Columbia Care Inc.

Condensed Interim Consolidated Financial Statements (Unaudited)

For the three months ended March 31, 2021 and 2020

(Expressed in U.S. dollars)

COLUMBIA CARE INC.
CONDENSED INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(expressed in thousands of U.S. dollars)
(unaudited)

	Note	March 31, 2021	December 31, 2020
Assets			
Current assets:			
Cash		$ 176,498	$ 61,111
Accounts receivable		6,282	7,414
Inventory	***3***	118,606	111,549
Biological assets	***4***	26,952	18,752
Prepaid expenses and other current assets		10,587	11,389
Assets held for sale	***17***	3,483	3,483
Total current assets		342,408	213,698
Property and equipment	***8***	119,971	114,400
Right of use assets		189,746	187,715
Restricted cash	***6***	10,858	10,858
Long-term deposits	***6***	9,480	9,271
Goodwill	***6***	137,796	132,808
Intangible assets	***6,16***	107,504	100,342
Notes receivable	***6,9***	16,026	15,832
Other non-current assets		7,816	7,667
Total assets		$ 941,605	$ 792,591
Liabilities and Equity			
Current liabilities:			
Accounts payable		$ 23,813	$ 18,466
Accrued expenses and other current liabilities		49,117	45,330
Contingent consideration	***6***	48,202	48,202
Current portion of lease liability		10,366	9,937
Current portion of long-term debt	***5,6***	10,496	8,439
Derivative liability		17,288	17,109
Liabilities held for sale	***17***	1,483	1,483
Total current liabilities		160,765	148,966
Long-term debt	***5***	77,116	76,090
Deferred taxes		36,075	32,400
Long-term lease liability		202,753	200,741
Other long-term liabilities		11,745	12,518
Total liabilities		488,454	470,715
Equity:			
Equity attributable to Columbia Care Inc.	***10***	472,776	341,589
Non-controlling interest	***19***	(19,625)	(19,713)
Total shareholders' equity		453,151	321,876
Total liabilities and equity		$ 941,605	$ 792,591

Operations of the Company (Note 1)
Commitments and contingencies (Note 14)
Subsequent events (Note 20)

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

COLUMBIA CARE INC.

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS
(expressed in thousands of U.S. dollars, except for number of shares and per share amounts)
(unaudited)

	Note	Three months ended March 31, 2021	2020
Revenues, net of discounts		$ 86,095	$ 26,323
Cost of sales		(51,101)	(18,290)
Gross profit before change in fair value adjustments of biological assets		34,994	8,033
Fair value adjustments:			
Change in fair value of biological assets included in inventory sold		(29,112)	(14,550)
Unrealized gain on changes in fair value of biological assets and inventory	***4***	39,145	19,108
Total fair value adjustments		10,033	4,558
Gross margin		45,027	12,591
Operating expenses:			
Selling, general and administrative		39,847	24,453
Share-based compensation		7,669	7,116
Total operating expenses		(47,516)	(31,569)
Loss from operations		(2,489)	(18,978)
Other expense:			
Change in fair value of derivative liability		(179)	—
Interest (expense) income, net		(3,856)	693
Interest expense related to lease liabilities		(3,717)	(1,490)
Other expense, net		(75)	(163)
Total other expense		(7,827)	(960)
Loss before provision for income taxes		(10,316)	(19,938)
Income tax expense		(5,009)	(710)
Net loss and comprehensive loss		(15,325)	(20,648)
Net income (loss) attributable to non-controlling interests	***19***	88	(538)
Net loss attributable to shareholders		$ (15,413)	$ (20,110)
Weighted-average number of shares used in earnings per share - basic and diluted		294,815,943	216,539,508
Loss attributable to shares (basic and diluted)	***13***	$ (0.05)	$ (0.09)

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

COLUMBIA CARE INC.
CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
(expressed in thousands of U.S. dollars, except for number of shares)
(unaudited)

	Share Capital				Total Columbia Care Inc.	Non-Controlling	Total Shareholders'
	Shares	Amount	Reserves	Deficit	Shareholders' Equity	Interest	Equity
Balance as of December 31, 2019	**216,529,181**	**$ 354,926**	**$ 89,550**	**$ (176,202)**	**$ 268,274**	**$ (1,342)**	**$ 266,932**
Equity-based compensation	15,384	7,116	—	—	7,116	—	7,116
Cancellation of restricted stock awards	(7,534)	—	—	—	—	—	—
Warrants issued with debt	—	—	1,403	—	1,403	—	1,403
Net loss	—	—	—	(20,110)	(20,110)	(538)	(20,648)
Balance as of March 31, 2020	**216,537,031**	**$ 362,042**	**$ 90,953**	**$ (196,312)**	**$ 256,683**	**$ (1,880)**	**$ 254,803**
Balance as of December 31, 2020	**276,511,831**	**$ 533,735**	**$ 112,457**	**$ (304,603)**	**$ 341,589**	**$ (19,713)**	**$ 321,876**
Equity-based compensation (1)	190,925	461	7,208	—	7,669	—	7,669
Issuance of shares, net	21,792,500	133,151		—	133,151	—	133,151
Issuance of shares in connection with acquisitions	971,541	4,972	—	—	4,972	—	4,972
Cancellation of restricted stock awards	(21,847)	—	—	—	—	—	—
Warrants exercised	262,200	808	—	—	808	—	808
Net loss	—	—	—	(15,413)	(15,413)	88	(15,325)
Balance as of March 31, 2021	**299,707,150**	**$ 673,127**	**$ 119,665**	**$ (320,016)**	**$ 472,776**	**$ (19,625)**	**$ 453,151**

(1) The amounts are shown net of any shares withheld by the Company to satisfy certain tax withholdings in connection with vesting of equity-based awards.

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

COLUMBIA CARE INC.
CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS
(expressed in thousands of U.S. dollars)
(unaudited)

	Three months ended March 31, 2021	Three months ended March 31, 2020
Cash flows from operating activities:		
Net loss	$ (15,325)	$ (20,648)
Adjustments to reconcile net loss to net cash provided by (used in) operating activities:		
Depreciation and amortization	12,095	5,728
Equity-based compensation	7,669	7,116
Debt amortization expense	1,242	—
Change in fair value of biological assets	(10,033)	(4,558)
Deferred taxes	656	—
Other	480	483
Changes in operating assets and liabilities		
Accounts receivable	1,131	(25)
Biological assets	1,832	360
Inventory	(6,617)	(5,693)
Prepaid expenses and other current assets	658	3,802
Other assets	(5,660)	(5,801)
Accounts payable, accrued expenses and other current liabilities	6,001	3,266
Other long-term liabilities	4,603	5,540
Net cash used in operating activities	(1,268)	(10,430)
Cash flows from investing activities:		
Purchases of property and equipment	(7,232)	(22,940)
Cash paid for acquisitions, net of cash acquired	(2,727)	—
Cash for loan under CannAscend and Corsa Verde agreements	(209)	(150)
Cash paid for deposits	(2,138)	(2,004)
Cash received from deposits	2,164	2,278
Net cash used in investing activities	(10,142)	(22,816)
Cash flows from financing activities:		
Issuance of common shares, net of issuance costs	133,559	—
Equity issuance costs	(122)	—
Net proceeds from issuance of debt	—	14,250
Payment of lease liabilities	(3,570)	(1,610)
Exercise of warrants	808	—
Repayment of debt	(3,878)	—
Net cash provided by financing activities	126,797	12,640
Net increase (decrease) in cash	115,387	(20,606)
Cash at beginning of the period	61,111	47,464
Cash at end of period	$ 176,498	$ 26,858
Supplemental disclosure of cash flow information:		
Cash paid for interest on other obligations	$ 438	$ 157
Cash paid for interest on lease obligations	$ 3,717	$ 1,490
Cash paid for income taxes	$ 135	$ —
Supplemental disclosure of non-cash investing and financing activities:		
Non-cash fixed asset additions within accounts payable and accrued expenses	$ 2,455	$ 13,223
Issuance of warrants	$ —	$ 1,403
Non-cash equity issuance costs within accounts payable and accrued expenses	$ 286	$ 250
Shares issued in connection with acquisition	$ 4,972	$ —

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

1. OPERATIONS OF THE COMPANY

Columbia Care Inc. ("the Company" or "the Parent") was incorporated under the laws of the Province of Ontario on August 13, 2018. The Company's principal mission is to improve lives by providing cannabis-based health and wellness solutions and derivative products to qualified patients and consumers. The Company's head office and principal address is 680 Fifth Ave. 24th Floor, New York, New York 10019. The Company's registered and records office address is 666 Burrard St #1700, Vancouver, British Columbia V6C 2X8. The Company's Common Shares are listed on the Aequitas NEO exchange, trading under the symbol "CCHW", the Canadian Securities Exchange under the symbol "CCHW", the OTCQX Best Market under the symbol "CCHWF" and on the Frankfurt Stock Exchange under the symbol "3LP".

In March 2020, the World Health Organization declared coronavirus COVID-19 a global pandemic. The outbreak of this contagious disease, along with the related adverse public health developments, have negatively affected workforces, economies and financial markets on a global scale. The Company incurred lower revenues, and additional expenditures related to COVID-19 during the first half of 2020. During the first half of 2020, the Company's operations in Massachusetts were affected by a temporary shutdown of adult-use operations and in Illinois and California by rules related to social distancing and limiting the Company's retail operations to curb-side pick-up. The Company's operating results were not materially impacted during the second half of 2020. Currently, the Company is closely monitoring the impact of the pandemic on all aspects of its business and it is not possible for the Company to predict the duration or magnitude of the adverse results of the outbreak and its effects on the Company's business or results of operations.

The Company is subject to risks common in the life sciences and consumer products industries including, but not limited to, compliance with government regulations, regulatory approvals, competitive markets, new technological innovations, protection of proprietary technology, dependence on key personnel, uncertainty of market acceptance and the need to obtain additional financing.

While cannabis and CBD-infused products are legal under the laws of several U.S. states (with varying restrictions applicable), 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 use under medical supervision.

In recent years, a temporary federal legislative enactment that prohibits the Department of Justice from expending appropriated funds to enforce federal laws that interfere with a state's implementation of its own medical marijuana laws has been included in multiple Appropriations laws passed Congress. This so-called budget rider is known as the Rohrbacher-Farr Amendment after its original sponsors. The Rohrbacher-Farr Amendment has been included in successive appropriations legislation or resolutions since 2015. The Rohrbacher-Farr Amendment was extended most recently in the Omnibus Appropriations Act of 2021, which funds the agencies of the federal government through September 30, 2021. Notably, the Rohrbacher-Farr Amendment has applied only to medical marijuana programs and has not provided the same protections to enforcement against adult-use activities.

These condensed interim consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS").

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

These condensed interim consolidated financial statements have been prepared in accordance with International Accounting Standards ("IAS") 34, Interim Financial Reporting, as issued by the International Accounting Standards Board ("IASB") and should be read in conjunction with the Company's audited consolidated financial statements as of and for the year ended December 31, 2020. These financial statements do not include all disclosures required for a complete set of IFRS financial statements. However, selected explanatory notes are included to explain events and transactions deemed significant to provide an understanding of the changes in the Company's financial position and performance since its most recent annual financial statements. These financial statements are presented in U.S. dollars. The Canadian dollar serves as the functional currency of the Company and the Company's subsidiaries all use the U.S. dollar as their functional currency.

(expressed in thousands of U.S. dollars, except for gram, share and per share amounts)

These condensed interim consolidated financial statements were approved and authorized by the board of directors of the Company on May 14, 2021.

Significant Accounting Judgments, Estimates and Assumptions

The preparation of the Company's condensed interim 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 judgments made by management in applying the Company's accounting policies and the key sources of estimation uncertainty were consistent with those described in the Company's most recent annual consolidated financial statements.

3. INVENTORY

Details of the Company's inventory are shown in the table below:

	Capitalized cost	Biological asset fair value adjustment	Carrying amount
Work-in-process - cannabis in cures and final vault	$ 28,205	$ 60,509	$ 88,714
Finished goods - dried cannabis, concentrate and edible products	22,358	—	22,358
Accessories and supplies	477	—	477
Carrying amount, December 31, 2020	**$ 51,040**	**$ 60,509**	**$ 111,549**
Work-in-process - cannabis in cures and final vault	$ 33,039	$ 58,519	$ 91,558
Finished goods - dried cannabis, concentrate and edible products	26,525	—	26,525
Accessories and supplies	523	—	523
Carrying amount, March 31, 2021	**$ 60,087**	**$ 58,519**	**$ 118,606**

(expressed in thousands of U.S. dollars, except for gram, share and per share amounts)

Inventories consist of the capitalized inventory costs and the fair value adjustment on biological assets. The capitalized cost component of inventories represents the amount of cost before any fair value adjustments transferred to inventory through unrealized fair value gains recognized on the transformation of biological assets. The biological asset fair value adjustment is exclusive of any cash outlays and represents the non-cash fair value incremental adjustment arising from the transformation of biological assets transferred to inventory as deemed cost. Together, the capitalized cost and the incremental biological asset fair value adjustments comprise the total carrying amount of inventory.

4. BIOLOGICAL ASSETS

Biological assets consist of actively growing cannabis plants expected to be harvested as agricultural produce. The changes in the carrying amount of the biological assets are shown in the table below:

Carrying amount, December 31, 2019	**$**	**13,079**
Changes in fair value less costs to sell		
due to biological transformation		19,108
Production costs capitalized		3,518
Transferred to inventories upon harvest		(18,427)
Carrying amount, March 31, 2020	**$**	**17,278**
Carrying amount, December 31, 2020	**$**	**18,752**
Changes in fair value less costs to sell		
due to biological transformation		39,145
Production costs capitalized		4,262
Transferred to inventories upon harvest		(35,207)
Carrying amount, March 31, 2021	**$**	**26,952**

The Company’s biological assets consist of unharvested cannabis plants and are presented at their fair values less costs to sell up to the point of harvest. The valuation of these biological assets is obtained using a specific valuation technique where the inputs are based upon unobservable market data (Level 3 in the fair value hierarchy).

The valuation of biological assets is based on a market approach where fair value at the point of harvest is estimated based on future selling prices less the costs to sell at harvest. For in-process biological assets, the estimated fair value at the point of harvest is adjusted based on the plants’ stage of growth, which is determined by reference to days remaining to harvest over the average growth cycle.

The Company's estimates are subject to changes that could result from volatility of market prices, unanticipated regulatory changes, harvest yields, loss of crops, changes in estimates and other uncontrollable factors that could significantly affect the future fair value of biological assets.

These estimates include the following assumptions:

i. Selling prices per gram were determined by estimating the Company’s average selling price for each respective period. The Company’s average selling price for the three months ended March 31, 2021 and 2020 was $4.91 and $13.07 per gram, respectively;
ii. The stage of plant growth at which point of harvest is determined. As of March 31, 2021 and December 31, 2020, the biological assets were on average 51% and 54% completed, respectively;
iii. Selling and other fulfillment costs were determined by estimating the Company's average cost per gram, which was $0.29 and $2.05 per gram and equivalent gram of cannabis sold for the three months ended March 31, 2021 and 2020, respectively;

(expressed in thousands of U.S. dollars, except for gram, share and per share amounts)

iv. Expected yield per plant varies by strain and is estimated through historical growing results or grower estimate if historical results are not available. The Company's average dry yield per plant for the three months ended March 31, 2021 and 2020 was 140 and 151 grams per plant, respectively.

Significant unobservable assumptions used in the valuation of biological assets, including the sensitivities on changes in these assumptions and their effect on the fair value of biological assets, are shown in the table below:

	Range of inputs as on			Effect on fair value	
Significant assumptions	**March 31, 2021**	**December 31, 2020**	**Sensitivity**	**March 31, 2021**	**December 31, 2020**
Selling price per gram	$1.78 to $10.98	$1.59 to $11.25 per gram	Increase by $1.00 per gram	$ 6,511	$ 6,435
Stage of growth	35% to 64%	26% to 59%	Increase by 5%	$ 2,344	$ 1,768
Selling and other fulfillment costs per gram	$0 to $4.91	$0 to $4.91 per gram	Increase by $1.00 per gram	$ (6,511)	$ (6,436)
Expected dry yield per plant	61.85 to 211.66 grams per plant	46 to 220 grams per plant	Increase by 5 grams per plant	$ 944	$ 804

The Company's estimates are subject to change and differences from the anticipated yield will be recognized as gain or loss on biological assets in future periods.

The Company's estimates and assumptions reflect differences in regulation restrictions applicable to the states in which the Company operates. For states other than New York, selling prices per gram were calculated using the Company's average selling price of dried cannabis that does not involve any extraction or other processing activities, to reflect the value of such products up to the point of harvest. For New York, where only sales of concentrate and edible products were permitted through March 31, 2020, selling prices per gram and yield per plant were calculated based on the Company's average selling price of concentrate products and dry weight equivalent grams of such products in the fair value calculation. Subsequent to March 31, 2020, in New York, selling prices per gram were calculated using the Company's average selling price for packaged flower.

5. CURRENT AND LONG-TERM DEBT

Current and long-term obligations, net, are shown in the table below:

	March 31, 2021	December 31, 2020
Term debt	$ 69,965	$ 69,965
Convertible debt	18,760	18,760
Closing Promissory Notes (see Note 7)	10,899	8,776
Unamortized debt discount	(9,718)	(10,500)
Unamortized debt premium	537	607
Unamortized deferred financing costs	(2,831)	(3,079)
Total debt	87,612	84,529
Less current portion	(10,496)	(8,439)
Long-term portion	$ 77,116	$ 76,090

(expressed in thousands of U.S. dollars, except for gram, share and per share amounts)

The following table summarizes the scheduled principal payments on the Company's outstanding indebtedness as of March 31, 2021:

Year ending	Term debt	Convertible debt	Closing Promissory Notes	Total
Due in Year 1	$ —	—	$ 6,024	$ 6,024
Due in Years 2-5	69,965	18,760	4,875	93,600
Due in 5+ Years	—	—	—	—
Total future debt maturities	$ 69,965	$ 18,760	$ 10,899	$ 99,624

The Company was in compliance with all financial covenants and was not in default of any provisions under any of its debt arrangements as of March 31, 2021.

Term debt

On March 31, 2020 and April 23, 2020, the Company completed the first and second tranches of a private placement of notes ("Private Notes") for an aggregate principal amount of $14,250 and $1,000, respectively. The Private Notes required interest-only payments through March 30, 2024, at a rate of 9.875% per annum, payable semi-annually on March 31 and September 30 commencing on September 30, 2020. The Private Notes were due in full on March 30, 2024. In connection with the first and second tranche offerings of the Private Notes, the Company issued 1,723,250 common share purchase warrants at an exercise price of $3.10 (Canadian Dollars).

On May 14, 2020, the Company completed a private placement of an aggregate of 19,115 senior secured first-lien note units (the "May Units") for aggregate gross proceeds of $19,115, each May Unit being comprised of (i) $1,000 principal amount of 13.00% senior secured first-lien notes ("Notes") and (ii) 120 Common Share purchase warrants (the "May Warrants") with an exercise price of $2.95 (Canadian Dollars) per underlying Common Share (the "May Private Placement"). Concurrent with the closing of the May Private Placement, the Private Notes were exchanged for Notes. In addition, holders of Private Notes were issued additional 130,388 May Warrants with an exercise price of $2.95 (Canadian Dollars).

On July 2, 2020, the Company completed a second private placement of an aggregate of 4,000 units (the "July Units") for aggregate gross proceeds of $4,000, each July Unit being comprised of (i) $1,000 Notes and (ii) 75 Common Share purchase warrants (the "July Warrants") with an exercise price of $4.53 (Canadian Dollars) per underlying Common Share.

On October 29, 2020, November 10, 2020 and November 27, 2020, the Company completed private placements of an aggregate of 20,000, 8,400 and 3,000 units (the "Early November Units"), respectively, for aggregate gross proceeds of $32,054, each unit being comprised of (i) $1,000 Notes and (ii) 60 Common Share purchase warrants (the "Fall Warrants" and together with the May Warrants and July Warrants, the "Warrants") with an exercise price of $5.84 (Canadian Dollars) per underlying Common Share.

On November 30, 2020, the Company completed another private placement of an aggregate of 200 units the "Late November Units" and together with the May Units, the July Units and the Early November Units, the "Units"), respectively for aggregate gross proceeds of $200, each unit being comprised of (i) $1,000 Notes and (ii) 125 Fall Warrants.

As of March 31, 2021 and December 31, 2020, the aggregate principal amount outstanding under the Notes was $69,965.

At the option of the holder, each Warrant can be exchanged for one Common Share. The Warrants expire on May 14, 2023.

(expressed in thousands of U.S. dollars, except for gram, share and per share amounts)

The Notes require interest-only payments through May 14, 2023, at a rate of 13.0% per annum, payable semi-annually on May 31 and November 30, which commenced on November 30, 2020. The Notes are due in full on May 15, 2023. The Company incurred financing costs of $3,373 in connection with the issuance of these Notes. The Notes contain customary terms and conditions, representations and warranties, and events of default.

Upon initial recognition, the Company recorded $6,295 to equity reserves, reflecting the fair value of the warrants issued, with a corresponding reduction to the carrying value of the Notes. The debt discount will be amortized to interest expense over the term of the notes using the effective interest method. During the three months ended March 31, 2021, the Company recognized amortization expense of $464 related to the discount on the Notes.

The fair value of the warrants included in the private placement were calculated using the Black-Scholes model with the following assumptions:

Expected volatility	80%
Expected term (years)	3.00
Expected dividends	0.00%
Risk-free interest rate	0.50%

Volatility was estimated by using the average historical volatility of comparable companies from a representative peer group of publicly traded cannabis companies.

Convertible Debt

On June 19, 2020, the Company completed the first tranche of an offering of senior secured convertible notes (“Convertible Notes”) for an aggregate principal amount of $12,800. During July 2020, the Company completed subsequent tranches for an aggregate principal amount of $5,960. As of March 31, 2021 and December 31, 2020, total outstanding on the Convertible Notes was $18,760. The Convertible Notes can be exchanged into Common Shares at a conversion price of $3.79 (Canadian Dollars). For the purposes of determining the number of Common Shares issuable upon conversion of the Convertible Notes, the principal amount of the Convertible Notes surrendered for conversion shall be deemed converted from U.S. Dollars into Canadian Dollars, using the end-of-day exchange rate published by the Bank of Canada on the date immediately preceding the date that the Convertible Note is surrendered for conversion.

The Convertible Notes require interest-only payments until December 19, 2023, at a rate of 5.0% per annum, payable semi-annually on June 30 and December 31 commencing on December 31, 2020. The Convertible Notes are due in full on December 19, 2023. The Company incurred financing costs of $175 in connection with issuance of the Convertible Notes.

The Company determined that the Convertible Notes represent an obligation to issue a variable number of shares for a variable amount of liability, as the amount of the liability to be settled depends on the applicable foreign exchange rate at the date of settlement. In accordance with IAS 32, a conversion feature within a financial instrument to issue a variable number of equity units fails to meet the definition of equity. Accordingly, such a conversion feature must be accounted for as an embedded derivative liability and measured at fair value with changes in fair value recognized in the condensed interim consolidated statements of operations. Upon initial recognition, the Company recorded a derivative liability of $5,364 within other long-term liabilities in the condensed interim consolidated statements of financial position and a corresponding debt discount, reflected as a reduction to the carrying value of the Convertible Notes. The debt discount will be amortized over the term of the Convertible Notes. As of March 31, 2021 and December 31, 2020, the fair value of the derivative liability was $17,288 and $17,109, respectively. During the three months ended March 31, 2021, the fair value of the derivative increased by $179 and is recorded in other expense in the condensed interim consolidated statement of operations. Refer to Note 15 for details regarding fair value measurement. During three months ended March 31, 2021, the Company recognized amortization expense of $383 related to the Convertible Notes.

In April 2021, the Company offered an incentive program to the holders of the Convertible Notes, pursuant to which, the Company would issue to each noteholder that surrendered its Convertible Notes for conversion on or before May

(expressed in thousands of U.S. dollars, except for gram, share and per share amounts)

28, 2021, 20 Common Shares of the Company on a private placement basis for each US$1,000 aggregate principal amount of Notes surrendered for conversion.

6. ACQUISITIONS

The Healing Center San Diego (THCSD)

On January 6, 2021, the Company acquired (the "THCSD Transaction") a 100% ownership interest in The Healing Center of San Diego, Inc. ("THCSD").

THCSD was formed in 2016 for the purpose of selling recreational and related cannabis products in San Diego, California, where it owns and operates a dispensary. The Company executed the THCSD Transaction in order to continue to grow revenues; expand its dispensaries; and penetrate the San Diego market.

The aggregate purchase price for the THCSD Transaction, being $14,115 consisted of; $3,425 in cash consideration, $5,718 in promissory notes ("Closing Promissory Notes") and $4,972 in equity purchase consideration ("Closing Shares"). Equity purchase consideration comprised 971,541 Common Shares which were issued on January 6, 2021. The Closing Promissory Notes were issued with a debt discount of $282 and require sixteen quarterly payments of $375 of principal, plus accrued and unpaid interest thereon at a rate of 8.0% per annum, beginning on April 6, 2021, through maturity on December 16, 2024.

The following table summarizes the fair value of total consideration transferred and the fair value of each major class of consideration for the THCSD Transaction:

Consideration transferred		
Cash consideration	$	3,425
Closing promissory notes		5,718
Closing Shares		4,972
Total unadjusted purchase price		14,115
Less: Cash and cash equivalents acquired		(698)
Total purchase price, net of cash and cash equivalents acquired	$	13,417

Recognized amounts of identifiable assets acquired and liabilities assumed, less cash assumed:

Purchase price allocation		
Assets acquired:		
Inventory	$	597
Prepaid expenses and other current assets		91
Property and equipment		619
Right of use assets		635
Goodwill		4,988
Intangible assets		10,068
Other long term assets		466
Accounts payable		(133)
Accrued expenses and other current liabilities		(260)
Lease liabilities		(635)
Deferred tax liabilities		(3,019)
Consideration transferred	$	13,417

The purchase price allocations for the THCSD Transaction reflects various fair value estimates and analyses, which are subject to change within the respective measurement periods. The primary areas of the purchase price allocations that are subject to change relate to the fair values of certain tangible assets, the valuation of intangible assets acquired and residual goodwill. The Company expects to continue to obtain information to assist in determining the fair value of the net assets acquired at each acquisition date during the measurement periods. Measurement period adjustments that the Company determines to be material will be applied retrospectively to the period of acquisition in the Company's consolidated financial statements, and, depending on the nature of the adjustments, other periods subsequent to the period of acquisition could also be affected. The Company expects to finalize the accounting for the THCSD Transaction by June 30, 2021.

The Company determined the estimated fair value of the acquired working capital, and identifiable intangible assets and goodwill after review and consideration of relevant information including discounted cash flow analyses, market data and management's estimates, prepared by an independent valuation firm. The estimated fair value of acquired working capital was determined to approximate carrying value.

For leases acquired, the Company measured the lease liability at the present value of the remaining lease payments, as if the acquired lease were a new lease at the acquisition date. The Company measured the right-of-use asset at the same amount as the lease liability, adjusted to reflect favorable or unfavorable terms of the lease when compared with market terms.

The goodwill arising from the THCSD Transaction consists of expected synergies from combining operations of the Company and Acquiree, and intangible assets not qualifying for separate recognition such as formulations, proprietary technologies and acquired know-how. None of the goodwill will be deductible for tax purposes.

THCSD's state licenses and trade name represented identifiable intangible assets acquired in the amounts of $8,330 and $1,738, respectively, which were each determined to have a definite useful life of 10 years.

In conjunction with the THCSD Transaction, the Company expensed $85 of acquisition-related costs, which have been included in selling, general and administrative expenses on the Company's statement of comprehensive income. THCSD's acquisition-related costs in the amount of $198 were expensed in THCSD's pre-acquisition consolidated financial statements.

Since the closing date of the THCSD Transaction, $2,641 of revenue and $259 of net income of THCSD have been included in the consolidated statement of operations for the three twelve months ended March 31, 2021.

Project Cannabis

On December 1, 2020, the Company acquired (the "Project Cannabis Transaction") a 100% ownership interest in Resource Referral Services Inc., PHC Facilities Inc. and Wellness Earth Energy Dispensary, Inc., and acquired a 49.9% ownership interest in Access Bryant SPC (collectively, "Project Cannabis").

Project Cannabis was formed in August 2014 for the purpose of selling medicinal and recreational cannabis products in the state of California, on both a wholesale and retail basis. Project Cannabis owns and operates vertically integrated cultivation facilities, manufacturing facilities and retail dispensaries in the state of California. The Company executed the Project Cannabis Transaction in order to continue to grow revenues; expand its cultivation facilities, manufacturing facilities and dispensaries; and penetrate the California market.

As a part of the Project Cannabis Transaction, the Company was also granted a real estate purchase option of $16,500. The amount is anticipated to be paid to the sellers in the form of cash and assumption of debt on or prior to May 30, 2021.

The aggregate purchase price for the Project Cannabis Transaction, being $39,029, consisted of $35,273 in equity purchase consideration ("Closing Shares"), $3,400 of deferred stock payments ("Deferred Stock Consideration"), and a working capital adjustment of $356. Purchase consideration comprised 15,713,867 Common Shares, of which, 1,528,881 Common Shares are subject to a lock-up period of 18 months following the date of issuance, for the purpose of funding any potential indemnification obligations of the seller.

(expressed in thousands of U.S. dollars, except for gram, share and per share amounts)

The following table summarizes the fair value of total consideration transferred and the fair value of each major class of consideration for Project Cannabis:

Consideration transferred		
Closing Shares	$	35,273
Deferred stock payments		3,400
Total unadjusted purchase price		38,673
Working capital adjustment		356
Total adjusted purchase price		39,029
Less: Cash acquired		(877)
Total purchase price	$	38,152

Recognized amounts of identifiable assets acquired and liabilities assumed, less cash assumed:

Purchase price allocation		
Assets acquired:		
Accounts receivable	$	1,568
Inventory		2,795
Biological assets		1,720
Prepaid expenses and other current assets		699
Property and equipment		632
Right of use assets		1,587
Long-term deposits		38
Goodwill		22,008
Intangible assets		18,020
Other non-current assets		5,221
Accounts payable		(121)
Accrued expenses and other current liabilities		(3,431)
Lease liabilities		(1,587)
Deferred tax liability		(5,776)
Other long-term liabilities		(5,221)
Consideration transferred	$	38,152

Since the closing date of the Project Cannabis Transaction, $2,714 of revenue and $2,176 of net income of Project Cannabis have been included in the Company’s consolidated statement of operations and comprehensive loss for the year ended December 31, 2020. $9,293 of revenue and $1,058 of net income of Project Cannabis have been included in the Company’s condensed interim consolidated statement of operations and comprehensive loss for the three months ended March 31, 2021, each respectively.

The Green Solution

On September 1, 2020, the Company acquired (the “TGS Transaction”) a 100% ownership interest in TGS Global, LLC (“TGS Global”), TGS Colorado Management, LLC, The Green Solution LLC, Rocky Mountain Tillage, LLC, and Infuzionz, LLC and Beacon Holdings, LLC (collectively, “TGS”).

TGS Global was formed in October 2010 for the purpose of selling medicinal and recreational cannabis products in the state of Colorado. TGS Global owns and operates vertically integrated cultivation facilities, manufacturing facilities and retail dispensaries in the state of Colorado. The Company executed the TGS Transaction in order to continue to grow revenues; expand its cultivation facilities, manufacturing facilities and dispensaries; and enter the Colorado market.

(expressed in thousands of U.S. dollars, except for gram, share and per share amounts)

The aggregate purchase price for the TGS Transaction, being $143,581 consisted of $200 in cash consideration, $8,170 in promissory notes ("TGS Closing Promissory Notes"), $108,766 in equity purchase consideration ("Closing Shares"), and contingent consideration ("Milestone Shares") of $26,445. Equity purchase consideration comprised 33,222,900 Common Shares of which 32,955,987 were issued on September 1, 2020 and the remaining 266,913 Common Shares were issued during the fourth quarter of 2020. The TGS Closing Promissory Notes were issued with a debt discount of $606 and require monthly interest payments at a rate of 9.0% per annum. The TGS Closing Promissory Notes require principal payments of $3,750, $3,750 and $1,276 and are due on January 1, 2021, April 1, 2021 and July 1, 2021, respectively. During the three months ended March 31, 2021, the Company paid down $3,878 on the TGS Closing Promissory Notes.

The following table summarizes the fair value of total consideration transferred and the fair value of each major class of consideration for TGS:

Consideration transferred		
Cash consideration	$	200
Closing promissory notes		8,170
Closing Shares		108,766
Milestone Shares after closing (contingent consideration)		26,445
Total unadjusted purchase price		143,581
Less: Cash and cash equivalents acquired		(3,203)
Total purchase price, net of cash and cash equivalents acquired	$	140,378

Recognized amounts of identifiable assets acquired and liabilities assumed, less cash assumed:

Purchase price allocation		
Assets acquired:		
Accounts receivable	$	367
Inventory		10,700
Biological assets		5,054
Prepaid expenses and other current assets		796
Property and equipment		11,838
Right of use assets		81,206
Long-term deposits		2,174
Goodwill		110,800
Intangible assets		70,267
Accounts payable		(5,204)
Accrued expenses and other current liabilities		(15,427)
Note payable		(16,855)
Lease liabilities		(95,954)
Deferred tax liabilities		(19,384)
Consideration transferred	$	140,378

The purchase price allocations for the TGS Transaction reflect various fair value estimates and analyses relating to the determination of fair values of certain tangible and intangible assets acquired and residual goodwill. The contingent consideration, payable in Common Shares (the "Milestone Shares") of the Company, was estimated considering certain metrics for the year ended December 31, 2020, subject to the terms and conditions set forth in the Membership Interest Purchase Agreement ("MIPA") entered into by the Company in connection with the TGS Transaction. The fair value of the contingent consideration was estimated by an independent valuation firm, based upon management's projections of revenue and EBITDA margin, by applying a probability weighted expected return method ("PWERM") analysis. This fair value measurement was based on significant inputs that are not observable in the market, and represent a level 3 fair value measurement, including those relating to discount factors and probabilities of achievement of the related milestones. A 15% discount was applied, to derive a discounted probability-adjusted earnout of $28,133. The Company then applied a discount for lack of marketability rate of 6% for a net fair value of contingent consideration of $26,445. An estimated range of outcomes has been deemed indeterminable by the Company.

Based on the financial results for the year ended December 31, 2020, the Company accrued an additional amount of $21,757, with a corresponding debit to the other expense, net. In April 2021, the Company issued 7,234,266 Milestone Shares to the Sellers in full settlement of the contingent consideration.

The Company determined the estimated fair value of the acquired working capital, and identifiable intangible assets and goodwill after review and consideration of relevant information including discounted cash flow analyses, market data and management's estimates, prepared by an independent valuation firm. The estimated fair value of acquired working capital was determined to approximate carrying value.

For leases acquired, the Company measured the lease liability at the present value of the remaining lease payments, as if the acquired lease were a new lease at the acquisition date. The Company measured the right-of-use asset at the same amount as the lease liability, adjusted to reflect favorable or unfavorable terms of the lease when compared with market terms.

The goodwill arising from the TGS Transaction consists of expected synergies from combining operations of the Company and TGS, and intangible assets not qualifying for separate recognition such as formulations, proprietary technologies and acquired know-how. None of the goodwill will be deductible for tax purposes.

The TGS' state licenses, trade name and wholesale customers represented identifiable intangible assets acquired in the amounts of $41,602, $28,632 and $33, respectively, which were determined to have definite useful lives of 10, 10 and 5 years, each respectively.

In conjunction with the TGS Transaction, the Company expensed $916 of acquisition-related costs, which have been included in selling, general and administrative expenses on the Company's consolidated statement of operations and comprehensive loss.

Since the closing date of the TGS Transaction, $38,166 of revenue and $11,937 of net income of TGS have been included in the Company's consolidated statement of operations and comprehensive loss for the year ended December 31, 2020, each respectively. $23,913 of revenue and $2,312 of net loss of TGS have been included in the Company's condensed interim consolidated statement of operations and comprehensive loss for the three months ended March 31, 2021, each respectively.

CannAscend

On October 25, 2018, the Company, CannAscend Alternative, LLC ("CAA"), and CannAscend Alternative Logan, LLC ("CAA Logan") entered into a Membership Interest Purchase Option Agreement (the "CannAscend Option Agreement"). CAA and CAA Logan are both Ohio-based limited liability companies that operate dispensaries (collectively the "Target Companies"). Under the terms of the CannAscend Option Agreement, the Company purchased an exclusive option to acquire all outstanding membership interests (the "CannAscend Option") of the Target Companies during the period commencing on the first anniversary of the date upon which all four of the dispensaries operated by the Target Companies have been issued certificates of operation under Ohio's Medical Marijuana Control Program and all necessary regulatory approvals have been obtained (the "Commencement Date"). The CannAscend Option expires on the 30th day following said Commencement Date ("CannAscend Option Period"). All four of the dispensaries operated by the Target Companies were issued certificates of operation under Ohio's Medical Marijuana Control Program in the fourth quarter of 2019 and the Company is currently in the process of obtaining necessary regulatory approvals.

The price for the CannAscend Option Agreement was approximately $4,124 ("CannAscend Option Deposit"). The Company has recorded the $4,124 of CannAscend Option Deposit paid as long-term deposits on the condensed interim consolidated statement of financial position at March 31, 2021 and December 31, 2020. The CannAscend Option

Deposit made by the Company is non-refundable. If the Company exercises the CannAscend Option, the Company will pay a purchase price of $14,150, subject to reduction as provided in the CannAscend Option Agreement.

As part of the CannAscend Option Agreement, the Company entered into an escrow agreement with the Target Companies and deposited money into an escrow account. As of March 31, 2021 and December 31, 2020, the escrow deposit account had a balance of $10,026 and is recorded as restricted cash on the condensed interim consolidated statement of financial position.

The Company issued a revolving loan to the Target Companies (the "CannAscend Revolving Loan"), with a principal amount to not exceed $13,000 (the "CannAscend Loan Amount"). The CannAscend Revolving Loan is evidenced by a secured promissory note of the Target Companies (the "CannAscend Note Receivable"), which bears interest at the rate of 7% per annum and matures upon the occurrence of any of the following: a) providing notice to the borrower of an event of default; b) 36 months after the last advance made by the lender to borrower as provided in the CannAscend Revolving Loan Agreement, or c) 90 days after the termination of the CannAscend Option Agreement. As of March 31, 2021 and December 31, 2020, the Company recorded a balance of $11,042 and $11,025, respectively, in notes receivable on the condensed interim consolidated statements of financial position related to the balance outstanding from the Target Companies related to the CannAscend Revolving Loan. As of March 31, 2021 and December 31, 2020, outstanding interest on the CannAscend Revolving Loan is $1,059 and $645, respectively, which is in other non-current assets on the condensed interim consolidated statements of financial position.

To secure the obligations of the Target Companies to the Company under the CannAscend Revolving Loan Agreement and the CannAscend Note Receivable, the Company entered into a Security Agreement dated as of October 25, 2018 (the "CannAscend Security Agreement"), pursuant to which the Target Companies granted to the Company a first-priority lien on and security interest in all personal property of the Target Companies.

If the Company does not exercise the CannAscend Option on or prior to the date that is 30 days following the end of the CannAscend Option Period, the CannAscend Loan Amount will be payable to the Company in 90 days.

Corsa Verde Agreement

On April 2, 2019, the Company and Corsa Verde, LLC ("Corsa Verde") entered into a Membership Interest Purchase Agreement (the "Corsa Verde Purchase Agreement"). Corsa Verde is an Ohio-based limited liability company that processes medical marijuana. Under the terms of the Corsa Verde Purchase Agreement, the Company agreed to acquire all outstanding membership interests of Corsa Verde within ten days following the receipt of regulatory approval. The Company received regulatory approval of the change of ownership on April 22, 2021 and closed the acquisition of Corsa Verde on May 4, 2021.

The price for the Corsa Verde Purchase Agreement was approximately $2,747 ("Corsa Verde Purchase Price") consisting of cash consideration of $1,247 and a convertible promissory note (the "Convertible Note") in the amount of $1,500, subject to reduction as provided in the Corsa Verde Purchase Agreement. The Convertible Note is convertible into the number of shares of Company common stock calculated by dividing the principal amount of the Convertible Note by the volume weighted average trading price of the Company common stock on the NEO Exchange for the 5 days preceding the closing date of the transactions contemplated by the Corsa Verde Purchase Agreement. As part of the Corsa Verde Purchase Agreement, the Company deposited funds into an escrow account. As of March 31, 2021 and December 31, 2020, the escrow deposit account had a balance of $498 and is recorded within restricted cash on the condensed interim consolidated statement of financial position.

The Company provided a revolving loan to Corsa Verde (the "Revolving Loan"), with the principal amount to not exceed $3,000 (the "Loan Amount"). The Revolving Loan is evidenced by a secured promissory note of Corsa Verde (the "Corsa Verde Note Receivable"), which bears interest at the rate of 7% per annum and matures upon the occurrence of any of the following: a) providing notice to the borrower of an event of default; b) 36 months after the last advance made by the lender to borrower as provided in the Revolving Loan Agreement, or c) 90 days after the termination of the Corsa Verde Purchase Agreement. As of March 31, 2021 and December 31, 2020, the Company had a balance of

(expressed in thousands of U.S. dollars, except for gram, share and per share amounts)

$2,727 and $2,536, respectively, in notes receivable on the condensed interim consolidated statements of financial position related to the balance outstanding from Corsa Verde related to the Corsa Verde Revolving Loan. As of March 31, 2021 and December 31, 2020, outstanding interest on the Corsa Verde Revolving Loan is $199 and $149, respectively, which is in other non-current assets on the condensed interim consolidated statements of financial position.

To secure the obligations of Corsa Verde to the Company under the Corsa Verde Revolving Loan Agreement and the Corsa Verde Note Receivable, the Company entered into a Security Agreement dated as of April 2, 2019 (the "Corsa Verde Security Agreement"), pursuant to which Corsa Verde granted to the Company a first-priority lien on and security interest in all personal property of Corsa Verde.

Green Leaf Medical

On December 22, 2020, the Company signed a definitive agreement to acquire Green Leaf Medical, LLC, a privately held, vertically-integrated cannabis multi-state operator for an upfront consideration of $240,000, comprised of $45,000 in cash and $195,000 in Common Shares with the potential for additional consideration contingent on achievement of certain performance-based milestones in 2022 and 2023. Completion of the acquisition is conditional upon the Company and Green Leaf Medical, LLC obtaining the necessary legal and regulatory approvals.

7. RELATED PARTY TRANSACTIONS

Key management personnel

Key management personnel include those persons having authority and responsibility for planning, directing and controlling the activities of the Company as a whole. The Company has determined that key management personnel consist of executive and non-executive members of the Company's board of directors and corporate officers and/or companies controlled by those individuals.

Remuneration attributed to key management personnel during the three months ended March 31, 2021 and 2020 are summarized in the table below:

	Three months ended March 31,	
	2021	**2020**
Salaries and benefits	$ 1,039	$ 1,042
Equity-based compensation	5,793	6,229
	$ 6,832	**$ 7,271**

8. PROPERTY AND EQUIPMENT

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

	March 31, 2021	**December 31, 2020**
Land and buildings	$ 3,757	$ 3,757
Furniture and fixtures	7,157	6,970
Equipment	23,966	22,955
Computers and software	2,120	1,986
Leasehold improvements	102,487	98,380
Construction in process	16,155	11,338
Total property and equipment, gross	155,642	145,386
Less: Accumulated depreciation	(35,671)	(30,986)
Total property and equipment, net	$ 119,971	$ 114,400

(expressed in thousands of U.S. dollars, except for gram, share and per share amounts)

A reconciliation of the beginning and ending balances of property and equipment are summarized in the tables below:

	Land and buildings	Furniture and fixtures	Equipment	Computers and software	Leasehold improvements	Construction in process	Total
Cost							
As of December 31, 2020	$ 3,757	$ 6,970	$ 22,955	$ 1,986	$ 98,380	$ 11,338	$ 145,386
Additions	—	—	215	35	168	9,269	9,687
Business acquisitions	—	40	18	7	554	—	619
Disposals	—	—	(50)	—	—	—	(50)
Transfers	—	147	828	92	3,385	(4,452)	—
Balance of March 31, 2021	$ 3,757	$ 7,157	$ 23,966	$ 2,120	$ 102,487	$ 16,155	$ 155,642

	Land and buildings	Furniture and fixtures	Equipment	Computers and software	Leasehold improvements	Construction in process	Total
Accumulated depreciation							
As of December 31, 2020	$ (202)	$ (1,626)	$ (7,194)	$ (664)	$ (21,300)	$ —	$ (30,986)
Depreciation	(12)	(330)	(1,175)	(125)	(3,061)	—	(4,703)
Disposals	—	—	18	—	—	—	18
Balance of March 31, 2021	$ (214)	$ (1,956)	$ (8,351)	$ (789)	$ (24,361)	$ —	$ (35,671)

	Land and buildings	Furniture and fixtures	Equipment	Computers and software	Leasehold improvements	Construction in process	Total
Cost							
As of December 31, 2019	$ 4,055	$ 3,121	$ 13,596	$ 1,273	$ 56,900	$ 41,740	$ 120,685
Additions	2,646	235	183	250	1,141	16,911	21,366
Disposals	—	—	—	—	—	(163)	(163)
Transfers	—	381	1,785	70	10,825	(13,061)	—
Balance of March 31, 2020	$ 6,701	$ 3,737	$ 15,564	$ 1,593	$ 68,866	$ 45,427	$ 141,888

	Land and buildings	Furniture and fixtures	Equipment	Computers and software	Leasehold improvements	Construction in process	Total
Accumulated depreciation							
As of December 31, 2019	$ (154)	$ (721)	$ (3,410)	$ (321)	$ (12,045)	$ —	$ (16,651)
Depreciation	(12)	(173)	(737)	(66)	(2,192)	—	(3,180)
Balance of March 31, 2020	$ (166)	$ (894)	$ (4,147)	$ (387)	$ (14,237)	$ —	$ (19,831)

In April 2021, the Company purchased real estate property in New York for cash consideration of $15,687 and 2,545,857 Common Shares in the Company.

	Three months ended March 31, 2021	2020
Total depreciation expense for the period	$ 4,703	$ 3,180
Included in:		
Costs of sales related to inventory production	2,739	1,950
Selling, general and administrative expenses	1,964	1,230

9. PROMISSORY NOTES RECEIVABLES

9244 Balboa Blvd., LLC ("Balboa")

During the year ended December 31, 2019, Focused Health LLC ("Focused Health"), a consolidated subsidiary of the Company, entered into a lease agreement with Balboa and simultaneously issued a secured promissory note ("Balboa Note") with a principal amount of $2,420. The Balboa Note is secured by the land and building of the leased premises and bears interest at a rate of 4.5%. The Company's principal and interest repayments are offset by the Company's rent payment obligations under the lease agreement with Balboa. The Balboa Note matures in April 2029. The balance outstanding as of March 31, 2021 is $2,315 of which $58 is recorded in prepaid expenses and other current assets and $2,257 is recorded in notes receivable on the condensed interim consolidated statements of financial position. The balance outstanding as of December 31, 2020 is $2,329 of which $58 is recorded in prepaid expenses and other current assets and $2,271 is recorded in notes receivable on the condensed interim consolidated statements of financial position.

(expressed in thousands of U.S. dollars, except for gram, share and per share amounts)

10. SHAREHOLDERS' EQUITY

In addition to the issuance of equity in connection with business acquisitions mentioned in Note 6 above, the Company

- Closed a public offering that consisted of 18,572,000 Common Shares at a price of $8.05 (Canadian Dollars) per common share for aggregate proceeds of $111,789.
- Sold, on a bought deal private placement basis, 3,220,000 Common Shares at a price of $9.00 (Canadian Dollars) per share for aggregate gross proceeds of $21,770.
- Granted 2,245,106 time-based restricted stock units and 616,137 performance-based restricted stock units during three months ended March 31, 2021.
- Issued 190,925 Common Shares upon vesting of RSU's.

From January 1, 2020 through March 31, 2020, the Company had the following equity activity:

- Issued warrants to purchase 1,610,250 shares of common stock at an exercise price of $3.10 (Canadian Dollars).
- Granted 4,911,305 time-based restricted stock units and 1,720,511 performance-based restricted stock units.

The table below details the changes in Shares outstanding by class:

	Common Shares	Proportionate Voting Shares (as converted)	Preferred Shares
Balance at December 31, 2019	117,176,201	99,352,980	—
Issuance of shares	15,384	—	—
Share conversion	5,552,467	(5,552,467)	—
Cancellation of restricted stock awards	—	(7,534)	—
Balance at March 31, 2020	**122,744,052**	**93,792,979**	**—**
Balance at December 31, 2020	250,003,917	26,507,914	—
Issuance of shares	22,954,966	—	—
Share conversion	9,236,733	(9,236,733)	—
Warrants exercised	262,200	—	—
Cancellation of restricted stock awards	(13,770)	(8,077)	—
Balance at March 31, 2021	**282,444,046**	**17,263,104**	**—**

(expressed in thousands of U.S. dollars, except for gram, share and per share amounts)

11. WARRANTS

As of March 31, 2021 and December 31, 2020, outstanding equity-classified warrants to purchase Common Shares consisted of the following:

		March 31, 2021			December 31, 2020		
Date Exercisable	**Expiration**	**Number of Shares Issued and Exercisable**		**Exercise Price (Canadian Dollars)**	**Number of Shares Issued and Exercisable**		**Exercise Price (Canadian Dollars)**
May 8, 2018	May 8, 2021	921,753	$	5.71	921,753	$	5.71
October 1, 2018	October 1, 2025	648,783		8.12	648,783		8.12
June 30, 2019	April 26, 2024	5,394,945		10.35	5,394,945		10.35
March 31, 2020	May 14, 2023	1,610,250		3.10	1,610,250		3.10
April 23, 2020	May 14, 2023	113,000		3.10	113,000		3.10
May 14, 2020	May 14, 2023	1,999,988		2.95	2,250,188		2.95
July 2, 2020	May 14, 2023	300,000		4.53	300,000		4.53
October 29, 2020	May 14, 2023	1,188,000		5.84	1,200,000		5.84
November 10, 2020	May 14, 2023	504,000		5.84	504,000		5.84
November 27, 2020	May 14, 2023	180,000		5.84	180,000		5.84
November 30, 2020	May 14, 2023	25,000		5.84	25,000		5.84
		12,885,719	$	6.99	13,147,919	$	6.91

Warrant activity for each reporting period is summarized in the table below:

	Shares		
	Number of Warrants		**Weighted average exercise price (Canadian Dollars)**
Balance as of December 31, 2019	**20,055,424**	**$**	**7.34**
Issued	1,610,250		3.10
Balance as of March 31, 2020	**21,665,674**	**$**	**7.02**
Balance as of December 31, 2020	**13,147,919**	**$**	**6.91**
Exercised	(262,200)		3.08
Balance as of March 31, 2021	**12,885,719**	**$**	**6.99**

12. INCOME TAXES

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 stock compensation, warrants accretion, tax credits and miscellaneous permanent differences.

Under Section 280E of the Internal Revenue Code ("IRC") prohibits businesses engaged in the trafficking of Schedule I or Schedule II controlled substances from deducting normal business expenses, such as payroll and rent, from gross income (revenue less cost of goods sold). Section 280E was originally intended to penalize criminal market operators, but because cannabis remains a Schedule I controlled substance for Federal purposes, the IRS has subsequently applied Section 280E to state-legal cannabis businesses. Cannabis businesses operating in states that align their tax codes with the IRC are also unable to deduct normal business expenses from their state taxes. Non-deductible expenses are primarily comprised of the impact of applying IRC Sec. 280E to the Company's businesses that are involved in selling cannabis, along with other typical non-deductible expenses such as lobbying expenses.

(expressed in thousands of U.S. dollars, except for gram, share and per share amounts)

13. LOSS PER SHARE

Basic and diluted net loss per share attributable to the Company was calculated as follows:

	Three months ended March 31, 2021	Three months ended March 31, 2020
Numerator:		
Net loss	$ (15,325)	$ (20,648)
Less: Net income (loss) attributable to non-controlling interest	88	(538)
Net loss attributable to shareholders	$ (15,413)	$ (20,110)
Denominator:		
Weighted average shares outstanding - basic and diluted	294,815,943	216,539,508
Loss per share - basic and diluted	$ (0.05)	$ (0.09)

The Company's potentially dilutive securities, which include warrants to purchase Shares, have been excluded from the computation of diluted net loss per share for the three months ended March 31, 2021 and 2020, as the inclusion would have reduced the net loss per share and therefore would have an anti-dilutive effect.

14. COMMITMENTS AND CONTINGENCIES

In the ordinary course of business, the Company may provide indemnification of varying scope and terms to vendors, lessors, business partners, and other parties with respect to certain matters including, but not limited to, losses arising out of breach of such agreements or from intellectual property infringement claims made by third parties. In addition, the Company has entered into indemnification agreements with members of its board of directors and senior management that will require the Company, among other things, to indemnify them against certain liabilities that may arise by reason of their status or service as directors or officers. The maximum potential amount of future payments the Company could be required to make under these indemnification agreements is, in many cases, unlimited. Other than the accrual mentioned in the following paragraph, the Company has not incurred any material costs as a result of such indemnifications. Other than the accrual mentioned in the following paragraph, the Company does not believe that the outcome of any claims under indemnification arrangements will have a material effect on its financial position, results of operations or cash flows, and it has not accrued any liabilities related to such obligations in its condensed interim consolidated financial statements.

A former minority owner of the Company's Florida-licensed business, Sun Bulb Company, Inc. ("Sun Bulb"), was sued by a former purported joint venture partner, alleging various statutory and common law claims related to the terminated joint venture. The Company had agreed to indemnify Sun Bulb for litigation costs and any judgment rendered in the matter, in excess of $750. On January 20, 2021, following an arbitration hearing, the arbitration panel issued a partial final award in the former joint venture partner's favor on three of the 11 claims asserted and awarded the former joint venture partner $10,553 plus prejudgment interest from July 26, 2017 through the present, as well as reasonable attorneys' fees. On March 2, 2021, the Panel issued a Final Award, awarding the former joint venture partner a total of $15,195, inclusive of prejudgment interest and attorneys' fees. The Company expects a demand for indemnification to be made by Sun Bulb, pursuant to the indemnification agreement. During the year ended December 31, 2020, the Company recorded an additional indemnification expense of $14,195, and as of March 31, 2021, the Company had a total accrual of $15,195 in the respect of this matter.

Additionally, the Company may be contingently liable with respect to other claims incidental to the ordinary course of its operations. In the opinion of management, and based on management's consultation with legal counsel, the ultimate outcome of such other matters will not have a materially adverse effect on the Company. Accordingly, no provision has been made in these condensed interim consolidated financial statements for losses, if any, which might result from the ultimate disposition of these matters should they arise.

(expressed in thousands of U.S. dollars, except for gram, share and per share amounts)

15. FAIR VALUE MEASUREMENTS

Financial Instruments

The following table presents the fair value of the Company's financial instruments that are measured at fair value on a recurring basis:

March 31, 2021	**Level 1**	**Level 2**	**Level 3**	**Total**
Derivative liability	$ —	$ —	$ (17,288)	$ (17,288)
Biological assets			26,952	26,952
Total	$ —	$ —	$ 9,664	$ 9,664
December 31, 2020				
Derivative liability	$ —	$ —	$ (17,109)	$ (17,109)
Biological assets			18,752	18,752
Total	$ —	$ —	$ 1,643	$ 1,643

During the periods included in these financial statements, there were no transfers of amounts between levels.

The following table summarizes the valuation techniques and key inputs used in the fair value measurement of level 3 financial instruments:

Financial asset/financial liability	**Valuation techniques**	**Significant unobservable inputs**	**Relationship of unobservable inputs to fair value**
Derivative liability	Market approach	Conversion Period	Increase or decrease in conversion period will result in an increase or decrease in fair value
Biological assets	Market approach	Market prices of cannabis products, days in growth cycle, stage of completion in growth cycle, yield, costs to sell	Increase or decrease in market prices of cannabis products, days in growth cycle, stage of completion in growth cycle, yield, costs to sell will result in an increase or decrease in fair value

The carrying amounts of cash and restricted cash, accounts receivable, deposits and other current assets, accounts payable, accrued expenses and other current liabilities like interest payable and payroll liabilities and short-term debt as of March 31, 2021 and December 31, 2020 approximate their fair values because of the short-term nature of these items and are not included in the table above. The Company's note receivable, long term deposits and long-term debt approximate fair value due to the market rate of interest used on initial recognition.

Financial Risk Management

The Company's long-term debt approximates fair value due to the market rate of interest used on initial recognition. The carrying value of notes receivable approximates fair value due to their historical collectability.

The Company is exposed in varying degrees to a variety of financial instrument related risks. A description of the Company's risk exposures and the impact on the Company's financial instruments is summarized below.

(expressed in thousands of U.S. dollars, except for gram, share and per share amounts)

Credit Risk

Credit risk is the risk of a potential loss to the Company if a customer or third party to a financial instrument fails to meet its contractual obligations. The maximum credit exposure as of March 31, 2021 and December 31, 2020 is the carrying amount of cash, notes receivable and accounts receivable. The Company provides credit to its customers in the normal course of business and has established credit evaluation and monitoring processes to mitigate credit risk but has limited risk as the majority of its sales are transacted with cash and as such, the Company does not have significant credit risk with respect to its customers. Through the Company's Columbia Care National Credit program, the Company provides credit to customers in certain markets in which the Company operates.

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. The Company periodically assesses the quality of the credit rating of these financial institutions. Notes receivable and trade accounts receivable credit risk arises from the possibility that principal and/or interest due may become uncollectible. The Company mitigates this risk by managing and monitoring the underlying business relationships.

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 estimate cash requirements from operations, capital expenditures and investments and ensure that it will have sufficient liquidity to settle obligations and liabilities when due.

Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of the Company's financial instrument will fluctuate because of changes in market interest rates. The Company's cash deposits bear interest at market rates. The notes receivable and long-term debt bear a fixed rate of interest and therefore there is no interest rate risk associated with them.

Foreign Exchange Risk

Except for the derivative liability associated with the convertible debt, the Company does not have any significant financial instruments denominated in currencies other than the U.S. dollar and as such is not subject to significant foreign currency risk.

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.

16. INTANGIBLE ASSETS

Intangible assets consist of the following:

	Licenses	Trademarks	Customer relationships	Total
Cost				
As of December 31, 2020	$ 68,194	$ 33,043	$ 3,286	$ 104,523
Business acquisitions	8,330	1,738	—	10,068
Balance of March 31, 2021	$ 76,524	$ 34,781	$ 3,286	$ 114,591

(expressed in thousands of U.S. dollars, except for gram, share and per share amounts)

	Licenses	Trademarks	Customer relationships	Total
Accumulated depreciation				
As of December 31, 2020	$ (3,097)	$ (1,028)	$ (56)	$ (4,181)
Amortization	(1,765)	(977)	(164)	(2,906)
Balance of March 31, 2021	$ (4,862)	$ (2,005)	$ (220)	$ (7,087)

	Licenses	Trademarks	Customer relationships	Total
Cost				
As of December 31, 2019	$ 16,236	$ —	$ —	$ 16,236
Business acquisitions	—	—	—	—
Balance of March 31, 2020	$ 16,236	$ —	$ —	$ 16,236

	Licenses	Trademarks	Customer relationships	Total
Accumulated depreciation				
As of December 31, 2019	$ (541)	$ —	$ —	$ (541)
Amortization	(271)	—	—	(271)
Balance of March 31, 2020	$ (812)	$ —	$ —	$ (812)

During the three months ended March 31, 2021 and 2020, the Company recorded amortization expense of $2,906 and $271, respectively.

17. ASSETS HELD FOR SALE

During the second quarter of 2020, management committed to a plan to sell its Puerto Rico operations. Accordingly, certain of the assets and liabilities held by the Company's Puerto Rico subsidiary are presented as a disposal group held for sale. Efforts to sell the disposal group have started and a sale is expected in 2021. This disposal did not represent a strategic shift of the Company that had or will have a major effect on the Company's operations and financial results. Accordingly, the assets and liabilities of Puerto Rico operations were not segregated and were presented as continuing operations in the condensed interim consolidated financial statements.

As of March 31, 2021, the disposal group was stated at fair value less costs to sell and comprised the following assets and liabilities.

Property, plant and equipment	$ 2,014
Right of use assets	1,435
Prepaid expenses and other current assets	34
Assets held for sale	$ 3,483
Lease liabilities	$ (1,483)
Liabilities held for sale	$ (1,483)

The non-recurring fair value measurement for the disposal group of $2,000 has been categorized as a Level 3 fair value utilizing Level 3 inputs and using a market approach, based on available data for transactions in the region and discussions with potential acquirers.

18. CAPITAL MANAGEMENT

The Company's objectives when managing capital are to ensure that there are adequate capital resources to ensure the Company's ability to continue as a going concern and maintain adequate levels of funding to support its ongoing operations and development such that it can continue to provide returns to shareholders and benefits for other stakeholders. The Company plans to use existing funds, as well as funds from the future sale of products to fund operations and expansion activities.

(expressed in thousands of U.S. dollars, except for gram, share and per share amounts)

The capital structure of the Company consists of items included in equity and debt. The Company manages its capital structure to maximize its financial flexibility and adjusts it in response to changes in economic conditions and the risk characteristics of the underlying assets and business opportunities. The Company does not presently utilize any quantitative measures to monitor its capital. The Company currently is not subject to externally imposed capital requirements. There were no changes to the Company's capital management during the three months ended March 31, 2021.

19. NON-CONTROLLING INTERESTS

The net change in the non-controlling interests is summarized in the table below:

	Venture Forth	Columbia Care Arizona-Tempe	Columbia Care Delaware	Columbia Care Puerto Rico	Columbia Care Ohio	Columbia Care Maryland	Columbia Care New Jersey LLC	Columbia Care Eastern Virginia	Columbia Care MO LLC	Columbia Care International Holdco LLC	Access Bryant SPC	Leafy Greens, Inc.	Columbia Care Florida	Total
Balance at December 31, 2020	**$ (17,551)**	**$ 273**	**$ -**	**$ (3,638)**	**$ (3,880)**	**$ (43)**	**$ (173)**	**$ (95)**	**$ (76)**	**$ 5,472**	**$ (2)**	**$ -**	**$ -**	**$ (19,713)**
Net income (loss) attributable to NCI	(34)	2	-	(120)	389	(6)	(56)	4	(58)	(20)	(13)	-	-	88
Balance at March 31, 2021	**$ (17,585)**	**$ 275**	**$ -**	**$ (3,758)**	**$ (3,491)**	**$ (49)**	**$ (229)**	**$ (91)**	**$ (134)**	**$ 5,452**	**$ (15)**	**$ -**	**$ -**	**$ (19,625)**
Balance at December 31 , 2019	**$ (2,614)**	**$ 563**	**$ (89)**	**$ (1,524)**	**$ -**	**$ (27)**	**$ -**	**$ (36)**	**$ -**	**$ -**	**$ -**	**$ (99)**	**$ 2,484**	**$ (1,342)**
Net income (loss) attributable to NCI	(80)	2	(67)	(314)	-	(10)	-	(14)	-	-	-	(65)	10	(538)
Balance at March 31, 2020	**$ (2,694)**	**$ 565**	**$ (156)**	**$ (1,838)**	**$ -**	**$ (37)**	**$ -**	**$ (50)**	**$ -**	**$ -**	**$ -**	**$ (164)**	**$ 2,494**	**$ (1,880)**

During the year ended December 31, 2020, Columbia Care International Holdco LLC, a consolidated subsidiary of the Company, issued membership interests of five percent to an unrelated party in consideration for $5,509. Subsequent to March 31, 2021, the Company issued 783,805 common shares to the unrelated party in full settlement of their consideration for $5,509.

20. SUBSEQUENT EVENTS

The Company has evaluated all events and transactions that occurred after March 31, 2021 through the filing of these audited annual financial statements. With the exception of the subsequent acquisition related activity described in Note 6, real estate purchase as described in Note 8, and subsequent issuance of equity as described in Note 19, no events have occurred that would require adjustment to the disclosures in the consolidated financial statements.