



TERRASCEND CORP.
Condensed Interim Consolidated Financial statements

SEPTEMBER 30, 2017 and 2016
(In Canadian Dollars)

NOTICE TO READER

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

The accompanying unaudited interim financial statements of the Corporation have been prepared by and are the responsibility of the Corporation's management.

The Corporation's independent auditor has not performed a review of these 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.

TerrAscend Corp.

Condensed Interim Consolidated Statements of Financial Position

(Expressed in Canadian Dollars)

	September 30, 2017 <i>(Unaudited)</i>	December 31, 2016 <i>(Audited)</i>
Assets		
Current assets		
Cash	\$ 1,066,535	\$ 3,332,698
Receivables	1,274,128	114,657
Prepaid expenses	193,187	19,065
	2,533,850	3,466,420
Property and equipment <i>(note 4)</i>	14,106,395	400,771
	\$ 16,640,245	\$ 3,867,191
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities <i>(note 5)</i>	\$ 721,178	\$ 818,343
Due to related parties <i>(note 8)</i>	-	967,825
	721,178	1,786,168
Shareholders' equity (deficiency)		
Share capital <i>(note 7)</i>	19,476,545	4,046,840
Warrants reserve <i>(note 7)</i>	1,401,103	-
Share-based payments reserve <i>(note 7)</i>	2,755,216	-
Deficit	(7,713,797)	(1,965,817)
	15,919,067	2,081,023
	\$ 16,640,245	\$ 3,867,191

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

Nature of operations *(note 1)*

Subsequent events *(note 11)*

On behalf of the Board

"Basem Hanna"

Director, Chief Executive Officer

"Michael Nashaf"

Director, Chief Operating Officer

TerrAscend Corp.

Condensed Interim Consolidated Statements of Loss and Comprehensive Loss

(Expressed in Canadian Dollars)

(Unaudited)

For the periods ended September 30	Three Months		Nine Months	
	2017	2016	2017	2016
Revenue:				
Rental income	\$ 4,500	\$ -	\$ 12,847	\$ -
Other income	1,159	-	1,290	-
	5,659	-	14,137	-
Expenses:				
Pre-Production	56,802	\$ -	56,802	\$ -
Rent	-	140,993	90	411,547
Consulting fees	49,613	3,063	520,558	15,702
Professional fees	255,506	6,443	439,594	9,985
Utilities	29,229	1,880	58,596	17,399
Permits and licences	259	13,772	259	13,772
Office	231,180	1,536	297,163	2,330
Travel	32,026	-	39,989	54
Salaries and wages	297,189	-	567,298	-
Advertising & promotion	119,917	-	146,593	-
Shareholder relations	101,305	-	137,724	-
Vehicle	650	77	2,487	96
Foreign exchange loss	-	-	1,579	-
Finance (note 6)	164,129	194	890,655	234
Insurance	14,703	-	44,217	-
Amortization and depreciation (note 4)	84,113	-	84,113	-
Gain on early lease termination	-	-	(281,676)	-
Share-based payments (note 8)	50,216	-	2,755,216	-
Filing fees	272	-	860	-
	(1,487,109)	(167,958)	(5,762,117)	(471,119)
Net Income (loss)	\$ (1,481,450)	\$ (167,958)	\$ (5,747,980)	\$ (471,119)
Net Income (loss) per share				
Basic	\$ (0.04)	\$ (0.02)	\$ (0.19)	\$ (0.05)
Weighted average shares outstanding	36,158,255	8,640,000	30,609,786	8,640,000
Net income (loss) per share - diluted				
Dilutive effect of stock options	3,118,749	-	3,118,749	-
Dilutive effect of warrants	4,157,686	-	4,157,686	-
Weighted Average shares outstanding - diluted	43,434,690	8,640,000	37,886,221	8,640,000

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

TerrAscend Corp.

Condensed Interim Consolidated Statements of Changes in Shareholders' Equity (Deficiency)

(Expressed in Canadian Dollars)

(Unaudited)

	Share Capital	Warrants	Share-based Payments Reserve	Deficit	Total
Balance, January 1, 2016	\$ 530,013	\$ -	\$ -	\$ (1,098,636)	\$ (568,623)
Net loss for the period	-	-	-	(471,119)	(471,119)
Balance, September 30, 2016	\$ 530,013	\$ -	\$ -	\$ (1,569,755)	\$ (1,039,742)
Shares issued for cash	3,384,079	-	-	-	3,384,079
Shares issued for debt	92,700	-	-	-	92,700
Shares issued for services	40,050	-	-	-	40,050
Net loss for the period	-	-	-	(396,062)	(396,062)
Balance, December 31, 2016	\$ 4,046,842	\$ -	\$ -	\$ (1,965,817)	\$ 2,081,025
Shares issued for cash	4,591,887	-	-	-	4,591,887
Repurchase of shares	(1)	-	-	-	(1)
Conversion of convertible debentures to shares	9,869,447	-	-	-	9,869,447
Reallocation of related party debt	968,370	-	-	-	968,370
Issuance of warrants	-	1,401,103	-	-	1,401,103
Grant of options	-	-	2,755,216	-	2,755,216
Net loss for the period	-	-	-	(5,747,980)	(5,747,980)
Balance, September 30, 2017	\$ 19,476,545	\$ 1,401,103	\$ 2,755,216	\$ (7,713,797)	\$ 15,919,067

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

TerrAscend Corp.

Condensed Interim Consolidated Statements of Cash Flows

(Expressed in Canadian Dollars)

(Unaudited)

For the nine months ended September 30

	2017	2016
Cash flow from operating activities		
Net loss	\$ (5,747,980)	\$ (471,119)
Add (deduct) items not involving cash		
Accretion and accrued interest	884,446	-
Amortization and depreciation	84,113	-
Share-based payments	3,094,054	-
Change in non-cash working capital		
Receivables	(1,159,471)	10,003
Prepaid expenses	(174,122)	138,088
Accounts payable and accrued liabilities	(97,165)	159,974
	(3,116,125)	(163,054)
Cash flow from financing activities		
Private placement of shares, net of issuance costs	5,654,155	-
Advances (repayment) to related parties	(967,825)	75,000
Reallocation of related party debt to common shares	968,370	-
Issuance of convertible debentures, net of issuance costs	8,985,000	-
	14,639,700	75,000
Cash flow from investing activities		
Investment in property and equipment	(13,789,737)	(2,059)
	(13,789,737)	(2,059)
Increase (decrease) in cash	(2,266,163)	(90,113)
Cash, beginning of period	3,332,698	98,994
Cash, end of period	\$ 1,066,535	\$ 8,881

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

Notes to the Condensed Interim Consolidated Financial Statements

For the periods ended September 30, 2017 and 2016

1. Nature of operations

TerrAscend Corp. (“TerrAscend” or the “Company”) was incorporated under the Ontario Business Corporations Act.

On March 8, 2017, the Company issued 26,987,240 common shares of TerrAscend Corp. in exchange for all of the issued and outstanding shares (the “Transaction”) of Solace Health Inc. (“Solace”). For accounting purposes, the Transaction was treated as a reverse acquisition with Solace being the accounting acquirer. Therefore, the Company’s historical financial statements reflect those of Solace. Prior to the Transaction, TerrAscend was a shell company with no business operations.

The Company is a licensed producer of medical cannabis and its current principal business activities are in development and include cultivation and sale of medical cannabis through Solace. Additional activities include physician and patient education and support programs offered through TerrAscend’s other wholly-owned subsidiary, Terra Health Network (THN). Solace applied to Health Canada to become a Licensed Producer under the Access to Cannabis for Medical Purposes Regulations (Canada) (the “ACMPR”) and on July 10, 2017 was granted that licence. The Company is in the development stage and has not yet earned any revenues. The Company’s registered office is located at PO Box 43125, Mississauga, Ontario, L5C 1W2.

On April 10, 2017, the Company filed a non-offering prospectus with the British Columbia, Ontario, and Alberta Securities Commissions for the purposes of becoming a reporting issuer pursuant to applicable securities legislation in those provinces. The Company became a reporting issuer in those provinces effective April 11, 2017. TerrAscend’s common shares are listed under the symbol “TER” on the Canadian Securities Exchange (“CSE”) and began trading on May 3, 2017. These financial statements were approved by the Company’s board of directors on November 27, 2017.

2. Basis of presentation

(a) Statement of compliance

The Company’s condensed interim consolidated financial statements have been prepared in accordance with IAS 34, “Interim Financial Reporting”. These financial statements do not include all notes of the type normally included within the annual financial report and should be read in conjunction with the audited financial statements of Solace Health Inc. for the year ended December 31, 2016, which have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”) and Interpretations of the IFRS Interpretations Committee (“IFRIC”).

(b) Basis of presentation

These financial statements have been prepared on the historical cost basis except for certain financial instruments that are measured at fair value, as detailed in the Company’s accounting policies.

(c) Functional and presentation currency

The Company’s functional currency, as determined by management, is the Canadian dollar. These financial statements are presented in Canadian dollars unless otherwise specified.

(d) Principles of consolidation

TerrAscend has two wholly-owned subsidiaries: Solace Health Inc. and Terra Health Network Inc. TerrAscend also has one 50%-owned subsidiary, Solace Rx Inc. The Company consolidates its interest in entities which it controls. Control is defined by the power to govern an entity’s financial and operating policies so as to be able to obtain benefits from its activities. All intercompany balances and transactions have been eliminated.

Notes to the Condensed Interim Consolidated Financial Statements

For the periods ended September 30, 2017 and 2016

(e) Use of estimates and judgments

The preparation of 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. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

3. Significant accounting policies

These condensed interim consolidated financial statements have been prepared following the same accounting policies used in the preparation of the audited financial statements of Solace Health Inc. for the year ended December 31, 2016, which are included in TerrAscend's prospectus as filed on April 10, 2017 (available on SEDAR at www.sedar.com).

New standards, amendments and interpretations not yet adopted

A number of new standards and amendments to standards and interpretations have been issued but have not yet been applied in preparing these financial statements, as set out below:

- IFRS 9, Financial Instruments, was issued by the IASB in November 2009 and October 2010 and will replace IAS 39. IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, replacing the multiple rules in IAS 39. The approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. Two measurement categories continue to exist to account for financial liabilities in IFRS 9, fair value through profit or loss ("FVTPL") and amortized cost. Financial liabilities held-for-trading are measured at FVTPL, and all other financial liabilities are measured at amortized cost unless the fair value option is applied. The treatment of embedded derivatives under the new standard is consistent with IAS 39 and is applied to financial liabilities and non-derivative hosts not within the scope of the standard. The standard is effective for accounting periods beginning on or after January 1, 2018 and earlier adoption is permitted.
- IFRS 15, Revenue from Contracts with Customers, deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. Revenue is recognized when a customer obtains control of goods or services and thus has the ability to direct the use and obtain the benefits from the goods or services. The standard replaces IAS 18, Revenue, and IAS 11, Construction Contracts, and related interpretations. The standard is effective for annual periods beginning on or after January 1, 2018 and earlier adoption is permitted.
- In January 2016, the IASB issued IFRS 16, Leases, which will replace IAS 17, Leases. Under IFRS 16, a contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Under IAS 17, lessees were required to make a distinction between a finance lease and an operating lease. IFRS 16 now requires lessees to recognize a lease liability reflecting future lease payments and a right-of-use asset for virtually all lease contracts. There is an optional exemption for certain short-term leases and leases of low value assets; however, this exemption can only be applied by lessees. The standard is effective for annual periods beginning on or after January 1, 2019, with earlier application if IFRS 15 is also applied.

The Company has yet to assess the impact of these standards, however they are not expected to have a significant impact on the Company's financial statements at this time as the Company does not currently generate any revenue. Other accounting standards or amendments to existing accounting standards that have been issued, but have future effective dates, are either not applicable or are not expected to have a significant impact on the Company's financial statements.

Notes to the Condensed Interim Consolidated Financial Statements

For the periods ended September 30, 2017 and 2016

4. Property and equipment

	Assets under construction	Building	Land	Irrigation & Lighting System	Office Furniture & Equipment	Software	Computer	Total
Cost								
Disposals								-
At December 31, 2015	\$ 141,680	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 141,680
Additions	259,091	-	-	-	-	-	-	259,091
At December 31, 2016	400,771	-	-	-	-	-	-	400,771
Additions		11,860,826	1,063,573	645,460	101,256	64,300	54,322	13,789,737
Completion of construction	(400,771)	400,771						-
At September 30, 2017	\$ -	\$ 12,261,597	\$ 1,063,573	\$ 645,460	\$ 101,256	\$ 64,300	\$ 54,322	\$ 14,190,508
Accumulated depreciation								
At December 31, 2015	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Expense for the year	-	-	-	-	-	-	-	-
At December 31, 2016	-	-	-	-	-	-	-	-
Expense for the year	-	76,156	-	2,689	2,168	156	2,944	84,113
At September 30, 2017	\$ -	\$ 76,156	\$ -	\$ 2,689	\$ 2,168	\$ 156	\$ 2,944	\$ 84,113
Net book value								
At December 31, 2016	\$ 400,771	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 400,771
At September 30, 2017	\$ -	\$ 12,185,441	\$ 1,063,573	\$ 642,771	\$ 99,088	\$ 64,144	\$ 51,378	\$ 14,106,395

In January 2017, TerrAscend purchased the premises that it was previously leasing from a corporation controlled by a director of the Company, for \$6,899,900 in total consideration, plus \$190,587 of closing costs. \$1,063,573 was allocated to land, with the remainder being allocated to building. In the prior year, the Company incurred rent expenses in connection with the lease; in 2017, \$90 of rental expenditures were incurred.

As at June 30, 2017, the property and equipment were not in use, therefore no depreciation has been taken (2016 - \$nil).

As at September 30, 2017, the property and equipment were in use, therefore depreciation was recognized during the 3 months then ended (September 30, 2016 - \$nil).

Depreciation on other items of property, plant and equipment is calculated using the straight-line method to allocate their depreciable amounts over their estimated useful lives, as follows:

	<u>Useful lives</u>
Building	30 years
Irrigation & lighting system	20 years
Office furniture & equipment	5 years
Software	3 years
Computer	3 years

The residual values, estimated useful lives and depreciation method of property, plant and equipment are reviewed, and adjusted as appropriate, at each reporting date of the consolidated financial statements. The effects of any revision are recognized in profit or loss when the changes arise.

5. Accounts payable and accrued liabilities

All accounts payable and accrued liabilities are non-interest-bearing instruments.

Notes to the Condensed Interim Consolidated Financial Statements

For the periods ended September 30, 2017 and 2016

6. Convertible debenture

In January 2017, the Company issued a senior, secured convertible debenture for gross proceeds of \$9,400,000. The convertible debenture bears interest at 12% per annum during the first 12 months and 18% per annum during the period after the initial 12 months. The interest rate was reduced to 6% per annum on the date of a liquidity event which, pursuant to the Agreement, was the date that the shares of the Company were listed on the CSE. The convertible debenture matures 18 months from the date of closing.

The convertible debenture agreement allowed for two conversion prices depending on whether Solace Health received its licence to cultivate from Health Canada before July 31, 2017 (convert at \$0.75 per share) or after July 31, 2017 (convert at \$0.59 per share). The Company was granted its licence to cultivate from Health Canada on July 10, 2017 and, as such, the debenture is convertible at \$0.75 per share.

The Company initially recognized \$8,029,902 as the fair value of the convertible debenture, and \$955,098 was initially recognized in contributed surplus with respect to the value of the conversion feature.

On August 4, 2017, \$500,000 in principal of the convertible debenture was converted into 666,667 common shares of TerrAscend. Accrued interest from the quarter ended June 30, 2017 to August 4, 2017 was added to the balance of the outstanding debenture.

On September 1, 2017, the remaining outstanding balance of the debenture of \$9,369,447 was converted into 12,492,596 common shares of TerrAscend.

During the three months ended September 30, 2017, the Company recognized \$159,117 of interest and accretion expense related to the convertible debenture. During the nine months ended September 30, 2017, \$884,447 was recognized.

Notes to the Condensed Interim Consolidated Financial Statements

For the periods ended September 30, 2017 and 2016

7. Shareholders' equity

Authorized share capital

The authorized share capital of the Company consists of an unlimited number of common shares.

Outstanding share capital

	Class A Shares	Class B Shares	Common Shares	Amount
Balance, incorporation	-	-	-	\$ -
Shares issued for cash	-	-	3,000,000	3
Outstanding, December 31, 2014	-	-	3,000,000	3
Exchange of shares	-	7,785,000	(3,000,000)	-
Cancellation of shares	-	(1,531,000)	-	(2)
Shares issued for cash	300	2,386,000	-	530,012
Outstanding, December 31, 2015	300	8,640,000	-	530,013
Shares issued for cash	-	7,672,352	-	3,384,079
Shares issued for debt	-	9,270,000	-	92,700
Shares issued for services	-	90,000	-	40,050
Outstanding, December 31, 2016	300	25,672,352	-	\$ 4,046,842
Shares issued for cash	-	5,282,434	2,250,000	5,654,153
Shares issued - Convertible Debenture	-	13,159,263	-	9,869,447
Reallocation to Warrants Reserve	-	-	-	(1,062,266)
Reallocation of related party debt	-	-	-	968,370
Repurchase of shares	(300)	-	-	(1)
Exchange of shares	-	(44,114,049)	44,114,049	-
Outstanding, September 30, 2017	-	-	46,364,049	\$ 19,476,545

In January 2017, the Company issued 1,314,888 Class B shares for gross proceeds of \$585,125. The Company repurchased and cancelled all issued and outstanding Class A shares for nominal proceeds, and renamed its Class B shares as "common shares" of the Company. In March 2017, the Company exchanged its common shares for all of the issued and outstanding common shares of Solace Health Inc. on a one-for-one basis.

On April 20, 2017, TerrAscend closed a non-brokered private placement offering of 2,250,000 common shares at \$0.60 per share for gross proceeds of \$1,350,000 (the "Offering"). In connection with the Offering, the Company paid a finder's fee of \$108,000 and incurred additional costs of issuance, such as legal and filing fees, of \$242,801. The common shares are subject to a statutory four-month and one day hold period. Related subscription receipts of \$923,063 which had been held in trust at March 31, 2017 were released to the Company in May 2017.

On July 31, 2017, the Company closed the first tranche of a non-brokered private placement offering of 3,037,976 units at \$1.05 per unit (the "Units") for gross proceeds of \$3,189,875 (the "Offering"). Each Unit is comprised of one common share and one half of one common share purchase warrant. Each whole warrant entitles the holder to purchase one common share for \$1.75 per share for a period of two years from the date of closing of the financing.

On August 16, 2017, the Company closed the second tranche of the Offering and announced the issuance of an additional 929,570 Units for gross proceeds of \$976,049. Total gross proceeds raised was \$4,165,923.

In connection with offerings, the Company paid total finders' fees of \$38,413 and incurred additional costs of issuance, such as legal and filing fees, of \$57,683. The common shares are subject to a statutory four-month and one day hold period. Proceeds from this financing will be used to build out additional space in its existing facility, commence construction of its drug preparation premises, further develop its subsidiary Terra Health Network, and for other working capital needs.

TerrAscend Corp.

Notes to the Condensed Interim Consolidated Financial Statements

For the periods ended September 30, 2017 and 2016

On August 4, 2017, \$500,000 in principal of the convertible debenture was converted into 666,667 common shares of TerrAscend.

On September 1, 2017, the remaining outstanding balance of the debenture of \$9,369,447 was converted into 12,492,596 common shares of TerrAscend.

Warrants reserve

The fair value of warrants outstanding as at September 30, 2017 and December 31, 2016 was estimated on their respective grant dates using the Black-Scholes valuation model based on the following assumptions:

Issue date	May 3, 2017	31-Jul-17	16-Aug-17	2016
Volatility	70%	123%	116%	n/a
Risk-free interest rate	0.76%	1.31%	1.23%	n/a
Expected life (years)	1.75	2.00	2.00	n/a
Dividend yield	Nil	Nil	Nil	n/a
Forfeiture rate	0%	0%	0%	n/a
Share price	\$0.445	\$1.050	\$1.050	n/a
Value	\$ 338,838	\$ 826,087	\$ 236,178	n/a

On January 31, 2017, the Company issued 2,173,913 common share purchase warrants in payment for financial advisory services rendered. Each warrant is exercisable at \$0.46 per share and expires on November 3, 2018.

On July 31, 2017 and August 16, 2017, the Company issued 1,518,988 and 464,785 common share purchase warrants, respectively, as a part of a non-brokered private placement offering (see above, *Outstanding share capital*). Each warrant is exercisable at \$1.75 per share and expires at 24 months from the respective closing date.

	Number of warrants	Expiry	Weighted average exercise price	Weighted average remaining life (years)
Outstanding, December 31, 2016	-		N/A	
Issued in payment for financial advisory services	2,173,913	11/3/18	\$0.46	0.97
Issued during private placement	1,518,988	7/31/19	\$1.75	1.71
Issued during private placement	464,785	8/16/19	\$1.75	1.75
Outstanding, September 30, 2017	4,157,686		\$1.08	1.32
Expired	-		\$0.00	
Outstanding, September 30, 2017	4,157,686		\$1.08	1.32

Options

The Company's Stock Option Plan ("the Plan") provides for the granting of stock options to directors, officers, employees and consultants of the Company. Share options are granted for a term not to exceed ten years at an exercise price which is the greater of the closing market price of the shares on the CSE on the trading day immediately preceding the date the options are granted and on the same day of the option grant, in accordance with CSE policy. The options are not transferrable. The Plan is administered by the Board of Directors, which determines individual eligibility under the Plan, number of shares reserved for optioning to each individual (not to exceed 5% of issued and outstanding shares to any one individual) and the vesting period. The maximum number of shares of the Company that are issuable pursuant to the Plan is limited to 10% of the issued and outstanding shares of the Company as at the date of the grant of options.

During the period ended September 30, 2017, the Company granted 3,118,749 options to directors, officers, employees and consultants of the Company, which have a weighted average exercise price of \$0.87.

Notes to the Condensed Interim Consolidated Financial Statements

For the periods ended September 30, 2017 and 2016

Individual options grants carry exercise prices and remaining terms to maturity as follows:

Weighted average exercise price	Granted	Vested	Weighted average remaining life (years)
\$0.60	1,050,000	700,000	9.59
\$0.60	300,000	-	2.59
\$0.60	100,000	100,000	0.59
\$0.81	99,074	76,157	4.99
\$0.85	349,675	29,140	4.91
\$0.95	200,000	66,667	4.61
\$1.21	100,000	100,000	1.61
\$1.21	620,000	173,333	4.61
\$1.40	300,000		2.71
Balance at September 30, 2017	3,118,749	1,245,297	5.73

The fair values of options granted has been estimated on the date of grant using the Black-Scholes option-pricing model. Assumptions used in the pricing model are as follows:

Expiry Date	Exercise price \$	Expected volatility %	Expected option life (Years)	Expected dividend yield %	Risk-free interest rate %
02-May-27	0.60	142	10	0	1.51
02-May-20	0.60	142	3	0	0.73
02-May-18	0.60	142	1	0	0.67
08-May-22	0.95	142	5	0	1.01
09-May-19	1.21	142	2	0	0.72
09-May-22	1.21	142	5	0	1.04
16-Jun-20	1.40	142	3	0	0.96
28-Aug-22	0.85	140	5	0	1.53
26-Sep-22	0.81	139	5	0	1.81
26-Sep-22	0.81	119	3	0	1.66

8. Related parties

- (a) In January 2017, the Company purchased the property it was leasing from a corporation controlled by a director of the Company for \$6,899,900 in total consideration, plus \$190,587 of closing costs (note 4).
- (b) Key management includes directors and officers of the Company. Total compensation, comprised of salaries and share-based payments, awarded to key management for the three and nine months ended September 30, 2017 was as follows:

Notes to the Condensed Interim Consolidated Financial Statements

For the periods ended September 30, 2017 and 2016

For the periods ended September 30,	Three Months		Nine Months	
	2017	2016	2017	2016
Salaries	\$ 120,000	\$ -	\$ 275,266	\$ -
Share-based payments	933	-	1,729,533	-
Total	\$ 120,933	\$ -	\$ 2,004,799	\$ -

In accordance with IAS 24, key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Company directly or indirectly, including any directors (executive and non-executive) of the Company.

- (c) During the three months ended September 30, 2017, the Company paid for licensing, development and maintenance fees related to TerrAscend's wholly-owned subsidiary, THN, in the amount of \$46,330 (September 30, 2016 - \$nil) to a corporation, of which a director and officer of the Company is a director and managing partner and, together with a family member, owns 33%. During the nine months ended September 30, 2017, the amount paid for these items was \$69,495 (September 30, 2016 - \$nil).
- (d) During the period related party debt of \$968,370 was reallocated to share capital

9. Capital management

The Company's objective in managing capital is to ensure a sufficient liquidity position to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders. In order to achieve this objective, the Company prepares budgets and capital requirements to manage its capital structure. The Company defines capital as borrowings as detailed in notes 5 and 8(a) and equity and borrowings, comprised of issued share capital, share-based payments, accumulated deficit, as well as due to related parties.

Since inception, the Company has primarily financed its liquidity needs through the issuance of common shares of the Company and funding received from related parties.

There have been no changes to the Company's objectives and what it manages as capital as at September 30, 2017 and December 31, 2016, or during the three and nine months ended September 30, 2017. The Company is not subject to externally-imposed capital requirements.

10. Financial instruments and risk management

Financial instruments

The Company has classified its cash as fair value through profit and loss ("FVTPL"), receivables as loans and receivables, and accounts payable and accrued liabilities, due to related parties and convertible debentures as other financial liabilities.

The carrying values of cash, receivables, due to related parties, and accounts payable and accrued liabilities approximate their fair values due to their short periods to maturity.

Notes to the Condensed Interim Consolidated Financial Statements

For the periods ended September 30, 2017 and 2016

Fair value hierarchy

Financial instruments recorded at fair value are classified using a fair value hierarchy that reflects the significance of inputs used in making the measurements. The hierarchy is summarized as follows:

Level 1 – quoted prices (unadjusted) in active markets for identical assets and liabilities

Level 2 – inputs that are observable for the asset or liability, either directly (prices) or indirectly (derived from prices) from observable market data

Level 3 – inputs for assets and liabilities not based upon observable market data

Financial risk factors

The Company's risk exposure and the impact on the Company's financial instruments are summarized below:

(a) Credit risk

Financial instruments that potentially subject the Company to significant concentrations of credit risk consist principally of cash. The Company's cash is held at a major Canadian bank. The Company regularly monitors the credit risk exposure and takes steps to mitigate the likelihood of these exposures resulting in actual loss.

(b) Liquidity risk

The Company is exposed to liquidity risk or the risk of not meeting its financial obligations as they come due. The Company constantly monitors and manages its cash flows to assess the liquidity necessary to fund operations. As at September 30, 2017, the Company had cash and receivables balance of \$2,340,663 (December 31, 2016 - \$3,447,355) to settle current liabilities of \$721,178 (December 31, 2016 - \$1,786,168). As such, liquidity risk for the Company should be considered low. All of the Company's financial liabilities have contractual maturities of less than 30 days and are subject to normal trade terms.

(c) Interest rate risk

The Company is not subject to any significant interest rate risk from its liabilities. All other financial liabilities are non-interest-bearing instruments.

11. Subsequent events

(a) *Equity private placement*

On November 15, 2017, the Company entered into subscription agreements with funds advised by JW Asset Management LLC ("JW Funds"), Canopy Growth Corporation ("Canopy Growth") and Canopy Rivers Corporation ("Canopy Rivers") pursuant to which the investors will acquire from the Company, on a non-brokered private placement basis, 47,727,273 units at \$1.10 per unit (the "Units") for gross proceeds of approximately \$52,500,000. Each unit sold in the private placement will consist of one common share of the Company and one common share purchase warrant of the Company, with each warrant entitling the holder to purchase an additional common share for a period of 36 months at an exercise price of \$1.10

(b) *Sales tax refund*

On October 12, 2017, the Company received a GST/HST refund of \$869,507 from the Canada Revenue Agency. The amount relates to GST/HST returns filed for fiscal 2016 and for the six months ended June 30, 2017.

Notes to the Condensed Interim Consolidated Financial Statements

For the periods ended September 30, 2017 and 2016

(c) *Asset Purchase*

On October 13, 2017, the Company acquired assets from Canna Relief Consulting Canada Inc. (“CannaRelief”) related to the operation of CannaRelief’s education and patient navigation services. TerrAscend will pay \$190,000 in cash and has issued 62,500 shares with an aggregate value of \$60,000, which are subject to a four month hold period. As of the date of this report, a total of \$105,000 in cash has been paid to CannaRelief.

(d) *Options exercised*

On October 12, 2017, 74,074 options with an exercise of \$0.81 were exercised to purchase 74,074 common shares for gross proceeds of \$60,000.

(e) *Options granted*

October 23, 2017, the Company granted 65,000 options to employees of the Company. The options have a weighted average exercise price of \$0.89.

October 31, 2017, the Company granted 315,000 options to employees of the Company. The options have a weighted average exercise price of \$0.90.

(f) *Appointment of interim Chief Financial Officer*

November 14, 2017, Mr. Roland Nimmo has replaced Ms. Rebecca Hudson in the capacity as interim CFO.