gotham Green Partners (the “GGP Warrants”) were replaced with warrants with the same terms in 4Front Ventures Corp, with a fair value of $5,779.

In determining the fair value of the warrants issued to GGP, the Company used the Black-Scholes option pricing model with the following weighted average assumptions:

	July 31, 2019
Risk-Free Interest Rate	1.84%
Expected Life of Options (years)	2.31
Expected Annualized Volatility	89%
Expected Forfeiture Rate	nil
Expected Dividend Yield	nil
Black-Scholes Value of Each Option	$ 0.43

(3) On July 31, 2019, 25,251,757 warrants that were held by third parties, were replaced with warrants with the same terms in 4Front Ventures Corp, which had a total fair value of $5,317 determined using the Black-Scholes valuation model (Note 12). The value

of these warrants is recorded as derivative liability, as the exercise price of these warrants are denominated in a foreign currency, Canadian Dollars.

(4) On July 31, 2019, 16,346,665 stock options held by Cannex shareholders were replaced with stock options of 4Front. These replacement options had the same terms as the original options. The fair value of the replacement options was $9,098, determined using the Black-Scholes model. The consideration for the business combination includes $6,825 for replacement options, relating to past service with the remaining $2,273 recognized over the vesting period.

(5) As of July 31, 2019, Cannex had advanced the Company $12,497. The note was eliminated upon consolidation.

Intangible assets comprise of trademarks with a fair value of $3,900 and know-how with a fair value of $9,700. The goodwill of $166,557 is attributable mainly to the skills and technical expertise of Cannex's workforce and the synergies expected to be achieved from integrating Cannex into 4Front's existing Cannabis business. None of the goodwill recognized is expected to be deductible for tax purposes.

During the year ended December 31, 2019, the Company recognized an impairment loss of $131,403 related to the business combination with Cannex.

Acquisition costs of $2,324, were excluded from the consideration transferred, and were included in Selling, General and Administrative Expenses in the year ended December 31, 2019.

Om of Medicine LLC

On April 15, 2019, the Company acquired 100% of Om of Medicine LLC ("OM of Medicine"), a dispensary in Michigan. The purpose of the acquisition was to expand the Company's presence to Michigan.

The acquisition was accounted for in accordance with ASC 805, and related operating results are included in the accompanying consolidated statements of operations, changes in equity and statement of cash flows for periods subsequent to the date of acquisition.

Goodwill arose because the consideration paid for the business acquisition reflected the benefit of expected revenue growth and future market development. During the fourth quarter of 2019, management performed its annual impairment test and concluded that the carrying value was higher than the recoverable amount and recorded impairment losses of goodwill and intangibles assets of $2,651.

The transaction was accounted for by the Company as a business combination, with the results included in the Company's net earnings from the date of acquisition. The assets acquired and the liabilities assumed have been recorded by the Company at fair value as determined by the Company.

Amounts expressed in thousands of United States dollars unless otherwise stated

The following table summarizes the purchase price allocation:

Consideration transferred:		
Cash	$	227
Contingent consideration [1]		3,750
Payables issued [2]		1,058
Equity paid [3]		4,400
Total	$	9,435
Fair value of net assets acquired:		
Cash	$	51
Inventory		298
Property and equipment		192
Right-of-use assets		574
Goodwill		1,435
Intangible assets		7,700
Accounts payable and accrued liabilities		(161)
Notes payable		(80)
Lease liability		(574)
	$	9,435

(1) Contingent consideration is payable depending on reaching certain future sales targets by Om of Medicine LLC. The Company determined the contingent payments to be $3,750. See Note 16.
(2) Consists of $1,058 held back by the Company to pay future taxes, other expenses, or payments to the sellers.
(3) As part of the business combination, 9,040 Class F shares were issued which were valued at $4,400.

Acquisition costs of $29, were excluded from the consideration transferred, and were included in Selling, General and Administrative Expenses in the period in which they were incurred.

PHX Interactive, LLC

On February 22, 2019, the Company completed an acquisition of 100% of PHX Interactive, LLC (“PHX”), an entity that operates Greens Goddess Products, Inc., a cannabis license holder and dispensary operator in Phoenix, Arizona. The purpose of the acquisition was to expand the Company’s operations to Arizona.

The acquisition was accounted for in accordance with ASC 805, and related operating results are included in the accompanying consolidated statements of operations and comprehensive loss, changes in equity and statement of cash flows for periods subsequent to the date of acquisition. Due to a management agreement between PHX and Greens Goddess, PHX controls Greens Goddess and the Company consolidates both PHX and Greens Goddess from the date of acquisition.

Goodwill arose because the consideration paid for the business acquisition reflected the benefit of expected revenue growth and future market development. These benefits were not recognized separately from goodwill because they do not meet the recognition criteria for identifiable intangible assets.

The transaction was accounted for by the Company as a business combination, with the results included in the Company’s net earnings from the date of acquisition. The assets acquired and the liabilities assumed have been recorded by the Company at fair value as determined by the Company.

Amounts expressed in thousands of United States dollars unless otherwise stated

PHX Interactive, LLC (continued)

The following table summarizes the purchase price allocation:

Consideration transferred:		
Cash	$	3,360
Payables issued [1]		305
Equity paid [2]		2,675
Total	$	6,340
Fair value of net assets acquired:		
Cash	$	102
Inventory		91
Property and equipment		72
Deposits		2
Goodwill		6,225
Accounts payable and accrued liabilities		(152)
	$	6,340

(1) Consists of $305 held back by the Company to pay certain vendor payables.
(2) As part of the business combination, 5,496 Class F shares were issued which were valued at $2,675.

On March 30, 2020, the Company announced the divesture of PHX and Green Goddess to a third party for cash of $6,000.

Amounts expressed in thousands of United States dollars unless otherwise stated

9. LEASES

(a) The Company as a Lessee

The Company initially adopted ASC 842 – Leases effective January 1, 2019. Upon adoption of ASU 2016-02, Right of Use ("ROU") assets were adjusted for deferred rent and prepaids as of January 1, 2019. Lease expense is recognized on a straight-line basis over the expected lease term. The Company's incremental borrowing rate is used in determining the present value of future payments at the commencement date of the lease, or for the adoption of ASU 2016-02, on January 1, 2019. Balances related to operating leases are included in ROU assets and noncurrent lease liabilities on the consolidated balance sheet.

The Company primarily leases office and production facilities, warehouses, production equipment and vehicles. The Company assesses service arrangements to determine if an asset is explicitly or implicitly specified in the agreement and if we have the right to control the use of the identified asset.

The right-of-use asset is initially measured at cost, which is primarily comprised of the initial amount of the lease liability, plus initial direct costs, and lease payments at or before the lease commencement date, less any lease incentives received, and is amortized on a straight-line basis over the remaining lease term. All right-of-use assets are reviewed periodically for impairment. The lease liability is initially measured at the present value of lease payments, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the incremental borrowing rate. We elected to recognize expenses for leases with a term of 12 months or less on a straight-line basis over the lease term and not to recognize these short-term leases on the balance sheet. Leases have varying terms with remaining lease terms of up to approximately 30 years. Certain of our lease arrangements provide us with the option to extend or to terminate the lease early.

Lease payments included in the measurement of the lease liability comprise (a) fixed payments, including in substance fixed payments; (b) variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date; (c) amounts expected to be payable under a residual value guarantee; and (d) the exercise price under a purchase option that the Company is reasonably certain to exercise, lease payments in an optional renewal period if the Company is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Company is reasonably certain not to terminate early.

At inception or reassessment of a contract that contains lease and non-lease components, the Company allocates the consideration in the contract to each lease component on the basis of their relative stand-alone prices.

Right of use assets consist of the following:

	Right of Use
Balance, January 1, 2019	**$ —**
Adoption of ASC 842	5,580
Acquisition	15,734
Additions	936
Disposals	(933)
Depreciation	(560)
Balance, December 31, 2019	**$ 20,757**
Additions	7,194
Disposals	(1,256)
Depreciation	(1,000)
Balance, September 30, 2020	**$ 25,695**

Amounts expressed in thousands of United States dollars unless otherwise stated

The lease obligations consist of the following:

	September 30, 2020	December 31, 2019
Balance, beginning of the year	**$ 21,948**	**$ 87**
Adoption of ASC 842	—	5,810
Acquisitions	—	17,016
Additions	7,098	936
Disposals	(2,540)	(968)
Interest	1,287	1,157
Principal payments	(903)	(2,090)
Balance, end of the period	**$ 26,890**	**$ 21,948**
Less current portion	**(1,499)**	**(972)**
Long term lease obligations	**$ 25,391**	**$ 20,976**

Future minimum lease payments (principal and interest) on the leases are as follows:

	September 30, 2020
2020	$ 997
2021	4,450
2022	4,527
2023	4,536
2024	4,436
Thereafter	27,861
Total minimum lease payments	$ 46,807
Effect of discounting	(19,917)
Present value of minimum lease payments	$ 26,890
Current portion lease obligations	(1,499)
Long term lease obligations	$ 25,391

The Company has right-of-use assets and lease liabilities for leased real estate for dispensaries, cultivation facilities and office space. The incremental borrowing rate for the Company on January 1, 2019 through September 30, 2020 was 10.25%.

(b) The Company as a Lessor:

The Company is a landlord for one lease and one sublease for cannabis facilities with two licensed cannabis cultivators in the state of Washington. The Company acquired these leases in the Cannex business combination. The Company owns one of the facilities and leases the other from a third party. The following table summarizes changes in the Company's lease receivables:

	September 30, 2020	December 31, 2019
Balance, beginning of the year	**$ 33,500**	**$ —**
Acquisitions	—	33,192
Interest	8,514	4,528
Lease payments received	(8,202)	(4,220)
Balance, end of the period	**$ 33,812**	**$ 33,500**
Less current portion	**(11,626)**	**(9,556)**
Long term lease receivable	**$ 22,186**	**$ 23,944**

Amounts expressed in thousands of United States dollars unless otherwise stated

Future minimum lease payments receivable (principal and interest) on the leases is as follows:

	As of September 30, 2020
2020	$ 2,762
2021	11,846
2022	12,725
2023	1,575
2024	—
Thereafter	—
Total minimum lease payments	$ 28,908
Effect of discounting	(9,462)
Present value of minimum lease payments	$ 19,446
Present value of residual value of leased property	14,366
Total lease receivable	$ 33,812
Current portion lease receivable	(11,626)
Long term lease receivable	$ 22,186

Amounts expressed in thousands of United States dollars unless otherwise stated

10. NOTES PAYABLE AND CONVERTIBLE NOTES

The Company's notes payable and convertible notes are as follows:

	Gotham Green Partners, LLC	LI Lending, LLC	Convertible Notes	Convertible Notes (Swap)	Other Loans	Total
Balance, December 31, 2018	**$ —**	**$ —**	**$ —**	**$ —**	**$ 9,198**	**$ 9,198**
Acquisitions (Note 8)	39,881	—	—	—	—	39,881
Equity component	(4,874)	—	—	—	—	(4,874)
Loans advanced, net	—	44,194	—	—	2,953	47,147
Loan payments	(953)	—	—	—	(4,058)	(5,011)
Accretion income	(337)	—	—	—	—	(337)
Accrued interest	1,890	95	—	—	—	1,985
Balance, December 31, 2019	**$ 35,607**	**$ 44,289**	**$ —**	**$ —**	**$ 8,093**	**$ 87,989**
Loans advanced, net	2,810	—	5,827	—	1,192	9,829
Equity exchanged	—	—	—	13,661	—	13,661
Equity component	(411)	—	(2,888)		—	(3,299)
Loan payments	(8,295)	(1,250)	—	—	512	(9,033)
Accretion income	(605)	—	—	—	—	(605)
Amortization of loan discount	—	129	192	—	—	321
Accrued interest	2,095	1,859	135	—	86	4,175
Balance, September 30, 2020	**$ 31,201**	**$ 45,027**	**$ 3,266**	**$ 13,661**	**$ 9,883**	**$ 103,038**

	Gotham Green Partners, LLC	LI Lending, LLC	Convertible Notes	Convertible Notes (Swap)	Other Loans	Total
Balance, December 31, 2019	$ 35,607	$ 44,289	$ —	$ —	$ 8,093	$ 87,989
Less current portion	—	—	—	—	(6,190)	(6,190)
Long term portion	35,607	44,289	—	—	1,903	81,799
Balance, September 30, 2020	31,201	45,027	3,266	13,661	9,883	103,038
Less current portion	—	—	—	—	(8,026)	(8,026)
Long term portion	$ 31,201	$ 45,027	$ 3,266	$ 13,661	$ 1,857	$ 95,012

Convertible Notes

On May 14, 2020, the company issued $5,827 in convertible notes to existing investors in the Company. The notes pay interest of 5% per annum and have a maturity date of February 28, 2022. The notes can be converted into Class A Subordinate Voting Shares of the Company for $0.25 per share at any time at the option of the holder. The Company can require mandatory conversion at any time that the Company's stock price remains above $0.50 for 45 consecutive days.

As part of issuing the convertible notes, the investors were given the right to exchange stock in the Company into separate convertible notes (swap notes). In total 29,775,670 shares with a value of $13,661 were exchanged for $13,661 in convertible notes. These notes were effective May 28, 2020, have a maturity date of May 28, 2025, and can be converted into Class A Subordinate Voting Shares of the Company for $0.46 per share at any time at the option of the holder. The notes pay no interest if the Company's annual revenue is greater than $15,000, and 3% annually otherwise. The Company can require mandatory conversion at any time that the Company's stock price remains above $0.92 for 45 consecutive days.

Gotham Green Partners LLC

Through the Cannex business combination (Note 8), the Company assumed senior secured convertible notes issued to Gotham Green Partners LLC ("GGP"). The convertible loan has a fair value on acquisition of $39,881 which was determined as the present value of the loan and the fair value of the conversion feature. The fair value of the conversion feature was determined to be $4,874 based on the acquisition date intrinsic value of the option. Upon acquisition, the Company reclassified the fair value of the conversion feature to equity.

The convertible loans have a principal value of $33,502 and a maturity date of November 21, 2021. The notes have a coupon of LIBOR +11% in year 1, LIBOR +10% in year 2 and LIBOR +9.5% in year 3, with agreed voluntary prepayment rights. 50% of the interest accrued monthly is payable in cash and 50% of the interest remains outstanding and accrued.

The notes are exchangeable into shares of the Company at $0.83 per common share. The notes include 7,000,000 warrants to purchase shares for $1.00 per share, 4,511,279 warrants to purchase in shares for $1.33 per share, and 2,010,050 to purchase shares for $1.99 per share.

On January 29, 2020, the Company issued convertible secured promissory notes for a total of $3,000 to entities associated with GGP. These notes were due on July 29, 2020 and accrued interest at 15% per annum with no payments due until the maturity date. The notes were convertible at the option of the holder into the Company's stock for the equivalent of $0.64675 per share. The notes were issued with detachable stock warrants that gave the holders of the notes the option to purchase 2,230,080 shares of the Company's stock for $0.672625 per share. The notes were repaid in full in May 2020.

The Company used an independent valuation company to value the notes as of July 31, 2019 using 10.25%, discount rate which management determined was the rate for similar notes with no conversion feature or warrants. During the nine months ended September 30, 2020, the Company recorded $605 in accretion income in relation to the convertible notes.

The Company has financial ratio covenants pertaining to the GGP notes including a fixed charge coverage ratio of above 1:1 and a debt-to-EBITDA ratio below 5:1, with debt calculated as debt less any unrestricted cash. As part of the GGP approval of the business combination with Cannex, the Company's compliance with the financial ratio covenants was suspended until after July 31, 2020.

LI Lending LLC

On May 10, 2019, the Company entered into a loan agreement with LI Lending LLC, a related party, for $50,000. LI Lending LLC is related because an officer of the Company is a part-owner of LI Lending LLC. As of December 31, 2019, the Company had drawn $45,000 on the loan in two amounts, an initial $35,000 and a final $10,000, both bearing a 10.25% interest rate, September 30, 2020 transaction cost of $806.

The loan matures on May 10, 2024 and bears interest at 10.25%. Monthly interest-only payments are required, and all accrued interest was paid through September 30, 2020.

The Company is subject to certain restrictions under the loan agreement, which include the segregation of the proceeds, the use of the funds for permitted uses, and providing security interest on assets acquired with the proceeds. In April 2020, the loan was amended. In exchange for consent to allow the sale of the Pennsylvania and Maryland assets and the release of related collateral, the Company has agreed to make prepayments of principal to LI Lending in the amount of $250 per month for an eight-month period beginning on May 1, 2020. Additionally, the Company agreed to pay an increased interest rate of an additional 2% on the final $10,000 of the loan until such time as this amount has been paid down. The remaining loan amount will be subject to the original 10.25% interestrate.

Amounts expressed in thousands of United States dollars unless otherwise stated

Other

Outstanding as at September 30, 2020 were term loans totaling $9,883 which were assumed in acquisitions of Healthy Pharms Inc, Om of Medicine LLC and PHX Interactive LLC and through the acquisition of non-controlling interests in three Arkansas entities as follows:

Subsidiary	Terms	September 30, 2020	December 31, 2019
Healthy Pharms Inc.	Secured promissory note due December 18, 2020. Interest at 15% paid in-kind.	$ 5,469	$ 5,429
Om Medicine, LLC	Unsecured promissory note, principal due upon completion of tax deliverables.	1,058	—
PHX Interactive LLC	Unsecured promissory note, principal to be used to pay income taxes	427	—
Arkansas Entities	Unsecured promissory note, monthly interest payments at 12% per annum	1,730	1,730
Arkansas Entities	Unsecured promissory note, monthly interest payments at 12% per annum	—	561
Equipment Loans	Secured by equipment, monthly payments beginning in 2021 at 15% per annum	1,005	—
Other	Various	194	373
Total Notes Payable and Convertible Notes		$ 9,883	$ 8,093

At September 30, 2020, the Company had $1,857 (December 31, 2019 - $1,903) in long-term notes payable from the acquisition of non-controlling interest in three Arkansas entities ($1,730), and vehicle and other loans ($127).

Future minimum payments on the notes payable and convertible debt is as follows:

	September 30, 2020
2020	$ 8,026
2021	33,058
2022	5,458
2023	—
2024	51,600
Thereafter	13,661
Total minimum payments	111,803
Effect of discounting	(8,765)
Present value of minimum payments	103,038
Current portion	(8,026)
Long term portion	$ 95,012

11. SHARE CAPITAL AND EQUITY

The Company has authorized an unlimited number of Class A Subordinate Voting Shares (“SVS”), Class B Subordinate Proportionate Voting Shares (“PVS”), and Class C Multiple Voting Shares (“MVS”), all with no par value. All share classes are included within share capital in the consolidated statements of shareholder’s equity on an as converted basis. Each share class is entitled to notice of and to attend at any meeting of the shareholders, except a meeting of which only holders of another particular class of shares will have the right to vote. All share classes are entitled to receive dividends as, and when declared by the Company, on an as-converted basis, and no dividends will be declared by the Company on any individual class unless the Company simultaneously declares or pays dividends on all share classes. No subdivision or consolidation of any share class shall be made without simultaneously subdividing or consolidating all share classes in the same manner.

Amounts expressed in thousands of United States dollars unless otherwise stated

Class A Subordinate Voting Shares

Holders of Class A Subordinate Voting Shares are entitled to one vote in respect of each SVS.

Class B Subordinate Proportionate Voting Shares

Holders of Class B Subordinate Proportionate Voting Shares are entitled to one vote in respect of each SVS. Each PVS is convertible into 80 SVS at the holder's option.

Class C Multiple Voting Shares

Holders of Class C Multiple Voting Shares are entitled to 800 votes in respect of each MVS. One MVS can convert to one SVS but are not convertible until the later of the date that (i) the aggregate number of PVS and MVS held by the Initial Holders (being the MVS holders on their initial issuance) on are reduced to a number which is less than 50% of the aggregate number of PVS and MVS held by the Initial Holders on the date of completion of the Business Combination with Cannex, and (ii) 3 years following the date of the business combination with Cannex.

Series	Shares outstanding as of September 30, 2020	As converted to SVS Shares
Class A – Subordinate Voting Shares	353,593,800	353,593,800
Class B – Proportionate Subordinate Voting Shares	1,883,964	150,717,120
Class C – Multiple Voting Shares	1,276,208	1,276,208
	356,753,972	505,587,128

12. WARRANTS

As of September 30, 2020, there were share purchase warrants outstanding to purchase up to 16,775,068 SVS shares:

Series	Number of warrants		Weighted average exercise price
Balance, December 31, 2019	42,186,503	$	1.14
Issued	2,230,080		0.67
Exercised	(2,389,756)		0.53
Expired	(25,251,757)		—
Balance, September 30, 2020	16,775,070	$	1.13

As of September 30, 2020, the Company has the following warrants outstanding and exercisable.

Warrants Outstanding		Exercise Price	Expiry Date
7,000,000	$	1.00	November 21, 2021
4,511,278	$	1.33	November 21, 2021
2,010,050	$	1.99	November 21, 2021
1,023,660	$	0.53	October 3, 2020
2,230,080	$	0.67	January 29, 2023
16,775,068			

Amounts expressed in thousands of United States dollars unless otherwise stated

13. NON-CONTROLLING INTEREST

The non-controlling interests of the Company for each affiliate are summarized in the following:

	Premium Medicine of Maryland	Silver Spring Consulting Group	Mission MA	Illinois Grown Medicine	Chesapeake Integrated Health Institute	Harborside Illinois Grown Medicine	Adroit Consulting Group	Mission Maryland	MMA Capital	Other	Total
Balance at December 31, 2018	$ (444)	$ (37)	$ (663)	$ (600)	$ (267)	$ (212)	$ 12	$ 60	$ 45	$ 483	$ (1,623)
Purchase of non-controlling interest	—	—	663	600	267	308	(12)	(53)	(52)	(7)	1,714
Net income attributable to non-controlling interest	94	182	—	—	—	(96)	—	(7)	195	(476)	(108)
Balance at December 31, 2019	$ (350)	$ 145	$ —	$ —	$ —	$ —	$ —	$ —	$ 188	$ —	$ (17)
Purchase of non-controlling interest	390	(136)	—	—	—	—	—	—	—	—	254
Net income attributable to non-controlling interest	(40)	(9)	—	—	—	—	—	—	90	—	41
Balance at September 30, 2020	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ 278	$ —	$ 278

14. SHARE-BASED COMPENSATION

The Company adopted two equity incentive plans where the Company may grant both Class A and Class B stock options. Under the terms of the plans, the maximum number of stock options which may be granted are a total of ten percent of the number of shares outstanding assuming conversion of all shares to SVS. The exercise price for stock options issued under the plans will be set by the compensation committee of the board of directors but will not be less than 100% of the fair market value of the Company's shares on the grant date. Stock options have a maximum term of 10 years from the date of grant. Stock options vest at the discretion of the Board.

As of September 30, 2020, the Company had the following options outstanding and exercisable on an as-converted basis:

Grant Date	Strike Price in CAD$	Options Outstanding	Exercisable Options	Life Remaining (years)
July 31, 2019	1.00	9,650,000	9,650,000	2.20
July 31, 2019	1.00	1,900,000	874,998	3.01
July 31, 2019	1.50	650,000	485,000	3.70
July 31, 2019	1.50	800,000	333,333	3.72
July 31, 2019	0.10	6,245,840	6,245,840	3.96
August 22, 2019	0.80	6,608,250	2,936,610	3.90
August 22, 2019	1.00	6,150,000	1,881,450	3.90
November 1, 2019	0.80	1,200,000	—	4.09
November 6, 2019	0.80	15,040	—	4.10
February 3, 2020	0.80	425,000	25,000	4.35
June 8, 2020	0.80	25,000	—	4.69
July 31, 2020	0.80	1,500,000	933,334	4.84
September 15, 2020	0.80	8,315,960	—	4.96
		43,485,090	23,365,565	3.73

Through September 30, 2020, 8,867,400 stock options were cancelled or forfeited. During the three months ended September 30, 2020 and 2019, the Company recognized share-based compensation of $1,517 and $3,491, respectively. During the nine months ended September 30, 2020 and 2019, the Company recognized share-based compensation of $3,792 and $4,200, respectively.

Amounts expressed in thousands of United States dollars unless otherwise stated

15. RELATED PARTIES

Key management personnel compensation

Key management personnel are those persons having the authority and responsibility for planning, directing, and controlling activities of the entity, directly or indirectly. The key management personnel of the Company are the members of the Company's executive management team and board of directors. Compensation provided to key management for the nine months ended September 30, 2020 and 2019 is as follows:

	September 30, 2020	September 30, 2019
Salaries and benefits	$ 1,300	$ 1,143
Share-based compensation	$ 1,211	$ 153
Termination benefits	134	—
	$ 2,645	$ 1,296

Related party transactions

Certain subsidiaries which were acquired in the business combination with Cannex have contractual relationships with two licensed Washington cannabis producer/processors: Superior Gardens LLC (d/b/a Northwest Cannabis Solutions) ("NWCS") and 7Point Holdings LLC ("7Point"). The sole owner of NWCS holds a minority interest in the Company and is an executive in the Company. The sole owner of 7Point, holds a minority interest in the Company, and was an executive of the Company as of June 30, 2020.

NWCS and the Company are parties to a commercial gross lease expiring December 31, 2022 with two five-year renewal options. For the nine months ended September 30, 2020 the Company recognized $6,260 from interest revenue on lease receivable for this lease.

7Point and the Company are parties to a commercial sublease expiring November 30, 2023 with one five-year renewal option. For the nine months ended September 30, 2020 the Company recognized $2,254 from interest revenue on lease receivable for this lease.

The Company has entered into a service agreement with NWCS to provide consulting and personnel services for growing and processing for $30 per month and to act as exclusive purchasing agent for equipment, machinery, and other supplies for $20 per month for a three-year term expiring January 1, 2021 with automatic renewal for additional three-year terms. The Company recognized a total of $905 for the nine months ended September 30, 2020.

NWCS and the Company have entered into a packaging supply agreement under commercially reasonable pricing terms by which NWCS submits packaging orders for Company-designed packaging sold by NWCS under an exclusive license to use Company brands and recipes in the state of Washington. The packaging supply agreement has an initial term of three years expiring January 1, 2021 with automatic renewal for additional three-year periods. The Company recognized a total of $2,286 in revenue for the nine months ended September 30, 2020 under the packaging supply agreement.

As at September 30, 2020, the Company held two notes receivable from these related parties with a balance of $414 (2019 -$641).

As at September 30, 2020, $288 (2019 - $1,528) of the Company's trade receivables were due from NWCS and 7Point (collected subsequent to period end).

An officer of the Company is a part-owner of a LI Lending LLC, which extended the Company a real estate improvement/development loan of up to $45,000 of which $43,750 was drawn upon as of September 30, 2020.

An officer of the Company holds an interest in an online marketing company serving the online CBD market which provides online marketing services for Pure Ratios. Pure Ratios paid $4,301 (2019 - $nil) for the nine months ended September 30, 2020 to this vendor for management fees, pass through marketing costs and customer service.

Amounts expressed in thousands of United States dollars unless otherwise stated

16. CONTINGENCIES

(a) Cannabis Industry

Cannabis is still considered a Schedule 1 substance under the Controlled Substance Act. As such, there is an inherent risk related to the federal government's position on cannabis; additionally, the risk exists, due to the Company's business in cannabis, that third party service providers could suspend or withdraw services and as well as the risk that regulatory bodies could impose certain restrictions on the issuer's ability to operate in the U.S.; however, the Company has deemed it not reasonable to estimate a potential liability related to the possible enforcement of laws against the medical cannabis industry.

(b) Contingent consideration payable

As part of the acquisition of Om of Medicine, LLC and Cannex's prior acquisition of Pure Ratios, the Company is subject to contingent consideration payable to the original vendors. The fair value of the contingent consideration, which is based on specific revenue levels achieved over a 2-3-year-period, is as follows:

	Om of Medicine	Pure Ratios	Total
Balance, December 31, 2019	$ 3,964	$ 1,500	$ 5,464
Additions	—	—	—
Accretion	484	—	484
Changes in fair value	774	(750)	24
Payments	—	(750)	(750)
Balance, September 30, 2020	$ 5,222	$ —	$ 5,222
Less: current portion	(2,100)	—	(2,100)
Long term portion	$ 3,122	$ —	$ 3,122

The contingent consideration payable is measured at fair value based on unobservable inputs and is considered a Level 3 financial instrument. The determination of the fair value of these liabilities is primarily driven by the Company's expectations of the respective subsidiaries achieving certain milestones. The expected milestones were assigned probabilities and the expected related cash flows were discounted to derive the fair value of the contingent consideration.

i) *OM of Medicine*: The contingent consideration payable is determined as the amount in excess of gross sales of $3,400 (for fiscal 2020 and 2021) and $3,500 (2022) to a maximum payable of $6,000. At September 30, 2020, the probability of achieving all milestones to Om of Medicine's contingent consideration payable was estimated to be 57%. If the probabilities of achieving the milestones decreased by 5%, the estimated fair value of the contingent consideration would decrease by approximately $700. During 2020, if the probability were increased to 100% and the contingent liability was increased by $774 and a loss on the fair value adjustment would be recorded to Other in Other Income (Expense) on the Consolidated Statements of Operations and Comprehensive Loss.

ii) *Pure Ratios*: The contingent consideration payable of $750 in SVS of the Company is due upon gross sales exceeding $600 for three consecutive months during the year ended December 31, 2020. During the period, contingent consideration of $750 was earned due to CBD sales reaching a milestone, and stock was issued to the seller with a value of $94. Per an amendment to the agreement, $656 of the earned consideration was used to reduce the principal of the Accucanna note receivable. At September 30, 2020, the Company determined that it was no longer probable that the other milestone would be reached, and as such the contingent liability was reduced by $750.

(c) Legal Matters

In June 2020, the Company sold a legal claim on a consulting client to a third party for $2,480 in cash. The Company recorded a gain of $2,480 that was recorded to Other Income in Other Income (Expense) on the Condensed Consolidated Interim Statements of Operation and Comprehensive Loss.

From time to time, the Company may be involved in certain disputes arising in the ordinary courseof business. Such disputes, taken in the aggregate, are not expected to have a material adverse effecton the Company. As of September 30, 2020, there were no pending or threatened lawsuits that could reasonably be expected to have a material effect on the results of the Company's operations. Thereare also no proceedings in which any of the Company's directors, officers, or affiliates is an adverseparty or has a material interest adverse to the Company's interest.

17. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT

The Company's financial instruments consist of cash, accounts receivable, other receivables, notes receivable, restricted cash, investments, accounts payable and accrued expenses, contingent consideration payable, notes payable, and derivative liabilities. The carrying values of these financial instruments approximate their fair values as of September 30, 2020 and December 31, 2019.

Financial instruments recorded at fair value are classified using a fair value hierarchy that reflects the significance of the inputs to fair value measurements. The three levels of hierarchy are:

Level 1 quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and

Level 3 inputs for the asset or liability that are not based on observable market data(unobservable inputs).

The fair value of the Company's cash, accounts receivable, other receivables, accounts payable and accrued expenses approximate the carrying value due to their short-term nature. The Company's restricted cash, and investments approximate fair value due to the nature of the instruments. The Company's notes receivable, convertible notes payable, and notes payable approximate fair value due to the instruments bearing market rate of interest.

There were no transfers between fair value levels during the nine months ended September 30, 2020 and the year ending December 31, 2019.

(a) Financial Risk Management

The Company is exposed in varying degrees to a variety of financial instruments related risks. The Board mitigates these risks by assessing, monitoring, and approving the Company's risk management processes.

(b) Credit Risk

Credit risk is the risk of loss associated with counterparty's inability to fulfill its payment obligations. The Company's credit risk is primarily attributable to cash, lease receivables, other receivables, and notes receivable. The Company's maximum credit risk exposure is equivalent to the carrying value of these instruments.

The risk exposure is limited to the carrying amounts at the statement of financial position date. The risk to cash deposits is mitigated by holding these instruments with regulated financial institutions. Lease receivables, notes receivables and other receivables credit risk arises from the possibility that principal and interest due may become uncollectible. The Company mitigates this risk by managing and monitoring the underlying business relationships.

As of September 30, 2020, the maximum credit exposure related to the carrying amounts of accounts receivable, notes receivable and lease receivable was $39,041.

(c) Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations associated with financial liabilities. The Company manages liquidity risk through the management of its capital structure. The Company's approach to managing liquidity is to raise sufficient capital to settle obligations and liabilities when due.

(d) Interest Rate Risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company's secured convertible notes with GGP (Note 10) bear interest at variable rates and is exposed to interest rate risk. If the LIBOR had increased by 1% during the nine months ended September 30, 2020, the Company's net loss would have increased by $240.

Amounts expressed in thousands of United States dollars unless otherwise stated

(e) Foreign Exchange Risk

The Company is exposed to exchange rate fluctuations between United States and Canadian dollars. The Company's share price is denominated in Canadian dollars. If the Canadian dollar declines against the United States dollar, the United States dollar amounts available to fund the Company through the exercise of stock options or warrants will be less. The Company also has bank accounts with balances in Canadian dollars. The value of these bank balances if converted to U.S. dollars will fluctuate. While the Company maintains a head office in Canada where it incurs expenses primarily denominated in Canadian dollars, such expenses are a small portion of overall expenses incurred by the Company. The Company does not have a practice of trading derivatives and does not engage in "natural hedging" for funds held in Canada.

The Company has determined that as at September 30, 2020, the effect of a 10% increase or decrease in the Canadian dollar against the U.S. dollar on financial assets and liabilities would result in an increase or decrease of approximately $109 to comprehensive loss for the nine months ended September 30, 2020.

(f) Other Price Risk

Price risk is the risk of variability in fair value due to movements in equity or market prices. The Company is subject to risk of prices to its products due to competitive or regulatory pressures.

18. SEGMENT INFORMATION

Operating segments are components of the Company that combine similar business activities, with activities grouped to facilitate the evaluation of business units and allocation of resources by the Company's board and management. As at September 30, 2020, the Company had two reportable segments:

- THC Cannabis – Production and cultivation of THC cannabis, manufacturing, and distribution of cannabis products to own dispensaries and third-party retail customers, ancillary services supporting wholesale operations, and retail sales direct to end consumers
- CBD Cannabis – Pure Ratios which encompasses the production and sale of CBD products to third-party customers

All of the Company's revenues were earned in the United States and all of the Company's non-financiallong-lived assets are located in the United States.

September 30, 2020	THC Cannabis	CBD Cannabis	Corporate	Total
Revenues	$ 34,556	$ 6,090	$ —	$ 40,646
Cost of goods sold	17,334	1,422	—	18,756
Depreciation and amortization	2,343	325	—	2,668
Interest income	23	—	48	71
Interest expense	340	14	11,337	11,691
Sale of legal claim	—	—	2,456	2,456
Share based compensation	—	—	3,792	3,792
Income (loss) before income taxes	4,328	(1,707)	(25,067)	(22,446)
Income taxes	3,427	—	2,000	5,427
Total assets	$ 182,717	$ 20,167	$ 5,123	$ 208,007

Amounts expressed in thousands of United States dollars unless otherwise stated

September 30, 2019	THC Cannabis	CBD Cannabis	Corporate	Total
Revenues	$ 9,553	$ 533	$ —	$ 10,086
Cost of goods sold	5,712	140	—	5,852
Depreciation and amortization	2,342	188	—	2,530
Interest income	—	—	15	15
Interest expense	144	6	3,557	3,707
Change in fair value of derivative	—	—	3,035	3,035
Other income	—	—	2,500	2,500
Share based compensation	—	—	4,200	4,200
Income (loss) before income taxes	(6,429)	199	(15,467)	(21,697)
Income taxes	440	—	—	440
Total assets	$ 293,380	$ 38,052	$ 11,725	$ 343,157

19. SUPPLEMENTARY CASH FLOW INFORMATION

Changes in non-cash working capital:

Changes in operating assets and liabilities	September 30, 2020	September 30, 2019
Accounts receivable	$ —	$ 4,009
Other receivables	325	—
Inventory	(5,769)	(2,992)
Prepaid expenses	530	90
Accounts payable	(2,177)	(1,141)
Accrued expenses and other liabilities	(1,256)	(405)
Taxes payable	5,759	(444)
	$ (2,588)	$ (883)

- Cash paid for interest in for nine months ended September 30, 2020 and 2019 was $6,260 and $1,849, respectively.
- Cash paid for income taxes for the nine months ended September 30, 2020 and 2019 was $Nil and $1,118, respectively.

20. INCOME TAXES

On July 31, 2019, the Company converted to a C corporation in the province of British Columbia for US tax purposes due to the reverse takeover of Cannex. Prior to July 31, 2019, the Company was classified as a Limited Liability Company (“LLC”) for US tax purposes. As such, prior to July 31, 2019, losses generated from operations were passes through to individual members.

The Company’s statutory U.S federal income tax rate is 21%. The Company’s provision for income taxes differs from applying the U.S. federal income tax rate to income before taxes primarily due to state income taxes, certain share-based compensation, warrants accretion, tax credits and miscellaneouspermanent differences.

Internal Revenue Code (“IRC”) Section 280E denies, at the US federal level, deductions, and credits attributable to a trade or business trafficking in controlled substances. Because the Company is subject to IRC Section 280E, the Company has computed its US tax based on gross receipts less cost of goods sold. The tax provision for the nine months ended September 30, 2020 and the year ended December 31, 2019, have been prepared based on the assumption that cost of goods sold is a valid expense for income tax purposes.

21. DISPOSALS AND DISCONTINUED OPERATIONS

On January 21, 2020, the Company sold two management companies that controlled two Arkansas cannabis licenses to a third party for $2 million. A gain of $2 million is included in gain on sale of subsidiaries in the Consolidated Statements of Operations and Comprehensive Loss. The entities sold had no operation through the sale date.

Amounts expressed in thousands of United States dollars unless otherwise stated

On February 22, 2019, the Company acquired PHX Interactive LLC and control of Greens Goddess Inc., an Arizona cannabis dispensary. On March 20, 2020, the Company completed the divestiture ofthese entities through a sale to a third party for $6 million in cash. On December 31, 2019, the Company tested the Greens Goddess goodwill for impairment and based on the sale price, recorded $1,091 in goodwill impairment. The Company paid a $348 fee to a lender in exchange for allowing the Company to sell the dispensary. This fee is recorded as a disposal cost and is netted with gains as part of gain onsale of subsidiaries in the Consolidated Statements of Operations and Comprehensive Loss. Revenue and expenses, gains or losses relating to the discontinuation of these operations have been eliminated from the profit or loss from the Company's continuing operations and are shown as part of a single line item in the condensed consolidated interim statements of operations and comprehensive loss.

The following sales of the Company's dispensaries and management companies were recorded as gains on sale of subsidiaries in the interim condensed consolidated statements of operations and comprehensive loss. Revenue and expenses, gains or losses relating to the discontinuation of these operations have been eliminated from profit or loss from the Company's continuing operations for all periods presented and are shown as part of a single line item in the interim condensed consolidated statements of operations and comprehensive loss.

On May 7, 2020, the Company completed the sale of the Mission Pennsylvania II LLC dispensary with a third party for $10.55 million in cash.

On September 1, 2020, the Company completed the sale of the Company's 79.5% interest in Arkansas Natural Products Management LLC, that manages an Arkansas dispensary. The Company received $1,384 in cash and a note receivable for $1,065 that is payable by March 15, 2021. If certain conditions are met, the payment will be due earlier. The note is secured by the buyer's interest in another Arkansas dispensary license.

On September 23, 2020, the Company completed the sale of one Maryland dispensary and two management companies that manage two additional Maryland dispensaries to a third party for $5.5 million in cash.

On September 30, 2020, the Company completed the sale of the Company's 80% interest in a Maryland management company that manages a Maryland dispensary. The buyer is the owner of the dispensary and paid $1,200 in cash.

The entities that were sold during the nine months ended September 30, 2020 were part of the Retail segment (Note 18). Below is a summary of the net income or loss from discontinued operations that is shown as a single line item for the three months ended September 30, 2020 and 2019

	Three Months Ended September 30,	
	2020	**2019**
REVENUE	$ 3,061	$ 2,940
Cost of goods gold, sale of purchased products	(1,950)	(1,753)
Gross profit	1,111	1,187
OPERATING EXPENSES		
Selling and marketing expenses	892	1,394
Depreciation and amortization	119	132
Gain on sale of subsidiary	(4,729)	—
Total operating (income) expenses	(3,718)	1,526
Income (Loss) from Operations	4,829	(339)
Interest (expense) benefit	(68)	65
Net Income (Loss) Before Income Taxes	4,761	(274)
Income Tax Expense	—	—
Net Income (Loss) After Income Tax Expense	$ 4,761	$ (274)

Amounts expressed in thousands of United States dollars unless otherwise stated

Below is a summary of the net income or loss from discontinued operations that is shown as a single line item for the nine months ended September 30, 2020 and 2019

	Nine Months Ended September 30,	
	2020	**2019**
REVENUE	$ 12,482	$ 8,028
Cost of goods gold, sale of purchased products	(8,057)	(4,849)
Gross profit	4,425	3,179
OPERATING EXPENSES		
Selling and marketing expenses	3,899	3,537
Depreciation and amortization	472	414
Gain on sale of subsidiary	(15,940)	—
Total operating (income) expenses	(11,569)	3,951
Income (Loss) from Operations	15,994	(772)
Interest expense	(109)	(41)
Net Income (Loss) Before Income Taxes	15,885	(813)
Income Tax Expense	(412)	(411)
Net Income (Loss) After Income Tax Expense	$ 15,473	$ (1,224)

Cash flows generated by the discontinued operations are reported as a single line item in each section of the condensed consolidated interim statements of cash flows and are summarized as follows:

	Nine Months Ended September 30,	
	2020	**2019**
Net Cash Used in Operating Activities	$ 12,888	$ (1,699)
Net Cash Used in Investing Activities	(14)	(2,016)
Net Cash Provided by Financing Activities	—	4,049
Cash Flows From Discontinued Operations	$ 12,874	$ 334

22. SUBSEQUENT EVENTS

(a) Bought Deal Public Offering

On November 23, 2020, the Company announced it had completed its bought deal prospectus offering for aggregate proceeds of C$17,251,150, including full exercise of the over-allotment option granted to the underwriters.

Pursuant to the offering, the Company issued a total of 24,644,500 units at a price of C$0.70 per unit. Each unit consists of one Class A subordinate voting share in the capital of the Company, and one-half of one Class A subordinate voting share purchase warrant of the Company. Each whole Warrant shall entitle the holder thereof to acquire one Class A subordinate share of the Company at an exercise price per Warrant Share of C$0.90 for a period of 24 months from the closing date of the offering.

(b) Sale-Leaseback Transaction Agreements

The Company announced on October 27, 2020, that it had entered into definitive purchase and sale agreements with an affiliate of Innovative Industrial Properties, Inc., to provide the sale and leaseback of its cultivation and production facilities in Tumwater, WA and Georgetown, MA.

The all cash sale price of $30,000 will be used by the Company to pay down the outstanding senior secured debt obligation to affiliates of Gotham Green Partners, and for other general corporate purposes. The transaction is subject to various closing conditions, including standard property/title inspections and appraisals and is scheduled to close in early December.

In accordance with the terms of the transaction, the Company will occupy the Georgetown, MA facility and will continue to sublease the Tumwater, WA facility to a related party pursuant to 20-year lease agreements, with two 5-year extensions exercisable at the Company’s discretion.

(c) California Manufacturing Facility

The Company announced on November 24, 2020 that its fully funded 185,000 square foot production facility in Commerce, California is nearing completion and is targeted to be completed in April 2021.

The automated facility will have the ability to produce over ten times the current capacity of the Company's Washington production hub, which is currently the number one producer of derivative cannabis products in Washington state.