UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

Form 6-K

REPORT OF FOREIGN PRIVATE ISSUER PURSUANT TO RULE 13a-16 OR 15d-16
UNDER THE SECURITIES EXCHANGE ACT OF 1934

For the month of March, 2021.

Commission File Number: **333-253466**

AYR WELLNESS INC.
(Exact Name of Registrant as Specified in Charter)

199 Bay Street, Suite 5300
Toronto, Ontario, M5L 1B9
Canada
(Address of principal executive offices)

Indicate by check mark whether the registrant files or will file annual reports under cover Form 20-F or Form 40-F.
Form 20-F ☐ Form 40-F ☒

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(1): ☐

Note: Regulation S-T Rule 101(b)(1) only permits the submission in paper of a Form 6-K if submitted solely to provide an attached annual report to security holders.

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(7): ☐

Note: Regulation S-T Rule 101(b)(7) only permits the submission in paper of a Form 6-K if submitted to furnish a report or other document that the registrant foreign private issuer must furnish and make public under the laws of the jurisdiction in which the registrant is incorporated, domiciled or legally organized (the registrant's "home country"), or under the rules of the home country exchange on which the registrant's securities are traded, as long as the report or other document is not a press release, is not required to be and has not been distributed to the registrant's security holders, and, if discussing a material event, has already been the subject of a Form 6-K submission or other Commission filing on EDGAR.

INCORPORATION BY REFERENCE

Exhibits 99.3, 99.5, 99.6 and 99.7 to this Form 6-K of Ayr Wellness Inc. (the "Company") are hereby incorporated by reference as exhibits to the Registration Statement on Form F-10 (File No. 333-253466) of the Company, as amended or supplemented.

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

AYR WELLNESS INC.
(Registrant)

Date: March 11, 2021	By:	*/s/ Brad Asher*
	Name:	Brad Asher
	Title:	Chief Financial Officer

EXHIBIT INDEX

99.1	News Release dated February 25, 2021
99.2	News Release dated February 26, 2021
99.3	Material Change Report dated February 26, 2021
99.4	Notice of Change in Corporate Structure
99.5	Consolidated Financial Statements for the years ended December 31, 2020 and 2019
99.6	Management's Discussion and Analysis for the three months and years ended December 31, 2020 and 2019
99.7	Consent of MNP LLP

Exhibit 99.1

Ayr Wellness to Hold Fourth Quarter and Full Year 2020 Conference Call on Thursday, March 11, 2021 at 8:30 a.m. ET

Toronto, Ontario, February 25, 2021 – Ayr Wellness Inc. (CSE: AYR.A, OTCQX: AYRWF) ("Ayr" or "the Company"), a leading vertically integrated cannabis multi-state operator, will hold a conference call on Thursday, March 11, 2021 at 8:30 a.m. Eastern time to discuss its results for the fourth quarter and full year ended December 31, 2020. The Company will provide its financial results in a press release prior to the conference call.

Ayr CEO Jonathan Sandelman, COO Jennifer Drake and CFO Brad Asher will host the conference call, followed by a question and answer period.

Conference Call Date: Thursday, March 11, 2021
Time: 8:30 a.m. Eastern time
Toll-free dial-in number: (877) 282-0546
International dial-in number: (270) 215-9898
Conference ID: 2287507

Please call the conference telephone number 5-10 minutes prior to the start time. An operator will register your name and organization. If you have any difficulty connecting with the conference call, please contact Gateway Investor Relations at (949) 574-3860.

The conference call will be broadcast live and available for replayhere.

A telephonic replay of the conference call will also be available after 11:30 a.m. Eastern time on the same day through March 18, 2021.

Toll-free replay number: (855) 859-2056
International replay number: (404) 537-3406
Replay ID: 2287507

About Ayr Wellness Inc.
Ayr is an expanding vertically integrated, U.S. multi-state cannabis operator, focused on delivering the highest quality cannabis products and customer experience throughout its footprint. Based on the belief that everything starts with the quality of the plant, the Company is focused on superior cultivation to grow superior branded cannabis products. Ayr strives to enrich consumers' experience every day through the wellness and wonder of cannabis.

Ayr's leadership team brings proven expertise in growing successful businesses through disciplined operational and financial management, and is committed to driving positive impact for customers, employees and the communities they touch. For more information, please visit www.ayrwellness.com.

Company Contact:
Megan Kulick
Head of Investor Relations
T: (646) 977-7914
Email: IR@ayrwellness.com

Investor Relations Contact:
Sean Mansouri, CFA
Gateway Investor Relations
T: (949) 574-3860
Email: IR@ayrwellness.com

Exhibit 99.2

Ayr Wellness and Liberty Health Sciences Announce Closing of Arrangement

Florida Becomes Fourth State in Ayr's Expanding Footprint

Toronto, ON Feb. 26, 2021 – Ayr Wellness Inc. (CSE: AYR.A, OTCQX: AYRWF, "Ayr" or "the Company") and Liberty Health Sciences Inc. (CSE: LHS, OTCQX: LHSIF, "Liberty") are pleased to announce that they have completed the previously announced arrangement (the "Arrangement") under the provisions of the *Business Corporations Act* (British Columbia), pursuant to which, among other things, Ayr has acquired all of the common shares of Liberty (the "Liberty Shares").

Following the overwhelming support of the Liberty shareholders in a special meeting on February 23, the Supreme Court of the British Columbia approved the Arrangement yesterday, clearing the path for the closing of the transaction this morning. Under the terms of the Arrangement, Liberty shareholders will receive 0.03683 Ayr subordinate voting shares ("Ayr Shares") for each Liberty Share held, equating to approximately 12.7 million new Ayr Shares. All outstanding convertible debentures of Liberty Health Sciences Florida Ltd. that remain outstanding shall continue to remain outstanding and convertible into Ayr Shares in accordance with their terms including as adjusted for the exchange ratio under the Arrangement.

"We are excited to welcome all Liberty stakeholders to the Ayr family, especially the over 300 members of the Liberty team. We look forward to working with you and our successful future together. To the Liberty shareholders, thank you for your overwhelming support. You are Ayr shareholders now and we take that responsibility very seriously. We are excited to get to work to bring the wellness and wonder of Ayr to Florida's growing market," said Jonathan Sandelman, CEO of Ayr. "Our first task is to improve output from Florida's cultivation, because everything starts with the plant. We are confident that the combination of our best-in-class cultivation experts and the newly hired head of grow operations in Florida will bring Florida's cultivation to the high standards Ayr has set in our other states. Beyond cultivation, we look forward to bringing to Florida the best-in-class customer and community service that are at the core of our culture."

Ayr now has a presence in seven states, with active operations in Florida, Massachusetts, Nevada and Pennsylvania and pending acquisitions in New Jersey, Arizona, and Ohio. Ayr's seven-state footprint covers key markets with a combined population of 73 million, 44 open dispensaries and 554,000 sq. ft. of cultivation operational today. The Company expects the Arizona and Ohio acquisitions to close before the end of the first quarter of 2021 and New Jersey to close early in the third quarter.

Following completion of the Arrangement, Ayr has beneficial ownership and control over 100% of the issued and outstanding Liberty Shares. An early warning report will be filed by Ayr with applicable Canadian securities regulatory authorities. To obtain a copy, please contact Megan Kulick as indicated below.

The head office of Ayr is located at 590 Madison Avenue, 26th Floor New York, NY 10022. The head office of Liberty is located at 18770 N CR 225, Gainesville, FL 32609.

Forward-Looking Statements

Certain information contained in this news release may be forward-looking statements within the meaning of applicable securities laws. Forward-looking statements are often, but not always, identified by the use of words such as "target", "expect", "anticipate", "believe", "foresee", "could", "would", "estimate", "goal", "outlook", "intend", "plan", "seek", "will", "may", "tracking", "pacing" and "should" and similar expressions or words suggesting future outcomes. This news release includes forward-looking information and statements pertaining to, among other things, Ayr's future growth plans. Numerous risks and uncertainties could cause the actual events and results to differ materially from the estimates, beliefs and assumptions expressed or implied in the forward-looking statements, including, but not limited to: anticipated strategic, operational and competitive benefits may not be realized; events or series of events, including in connection with COVID-19, may cause business interruptions; required regulatory approvals may not be obtained; acquisitions may not be able to be completed on satisfactory terms or at all; and Ayr may not be able to raise additional debt or equity capital. Among other things, Ayr has assumed that its businesses will operate as anticipated, that it will be able to complete acquisitions on reasonable terms, and that all required regulatory and court approvals will be obtained on satisfactory terms and within expected time frames. In particular, there can be no assurance that we will complete the pending acquisitions or enter into agreements with respect to other acquisitions.

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About Liberty Health Sciences Inc.

Liberty is the cannabis provider committed to providing a high-quality cannabis experience based on our genuine care for all cannabis users and a focus on operational excellence from seed to sale. For more information, please visit: www.libertyhealthsciences.com.

Ayr Contact:
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Head of Investor Relations

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Ayr Investor Relations Contact:
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Liberty Contact
George Gremse
Interim Chief Executive Officer
(833) 254-4877
GGremse@libertyhealthsciences.com

Liberty Investor Relations Contact
Dwain Schenck
(203) 223-5230
dwain@schenckstrategies.com

FORM 51-102F3

MATERIAL CHANGE REPORT

Item 1 **Name and Address of Company**

Ayr Wellness Inc. (formerly, Ayr Strategies Inc.) (the "**Company**") 590 Madison Ave, 26th Floor
New York, NY 10022

Item 2 **Date of Material Change**

February 26, 2021

Item 3 **News Releases**

A news release was disseminated by the Company on February 26, 2021 through the facilities of Globe Newswire and was subsequently filed on SEDAR

Item 4 **Summary of Material Change**

On February 26, 2021, the Company and Liberty Health Sciences Inc. ("**Liberty**") completed their previously announced arrangement (the "**Arrangement**") under the provisions of the *Business Corporations Act* (British Columbia) pursuant to which, among other things, the Company acquired all of the common shares of Liberty (the "**Liberty Shares**").

Item 5 **Full Description of Material Change:**

On February 26, 2021, the Company announced that it had completed its previously announced Arrangement pursuant to which, among other things, the Company acquired all of the issued and outstanding Liberty Shares in exchange for (i) 0.03683 of a subordinate, restricted or limited voting share, as applicable, in the capital of the Company for each Liberty Share held by a Liberty shareholder, and (ii) CDN$0.0001 per Liberty Share held by a Liberty shareholder.

In connection with the closing of the Arrangement, the Liberty Shares are expected to be delisted from the Canadian Securities Exchange as of the close of trading on or about February 26, 2021 and Liberty intends to submit an application to the applicable securities regulators to cease to be a reporting issuer and to terminate its public reporting obligations.

Please refer to the press release of the Company February 26, 2021, attached as Schedule "A".

Item 6 **Reliance on Section 7.1(2) of National Instrument 51-102**

Not applicable.

Item 7 **Omitted Information**

Not applicable.

Item 8 **Executive Officer**

The following is the name and telephone number of a senior officer of the Company who is knowledgeable about the material change and this report:

Megan Kulick, Head of Investor Relations

Tel: (646) 977-7914

Item 9 **Date of Report**

February 26, 2021

Schedule "A"

Please see attached.

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Following the overwhelming support of the Liberty shareholders in a special meeting on February 23, the Supreme Court of the British Columbia approved the Arrangement yesterday, clearing the path for the closing of the transaction this morning. Under the terms of the Arrangement, Liberty shareholders will receive 0.03683 Ayr subordinate voting shares ("Ayr Shares") for each Liberty Share held, equating to approximately 12.7 million new Ayr Shares. All outstanding convertible debentures of Liberty Health Sciences Florida Ltd. that remain outstanding shall continue to remain outstanding and convertible into Ayr Shares in accordance with their terms including as adjusted for the exchange ratio under the Arrangement.

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Following completion of the Arrangement, Ayr has beneficial ownership and control over 100% of the issued and outstanding Liberty Shares. An early warning report will be filed by Ayr with applicable Canadian securities regulatory authorities. To obtain a copy, please contact Megan Kulick as indicated below.

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Liberty Contact

George Gremse
Interim Chief Executive Officer
(833) 254-4877
GGremse@libertyhealthsciences.com

Liberty Investor Relations Contact
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(203) 223-5230
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Exhibit 99.4

Notice of Change in Corporate Structure
Pursuant to Section 4.9 of National Instrument 51-102

Item 1 Names of the Parties to the Transaction

Liberty Health Sciences Inc. ("**Liberty**")

Ayr Wellness Inc. (formerly Ayr Strategies Inc., "**AYR**")

Item 2 Description of the Transaction

On February 26, 2021, pursuant to the arrangement agreement between Liberty and AYR dated December 21, 2020 (the "**Arrangement Agreement**"), AYR acquired all of the issued and outstanding common shares of Liberty (the "**Common Shares**") in accordance with a plan of arrangement under Section 288 of the *Business Corporations Act* (British Columbia) (the "**Arrangement**"). Pursuant to the Arrangement, each Common Share was exchanged for (i) 0.03683 of a subordinate, restricted or limited voting share, as applicable, in the capital of AYR (each, an " **AYR Share**") and (ii) CDN$0.0001 (collectively (i) and (ii), the "**Consideration**"). No fractional shares were issued in connection with the Arrangement and any fractional shares resulting from the Arrangement were rounded down to the nearest whole number and, in lieu of the issuance of a fractional AYR Share, such holders are to be compensated through a cash payment (rounded up to the nearest cent) determined by reference to the volume weighted average trading price of AYR Shares on the Canadian Securities Exchange (the "**CSE**") for the five trading days immediately preceding February 26, 2021.

In addition, pursuant to the Arrangement, each option to acquire a Common Share (a "**Liberty Option**") outstanding immediately prior to February 26, 2021 was exchanged for a replacement option to purchase from AYR such number of AYR Shares (rounded down to the nearest whole number of AYR Shares) equal to (A) that number of Common Shares that were issuable upon exercise of such Liberty Option immediately prior to February 26, 2021, multiplied by (B) an exchange ratio (the "**Exchange Ratio**") equal to the sum of 0.03683, at an exercise price per AYR Share equal to the greater of (X) the quotient determined by dividing (i) the exercise price per Common Share at which such Liberty Option was exercisable immediately prior to February 26, 2021, by (ii) the Exchange Ratio, rounded up to the nearest whole cent; and (Y) such minimum amount that meets the requirements of paragraph 7(1.4) of the *Income Tax Act* (Canada).

Furthermore, in accordance with the indenture (as supplemented from time to time, the "**Indenture**") governing the outstanding convertible debentures of Liberty (the "**Convertible Debentures**") and the Arrangement, each holder of a Convertible Debenture shall be entitled to receive and shall accept upon any conversion of such holder's Convertible Debentures on or after February 26, 2021, in lieu of the number of Common Shares to which such holder was theretofore entitled upon such conversion, the number of AYR Shares which the holder of a Convertible Debenture would have been entitled to receive as a result of the transactions contemplated by the Arrangement if, immediately prior to February 26, 2021, such holder had been the registered holder of the number of Common Shares to which such holder would have been entitled if such holder had converted such holder's Convertible Debentures immediately prior to February 26, 2021. Each Convertible Debenture shall continue to be governed by and be subject to the terms of the Indenture.

As a result of the completion of the Arrangement, the Common Shares, which traded under the symbol "LHS" on the CSE, will be delisted effective as of the close of trading on or about February 26, 2021.

Item 3 Effective Date of the Transaction

February 26, 2021

Item 4 Names of each Party, if any, that ceased to be a Reporting Issuer after the Transaction and of each Continuing Entity.

In connection with the Arrangement, AYR and Liberty amalgamated. Liberty intends to submit an application to cease to be a reporting issuer under applicable Canadian securities laws and to otherwise terminate Liberty's public reporting requirements.

Item 5 Date of the Reporting Issuer's First Financial Year-End Subsequent to the Transaction

Not applicable.

Item 6 Periods, Including Comparative Periods, if any, of the Interim and Annual Financial Statements Required to be Filed for the Reporting Issuer's First Financial Year Subsequent to the Transaction

Not applicable.

Item 7 Documents filed under NI 51-102 that describe the transaction and where they can be found in electronic format

For a detailed summary of the Arrangement and related transactions, please refer to the notice of special meeting and management information circular of Liberty dated January 25, 2021. Copies of the Arrangement Agreement and the notice of special meeting and management information circular of Liberty are available under Liberty's profile on SEDAR at www.sedar.com.

February 26, 2021.

Exhibit 99.5

Ayr Wellness Inc.

(Formerly Ayr Strategies Inc.)

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

(EXPRESSED IN UNITED STATES DOLLARS)

Ayr Wellness Inc.
(Formerly Ayr Strategies Inc.)
Consolidated Financial Statements

December 31, 2020 and 2019

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

Management's Responsibility

To the Shareholders of Ayr Wellness Inc. (formerly, Ayr Strategies Inc.)

The accompanying consolidated financial statements ("financial statements") and accompanying notes in this report were prepared by management of Ayr Wellness Inc., reviewed by the Audit Committee and approved by the Board of Directors.

Management is responsible for the preparation of the financial statements and believes that they fairly present the Corporation's financial condition and results of operation in conformity with International Financial Reporting Standards. Management has included in the Corporation's financial statements amounts based on estimates and judgments that it believes are reasonable, under the circumstances.

March 9, 2021

“Jonathan Sandelman” (signed)	“Charles Miles” (signed)
Director	Director

Independent Auditor's Report

To the Shareholders of Ayr Wellness Inc. (formerly Ayr Strategies Inc.):

Opinion

We have audited the consolidated financial statements of Ayr Wellness Inc. (formerly Ayr Strategies Inc.) and its subsidiaries (the "Corporation"), which comprise the consolidated statements of financial position as at December 31, 2020 and December 31, 2019, and the consolidated statements of loss and comprehensive loss, changes in shareholders' equity (deficiency) and cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Corporation as at December 31, 2020 and December 31, 2019, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board.

Basis for Opinion

We conducted our audits in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor’s Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Corporation in accordance with the ethical requirements that are relevant to our audits of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Information

Management is responsible for the other information. The other information comprises Management’s Discussion and Analysis.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audits of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audits or otherwise appears to be materially misstated. We obtained Management’s Discussion and Analysis prior to the date of this auditor’s report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Corporation’s ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Corporation or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Corporation’s financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Corporation’s internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Corporation's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Corporation to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Corporation to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audits and significant audit findings, including any significant deficiencies in internal control that we identify during our audits.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditor's report is Jaspreet Chahal.

MNP LLP

Burlington, Ontario — Chartered Professional Accountants

March 9, 2021 — Licensed Public Accountant

MNP

Ayr Wellness Inc. (formerly Ayr Strategies Inc.)
Consolidated Statements of Financial Position
(Expressed in United States Dollars)

	As of	
	December 31, 2020	December 31, 2019
ASSETS		
Current		
Cash and cash equivalents	**$ 127,238,165**	$ 8,403,196
Accounts receivable	**3,464,401**	2,621,239
Due from related parties [Note 11]	**135,000**	85,000
Inventory [Note 5]	**28,257,942**	13,718,840
Biological assets [Note 6]	**12,069,851**	2,935,144
Prepaid expenses, deposits, and other current assets	**5,270,381**	2,163,329
	176,435,740	29,926,748
Non-current		
Property, plant, and equipment [Note 7]	**69,104,080**	37,152,861
Intangible assets [Note 8]	**252,357,676**	189,802,136
Right-of-use assets [Note 9]	**22,604,065**	12,315,417
Goodwill [Notes 4 and 8]	**92,321,934**	84,837,304
Equity investments [Note 10]	**503,509**	427,399
Deposits and other assets	**2,540,675**	638,394
Total assets	**615,867,679**	355,100,259
LIABILITIES		
Current		
Trade payables	**8,899,786**	6,806,053
Accrued liabilities	**8,706,813**	5,123,865
Lease obligations - current portion [Note 9]	**866,304**	1,087,835
Purchase consideration payable [Notes 4 and 14]	**9,053,057**	9,831,700
Income tax payable [Note 20]	**21,585,523**	5,202,943
Debts payable - current portion [Note 12]	**8,644,633**	6,628,843
	57,756,116	34,681,239
Non-current		
Deferred tax liabilities [Note 20]	**47,935,998**	41,077,761
Warrant liability [Note 14]	**151,949,611**	36,874,124
Lease obligations - non-current portion [Note 9]	**23,864,059**	13,033,310
Contingent consideration [Notes 4 and 14]	**22,961,412**	22,656,980
Debts payable - non-current portion [Note 12]	**53,587,948**	37,366,818
Senior secured notes - non-current portion [Note 12]	**103,652,963**	-
Accrued interest payable [Note 12]	**3,301,155**	815,662
Total liabilities	**465,009,262**	186,505,894

SHAREHOLDERS' EQUITY (DEFICIENCY)		
Share capital [Note 13]	**518,992,215**	382,210,006
Treasury stock	**(556,899)**	(245,469)
Contributed surplus	**60,035,984**	28,879,225
Accumulated other comprehensive (loss) income	**(5,765,218)**	3,265,610
Deficit	**(421,847,665)**	(245,515,007)
Total shareholders' equity	**150,858,417**	168,594,365
Total liabilities and shareholders' equity	**615,867,679**	355,100,259

Commitments and Contingencies [Note 18]
Subsequent events [Note 21]

Approved on behalf of the Board:

"Jonathan Sandelman" (signed)
Director

"Charles Miles" (signed)
Director

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

Ayr Wellness Inc. (formerly Ayr Strategies Inc.)
Consolidated Statements of Loss and Comprehensive Loss
(Expressed in United States Dollars)

	Year Ended	
	December 31, 2020	December 31, 2019
Revenues, net of discounts	**$ 155,114,454**	$ 75,195,556
Cost of goods sold before biological asset adjustments	**66,555,710**	37,009,909
Incremental costs to acquire cannabis inventory in a business combination [Note 4]	**-**	3,764,678
Cost of goods sold	**66,555,710**	40,774,587
Gross profit before fair value adjustments	**88,558,744**	34,420,969
Fair value adjustment on sale of inventory	**(34,147,938)**	(18,272,212)
Unrealized gain on biological asset transformation [Note 6]	**48,690,657**	10,108,105
Gross profit	**103,101,463**	26,256,862
Expenses		
General and administrative [Note 16]	**36,342,955**	19,036,452
Sales and marketing	**2,150,536**	1,345,009
Depreciation [Notes 7 and 9]	**2,364,224**	1,392,994
Amortization [Note 8]	**12,024,715**	7,222,595
Stock-based compensation [Note 17]	**31,156,759**	28,879,225
Acquisition expense	**2,945,194**	5,847,800
Total expenses	**86,984,383**	63,724,075
Income (Loss) from operations	**16,117,080**	(37,467,213)
Other (expense) income		
Share of loss on equity investments [Note 10]	**(33,591)**	(72,600)
Foreign exchange	**(7,782)**	(141,106)
Fair value loss on financial liabilities [Note 14]	**(164,042,264)**	(119,235,147)
Interest expense	**(4,115,775)**	(3,035,492)
Interest income	**10,112**	404,835
Other	**104,931**	202,610
Total other (expense) income	**(168,084,369)**	(121,876,900)
Loss before income tax	**(151,967,289)**	(159,344,113)
Current tax [Note 20]	**(21,976,761)**	(8,728,061)
Deferred tax [Note 20]	**(2,388,608)**	3,892,570
Net loss	**(176,332,658)**	(164,179,604)
Foreign currency translation adjustment	**(9,030,828)**	(156,510)
Net loss and comprehensive loss	**(185,363,486)**	(164,336,114)
Basic and diluted loss per share	**(6.32)**	(9.43)
Weighted average number of shares outstanding (basic and diluted)	**27,892,441**	17,404,742

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

Ayr Wellness Inc. (formerly Ayr Strategies Inc.)
Consolidated Statements of Changes in Shareholders' Equity (Deficiency)
(Expressed in United States Dollars)

	Share Capital								Treasury Stock		Contributed surplus	Accumulated other comprehensive (loss) income	Deficit	Total
	Class B shares		Multiple Voting Shares		Subordinate, Restricted, and Limited Voting Shares		Exchangeable Shares							
	Number	Amount	Number	Amount	Number	Amount	Number	Amount	Number	Amount				
	#	$	#	$	#	$	#	$	#	$	$	$	$	$
Balance, December 31, 2019	**-**	**-**	**3,696,486**	**1,821,997**	**14,824,485**	**251,721,350**	**8,373,792**	**128,666,659**	**(29,500)**	**(245,469)**	**28,879,225**	**3,265,610**	**(245,515,007)**	**168,594,365**
Stock-based compensation [Note 17]	-	-	-	-	-	-	-	-	-	-	31,156,759	-	-	31,156,759
Exercise of Rights [Note 13]	-	-	-	-	175,640	-	-	-	-	-	-	-	-	-
Exercise of Warrants [Notes 13 and 14]	-	-	-	-	5,574,446	105,957,197	-	-	-	-	-	-	-	105,957,197
Conversion of Exchangeable Shares [Note 13]	-	-	-	-	8,170,805	128,355,064	(8,170,805)	(128,355,064)	-	-	-	-	-	-
Share issuance - make-whole [Note 14]	-	-	-	-	-	-	614,515	3,765,927	-	-	-	-	-	3,765,927
Repurchase of Subordinate Voting Shares [Note 13]	-	-	-	-	-	-	-	-	(34,300)	(311,430)	-	-	-	(311,430)
Share issuance - combinations and acquisitions [Note 4]	-	-	-	-	128,265	2,083,450	1,310,041	24,975,635	-	-	-	-	-	27,059,085
Net loss for the period	-	-	-	-	-	-	-	-	-	-	-	-	(176,332,658)	(176,332,658)
Foreign currency translation adjustment	-	-	-	-	-	-	-	-	-	-	-	(9,030,828)	-	(9,030,828)
Balance, December 31, 2020	**-**	**-**	**3,696,486**	**1,821,997**	**28,873,641**	**488,117,061**	**2,127,543**	**29,053,157**	**(63,800)**	**(556,899)**	**60,035,984**	**(5,765,218)**	**(421,847,665)**	**150,858,417**
Balance, December 31, 2018 - Restated (Note 3.22)	**3,696,486**	**1,821,997**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**3,422,120**	**(81,335,403)**	**(76,091,286)**
Share exchange - Qualifying Transaction [Notes 1 and 4]	(3,696,486)	(1,821,997)	3,696,486	1,821,997	13,474,000	248,411,016	-	-	-	-	-	-	-	248,411,016
Share issuance - Qualifying Transaction [Note 4]	-	-	-	-	-	-	7,983,887	125,421,479	-	-	-	-	-	125,421,479
Stock-based compensation [Note 17]	-	-	-	-	-	-	-	-	-	-	28,879,225	-	-	28,879,225
Exercise of Rights [Note 13]	-	-	-	-	1,059,685	-	-	-	-	-	-	-	-	-
Exercise of Warrants [Note 13]	-	-	-	-	298,200	3,376,539	-	-	-	-	-	-	-	3,376,539
Share issuance - make-whole [Note 14]	-	-	-	-	-	-	389,905	3,245,180	-	-	-	-	-	3,245,180
Repurchase of Subordinate Voting Shares [Note 13]	-	-	-	-	(7,400)	(66,205)	-	-	(29,500)	(245,469)	-	-	-	(311,674)
Net loss for the period	-	-	-	-	-	-	-	-	-	-	-	-	(164,179,604)	(164,179,604)
Foreign currency translation adjustment	-	-	-	-	-	-	-	-	-	-	-	(156,510)	-	(156,510)
Balance, December 31, 2019	**-**	**-**	**3,696,486**	**1,821,997**	**14,824,485**	**251,721,350**	**8,373,792**	**128,666,659**	**(29,500)**	**(245,469)**	**28,879,225**	**3,265,610**	**(245,515,007)**	**168,594,365**

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

Ayr Wellness Inc. (formerly Ayr Strategies Inc.)
Consolidated Statements of Cash Flows
(Expressed in United States Dollars)

	Year Ended December 31, 2020	Year Ended December 31, 2019
Operating activities		
Net loss	$ **(176,332,658)**	$ (164,179,604)
Adjustments for:		
Acquisition costs associated with financing activities	**-**	129,235
Net fair value loss on financial liabilities	**164,042,264**	119,235,147
Stock-based compensation	**31,156,759**	28,879,225
Depreciation	**4,720,198**	2,172,373
Amortization on intangible assets	**13,716,502**	8,137,864
Share of loss on equity investments	**33,591**	72,600
Incremental costs to acquire cannabis inventory in a business combination	**-**	3,764,678
Fair value adjustment on sale of inventory	**34,147,938**	18,272,212
Unrealized gain on biological asset transformation	**(48,690,657)**	(10,108,105)
Deferred tax expense (benefit)	**2,388,608**	(3,892,570)
Amortization on financing costs	**90,858**	-
Interest accrued	**2,214,061**	1,652,510
Changes in non-cash operations, net of business acquisition:		
Accounts receivable	**(843,162)**	(1,308,328)
Inventory and biological assets	**(8,876,748)**	(5,809,848)
Prepaid expenses and other assets	**(2,529,212)**	(1,459,072)
Trade payables	**1,616,253**	2,992,073
Accrued liabilities	**3,274,488**	(179,574)
Income tax payable	**16,382,580**	5,202,943
Cash provided by operating activities	**36,511,663**	3,573,759
Investing activities		
Transfer of restricted cash and short term investments held in escrow and interest income	**-**	99,684,243
Purchase of property, plant, and equipment	**(14,367,690)**	(14,417,635)
Purchases of intangible assets	**(400,000)**	-
Deferred underwriters commission paid	**-**	(3,457,154)
Cash paid for business combinations and asset acquisitions, net of cash acquired	**(35,174,880)**	(74,714,171)
Cash paid for business combinations and asset acquisitions, bridge financing	**(8,040,804)**	-
Cash paid for business combinations and asset acquisitions, working capital	**(2,354,375)**	(547,042)
Payments for interests in equity accounted investments	**(109,700)**	(500,000)
Advances to related corporation	**(50,000)**	(809,191)
Deposits for business combinations	**(1,750,000)**	-
Cash (used in) provided by investing activities	**(62,247,449)**	5,239,050
Financing activities		
Proceeds from exercise of Warrants	**48,483,750**	2,460,150
Proceeds from senior secured notes, net of financing costs	**103,571,105**	-
Redemption of Class A shares	**-**	(7,519)
Repayments of debts payable	**(5,615,225)**	(2,879,329)
Repayments of lease obligations (principal portion)	**(1,557,445)**	(763,878)
Repurchase of Subordinate Voting Shares	**(311,430)**	(311,674)
Cash provided by (used in) financing activities	**144,570,755**	(1,502,250)
Net increase in cash	**118,834,969**	7,310,559
Effect of foreign currency translation	**-**	982,685
Cash and cash equivalents, beginning of the year	**8,403,196**	109,952
Cash and cash equivalents, end of the year	**127,238,165**	8,403,196
Supplemental disclosure of cash flow information:		
Interest paid during the year	**2,526,294**	1,679,612
Taxes paid during the year	**5,594,181**	3,525,118

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

1. NATURE OF OPERATIONS

Ayr Wellness Inc. (formerly Ayr Strategies Inc.) ("Ayr" or "the Corporation") is a vertically-integrated cannabis multi-state operator in the U.S., with a portfolio in Massachusetts, Nevada, and Pennsylvania. Through its operating companies, Ayr is a leading cultivator, manufacturer, and retailer of cannabis products and branded cannabis packaged goods, and provides operational and service support to licensed cannabis companies. The Corporation was previously a special purpose acquisition corporation ("SPAC") which was incorporated for the purpose of effecting an acquisition of one or more businesses or assets, by way of a merger, amalgamation, arrangement, share exchange, asset acquisition, share purchase, reorganization, or any other similar business combination involving the Corporation, referred to as the Corporation's "Qualifying Transaction". The Corporation had only one operating segment, cannabis sales, during the year ended December 31, 2020. As the Corporation has experienced rapid growth operating segments will be further analyzed and are subject to future change. The Corporation is a reporting issuer in each of the provinces and territories of Canada.

The Corporation was incorporated on July 31, 2017 under the Business Corporations Act (Ontario) and continued on May 24, 2019 into British Columbia under the Business Corporations Act (British Columbia) in connection with its Qualifying Transaction. The registered office of the Corporation is located at 666 Burrard Street, Suite 1700, Vancouver, British Columbia V6C 2X8. The head office of the Corporation is located at 590 Madison Avenue, 26th Floor, New York, New York, 10022.

For information on the Corporation's initial public offering, please refer to the Corporation's final non-offering prospectus dated February 15, 2019 and the Corporation's management information circular dated February 19, 2019.

On September 12, 2018, the Corporation incorporated a wholly owned subsidiary in Nevada, United States, named CSAC Holdings Inc., to facilitate the proposed Qualifying Transaction. On September 17, 2018, CSAC Holdings Inc. incorporated a wholly owned subsidiary in Nevada, United States, named CSAC Acquisition Inc. ("CSAC AcquisitionCo").

On May 24, 2019, the Corporation completed its Qualifying Transaction, including through operational and service agreements, of the target businesses of Washoe Wellness, LLC ("Washoe"), The Canopy NV, LLC ("Canopy"), Sira Naturals, Inc. ("Sira"), LivFree Wellness, LLC ("LivFree") and CannaPunch of Nevada LLC ("CannaPunch"), which collectively constituted its Qualifying Transaction (collectively, the "Qualifying Transaction"). For more information regarding the Qualifying Transaction, view the December 31, 2019 audited financial statements.

The Corporation's subordinate, restricted, and limited voting shares ("Subordinate Voting Shares"), warrants ("Warrants"), and rights ("Rights") are trading on the Canadian Stock Exchange (the "CSE"), under the symbols "AYR.A", "AYR.WT" and "AYR.RT", respectively. The Corporation's Subordinate Voting Shares are also trading on the Over-the-Counter Market ("OTC") in the United States under the symbol "AYRWF". The Corporation originally traded on the OTC under the symbol "AYRSF", however, that changed on December 4, 2020 to AYRWF.

2. BASIS OF PRESENTATION

2.1 Statement of compliance

These financial statements for the year ended December 31, 2020 (and comparative results for the year ended December 31, 2019) 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") and in effect as of December 31, 2020.

These financial statements were approved and authorized for issuance by the Board of Directors of the Corporation (the "Board of Directors") on March 9, 2021.

2.2 Basis of presentation and measurement

These financial statements have been prepared on the going concern basis under the historical cost basis except for certain financial instruments, biological assets, and warrant liability, which are measured at fair value, as explained in the accounting policies set out in Note 3.

The financial statements are presented in United States dollars which, following the close of the Qualifying Transaction became the Corporation's presentation currency. The Corporation's previous presentation currency was Canadian Dollars ("CAD" or "CDN$"). See Note 3.22 for change in accounting policy related to the change in presentation currency. The functional currency of each entity is determined separately in accordance with International Accounting Standard IAS 21 – *Foreign Exchange* and is measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The functional currency of Ayr, the parent, is CDN$ and for each of the United States subsidiaries is United States dollars (US$ or $).

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

3.1 Basis of consolidation

The financial statements for the year ended December 31, 2020 include the accounts of the Corporation, its wholly-owned subsidiaries, and entities over which the Corporation has control as defined in IFRS 10, all of which also have a December 31 year-end. Entities over which the Corporation has control are presented on a consolidated basis from the date control commences. Control, as defined in IFRS 10 for purposes of determining the consolidated basis of financial statement presentation exists when the Corporation is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power and rights in respect of the entity. All of the consolidated entities were under control, as defined in IFRS 10 for purposes of determining the consolidated basis of financial statement presentation, during the entirety of the periods for which their respective results of operations were included in the consolidated statements. All intercompany balances and transactions are eliminated on consolidation. The Corporation's consolidated subsidiaries are listed below, and are owned 100% by the Corporation unless otherwise noted:

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.1 Basis of consolidation (continued)

Subsidiaries	State of operation	Purpose
Ayr Wellness Inc.	Canada	Parent Company
CSAC Holdings Inc.	NV	Corporate - Holding Company
CSAC Acquisition Inc. (2)	NV	Corporate - Holding Company
Sira Naturals, Inc. (3)	MA	Cultivation, Production, and Retail
CannaPunch of Nevada LLC	NV	Production

LivFree Wellness, LLC (1)(4)	NV	Managed Services - Retail
Washoe Wellness, LLC (1)(5)	NV	Managed Services - Cultivation and Production
The Canopy NV LLC (6)	NV	Managed Services - Retail
DocHouse, LLC	PA	Cultivation and Production
CannTech PA, LLC (7)	PA	Cultivation, Production, and Retail

(1) Entered into an Equity Purchase Agreement with CSAC Acquisition, Inc. pending regulatory approval for the license transfers by the Nevada Cannabis Compliance Board. The Corporation has control, as defined in IFRS 10 for purposes of determining the consolidated basis of financial statement presentation, and provides operational and service support to licensed cannabis companies. All intercompany balances and transactions are eliminated for consolidation.
(2) CSAC Acquisition Inc. includes wholly-owned subsidiaries:
  a. Holding entities - CSAC Acquisition MA Corp, CSAC Acquisition NJ Corp, CSAC Acquisition PA Corp (“CSAC PA”), CSAC Acquisition AZ Corp, Ayr NJ LLC, CSAC LLC, CSAC Ohio LLC, CSAC-LivFree LLC, CSAC-Washoe Wellness, LLC, CSAC-The Canopy LLC.
    i. CSAC-Washoe Wellness, LLC includes a wholly-owned subsidiary DWC Investments, LLC.
  b. Payroll entities - Mercer Strategies PA, LLC, Parker Solutions PA, LLC.
  c. Real estate entity - Parker RE MA, LLC,
(3) Sira Naturals, Inc includes a whole-owned subsidiary Parker Solutions MA, LLC.
(4) LivFree includes a wholly-owned subsidiary BP Solutions LLC.
(5) Washoe includes wholly-owned subsidiaries Klymb Project Management, Inc, Tahoe-Reno Botanicals, LLC, Tahoe-Reno Extractions, LLC.
(6) Canopy includes wholly-owned subsidiaries Kynd-Strainz, LLC and Lemon Aide, LLC.
(7) CSAC Acquisition PA Corp. is the parent company of CannTech PA, LLC (“CannTech PA”).

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.2 Revenue

IFRS 15 – Revenue from contracts with customers (“IFRS 15”) specifies how and when revenue should be recognized based on a five-step model, which is applied to all contracts with customers. The pattern and timing of revenue recognition is consistent with prior year practice. The Corporation’s accounting policy for revenue recognition under IFRS 15 is to follow a five-step model to determine the amount and timing of revenue to be recognized:

- Identifying the contract with a customer
- Identifying the performance obligations within the contract
- Determining the transaction price
- Allocating the transaction price to the performance obligations
- Recognizing revenue when/as performance obligation(s) are satisfied.

In some cases, judgment is required in determining whether the customer is a business or the end consumer. This evaluation is made on the basis of whether the business obtains control of the product before transferring to the end consumer. Control of the product transfers at a point in time either upon shipment to or receipt by the customer, depending on the contractual terms. In determining the appropriate time of sale, the Corporation takes into consideration a) the Corporation’s right to payment for the goods or services; b) customer’s legal title; c) transfer of physical possession of the goods; and d) timing of acceptance of goods.

Revenue is recognized based on the sale of cannabis for a fixed price when control is transferred. The amount recognized reflects the consideration that the Corporation expects to receive taking into account any variation that is expected to result from rights of return. Dispensary revenue is recognized at the point of sale while wholesale revenue is recognized once Ayr transfers the significant risks and rewards of ownership of the goods and does not retain material involvement associated with ownership or control over the goods sold.

3.3 Cash

The Corporation considers all investments with original maturities of three months or less, that are highly liquid and readily convertible into cash, to be cash equivalents.

3.4 Business combination

Acquisitions of subsidiaries and businesses are accounted for using the acquisition method. The Corporation measures goodwill as the fair value of the consideration transferred, including the recognized amount of any non-controlling interest in the acquiree, less the net recognized amount of the identifiable assets and liabilities assumed, all measured as of the acquisition date.

Consideration transferred includes the fair value of the assets transferred (including cash), the liabilities incurred by the Corporation on behalf of the acquiree, any contingent consideration and any equity interests issued by the Corporation. Transaction costs, other than those associated with the issuance of debt or equity securities that the Corporation incurs in connection with a business combination, are expensed as incurred.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.4 Business combination (continued)

The acquisition date is the date when the Corporation obtains control of the acquiree. Contingent consideration is measured at its acquisition date fair value and included as part of the consideration transferred in a business combination. Contingent consideration that is classified as a liability is re-measured at subsequent reporting dates in accordance with the criteria and guidance provided under IFRS with corresponding gain or loss recorded in the statements of loss and comprehensive loss.

3.5 Inventory

Cannabis inventory at retail, work-in-process, and raw materials are initially valued at the weighted average cost and subsequently measured at the lower of cost and net realizable value. Inventories of harvested cannabis are transferred from biological assets at their fair value at the point of harvest, which becomes the initial deemed cost. Any subsequent post-harvest costs, including direct costs such as materials, labor, and depreciation expense on equipment attributable to processing and related overheads, are capitalized to inventory to the extent that cost is less than net realizable value. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs to sell. The Corporation reviews inventories for obsolete, redundant and slow-moving goods and any such inventories identified are written down to net realizable value.

3.6 Biological assets

The Corporation's biological assets consist of cannabis plants, from the date of initial cutting from mother plants, which are not yet harvested. While the Corporations' biological assets are within the scope of IAS 41 – *Agriculture*, the direct and indirect costs of cultivating and producing biological assets are determined using an approach similar to the capitalization criteria outlined in IAS 2 – *Inventories.* They include the direct cost of seeds and growing materials as well as other direct costs such as utilities and supplies used in the growing process. Indirect labor for individuals involved in the growing and quality control process is also included, as well as depreciation on production equipment, the building portion associated with the growing space, and the right-of-use asset associated with the cultivation and production facilities. All direct and indirect costs of cultivating and producing biological assets are capitalized as they are incurred, and they are subsequently recorded on the statements of loss and comprehensive loss in the year that the related product is sold. Unrealized fair value gain on growth of biological assets are recorded in a separate line on the face of the statements of loss and comprehensive loss. Biological assets are measured at their fair values less costs to sell up to the point of harvest in the statements of financial position, which becomes the initial cost of harvested cannabis.

Mother plants grown for the purpose of taking cuttings in order to grow more quantities of the same plants. Mother plants are critical to the success of the business and, once mature, are held solely to create cuttings for production over their useful lives. Costs attributed to the growing of mother plants are included in cost of goods sold.

3.7 Property, plant, and equipment ("PPE")

PPE is stated at cost less accumulated depreciation and accumulated impairment losses. The cost of an item of PPE consists of the purchase price, any costs directly attributable to bringing the asset to the location and condition necessary for its intended use and an initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.7 Property, plant, and equipment ("PPE") (continued)

Depreciation is provided at rates calculated to write off the cost of PPE, less their estimated residual value, using the straight-line method over the following expected useful lives:

- Land – not depreciated
- Buildings – 39 years
- Leasehold improvements – the shorter of the useful life or life of the lease
- Furniture and fixtures – 5 to 7 years
- Office equipment – 3 to 5 years
- Machinery and equipment – 5 to 15 years
- Auto and trucks – 5 years
- Assets under construction – not depreciated

An item of PPE is derecognized upon disposal, when held for sale or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on disposal of the asset, determined as the difference between the net disposal proceeds and the carrying amount of the asset, is recognized in the statements of loss and comprehensive loss.

Assets under construction are transferred to the appropriate asset class when available for use and depreciation of the assets commences at that point of time.

The Corporation conducts an annual assessment of the residual balances, useful lives and depreciation methods being used for PPE and any changes arising from the assessment are applied by the Corporation prospectively.

Where an item of PPE comprises major components with different useful lives, the components are accounted for as separate items of PPE. Expenditures incurred to replace a component of an item of PPE that is accounted for separately, including major inspection and overhaul expenditures are capitalized.

3.8 Intangible assets

(a) Goodwill

The Corporation measures goodwill as the fair value of the consideration transferred, including the recognized amount of any non-controlling interest in the acquiree, less the net recognized amount of the identifiable assets and liabilities assumed, all measured as of the acquisition date. Goodwill is allocated to the Cash Generating Units ("CGU" or "CGUs") which are expected to benefit from the synergies of the combination. CGUs have been grouped for purposes of impairment testing. Impairment losses recognized in respect of a CGU, being the excess over the CGUs carrying value allocated to the assets in the CGU, are first allocated to the carrying value of goodwill and indefinite life intangibles and any excess is allocated to the carrying amount of assets in the CGU. Impairment testing is performed annually by the Corporation or more frequently, if events or changes in circumstances indicate that they might be impaired. Management makes estimates during impairment testing as judgment is required to determine indicators of impairment and estimates are used to measure impairment losses. The recoverable amount, as defined in Note 3.9, of goodwill is determined by using discounted future cash flows, which incorporates assumptions regarding future events, growth rates and discount rates.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.8 Intangible assets (continued)

(b) Finite life intangible assets

Intangible assets are recorded at cost, less accumulated amortization and impairment losses. Amortization is recorded on a straight-line basis over their estimated useful lives, which do not exceed the contractual period, if any. Intangible assets, which include licences/permits, right-to-use licenses, host community agreements, and trade name/brand have useful lives of 15, 15, 15, and 5 years, respectively. Such assets are tested annually for impairment, or more frequently, if events or changes in circumstances indicate that they might be impaired. The estimated useful lives, residual values, and amortization methods are reviewed at each year-end, and any changes in estimates are accounted for prospectively.

Development activities involve a plan or design for the production of new or substantially improved products and processes. Development expenditures are capitalized to the extent development costs can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable, and the Corporation intends to and has sufficient resources to complete development and to use or sell the product or asset. Other development expenditures will be expensed as incurred. No development costs have been capitalized to date.

3.9 Impairment of non-financial assets

At each financial reporting date, the Corporation reviews the carrying amounts of its tangible assets to determine whether there is an indication that those assets have suffered an impairment loss. If any such indication exists, or when annual impairment testing for an asset is required, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Corporation estimates the recoverable amount of the CGU to which the assets belong.

The recoverable amount is the higher of fair value less the costs to sell and value in use. In assessing the value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs of disposal (“FVLCD”), recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded companies, discounted cash flows, or other available fair value indicators.

If the recoverable amount of an asset (or CGU) is estimated to be less than it’s carrying amount, the carrying amount of the asset (or CGU) is reduced to its recoverable amount. An impairment loss is recognized at that time.

Where an impairment loss subsequently reverses, the carrying amount of the asset (CGU) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or CGU) in prior years. A previously recognized impairment loss is reversed only if there has been a change in the assumptions used to determine the asset’s recoverable amount since the last impairment loss was recognized.

Goodwill and intangible assets with indefinite useful lives are allocated to CGUs for purposes of impairment testing. An impairment test is performed by determining the recoverable amount of the CGU to which the goodwill or intangible assets with indefinite useful lives relates. The recoverable amount of a CGU or individual asset is the higher of its value in use and its FVLCD. Where the recoverable amount is less than the carrying amount, an impairment loss is recognized in the statements of loss and comprehensive loss. Impairment losses recognized on goodwill are not reversed in subsequent periods.

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3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.9 Impairment of non-financial assets (continued)

Goodwill is allocated to the CGUs, which are the lowest level that generate cash flows independent of another. The Corporation determined its CGUs are separated by state and type of operation, including cultivation, production and retail. As the CGUs benefit from synergies of a related business combination at the state level, goodwill is grouped and tested at the state level.

3.10 Leases

The Corporation assesses whether a contract is or contains a lease, at inception of a contract. Leases are recognized as a right-of-use asset and corresponding liability at the commencement date. Each lease payment included in the lease liability is apportioned between the repayment of the liability and a finance cost. The finance cost is recognized in net finance costs in the statements of loss and comprehensive loss over the lease period to produce a constant periodic rate of interest on the remaining balance of the liability for each period. Lease liabilities include the net present value of fixed payments (including in-substance fixed payments), variable lease payments that are based on an index or a rate or subject to a fair market value renewal, amounts expected to be payable by the lessee under residual value guarantees, the exercise price of a purchase option if the lessee is reasonably certain to exercise that option, and payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option. The Corporation allocates the consideration in the contract to each lease component on the basis of the relative standalone price of the lease component and the aggregate stand-alone price of the non-lease components. The lease liability is net of lease incentives receivable. The lease payments are discounted using the interest rate implicit in the lease or, if that rate cannot be determined, the lessee’s incremental borrowing rate. The period over which the lease payments are discounted is the reasonably certain lease term, including renewal options that the Corporation is reasonably certain to exercise. Renewal options are included in a number of leases across the Corporation.

Payments associated with short-term leases and leases of low-value assets are recognized as an expense on a straight-line basis in the statements of loss and comprehensive loss. Short-term leases are leases with a lease term of 12 months or less. Variable lease payments that do not depend on an index or a rate or are not subject to a fair market value renewal are expensed as incurred and recognized in statements of loss and comprehensive loss.

Right-of-use assets are measured at cost which is calculated as the amount of the initial measurement of lease liability plus any lease payments made at or before the commencement date, any initial direct costs and related restoration costs. The right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term or the useful life of the underlying asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Corporation expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

3.11 Equity investments

An associate is an entity over which the Corporation exercises significant influence. Significant influence is the power to participate in the financial and operating policy of the investee but without control or joint control over those policies. Interests in associates are accounted for using the equity method and are initially recognized at cost. Subsequent to initial recognition, the carrying value of the Corporation's interest in an associate is adjusted for the Corporation's share of income or loss and distributions of the investee. The carrying value of associates is assessed for impairment at each statement of financial position date. Significant influence is presumed if the Corporation holds between 20% and 50% of the voting rights, unless evidence exists to the contrary.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.11 Equity investments (continued)

Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control. Investees in which the Corporation has joint control and rights to the net assets thereof, are defined as joint ventures. Joint ventures are also accounted for under the equity method.

3.12 Non-controlling interests

Equity interests owned by parties that are not shareholders of the Corporation are considered non-controlling interests. The share of net assets attributable to non-controlling interests are presented as a component of equity while the share of net income or loss is recognized in equity. Changes in Ayr's ownership interest that do not result in a loss of control are accounted for as equity transactions. As of December 31, 2020 and 2019, the Corporation does not have any non-controlling interests.

3.13 Borrowing costs

Borrowing costs directly attributable to the acquisition or construction of a qualifying asset are capitalized. Qualifying assets are those that require a minimum of twelve months to prepare for their intended use.

3.14 Derivatives

The Corporation evaluates all of its agreements to determine if such instruments have derivatives or contain features that qualify as embedded derivatives. For derivative financial instruments that are accounted for as liabilities, the derivative instrument is initially recorded at its fair value and is then revalued at each reporting date, with changes in the fair value reported in the Corporation's financial statements. In calculating the fair value of derivative liabilities, the Corporation uses a valuation model when level 1 inputs are not available to estimate fair value at each reporting date (see Note 19). The classification of derivative instruments, including whether such instruments should be recorded as liabilities or as equity, is evaluated at the end of each reporting period. Derivative instrument liabilities are classified as current or non-current based on whether or not net-cash settlement of the derivative instrument could be required within 12 months of the financial statements date.

3.15 Loss per share

The basic loss per share is computed by dividing the net loss by the weighted average number of shares outstanding, including Subordinate Voting Shares, multiple voting shares of the Corporation ("Multiple Voting Shares"), and Exchangeable Shares (as defined below), during the period. The diluted loss per share reflects the potential dilution of shares by adjusting the weighted average number of shares outstanding to assume conversion of potentially dilutive shares, such as Warrants, restricted stock units (RSUs), Rights, and contingent shares. The "treasury stock method" is used for the assumed proceeds upon the exercise of the Exchangeable Shares and Warrants that are used to purchase Subordinate Voting Shares at the average market price during the period. If the Corporation incurs a net loss during a reporting period, the calculation of fully diluted loss per share will not include potentially dilutive equity instruments such as restricted Warrants, RSUs, Rights and contingent shares, therefore, basic loss per share and diluted loss per share will be the same.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.16 Stock-based payments

(a) Stock-based payment transactions

Certain employees (including directors and senior executives) of the Corporation receive a portion of their remuneration in the form of stock-based payment transactions, whereby employees render services as consideration for equity instruments ("equity settled transactions").

Share-based payments to non-employees are measured at the fair value of goods or services received or the fair value of the equity instruments issued. In situations where equity instruments are issued to non-employees and some or all of the fair value of the good or service received by the Corporation as consideration cannot be specifically identified, they are measured at fair value of the stock-based payment.

The costs of equity-settled transactions with employees are measured by reference to the fair value of the stock price at the date on which they are granted, using an appropriate valuation model. The value of the transaction is expensed through the vesting period.

The costs of equity-settled transactions are recognized, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award (the "vesting date").

The cumulative expense is recognized for equity-settled transactions at each reporting date until the vesting date reflects the Corporation's best estimate of the number of equity instruments that will ultimately vest. The income or loss for a period represents the movement in cumulative expense recognized as of the beginning and end of that period and the corresponding amount is represented in contributed surplus. At the end of each reporting period, the Corporation re-assesses its estimates of the number of awards that are expected to vest and recognizes the impact of the revisions in the statements of loss and comprehensive loss.

No expense is recognized for awards that do not ultimately vest, except for awards where vesting is conditional upon a market condition, which are treated as vesting irrespective of whether or not the market condition is satisfied provided that all other performance and/or service conditions are satisfied.

Where the terms of an equity settled award are modified, the minimum expense recognized is the grant date fair value of the unmodified award, provided the original terms of the award are met. An additional expense is recognized for any modification which increases the total fair value of the stock-based payment arrangement or is otherwise beneficial to the employee as measured at the date of modification. Where an award is cancelled by the Corporation or the counterparty, any remaining element of the fair value of the award is derecognized at that time through the statements of loss and comprehensive loss.

The dilutive effect of outstanding options is reflected as additional dilution in the computation of earnings per share.

(b) Warrants

The Corporation measures the fair value of Warrants issued using the quoted price as the Warrants are publicly traded. As the number of shares to be issued by the Corporation upon exercise of the Warrants is not fixed and fail the "fixed-for-fixed" criteria for equity classification, the Warrants have been classified as derivative liabilities to be measured at FVTPL. When Warrants are exercised, they are valued at their fair value on date of extinguishment plus cash proceeds.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.17 Provisions

Provisions are recognized when the Corporation has a present obligation (legal or constructive) that has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation. Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risk specific to the obligation. The increase in the provision due to passage of time is recognized as interest expense.

3.18 Financial instruments

Recognition and initial measurement

Financial assets and financial liabilities, including derivatives, are recognized when the Corporation becomes a party to the contractual provisions of a financial instrument or non-financial derivative contract. All financial instruments are measured at fair value on initial recognition. Transaction costs that are directly attributable to the acquisition or issuance of financial assets and financial liabilities, other than financial assets and financial liabilities classified as FVTPL (as defined below), are added to or deducted from the fair value on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities classified as FVTPL are recognized immediately in the statements of loss and comprehensive loss.

Classification and subsequent measurement

The Corporation classifies financial assets, at the time of initial recognition, according to the Corporation's business model for managing the financial assets and the contractual terms of the cash flows. Financial assets are classified in the following measurement categories:

a) amortized cost ("AC");
b) fair value through profit or loss ("FVTPL"); and
c) fair value through other comprehensive income ("FVTOCI").

Financial assets are subsequently measured at amortized cost if both the following conditions are met and they are not designated as FVTPL: a) the financial asset is held within a business model whose objective is to hold financial assets to collect contractual cash flows; and b) the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

These assets are subsequently measured at amortized cost using the effective interest rate method, less any impairment, with gains and losses recognized in the statements of loss and comprehensive loss in the period that the asset is derecognized or impaired. All financial assets not classified as amortized cost as described above are measured at FVTPL or FVTOCI depending on the business model and cash flow characteristics. The Corporation has no financial assets measured at FVTOCI.

Financial liabilities are subsequently measured at amortized cost using the effective interest rate method with gains and losses recognized in the statements of loss and comprehensive loss in the period that the liability is derecognized, except for financial liabilities classified as FVTPL.

Refer to Note 19 for the classification and fair value ("FV") level of financial instruments.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.18 Financial instruments (continued)

Impairment of financial instruments – Expected credit losses ("ECL")

For all financial assets recorded at amortized cost, the Corporation applies the simplified approach to provide expected credit losses prescribed by IFRS 9, which requires the use of the lifetime expected loss provision for all accounts receivable based on the Corporation's historical default rates over the expected life of the accounts receivable and is adjusted for forward-looking estimates. The methodologies and assumptions, including, but not limited to, any forecasts of future economic conditions, credit ratings, and macro-economic factors, are reviewed regularly.

All individually significant loans receivable are assessed for impairment. All individually significant loans receivable found not to be specifically impaired are then collectively assessed for impairment. Loans receivables not individually significant are collectively assessed for impairment by grouping together loans receivable with similar risk characteristics.

ECL are calculated as the product of the probability of default, exposure at default and loss given default over the remaining expected life of the receivables. No ECL has been recorded by the Corporation as all receivables are expected to be collected and are not significant.

Derecognition

The Corporation derecognizes financial assets only when the contractual rights to cash flows from the financial assets expire, or when it transfers the financial assets and substantially all of the associated risks and rewards of ownership to another entity. Gains and losses on derecognition are recognized in the statements of loss and comprehensive loss.

The Corporation derecognizes financial liabilities only when its obligations under the financial liabilities are discharged, cancelled or expired. Generally, the difference between the carrying amount of the financial liability derecognized and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognized in the statements of loss and comprehensive loss.

3.19 Foreign currency transactions

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the statements of loss and comprehensive loss.

The results and financial position of an entity that has a functional currency different from the presentation currency is translated into the presentation currency as follows:

- assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position; and
- income and expenses for each statement of loss are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated as the rate on the dates of the transactions).

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.19 Foreign currency transactions (continued)

Effect of translation differences are accumulated and presented as a component of equity under accumulated other comprehensive (loss) income.

3.20 Taxation

The current income tax expense is based on taxable income for the period. Income tax payable is based on the income tax expense from the current and prior periods that has not been remitted. Taxable income differs from "Loss before income tax" as reported in the statements of loss and comprehensive loss because of items of income or expenses that are taxable or deductible in other years and items that are never taxable or deductible. Current income tax represents the expected income taxes recoverable (or payable) on taxable income for the period using income tax rates enacted or substantively enacted at the end of the reporting period and factors in any adjustments arising from prior years.

As the Corporation operates in the cannabis industry, it is subject to the limits of Internal Revenue Code ("IRC") Section 280E under which the Corporation is only allowed to deduct expenses included as cost of goods sold. This results in permanent book/tax differences for ordinary and necessary business expenses deemed non-allowable under IRC Section 280E. Therefore, the effective tax rate can be highly variable and may not necessarily correlate with pre-tax income or loss.

Deferred taxes are accounted for using the liability method. Under this method, deferred tax assets and liabilities are recognized for the estimated future tax consequences attributable to differences between the carrying amounts of existing assets and liabilities in the financial statements and their respective tax bases. Deferred tax assets and liabilities are measured using enacted or substantively enacted tax rates in effect for the period in which those differences are expected to be recovered or settled.

The effect of a change in tax rates on deferred tax assets and liabilities is recognized in net loss in the year that includes the substantive enactment date. A deferred tax asset is recognized initially when it is probable that future taxable income will be sufficient to use the related tax benefits and may be subsequently reduced, if necessary, to the extent that it is no longer probable that future taxable profits will be available. A deferred tax expense or benefit is recognized in accumulated other comprehensive (loss) income or otherwise directly in equity to the extent that it relates to items that are recognized in accumulated other comprehensive (loss) income or directly in equity in the same or a different period.

Provisions for taxes are made using the best estimate of the amount expected to be paid based on a qualitative assessment of all relevant factors. The Corporation reviews the adequacy of these provisions at the end of the reporting period. However, it is possible that at some future date an additional liability could result from audits by taxing authorities. Where the final outcome of these tax related matters is different from the amounts that were initially recorded, such differences will affect the tax provisions in the period in which such determination is made.

IFRIC Interpretation 23, *Uncertainty over Income Tax Treatments*, provides guidance on the accounting for current and deferred tax liabilities and assets in circumstances in which there is uncertainty over income tax treatments. As of December 31, 2020, the Corporation has completed an assessment for circumstances in which there is uncertainty over income tax treatments and has not recorded any uncertain tax positions.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.21 Significant accounting judgments and estimates

The application of the Corporation's accounting policies requires management to use estimates and judgments that can have a significant effect on the revenues, expenses, assets and liabilities recognized, and disclosures made in the financial statements.

Management's best estimates concerning the future are based on the facts and circumstances available at the time estimates are made. Management uses historical experience, general economic conditions and assumptions regarding probable future outcomes as the basis for determining estimates. Estimates and their underlying assumptions are reviewed periodically, and the effects of any changes are recognized at that time. Actual results could differ from the estimates used.

The global pandemic outbreak of the novel strain of coronavirus ("COVID-19") has resulted in governments worldwide enacting emergency measures to combat the spread of the virus. These measures, which include the implementation of travel bans, store closures, self-imposed quarantine periods and social distancing, may cause material disruption to businesses globally resulting in an economic slowdown. COVID-19 has cast uncertainty on the assumptions used by management in making its judgments and estimates. While cannabis has generally been deemed an essential business the regulators in Massachusetts and Nevada placed material restrictions on cannabis sales during the middle of 2020. The full extent of the impact that COVID-19, including government and/or regulatory responses to the outbreak, will have on the Corporation is highly uncertain and difficult to predict at this time. Accordingly, there is a higher level of uncertainty with respect to management's judgments and estimates.

The following areas require management's critical estimates and judgments:

(a) Business combination

A business combination is a transaction or event in which an acquirer obtains control of one or more businesses and is accounted for using the acquisition method. The total consideration paid for the acquisition is the aggregate of the fair values of assets acquired, liabilities assumed, and equity instruments issued in exchange for control of the acquiree at the acquisition date. The acquisition date is the date when the Corporation obtains control of the acquiree. The identifiable assets acquired and liabilities assumed are recognized at their acquisition date fair values, except for deferred taxes and share-based payment awards, where IFRS provides exceptions to recording the amounts at fair value.

Goodwill represents the difference between total consideration paid and the fair value of the net identifiable assets acquired. Acquisition costs incurred are expensed to total expenses. Contingent consideration is measured at its acquisition date fair value and is included as part of the consideration transferred in a business combination, subject to the applicable terms and conditions.

Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured at subsequent reporting dates in accordance with IFRS 9 with the corresponding gain or loss recognized in net loss.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.21 Significant accounting judgments and estimates (continued)

(a) Business combination (continued)

Based on the facts and circumstances that existed at the acquisition date, management will perform a valuation analysis to allocate the purchase price based on the fair values of the identifiable assets acquired and liabilities assumed on the acquisition date. Management has one year from the acquisition date to confirm and finalize the facts and circumstances that support the finalized fair value analysis and related purchase price allocation. Until such time, these values are provisionally reported and are subject to change. Changes to fair values and allocations are retrospectively adjusted in subsequent periods.

In determining the fair value of all identifiable assets acquired and liabilities assumed, the most significant estimates generally relate to contingent consideration and intangible assets. Management exercises judgment in estimating the probability and timing of when earn-outs are expected to be achieved, which is used as the basis for estimating fair value. Identified intangible assets are fair valued using appropriate valuation techniques which are generally based on a forecast of the total expected future net cash flows of the acquiree. Valuations are highly dependent on the inputs used and assumptions made by management regarding the future performance of these assets and any changes in the discount rate applied.

Judgment is applied in determining whether an acquisition is a business combination or an asset acquisition by considering the nature of the assets acquired and the processes applied to those assets, or if the integrated set of assets and activities is capable of being conducted and managed for the purpose of providing a return to investors or other owners.

(b) Biological assets and inventory

In calculating the value of the biological assets and inventory, management is required to make a number of estimates, including estimating the stage of growth of the cannabis up to the point of harvest, net realizable value, harvesting costs, selling costs, average or expected selling prices and list prices, expected yields for the cannabis plants, oil conversion, and impairment factors. In calculating final inventory values, management compares the inventory costs to estimated net realizable value.

(c) Estimated useful lives and depreciation of property, plant and equipment

Depreciation of PPE is dependent upon estimates of useful lives, which are determined through the exercise of judgments. The assessment of any impairment of these assets is dependent upon estimates of recoverable amounts that take into account factors such as economic and market conditions and the useful lives of assets. The assessment of any impairment of these assets is dependent upon estimates of recoverable amounts that take into account factors such as economic and market conditions.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.21 Significant accounting judgments and estimates (continued)

(d) Valuation, estimated life and impairment of intangible assets and goodwill

Management uses significant judgment in determining the fair value of intangible assets and goodwill, estimating the useful lives and impairment. Intangible assets that have indefinite useful lives are not subject to amortization and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired.

The Corporation uses judgment in determining the grouping of assets by identifying CGUs for purposes of testing for impairment of goodwill and intangible assets. The Corporation's estimate of CGUs or a group of CGUs recoverable amount based on value in use involves estimating future cash flows before taxes. Future cash flows are estimated based on multi-year extrapolation of the most recent historical actual results and budgets are calculated by discounting the final year in perpetuity.

(e) Goodwill impairment

When determining the recoverable amount of the CGU or CGUs to which goodwill is allocated, the Corporation relies on a number of factors, including historical results, business plans, forecasts and market data. Changes in the conditions for these judgments and estimates can significantly affect the recoverable amount.

(f) Leases

Each capitalized lease is evaluated to determine if the Corporation would exercise any of the renewal options offered. Several material factors are considered in determining if the renewal options would be exercised, such as length of the renewal, renewal rate, and ability to transfer locations. When measuring lease liabilities, the Corporation used discounted lease payments using a weighted-average rate in the range of 9.8% to 15.0% per annum. The weighted-average rate is based on the internal borrowing rate, which relies on judgments and estimates.

(g) Provisions and contingent liabilities

When the Corporation is more likely than not to incur an outflow of resources to settle an obligation and the amount can be reasonably estimated, a contingent liability is recorded. The contingent liability is recorded at management's best estimates of the expenditure required to settle the obligation at period end, discounted to the present value, if material.

(h) Financial instruments

To determine the fair value of financial instruments, the Corporation develops assumptions and selects certain methods to perform the fair value calculations. Various methods considered include but are not limited to: (a) assigning the value attributed to the transaction at the time of origination; (b) re-measuring the instrument if it requires concurrent fair value measurement; and (c) valuing the instrument at the issuance value less any amortized costs. As judgment is a factor in determining the value and selecting a method, as well as, the inherent uncertainty in estimating the fair value, the valuation estimates may be different.

Application of the option pricing model requires estimates in expected dividend yields, expected volatility in the underlying assets and the expected life of the financial instruments. These estimates may ultimately be different from amounts subsequently realized, resulting in an overstatement or understatement of net loss and comprehensive loss.

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3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.21 Significant accounting judgments and estimates (continued)

(i) Expected credit loss

Management determines ECL by evaluating individual receivable balances and considering customers' financial condition and current economic conditions. Accounts receivable are written off when deemed uncollectible. Recoveries of accounts receivable previously written off are recorded as income when received. All receivables are expected to be collected within one year of the year end.

(j) Income taxes

In assessing the probability of realizing income tax assets, management makes estimates related to the expectation of future taxable income, applicable tax planning opportunities, expected timing of reversals of existing temporary differences and the likelihood that the tax positions taken will be sustained upon examination by applicable tax authorities.

3.22 Change in accounting policy (2019)

Pursuant to completion of the Qualifying Transaction as explained in Note 1 to the financial statements, on May 24, 2019, the Corporation elected to change the presentation currency of its financial statements from CDN$ to US$, effective with the financial statements for the three and six months ended June 30, 2019.

The Board of Directors believe that US$ financial reporting provides more relevant presentation of the Corporation's financial position, funding and treasury functions, financial performance and cash flows.

A change in presentation currency represents a change in accounting policy in terms of IAS 8 –*Accounting Policies,*

Changes in Accounting Estimates and Errors, requiring the restatement of comparative information.

In accordance with IAS 21 –*The Effects of Changes in Foreign Exchange Rates*, the methodology followed in restating historical financial information from CDN$ to US$ is listed in Note 3.19.

The closing rate used in translating the historical financial information from CDN$ to US$ as of December 31, 2018 was $0.7330.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.23 Change in accounting standards

Adoption of IFRS 16 – Leases (applied in 2019)

The Corporation adopted IFRS 16 on January 1, 2019. IFRS 16 introduced a single on-balance sheet accounting model for lessees which replaced IAS 17 *Leases* ("IAS 17"). Leasing activity for the Corporation typically involves the leases of land or buildings to operate cannabis dispensaries, processing or cultivation facilities or corporate offices.

The Corporation previously classified leases as either operating or finance leases from the perspective of the lessee. Under IFRS 16, the Corporation recognizes right-of-use assets and lease liabilities for most leases. The Corporation adopted IFRS 16 using the modified retrospective cumulative catch-up approach beginning on January 1, 2019. Under this approach, the Corporation did not restate its comparative amounts and recognized a right-of-use asset equal to the present value of the future lease payments. The Corporation elected to apply the practical expedient to only transition contracts which were previously identified as leases under IAS 17, and also elected to not recognize right-of-use assets and lease liabilities for leases of low-value assets or short-term leases.

Adoption of IFRS 3 - Business combinations

The Corporation adopted IFRS 3 on January 1, 2020. IFRS 3 provides clarification on the definition of a business. The amendments permit a simplified assessment to determine whether a transaction should be accounted for as a business combination or as an asset acquisition. The Corporation applied the new standards to the transactions entered into during the year.

Adoption of IAS 1 and 8 - Presentation of financial statements

The Corporation adopted IAS 1 and 8 on January 1, 2020. IAS 1 and 8 provide clarification on the definition of materiality and how it should be applied. The amendments also align the definition of material across International Financial Reporting Standards and other publications. There was no impact on the financial statements.

Standards and interpretations issued in the current period but not yet effective

There are no new standards issued but not yet effective as of December 31, 2020, that have a material impact to the Corporation's financial statements.

4. BUSINESS COMBINATIONS AND ASSET ACQUISITIONS

Each of the acquisitions are subject to specific terms relating to the satisfaction of the purchase price by the Corporation and its wholly-owned subsidiaries, and incorporates payments in cash, shares, and debt as well as certain contingent considerations. The shares issued as consideration are either Subordinate Voting Shares or non-voting exchangeable shares of the Corporation or its subsidiaries ("Exchangeable Shares") that are exchangeable on a one-for-one basis into an equal number of Subordinate Voting Shares of the Corporation. The Corporation treats the Exchangeable Shares as options with a value equal to a share of Subordinate Voting Shares, which represents the holder's claim on the equity of the Corporation. In order to comply with certain contractual requirements of the acquisition, the Corporation and its subsidiaries are required to maintain the economic equivalency of such Exchangeable Shares with the publicly traded Subordinate Voting Shares of the Corporation. This means the Exchangeable Shares are required to share the same economic benefits and retain the same proportionate ownership in the assets of the Corporation as the holders of the Corporation's publicly traded Subordinate Voting Shares. The Corporation has presented these Exchangeable Shares as a part of shareholders' equity within these financial statements due to (i) the fact that they are economically equivalent to the Corporation's publicly traded Subordinate Voting Shares (ii) the holders of the Exchangeable Shares are subject to restrictions on transfer under United States securities laws, but may dispose of the Exchangeable Shares without such restriction by exchanging them for Subordinate Voting Shares of the Corporation. Changes in these assumptions would affect the presentation of the Exchangeable Shares from shareholders' equity to non-controlling interests; however, there would be no impact on loss per share.

The goodwill recognized on acquisitions is attributable mainly to the expected future growth potential and expanded customer base arising as a result of the completion of the respective acquisition. Goodwill has been allocated to the CGUs corresponding to each of the acquired businesses. None of the goodwill is expected to be deductible for income tax purposes. The Corporation tests the recoverability of its goodwill annually, or more frequently, if events or changes in circumstances indicate that they might be impaired. For further analysis on goodwill relating to business combinations, see Note 8.

Pennsylvania Acquisitions

On November 18, 2020, CSAC AcquisitionCo completed its acquisition of DocHouse, LLC ("DocHouse") through a membership interest purchase agreement. On December 23, 2020, CSAC PA, a whole owned subsidiary in Nevada, United States, completed its acquisition of CannTech PA through a membership interest purchase agreement. Collectively, the DocHouse and CannTech PA acquisitions are referred to as the "Pennsylvania Acquisitions".

Any summary of certain material terms from the Definitive Agreements, as amended, in respect to the acquisition of CannTech PA, (the "CannTech PA Agreement") is not exhaustive and is qualified in its entirety by reference to the terms of the Definitive Agreements, which may be found on Ayr's profile on SEDAR at www.sedar.com.

The details of the purchase price consideration, which consist of cash, debt, Subordinate Voting Shares, and Exchangeable Shares, are summarized as follows:

	Cash $	Debt Payable $	Shares Issued $	Total $
Calculated Consideration	**42,638,652**	**15,852,145**	**27,059,085**	**85,549,882**

4. BUSINESS COMBINATION AND ASSET ACQUISITIONS (Continued)

The fair value of the identifiable assets acquired and liabilities assumed as of the acquisition date are as follows:

US$	**Dochouse** **$**	**Canntech** **$**	**Total** **$**
ASSETS ACQUIRED			
Cash and cash equivalents	-	2,383,373	**2,383,373**
Inventory	-	254,342	**254,342**
Prepaid expenses, deposits, and other current assets	-	525,989	**525,989**
Intangible assets	13,072,485	62,099,558	**75,172,043**
Property, plant and equipment	11,063,908	10,596,301	**21,660,209**
Right-of-use assets	-	11,131,990	**11,131,990**
Deposits and other assets	-	204,132	**204,132**
Total assets acquired at fair value	**24,136,393**	**87,195,685**	**111,332,078**
LIABILITIES ASSUMED			
Trade payables	290,512	715,912	**1,006,424**
Accrued liabilities	46,330	262,130	**308,460**
Deferred tax liabilities	-	4,469,630	**4,469,630**
Advance from related parties	2,303,349	5,737,455	**8,040,804**
Lease obligations	-	11,170,076	**11,170,076**
Debts payable	-	8,271,432	**8,271,432**
Total liabilities assumed at fair value	**2,640,191**	**30,626,635**	**33,266,826**
Goodwill	-	7,484,630	**7,484,630**
Calculated purchase price	**21,496,202**	**64,053,680**	**85,549,882**

4. BUSINESS COMBINATION AND ASSET ACQUISITIONS (Continued)

DocHouse Asset Acquisition

DocHouse owns real property with a grower/processor permit in the Pennsylvania medical cannabis market.

As DocHouse did not meet the definition of a business according to IFRS 3, it was recorded as an asset acquisition. Purchase consideration was comprised of the following:

		Shares	**Value**
Cash	i		**$ 17,477,788**
Debt Payable	ii		**1,934,964**
Shares Issued	iii	**128,265**	**2,083,450**
Total		**128,265**	**$ 21,496,202**

Pursuant to the terms of the Definitive Agreement ("DocHouse Agreement"), Ayr satisfied the purchase price of $21.5M for DocHouse through the following:

i. $17.5 million of the DocHouse purchase price in the form of cash consideration, of which $12.4M was paid on closing, $3.0M is payable within three months, and $2.1M is payable within six months of closing;

ii. $1.9 million of the DocHouse purchase price in the form of promissory note payables; and

iii. $2.1 million of the DocHouse purchase price in the form of 128,265 Subordinate Voting Shares of the Corporation. These shares have restrictions on their ability to be sold for six to twelve months (the "DocHouse Lock-Up Provision").

4. BUSINESS COMBINATION AND ASSET ACQUISITIONS (Continued)

CannTech PA Business Combination

CannTech PA is a vertically-integrated cannabis company with a grower/processor and dispensary permit in the Pennsylvania medical market. CannTech PA has a permit to operate six retail dispensaries and a cultivation and processing facility.

The purchase consideration was comprised of the following:

		Shares		Value
Cash	i, iv		$	**25,160,864**
Debt Payable	ii			**13,917,181**
Shares Issued	iii	**1,310,041**		**24,975,635**
Total		**1,310,041**	**$**	**64,053,680**

Pursuant to the terms of the CannTech PA Agreement, Ayr satisfied the purchase price of $64.1M for CannTech PA through the following:

i. $25.2 million of the CannTech PA purchase price in the form of cash consideration;

ii. $15.2 million of the CannTech PA purchase price in the form of promissory notes payable. The fair value of the notes on the acquisition date was $13.9 million;

iii. $24.5 million of the CannTech PA purchase price in the form of 1,310,041 Exchangeable Shares that are exchangeable on a one-for-one basis into an equal number of Subordinate Voting Shares of the Corporation. These shares have restrictions on their ability to be sold for four to twelve months (the "CannTech PA Lock-Up Provision"); and

iv. Settlement of the final working capital adjustment.

4. BUSINESS COMBINATION AND ASSET ACQUISITIONS (Continued)

Qualifying Transaction

As explained in Note 1 to the financial statements, on May 24, 2019 (the "acquisition date"), the Corporation completed its concurrent acquisitions of the target businesses of Washoe, Canopy, Sira, LivFree, and CannaPunch, which collectively constituted its Qualifying Transaction. Any summary information of certain material terms from definitive agreements, as amended, in respect of the acquisitions of Washoe, Canopy, Sira, LivFree, and CannaPunch (respectively, the "Washoe Agreement", the "Canopy Agreement", the "Sira Agreement", the "LivFree Agreement", and the "CannaPunch Agreement", collectively the "Definitive Agreements") is not exhaustive and is qualified in its entirety by reference to the terms of the Definitive Agreements, which may be found on Ayr's profile on SEDAR at www.sedar.com.

The purchase price consideration consisted of cash, debt, Exchangeable Shares, and other consideration. The other consideration includes a contingent cash payment based on certain milestones being met as detailed in the Sira Agreement, a payment for excess inventory as outlined in the Sira Agreement, and make-whole provisions as outlined in the Canopy Agreement and the Washoe Agreement. The details of the purchase price consideration are summarized as follows:

	Cash	Debt Payable	Shares Issued	Other	Total
	$	$	$	$	$
Calculated Consideration	**76,420,000**	**37,140,000**	**125,421,479**	**31,471,789**	**270,453,268**

Ayr obtained control, as defined in IFRS 10 for purposes of determining the consolidated basis of financial statement presentation, of Washoe, Canopy, and LivFree through separate operational and service agreements. Each operational and service agreement provides Ayr certain rights over the entities' operations. Through these operational and service agreements, Ayr has the power to control relevant activities which affect the returns Ayr receives. As a result of the control, as defined in IFRS 10 for purposes of determining the consolidated basis of financial statement presentation, obtained through the operational and service agreements, these entities are consolidated on Ayr's financial statements. As of December 31, 2020, Washoe, Canopy, and LivFree are awaiting state regulatory approval to transfer licenses to Ayr.

Ayr Wellness Inc. (formerly Ayr Strategies Inc.)
Notes to the Consolidated Financial Statements
For the Years Ended December 31, 2020 and 2019

4. BUSINESS COMBINATION AND ASSET ACQUISITIONS (Continued)

The fair value of the identifiable assets acquired and liabilities assumed as of the acquisition date are as follows:

US$	Livfree $	Sira $	Cannapunch $	Washoe $	Canopy $	Total $
ASSETS ACQUIRED						
Cash and cash equivalents	1,258,928	270,280	7,233	21,458	147,930	**1,705,829**
Accounts receivable	-	600,151	625,143	87,617	-	**1,312,911**
Inventory	2,670,057	9,671,814	552,040	4,500,213	1,618,639	**19,012,763**
Biological assets	-	1,996,642	-	1,763,516	-	**3,760,158**
Prepaid expenses and other assets	96,157	340,428	-	129,477	160,748	**726,810**
Intangible assets	105,000,000	57,000,000	2,390,000	22,800,000	10,750,000	**197,940,000**
Property, plant and equipment	1,640,418	9,090,090	486,100	9,070,645	1,217,736	**21,504,989**
Right-of-use assets	2,894,076	5,239,201	1,119,826	-	2,057,681	**11,310,784**
Due from related parties	-	-	-	-	784,733	**784,733**
Deposits	90,147	149,251	-	91,574	9,983	**340,955**
Total assets acquired at fair value	**113,649,783**	**84,357,857**	**5,180,342**	**38,464,500**	**16,747,450**	**258,399,932**
LIABILITIES ASSUMED						
Trade payables	387,500	475,193	251,829	506,073	-	**1,620,595**
Accrued liabilities	1,176,088	970,418	46,972	100,412	520,453	**2,814,343**
Deferred tax liabilities	25,796,726	13,611,222	567,507	2,153,131	2,841,746	**44,970,332**
Advance from related parties	187,809	-	-	784,733	-	**972,542**
Lease obligations	2,520,437	6,514,038	1,083,189	-	2,553,502	**12,671,166**
Debts payable	120,000	13,054	-	9,180,808	421,128	**9,734,990**
Total liabilities assumed at fair value	**30,188,560**	**21,583,925**	**1,949,497**	**12,725,157**	**6,336,829**	**72,783,968**
Goodwill	39,779,584	16,399,143	13,971,953	8,121,569	6,565,055	**84,837,304**
Calculated purchase price	**123,240,807**	**79,173,075**	**17,202,798**	**33,860,912**	**16,975,676**	**270,453,268**

4. BUSINESS COMBINATION AND ASSET ACQUISITIONS (Continued)

Sira Acquisition

Sira is a vertically-integrated cannabis company with cultivation, extraction, production, manufacturing, distribution and retail dispensary operations in Massachusetts. Sira operates its dispensaries in the medical market in Massachusetts.

Purchase consideration was comprised of the following:

		Shares	Value
Cash	i		$ **17,500,000**
Debt Payable	ii		**5,000,000**
Shares Issued	iii	**1,885,606**	**29,165,138**
Contingent Consideration	iv		**21,820,132**
Inventory Payment	v		**6,091,357**
Working Capital Receivable	vi		**(403,552)**
Total		**1,885,606**	**79,173,075**

Pursuant to the terms of the Sira Agreement, Ayr satisfied the purchase price of $79.2 million for Sira through the following:

i. $17.5 million of the Sira purchase price in the form of cash consideration;

ii. $5.0 million of the Sira purchase price in the form of a promissory note payable;

iii. $29.2 million of the Sira purchase price in the form of 1,885,606 Exchangeable Shares that are exchangeable on a one-for-one basis into an equal number of Subordinate Voting Shares of the Corporation. These shares have restrictions on their ability to be sold for twelve months (the "Sira Lock-Up Provision");

iv. A portion of the Sira purchase price is derived from an earn-out provision that may entitle the sellers to earn additional consideration, if certain milestones are achieved at Sira's planned final cultivation facilities in Milford, MA;

v. An amount equal to the fair market value of Sira's inventory above a target level set at $800,000 (the "Inventory Payment"), pursuant to a formula specified in the Sira Agreement; and

vi. Settlement following the final working capital adjustment.

One-third of the Inventory Payment, subject to a cap of $2,500,000, was paid on the Closing Date and is included in the cash consideration listed above. The remaining two-thirds is part of the current portion of purchase consideration payable as set out on the statements of financial position. On August 31, 2020, the outstanding balance of

$6,091,357 was further amended to adopt a monthly payment schedule ranging from 10-25 months based on certain milestones. The remaining balance as of December 31, 2020 is $3,936,522.

4. BUSINESS COMBINATION AND ASSET ACQUISITIONS (Continued)

Canopy Acquisition

Canopy, through its licensed subsidiaries, is an owner and operator of cannabis dispensaries in Nevada, with an established footprint in Reno, Nevada. Canopy operates its dispensaries in both the medical and adult-use markets.

Purchase consideration was comprised of the following:

		Shares	Value
Cash	i		$ 7,000,000
Debt Payable	ii		4,500,000
Shares Issued	iii, iv	265,360	4,349,003
Make-Whole Provision	v		1,389,182
Working Capital Receivable	vi		(262,509)
Total		265,360	16,975,676

Pursuant to the terms of the Canopy Agreement, Ayr satisfied the purchase price of $17.0 million for Canopy through the following:

i. $7.0 million of the Canopy purchase price in the form of cash consideration;

ii. $4.5 million of the Canopy purchase price in the form of a promissory note payable;

iii. $4.3 million of the Canopy purchase price in the form of 250,000 Exchangeable Shares that are exchangeable on a one-for-one basis into an equal number of Subordinate Voting Shares of the Corporation. These shares have restrictions on their ability to be sold for six to twelve months (the "Canopy Lock-Up Provision");

iv. An additional 15,360 Exchangeable Shares to Canopy pursuant to certain make-whole provisions (the "Canopy Make-Whole Provisions");

v. An additional 432,940 Exchangeable Shares to the Canopy sellers under the Canopy Make-Whole Provisions based on a formula specified therein relating to the market price of the Subordinate Voting Shares on certain specified dates settled during the year; and

vi. Settlement of the final working capital adjustment.

4. BUSINESS COMBINATION AND ASSET ACQUISITIONS (Continued)

Washoe Acquisition

Washoe, through its licensed subsidiaries, is a Nevada-based cannabis company with cultivation, extraction, processing, manufacturing and distribution capabilities. Washoe operates in both the medical and adult-use segments of the Nevada cannabis market.

Purchase consideration was comprised of the following:

		Shares	Value
Cash	i		$ 21,670,000
Debt Payable	ii		5,640,000
Shares Issued	iii, iv	270,000	4,260,775
Make-Whole Provision	v		1,424,536
Working Capital Payable	vi		865,601
Total		270,000	33,860,912

Pursuant to the terms of the Washoe Agreement, Ayr satisfied the purchase price of $33.9 million for Washoe through the following:

i. $21.7 million of the Washoe purchase price in the form of cash consideration;

ii. $5.6 million of the Washoe purchase price in the form of a promissory note payable;

iii. $4.3 million of the Washoe purchase price in the form of 256,364 Exchangeable Shares that are exchangeable on a one-for-one basis into an equal number of Subordinate Voting Shares of the Corporation. These shares have restrictions on their ability to be sold for six to twelve months (the "Washoe Lock-Up Provision");

iv. Pursuant to the terms of the Washoe Agreement, 13,636 Exchangeable Shares to a Washoe lender;

v. An additional 571,479 Exchangeable Shares to the Washoe sellers pursuant to certain make-whole provisions (the “Washoe Make-Whole Provisions”) in the Washoe Agreement based on a formula specified therein relating to the market price of the Subordinate Voting Shares on certain specified dates settled during the year; and

vi. Settlement of the final working capital adjustment.

CSAC AcquisitionCo agreed to fund a bonus payment in the amount of $5,000,000 to various employees and consultants of Washoe; this amount is included in the cash consideration above.

4. BUSINESS COMBINATION AND ASSET ACQUISITIONS (Continued)

LivFree Acquisition

LivFree is a leading Nevada-based cannabis company with retail dispensary operations in Las Vegas and Reno, Nevada. LivFree operates in both the medical and adult-use segments of the Nevada cannabis market. LivFree operates three retail dispensaries where it sells products purchased in the wholesale market. LivFree has licenses to operate medical marijuana dispensary, cultivation, and production facilities, and adult-use marijuana retail dispensary and production facilities.

Purchase consideration was comprised of the following:

		Shares	Value
Cash	i		$ **29,500,000**
Debt Payable	ii		**20,000,000**
Shares Issued	iii, iv	**4,664,182**	**73,525,577**
Working Capital Payable	v		**215,230**
Total		**4,664,182**	**123,240,807**

Pursuant to the terms of the LivFree Agreement, Ayr satisfied the purchase price of $123.2 million for LivFree through the following:

i. $29.5 million of the LivFree purchase price in the form of cash consideration;

ii. $20.0 million of the LivFree purchase price in the form of a promissory note payable;

iii. $69.1 million of the LivFree purchase price in the form of 4,342,432 Exchangeable Shares that are exchangeable on a one-for-one basis into an equal number of Subordinate Voting Shares of the Corporation. These shares have restrictions on their ability to be sold for six to twelve months (the "LivFree Lock-Up Provision");

iv. $4.4 million of the LivFree purchase price, pursuant to an amendment to the definitive agreement in respect of the LivFree Acquisition, in the form of an additional 321,750 Exchangeable Shares to the LivFree sellers; and

v. Settlement of the final working capital adjustment.

4. BUSINESS COMBINATION AND ASSET ACQUISITIONS (Continued)

CannaPunch Acquisition

CannaPunch possesses trade name and brand value and licenses this know-how to a licensed cannabis facility that extracts raw cannabis plant material to create processed cannabis oil for use in vaporizer cartridges and pens or as an input into other infused products, as well as manufactures a variety of cannabis-infused products, including beverages, gummies, chocolates, CBD cream, and vaporizer pens.

Purchase consideration was comprised of the following:

		Shares	Value
Cash	i		$ **750,000**
Debt Payable	ii		**2,000,000**
Shares Issued	iii, iv	**898,739**	**14,120,986**
Working Capital Payable	v		**331,812**
Total		**898,739**	**17,202,798**

Pursuant to the terms of the CannaPunch Agreement, Ayr satisfied the purchase price of $17.2 million for CannaPunch through the following:

i. $0.8 million of the CannaPunch purchase price in the form of cash consideration;

ii. $2.0 million of the CannaPunch purchase price in the form of a promissory note payable;

iii. $13.7 million of the CannaPunch purchase price in the form of 866,668 Exchangeable Shares that are exchangeable on a one-for-one basis into an equal number of Subordinate Voting Shares of the Corporation. These shares have restrictions on their ability to be sold for six to twelve months (the "CannaPunch Lock-Up Provision", and collectively with the Sira Lock-Up Provision, Canopy Lock-Up Provision, Washoe Lock-Up Provision, LivFree Lock-Up Provision, DocHouse Lock-Up Provision, CannTech PA Lock-Up Provision, the "Lock-Up Provisions", and each, a "Lock-Up Provision");

iv. $0.4 million of the CannaPunch purchase price, pursuant to an amendment to the definitive agreement in respect of the CannaPunch acquisition, in the form of an additional 32,071 Exchangeable Shares to the CannaPunch sellers; and

v. Settlement of the final working capital adjustment.

4. BUSINESS COMBINATION AND ASSET ACQUISITIONS (Continued)

Fair Value Considerations

The consideration has been allocated to the assets acquired and liabilities assumed based on their estimated fair values at the date of acquisition. The business combinations have been accounted for by the acquisition method, with the results included in the Corporation's net earnings from the date of acquisition.

The consideration that is subject to a Lock-Up Provision or that is payable under a make-whole provision is measured at fair value based on unobservable inputs and is considered a Level 3 measurement. The fair value was determined by the Corporation's share price at the acquisition date and other inputs based on other observable market data. The earn-out provision in the Sira purchase agreement has been measured at fair value by taking a probability-weighted average of possible outcomes, as estimated by management, and discounting the payment to the acquisition date. Refer to Note 14 for the make-whole provision and contingent consideration fair value treatment subsequent to the acquisition.

Goodwill

The goodwill balance reflects the benefits of an assembled workforce, expected earnings and future market development. These benefits were not recognized separately from goodwill because they do not meet the recognition criteria for identifiable intangible assets. Goodwill will not be amortized and will be reviewed for impairment on an annual basis, or more frequently if events or changes in circumstances indicate that they might be impaired.

5. INVENTORY

The Corporation's inventory includes the following:

	December 31, 2020	December 31, 2019
Work in process	$ 17,497,978	$ 6,226,109
Finished goods	1,620,964	257,399
Total cultivation and production inventory	**$ 19,118,942**	$ 6,483,508
Cannabis inventory at retail	7,313,875	5,245,010
Supplies and others	1,825,125	1,990,322
Total inventory	**$ 28,257,942**	$ 13,718,840

Amount of inventory included in cost of goods sold during the years ended December 31, 2020 and 2019 was $61,521,079, and $36,136,990, respectively. There were no inventory write-downs taken during the years ended.

For the year ended December 31, 2019, $3,764,678 of expenses relating to the incremental costs to acquire cannabis inventory in a business combination is included on the consolidated statements of loss and comprehensive loss. This relates to the one-time adjustment of cannabis inventory from cost to fair value as part of the purchase price allocation.

6. BIOLOGICAL ASSETS

The continuity of biological assets is as follows:

	December 31, 2020	December 31, 2019
Balance, at beginning of the year	**$ 2,935,144**	$ -
Acquired through combinations and acquisitions [Notes 1 & 4]	-	3,760,158
Changes in fair value less costs to sell due to biological transformation	48,690,657	10,108,105
Production costs capitalized	8,936,001	3,542,005
Transferred to inventory upon harvest	(48,491,951)	(14,475,124)
Balance, at end of the year	**$ 12,069,851**	$ 2,935,144

The fair value of biological assets is categorized within Level 3 on the fair value hierarchy. The inputs and assumptions used in determining the fair value of biological assets as of December 31, 2020 and December 31, 2019 include:

- The average number of weeks in the growing cycles were 18 weeks from propagation to harvest;
- The average harvest yields from each cannabis plant were 191 and 233, respectively, grams per plant;
- The biological assets were on average 71% and 53%, respectively, complete;
- The average selling price of dry cannabis was $5.05 and $5.00, respectively per gram; and
- The average costs to complete the cannabis process post-harvest and the costs to sell were $0.85 and $1.54, respectively, per gram.

Significant unobservable assumptions used in the valuation of biological assets, including the sensitivities on changes in the key assumptions and their effect on the fair value of biological assets, are as follows:

	Weighted average input			**Effect on fair value**	
Significant inputs or assumptions	**December 31, 2020**	December 31, 2019	**Sensitivity**	**December 31, 2020**	December 31, 2019
Wholesale selling price of dry cannabis	$ 5.05	$ 5.00	Increase or decrease of 5%	**$ 703,898**	$ 209,858
Average yield per plant	191 Grams	233 Grams	Increase or decrease of 5%	**666,417**	157,663

The Corporation's estimates are, by their nature, subject to change and differences from the anticipated yield will be reflected in the gain or loss on biological assets in future years.

During the years ended December 31, 2020 and 2019, the Corporation's biological assets produced 10,896,631 and 3,360,263 grams of dried cannabis, respectively.

7. PROPERTY, PLANT, AND EQUIPMENT

	Furniture and fixtures	**Office equipment**	**Machinery and equipment**	**Auto and trucks**	**Buildings, leasehold improvements, and land**	**Total**
Cost						
As of January 1, 2019	$ -	$ -	$ -	$ -	$ -	$ -
Acquired through combinations and acquisitions [Notes 1 & 4]	722,346	255,127	1,472,366	64,137	18,991,013	21,504,989
Additions	201,045	57,359	398,829	66,161	15,887,626	16,611,020
As of December 31, 2019	$ 923,391	$ 312,486	$ 1,871,195	$ 130,298	$ 34,878,639	$ 38,116,009
Acquired through combinations and acquisitions [Notes 1 & 4]	66,915	49,519	4,544,221	-	16,999,554	21,660,209
Additions	85,610	147,350	317,723	59,253	12,476,063	13,085,999
Disposals	-	-	-	-	(112,558)	(112,558)
As of December 31, 2020	**$ 1,075,916**	**$ 509,355**	**$ 6,733,139**	**$ 189,551**	**$ 64,241,698**	**$ 72,749,659**
Accumulated Depreciation						
As of January 1, 2019	$ -	$ -	$ -	$ -	$ -	$ 963,148
Depreciation	94,140	41,736	118,375	13,978	694,919	963,148
As of December 31, 2019	$ 94,140	$ 41,736	$ 118,375	$ 13,978	$ 694,919	$ 963,148
Depreciation	182,310	101,086	242,299	40,126	2,229,168	2,794,989
Disposals	-	-	-	-	(112,558)	(112,558)
As of December 31, 2020	**$ 276,450**	**$ 142,822**	**$ 360,674**	**$ 54,104**	**$ 2,811,529**	**$ 3,645,579**
Net book value						
As of January 1, 2019	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**
As of December 31, 2019	**$ 829,251**	**$ 270,750**	**$ 1,752,820**	**$ 116,320**	**$ 34,183,720**	**$ 37,152,861**
As of December 31, 2020	**$ 799,466**	**$ 366,533**	**$ 6,372,465**	**$ 135,447**	**$ 61,430,169**	**$ 69,104,080**

As of December 31, 2020 and December 31, 2019, buildings, leasehold improvements, and land include assets under construction of $18,600,528 and $17,146,625, respectively. As of December 31, 2020 and 2019, the Corporation capitalized borrowing costs of $1,360,605 and $710,459, respectively.

Depreciation expense relating to PPE for the years ended December 31, 2020 and 2019:

	Year Ended	
	December 31, 2020	December 31, 2019
	$	$
Cost of goods sold	1,965,244	599,654
Expenses	829,745	363,494
Total depreciation relating to PPE	**2,794,989**	**963,148**

8. GOODWILL AND INTANGIBLE ASSETS

Goodwill

Goodwill represents the excess purchase price paid by the Corporation over the fair value of net tangible and intangible assets identified in the calculated purchase price.The Corporation tests the recoverability of its goodwill annually, or more frequently if events or changes in circumstances indicate that they might be impaired. Goodwill recoverability is tested based on the higher of FVLCD and the value in use model. The FVLCD analysis is performed by using the income method which involves discounting expected future cash flows. Impairment testing involves determining the recoverable amount of the CGU group to which goodwill is allocated and comparing this to the carrying value of the CGU groups. The Corporation grouped CGUs for testing at the state level based on the CGUs expected to benefit from synergies of the business combination.

8. GOODWILL AND INTANGIBLE ASSETS (Continued)

Management performed its annual impairment tests on the goodwill acquired and calculated that the goodwill recoverable amounts were higher than the carrying amounts as of December 31, 2020, therefore, no impairment was recognized. The carrying amount of goodwill tested was $16,399,143, $68,438,161, and $7,484,630 for Massachusetts, Nevada, and Pennsylvania, respectively. The key assumptions included a four-year forecast period and a perpetual growth rate of 3% thereafter. These assumptions were based on historical data from internal sources as well as industry and market trends. The range of post-tax discount rates were from 10.5% to 34.9%. As the recoverable amount was higher than the carrying amount as of December 31, 2020, no impairment was recognized.

Ayr performed a sensitivity analysis and based on that analysis, concluded that 5% changes in the discount rate would not cause the recoverable amount to decrease below the carrying value for any of the groups of CGUs.

Intangible Assets

Amortization expense is in cost of goods sold and total expenses. The amount in cost of goods sold for the years ended December 31, 2020 and 2019 was $1,691,787 and $915,269, respectively. The following table represents intangible assets:

Useful life (# of years)	**Licenses/Permits** 15	**Right-to-use licenses** 15	**Host community agreements** 15	**Trade name / brand** 5	Total
Cost					
As of December 31, 2019	$ 22,000,000	$ 138,550,000	$ 35,000,000	$ 2,390,000	$ 197,940,000
Acquired through combinations and acquisitions [Notes 1 & 4]	75,172,042	-	-	-	75,172,042
Additions	-	1,100,000	-	-	1,100,000
As of December 31, 2020	**$ 97,172,042**	**$ 139,650,000**	**$ 35,000,000**	**$ 2,390,000**	**$ 274,212,042**
Accumulated Amortization					
As of December 31, 2019	$ 883,154	$ 5,561,864	$ 1,405,018	$ 287,828	$ 8,137,864
Amortization	1,668,503	9,236,666	2,333,333	478,000	13,716,502
As of December 31, 2020	**$ 2,551,657**	**$ 14,798,530**	**$ 3,738,351**	**$ 765,828**	**$ 21,854,366**
Net book value					
As of December 31, 2019	**$ 21,116,846**	**$ 132,988,136**	**$ 33,594,982**	**$ 2,102,172**	**$ 189,802,136**
As of December 31, 2020	**$ 94,620,385**	**$ 124,851,470**	**$ 31,261,649**	**$ 1,624,172**	**$ 252,357,676**

9. RIGHT-OF-USE ASSETS AND LEASE OBLIGATIONS

	Property leases	**Equipment leases**	**Total**
Right-of-use assets			
As of January 1, 2019	$ 741,930	$ -	$ 741,930
New assets	1,471,927	-	1,471,927
Acquired through combinations and acquisitions [Note 4]	11,310,784	-	11,310,784
Depreciation	(1,209,224)	-	(1,209,224)
As of December 31, 2019	$ 12,315,417	$ -	$ 12,315,417
New assets	1,137,717	891,436	2,029,153
Acquired through combinations and acquisitions [Note 4]	11,131,990	-	11,131,990
Revalued assets	179,727	-	179,727
Depreciation	(1,890,533)	(34,675)	(1,925,208)
Terminated assets	(1,127,014)	-	(1,127,014)
As of December 31, 2020	**$ 21,747,304**	**$ 856,761**	**$ 22,604,065**
Lease obligations			
As of January 1, 2019	$ 741,930	$ -	$ 741,930
New leases	1,471,927	-	1,471,927
Acquired through combinations and acquisitions [Note 4]	12,671,166	-	12,671,166
Repayment	(763,878)	-	(763,878)
As of December 31, 2019	$ 14,121,145	$ -	$ 14,121,145

New leases	1,137,717	891,436	2,029,153
Acquired through combinations and acquisitions [Note 1 and 4]	11,170,076	-	11,170,076
Revalued leases	179,727	-	179,727
Repayment	(1,231,454)	(325,991)	(1,557,445)
Terminated leases	(1,212,293)	-	(1,212,293)
As of December 31, 2020	**$ 24,164,918**	**$ 565,445**	**$ 24,730,363**

Depreciation relating to right-of-use assets for the years ended December 31, 2020 and 2019:

	Year Ended	
	December 31, 2020	December 31, 2019
	$	$
Cost of goods sold	390,730	179,725
Expenses	1,534,479	1,029,500
Total depreciation relating to right-of-use assets	**1,925,209**	**1,209,225**

Interest expense relating to lease obligations for the years ended December 31, 2020 and 2019:

	Three Months Ended		Year Ended	
	December 31, 2020	December 31, 2019	December 31, 2020	December 31, 2019
Cost of goods sold	$ 153,178	$ 131,442	$ 525,800	$ 258,697
Other income	248,718	224,540	912,677	577,433
Total interest expense relating to lease obligations	**$ 401,896**	**$ 355,982**	**$ 1,438,477**	**$ 836,130**

As of December 31, 2020 and 2019, the current and long-term lease obligations were $866,304 and $23,864,059, and $1,087,835 and $13,033,310, respectively. Also refer to Note 3.23 (Adoption of IFRS 16 – "Leases").

The following table presents the contractual undiscounted cash flows for lease obligations as of December 31, 2020:

2021	4,307,052
2022	4,216,361
2023	4,298,489
2024	4,282,818
2025	3,796,200
2026 and beyond	41,707,890
Total undiscounted lease obligations	**$ 62,608,810**
Impact of discounting	(37,878,447)
Total lease obligations	**$ 24,730,363**

10. EQUITY INVESTMENTS

The Corporation has a 40% interest in Green Garden, LLC ("Green Garden") and a 49% interest in Land of Lincoln Dispensary LLC ("Lincoln"). Management has concluded that the current interests do not provide control to the Corporation. Accordingly, the Green Garden and Lincoln investments have been accounted for using the equity method. The Lincoln acquisition has had no operating activity for the years ended December 31, 2020 and 2019. The following table relates to the Corporation's investment in Green Garden as of December 31, 2020 and 2019:

	December 31, 2020	December 31, 2019
Balance at the beginning of the year	$ 427,399	$ -
Investment	109,700	500,000
Share of loss	(33,590)	(72,601)
Net book value, as of	**$ 503,509**	$ 427,399

The following table presents a summary of the statements of financial position and operations of Green Garden:

	December 31, 2020	December 31, 2019
Current assets	$ 15,242	$ 27,218
Non-current assets	-	-
Current liabilities	-	-
Revenue	-	-
Loss	(83,976)	(181,501)

11. RELATED PARTY TRANSACTIONS AND BALANCES

Related parties are defined as management and members of the Corporation and/or members of their immediate family and/or other companies and/or entities in which a board member or senior officer is a principal owner or senior executive. Other than disclosed elsewhere in the financial statements, related party transactions and balances are as follows:

Mercer Park, L.P. entered into a management agreement with the Corporation dated May 24, 2019. As of December 31, 2020 and 2019, $83,371 and $48,008 was included in prepaid expenses as an advance for these services. Included in expenses for the year ended December 31, 2020, are management fees of $3,875,612 that are included in general and administrative expenses and embedded lease fees of $449,884 that are included in depreciation and interest expense, respectively. The management fee is paid monthly and varies based on actual costs incurred by the related entity when providing the Corporation administrative support, management services, office space, and utilities. In addition, the management fees pay other corporate or centralized expenses based on actual cost, including but not limited to legal and professional fees, software, and insurance. The agreement is a month-to-month arrangement.

As of December 31, 2020 and 2019, Mercer Park Brand Acquisition Corp. ("Brand"), a SPAC that has limited services shared with the Corporation, owed to Ayr $135,000 and $85,000. This is included in due from related parties.

During the year ended December 31, 2020, the Corporation incurred fees from Panther Residential Management, LLC ("Panther"), a company partially owned by a board member of Ayr. The total incurred fees were $102,000 (2019: $67,500) of office expenses, $450,000 (2019: $262,500) of capitalized rental fees, $4,391 (2019: $3,508) of interest expense and $21,328 (2019: $12,441) of depreciation related to an office lease, and $150,000 of acquisition fees, respectively.

11. RELATED PARTY TRANSACTIONS AND BALANCES (Continued)

Directors and officers of the Corporation are considered key members of management. Compensation for the directors and officers in the respective years were comprised of:

	Year Ended	
	December 31, 2020	**December 31, 2019**
Compensation and benefits, included in management fee	$ 2,368,750	$ 861,593
Stock-based compensation, non-cash	31,156,759	28,879,225
Total compensation	**$ 33,525,509**	$ 29,740,818

Refer to Note 12 and 17 for additional information around the debts payable and non-cash stock-based compensation plan and calculation, respectively, for the years ended December 31, 2020 and 2019.

12. DEBTS PAYABLE & SENIOR SECURED NOTES

Debt payable

	Debts payable
As of December 31, 2019	$ 43,995,661
Acquired through combinations and acquisitions [Note 1 and 4]	25,131,964
Incurred	-
Less: repayment	(5,615,225)
Total debts payable, undiscounted as of December 31, 2020	**63,512,400**
Less: discounted to fair value	(1,279,819)
Total debts payable as of December 31, 2020	**$ 62,232,581**
Total accrued interest payable related to debts payable as of December 31, 2020	**$ 2,510,059**

The details of debts payable were as follows:

	December 31, 2020		
	Related party debt	**Non-related party debt**	**Total debt**
Principal payments	$ 31,616,879	$ 31,895,521	$ 63,512,400
Less: current portion	4,747,367	3,897,266	8,644,633
Total non-current debt, undiscounted	**$ 26,869,512**	**$ 27,998,255**	**$ 54,867,767**
Less: discount to fair value		(1,279,819)	(1,279,819)
Total non-current debt	**$ 26,869,512**	**$ 26,718,436**	**$ 53,587,948**

The following table presents the future debt obligation as of December 31, 2020:

Future debt obligations (per year)	
2021	$ 8,644,633
2022	5,611,722
2023	11,446,496
2024	37,809,549
2025	-
Total debt obligations	**$ 63,512,400**

As part of the combinations and acquisitions, the Corporation issued and assumed notes with related and non-related parties. The related party notes are considered part of the purchase price to the former shareholders of the acquired businesses. As a result of the combinations and acquisitions, several of these individual shareholders are now considered related parties of the Corporation across various roles including directors, officers, and shareholders.

Pursuant to the Sira Agreement, the Corporation issued a related-party promissory note in the amount of $5,000,000 to a lender of Sira that is secured by all the assets of Sira. The note matures five years from the closing date with a 6% annual interest rate. In addition, the Corporation agreed to assume a non-related party loan of $29,393 that matures on November 10, 2020 with a 5.49% annual interest rate. Total balance assumed was $13,053.

12. DEBTS PAYABLE (Continued)

Pursuant to the Canopy Agreement, the Corporation issued a related-party promissory note in the amount of $4,500,000 to Canopy that is secured by all the assets of Canopy. The note matures five years from the closing date with a 6% annual interest rate. In addition, the Corporation agreed to assume a non-related party loan of $421,128 that matures on October 1, 2020 with a 7% annual interest rate. The assumed loan was amended in June 2020 to mature on February 1, 2021 with a 10% annual interest rate.

Pursuant to the Washoe Agreement, the Corporation issued a related-party promissory note in the amount of $5,640,000 to the former members of Washoe that is secured by all the assets of Washoe. The note matures three years from the closing date with a 6% annual interest rate. In addition, the Corporation agreed to assume a related-party member loan that has $6,561,818 remaining, secured by an all-assets security interest over all assets of Washoe that matures three years from the closing date with a 6% interest rate. The note was amended in March 2020 to increase the interest rate to 7% in exchange for a three month deferral of principal. The Corporation also agreed to assume non-related party notes of $2,525,000 and $190,000 that mature on September 1, 2022 and July 23, 2023 with 5% and 6% annual interest rates, respectively; both are secured by real property owned by Washoe or its subsidiaries. Total balances assumed were $2,397,152 and $190,000, respectively.

Pursuant to the LivFree Agreement, the Corporation issued a related-party promissory note in the amount of $20,000,000 to the former members of LivFree that is secured by all the assets of LivFree. The note matures five years from the closing date with a 6% annual interest rate.

Pursuant to the CannaPunch Agreement, the Corporation issued a related-party promissory note in the amount of $2,000,000 to the former members of CannaPunch that is secured by all the assets of CannaPunch. The note matures five years from the closing date with a 6% annual interest rate.

Pursuant to the DocHouse Agreement, the Corporation issued non-related party promissory notes in the amount of $1,934,964 to the former members of DocHouse. The note matures three years from the closing date with an 8% annual interest rate.

Pursuant to the CannTech PA Agreement, the Corporation issued non-related party promissory notes in the amount of $15,197,000, to the former members of CannTech PA that is secured by all the assets of CannTech PA. The fair value of the notes as of the CannTech PA acquisition date was $13,917,181. The note matures three and a half years from the closing date with a 9% annual interest rate. In addition, the Corporation agreed to assume non-related party loans of $8,000,000 that mature on July 1, 2023 with a 9% annual interest rate.

Interest expense associated with related party debt payable for the years ended December 31, 2020 and 2019, was $2,031,297, and $1,548,359, respectively.

Senior secured notes

On December 10, 2020, the Corporation completed an offering to a syndicate of institutional investors comprising four-year senior secured promissory notes (the “December 2020 Notes”) with a face value of $110,000,000. The December 2020 Notes accrue interest of 12.5% per annum, payable semi-annually commencing on June 30, 2021, with a maturity 48 months from closing. These notes have the option to be paid off at face value in 24 months. The December 2020 Notes impose certain covenants and restrictions, including restrictions on the incurrence of debt, assets sales and dividends and other distributions. The December 2020 Notes are secured by all assets of the Corporation and certain of its subsidiaries. Issuance costs totaling $6,473,895 were allocated to the December 2020 Notes and will be amortized over the 48 months.

12. DEBTS PAYABLE (Continued)

		Senior secured notes
As of December 31, 2019	$	-
Debt issued		110,000,000
Debt repaid		-
Debt issuance costs		(6,437,895)
Debt issuance costs amortized		90,858
Total senior secured notes payable as of December 31, 2020	**$**	**103,652,963**
Total accrued interest payable related to senior secured notes as of December 31, 2020	**$**	**791,096**

13. SHARE CAPITAL

The authorized share capital of the Corporation is comprised of the following:

Unlimited number of Subordinate Voting Shares

- 1 vote per share.
- Class A Restricted Voting Shares were automatically converted into Subordinate Voting Shares on the date of the Qualifying Transaction.
- Trading on the CSE under the symbol “AYR.A” and the OTC under the symbol “AYRWF”.

Unlimited Number of Multiple Voting Shares

- 25 votes per share.
- Convertible into Subordinate Voting Shares on a one-for-one basis. The shares are mandatorily converted into Subordinate Voting Shares at the earlier of: (i) the date on which the aggregate number of Multiple Voting Shares has been reduced to less than 33 1/3% of those issued and outstanding on the first date of issuance thereof, and (ii) the date that is five years from the date of closing of the Qualifying Transaction.
- Class B Shares were automatically converted into Multiple Voting Shares on the date of the Qualifying Transaction.
- Not traded on the CSE.

A summary of the outstanding share capital of the Corporation as of December 31, 2020 is comprised of the activity below. Refer to Note 4 for additional information regarding the total shares outstanding as of December 31, 2020. For additional shares reserved for issuance refer to Note 14 for disclosures on the Warrants and make-whole provision as well as Note 17 for stock-based compensation.

Initial Public Offering

On December 21, 2017, the Corporation completed its Offering and issued the following:

- 12,500,000 Class A Restricted Voting Units, along with 975,000 Class A Restricted Voting Units granted to the Underwriter, totaling 13,475,000 Class A Restricted Voting Units.
- 3,696,486 Class B Shares to the Sponsor net of transaction costs and forfeitures.

13. SHARE CAPITAL (Continued)

Qualifying Transaction

On May 24, 2019, the Corporation completed its Qualifying Transaction. As a result,

- 13,475,000 Class A Restricted Voting Shares, which were previously classified as liabilities, were converted into Subordinate Voting Shares unless redeemed. 1,000 of the Class A Restricted Voting shares were redeemed, reducing the unredeemed Class A Restricted Voting Shares from 13,475,000 to 13,474,000.
- 3,696,486 Class B Shares were converted into Multiple Voting Shares.
- 7,983,887 non-voting Exchangeable Shares of CSAC AcquisitionCo were issued as part of the purchase consideration of the Qualifying Transaction.

Post Qualifying Transaction

The following activity occurred subsequent to the Qualifying Transaction:

- 5,872,646 Subordinate Voting Shares were issued in connection with the exercise of Warrants. Issued in connection with the exercise of Warrants were 298,200 shares related to an early exercise period commencing from July 15, 2019 until July 26, 2019 (“2019 Early Exercise Period”) and 3,000,001 shares related to a warrant incentive program commencing on November 24, 2020 until December 8, 2020 (“2020 Incentive Program”).
- 389,905 non-voting Exchangeable Shares were issued as part of the make-whole provision liability as of November 20, 2019 and 614,515 non-voting Exchangeable Shares were issued as part of the make-whole provision liability on May 18, 2020.
- 1,235,325 Subordinate Voting Shares were issued in connection with the conversion of 12,353,250 Rights, which were each redeemed for one tenth (1/10) of one Subordinate Voting Share as of December 31, 2020.
- On October 1, 2019, the Corporation commenced a stock repurchase program to purchase up to 5% of the total issued and outstanding Subordinate Voting Shares during each twelve-month period through the facilities of the CSE and other marketplaces. 7,400 Subordinate Voting Shares were repurchased and cancelled, and 63,800 Subordinate Voting Shares were repurchased and are held by the Corporation as treasury shares, under the stock repurchase program as of December 31, 2020.
- 8,170,805 Exchangeable Shares were converted into Subordinate Voting Shares as of December 31, 2020.
- On November 18, 2020 and December 23, 2020, the Corporation completed its Pennsylvania Acquisitions.
    - 128,265 Subordinate Voting Shares of Ayr were issued as part of the purchase consideration of the DocHouse Transaction.
    - 1,310,041 non-voting Exchangeable Shares of CSAC PA were issued as part of the purchase consideration of the CannTech PA Transaction.

As of December 31, 2020, the Corporation had 1,383,938 Rights outstanding which can each be redeemed for one tenth (1/10) of one Subordinate Voting Share, for no additional consideration. During the year ended December 31, 2020, the Corporation had 1,756,400 Rights redeemed.

On November 4, 2020, the Corporation created two new share classes, Restricted Voting Shares and Limited Voting Shares, including applying coattail terms to such shares similar to those applicable to the existing Subordinate Voting Shares, and amended the terms of the existing Multiple Voting Shares and existing Subordinate Voting Shares by amending the requirements on who may hold Subordinate Voting Shares, which is limited to non-US persons. The amendment in share structure was designed to ensure Ayr’s status as a Foreign Private Issuer.

14. DERIVATIVE LIABILITIES

Fair value of Warrants

As of December 31, 2020 and 2019, the Corporation had 10,486,412 and 16,060,858, respectively, Warrants issued and outstanding, which are each exercisable, on a one-for-one basis, into Subordinate Voting Shares.

Each Warrant became exercisable for one Subordinate Voting Share, at a price of CDN$11.50 per share, commencing 65 days after the completion of the Qualifying Transaction (subject to adjustments, as further described below), and will expire on the day that is five years after the completion of the Qualifying Transaction (being May 24, 2024), or may expire earlier if the expiry date of the Warrants is accelerated. For the 2019 Early Exercise Period and 2020 Incentive Program issuances, the Corporation made an incentive payment of $0.50CDN, resulting in an exercise price of $11.00CDN.

Warrants - Issued and Outstanding

	Number		Amount
Balance as of December 31, 2018	**16,359,058**	**$**	**23,983,372**
Exercise of Warrants	(298,200)		(916,389)
Fair value and foreign currency adjustments			13,807,141
Balance as of December 31, 2019	**16,060,858**	**$**	**36,874,124**
Exercise of Warrants	(5,574,446)	$	(57,468,050)
Fair value adjustments			163,512,709

Foreign currency adjustments		9,030,828
Balance as of December 31, 2020	**10,486,412**	**$ 151,949,611**

The Warrants' closing price as of December 31, 2020 and 2019 was $14.49 (CDN$18.52) and $2.30 (CDN$3.00), respectively.

Purchase Consideration and Contingent Consideration

As part of the purchase price of the Qualifying Transaction, the Corporation entered into make-whole provisions relating to the Exchangeable Shares issued. The Corporation uses a Monte-Carlo simulation model to estimate the fair value of the make-whole provision liability. Upon initial recognition, the Corporation recorded a derivative liability of $2,813,718. On November 20, 2019, the Corporation issued a total of 389,905 Exchangeable Shares with a value of $3,245,180 as a partial settlement of the make-whole liability. On May 18, 2020, the Corporation issued the remaining shares related to the make-whole liability, a total of 614,515 Exchangeable Shares with a value of $3,765,927. As of December 31, 2020 and 2019, the Corporation revalued the make-whole provision for a value of $nil and $3,540,803, respectively, which is included in purchase consideration payable on the statements of financial position.

As of December 31, 2020 and 2019, purchase consideration consisted of a non-derivative portion of $9,053,057 and $6,290,897.

The earn-out provision related to the acquisition of Sira is measured at fair value by taking a probability-weighted average of possible outcomes, as estimated by management, and discounting the payment to a present value. Upon initial recognition, the fair value of the liability was recorded as $21,821,132. As of December 31, 2020 and 2019, the fair value of the contingent consideration was $22,961,412 and $22,656,980, respectively.

14. DERIVATIVE LIABILITIES (Continued)

The fair value adjustment relating to derivative liabilities has been reflected in the financial statements under "Fair value loss on financial liabilities" as detailed below:

	Year Ended	
	December 31, 2020	December 31, 2019
Loss from FV adjustment on Warrants	$ (163,512,709)	$ (13,807,141)
Loss from FV adjustment on Class A Restricted Voting Shares	-	(101,455,740)
Loss from FV adjustment on make-whole provision	(225,125)	(3,972,266)
Loss from FV adjustment on contingent consideration	(304,430)	-
Total	**$ (164,042,264)**	**$ (119,235,147)**

15. CAPITAL MANAGEMENT

The Corporation's objectives when managing capital are to ensure sufficient liquidity to support its financial obligations and to execute its operating and strategic plans, managing healthy liquidity reserves and access to capital.

The Corporation manages its capital structure and makes adjustments to it based on the funds available to the Corporation in order to support business development. The directors do not establish quantitative return on capital criteria for management, but rather rely on the expertise of the Corporation's management to sustain future development of the business. In order to carry out the planned business development and pay for administrative costs, the Corporation will spend its existing working capital and seek to raise additional amounts, as needed. There were no changes in the Corporation's approach to capital management during the years ended December 31, 2020 and 2019. The Corporation is not subject to externally imposed capital requirements apart from the need to maintain its listing in accordance with stock exchange requirements.

The Corporation raises capital, as necessary, to meet its needs and take advantage of perceived opportunities and, therefore, does not have a numeric target for its capital structure. Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Corporation, is reasonable. The Corporation plans to use existing funds, as well as funds from the future sale of products, to fund operations and expansion activities. However, the Corporation may attempt to issue new shares or issue new debt for acquisitions. There can be no assurance that the Corporation will be able to continue raising capital in this manner.

16. GENERAL AND ADMINISTRATIVE

General and administrative expenses were comprised of:

	Year Ended	
	December 31, 2020	December 31, 2019
Public company filing and listing costs	**$ 262,060**	$ 59,438
Compensation and benefits	**15,824,014**	8,063,400
Rent and utilities	**989,468**	549,898
Taxes and licenses	**3,791,573**	1,681,599
Professional and consulting fees	**3,483,750**	2,759,669
Retail and office expenses	**1,570,304**	601,775
Computer, software, and internet expenses	**710,586**	390,910
Bank charges and fees	**566,697**	228,384
Insurance	**2,135,959**	1,199,130
Security	**1,461,252**	729,922
Management fee	**4,125,611**	1,368,855
Travel, meals, and entertainment	**385,655**	455,204
Other	**1,036,026**	948,268
Total	**$ 36,342,955**	$ 19,036,452

17. STOCK-BASED COMPENSATION

In connection with the Qualifying Transaction the Corporation has adopted an Equity Incentive Plan ("the Plan"), which allows the Corporation to compensate qualifying plan participants through stock-based arrangements and provide them with opportunities for stock ownership in the Corporation, thereby aligning the interests of such persons with the Corporation's shareholders. Under the Plan, the Corporation may grant stock options, restricted stock units, performance compensation awards, and unrestricted stock bonuses or purchases. There were no issuances of vested shares from the Plan as of December 31, 2020 and 2019.

In addition, CSAC AcquisitionCo established a Restricted Stock Plan (the "AcquisitionCo Plan") to facilitate the granting of restricted Exchangeable Shares. Any shares issued under the AcquisitionCo Plan will reduce the number of Subordinate Voting Shares that may be awarded under the Equity Incentive Plan on a one-for-one basis.

During the year ended December 31, 2020, the Corporation recognized stock-based compensation expense of $31,156,759 relating to the 2019 issuance of 3,837,150 and 2020 issuance of 400,000 RSUs. During the year ended December 31, 2019, the Corporation recognized a stock-based compensation expense of $28,879,225 relating to the 2019 issuance of RSUs. The stock-based compensation expense is based on the Corporation's share price on the date of the grant. The RSUs vest over a two-to-three-year period, for no additional consideration. During the year ended December 31, 2020, there were no forfeitures of RSUs.

	December 31, 2020	
	Number	Weighted Average Grant Date Fair Value
RSUs Outstanding, as of December 31, 2019	3,835,150	$ 17.49
Granted	400,000	8.41
RSUs Outstanding as of December 31, 2020	**4,235,150**	**$ 16.63**

18. COMMITMENTS AND CONTINGENCIES

Contingencies

The Corporation's operations are subject to a variety of local and state regulations. Failure to comply with one or more of those regulations could result in fines, restrictions on its operations, or losses of permits and/or licenses that could result in the Corporation ceasing operations. While management of the Corporation believes that the Corporation is in compliance, in all material respects, with applicable local and state regulations as of December 31, 2020, cannabis regulations continue to evolve and are subject to differing interpretations. As a result, the Corporation may be subject to regulatory fines, penalties, or restrictions in the future.

Claims and Litigation

From time to time, the Corporation may be involved in litigation relating to claims arising out of operations in the normal course of business. As of December 31, 2020, there were no material pending or threatened lawsuits that could reasonably be expected to have a material effect on the results of the Corporation's operations. There are also no proceedings in which any of the Corporation's directors, officers or affiliates are an adverse party or have a material interest adverse to the Corporation's interest.

18. COMMITMENTS AND CONTINGENCIES (Continued)

Acquisitions – Definitive Agreements and Term Sheets

<u>Massachusetts</u>

On February 26, 2020, the Corporation entered a binding term sheet with Eskar Holdings, LLC, to acquire 100% of the membership interests in Eskar Holdings LLC. Subsequent to the signing of the term sheet, the Corporation entered both a definitive membership interest purchase agreement and purchase and sale agreement. Pursuant to the agreements, the Corporation will be acquiring rights to legally open and operate an adult-use cannabis licensed retail store along with the purchase of the property located in the Town of Watertown, Massachusetts. The Corporation has agreed to pay a purchase price consisting of $1 million cash and 4% non-voting interest in the net profits of Eskar Holdings, LLC. In addition, for the purchase of the property the Corporation has agreed to pay a purchase price of $5 million cash. The closing of the acquisition is subject to, among other things, issuance of the Host Community Agreement and regulatory approval.

<u>Ohio</u>

On December 18, 2020, the Corporation entered a definitive merger agreement with Copperstate Farms, LLC to acquire 100% of the membership interests of the management company with exclusive rights to manage the operations of Parma Wellness Center LLC, a recipient of a Tier 1 Cultivator Provisional License in the medical cannabis market in Ohio.

In addition, the Corporation will be acquiring 100% of the membership interests in Greenlight Holdings, LLC which owns the land and building where the 58,000 square foot facility in which the licensed entity operates. The Corporation has agreed to pay a purchase price consisting of cash and an escrow deposit totaling an aggregate value of $17 million.

On September 30, 2020, the Corporation entered an asset purchase agreement with Vireo Health International, Inc. and its affiliated company, Ohio Medical Solutions, LLC, to acquire a 9,000 square foot medical marijuana processor facility that is licensed as part of the Ohio medical cannabis program. The aggregate purchase price for the assets is approximately $1.2 million of cash.

Florida

On December 22, 2020, the Corporation entered into a definitive agreement to acquire Liberty Health Sciences in a stock-for-stock combination. Liberty shareholders will receive 0.03683 Ayr shares for each Liberty share held, equating to approximately 13.1 million new Ayr shares. Total purchase price is equivalent to approximately $290 million based on the closing price of Ayr shares as of December 21, 2020. The assets being acquired from Liberty include a 387-acre cultivation campus in Gainesville, Florida with over a 300,000 square foot of current production facilities and 29 open retail dispensaries.

New Jersey

On December 22, 2020, the Corporation entered a binding term sheet to acquire Garden State Dispensary (GSD). The total purchase price is approximately, $101 million, consisting of cash, stock, and promissory notes. Earn-outs based on exceeding revenue target thresholds in 2022 will be capped at $97 million and payable in a combination of cash, promissory notes, and exchangeable shares. Pursuant to the agreement, the Corporation will be acquiring one of the 12 existing vertical license holders in New Jersey and one of the state's original six alternative treatment centers (ATCs). GSD has three open dispensaries as well as 30,000 square feet of cultivation and production facilities in operation. An additional 75,000 square feet is currently under construction.

18. COMMITMENTS AND CONTINGENCIES (Continued)

Acquisitions – Definitive Agreements and Term Sheets (continued)

Arizona

On November 4, 2020, the Corporation entered a binding term sheet to acquire 100% of the membership interests in Blue Camo, LLC, a vertically integrated cannabis business in the state of Arizona (operating under the trade name "Oasis"). Pursuant to the term sheet, the Corporation will be acquiring rights to legally operate three retail dispensaries along with a 10,000 square feet licensed cultivation and processing facility as well as an 80,000 square foot cultivation facility currently under development. The Corporation has agreed to pay upfront consideration of $75 million consisting of cash, debt and Exchangeable Shares. An additional 2 million Exchangeable Shares may be payable upon the achievement of established cultivation targets. Furthermore, additional earn-out consideration in 2021 and 2022 may be paid in Exchangeable Shares, and is contingent on exceeding financial hurdles in each year, calculated based on a set discount of market multiples (including non-IFRS measures) at the time of the earn out. The term sheet is a binding agreement with respect to the terms and conditions and intended to serve as an outline of the proposed principal terms and conditions to be included in the final membership interest purchase agreement documents.

The closing for all acquisitions is subject to, among other things, regulatory approval and due diligence. As of December 31, 2020, the acquisitions have not closed.

19. FINANCIAL RISK FACTORS

(a) Fair Value

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability or, in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Corporation.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest. A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits from the asset's highest and best use or by selling it to another market participant that would utilize the asset in its highest and best use.

The Corporation uses valuation techniques that are considered to be appropriate in the circumstances and for which there is sufficient data with unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy. This is described, as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

• Level 1 inputs are quoted prices in active markets for identical assets or liabilities at the measurement date.

• Level 2 inputs are observable inputs other than quoted prices included within Level 1, such as quoted prices for similar assets or liabilities in active markets, quoted prices for identical assets or liabilities in markets that are not active, or other inputs that are observable directly or indirectly.

19. FINANCIAL RISK FACTORS (Continued)

(a) Fair Value (continued)

• Level 3 inputs are unobservable inputs for the asset or liability that reflect the reporting entity's own assumptions and are not based on observable market data.

The hierarchy used to fair value the financial instruments as of December 31, 2020 and 2019 were as follows:

- Level 1: Cash and cash equivalents, deposits, and warrant liability
- Level 2: None
- Level 3: Make-whole provisions and contingent consideration issued as purchase consideration relating to business combinations

There were no transfers between levels in the hierarchy. For financial assets and liabilities not measured at fair value, their carrying value is considered to approximate fair value due to their market terms.

Financial assets		**Carrying values**				
December 31, 2020		**FVTPL**		**AC**		**Total**
Cash and cash equivalents	**$**	**127,238,165**	**$**	**-**	**$**	**127,238,165**
Deposits		**1,562,493**		**-**		**1,562,493**
Accounts receivable		**-**		**3,464,401**		**3,464,401**
	$	**128,800,658**	**$**	**3,464,401**	**$**	**132,265,059**
December 31, 2019						
Cash and cash equivalents	$	8,403,196	$	-	$	8,403,196
Deposits		740,666		-		740,666
Accounts receivable		-		2,621,239		2,621,239
	$	9,143,862	$	2,621,239	$	11,765,101

Financial liabilities		**Carrying values**				
December 31, 2020		**FVTPL**		**AC**		**Total**
Warrant liability	**$**	**151,949,611**	**$**	**-**	**$**	**151,949,611**
Contingent consideration		**22,961,412**		**-**		**22,961,412**
Trade payables		-		**8,899,786**		**8,899,786**
Accrued liabilities		-		**8,706,813**		**8,706,813**
Accrued interest payable		-		**3,301,155**		**3,301,155**
Purchase consideration payable		-		**9,053,057**		**9,053,057**
Debts payable		-		**165,885,544**		**165,885,544**
	$	**174,911,023**	**$**	**195,846,355**	**$**	**370,757,378**
December 31, 2019						
Warrant liability	$	36,874,124	$	-	$	36,874,124
Contingent consideration		22,656,980		-		22,656,980
Make-whole provision		3,540,803		-		3,540,803
Trade payables		-		6,806,053		6,806,053
Accrued liabilities		-		5,123,865		5,123,865
Accrued interest payable		-		815,662		815,662
Purchase consideration payable				6,290,897		6,290,897
Debts payable		-		43,995,661		43,995,661
	$	63,071,907	$	63,032,138	$	126,104,045

19. FINANCIAL RISK FACTORS (Continued)

(a) Fair Value (continued)

The Corporation is exposed to credit risk, liquidity risk and interest rate risk. The Corporation's management oversees the management of these risks. The Corporation`s management is supported by the members of the Board of Directors that advise on financial risks and the appropriate financial risk governance framework for the Corporation. The Corporation's financial risk activities are governed by policies and procedures and financial risks are identified, measured and managed in accordance with the Corporation's policies and the Corporation's risk appetite.

The Corporation quantified the sensitivity of inputs in relation to the contingent consideration as of December 31, 2020 and 2019, and would expect the following effect on fair value in the event of changes to the discount rate:

			Value at period end			
Significant assumption	**Inputs**	**Sensitivity**		**December 31, 2020**		December 31, 2019
Discount rate	10% (2020)	Increase 1%	$	22,681,839	$	22,169,349
	6.3% (2019)	Decrease 1%		23,247,053		23,161,325

(b) Credit Risk

Credit risk is the risk of unexpected loss if a customer or third party to a financial instrument fails to meet its contractual obligations. Financial instruments which potentially subject the Corporation to concentrations of credit risk consist of cash and cash equivalents, deposits and accounts receivable. To address its credit risk arising from cash and cash equivalents and deposits, the Corporation ensures to keep these balances with reputable financial institutions. The Corporation has not recorded an ECL as all amounts are considered to be recoverable and are immaterial. The Corporation is not significantly exposed to its accounts receivable due to its diversified customer base and a stringent collection policy. No ECL has been recorded by the Corporation as all receivables are expected to be collected. As of December 31, 2020 and 2019, the maximum amount exposed to credit risks was $130,702,566 and $11,024,435, respectively, including cash. The components of accounts receivable as of December 31, 2020 and 2019 were:

		0-30 days		**31-90 days**		**Over 90 days**		**Total**
Balance, as at December 31, 2020	$	2,995,368	$	469,033	$	-	$	3,464,401
Balance, as at December 31, 2019		2,456,226		115,808		49,205		2,621,239

(c) Liquidity Risk

Liquidity risk is the risk that the Corporation is unable to generate or obtain sufficient cash in a cost-effective manner to fund its obligations as they come due. The Corporation's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. The Corporation manages liquidity risk through maintaining sufficient funds on hand and continuously monitoring forecast and actual cash flows. Refer to Notes 9 and 12 for future lease and debt commitments. The Corporation has the following gross obligations as of December 31, 2020, which are expected to be payable in the following respective periods:

	Less than 1 year	1-5 years	> 5 years	Total
Trade payables and accrued liabilities	$ 17,606,599	$ -	$ -	$ 17,606,599
Lease obligations	4,307,052	16,593,868	41,707,890	62,608,810
Purchase consideration	9,053,057	-	-	9,053,057
Income tax payable	21,585,523	-	-	21,585,523
Debt Payable	8,644,633	54,867,767	-	63,512,400
Contingent consideration	-	27,500,000	-	27,500,000
Senior secured notes	-	110,000,000	-	110,000,000
Accrued interest payable	-	3,301,155	-	3,301,155
	$ 61,196,864	**$ 212,262,790**	**$ 41,707,890**	**315,167,544**

19. FINANCIAL RISK FACTORS (Continued)

(d) Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Corporation is exposed to interest rate risk on its cash and cash equivalents and long-term debts. Cash and cash equivalents and deposits bear interest at market rates. The Corporation's debts have fixed rates of interest. The Corporation does not use any derivative instruments to hedge against interest rate risk and believes that the change in interest rates will not have a significant impact on its financial results.

(e) Currency Risk

The operating results and financial position of the Corporation are reported in United States dollars. As the Corporation operates in an international environment, some of the Corporation's financial instruments and transactions are denominated in currencies other than the United States dollar. The results of the Corporation's operations are subject to currency transaction and translation risks.

As of December 31, 2020 and 2019, the Corporation had no hedging agreements in place with respect to foreign exchange rates. The Corporation has not entered into any agreements or purchased any instruments to hedge possible currency risks at this time. The Corporation believes that a change in exchange rates will not have a significant impact on financial results. The Corporation performed a sensitivity analysis on the conversion rate applied to Canadian balances:

Balance sheet account	Value at year end Dr (Cr.) CDN $	Conversion rate	Sensitivity	Effect on fair value, as at December 31, 2020 $
Cash and cash equivalents	7,860,570	0.7824	Increase / Decrease 1%	**61,501**
Warrants	(194,209,626)	0.7824	Increase / Decrease 1%	**(1,519,496)**

20. TAXATION

As the Corporation operates in the cannabis industry, it is subject to the limits of IRC Section 280E under which the Corporation is only allowed to deduct expenses directly related to the cost of goods sold. This results in permanent book/tax differences for ordinary and necessary business expenses deemed non-allowable under IRC Section 280E. Therefore, the effective tax rate can be highly variable and may not necessarily correlate with pre-tax income or loss.

The Corporation is treated as a United States corporation under section 7874 of the Internal Revenue Code and is expected to be subject to United States federal income tax. However, the Corporation is expected, regardless of any application of section 7874 of the U.S. Tax Code, to be treated as a Canadian resident company for Canadian income tax purposes. As a result, the Corporation will be subject to taxation both in Canada and the United States. The Corporation is also subject to state income taxation in Massachusetts.

In relation to the acquisitions, explained in Notes 1 and 4, the Corporation has recognized deferred tax liabilities during on the acquisition date of $4,469,630 during the year due to the recognition of acquired intangible assets. The deferred tax expense (recovery) during the year ended December 31, 2020 and 2019, were $2,388,608 and $(3,892,570), respectively, resulting in a deferred tax liability of $47,935,998 and $41,077,761 as of December 31, 2020 and 2019.

20. TAXATION (Continued)

Provision for income taxes consists of the following for the years ended December 31, 2020 and 2019:

	Year Ended December 31, 2020	2019
Current expense:		
Federal	$ 19,023,188	$ 7,706,952
State	2,953,573	1,021,109
Total current expense:	$ 21,976,761	$ 8,728,061
Deferred expense (benefit):		
Federal	$ 1,547,525	$ (3,442,568)
State	841,083	(450,002)
Total deferred expense (benefit):	$ 2,388,608	$ (3,892,570)
Total provision for income taxes	$ 24,365,369	$ 4,835,491

As of December 31, 2020, and 2019, the reconciliation between the effective tax rate on income from continuing operations and statutory tax are as follows:

	Year Ended December 31, 2020	2019
Loss before taxes	$ (151,967,289)	$ (159,344,113)
Statutory tax rate	27%	27%
Expected income tax recovery	(41,031,168)	(43,022,911)
Difference in foreign tax rates	(3,098,062)	569,917
Tax rate changes and other adjustments	1,027,280	36,969
Stock-based compensation	8,863,599	7,966,090
Unrealized change in fair value of financial liabilities	46,627,953	32,922,160
Non-deductible items	6,794,533	4,091,370
Benefit of tax loss not recognized	1,386,578	1,708,628
State tax	3,794,656	563,268
Reported income tax expense	$ 24,365,369	$ 4,835,491
Effective Tax Rate	-16.03%	-3.03%

20. TAXATION (Continued)

As of December 31, 2020 and 2019, the components of deferred tax assets and liabilities were as follows:

	Year Ended December 31, 2020	2019
Property, plant and equipment	$ (1,085,011)	$ (777,780)
Intangible assets	(44,981,241)	(41,992,664)
Partnerships	146,978	136,836
Biological assets	(2,228,536)	1,198,574
Inventory	161,800	79,869
Start-up expenses	50,012	277,404
Net deferred tax liability	**$ (47,935,998)**	$ (41,077,761)

Deferred tax assets have not been recognized in respect of the following deductible temporary differences:

	As of December 31, 2020	2019
Share issuance and financing costs	$ 3,276,924	$ 5,659,149
Non-capital losses carried forward - Canada	17,355,564	9,520,242
Other temporary differences	2,855	15,269
Total unrecognized deductible temporary differences	**$ 20,635,343**	**$ 15,194,660**

As of December 31, 2020, the Company has not recognized a deferred tax asset in respect of approximately $17.3 million (2019 - $9.5 million) of Canadian non-capital losses available for carry-forward. These losses expire in the tax years 2037 through 2040.

21. SUBSEQUENT EVENTS

The Corporation's management has evaluated subsequent events up to March 9, 2021, the date the financial statements were issued:

A) Subsequent to December 31, 2020, Ayr Strategies Inc. announced a name change to Ayr Wellness Inc.

B) Subsequent to December 31, 2020, the Corporation signed a definitive agreement to acquire 100% of the membership interests in Blue Camo, LLC. Previously, the Corporation had a binding term sheet as disclosed in Note 18.

C) Subsequent to December 31, 2020, the Corporation offered 4,600,000 Subordinate Voting Shares at a price of $34.25CDN for total gross proceeds of approximately $157,550,000CDN, which included the exercises in full of the over-allotment option granted to the underwriters, before deducting the underwriters' fees and estimated offering expenses.

D) Subsequent to December 31, 2020, Jonathan Sandelman, CEO, received a grant of incentive compensation of 1,044,000 Exchangeable Shares. The amount represents approximately 3.8% of the issued and outstanding Subordinate Voting Shares as of December 31, 2020.

E) Subsequent to December 31, 2020, the Corporation completed its arrangement with Liberty Health Sciences. Previously, the Corporation had a definitive agreement as disclosed in Note 18.

Ayr Wellness Inc.

(Formerly Ayr Strategies Inc.)
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE THREE MONTHS AND YEARS ENDED DECEMBER 31, 2020 AND 2019
(EXPRESSED IN UNITED STATES DOLLARS)

Introduction

The following management's discussion and analysis ("MD&A") of the financial condition and results of the operations of Ayr Wellness Inc. (formerly Ayr Strategies Inc.) ("Ayr", "the Corporation", "we", "our" or "us") constitutes management's review of the factors that affected the Corporation's financial and operating performance for the three months and year ended December 31, 2020. This MD&A was written to comply with the requirements of National Instrument 51-102 – Continuous Disclosure Obligations. This discussion should be read in conjunction with the Corporation's audited consolidated financial statements for the year ended December 31, 2020 and 2019, and the related notes thereto (the "financial statements"). Results are reported in United States dollars, unless otherwise noted. In the opinion of management, all adjustments (which consist only of normal recurring adjustments) considered necessary for a fair presentation have been included. Until it completed its Qualifying Transaction (as defined below) on May 24, 2019, the Corporation was a special purpose acquisition corporation ("SPAC"), and therefore the results presented for the year ended December 31, 2019 will not be indicative of the results that may be expected for any future period. The financial statements and the financial information contained in this MD&A were 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"). Further information about the Corporation and its operations can be obtained on **www.sedar.com**.

The effective date of this MD&A is March 09, 2021.

Cautionary Note Regarding Forward-Looking Information

Certain statements in this MD&A are forward-looking statements within the meaning of applicable securities laws, including, but not limited to, those statements relating to the Corporation and their financial capacity and availability of capital and other statements that are not historical facts. These statements are based upon certain material factors, assumptions and analyses that were applied in drawing a conclusion or making a forecast or projection, including experience of the Corporation, as applicable, and perception of historical trends, current conditions and expected future developments, as well as other factors that are believed to be reasonable in the circumstances. Forward-looking statements are provided for the purpose of presenting information about management's current expectations and plans relating to the future and readers are cautioned that such statements may not be appropriate for other purposes. These statements may include, without limitation, statements regarding the operations, business, financial condition, expected financial results, performance, prospects, opportunities, priorities, targets, goals, ongoing objectives, strategies and outlook of the Corporation. Forward-looking statements include statements that are predictive in nature, depend upon or refer to future events or conditions, or include words such as "pro forma", "expects", "anticipates", "plans", "believes", "estimates", "intends", "targets", "projects", "forecasts", "seeks", "likely" or negative versions thereof and other similar expressions, or future or conditional verbs such as "may", "will", "should", "would" and "could".

By their nature, forward-looking statements are subject to inherent risks and uncertainties that may be general or specific and which give rise to the possibility that expectations, forecasts, predictions, projections or conclusions will not prove to be accurate, that assumptions may not be correct and that objectives, strategic goals and priorities will not be achieved. A variety of material factors, many of which are beyond the parties' control, could affect operations, business, financial condition, performance and results of the parties that may be expressed or implied by such forward-looking statements and could cause actual results to differ materially from current expectations of estimated or anticipated events or results. These factors include, but are not limited to, the following:

- the extent of the impact of COVID-19, including government and/or regulatory responses to the outbreak;
- assumptions and expectations described in the Corporation's critical accounting policies and estimates;

- the adoption and impact of certain accounting pronouncements;
- the number of users of cannabis or the size of the regulated cannabis market in the United States;
- the potential time frame for the implementation of legislation to legalize and regulate medical or adult-use cannabis (and the consumer products derived from each of the foregoing) in the United States, and the potential form the legislation and regulations will take;
- the Corporation’s future financial and operating performance and anticipated profitability;
- future performance, results and terms of strategic initiatives, strategic agreements and supply agreements;
- the market for the Corporation’s current and proposed products and services, as well as the Corporation’s ability to capture market share;
- the benefits and applications of the Corporation’s products and services and expected sales thereof;
- development of affiliated brands, product diversification and future corporate development;
- anticipated investment in and results of research and development;
- inventory and production capacity, including discussions of plans or potential for expansion of capacity at existing or new facilities;
- future expenditures, strategic investments and capital activities;
- the competitive landscape in which the Corporation operates and the Corporation’s market expertise;
- the Corporation’s ability to secure further equity or debt financing, if required;
- consistent or increasing pricing of various cannabis products;
- the level of demand for cannabis products, including the Corporation’s and third-party products sold by the Corporation;
- the Corporation’s ability to mitigate risks relating to the cannabis industry, the larger economy, breaches of and unauthorized access to the Corporation’s systems and related cybersecurity risks, money laundering, costly litigation, and health pandemics;
- the ability to gain appropriate regulatory approvals for announced acquisitions in the timeframe anticipated;
- the application for additional licenses and the grant of licenses or renewals of existing licenses that have been applied for;
- the rollout of new dispensaries, including as to the number of planned dispensaries to be opened in the future and the timing and location in respect of the same, and related forecasts; and
- other events or conditions that may occur in the future.

In making these statements, in addition to those described above and elsewhere herein, the parties have made assumptions with respect to expected cash provided by continuing operations, future capital expenditures, including the amount and nature thereof, trends and developments in the industry, business strategy and outlook, expansion and growth of business and operations, accounting policies, credit risks, anticipated acquisitions, opportunities available to or pursued by the parties, and other matters.

Definition and Reconciliation of Non-IFRS Measures

The Corporation reports certain non-IFRS measures that are used to evaluate the performance of such businesses and the performance of their respective segments, as well as to manage their capital structure. As non-IFRS measures generally do not have a standardized meaning, they may not be comparable to similar measures presented by other issuers. Securities regulations require such measures to be clearly defined and reconciled with their most directly comparable IFRS measure.

The Corporation references non-IFRS measures including cannabis industry metrics, in this document and elsewhere. These measures are not recognized measures under IFRS and do not have a standardized meaning prescribed by IFRS and are therefore unlikely to be comparable to similar measures presented by other companies. Rather, these are provided as additional information to complement those IFRS measures by providing further understanding of the results of the operations of the Corporation from management’s perspective. Accordingly, these measures should not be considered in isolation, nor as a substitute for analysis of the Corporation’s financial information reported under IFRS. Non-IFRS measures used to analyze the performance of the Corporation include “Adjusted EBITDA”.

The Corporation believes that these non-IFRS financial measures provide meaningful supplemental information regarding the Corporation’s performances and may be useful to investors because they allow for greater transparency with respect to key metrics used by management in its financial and operational decision-making. These financial measures are intended to provide investors with supplemental measures of the Corporation’s operating performances and thus highlight trends in the Corporation’s core businesses that may not otherwise be apparent when solely relying on the IFRS measures.

Adjusted EBITDA

“Adjusted EBITDA” represents (loss) income from operations, as reported, before interest, and tax, and is adjusted to exclude non-recurring items, other non-cash items, including stock based compensation expense, depreciation, amortization, the adjustments for the accounting of the fair value of biological assets, and further adjusted to remove acquisition related costs.

Reconciliations are provided elsewhere in this MD&A.

Description of Business

Ayr is a vertically-integrated cannabis multi-state operator in the U.S., with a portfolio in Massachusetts, Nevada, and Pennsylvania. Through its operating companies, Ayr is a leading cultivator, manufacturer, and retailer of cannabis products and branded cannabis packaged goods, and provides operational and service support to licensed cannabis companies. The Corporation was previously a SPAC which was incorporated for the purpose of effecting an acquisition of one or more businesses or assets, by way of a merger, amalgamation, arrangement, share exchange, asset acquisition, share purchase, reorganization, or any other similar business combination involving the Corporation, referred to as the Corporation's "Qualifying Transaction". The Corporation had only one operating segment, cannabis sales, during the year ended December 31, 2020. As the Corporation has experienced rapid growth operating segments will be further analyzed and are subject to future change. The Corporation is a reporting issuer in each of the provinces and territories of Canada.

The Corporation was incorporated on July 31, 2017 under the *Business Corporations Act* (Ontario) and continued on May 24, 2019 into British Columbia under the *Business Corporations Act* (British Columbia) in connection with its Qualifying Transaction. The registered office of the Corporation is located at 666 Burrard Street, Suite 1700, Vancouver, British Columbia V6C 2X8. The head office of the Corporation is located at 590 Madison Avenue, 26th Floor, New York, New York, 10022.

For information on the Corporation's initial public offering, please refer to the Corporation's final non-offering prospectus dated February 15, 2019 and the Corporation's management information circular dated February 19, 2019.

On September 12, 2018, the Corporation incorporated a wholly owned subsidiary in Nevada, United States, named CSAC Holdings Inc., to facilitate the proposed Qualifying Transaction. On September 17, 2018, CSAC Holdings Inc. incorporated a wholly owned subsidiary in Nevada, United States, named CSAC Acquisition Inc. ("CSAC AcquisitionCo").

On May 24, 2019, the Corporation completed its Qualifying Transaction, including through operational and service agreements, of the target businesses of Washoe Wellness, LLC ("Washoe"), The Canopy NV, LLC ("Canopy"), Sira Naturals, Inc. ("Sira"), LivFree Wellness, LLC ("LivFree") and CannaPunch of Nevada LLC ("CannaPunch"), which collectively constituted its Qualifying Transaction (collectively, the "Qualifying Transaction"). For more information regarding the Qualifying Transaction, view the December 31, 2019 audited financial statements.

The Corporation's subordinate, restricted, and limited voting shares ("Subordinate Voting Shares"), warrants ("Warrants"), and rights ("Rights") are trading on the Canadian Stock Exchange (the "CSE"), under the symbols "AYR.A", "AYR.WT" and "AYR.RT", respectively. The Corporation's Subordinate Voting Shares are also trading on the Over-the-Counter Market ("OTC") in the United States under the symbol "AYRWF". The Corporation originally traded on the OTC under the symbol "AYRSF", however, that changed on December 4, 2020 to AYRWF.

Qualifying Transaction

Each of the acquisitions are subject to specific terms relating to the satisfaction of the purchase price by the Corporation and its wholly-owned subsidiaries, and incorporates payments in cash, shares, and debt as well as certain contingent considerations. The shares issued as consideration are either Subordinate Voting Shares or non-voting exchangeable shares of the Corporation or its subsidiaries ("Exchangeable Shares") that are exchangeable on a one-for-one basis into an equal number of Subordinate Voting Shares of the Corporation. The Corporation treats the Exchangeable Shares as options with a value equal to a share of Subordinate Voting Shares, which represents the holder's claim on the equity of the Corporation. In order to comply with certain contractual requirements of the acquisition, the Corporation and its subsidiaries are required to maintain the economic equivalency of such Exchangeable Shares with the publicly traded Subordinate Voting Shares of the Corporation. This means the Exchangeable Shares are required to share the same economic benefits and retain the same proportionate ownership in the assets of the Corporation as the holders of the Corporation's publicly traded Subordinate Voting Shares. The Corporation has presented these Exchangeable Shares as a part of shareholders' equity within these financial statements due to (i) the fact that they are economically equivalent to the Corporation's publicly traded Subordinate Voting Shares (ii) the holders of the Exchangeable Shares are subject to restrictions on transfer under United States securities laws, but may dispose of the Exchangeable Shares without such restriction by exchanging them for Subordinate Voting Shares of the Corporation. Changes in these assumptions would affect the presentation of the Exchangeable Shares from shareholders' equity to non-controlling interests; however, there would be no impact on loss per share.

The goodwill recognized on acquisition is attributable mainly to the expected future growth potential and expanded customer base arising as a result of completion of the respective acquisition. Goodwill has been allocated to the Cash Generating Units ("CGU" or "CGUs") corresponding to each of the acquired businesses. None of the goodwill is expected to be deductible for income tax purposes. The Corporation tests the recoverability of its goodwill annually, or more frequently, if events or changes in circumstances indicate that they might be impaired.

Pennsylvania Acquisitions

On November 18, 2020, CSAC AcquisitionCo completed its acquisition of DocHouse, LLC ("DocHouse") through a membership interest purchase agreement. On December 23, 2020, CSAC PA, a whole owned subsidiary in Nevada, United States, completed its acquisition of CannTech PA through a membership interest purchase agreement. Collectively, the DocHouse and CannTech PA acquisitions are referred to as the "Pennsylvania Acquisitions".

Any summary of certain material terms from the Definitive Agreements, as amended, in respect to the acquisition of CannTech PA, (the "CannTech PA Agreement") is not exhaustive and is qualified in its entirety by reference to the terms of the Definitive Agreements, which may be found on Ayr's profile on SEDAR at www.sedar.com.

The details of the purchase price consideration, which consist of cash, debt, Subordinate Voting Shares, and Exchangeable Shares, are summarized as follows:

	Cash $	Debt Payable $	Shares Issued $	Total $

Calculated Consideration	**42,638,652**	**15,852,145**	**27,059,085**	**85,549,882**

The fair value of the identifiable assets acquired and liabilities assumed as of the acquisition date are as follows:

US$	Dochouse $		Canntech $		Total $
ASSETS ACQUIRED					
Cash and cash equivalents	-		2,383,373		**2,383,373**
Inventory	-		254,342		**254,342**
Prepaid expenses, deposits, and other current assets	-		525,989		**525,989**
Intangible assets	13,072,485		62,099,558		**75,172,043**
Property, plant and equipment	11,063,908		10,596,301		**21,660,209**
Right-of-use assets	-		11,131,990		**11,131,990**
Deposits and other assets	-		204,132		**204,132**
Total assets acquired at fair value	**24,136,393**		**87,195,685**		**111,332,078**
LIABILITIES ASSUMED					
Trade payables	290,512		715,912		**1,006,424**
Accrued liabilities	46,330		262,130		**308,460**
Deferred tax liabilities	-		4,469,630		**4,469,630**
Advance from related parties	2,303,349		5,737,455		**8,040,804**
Lease obligations	-		11,170,076		**11,170,076**
Debts payable	-		8,271,432		**8,271,432**
Total liabilities assumed at fair value	**2,640,191**		**30,626,635**		**33,266,826**
Goodwill	-		7,484,630		**7,484,630**
Calculated purchase price	**21,496,202**	**-**	**64,053,680**	**-**	**85,549,882**

The fair value of the identifiable assets acquired and liabilities assumed as of the acquisition date are as follows:

DocHouse Asset Acquisition

DocHouse owns real property with a grower/processor permit in the Pennsylvania medical cannabis market.

As DocHouse did not meet the definition of a business according to IFRS 3, it was recorded as an asset acquisition. Purchase consideration was comprised of the following:

		Shares	Value
Cash	i		**$17,477,788**
Debt Payable	ii		**1,934,964**
Shares Issued	iii	**128,265**	**2,083,450**
Total		**128,265**	**$21,496,202**

Pursuant to the terms of the Definitive Agreement ("DocHouse Agreement"), Ayr satisfied the purchase price of $21.5M for DocHouse through the following:

i. $17.5 million of the DocHouse purchase price in the form of cash consideration, of which $12.4M was paid on closing, $3.0M is payable within three months, and $2.1M is payable within six months of closing;

ii. $1.9 million of the DocHouse purchase price in the form of promissory note payables; and

$2.1 million of the DocHouse purchase price in the form of 128,265 Subordinate Voting Shares of the Corporation. These shares have restrictions on their ability to be sold for six to twelve months (the "DocHouse Lock-Up Provision").

CannTech PA Business Combination

CannTech PA is a vertically-integrated cannabis company with a grower/processor and dispensary permit in the Pennsylvania medical market. CannTech PA has a permit to operate six retail dispensaries and a cultivation and processing facility.

The purchase consideration was comprised of the following:

		Shares	Value
Cash	i, iv		**$ 25,160,864**

Debt Payable	ii		13,917,181
Shares Issued	iii	1,310,041	24,975,635
Total		1,310,041	$ 64,053,680

Pursuant to the terms of the CannTech PA Agreement, Ayr satisfied the purchase price of $64.1M for CannTech PA through the following:

i. $25.2 million of the CannTech PA purchase price in the form of cash consideration;

ii. $15.2 million of the CannTech PA purchase price in the form of promissory notes payable. The fair value of the notes on the acquisition date was $13.9 million;

iii. $24.5 million of the CannTech PA purchase price in the form of 1,310,041 Exchangeable Shares that are exchangeable on a one-for-one basis into an equal number of Subordinate Voting Shares of the Corporation. These shares have restrictions on their ability to be sold for four to twelve months (the "CannTech PA Lock-Up Provision"); and

Qualifying Transaction

iv. Settlement of the final working capital adjustment.

On May 24, 2019 (the "acquisition date"), the Corporation completed its concurrent acquisitions of the target businesses of Washoe, Canopy, Sira, LivFree, and CannaPunch, which collectively constituted its Qualifying Transaction. Any summary information of certain material terms from definitive agreements, as amended, in respect of the acquisitions of Washoe, Canopy, Sira, LivFree, and CannaPunch (respectively, the "Washoe Agreement", the "Canopy Agreement", the "Sira Agreement", the "LivFree Agreement", and the "CannaPunch Agreement", collectively the "Definitive Agreements") is not exhaustive and is qualified in its entirety by reference to the terms of the Definitive Agreements, which may be found on Ayr's profile on SEDAR at www.sedar.com.

The purchase price consideration consisted of cash, debt, Exchangeable Shares, and other consideration. The other consideration includes a contingent cash payment based on certain milestones being met as detailed in the Sira Agreement, a payment for excess inventory as outlined in the Sira Agreement, and make-whole provisions as outlined in the Canopy Agreement and the Washoe Agreement. The details of the purchase price consideration are summarized as follows:

	Cash $	Debt Payable $	Shares Issued $	Other $	Total $
Calculated Consideration	76,420,000	37,140,000	125,421,479	31,471,789	270,453,268

Ayr obtained control, as defined in IFRS 10 for purposes of determining the consolidated basis of financial statement presentation, of Washoe, Canopy, and LivFree through separate operational and service agreements. Each operational and service agreement provides Ayr certain rights over the entities' operations. Through these operational and service agreements, Ayr has the power to control relevant activities which affect the returns Ayr receives. As a result of the control, as defined in IFRS 10 for purposes of determining the consolidated basis of financial statement presentation, obtained through the operational and service agreements, these entities are consolidated on Ayr's financial statements. As of December 31, 2020, Washoe, Canopy, and LivFree are awaiting state regulatory approval to transfer licenses to Ayr.

The fair value of the identifiable assets acquired and liabilities assumed as of the acquisition date are as follows:

US$	Livfree $	Sira $	Cannapunch $	Washoe $	Canopy $	Total $
ASSETS ACQUIRED						
Cash and cash equivalents	1,258,928	270,280	7,233	21,458	147,930	**1,705,829**
Accounts receivable	-	600,151	625,143	87,617	-	**1,312,911**
Inventory	2,670,057	9,671,814	552,040	4,500,213	1,618,639	**19,012,763**
Biological assets	-	1,996,642	-	1,763,516	-	**3,760,158**
Prepaid expenses and other assets	96,157	340,428	-	129,477	160,748	**726,810**
Intangible assets	105,000,000	57,000,000	2,390,000	22,800,000	10,750,000	**197,940,000**
Property, plant and equipment	1,640,418	9,090,090	486,100	9,070,645	1,217,736	**21,504,989**
Right-of-use assets	2,894,076	5,239,201	1,119,826	-	2,057,681	**11,310,784**
Due from related parties	-	-	-	-	784,733	**784,733**
Deposits	90,147	149,251	-	91,574	9,983	**340,955**
Total assets acquired at fair value	**113,649,783**	**84,357,857**	**5,180,342**	**38,464,500**	**16,747,450**	**258,399,932**
LIABILITIES ASSUMED						
Trade payables	387,500	475,193	251,829	506,073	-	**1,620,595**
Accrued liabilities	1,176,088	970,418	46,972	100,412	520,453	**2,814,343**
Deferred tax liabilities	25,796,726	13,611,222	567,507	2,153,131	2,841,746	**44,970,332**
Advance from related parties	187,809	-	-	784,733	-	**972,542**
Lease obligations	2,520,437	6,514,038	1,083,189	-	2,553,502	**12,671,166**
Debts payable	120,000	13,054	-	9,180,808	421,128	**9,734,990**
Total liabilities assumed at fair value	**30,188,560**	**21,583,925**	**1,949,497**	**12,725,157**	**6,336,829**	**72,783,968**
Goodwill	39,779,584	16,399,143	13,971,953	8,121,569	6,565,055	**84,837,304**

Calculated purchase price	123,240,807	79,173,075	17,202,798	33,860,912	16,975,676	270,453,268

Sira Acquisition

Sira is a vertically-integrated cannabis company with cultivation, extraction, production, manufacturing, distribution and retail dispensary operations in Massachusetts.Sira operates its dispensaries in the medical market in Massachusetts.

Purchase consideration was comprised of the following:

		Shares	Value
Cash	i		$ 17,500,000
Debt Payable	ii		5,000,000
Shares Issued	iii	1,885,606	29,165,138
Contingent Consideration	iv		21,820,132
Inventory Payment	v		6,091,357
Working Capital Receivable	vi		(403,552)
Total		1,885,606	79,173,075

Pursuant to the terms of the Sira Agreement, Ayr satisfied the purchase price of $79.2 million for Sira through the following:

i. $17.5 million of the Sira purchase price in the form of cash consideration;

ii. $5.0 million of the Sira purchase price in the form of a promissory note payable;

iii. $29.2 million of the Sira purchase price in the form of 1,885,606 Exchangeable Shares that are exchangeable on a one-for-one basis into an equal number of Subordinate Voting Shares of the Corporation. These shares have restrictions on their ability to be sold for twelve months (the "Sira Lock-Up Provision");

iv. A portion of the Sira purchase price is derived from an earn-out provision that may entitle the sellers to earn additional consideration, if certain milestones are achieved at Sira's planned final cultivation facilities in Milford, MA;

v. An amount equal to the fair market value of Sira's inventory above a target level set at $800,000 (the "Inventory Payment"), pursuant to a formula specified in the Sira Agreement; and

vi. Settlement following the final working capital adjustment.

One-third of the Inventory Payment, subject to a cap of $2,500,000, was paid on the Closing Date and is included in the cash consideration listed above. The remaining two-thirds is part of the current portion of purchase consideration payable as set out on the financial statements. On August 31, 2020, the outstanding balance of $6,091,357 was further amended to adopt a monthly payment schedule ranging from 10-25 months based on certain milestones. The remaining balance as of December 31, 2020 is $3,936,522.

Canopy Acquisition

Canopy, through its licensed subsidiaries, is an owner and operator of cannabis dispensaries in Nevada, with an established footprint in Reno, Nevada. Canopy operates its dispensaries in both the medical and adult-use markets.

Purchase consideration was comprised of the following:

		Shares	Value
Cash	i		$ 7,000,000
Debt Payable	ii		4,500,000
Shares Issued	iii, iv	265,360	4,349,003
Make-Whole Provision	v		1,389,182
Working Capital Receivable	vi		(262,509)
Total		265,360	16,975,676

Pursuant to the terms of the Canopy Agreement, Ayr satisfied the purchase price of $17.0 million for Canopy through the following:

i. $7.0 million of the Canopy purchase price in the form of cash consideration;

ii. $4.5 million of the Canopy purchase price in the form of a promissory note payable;

iii. $4.3 million of the Canopy purchase price in the form of 250,000 Exchangeable Shares that are exchangeable on a one-for-one basis into an equal number of Subordinate Voting Shares of the Corporation. These shares have restrictions on their ability to be sold for six to twelve months (the "Canopy Lock-Up Provision");

iv. An additional 15,360 Exchangeable Shares to Canopy pursuant to certain make-whole provisions (the "Canopy Make-Whole Provisions");

v. An additional 432,940 Exchangeable Shares to the Canopy sellers under the Canopy Make-Whole Provisions based on a formula specified therein relating to the market price of the Subordinate Voting Shares on certain specified dates settled during the year; and

vi. Settlement of the final working capital adjustment.

Washoe Acquisition

Washoe, through its licensed subsidiaries, is a Nevada-based cannabis company with cultivation, extraction, processing, manufacturing and distribution capabilities. Washoe operates in both the medical and adult-use segments of the Nevada cannabis market.

Purchase consideration was comprised of the following:

		Shares	Value
Cash	i		$ 21,670,000
Debt Payable	ii		5,640,000
Shares Issued	iii, iv	270,000	4,260,775
Make-Whole Provision	v		1,424,536
Working Capital Payable	vi		865,601
Total		270,000	33,860,912

Pursuant to the terms of the Washoe Agreement, Ayr satisfied the purchase price of $33.9 million for Washoe through the following:

i. $21.7 million of the Washoe purchase price in the form of cash consideration;

ii. $5.6 million of the Washoe purchase price in the form of a promissory note payable;

iii. $4.3 million of the Washoe purchase price in the form of 256,364 Exchangeable Shares that are exchangeable on a one-for-one basis into an equal number of Subordinate Voting Shares of the Corporation. These shares have restrictions on their ability to be sold for six to twelve months (the "Washoe Lock-Up Provision");

iv. Pursuant to the terms of the Washoe Agreement, 13,636 Exchangeable Shares to a Washoe lender;

v. An additional 571,479 Exchangeable Shares to the Washoe sellers pursuant to certain make-whole provisions (the "Washoe Make-Whole Provisions") in the Washoe Agreement based on a formula specified therein relating to the market price of the Subordinate Voting Shares on certain specified dates settled during the year; and

vi. Settlement of the final working capital adjustment.

CSAC AcquisitionCo agreed to fund a bonus payment in the amount of $5,000,000 to various employees and consultants of Washoe; this amount is included in the cash consideration above.

LivFree Acquisition

LivFree is a leading Nevada-based cannabis company with retail dispensary operations in Las Vegas and Reno, Nevada. LivFree operates in both the medical and adult-use segments of the Nevada cannabis market. LivFree operates three retail dispensaries where it sells products purchased in the wholesale market. Livfree has licenses to operate medical marijuana dispensary, cultivation, and production facilities, and adult-use marijuana retail dispensary and production facilities.

Purchase consideration was comprised of the following:

		Shares	Value
Cash	i		$ 29,500,000
Debt Payable	ii		20,000,000
Shares Issued	iii, iv	4,664,182	73,525,577
Working Capital Payable	v		215,230
Total		4,664,182	123,240,807

Pursuant to the terms of the LivFree Agreement, Ayr satisfied the purchase price of $123.2 million for LivFree through the following:

i. $29.5 million of the LivFree purchase price in the form of cash consideration;

ii. $20.0 million of the LivFree purchase price in the form of a promissory note payable;

iii. $69.1 million of the LivFree purchase price in the form of 4,342,432 Exchangeable Shares that are exchangeable on a one-for-one basis into an equal number of Subordinate Voting Shares of the Corporation. These shares have restrictions on their ability to be sold for six to twelve months (the "LivFree Lock-Up Provision");

iv. $4.4 million of the LivFree purchase price, pursuant to an amendment to the definitive agreement in respect of the LivFree Acquisition, in the form of an additional 321,750 Exchangeable Shares to the LivFree sellers; and

v. Settlement of the final working capital adjustment.

CannaPunch Acquisition

CannaPunch possesses trade name and brand value and licenses this know-how to a licensed cannabis facility that extracts raw cannabis plant material to create processed cannabis oil for use in vaporizer cartridges and pens or as an input into other infused products, as well as manufactures a variety of cannabis-infused products, including beverages, gummies, chocolates, CBD cream, and vaporizer pens.

Purchase consideration was comprised of the following:

		Shares	Value
Cash	i		$ 750,000
Debt Payable	ii		2,000,000
Shares Issued	iii, iv	898,739	14,120,986
Working Capital Payable	v		331,812
Total		**898,739**	**17,202,798**

Pursuant to the terms of the CannaPunch Agreement, Ayr satisfied the purchase price of $17.2 million for CannaPunch through the following:

i. $0.8 million of the CannaPunch purchase price in the form of cash consideration;

ii. $2.0 million of the CannaPunch purchase price in the form of a promissory note payable;

iii. $13.7 million of the CannaPunch purchase price in the form of 866,668 Exchangeable Shares that are exchangeable on a one-for-one basis into an equal number of Subordinate Voting Shares of the Corporation. These shares have restrictions on their ability to be sold for six to twelve months (the "CannaPunch Lock-Up Provision", and collectively with the Sira Lock-Up Provision, Canopy Lock-Up Provision, Washoe Lock-Up Provision, LivFree Lock-Up Provision, DocHouse Lock-Up Provision, and CannTech Lock-Up Provision, the "Lock-Up Provisions", and each, a "Lock-Up Provision");

iv. $0.4 million of the CannaPunch purchase price, pursuant to an amendment to the definitive agreement in respect of the CannaPunch acquisition, in the form of an additional 32,071 Exchangeable Shares to the CannaPunch sellers; and

v. Settlement of the final working capital adjustment.

Fair Value Considerations

The consideration has been allocated to the assets acquired and liabilities assumed based on their estimated fair values at the date of acquisition. The business combinations have been accounted for by the acquisition method, with the results included in the Corporation's net earnings from the date of acquisition.

The Corporation used a Monte-Carlo simulation model to estimate the fair value of the make-whole provision liability. The fair value as of the acquisition date was $2,813,718. The earn-out provision in the Sira purchase agreement has been measured at fair value, which was $21,820,132, by taking a probability-weighted average of possible outcomes, as estimated by management, and discounting the payment to the acquisition date.

Goodwill

The goodwill balance reflects the benefits of an assembled workforce, expected earnings and future market development. These benefits were not recognized separately from goodwill because they do not meet the recognition criteria for identifiable intangible assets. Goodwill will not be amortized and will be reviewed for impairment on an annual basis, or more frequently if events or changes in circumstances indicate that they might be impaired.

Outlook

Current Markets

Massachusetts

In Massachusetts, Ayr is vertically integrated with cultivation, extraction, production, manufacturing, distribution, and medical retail dispensary operations. Ayr operates in Massachusetts under the Sira Naturals brand. Ayr's retail and wholesale products include premium cannabis flower and cannabis products, including concentrates, edibles, and vaporizer products. Its top branded products include Entourage vape pens, Wicked Sour gummies, Origyn Extracts, Jimmy's Choice flower, Nantucket Nuggets flower, and Root 90 flower. The Corporation sells cannabis products at its medical dispensaries and is actively seeking licenses to operate adult-use cannabis retail establishments. For the latest updates on the adult-use retail market refer to the "Recent Developments" section.

Ayr currently operates two state of the art facilities encompassing approximately 50,000 square feet of cultivation and production space.

Nevada

In Nevada, Ayr provides operational services to licensed Nevada establishments engaging in retail, cultivation, production, and distribution operations in Nevada, under Services and Operations Agreements. Ayr provides operational services to the some of the most productive dispensaries in Nevada, with five dispensaries licensed to sell in both the medical and adult-use markets in Nevada. Three of the dispensaries operate under the name "The Dispensary" with retail operations in the Greater Las Vegas markets (Clark County and Henderson, Nevada) as well as Reno, Nevada, with annualized sales averaging over $5,000 per square foot. The two remaining dispensaries are operating under the MYNT brand, with retail operations in Unincorporated Washoe County and Reno, Nevada, with annualized sales averaging over $3,000 per square foot.

The licensed cultivation and production facilities to which Ayr provides operational services produce premium cannabis products over 70,000 square feet of cultivation and production space. The top branded products in Nevada include Kynd flower, Tumbleweed vape pens, Sun Valley extracts, CannaPunch beverages, Highly Edible and Kanji gummies, Dutch Girl edibles, and Nordic Goddess balm. In Nevada, the licensed establishments to which Ayr provides operational support, sell their branded products through the wholesale channel as well as the five dispensaries referenced above.

Pennsylvania

In Pennsylvania, Ayr is vertically integrated with a cultivation, processing, extraction, and medical retail dispensary operations. The cultivation operations encompass a 143,000 square foot cultivation and processing facility and a 38,400 square foot cultivation and extraction facility, with the capacity to expand to 74,000 square feet. There is one dispensary in New Castle, Pennsylvania operating under the name "Ayr Wellness".

Brand Strategy

The level of products and brands across Ayr's portfolio allows customers and patients the ability to select from a wide-ranging selection of high-quality products. By sharing brands across markets, Ayr has expanded the variety offered to customers and patients while expanding brand visibility. The Corporation maintains strict brand and quality assurance standards and implements standard operating procedures across its cultivation and production facilities to ensure product continuity and customer experiences across operating markets. This includes the centrally managed procurement of equipment and supplies.

Future Markets

Ayr leverages its human capital to drive improvements across all portfolios and divisions of the company. These synergies have driven Ayr's operational success. Building on the operational excellence, Ayr plans on bringing its winning strategy to capitalize on expansion opportunities.

The Corporation's business strategy is to evaluate each market opportunity pursuant to the relevant local competitive and regulatory landscape, supply/demand dynamics, and growth potential. The Corporation evaluates the economic viability of each opportunity before making capital allocation decisions and may decide to participate in one or more facets of the supply chain based on the dynamics mentioned above. The Corporation targets best-in-class assets in relevant markets with large addressable populations in limited license states that are either currently or soon expected to be approved for adult-use. By establishing a substantial presence in markets that have the greatest growth potential, the Corporation expects to be well-positioned to have a first-mover advantage for future growth in adult-use cannabis as the market continues to expand.

The Corporation plans to implement its growth strategy by targeting acquisition opportunities in limited license jurisdictions, applying for de novo licenses and expanding its presence in current markets.

COVID-19 Strategy

During the pandemic, the Corporation was able to maintain operations and expand delivery options and curbside pick-up in both Massachusetts and Nevada to provide additional fulfillment models that are safe and efficient for employees and customers. Although cannabis has generally been deemed an 'essential business' throughout the pandemic in the United States, the regulators in Massachusetts and Nevada, were among the few nationwide to place material restrictions on cannabis sales. In Nevada, cannabis sales were limited to delivery only beginning March 21, 2020, with curbside pick-up approved on May 1, 2020 and in-store sales returning on May 9, 2020. In Massachusetts, adult-use cannabis sales were restricted from March 24, 2020 through May 25, 2020. The Corporation continues to generate operating cash flows to meet its short-term liquidity needs. Management has not observed any indicators of impairment to assets or a significant change in the fair value of assets due to the COVID-19 pandemic.

The Corporation evaluated risk of supply chain disruption as well as staffing disruption. While Ayr has not experienced any failure to secure critical supplies or services, future disruptions in the supply chain are possible and may significantly increase cost or delay production time. To mitigate this risk, bulk orders are being placed in advance with key vendors. To remediate the risk of staffing disruption, the Corporation implemented new safety procedures in accordance with the guidance of the CDC, at all locations to better protect the health and safety of both employees and customers. These changes include but are not limited to required face masks for employees and customers, installed plexi-shields in customer facing areas, frequent cleaning and sanitizing of surfaces and workstations and adequate spacing of staff and customers. The Corporation is re-assessing its response to the COVID-19 pandemic on an ongoing basis. Due to the rapid developments and uncertainty surrounding COVID-19, it is not possible to predict the impact of these developments on all aspects of the business.

Recent Developments

Massachusetts

Sira received Host Community Agreement ("HCA") approvals for all three of our Greater Boston locations in October, which include Somerville and new locations in Watertown and the Back Bay in Boston. This development is a critical step required to open adult-use retail stores in 2021.

Following unanimous approval of the Town Council, on October 20, 2020, Sira successfully executed an HCA with the Town of Watertown approving the Company to operate co-located medical and adult-use sales.

On October 9, 2020, the City of Somerville Marijuana Advisory Committee recommended Sira be offered an HCA with the city of Somerville to co-locate an adult-use dispensary with Sira's existing medical-use dispensary in Davis Square, a popular neighborhood in the city of Somerville.

On November 16, 2020, Sira fully executed an HCA with the City of Boston's Cannabis Board to operate an adult-use dispensary at 829 Boylston Street in Boston.

Nevada

At a meeting of the Nevada Cannabis Compliance Board on August 25, 2020, LivFree Wellness, LLC ("LivFree"), and entity to whom Ayr provides administrative, consulting and operations services, was awarded two (2) additional dispensary licenses in the greater Las Vegas market, one (1) in Clark County and one (1) in Henderson, and aims to open the additional Clark County dispensary this year. The City of Henderson currently has a moratorium on new dispensaries.

On February 27, 2021, Ayr opened its fourth location under The Dispensary banner, its third premier Las Vegas location.

Pennsylvania

Ayr opened an additional Ayr Wellness dispensary on February 24, 2021 and expects to open a third in March 2021, followed by the remaining three throughout the rest of the year.

Acquisitions – Definitive Agreements and Term Sheets

Massachusetts

On February 26, 2020, the Corporation entered a binding term sheet with Eskar Holdings, LLC, to acquire 100% of the membership interests in Eskar Holdings LLC. Subsequent to the signing of the term sheet, the Corporation entered both a definitive membership interest purchase agreement and purchase and sale agreement. Pursuant to the agreements, the Corporation will be acquiring rights to legally open and operate an adult-use cannabis licensed retail store along with the purchase of the property located in the Town of Watertown, Massachusetts. The Corporation has agreed to pay a purchase price consisting of $1 million cash and 4% non-voting interest in the net profits of Eskar Holdings, LLC. In addition, for the purchase of the property, the Corporation has agreed to pay a purchase price of $5 million cash. The closing of the acquisition is subject to, among other things, issuance of the Host Community Agreement and regulatory approval.

Ohio

On December 18, 2020, the Corporation entered a definitive merger agreement with Copperstate Farms, LLC to acquire 100% of the membership interests of the management company with exclusive rights to manage the operations of Parma Wellness Center LLC, a recipient of a Tier 1 Cultivator Provisional License in the medical cannabis market in Ohio.

In addition, the Corporation will be acquiring 100% of the membership interests in Greenlight Holdings, LLC which owns the land and building where the 58,000 square foot facility in which the licensed entity operates. The Corporation has agreed to pay a purchase price consisting of cash and an escrow deposit totaling an aggregate value of $17 million.

On September 30, 2020, the Corporation entered an asset purchase agreement with Vireo Health International, Inc. and its affiliated company, Ohio Medical Solutions, LLC, to acquire a 9,000 square foot medical marijuana processor facility that is licensed as part of the Ohio medical cannabis program. The aggregate purchase price for the assets is approximately $1.2 million of cash.

Florida

On December 22, 2020, the Corporation entered into a definitive agreement to acquire Liberty Health Sciences in a stock-for-stock combination. Liberty shareholders will receive 0.03683 Ayr shares for each Liberty share held, equating to approximately 13.1 million new Ayr shares. Total purchase price is equivalent to approximately $290 million based on the closing price of Ayr shares as of December 21, 2020. The assets being acquired from Liberty include a 387-acre cultivation campus in Gainesville, Florida with over 300,000 square feet of current production facilities, 29 open retail dispensaries, six completed and ready-to-open dispensaries, and seven dispensaries currently under construction.

On February 26, 2021, Ayr completed its arrangement with Liberty Health Sciences.

New Jersey

On December 22, 2020, the Corporation entered a binding term sheet to acquire Garden State Dispensary (GSD). The total purchase price is approximately, $101 million, consisting of cash, stock, and promissory notes. Earn-outs based on exceeding revenue target thresholds in 2022 will be capped at $97 million and payable in a combination of cash, promissory notes, and exchangeable shares. Pursuant to the agreement, the Corporation will be acquiring one of the 12 existing vertical license holders in New Jersey and one of the state's original six alternative treatment centers (ATCs). GSD has three open dispensaries, the largest footprint of any operator, at heavily trafficked highway locations throughout the central region of the state, as well as 30,000 square feet of cultivation and production facilities in operation. An additional 75,000 square feet is currently under construction.

Arizona

On November 4, 2020, the Corporation entered a binding term sheet to acquire 100% of the membership interests in Blue Camo, LLC, a vertically integrated cannabis business in the state of Arizona (operating under the trade name "Oasis"). Pursuant to the term sheet, the Corporation will be acquiring rights to legally operate three retail dispensaries along with a 10,000 square feet licensed cultivation and processing facility as well as an 80,000 square foot cultivation facility currently under development. The Corporation has agreed to pay upfront consideration of $75 million consisting of cash, debt and Exchangeable Shares. An additional 2 million Exchangeable Shares may be payable upon the achievement of established cultivation targets. Furthermore, additional earn-out consideration in 2021 and 2022 may be paid in Exchangeable Shares, and is contingent on exceeding financial hurdles in each year, calculated based on a set discount of market multiples (including non-IFRS measures) at the time of the earn out. The term sheet is a binding agreement with respect to the terms and conditions and intended to serve as an outline of the proposed principal terms and conditions to be included in the final membership interest purchase agreement documents.

On January 27, 2021 Ayr signed a definitive agreement to acquire 100% of the membership interested in Blue Camo, LLC.

The closing for all acquisitions is subject to, among other things, regulatory approval and due diligence. As of December 31, 2020, the acquisitions have not closed.

Adjusted EBITDA Reconciliation for the Three Months and the Years Ended December 31, 2020 and 2019

	Three Months Ended December 31		Years Ended December 31	
	2020	2019	2020	2019
(Loss) income from operations	(2,052,353)	(16,898,258)	16,117,080	(37,467,213)
Non-cash items accounting for biological assets and inventory				
Incremental costs to acquire cannabis inventory in business combination	-	3,764,678	-	3,764,678
Fair value adjustment on sale of inventory	12,971,862	4,838,814	34,147,938	18,272,212
Unrealized gain on biological asset transformation	(4,115,927)	(1,765,527)	(48,690,657)	(10,108,105)
	8,855,935	6,837,965	(14,542,719)	11,928,785
Interest	258,077	295,630	986,870	295,630
Depreciation and amortization (from statement of cash flows)	5,017,319	4,511,734	18,436,700	10,310,237
Acquisition costs	1,890,428	724,139	2,945,194	5,847,800
Stock-based compensation expense, non-cash	5,207,204	13,296,643	31,156,759	28,879,225
Other1	182,343	472,326	1,089,912	1,105,694
	12,555,371	19,300,472	54,615,435	46,438,586
Adjusted EBITDA (non-IFRS)	**19,358,953**	**9,240,179**	**56,189,796**	**20,900,158**

Notes:
[1] Other non-operating adjustments made to exclude the impact of non-recurring items.

Review of the Financial Results for the Three Months and Years Ended December 31, 2020 and 2019

Selected Financial Information

	Three Months Ended December 31		Years Ended December 31	
($ in millions)	2020	2019	2020	2019
Revenues, net of discounts	47.8	32.3	155.1	75.2
Cost of goods sold before biological asset adjustments	(20.3)	(17.2)	(66.6)	(37.0)
Incremental costs to acquire cannabis inventory in a business combination	-	(3.8)	-	(3.8)
Gross profit before fair value adjustments	27.5	11.4	88.6	34.4
Fair value adjustment on sale of inventory	(13.0)	(4.8)	(34.2)	(18.3)
Unrealized gain on biological asset transformation	4.1	1.8	48.7	10.1
Gross profit	18.6	8.3	103.1	26.3
Total expenses	(20.7)	(25.2)	(87.0)	(63.7)
(Loss) Income from operations	(2.1)	(16.9)	16.1	(37.5)
Total other (expense) income	(136.5)	2.0	(168.1)	(121.9)
Loss before income tax	(138.6)	(14.9)	(152.0)	(159.3)
Provision for income taxes	(5.0)	(2.6)	(24.4)	(4.8)
Net loss	(143.6)	(17.5)	(176.3)	(164.2)
Foreign currency translation adjustment	(8.6)	0.5	(9.0)	(0.2)
Net loss and comprehensive loss	(152.2)	(17.0)	(185.4)	(164.3)

Revenue

Revenue for the three months ended December 31, 2020 and 2019 was $47.8 million and $32.3 million, respectively, increasing $15.5 million or 48%. The increase in revenue was driven by organic growth and completed cultivation expansions in each of the two existing markets. Revenue increases were a result of operational excellence in both states, with a focus on data driven key performance indicators (KPI's) and sharpening standard operating procedures (SOP's), resulting in substantial improvements to the business.

In Massachusetts, the wholesale market experienced gains as revenue increased $6.9 million over the comparable quarters due to the strong sales pipeline as well as the successful cultivation expansion completed in the second quarter of 2020, resulting in more sellable inventory. Massachusetts retail revenue increased $3.4 million over the prior year quarter. This significant increase was driven by an improvement in the quantity and quality of flower demonstrated by consistent yields with THC averages of 25% along with the launch of new product brands such as "Entourage", "Wicked Sour" and "Origyn Extracts". In Nevada, substantial retail gains of $4.6 million were driven by a more efficient and modern ordering platform as well as additional fulfilment options including delivery and curbside pickup. In addition, Nevada continued to source the highest quality products for their shelves from both internal and externally procured products.

Revenue for the years ended December 31, 2020 and 2019 was $155.1 million and $75.2 million, respectively, increasing $79.9 million or 106%. This increase was due to the comments above and a full period of operations in 2020 as compared to only 32 weeks of operations in 2019 as the Qualifying Transaction occurred in May 2019.

Gross Profit Before Fair Value Adjustments

Gross profit before the fair value adjustments for the three months ended December 31, 2020 and 2019 was $27.5 million and $11.4 million, respectively, increasing $16.1 million or 142%. Gross profit percentage before the biological asset adjustment for the three months ended December 31, 2020 and 2019 was 57.5% and 35.2%, respectively.

The improvement was due to the increase of internally sourced product sold through the Corporation's retail channels in Nevada. In addition, the cultivation expansions also led to operating leverage driving cultivation costs down.

Gross profit before the fair value adjustments for the years ended December 31, 2020 and 2019 was $88.6 million and $34.4 million, respectively, increasing $54.1 million or 157%. Gross profit percentage before the biological asset adjustment for the years ended December 31, 2020 and 2019 was 57.1% and 45.8%, respectively. This increase was due to a full period of operations in 2020 as compared to only 32 weeks of operations in 2019 as the Qualifying Transaction occurred in May 2019.

Gross profit before fair value adjustments for the three months and year ended December 31, 2019, includes $3.8 million of incremental costs to acquire cannabis inventory in a business combination. This relates to the one-time adjustment of inventory from fair value as part of the purchase price allocation. The adjusted gross profit percentage of revenue for the three months and year ended December 31, 2019, was 46.8% and 50.8%, respectively.

Gross Profit

Gross profit for the three months ended December 31, 2020 and 2019 was $18.6 million and $8.3 million, respectively, an increase of $10.3 million. Fluctuations are due to the change in fair value adjustments in inventory including biological asset transformation.

Gross profit for the years ended December 31, 2020 and 2019 was $103.1 million and $26.3 million, respectively, an increase of $76.8 million. This increase was due to a full period of operations in 2020 as compared to only 32 weeks of operations in 2019 as the Qualifying Transaction occurred in May 2019.

Inventory of plants under production is considered a biological asset. Under IFRS, biological assets are to be recorded at fair value at the time of harvest, less costs to sell, which are transferred to inventory and the transfer becomes the deemed cost on a go-forward basis. When the product is sold, the fair value is relieved from inventory and the transfer is booked to cost of sales. Cost of sales also includes products and costs related to other products acquired from other producers and sold by the Corporation.

Total Expenses

Total expenses for the three months ended December 31, 2020 and 2019 were $20.7 million and $25.2 million, respectively, decreasing $4.5 million or 18%. the decrease in expense is due to a reduction in non-cash stock-based compensation of $8.1 million. Non-cash stock-based compensation is based on the Corporation's share price on the date of the grant and are expensed straight-line over the vesting period. Total expenses as a percent of revenue during the three months ended December 31, 2020 and 2019, were 43% and 78%, respectively. Total expenses excluding non-cash stock-based compensation for the three months ended December 31, 2020 and 2019, were $15.5 million and $8.9 million and were 33% and 28%, respectively, of revenue.

Total expenses for the years ended December 31, 2020 and 2019 were $87.0 million and $63.7 million, respectively, increasing $23.3 million or 37%. This change was due to a full period of operations in 2020 as compared to only 32 weeks of operations in 2019 as the Qualifying Transaction occurred in May 2019.

Total Other (Expense) Income

Total other (expense) income for the three months ended December 31, 2020 and 2019 was ($136.5) million and $2.0 million, respectively. This change was primarily driven by the changes in fair value of financial liabilities due to the fluctuation in share price of Ayr's publicly traded warrants.

Total other (expense) income for the years ended December 31, 2020 and 2019 was ($168.1) million and ($121.9) million, respectively. This change was primarily driven by the changes in fair value of financial liabilities due to the fluctuation in trade price of Ayr's publicly traded shares and warrants.

Income Tax

Income tax expense is recognized based on the expected tax payable on the taxable income for the period and the deferred tax, using tax rates enacted or substantively enacted at period-end. The deferred tax is mainly driven by changes in the amortization of intangibles and fair value adjustments to inventory including biological assets.

Total income tax expense for the three months ended December 31, 2020 and 2019 was $5.0 million and $2.6 million, respectively. The current tax expense was $7.0 million and $3.8 million, respectively, for the three months ended December 31, 2020 and 2019. The increase in current tax expense was driven by operational improvements resulting in an increase in taxable income. The deferred tax recovery (expense) was $2.0 million and $1.2 million, respectively, for the three months ended December 31, 2020 and 2019.

Total income tax expense for the years ended December 31, 2020 and 2019 was $24.3 million and $4.8 million, respectively. The current tax expense was $22.0 million and $8.7 million, respectively, for the years ended December 31, 2020 and 2019. The deferred tax recovery (expense) was ($2.4) million and $3.9 million, respectively, for the years ended December 31, 2020 and 2019. This change was due to a full period of operations in 2020 as compared to only 32 weeks of operations in 2019 as the Qualifying Transaction occurred in May 2019.

Net Loss

Net loss for the three months ended December 31, 2020 and 2019 was ($143.6) million and ($17.5) million, respectively. The decrease was primarily driven by the factors described above.

Net loss for the years ended December 31, 2020 and 2019 was ($176.3) million and ($164.2) million. The decrease was primarily driven by the factors described above, specifically total other expense (income).

Liquidity and Capital Resources as of December 31, 2020

Selected Liquidity and Capital Resource Information

($ in millions)	December 31, 2020	December 31, 2019
Cash and cash equivalents	127.2	8.4
Total current assets	176.4	29.9
Total assets	615.9	355.1
Total current liabilities	57.8	34.7
Total long-term liabilities	407.3	151.8
Total liabilities	465.0	186.5
Total shareholders' equity	150.9	168.6

As of December 31, 2020, the Corporation had cash and cash equivalents of $127.2 million, other current assets of $49.2 million, current liabilities of $57.8 million, and working capital of $118.7 million compared to December 31, 2019 which had cash and cash equivalents of $8.4 million, other current assets of $21.5 million, current liabilities of $34.7 million, and negative working capital of $4.8 million to meet its current obligations. The overall increase in net working capital is due to the company generating positive cash flow from operations, the increase in inventory due to the cultivation expansions in Massachusetts and Nevada, and the cash received through a four-year senior secured promissory note.

The Corporation, post Qualifying Transaction, is generating cash from sales and deploying its capital reserves to develop assets capable of producing additional revenues and earnings over both the immediate and near term. Capital reserves are expected to be used for capital expenditures and improvements to existing facilities, marketing, and product development, as well as acquisitions.

Selected Cash Flow Information

	Years Ended December 31,	
($ in millions)	2020	2019
Net cash provided by operating activities	36.5	3.6
Net cash (used in) provided by investing activities	(62.3)	5.2
Net cash provided by (used in) financing activities	144.6	(1.5)
Net increase in cash and cash equivalents	118.8	7.3
Effect of foreign currency translation	-	1.0
Cash and cash equivalents, beginning of year	8.4	0.1
Cash and cash equivalents, end of year	127.2	8.4

Operating Activities

Net cash provided by operating activities during the years ended December 31, 2020 and 2019 was $36.5 million and $3.6 million, respectively, an increase of $32.9 million. The increase in net cash provided by operating activities was driven by a full year of operations in 2020 as compared to only 32 weeks of operations in 2019 as the Qualifying Transaction occurred in May 2019. Furthermore, improved operational performance led to an increase in net cash provided by operating activities. This was driven by the increase in gross profit before fair value adjustments percentage.

Investing Activities

Net cash (used in) provided by investing activities during the years ended December 31, 2020 and 2019 was ($62.3) million and $5.2 million, respectively, a decrease of ($67.5) million. The cash used during the current year was due primarily to the cash paid for business combinations and asset acquisitions as well as the purchase of property, plant, and equipment while the increase in the previous year is due to the transfer of restricted cash in escrow due to the close of the Qualifying Transaction.

Financing Activities

Net cash provided by (used in) financing activities during the years ended December 31, 2020 and 2019 was $144.6 million and ($1.5) million, respectively, an increase of $146.1 million. The net cash provided by financing activities was primarily due to the proceeds from senior secured notes obligations.

Capital Management

The Corporation's objectives when managing capital are to ensure sufficient liquidity to support its financial obligations and to execute its operating and strategic plans, managing healthy liquidity reserves and access to capital.

The Corporation manages its capital structure and makes adjustments to it based on the funds available to the Corporation in order to support business development. The directors do not establish quantitative return on capital criteria for management, but rather rely on the expertise of the Corporation's management to sustain future development of the business. In order to carry out the planned business development and pay for administrative costs, the Corporation will spend its existing working capital and seek to raise additional amounts, as needed. There were no changes in the Corporation's approach to capital management during the period ended December 31, 2020 and December 31, 2019. The Corporation is not subject to externally imposed capital requirements apart from the need to maintain its listing in accordance with stock exchange requirements.

The Corporation raises capital, as necessary, to meet its needs and take advantage of perceived opportunities and, therefore, does not have a numeric target for its capital structure. Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Corporation, is reasonable. The Corporation plans to use existing funds, as well as funds from the future sale of products, to fund operations and expansion activities. However, the Corporation may attempt to issue new shares or issue new debt for acquisitions. There can be no assurance that the Corporation will be able to continue raising capital in this manner.

The Corporation strengthened their cash position with a senior secured debt offering of $110 million that closed on December 10, 2020 and an equity offering of approximately $157.6CDN million that closed on January 14, 2021.

Share Capital

As of December 31, 2020 and December 31, 2019, the Corporation had share capital of $519.0 million and $382.2 million, respectively. The share capital as of December 31, 2020 was comprised of $1.8 million from Multiple Voting Shares, $488.1 million from Subordinate Voting Shares, and $29.1 million from Exchangeable Shares, while the share capital as of December 31, 2019 was comprised of $1.8 million from Multiple Voting Shares, $251.7 million from Subordinate Voting Shares, and $128.7 million from Exchangeable Shares.

Outstanding Shares

	December 31, 2020	**December 31, 2019**
Issued and outstanding		
Multiple Voting Shares	3,696,486	3,696,486
Subordinate Voting Shares	28,873,641	14,824,485
Exchangeable Shares	2,127,543	8,373,792
Treasury stock	(63,800)	(29,500)
Total number of shares	34,633,870	26,865,263

As of December 31, 2020, the Corporation had 10,486,312 Subordinate Voting Shares issuable upon the exercise of Warrants, 4,237,150 restricted Exchangeable Share units, and 138,394 Subordinate Voting Shares issuable upon the exercise of rights reserved for issuance. As of December 31, 2019, the Corporation had 16,060,858 Subordinate Voting Shares issuable upon the exercise of Warrants, 298,087 make-whole Exchangeable Shares, 3,837,150 restricted Exchangeable Share units, and 314,034 Subordinate Voting Shares issuable upon the exercise of rights reserved for issuance.

Liquidity

As of December 31, 2020, the Corporation had working capital of $121.1 million compared to December 31, 2019 when it had negative working capital of $4.8 million.

Summary of Future Commitments

Year	Leases	Debt	Total
2021	4,307,052	8,644,633	12,951,685
2022	4,216,361	5,611,722	9,828,083
2023	4,298,489	11,446,496	15,744,985
2024	4,282,818	147,809,548	152,092,366
2025	3,796,200	-	3,796,200
Thereafter	41,707,890	-	41,707,890
Total Commitments	62,608,810	173,512,399	236,121,209

Off-Balance Sheet Arrangements

As of the date of this filing, the Corporation does not have any off-balance sheet arrangements, with the exception of the definitive agreements and term sheets referenced in Note 18 in the financial statements, that have, or are reasonably likely to have, a current or future effect on the results of operations or financial condition of the Corporation including, without limitation, such considerations as liquidity and capital resources that have not previously been discussed.

Related Party Transactions

Related parties are defined as management and members of the Corporation and/or members of their immediate family and/or other companies and/or entities in which a board member or senior officer is a principal owner or senior executive. Other than disclosed elsewhere in the financial statements, related party transactions and balances are as follows:

Mercer Park, L.P. entered into a management agreement with the Corporation dated May 24, 2019. As of December 31, 2020 and 2019, $58,083 and $48,008 was included in prepaid expenses as an advance for these services. Included in expenses for the year ended December 31, 2020, are management fees of $3,875,612 that are included in general and administrative expenses and embedded lease fees of $449,884 that are included in depreciation and interest expense, respectively. The management fee is paid monthly and varies based on actual costs incurred by the related entity when providing the Corporation administrative support, management services, office space, and utilities. In addition, the management fees pay other corporate or centralized expenses based on actual cost, including but not limited to legal and professional fees, software, and insurance. The agreement is a month-to-month arrangement.

As of December 31, 2020 and December 31, 2019, Mercer Park Brand Acquisition Corp. ("Brand"), a SPAC that has limited services shared with the Corporation, owed to Ayr $135,000 and $85,000. This is included in due from related parties.

During the year ended December 31, 2020, the Corporation incurred fees from Panther Residential Management, LLC ("Panther"), a company partially owned by a board member of Ayr. The total incurred fees were $102,000 (2019: $67,500) of office expenses, $450,000 (2019: $262,500) of capitalized rental fees, and $4,391 (2019: $3,508) of interest expense, $21,328 (2019: $12,441) of depreciation related to an office lease, and $150,000 of acquisition fees respectively.

Directors and officers of the Corporation are considered key members of management. Compensation for the directors and officers in the respective years were comprised of:

	Year Ended	
	December 31, 2020	December 31, 2019

Compensation and benefits, included in management fee	$	2,368,750	$	861,593
Stock-based compensation, non-cash		31,156,759		28,879,225
Total compensation	**$**	**33,525,509**	$	29,740,818

Refer to Note 12 and 17 for additional information around the debts payable and non-cash stock-based compensation plan and calculation, respectively, for the years ended December 31, 2020 and 2019.

Selected Quarterly Information

A summary of selected information for each of the previous eight quarters is as follows:

Three Months Ended	**Net Revenues**	**Net (Loss) Income**	**(Loss) Earnings per Share[1]**
December 31, 2020	47,764,775	(143,581,044)	(4.82)
September 30, 2020	45,486,365	(26,792,975)	(0.96)
June 30, 2020	28,310,633[2]	(7,513,708)	(0.28)
March 31, 2020	33,552,681	1,555,068	0.06
December 31, 2019	32,282,616	(17,464,233)	(0.65)
September 30, 2019	32,087,805	26,180,617	0.99
June 30, 2019	10,823,206	(35,785,825)[4]	(2.18)[4]
March 31, 2019	-	(137,110,163)[3,4]	(37.09)[4]

Notes:

[1] Per share amounts are rounded to the nearest cent, therefore, aggregating quarterly amounts may not reconcile to year-to-date per share amounts. Amounts are calculated using basic weighted average number of shares outstanding.

[2] Revenue for the three months ended June 30, 2020 decreased from the prior quarter due to COVID-related closures in April and May.

[3] Prior to the Qualifying Transaction, Ayr was a special purpose acquisition corporation. Issues of seasonality have not had an impact on the results or operations while a special purpose acquisition corporation. From July 31, 2017 to June 30, 2019, variations in the quarterly net (loss) income were caused by fluctuations in the net fair value (loss) gain on financial liabilities, transaction costs and general and administrative expense. Fluctuations in the net fair value (loss) gain on financial liabilities has varied from quarter-to-quarter due primarily to changes in the fair value of the Corporation's Class A Restricted Voting Shares (prior to the Qualifying Transaction) and the liability associated with the Warrants.

[4] Due to the reclassification disclosed on Note 3.22 on the financial statements for the periods ended June 30, 2020 and 2019, net loss and loss per share were affected by a reclassification between foreign exchange and foreign currency.

Significant Accounting Judgments and Estimates

The application of the Corporation's accounting policies requires management to use estimates and judgments that can have a significant effect on the revenues, expenses, assets and liabilities recognized, and disclosures made in the financial statements.

Management's best estimates concerning the future are based on the facts and circumstances available at the time estimates are made. Management uses historical experience, general economic conditions and assumptions regarding probable future outcomes as the basis for determining estimates. Estimates and their underlying assumptions are reviewed periodically, and the effects of any changes are recognized at that time. Actual results could differ from the estimates used.

The global pandemic outbreak of the novel strain of coronavirus ("COVID-19") has resulted in governments worldwide enacting emergency measures to combat the spread of the virus. These measures, which include the implementation of travel bans, store closures, self-imposed quarantine periods and social distancing, may cause material disruption to businesses globally resulting in an economic slowdown. COVID-19 has cast uncertainty on the assumptions used by management in making its judgments and estimates. While cannabis has generally been deemed an essential business the regulators in Massachusetts and Nevada placed material restrictions on cannabis sales during the middle of 2020. The full extent of the impact that COVID-19, including government and/or regulatory responses to the outbreak, will have on the Corporation is highly uncertain and difficult to predict at this time. Accordingly, there is a higher level of uncertainty with respect to management's judgments and estimates.

The following discusses the most significant accounting judgments, estimates and assumptions that the Corporation has made in the preparation of its financial statements.

Business combination

A business combination is a transaction or event in which an acquirer obtains control of one or more businesses and is accounted for using the acquisition method. The total consideration paid for the acquisition is the aggregate of the fair values of assets acquired, liabilities assumed, and equity instruments issued in exchange for control of the acquiree at the acquisition date. The acquisition date is the date when the Corporation obtains control of the acquiree. The identifiable assets acquired and liabilities assumed are recognized at their acquisition date fair values, except for deferred taxes and share-based payment awards, where IFRS provides exceptions to recording the amounts at fair value.

Goodwill represents the difference between total consideration paid and the fair value of the net identifiable assets acquired. Acquisition costs incurred are expensed to total expenses. Contingent consideration is measured at its acquisition date fair value and is included as part of the consideration transferred in a business combination, subject to the applicable terms and conditions.

Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured at subsequent reporting dates in accordance with IFRS 9 with the corresponding gain or loss recognized in net loss.

Based on the facts and circumstances that existed at the acquisition date, management will perform a valuation analysis to allocate the purchase price based on the fair values of the identifiable assets acquired and liabilities assumed on the acquisition date. Management has one year from the acquisition date to confirm and finalize the facts and circumstances that support the finalized fair value analysis and related purchase price allocation. Until such time, these values are provisionally reported and are subject to change. Changes to fair values and allocations are retrospectively adjusted in subsequent periods.

In determining the fair value of all identifiable assets acquired and liabilities assumed, the most significant estimates generally relate to contingent consideration and intangible assets. Management exercises judgment in estimating the probability and timing of when earn-outs are expected to be achieved, which is used as the basis for estimating fair value. Identified intangible assets are fair valued using appropriate valuation techniques which are generally based on a forecast of the total expected future net cash flows of the acquiree. Valuations are highly dependent on the inputs used and assumptions made by management regarding the future performance of these assets and any changes in the discount rate applied.

Judgment is applied in determining whether an acquisition is a business combination or an asset acquisition by considering the nature of the assets acquired and the processes applied to those assets, or if the integrated set of assets and activities is capable of being conducted and managed for the purpose of providing a return to investors or other owners.

Biological assets and inventory

In calculating the value of the biological assets and inventory, management is required to make a number of estimates, including estimating the stage of growth of the cannabis up to the point of harvest, net realizable value, harvesting costs, selling costs, average or expected selling prices and list prices, expected yields for the cannabis plants, oil conversion, and impairment factors. In calculating final inventory values, management compares the inventory costs to estimated net realizable value.

Estimated useful lives and depreciation of property, plant and equipment

Depreciation of PPE is dependent upon estimates of useful lives, which are determined through the exercise of judgments. The assessment of any impairment of these assets is dependent upon estimates of recoverable amounts that take into account factors such as economic and market conditions and the useful lives of assets. The assessment of any impairment of these assets is dependent upon estimates of recoverable amounts that take into account factors such as economic and market conditions.

Valuation, estimated life and impairment of intangible assets and goodwill

Management uses significant judgment in determining the fair value of intangible assets and goodwill, estimating the useful lives and impairment. Intangible assets that have indefinite useful lives are not subject to amortization and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired.

The Corporation uses judgment in determining the grouping of assets by identifying CGUs for purposes of testing for impairment of goodwill and intangible assets. The Corporation's estimate of CGUs or a group of CGUs recoverable amount based on value in use involves estimating future cash flows before taxes. Future cash flows are estimated based on multi-year extrapolation of the most recent historical actual results and budgets calculated by discounting the final year in perpetuity.

Goodwill impairment

When determining the recoverable amount of the CGU or CGUs to which goodwill is allocated, the Corporation relies on a number of factors, including historical results, business plans, forecasts and market data. Changes in the conditions for these judgments and estimates can significantly affect the recoverable amount.

Leases

Each capitalized lease is evaluated to determine if the Corporation would exercise any of the renewal options offered. Several material factors are considered in determining if the renewal options would be exercised, such as length of the renewal, renewal rate, and ability to transfer locations. When measuring lease liabilities, the Corporation used discounted lease payments using a weighted-average rate in the range of 9.8% to 15.0% per annum. The weighted-average rate is based on the internal borrowing rate, which relies on judgments and estimates.

Provisions and contingent liabilities

When the Corporation is more likely than not to incur an outflow of resources to settle an obligation and the amount can be reasonably estimated, a contingent liability is recorded. The contingent liability is recorded at management's best estimates of the expenditure required to settle the obligation at period end, discounted to the present value, if material.

Financial instruments

To determine the fair value of financial instruments, the Corporation develops assumptions and selects certain methods to perform the fair value calculations. Various methods considered include but are not limited to: (a) assigning the value attributed to the transaction at the time of origination; (b) re-measuring the instrument if it requires concurrent fair value measurement; and (c) valuing the instrument at the issuance value less any amortized costs. As judgment is a factor in determining the value and selecting a method, as well as, the inherent uncertainty in estimating the fair value, the valuation estimates may be different.

Application of the option pricing model requires estimates in expected dividend yields, expected volatility in the underlying assets and the expected life of the financial instruments. These estimates may ultimately be different from amounts subsequently realized, resulting in an overstatement or understatement of net loss and comprehensive loss.

Expected credit loss

Management determines expected credit loss ("ECL") by evaluating individual receivable balances and considering customers' financial condition and current economic conditions. Accounts receivable are written off when deemed uncollectible. Recoveries of accounts receivable previously written off are recorded as income when received. All receivables are expected to be collected within one year of the year end.

Income taxes

In assessing the probability of realizing income tax assets, management makes estimates related to the expectation of future taxable income, applicable tax planning opportunities, expected timing of reversals of existing temporary differences and the likelihood that the tax positions taken will be sustained upon examination by applicable tax authorities.

Risk Factors

Please refer to the Corporation's final non-offering prospectus dated December 17, 2020, the Corporation's management information circular dated October 14, 2020, and the Corporation's Annual Information Form for information on the risk factors to which the Corporation is subject. In addition, see "Cautionary Note Regarding Forward-Looking Information" above.

Financial Instruments, Financial Risk Management and Other Instruments

The Corporation does not utilize financial instruments such as derivatives to manage financial risks. The Corporation's financial instruments consist of cash and cash equivalents, deposits, short term investments, warrant liability, and make-whole provisions and contingent consideration included as purchase consideration relating to business combinations. These financial instruments are measured at fair value or are short-term in nature where fair value approximates their carrying value (see Note 19 to the financial statements).

The Corporation is exposed to credit risk, liquidity risk and interest rate risk. The Corporation's management oversees the management of these risks. The Corporation`s management is supported by the members that advises on financial risks and the appropriate financial risk governance framework for the Corporation. The Corporation's financial risk activities are governed by appropriate policies and procedures and financial risks are identified, measured and managed in accordance with Corporation policies and Corporation risk appetite.

Fair value measurements

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability or, in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Corporation.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest. A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits from the asset's highest and best use or by selling it to another market participant that would utilize the asset in its highest and best use.

The Corporation uses valuation techniques that are considered to be appropriate in the circumstances and for which there is sufficient data are with unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy. This is described, as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 inputs are quoted prices in active markets for identical assets or liabilities at the measurement date.
- Level 2 inputs are observable inputs other than quoted prices included within Level 1, such as quoted prices for similar assets or liabilities in active markets, quoted prices for identical assets or liabilities in markets that are not active, or other inputs that are observable directly or indirectly.

- Level 3 inputs are unobservable inputs for the asset or liability that reflect the reporting entity's own assumptions and are not based on observable market data.

The hierarchy used to fair value the financial instruments as of December 31, 2020 and December 31, 2019, were as follows:

- Level 1: Cash and cash equivalents, deposits, and warrant liability
- Level 2: None
- Level 3: Make-whole provisions and contingent consideration issued as purchase consideration relating to business combinations

There were no transfers between levels in the hierarchy. For financial assets and liabilities not measured at fair value, their carrying value is considered to approximate fair value due to their market terms.

Financial assets	**Carrying values**

December 31, 2020		FVTPL		AC		Total
Cash and cash equivalents	**$**	**127,238,165**	**$**	**-**	**$**	**127,238,165**
Deposits		**1,562,493**		**-**		**1,562,493**
Accounts receivable		**-**		**3,464,401**		**3,464,401**
	$	**128,800,658**	**$**	**3,464,401**	**$**	**132,265,059**
December 31, 2019						
Cash and cash equivalents	$	8,403,196	$	-	$	8,403,196
Deposits		740,666		-		740,666
Accounts receivable		-		2,621,239		2,621,239
	$	9,143,862	$	2,621,239	$	11,765,101

Financial liabilities			Carrying values			
December 31, 2020		**FVTPL**		**AC**		**Total**
Warrant liability	**$**	**151,949,611**	**$**	**-**	**$**	**151,949,611**
Contingent consideration		**22,961,412**		**-**		**22,961,412**
Trade payables		-		**8,899,786**		**8,899,786**
Accrued liabilities		-		**8,706,813**		**8,706,813**
Accrued interest payable		-		**3,301,155**		**3,301,155**
Purchase consideration payable		-		**9,053,057**		**9,053,057**
Debts payable		-		**165,885,544**		**165,885,544**
	$	**174,911,023**	**$**	**195,846,355**	**$**	**370,757,378**
December 31, 2019						
Warrant liability	$	36,874,124	$	-	$	36,874,124
Contingent consideration		22,656,980		-		22,656,980
Make-whole provision		3,540,803		-		3,540,803
Trade payables		-		6,806,053		6,806,053
Accrued liabilities		-		5,123,865		5,123,865
Accrued interest payable		-		815,662		815,662
Purchase consideration payable				6,290,897		6,290,897
Debts payable		-		43,995,661		43,995,661
	$	63,071,907	$	63,032,138	$	126,104,045

The Corporation is exposed to credit risk, liquidity risk and interest rate risk. The Corporation's management oversees the management of these risks. The Corporation`s management is supported by the members of the Board of Directors that advise on financial risks and the appropriate financial risk governance framework for the Corporation. The Corporation's financial risk activities are governed by policies and procedures and financial risks are identified, measured and managed in accordance with the Corporation's policies and the Corporation's risk appetite.

The Corporation quantified the sensitivity of inputs in relation to the contingent consideration as of December 31, 2020 and December 31, 2019, and would expect the following effect on fair value in the event of changes to the discount rate:

			Value at period end			
Significant assumption	**Inputs**	**Sensitivity**		**December 31, 2020**		**December 31, 2019**
	10% (2020)	Increase 1%	$	22,681,839	$	22,169,349
Discount rate	6.3% (2019)	Decrease 1%		23,247,053		23,161,325

Credit Risk

Credit risk is the risk of unexpected loss if a customer or third party to a financial instrument fails to meet its contractual obligations. Financial instruments which potentially subject the Corporation to concentrations of credit risk consist of cash and cash equivalents, deposits and accounts receivable. To address its credit risk arising from cash and cash equivalents and deposits, the Corporation ensures to keep these balances with reputable financial institutions. The Corporation has not recorded an ECL as all amounts are considered to be recoverable and are immaterial. The Corporation is not significantly exposed to its accounts receivable due to its diversified customer base and a stringent collection policy. No ECL has been recorded by the Corporation as all receivables are expected to be collected and are not significant. As of December 31, 2020 and December 31, 2019, the maximum amount exposed to credit risks was $130,702,566 and $11,024,435, respectively, including cash. The components of accounts receivable as of December 31, 2020 and December 31, 2019 were:

		0-30 days		31-90 days		Over 90 days		Total
Balance, as at December 31, 2020	$	2,995,368	$	469,033	$	-	$	3,464,401
Balance, as at December 31, 2019		2,456,226		115,808		49,205		2,621,239

Liquidity Risk

Liquidity risk is the risk that the Corporation is unable to generate or obtain sufficient cash in a cost-effective manner to fund its obligations as they come due. The Corporation's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. The Corporation manages liquidity risk through maintaining sufficient funds on hand and continuously monitoring forecast and actual cash flows. As of December 31, 2020 and December 31, 2019, all trade payables and accrued liabilities are due within a year. Refer to the Summary of Future Commitments table for future lease and debt commitments. The Corporation has the following gross obligations as of December 31, 2020, which are expected to be payable in the following respective periods:

		Less than 1 year		1-5 years		> 5 years		Total
Trade payables and accrued liabilities	$	17,606,599	$	-	$	-	$	17,606,599
Lease obligations		4,307,052		16,593,868		41,707,890		62,608,810

Purchase consideration	9,053,057	-	-	9,053,057
Income tax payable	21,585,523	-	-	21,585,523
Debt Payable	8,644,633	54,867,767	-	63,512,400
Contingent consideration	-	27,500,000	-	27,500,000
Senior secured notes	-	110,000,000	-	110,000,000
Accrued interest payable	-	3,301,155	-	3,301,155
	$ 61,196,864	**$ 212,262,790**	**$ 41,707,890**	**315,167,544**

Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Corporation is exposed to interest rate risk on its cash and cash equivalents and long-term debts. Cash and cash equivalents and deposits bear interest at market rates. The Corporation's debts have fixed rates of interest. The Corporation does not use any derivative instruments to hedge against interest rate risk and believes that the change in interest rates will not have a significant impact on its financial results.

Currency Risk

The operating results and financial position of the Corporation are reported in United States dollars. As the Corporation operates in an international environment, some of the Corporation's financial instruments and transactions are denominated in currencies other than the United States dollar. The results of the Corporation's operations are subject to currency transaction and translation risks.

As of December 31, 2020 and December 31, 2019, the Corporation had no hedging agreements in place with respect to foreign exchange rates. The Corporation has not entered into any agreements or purchased any instruments to hedge possible currency risks at this time. The Corporation believes that a change in exchange rates will not have a significant impact on financial results. The Corporation performed a sensitivity analysis on the conversion rate applied to Canadian balances:

Balance sheet account	**Value at year end Dr (Cr.) CDN $**	**Conversion rate**	**Sensitivity**	**Effect on fair value, as at December 31, 2020 $**
Cash and cash equivalents	7,860,570	0.7824	Increase / Decrease 1%	**61,501**
Warrants	(194,209,626)	0.7824	Increase / Decrease 1%	**(1,519,496)**

Federal Regulatory Environment

The federal government of the United States regulates controlled substances through the Controlled Substances Act (CSA), which places controlled substances on one of five schedules. Currently, marijuana is classified as a Schedule I controlled substance. A Schedule I controlled substance means the Drug Enforcement Agency considers it to have a high potential for abuse, no accepted medical treatment, and a lack of accepted safety for the use of it even under medical supervision. Overall, the United States federal government has specifically reserved the right to enforce federal law regarding the sale and disbursement of medical or adult-use marijuana even if such sale and disbursement is sanctioned by State law. Accordingly, there are a number of significant risks associated with the business of the Corporation and unless and until the United States Congress amends the CSA with respect to medical and/or adult-use cannabis (and as to the timing or scope of any such potential amendments there can be no assurance), there is a significant risk that federal authorities may enforce current federal law, and the business of the Corporation may be deemed to be producing, cultivating, extracting, or dispensing cannabis or aiding or abetting or otherwise engaging in a conspiracy to commit such acts in violation of federal law in the United States.

The Corporation's operations, to the Corporation's knowledge, are in compliance with applicable State laws, regulations and licensing requirements. Additionally, the Corporation uses the same proprietary, best-practices policies and procedures in its managed facilities as in its owned facilities in order to ensure systematic operations and, as such, to the Corporation's knowledge, the facilities that the Corporation operates are in compliance with applicable State laws, regulations and licensing requirements. Nonetheless, for the reasons described above and risks described under the "Cautionary Note Regarding Forward-Looking Information", but not limited to these reasons, there are significant risks associated with the business of the Corporation. Readers are strongly encouraged to carefully read all the risk factors contained in this Prospectus and the documents incorporated herein by reference.

On December 20, 2018, the U.S. Agriculture Improvement Act of 2018 (the "2018 Farm Bill") became law. The law legalizes hemp as an agricultural commodity by removing hemp, its derivatives, cannabinoids, and extracts (including CBD and any part of the cannabis plant which contains 0.3% THC or less on a dry weight basis) from the list of controlled substances in the U.S. Controlled Substances Act. Each State can now develop a plan for the regulation of hemp production, which will be administered subject to the approval and oversight of the United States Department of Agriculture ("USDA"). The USDA will also develop its own regulatory scheme, which will govern in any State that does not develop its own approved regulatory plan. With the passage of the 2018 Farm Bill, hemp and its derivatives cultivated and produced in compliance with federal and state laws and regulations are now legal. However, cultivation is still subject to serious restrictions that, ultimately, may vary greatly between different jurisdictions. Moreover, under a recently released interim final rule ("IFR") from the Drug Enforcement Agency, "a cannabis derivative, extract, or product that exceeds the 0.3% [THC] limit is a schedule I controlled substance, even if the plant from which it was derived contained 0.3% or less [THC] on a dry weight basis." This IFR is currently subject to legal challenges, but if it stands, it could significantly impact the ability to legally produce consumer hemp derivatives and extracts under federal law.

The following sections entitled "– Nevada" and "– Massachusetts" and "– Pennsylvania" describe the legal and regulatory landscape in respect of the States in which the Corporation currently operates

While the Corporation's compliance controls have been developed to mitigate the risk of any violations of a license arising, there is no assurance that the Corporation's licenses will be renewed in the future in a timely manner. Any unexpected delays or costs associated with the licensing renewal process could impede the ongoing or planned operations of the Corporation and have a material adverse effect on the Corporation's business, financial condition, results of operations or prospects.

As of the date of this MD&A, Joseph R. Biden Jr. is the President of the United States. During his campaign, he stated his policy goal to decriminalize possession of cannabis at the federal level, but did not show support for fully legalizing marijuana. There can be no assurance as to the position any new administration may take on marijuana and a new administration could decide to enforce the federal laws strongly. Any enforcement of current federal laws could cause significant financial damage to the Corporation and its shareholders. Further, future presidential administrations may want to treat marijuana differently and potentially enforce the federal laws more aggressively.

U.S. Federal Enforcement Priorities

Due to the current federal regulatory environment in the United States, as further described herein, Ayr may become the subject of heightened scrutiny by regulators, stock exchanges and other authorities in Canada and the U.S. As a result, Ayr may be subject to significant direct and indirect interaction with public officials. There can be no assurance that this heightened scrutiny will not in turn lead to the imposition of certain restrictions on Ayr's ability to invest in the U.S. or any other jurisdiction. See "Risk Factors – While legal under applicable U.S. State law, Ayr's business activities are illegal under U.S. federal law" and "Risk Factors – The approach to the enforcement of cannabis laws may be subject to change or may not proceed as previously outlined" in the Annual Information Form ("AIF"), which can be found on SEDAR, incorporated herein by reference.

Changes in government policy or public opinion can significantly influence the regulation of the cannabis industry in Canada, the United States and elsewhere. A negative shift in the public's perception of cannabis in the U.S. or any other applicable jurisdiction could affect future legislation or regulation. Among other things, such a shift could cause State jurisdictions to abandon initiatives or proposals to legalize cannabis, thereby limiting the number of new State jurisdictions into which Ayr could expand. Any inability to fully implement Ayr's expansion strategy may have a material adverse effect on Ayr's business, financial condition and results of operations. See "Risk Factors" in the AIF, incorporated herein by reference.

Further, violations of any U.S. federal laws and regulations could result in significant fines, penalties, administrative sanctions, convictions or settlements arising from criminal charges or civil proceedings conducted by either the U.S. federal government or private citizens (who have the right to seek private relief for Ayr's "aiding and abetting" activities that violate U.S. federal law), including, but not limited to, disgorgement of profits, cessation of business activities or divestiture. This could have a material adverse effect on Ayr, including on its reputation and ability to conduct business, its holding (directly or indirectly) of cannabis licenses in the U.S., the listing of its securities on various stock exchanges, its financial position, operating results, profitability or liquidity, or the market price of its publicly-traded shares. In addition, it is difficult for Ayr to estimate the time or resources that would be needed for the investigation or final resolution of any such matters because, in part, the time and resources that may be needed are dependent on the nature and extent of any information requested by the applicable authorities involved, and such time or resources could be substantial. See "Risk Factors – Risks Related to Legality of Cannabis" in the AIF, incorporated herein by reference.

State Regulatory Environment

Nevada

Regulatory Landscape

The use of medical marijuana was legalized in Nevada by a ballot initiative in 2000. Nevada has legislatively enacted the licensing of medical marijuana business establishments since 2013. Adult-use cannabis was approved in November 2016, when voters in Nevada passed an adult-use cannabis measure to allow for the licensing of business establishments to engage in the sale of adult-use cannabis in the State. The first retail stores to sell adult-use marijuana began sales in July 2017. As of July 1, 2020, the Nevada Cannabis Compliance Board (the successor to the Nevada Department of Taxation as the applicable regulatory agency) governs and administers regulatory oversight for the medical and adult-use cannabis programs. Cities and counties in Nevada are allowed to determine the number of local marijuana licenses they will issue up to the maximum number allocated by the statute. The Corporation provides operational support for facilities in Nevada cities or counties with clearly defined marijuana programs. Currently, the Corporation provides operational support to facilities located in the Clark County, Henderson, Reno and Washoe County jurisdictions.

Licenses

The Corporation provides administrative, consulting and operations services to one (1) cultivation facility, two (2) production facilities, and five (5) dispensaries in the State of Nevada. Under applicable laws, the licenses issued for these facilities permit the businesses to cultivate, manufacture, process, package, sell, and purchase marijuana pursuant to the terms of the licenses and Nevada regulations.

State issued licenses are renewed annually, and local business licenses are renewed quarterly or annually, and there is no ultimate expiry after which no renewals are permitted. Additionally, in respect of the renewal process, provided that the requisite renewal fees are paid, the renewal application is submitted in a timely manner along with the necessary supporting documents, including requisite background investigations, and regulatory requirements are met, the licensee would expect to receive the applicable renewed license in the ordinary course of business. One of the entities to whom Ayr provides administrative, consulting and operations services, LivFree, was recently awarded two (2) additional dispensary licenses in the greater Las Vegas market, one (1) in Clark County and one (1) in Henderson, and aims to open the additional Clark County dispensary next year.

Regulations

In the State of Nevada, only marijuana that is grown/produced in the State by a licensed establishment may be sold in the State. The companies to which the Corporation provides operational support are vertically-integrated and have the capabilities to cultivate, harvest, process and sell/dispense/deliver adult-use and medical cannabis and cannabis products.

Reporting Requirements

The State of Nevada uses METRC solution ("METRC") as the State's computerized seed-to-sale tracking system used to track commercial marijuana activity. Individual licensees whether directly or through third-party integration systems are required to push data to the State to meet reporting requirements. The companies to which the Corporation provides operational support each have a seed-to-sale system in the State which is designed to capture the required data points for cultivation, manufacturing and retail as required in Nevada Revised Statutes 678B.

Storage and Security

To ensure the safety and security of cannabis business premises and to maintain adequate controls against diversion, theft, and loss of cannabis and cannabis products, Nevada licensed cannabis establishments are required to do the following:

1. Maintain an enclosed, locked facility;

2. Have a single secure entrance;

3. Train employees in security measures and controls, emergency response protocol, confidentiality requirements, safe handling of equipment, procedures for handling products, as well as the differences in strains, methods of consumption, methods of cultivation, methods of fertilization and methods for health monitoring;

4. Implement and install, at a minimum, the following security equipment and practices to deter and prevent unauthorized entrances:

    a. devices that detect unauthorized intrusion (which may include a signal system);

    b. exterior lighting designed to facilitate surveillance;

    c. electronic monitoring devices, further including (without limitation);

        i. at least one call-up monitor that is at least 19 inches in size;

        ii. a video printer that can immediately produce a clear still photo from any video camera image;

        iii. video cameras with a recording resolution of at least 704 x 480 that full capture all of the building's points of ingress and egress as well as all interior limited access areas such that such cameras capture and can identify any activity occurring in or adjacent to the building;

        iv. a video camera at each point-of-sale location which allows for the identification of any person who holds a valid registry identification card, including, without limitation, a designated primary caregiver, purchasing medical marijuana;

        v. a video camera in each grow room that can identify any activity occurring within the grow room in low light conditions;

        vi. a method for storing video recordings from the video cameras for at least 30 calendar days;

        vii. a failure notification system that provides an audible and visual notification of any failure in the electronic monitoring system;

        viii. sufficient battery backup for video cameras and recording equipment to support at least five (5) minutes of recording in the event of a power outage; and

        ix. a security alarm to alert local law enforcement of unauthorized breach of security; and

5. Implement security procedures that:

    a. restrict access of the establishment to only those persons/employees authorized to be there;

    b. deter and prevent theft;

    c. provide identification (badge) for those persons/employees authorized to be in the establishment;

    d. prevent loitering;

    e. require and explain electronic monitoring; and

    f. require and explain the use of automatic or electronic notifications to alert local law enforcement of any security breaches.

The Corporation is not aware of any specific risks associated with providing administrative, consulting and operations services to licensed cannabis establishments in Nevada. To the knowledge of management of the Corporation, there have not been any statements or guidance made by federal authorities or prosecutors regarding the risk of enforcement action specific to the State of Nevada. For more information on federal enforcement and the risks associated with the U.S. cannabis regulatory environment generally, see, without limitation, "*Risk Factors – Risks Related to Legality of Cannabis*" in the AIF.

Massachusetts

Regulatory Landscape

The use of cannabis for medical use was legalized in Massachusetts by a voter approval of the Massachusetts Marijuana Initiative in 2012. The law took effect on January 1, 2013, eliminating criminal and civil penalties for the possession and use of up to a 60-day or ten (10) ounce supply of marijuana for medical use for patients possessing a State issued registration card.

On November 8, 2016, Massachusetts voters approved Question 4 or the Massachusetts Marijuana Legalization Initiative, which allowed for recreational or "adult-use" cannabis in the Commonwealth. On September 12, 2017, the Cannabis Control Commission ("CCC") was established under Chapter 55 of the Acts of 2017 (the "Massachusetts Act") to implement and administer laws enabling access to medical and adult-use cannabis.

On November 16, 2018, the CCC issued the first notices for retail marijuana establishments to commence adult-use operations in Massachusetts.

Under the current program there are no State-wide limits on the total number of licenses permitted; however, no individual or entity shall be a controlling person over more than three licenses in a particular class of license. Similarly, no individual, corporation or other entity shall be in a position to control the decision making of more than three licenses in a particular class of license. In addition, all marijuana establishments are required to enter into host community agreements with the municipality in which they are located.

Licenses

The Corporation maintains two (2) adult-use cultivation licenses, one (1) adult-use product manufacturer license and one (1) adult-use transportation license in the Commonwealth of Massachusetts. In addition, the Corporation owns medical licenses that allow it to maintain three (3) medical marijuana dispensaries in the Commonwealth. These licenses permit the Corporation to cultivate, manufacture, process, package, sell, and purchase marijuana pursuant to the terms of the licenses.

Regulations

Under the terms of the marijuana cultivator license, the licensee may cultivate, process and package marijuana, to transfer and deliver marijuana products to marijuana establishments, but not to consumers. A marijuana product manufacturer is an entity authorized to obtain, manufacture, process and package marijuana and marijuana products, to deliver marijuana and marijuana products to marijuana establishments and to transfer marijuana and marijuana products to other marijuana establishments, but not to consumers. A marijuana retailer is an entity authorized to purchase and deliver marijuana and marijuana products from marijuana establishments and to sell or otherwise transfer marijuana and marijuana products to marijuana establishments and to consumers. A marijuana retailer provides a retail location which may be accessed by consumers 21 years of age or older or, if the retailer is co-located with a registered marijuana dispensary ("RMD") by individuals who are registered qualifying patients with the Medical Use of Marijuana Program with a registration card.

In order for a customer to be dispensed marijuana, they must present a valid government issued photo ID immediately upon entry of the retail facility. If the individual is younger than 21 years old but 18 years of age or older, he or she shall not be admitted unless he or she produces an active medical registration card issued by the CCC. If the individual is younger than 18 years old, he or she shall not be admitted unless he or she produces an active medical registration card and is accompanied by a personal caregiver with an active medical registration card. In addition to the medical registration card, registered qualifying patients 18 years of age and older and personal caregivers must also produce proof of identification.

Each recreational customer may be dispensed no more than one ounce of marijuana or five grams of marijuana concentrate per transaction as outlined in 935 CMR 500.140(4). Medical patients may be dispensed up to a 60-day supply of marijuana, or the equivalent amount of marijuana in marijuana infused products ("MIPs"), that a registered qualifying patient would reasonably be expected to need over a period of 60 calendar days for his or her personal medical use, which is ten ounces, subject to 105 CMR 725.010(I).

Allowable forms of marijuana in Massachusetts include smokable dried flower, dried flower for vaporizing, cannabis derivative products (i.e., vape pens, gel caps, tinctures, etc.) and medical cannabis-infused products, including edibles.

In the Commonwealth of Massachusetts, only cannabis that is grown and manufactured in the Commonwealth can be sold in the State. For adult-use, Massachusetts is not a vertically-integrated system. As a result, a marijuana retailer may purchase and transport marijuana products from marijuana establishments and transport, sell or otherwise transfer marijuana products to marijuana establishments and to consumers. Licensed cultivators and product manufacturers may cultivate, harvest, process, produce package and sell marijuana products to marijuana establishments.

Reporting Requirements

The CCC has selected METRC as the State's track-and-trace ("T&T") system used to track commercial cannabis activity and movement across the distribution chain ("seed-to-sale"). The system allows for other third-party system integration via application program interface ("API").

The Corporation is not aware of any specific risks associated with operating in Massachusetts. To the knowledge of management of the Corporation, there have not been any statements or guidance made by federal authorities or prosecutors regarding the risk of enforcement action specific to the State of Massachusetts. For more information on federal enforcement and the risks associated with the U.S. cannabis regulatory environment generally, see, without limitation, "*Risk Factors – Risks Related to Legality of Cannabis*" in the AIF.

Pennsylvania

Regulatory Landscape

The Pennsylvania Medical Marijuana Act (the "PAMMA") was signed into law on April 17, 2016 and originally provided access to Pennsylvania residents with one of 17 qualifying conditions, including epilepsy, chronic pain, and post-traumatic stress disorder ("PTSD"). Retail sales began in February 2018. The Commonwealth of Pennsylvania, which consists of nearly 13 million residents and qualifies as the fifth largest population in the U.S., operates as a high-barrier market with very limited market participation. The PAMMA authorizes only a maximum of 25 grower/processor permits and 50 dispensary permits. As part of "Phase 1" of the Commonwealth's permitting process in 2017, the Pennsylvania Department of Health (the "PA DOH") which administers the Commonwealth's Medical Marijuana Program, originally awarded only 12 grower/processor permits and 27 dispensary permits. Subsequently, in 2018, PA DOH conducted "Phase 2" of the permitting process, during which it awarded the remaining 13 grower/processor permits and 23 dispensary permits authorized under the PAMMA. In July of 2019, the PA DOH expanded the list of qualifying medical conditions to include anxiety disorders and Tourette syndrome, increasing the number of qualifying conditions to 23. As of May 2020, there were 297,317 patients registered in the Program.

Chapter 20 of the PAMMA established a marijuana research program whereby clinical registrants collaborate with medical schools and hospitals to design and implement a research plan. Chapter 20 authorizes PA DOH to issue grower/processor and dispensary permits to up to eight (8) clinical registrants. Under these permits, which are in addition to the 25 grower/processor and 50 dispensaries mentioned above, clinical registrants effectively operate as vertically integrated entities. Furthermore, the dispensary permits authorize clinical registrants to operate dispensaries at up to six (6) locations in any region of the Commonwealth. The dispensaries must dispense marijuana for the purpose of conducting research. As of August 2020, PA DOH selected the eight and final clinical registrants.

Licenses

All dispensaries must register with the PA DOH. Registration certificates are valid for a period of one year and are subject to annual renewals after required fees are paid and the business remains in good standing. Renewal requests are typically communicated through email and include a renewal form.

License and Regulations

Each retail dispensary license permits the holder to purchase marijuana and marijuana products from grower/processor facilities and allows the sale of marijuana and marijuana products to registered patients.

Site-Visits & Inspections

All licensed dispensary locations must be inspected and approved by the PA DOH before commencing live operations. Thereafter, dispensaries are subject to PA DOH inspection, whether with or without notice.

Reporting Requirements

The Commonwealth of Pennsylvania uses MJ Freeway as a T&T system for seed-to-sale reporting. Individual permittees are required to use MJ Freeway to push data to the Commonwealth to meet all reporting requirements. The Corporation uses MJ Freeway as its Pennsylvania subsidiary's in-house computerized seed-to-sale software, which integrates with the Commonwealth's MJ Freeway program and captures the required data points for cultivation, manufacturing and retail as required in the Pennsylvania medical marijuana laws and regulations.

Storage and Security

All dispensaries are required to have a locked limited access area for the storage of medical marijuana that is expired, damaged, deteriorated, mislabeled, contaminated, recalled or whose containers or packages have been opened or breached until such product is returned to the grower/processor.

The Corporation is not aware of any specific risks associated with operating in Pennsylvania. To the knowledge of management of the Corporation, there have not been any statements or guidance made by federal authorities or prosecutors regarding the risk of enforcement action specific to the State of Pennsylvania. For more information on federal enforcement and the risks associated with the U.S. cannabis regulatory environment generally, see, without limitation, "*Risk Factors – Risks Related to Legality of Cannabis*" in the AIF.

<u>Ohio</u>

Regulatory Landscape

House Bill 523, effective on September 8, 2016, legalized medical marijuana in Ohio. The Ohio Medical Marijuana Control Program ("MMCP") allows people with certain medical conditions, upon the recommendation of an Ohio-licensed physician certified by the State Medical Board, to purchase and use medical marijuana. House Bill 523 required that the framework for the MMCP would be in place no later than September 2018. This timeframe allowed for a deliberate process to ensure the safety of the public and to promote access to a safe product. Sales of medical marijuana in Ohio began in January 2019.

The following three state government agencies are responsible for the operation of the MMCP: (i) the Ohio Department of Commerce is responsible for overseeing medical marijuana cultivators, processors and testing laboratories; (ii) the State of Ohio Board of Pharmacy is responsible for overseeing medical marijuana retail dispensaries, the registration of medical marijuana patients and caregivers, the approval of new forms of medical marijuana and coordinating the Medical Marijuana Advisory Committee; and (iii) the State Medical Board of Ohio is responsible for certifying physicians to recommend medical marijuana and may add to the list of qualifying conditions for which medical marijuana can be recommended. Qualifying medical conditions for medical marijuana include: acquired immune deficiency syndrome, Amyotrophic lateral sclerosis ("ALS" also known as Lou Gehrig's disease), Alzheimer's disease, cancer, chronic traumatic encephalopathy, Crohn's disease, epilepsy or other seizure disorder, fibromyalgia, glaucoma, hepatitis C, inflammatory bowel disease, multiple sclerosis (MS), pain (either chronic and severe, or intractable), Parkinson's disease, positive status for Human Immunodeficiency Virus ("HIV"), PTSD, sickle cell anemia, spinal cord disease or injury, Tourette's syndrome, traumatic brain injury, ulcerative colitis or any other disease or condition added by the state medical board under section 4731.302 of the Ohio Revised Code. In order for a patient to be eligible to obtain medical marijuana, a physician must make the diagnosis of one of these conditions. The State of Ohio Board of Pharmacy is in the process of revising its regulations for dispensaries, for the forms and methods for administering medical marijuana, and for patients and caregivers.

Several forms of medical marijuana are legal in Ohio, these include: inhalation of marijuana through a vaporizer (not direct smoking), oils, tinctures, plant material, edibles, patches and any other forms approved by the State Board of Pharmacy (other than smoking or combustion).

Licenses

Neither the Corporation nor its subsidiaries currently hold any cannabis licenses in Ohio.

License and Regulations

To be considered for approval of a processing license, the applicant must complete all mandated requirements. To obtain a Certificate of Operation for a processing facility, the prospective licensee must be capable of operating in accordance with Chapter 3796 of the Ohio Revised Code, the Medical Marijuana Control Program. Certificates of Operation for a processing license must be renewed annually. A certificate of operation will expire on the date identified on the certificate. Following issuance of a Certificate of Operation, the Corporation will be authorized to manufacture and produce medical cannabis products. A processor licensee must submit its renewal application at least 30 days prior to the expiration date of the certificate of operation. If a licensee's renewal application is not filed prior to the expiration date of the certificate of operation, the certificate of operation will be suspended for a maximum of 30 days. After 30 days, if the licensee has not successfully renewed the certificate of operation, including the payment of all applicable fees, the certificate of operations will be deemed expired.

Reporting

Ohio uses the METRC system as its seed-to-sale tracking system. Licensees are required to use METRC to push data to the State to meet all of the reporting requirements. The Corporation intends to implement its seed-to-sale tracking system to comply with the State's tracking and reporting requirements.

Storage and Security

All licensees must have a security system that remains operational at all times and that uses commercial grade equipment to prevent and detect diversion, theft or loss of medical cannabis, including:

- Fencing and gates;
- A perimeter alarm;

- Approved safes, vaults, or any other approved equipment or areas used for processing or storing of plant material, medical marijuana extract, and medical marijuana products;
- Back-up alarm systems;
- Motion detectors; and
- Duress and panic alarms.

Video cameras must be installed at the processing facility and directed at all approved safes, approved vaults, cannabis sales areas, and any other area where plant material, medical cannabis extract, or medical cannabis products are being processed, stored or handled. Live feed video surveillance with motion active recording capabilities must be in place 24 hours a day, seven days a week. Recordings from all video cameras must be readily available for immediate review by regulating and law enforcement with jurisdiction upon request and must be retained for at least six months.

The Corporation is not aware of any specific risks associated with operating in Ohio. To the knowledge of management of the Corporation, there have not been any statements or guidance made by federal authorities or prosecutors regarding the risk of enforcement action specific to the State of Ohio. For more information on federal enforcement and the risks associated with the U.S. cannabis regulatory environment generally, see, without limitation, "*Risk Factors – Risks Related to Legality of Cannabis*" in the AIF

Arizona

Regulatory Landscape

In 2010, Arizona passed Ballot Proposition 203, which amended Title 36 to the Arizona Revised Statutes. This amendment added Chapter 28.1, titled the Arizona Medical Marijuana Act (the "AMMA"). The AMMA is codified in Arizona Revised Statutes ("ARS") § 36-2801 et. seq. The AMMA also appointed the Arizona Department of Health Services ("ADHS") as the regulator for the program and authorized ADHS to promulgate, adopt and enforce regulations for the AMMA. These ADHS regulations are embodied in the Arizona Administrative Code Title 9 Chapter 17 (the "Rules"). ARS § 36-2801(12) defines a "nonprofit medical marijuana dispensary" as "a not-for-profit entity that acquires, possesses, cultivates, manufactures, delivers, transfers, transports, supplies, sells or dispenses marijuana or related supplies and educational materials to cardholders."

The ADHS established the medical marijuana program. To operate within the medical marijuana program, an entity must apply for, and receive from ADHS, a Medical Marijuana Dispensary Registration Certificate ("Certificate"). Each Certificate is vertically integrated and authorizes the entity that holds the Certificate to dispense and cultivate medical cannabis. Each Certificate allows the holding entity to operate one retail dispensary, one on-site cultivation facility located at the same location as the retail dispensary, and one off-site cultivation facility located anywhere within the State of Arizona. Prior to opening its dispensary and cultivation operations, the entity must apply for, and receive from ADHS, an Approval to Operate. The entity must then file an application with ADHS to renew its Certificate every two years and must also submit audited annual financial statements. The Rules prohibit an entity from transferring or assigning the Certificate; however, entities that hold a Certificate may contract with third parties to provide various services related to the ongoing operation, maintenance, and governance of its dispensary and/or cultivation facility, so long as such contracts do not violate the requirements of the AMMA or the medical marijuana program.

The ADHS had until April 2012 to establish a registration application system for patients and nonprofit marijuana dispensaries, as well as a web-based verification platform for use by officials and dispensaries to verify a patient's status. It also specified patients' rights, qualifying medical conditions, and allowed out-of-state medical marijuana patients to maintain their patient status (though not to purchase marijuana). To purchase medical marijuana, a patient must apply for, and receive from ADHS, a medical marijuana patient card. On December 6, 2012, Arizona's first licensed medical marijuana dispensary opened in Glendale, Arizona.

To qualify to use medical marijuana under the AMMA, a patient must have a qualifying medical condition. Qualifying medical conditions include HIV, cancer, glaucoma, Acquired Immune Deficiency Syndrome ("AIDS"), Hepatitis C, Crohn's disease, agitation of Alzheimer's disease, ALS, PTSD, and a chronic or debilitating disease or medical condition, or the treatment for a chronic or debilitating disease or medical condition, that causes cachexia or wasting syndrome, severe and chronic pain, severe nausea, seizures, or severe or persistent muscle spasms.

In 2019, Arizona Governor Doug Ducey signed into law Senate Bill 1494, which, among other items, requires testing of medical marijuana and establishes biannual renewal of patient cards. Senate Bill 1494 also authorizes the ADHS to adopt rules for inspecting medical marijuana dispensaries and creates an independent testing regime for marijuana cultivated by a medical marijuana dispensary. Beginning in November 2020, before marijuana is sold, the entity holding a Certificate must test the marijuana for unsafe levels of microbial contamination, heavy metals, pesticides, herbicides, fungicides, growth regulators, and residual solvents. Senate Bill 1494 also authorizes civil penalties of up to $1,000 per violation (not to exceed $5,000 in a 30-day period) on medical marijuana dispensaries. Regulations implementing Senate Bill 1494 went into effect on August 27, 2019. In February 2020, the ADHS began an additional round of rulemaking designed to improve the regulations regarding independent testing, which remains an ongoing process.

On November 3, 2020, Arizona voters passed Proposition 207, known as the "Smart and Safe Arizona Act," which permits the lawful sale of marijuana to adults over 21 years old for recreational use. Proposition 207 directs ADHS to establish additional rules and regulations regarding the recreational sale of marijuana. Entities that hold a Certificate to sell medical marijuana have the right under Proposition 207 to obtain a Marijuana Establishment License to sell recreational marijuana. If ADHS does not issue Marijuana Establishment Licenses by April 5, 2021, entities that hold a Certificate may cultivate, produce, process, manufacture, transport, and test marijuana and marijuana products, and may sell marijuana and marijuana products to adult consumers, until ADHS issues Marijuana Establishment Licenses.

Licenses

Neither the Corporation nor its subsidiaries currently hold any cannabis licenses in Ohio.

Licensing Requirements

In order for an applicant entity to receive a Certificate, it must: (i) fill out an application on the form proscribed by ADHS, (ii) submit the applicant's articles of incorporation and by-laws, (iii) submit fingerprints for each principal officer and board member of the applicant for a background check to exclude certain felonies, (iv) submit a business plan and policies and procedures for inventory control, security, patient education, and patient recordkeeping that are consistent with the AMMA and the Rules to ensure that the dispensary will operate in compliance, and (v) designate an Arizona licensed physician as the Medical Director for the dispensary. Certificates are renewed every two years so long as the dispensary is in good standing with ADHS, pays the renewal fee, and submits an independent third party financial audit.

Once an applicant entity is issued a Certificate, it may establish one physical retail dispensary location, one cultivation location which is co-located at the dispensary's retail site (if allowed by local zoning), and one additional off-site cultivation location. None of these sites can be operational, however, until the dispensary receives an Approval to Operate from ADHS for the applicable site. This Approval to Operate requires: (i) an application on the ADHS form, (ii) demonstration of compliance with local zoning regulations, (iii) a site plan and floor plan for the applicable property, and (iv) an in-person inspection by ADHS of the applicable location to ensure compliance with the Rules and consistency with the dispensary's applicable policies and procedures.

With the passage of Senate Bill 1494, Certificates are renewed biennially. Before expiry, an entity holding a Certificate must submit a renewal application. While renewals are granted biennially, there is no ultimate expiry after which no renewals are permitted.

Security Requirements for Dispensary Facilities

Any dispensary facility (both retail and cultivation) must abide by the following security requirements: (i) ensure that access to the facilities is limited to authorized agents of the dispensary who are in possession of a dispensary agent identification card, and (ii) equip the facility with: (a) intrusion alarms and surveillance equipment, (b) exterior and interior lighting to facilitate surveillance, (c) at least one 19-inch monitor for surveillance and a video capable of printing a high resolution still image, (d) high resolution video cameras at all points of sale, entrances, exits, and limited access areas, both in and around the building, (e) 30 days' video storage, (f) failure notifications and battery backups for the security system, and (g) panic buttons inside each building.

Storage Requirements

Any dispensary facility (both retail and cultivation) must abide by the following requirements for the storage of product: (i) product must be stored in an area that is separate from areas used to store toxic and flammable materials, (ii) product must be stored in a manner that is clean and sanitary, (iii) product must be protected from flies, dust, dirt, and any other contamination, and (iv) surfaces and objects used in the handling and storage of product must be cleaned daily. Additionally, the Rules establish strict inventory protocols for tracking product from "seed to sale," which requires product to be traceable to the original plants used to grow the cannabis used in the product.

Transportation Requirements

Dispensaries may transport medical cannabis between their own sites, or between their sites and another dispensary's site, and must comply with the following Rules: (i) prior to transportation, the dispensary agent must complete a trip plan showing: (a) the name of the dispensary agent in charge of transporting the cannabis, (b) the date and start time of the trip, (c) a description of the cannabis, cannabis plants, or cannabis paraphernalia being transported, and (d) the anticipated route of transportation; (ii) during transport the dispensary agent shall: (a) carry a copy of the trip plan at all times, (b) use a vehicle with no medical cannabis identification, (c) carry a cell phone, and (d) ensure that no cannabis is visible; and (iii) dispensaries must maintain trip plan records.

ADHS Inspections and Enforcement

ADHS may inspect a facility at any time upon five (5) days' notice to the dispensary. However, if ADHS receives a complaint that a dispensary is not in compliance with the AMMA or the Rules, ADHS may conduct an unannounced inspection. ADHS will provide written notice to the dispensary via a Statement of Deficiencies of any violations found during any inspection, after which the dispensary has 20 working days to take corrective action and to provide ADHS with a written Plan of Correction.

ADHS shall revoke a Certificate if a dispensary: (i) operates before obtaining Approval to Operate a dispensary from ADHS, (ii) dispenses, delivers, or otherwise transfers cannabis to an entity other than another licensed dispensary, a qualifying patient with a valid registry identification card, or a designated caregiver with a valid registry identification card, (iii) acquires usable cannabis or mature cannabis plants from any entity other than another licensed dispensary, a qualifying patient with a valid registry identification card, or a designated caregiver with a valid registry identification card, or (iv) if a principal officer or board member has been convicted of an excluded felony offense.

Furthermore, ADHS may revoke a Certificate if a dispensary does not: (i) comply with the requirements of the AMMA or the Rules, or (ii) implement the policies and procedures or comply with the statements provided to ADHS with the dispensary's application.

The Corporation is not aware of any specific risks associated with operating in Arizona. To the knowledge of management of the Corporation, there have not been any statements or guidance made by federal authorities or prosecutors regarding the risk of enforcement action specific to the State of Arizona. For more information on federal enforcement and the risks associated with the U.S. cannabis regulatory environment generally, see, without limitation, "*Risk Factors – Risks Related to Legality of Cannabis*" in the AIF.

<u>Florida</u>

Regulatory Landscape

In 2014, the Florida Legislature passed the Compassionate Use Act which was the first legal medical cannabis program in the state's history. The original Compassionate Use Act only allowed for low-THC cannabis to be dispensed and purchased by patients suffering from cancer and epilepsy. In 2016, the Florida Legislature passed the Right To Try Act which allowed for full potency cannabis to be dispensed to patients suffering from a diagnosed terminal condition. Also in 2016, the Florida Medical Marijuana Legalization Initiative was introduced by citizen referendum and passed with a 71.3% majority. This initiative amended the state constitution and mandated an expansion of the state's medical cannabis program.

The Florida Medical Marijuana Legalization Initiative, Amendment 2 ("Amendment 2"), and the expanded qualifying medical conditions, became effective on January 3, 2017. The Florida Department of Health ("FDOH"), physicians, dispensing organizations, and patients are also subject to Article X Section 29 of the Florida Constitution and §381.986 of the Florida Statutes. On June 9, 2017, the Florida House of Representatives and Florida Senate passed respective legislation to implement the expanded program by replacing large portions of the existing Compassionate Use Act, which officially became law on June 23, 2017. The law regulating Amendment 2 provides licenses to operate as Medical Marijuana Treatment Centers ("MMTCs") to all entities that held an active, unrestricted licenses to cultivate, process, transport, and dispense low-THC cannabis or medical cannabis before July 1, 2017, as well as an additional 10 entities. The law also provides for another four licenses to be issued for every 100,000 patients added to the state's medical marijuana registry and allows MMTCs to open an unlimited number of dispensaries.

Licenses

Subsection 381.986(8)(a) of the State of Florida Statutes provides a vertically-integrated regulatory framework that requires licensed producers, through MMTCs, to cultivate, process and dispense medical cannabis in a vertically integrated marketplace. Licenses issued by the FDOH may be renewed biennially so long as the license meets the requirements of the law and the license holder pays a renewal fee.

The license permits the sale of medical cannabis to qualified patients to treat certain medical conditions. In Florida, there is no state-imposed limitation on the permitted size of cultivation or processing facilities, nor is there a limit on the number of plants that may be grown. Dispensaries may be located in any location throughout Florida as long as the local government has not issued a prohibition against MMTC dispensaries in their respective municipality. Provided there is not a ban, a dispensary may be located in a site zoned for a pharmacy so long as the location is greater than 500 feet from a public or private elementary, middle, or secondary school.

Licensing Requirements

Licenses issued by the FDOH are renewed biennially so long as the licensee meets requirements of the law and pays a renewal fee. Provided that the requisite renewal fees are paid, the renewal application is submitted in a timely manner, and there are no material violations noted against the applicable license, a licensee would expect to receive the applicable renewed license in the ordinary course of business.

An MMTC license applicant must demonstrate that: (i) they have been registered to do business in Florida for the previous five years, (ii) they possess a valid certificate of registration issued by the Florida Department of Agriculture and Consumer Services, (iii) they have the technical and technological ability to cultivate and produce cannabis, including, but not limited to, low-THC cannabis, (iv) they have the ability to secure the premises, resources, and personnel necessary to operate as an MMTC, (v) they have the ability to maintain accountability of raw materials, finished products, and by-products to prevent diversion or unlawful access to or possession of these substances, (vi) they have an infrastructure reasonably required to dispense cannabis to registered qualified patients statewide or regionally as determined by the FDOH, (vii) they have the financial ability to maintain operations for the duration of the two-year approval cycle, including the provision of certified financial statements to the FDOH, (viii) its owners, officers, board members and managers have passed a Level II background screening, inclusive of fingerprinting, and ensure that a medical director is employed to supervise the activities of the MMTC, and (ix) they have a diversity plan and veterans plan accompanied by a contractual process for establishing business relationships with veterans and minority contractors and/or employees. Upon approval of the application by the FDOH, the applicant must post a performance bond of up to US$5,000,000, which may be reduced by meeting certain criteria such as a minimum patient count.

Dispensary

An MMTC may not dispense more than a 70-day supply of cannabis within a 70-day period, except an MMTC may not dispense more than a 35-day supply of marijuana in a form for smoking within a 35-day period. The MMTC employee who dispenses the cannabis must enter into the registry his or her name or unique employee identifier. The MMTC must verify that: (i) the qualified patient and the caregiver, if applicable, each has an active registration in the registry and active and valid medical cannabis use registry identification card, (ii) the amount and type of cannabis dispensed matches the physician certification in the registry for the qualified patient, and (iii) the physician certification has not already been filled. An MMTC may not dispense to a qualified patient younger than 18 years of age, only to such patient's caregiver. An MMTC may not dispense or sell any other type of cannabis, alcohol, or illicit drug-related product, except a cannabis delivery device as specified in the physician certification. An MMTC must, upon dispensing, record in the registry: (i) the date, time, quantity and form of cannabis dispensed, (ii) the type of cannabis delivery device dispensed, and (iii) the name and registry identification number of the qualified patient or caregiver to whom the cannabis delivery device was dispensed. An MMTC must ensure that patient records are not visible to anyone other than the patient, caregiver, and MMTC employees.

Storage and Security

Each MMTC must maintain a video surveillance system that records continuously 24 hours per day and has specified features. MMTCs must retain video surveillance recordings for at least 45 days, or longer upon the request of law enforcement.

An MMTC's outdoor premises must have sufficient lighting from dusk until dawn. An MMTC's dispensing facilities must include a waiting area with sufficient space and seating to accommodate qualified patients and caregivers and at least one private consultation area and such facilities may not display products or dispense cannabis or cannabis delivery devices in the waiting area and may not dispense cannabis from its premises between the hours of 9:00 p.m. and 7:00 a.m. but may perform all other operations and deliver cannabis to qualified patients 24-hours a day.

Cannabis must be stored in a secured, locked room or a vault. An MMTC must have at least two employees, or two employees of a security agency, on the premises at all times where cultivation, processing, or storing of cannabis occurs. MMTC employees must wear a photographic identification badge and visitors must wear a visitor pass at all times on the premises. An MMTC must report to law enforcement within 24 hours after the MMTC is notified of or becomes aware of the theft, diversion or loss of cannabis.

Transportation

A cannabis transportation manifest must be maintained in any vehicle transporting cannabis or a cannabis delivery device. The manifest must be generated from the MMTC's seed-to-sale tracking system and must include the: (i) departure date and time, (ii) name, address, and license number of the originating MMTC, (iii) name and address of the recipient, (iv) quantity and form of any cannabis or cannabis delivery device being transported, (v) arrival date and time, (vi) delivery vehicle make and model and license plate number; and (vii) name and signature of the MMTC employees delivering the product. Further, a copy of the transportation manifest must be provided to each individual, MMTC that receives a delivery. MMTCs must retain copies of all cannabis transportation manifests for at least three years. Cannabis and cannabis delivery devices must be locked in a separate compartment or container within the vehicle and employees transporting cannabis or cannabis delivery devices must have their employee identification on them at all times. Lastly, at least two people must be in a vehicle transporting cannabis or cannabis delivery devices, and at least one person must remain in the vehicle while the cannabis or cannabis delivery device is being delivered.

Inspections

The FDOH conducts announced and unannounced inspections of MMTCs to determine compliance with the laws and rules. The FDOH shall inspect an MMTC upon receiving a complaint or notice that the MMTC has dispensed cannabis containing mold, bacteria, or other contaminants that may cause an adverse effect to humans or the environment. The FDOH shall conduct at least a biennial inspection of each MMTC to evaluate the MMTC's records, personnel, equipment, security, sanitation practices, and quality assurance practices.

<u>New Jersey</u>

Regulatory Landscape

On January 18, 2010, the governor of New Jersey signed into law S.119, the Compassionate Use Medical Marijuana Act (the "NJ Act"), permitting the use of medical cannabis for persons with debilitating conditions including cancer, HIV/AIDS, ALS, Crohn's disease and any terminal illness. The law permits the New Jersey Department of Health ("NJDH") to create rules to add other illnesses to the permitted conditions. The NJ Law does not permit patients to grow their own cannabis but rather mandates that cannabis must be acquired through Alternative Treatment Centers ("ATCs") licensed by the State.

Caregivers for patients are permitted to collect cannabis on behalf of the patient. Under the NJ Act, six ATCs received licenses from the State. The ATCs are non-profit entities and have the exclusive right to produce and sell medical cannabis in New Jersey.

On March 27, 2018 through executive order No. 6 (2018), Governor Phil Murphy expanded the medical cannabis program, announcing the 20-plus recommendations presented by the NJDH on March 23, 2018. The NJDH's recommendations and next steps included certain measures that took effect immediately (e.g. the addition of debilitating conditions and the reduction of registration fees) and other recommendations (e.g. the home delivery model) that require further regulatory or statutory enactment.

In February 2019, the NJDH amended the list of debilitating conditions to include opioid use disorder, which had been accepted as petition by the review panel. The NJDH also implemented measures to streamline the enrollment process for patients, allow physicians to opt out of being listed publicly, and have started the permitting process for six new ATCs.

Licenses

The NJDH is responsible for administering the NJ Act to ensure qualifying patients' access to safe cannabis for medical use in New Jersey. The NJDH is responsible for issuing permits to entities who will operate an ATC. New Jersey is a vertical state where the dispensary needs to be in the same location as the growing and processing facilities. One of the recommendations in executive order No. 6 is to allow existing license holders to have up to two additional dispensaries not attached to the growing facility. The NJDH has issued six licenses and are now accepting applications for up to six additional permits.

ATC permits expire annually on December 31. A permit renewal application must be submitted at least 60 days prior to the expiration date. An ATC that seeks to renew its permit shall submit to the permitting authority an application for renewal with all required documentation and the required fees. An ATC shall update and ensure the correctness of all information submitted in previous applications for a permit or otherwise on file with the NJDH. Prior to the issuance of any permit, every principal officer, owner, director and board member of an ATC must certify stating that he or she submits to the jurisdiction of the courts of the State of New Jersey and agrees to comply with all the requirements of the laws of New Jersey pertaining to New Jersey's Medicinal Marijuana Program. Failure to provide correct and current up-to-date information is grounds for denial of the application for renewal of the permit.

As of April 1, 2019, approximately 44,000 patients were registered and have medical licenses allowing them to purchase cannabis products from an ATC.

Reporting Requirements

New Jersey does not have a unified T&T solution. All information is forwarded to the New Jersey Medical Marijuana Program through email. The ATC collects and submits to the NJDH for each calendar year statistical data on (a) the number of registered qualified patients and registered primary caregivers, (b) the debilitating medical conditions of the qualified patients, (c) patient demographic data, (d) summary of the patient surveys and evaluation of services and (e) other information as the NJDH may require. The ATC must retain records for at least two years.

Storage and Security

The ATC will establish inventory controls and procedures for the conduct of inventory reviews and comprehensive inventories of cultivating, stored, usable and unusable cannabis. The ATC will conduct a monthly inventory of cultivating, stored, usable and unusable cannabis. Through a unified T&T system is not currently in place, an ATC is required to have a T&T for tracking inventory and dispensing cannabis products to patients. CCF uses MJ Freeway as its T&T system. An ATC is authorized to possess two ounces of usable cannabis per registered qualifying patient plus an additional supply, not to exceed the amount needed to enable the alternative treatment center to meet the demand of newly registered qualifying patients.

Per regulatory requirements an ATC, at a minimum, must (a) establish inventory controls and procedures for the conduct of inventory reviews and comprehensive inventories of cultivating, stored, usable and unusable cannabis, (b) conduct a monthly inventory of cultivating, stored, usable and unusable cannabis, (c) perform a comprehensive inventory inspection at least once every year from the date of the previous comprehensive inventory, and (d) promptly transcribe inventories taken by use of an oral recording device. If cannabis is disposed of, the ATC must maintain a written record of the date, the quantity disposed of, the manner of disposal and the persons present during the disposal, with their signatures. ATCs must keep disposal records for at least two years. Results of the inventory inspection should document the date of the inventory review, a summary of the inventory findings and the name, signature and title of the individuals who conducted the inventory inspection.

An ATC shall limit access to medicinal cannabis storage areas to the absolute minimum number of specifically authorized employees. In the event non-employee maintenance personnel, business guests or visitors to be present in or pass through medical cannabis storage areas, the ATC must have a dedicated person who is specifically authorized by policy or job description to supervise the activity. The ATC must ensure that the storage of usable cannabis prepared for dispensing to patients is in a locked area with adequate security.

Security

An ATC is required to implement effective controls and procedures to guard against theft and diversion of cannabis including systems to protect against electronic records tampering. At a minimum, every ATC must (a) install, maintain in good working order and operate a safety and security alarm system that provides suitable protection 24 hours a day, seven days a week against theft and diversion, (b) immediately notifies the state or local police agencies of an unauthorized breach of security. An ATC must conduct maintenance inspections and tests of the security alarm system at intervals not to exceed 30 days from the previous inspection.

A video surveillance system must be installed and operated to clearly monitor all critical control activities of the ATC and must operate in good working order at all times. The ATC must provide two monitors for remote viewing via telephone lines to the NJDH offices. This security system must be approved by State of New Jersey's Medicinal Marijuana Program prior to permit issuance. The original tapes or digital pictures produced by the system must be stored in a safe place for a minimum of 30 days.

Transportation

An ATC that is authorized by permit to cultivate medicinal marijuana at one location and to dispense it at a second location shall transport only usable marijuana from the cultivation site to the dispensing site according to a delivery plan submitted to the Department. Each vehicle must be staffed with at least two registered ATC employees. At least one delivery team member shall remain with the vehicle at all times that the vehicle contains medicinal marijuana. Each delivery team member shall have access to a secure form of communication with the ATC, such as a cellular telephone, at all times that the vehicle contains medicinal marijuana. Each delivery team member must possess their ATC employee identification card at all times and shall produce it to NJDH staff or law enforcement officials upon demand.

Each transport vehicle needs to be equipped with a secure lockbox or locking cargo area, which shall be used for the sanitary and secure transport of medicinal marijuana. Each ATC must maintain current commercial automobile liability insurance on each vehicle used for transport of medicinal marijuana in the amount of one million dollars per incident. Each ATC must ensure that vehicles used to transport medicinal marijuana bear no markings that would either identify or indicate that the vehicle is used to transport medicinal marijuana, and each trip must be completed in a timely and efficient manner, without intervening stops or delays. Each ATC shall maintain a record of each transport of medicinal marijuana in a transport logbook, which must include dates and times of trips, names of employees on the delivery team, relevant facts about the products transported and the signatures of the delivery team.

ATCs must report any vehicle accidents, diversions, losses, or other reportable events that occur during transport to the permitting authority in accordance with New Jersey law.

Home delivery is not permitted under New Jersey law. An ATC may not deliver marijuana to the home or residence of a registered qualifying patient or primary caregiver.

Inspections

An ATC is subject to onsite assessment by the NJDH at any time. The NJDH may enter an ATC without notice to carry out an onsite assessment in accordance New Jersey laws and regulations. All ATCs are required to provide the NJDH or the NJDH's designee immediate access to any material and information so requested. Submission of an application for an ATC permit constitutes permission for entry and onsite assessment of an ATC, and failure to cooperate with an onsite assessment and or to provide the NJDH access to the premises or information may be grounds to revoke the permit of the ATC and to refer the matter to state law enforcement agencies.

An onsite assessment may include (1) the review of all ATC documents and records and conferences with qualifying patients and primary caregivers and other persons with information, and the making and retaining of copies and/or extracts, (2) the use of any computer system at the ATC to examine electronic data, (3) the reproduction and retention of any document and/or electronic data in the form of a printout or other output, (4) the examination and collection of samples of any marijuana found at the ATC, and (5) the seizure and detention of any marijuana or thing believed to contain marijuana found at the ATC.

Compliance with State Regulatory Frameworks

Nevada Regulatory Compliance

Each of the Nevada-based cannabis establishments for which the Corporation provides administrative, consulting and operations services possesses licenses and operates cannabis facilities in compliance with applicable licensing requirements and the regulatory framework enacted by the State of Nevada in all material respects, and maintains the appropriate licenses for the cultivation, production, distribution and operation of dispensaries, as applicable.

None of the Nevada-based cannabis businesses for which the Corporation provides operational support has experienced any non-compliance which may have an impact on its licenses, business activities or operations which has not been remedied, nor are any of the Corporation's Nevada-based cannabis businesses subject to any outstanding notices of violation by the State of Nevada which may have an impact on its licenses, business activities or operations. As noted under "Non-Compliance with State and Local Cannabis Laws" below, on behalf of businesses for which it provides operational support, Ayr intends to promptly remedy any known occurrences of non-compliance with applicable State and local cannabis rules and regulations and, on behalf of businesses for which it provides operational support, Ayr intends to publicly disclose any non-compliance, citations or notices of violation which may have an impact on its licenses, business activities or operations.

Each of the Nevada-based cannabis businesses for which the Corporation provides operational support uses a seed-to-sale capable control system for tracking and tracing cannabis plants and products. Each of Leaflogix and Metrc are in use among the Corporation's Nevada-based businesses for which it provides operational support. These solutions have been specifically designed to satisfy the applicable reporting requirements associated with regulated cannabis activities.

In addition to these software-based control systems, each of the Nevada licensed cannabis establishments to which the Corporation provides operational support has designated a set of operating procedures, including employee training in respect of such procedures, to seek to secure compliance.

Standard operating procedures in respect of regulatory compliance were developed by each of the Nevada licensed cannabis establishments to which the Corporation provides operational support and reviewed with the applicable regulators during each of the establishment's initial licensing processes and are reviewed on a continuous basis by virtue of ongoing inspections and reviews by the applicable regulatory authorities. Managers and employees at each of the Nevada licensed cannabis establishments to which the Corporation provides operational support are empowered to identify key business processes that should be formally documented to seek to assure safety and regulatory compliance.

Each of the Nevada licensed cannabis establishments to which the Corporation provides operational support has detailed standard operating procedures in respect of building security, cash management, security of financial instruments, security monitoring systems, security of information, and general security and safety.

Each of the Nevada licensed cannabis establishments to which the Corporation provides operational support utilizes a security system around the perimeter of each dispensary designed to prevent and detect diversion, theft or less of marijuana, utilizing commercial grade security and surveillance equipment in compliance with State regulatory requirements.

Additionally, each of the Nevada licensed cannabis establishments to which the Corporation provides operational support also has detailed standard operating procedures and protocols for inventory and storage processes, including responsibility for management, inventory limits, inventory counts and reviews, facility reporting, cannabis inventory receipts, a waste disposal plan, salvage and solid waste disposal.

Inventory Management Requirements: Each of the Nevada licensed cannabis establishments to which the Corporation provides operational support maintains policies and procedures and employs industry-specific software to track inventory and to seek to ensure strict regulatory compliance at both the retail and wholesale levels. These processes include:

- wholesale transfer;
- inventory intake;
- inventory management;
- retail transactions; and
- sales data tracking and reporting.

Procedures exist to ensure each of the applicable Nevada licensed cannabis establishments to which the Corporation provides operational support facility tracks its cumulative inventory of seeds, plants, and usable marijuana. Generally, these inventory control systems are designed to:

- establish and maintain a perpetual inventory system which adequately documents the flow of materials through the manufacturing process;
- establish procedures which reconcile the raw material used to the finished product on the basis of each job; and
- seek to ensure the absence of significant variances between system outputs and physical inventory counts.

For cultivation and production facilities, for each lot received at a facility, such inventory control systems are designed to document:

- the batch or lot number;
- the strain of the marijuana seeds or marijuana cuttings planted;
- the number of marijuana seeds or marijuana cuttings planted;
- the date on which the marijuana seeds or cuttings were planted;
- a log or schedule of chemical additives used in the cultivation, including nonorganic pesticides, herbicides and fertilizers;
- the number of marijuana plants grown to maturity;
- harvest information, including:

- o the date of harvest;
  - o the final yield weight of processed usable marijuana; and
  - o the name and agent registration card number of the agents responsible for the harvest;
- · marijuana flowers in process in all locations;
- · marijuana in storage by location;
- · marijuana in locked containers awaiting disposal; and
- · an audit trail of all material inventory adjustments.

Retail dispensaries maintain current and complete books and records and sales reports, including invoices that reflect all purchases and sales of marijuana made to and by the applicable dispensary, that are available from an electronic verification systems, point of sale systems, and/or inventory control systems (which may be separate systems or functionalities combined into a single system) and are stored in secure safe rooms. Such records include:

- · in respect of dispensary inventory:
  - o the date and time of delivery of each purchase or transfer from a cultivation or production facility;
  - o the quantity, type and form and price of marijuana and infused or edible products purchased from a cultivation or production facility in each purchase as well as related products;
  - o invoices and delivery documents, showing entry into the inventory control system; and
  - o the quantity of marijuana still available for sale at the dispensary; and
- · in respect of dispensary retail sales:
  - o the date and time of each retail sale;
  - o the quantity, type, form, and price of marijuana distributed or dispensed;
  - o the price paid or consideration given for the marijuana;
  - o identifying information of the purchaser (i.e., name and address, and card number in the case of medical marijuana transactions); and
  - o identifying information of the employee conducting the transaction (i.e., the name, initials, or employee identification number of the person who dispensed or sold the marijuana).

All invoices and delivery documents must be systematically filed and maintained for a period of five years from date of delivery and must show a legible and complete statement of terms and conditions for each purchase.

Sales records must be compliant with all of the applicable policies and procedures according to applicable documented plans of the Nevada licensed cannabis establishments to which the Corporation provides operational support, State laws and regulations, and must include for regulatory authority reporting and internal tracking purposes:

- · the date and time of each sale;
- · the method of distribution (on-site or delivery);
- · the quantity, form, and price marijuana and any other products dispensed;
- · the consideration given;
- · the name, address, and identification number of the marijuana as recorded on the electronic verification system; and
- · the names, initials, or employee identification numbers of the individuals who packaged, dispensed, delivered, and sold the marijuana.

Disposal of Inventory: All marijuana waste, including waste composed of or containing finished marijuana, must be stored, secured, and managed in accordance with applicable State and local statutes, ordinances, and regulations. All waste disposed by the applicable Nevada licensed cannabis establishments to which the Corporation provides operational support is recorded in the relevant inventory control system, including:

- · a description of and reason for the marijuana being disposed of, including, if applicable, the number of failed or other unusable marijuana plants;
- · the date of disposal;
- · confirmation that the marijuana was rendered unusable before disposal;
- · the method of disposal; and
- · the name and card number of the agents responsible for the disposal.

Only specifically authorized employees can destroy product. A list of authorized employees that may destroy product is required to be maintained at each such Nevada-based business facility. Permissions are defined by agent and password protected. The destroyed weight and the reason for destruction is required and recorded. The inventory control systems of the Nevada licensed cannabis establishments to which the Corporation provides operational support can generate reports on destroyed material at any point in the destruction process.

In addition to controls over inventory, State regulatory frameworks specify guidelines in respect of general security.

General Security Guidelines: The applicable Nevada-based business' general security guidelines include:

- · background checks for current/new employees, particularly if the employee is to be accessing restricted areas;
- · maintaining video surveillance of facilities;
- · maintaining visitor logs;
- · providing for and maintaining secure perimeters for facilities;
- · requesting employees to watch for suspicious activities;
- · keeping all access system credentials, access codes, access cards, passwords, etc., in a way that is designed to be secure and accessible only to specifically authorized personnel;

- retrieving keys and employment identification cards from an employee and changing computer access passwords when their employment ends;
- arranging for prompt and safe disposal of materials;
- all employees being required to be trained on emergency procedures; and
- posting emergency response numbers, including fire, law enforcement, and executive team in several locations in each facility.

Cash Management: As noted above, the Nevada licensed cannabis establishments to which the Corporation provides operational support have detailed standard operating procedures and protocols for cash management, including internal controls and cash security procedures. Examples of such standard operating procedures and protocols used by certain of the dispensaries of the Nevada licensed cannabis establishments to which the Corporation provides operational support include, without limitation:

- random review of cash register drawers by dispensary supervisors;
- random removal of cash from cash register drawers by dispensary supervisors and placement of such cash into a secure vault;
- insertion of all cash from cash registers drawers into a secure vault at the end of each day;
- recording of daily cash intake by supervisors on a “Register Close” sheet and daily reconciliation of such values against daily sales reports and the prior day’s recording of total cash on-hand;
- recording of all disbursements on a disbursement form; and
- daily audits of total cash on hand and investigations in respect of any noted variances.

The Nevada licensed cannabis establishments to which the Corporation provides operational support have worked with internal personnel and advisors to help prescribe and/or implement measures designed to seek to ensure compliance with applicable State laws on an ongoing basis, including:

- correspondence and updates with regulators;
- ongoing monitoring of compliance with operating procedures and regulations by on-site management; and
- appropriate employee training for all standard operating procedures.

The Nevada licensed cannabis establishments to which the Corporation provides operational support enlist their internal compliance personnel, whose responsibilities include monitoring the day-to-day activities, ensuring that the established standard operating procedures are being adhered to, identifying any non-compliance matters and putting into place the necessary modifications to seek to ensure compliance.

While the Nevada licensed cannabis establishments to which the Corporation provides operational support are compliant with State and local cannabis laws, their cannabis-related activities remain illegal under United States federal law. See “Risk Factors” below and in the AIF, incorporated herein by reference.

Massachusetts Regulatory Compliance

The Corporation’s Massachusetts-based business is in compliance with applicable licensing requirements and the regulatory framework enacted by the Commonwealth of Massachusetts, and maintains the appropriate licenses for the cultivation, production, distribution and operation of dispensaries, as applicable.

The Corporation’s Massachusetts-based business has not experienced any non-compliance which may have an impact on its licenses, business activities or operations which has not been remedied, nor is such business subject to any outstanding notices of violation by the Commonwealth of Massachusetts which may have an impact on its licenses, business activities or operations. As noted under “Non-Compliance with State and Local Cannabis Laws” below, Ayr intends to cause its businesses to promptly remedy any known occurrences of non-compliance with applicable State and local cannabis rules and regulations and Ayr intends to publicly disclose any non-compliance, citations or notices of violation which may have an impact on its licenses, business activities or operations. Given the stage of business of the Corporation’s Massachusetts-based business, such business has, on an on-going basis, internally reviewed applicable Massachusetts laws and regulations relating to the cultivation, manufacture, distribution and sale of cannabis and cannabis products and has internally analyzed its exposure to U.S. federal law. The Corporation’s Massachusetts-based business has enlisted internal compliance personnel to provide on-going advice on applicable U.S. federal and Massachusetts laws.

The Corporation’s Massachusetts-based business currently possesses three registered marijuana dispensary registrations which allow the business to sell medical marijuana in Massachusetts directly to consumers, and which allow for the right to open three adult-use dispensaries subject to local municipality and other marijuana regulatory approvals. The Massachusetts-based business currently possesses licenses to cultivate, manufacture and transport to other marijuana establishments in Massachusetts. No assurance can be given that the applicable regulatory approvals allowing for the opening of adult-use dispensaries will be received.

In order to secure compliance with applicable regulatory frameworks, the Corporation’s Massachusetts-based business employs a combination of software-based metric tracking and operational processes and procedures designed to comply with in-place regulatory requirements.

The Corporation’s Massachusetts-based business uses Leaflogix, a seed-to-sale capable control system, for tracking and tracing cannabis plants and products. This solution has been specifically designed to satisfy the applicable reporting requirements associated with regulated cannabis activities.

In addition to the software-based control systems, the Corporation’s Massachusetts-based business has designated a set of operating procedures, including employee training with respect to such procedures, to secure compliance.

Standard operating procedures for regulatory compliance were developed by the Massachusetts-based business and reviewed with the applicable regulators during such business’ initial licensing processes and are reviewed on a continuous basis by virtue of ongoing inspections and reviews by the applicable regulatory authorities. Managers and employees at the Corporation’s Massachusetts-based business are empowered to identify key business processes that should be formally documented to assure safety and regulatory compliance.

The Corporation’s Massachusetts-based business has detailed standard operating procedures for building security, cash management, security of financial instruments, security monitoring systems, security of information, and general security and safety.

The Corporation’s Massachusetts-based business utilizes a security system around the perimeter of each dispensary designed to prevent and detect diversion, theft or less of marijuana, utilizing commercial grade security and surveillance equipment in compliance with the Commonwealth’s regulatory requirements.

Additionally, the Corporation’s Massachusetts-based business also has detailed standard operating procedures and protocols for inventory and storage processes, including responsibility for management, inventory limits, inventory counts and reviews, facility reporting, cannabis inventory receipts, a waste disposal plan, salvage and solid waste disposal.

Inventory Management Requirements: The Corporation's Massachusetts-based business maintains policies and procedures and employs industry-specific software to track inventory and to seek to ensure strict regulatory compliance at both the retail and wholesale levels. These processes include:

- wholesale transfer;
- inventory intake;
- inventory management;
- retail transactions; and
- sales data tracking and reporting.

Procedures exist to ensure each applicable Massachusetts-based facility tracks its cumulative inventory of seeds, plants, and usable marijuana. Generally, these inventory control systems are designed to:

- establish and maintain a perpetual inventory system which adequately documents the flow of materials through the manufacturing process;
- establish procedures which reconcile the raw material used to the finished product on the basis of each job; and
- seek to ensure the absence of significant variances between system outputs and physical inventory counts.

For cultivation and production facilities, for each lot received at a facility, such inventory control systems are designed to document:

- the batch;
- the strain of the marijuana seeds or marijuana cuttings planted;
- the number of marijuana seeds or marijuana cuttings planted;
- the date on which the marijuana seeds or cuttings were planted;
- a log or schedule of chemical additives used in the cultivation, including nonorganic pesticides, herbicides and fertilizers;
- the number of marijuana plants grown to maturity;
- harvest information, including:
  - the date of harvest; and
  - the final yield weight of processed usable marijuana;
- marijuana flowers in process in all locations;
- marijuana in storage by location;
- marijuana in locked containers awaiting disposal; and
- an audit trail of all material inventory adjustments.

Retail dispensaries maintain current and complete books and records and sales reports, including invoices that reflect all purchases and sales of marijuana made to and by the applicable dispensary, that are available from the Massachusetts-based business' electronic verification systems, point of sale systems, and/or inventory control systems (which may be separate systems or functionalities combined into a single system) and are stored in secure safe rooms. Such records include:

- in respect of dispensary inventory:
  - the date and time of delivery of each purchase or transfer from a cultivation or production facility;
  - the quantity, type and form of marijuana and infused or edible products purchased from a cultivation or production facility in each purchase as well as related products;

  - invoices and delivery documents, showing entry into the inventory control system; and
  - the quantity of marijuana still available for sale at the dispensary; and

- in respect of dispensary retail sales:
  - the date and time of each retail sale;
  - the quantity, type, form, and price of marijuana distributed or dispensed;
  - the price paid or consideration given for the marijuana;
  - identifying information of the purchaser (i.e., name and address, and card number in the case of medical marijuana transactions); and
  - identifying information of the employee conducting the transaction (i.e., the name, initials, or employee identification number of the person who dispensed or sold the marijuana).

All invoices and delivery documents must be systematically filed and must show a legible and complete statement of terms and conditions for each purchase.

Sales records must be compliant with all applicable Ayr policies and procedures according to applicable documented plans, State laws and regulations, and must include for regulatory authority reporting and internal tracking purposes:

- the date and time of each sale;
- the method of distribution (on-site or delivery);
- the quantity, form, and price marijuana and any other products dispensed;
- the consideration given;
- the name, address, and identification number of the marijuana as recorded on the electronic verification system; and
- the names, initials, or employee identification numbers of the individuals who packaged, dispensed, delivered, and sold the marijuana.

Disposal of Inventory: All marijuana waste, including waste composed of or containing finished marijuana, must be stored, secured, and managed in accordance with applicable State and local statutes, ordinances, and regulations. All waste disposed of by the Massachusetts-based business is recorded in such business' inventory control system, including:

- a description of and reason for the marijuana being disposed of, including, if applicable, the number of failed or other unusable marijuana plants;
- the date of disposal;
- confirmation that the marijuana was rendered unusable before disposal; and
- the method of disposal.

In addition to controls over inventory, State regulatory frameworks specify guidelines in respect of general security.

General Security Guidelines: The Massachusetts-based business' general security guidelines include:

- background checks for current/new employees, particularly if the employee is to be accessing restricted areas;
- maintaining video surveillance of facilities;
- maintaining visitor logs;
- providing for and maintaining secure perimeters for facilities;
- requesting employees to watch for suspicious activities;
- keeping all access system credentials, access codes, access cards, passwords, etc., in a way that is designed to be secure and accessible only to specifically authorized personnel;
- retrieving keys and employment identification cards from an employee and changing computer access passwords when their employment ends;

- arranging for prompt and safe disposal of materials;
- all employees being required to be trained on emergency procedures; and
- posting emergency response numbers, including fire, law enforcement, and executive team in several locations in each facility.

Cash Management: As noted above, the Corporation's Massachusetts-based business has detailed standard operating procedures and protocols for cash management, including internal controls and cash security procedures. Examples of such standard operating procedures and protocols used by such business' dispensaries include, without limitation:

- random review of cash register drawers by dispensary supervisors;
- random removal of cash from cash register drawers by dispensary supervisors and placement of such cash into a secure vault;
- insertion of all cash from cash registers drawers into a secure vault at the end of each day;
- recording of daily cash intake by supervisors on a "Register Close" sheet and daily reconciliation of such values against daily sales reports and the prior day's recording of total cash on-hand;
- recording of all disbursements on a disbursement form; and
- daily audits of total cash on hand and investigations in respect of any noted variances.

The Corporation's Massachusetts-based business has worked with an internal advisor to help prescribe and/or implement measures designed to seek to ensure compliance with applicable State laws on an ongoing basis, including:

- correspondence and updates with regulators;
- ongoing monitoring of compliance with operating procedures and regulations by on-site management; and
- appropriate employee training for all standard operating procedures.

In Massachusetts, Ayr enlists its management and compliance personnel, whose responsibilities include monitoring the day-to-day activities, ensuring that the established standard operating procedures are being adhered to, identifying any non-compliance matters and putting into place the necessary modifications to seek to ensure compliance.

While the Corporation's Massachusetts-based business is compliant with State and local cannabis laws, its cannabis-related activities remain illegal under United States federal law. See "Risk Factors" below and in the AIF, incorporated herein by reference.

<u>Pennsylvania Regulatory Compliance</u>

The Corporation's Pennsylvania-based business is in compliance with applicable licensing requirements and the regulatory framework enacted by the Commonwealth of Pennsylvania, and maintains the appropriate licenses for the cultivation, manufacture and transport of medical cannabis, as applicable.

The Corporation's Pennsylvania-based business has not experienced any non-compliance which may have an impact on its licenses, business activities or operations which has not been remedied, nor is such business subject to any outstanding notices of violation by the Commonwealth of Pennsylvania which may have an impact on its licenses, business activities or operations. As noted under "*Non-Compliance with State and Local Cannabis Laws*" below, Ayr intends to cause its businesses to promptly remedy any known occurrences of non-compliance with applicable State and local cannabis rules and regulations and Ayr intends to publicly disclose any non-compliance, citations or notices of violation which may have an impact on its licenses, business activities or operations. Given the stage of business of the Corporation's Pennsylvania-based business, such business has, on an on-going basis, internally reviewed applicable Pennsylvania laws and regulations relating to the cultivation, manufacture and transport of medical cannabis and has internally analyzed its exposure to U.S. federal law. The Corporation's Pennsylvania-based business has enlisted internal compliance personnel to provide on-going advice on applicable U.S. federal and Pennsylvania laws.

The Corporation's Pennsylvania-based business currently possesses a license to cultivate, manufacture and transport medical cannabis to other cannabis establishments in

Pennsylvania. The Corporation's Pennsylvania-based business's license allows for unlimited cultivation with no cap on either canopy size or production volume.

In order to secure compliance with applicable regulatory frameworks, the Corporation's Pennsylvania-based business employs a combination of software-based metric tracking and operational processes and procedures designed to comply with in-place regulatory requirements.

The Corporation's Pennsylvania-based business uses MJ Freeway, a seed-to-sale capable control system, for tracking and tracing cannabis plants and products. This solution has been specifically designed to satisfy the applicable reporting requirements associated with regulated cannabis activities.

In addition to the software-based control systems, the Corporation's Pennsylvania-based business has designated a set of operating procedures, including employee training with respect to such procedures, to seek to secure compliance.

Standard operating procedures for regulatory compliance were developed by the Pennsylvania-based business and reviewed with the applicable regulators during such business' initial licensing processes and are reviewed on a continuous basis by virtue of ongoing inspections and reviews by the applicable regulatory authorities. Managers and employees at the Corporation's Pennsylvania-based business are empowered to identify key business processes that should be formally documented to seek to assure safety and regulatory compliance.

The Corporation's Pennsylvania-based business has detailed standard operating procedures for building security, security of financial instruments, security monitoring systems, security of information, and general security and safety.

The Corporation's Pennsylvania-based business utilizes a security system around the perimeter of its premises designed to prevent and detect diversion, theft or less of marijuana, utilizing commercial grade security and surveillance equipment in compliance with the Commonwealth's regulatory requirements.

Additionally, the Corporation's Pennsylvania-based business also has detailed standard operating procedures and protocols for inventory and storage processes, including responsibility for management, inventory limits, inventory counts and reviews, facility reporting, cannabis inventory receipts, a waste disposal plan, salvage and solid waste disposal.

Inventory Management Requirements: The Corporation's Pennsylvania-based business maintains policies and procedures and employs industry-specific software to track inventory and to seek to ensure strict regulatory compliance at both the retail and wholesale levels. These processes include:

- wholesale transfer;
- inventory intake;
- inventory management; and
- sales data tracking and reporting.

Procedures exist to ensure each applicable Pennsylvania-based facility tracks its cumulative inventory of seeds, plants, and usable marijuana. Generally, these inventory control systems are designed to:

- establish and maintain a perpetual inventory system which adequately documents the flow of materials through the manufacturing process;
- establish procedures which reconcile the raw material used to the finished product on the basis of each job; and
- seek to ensure the absence of significant variances between system outputs and physical inventory counts.

For each lot received at a cultivation/production facility, such inventory control systems are designed to document:

- the batch;
- the strain of the marijuana seeds or marijuana cuttings planted;
- the number of marijuana seeds or marijuana cuttings planted;
- the date on which the marijuana seeds or cuttings were planted;
- a log or schedule of chemical additives used in the cultivation, including nonorganic pesticides, herbicides and fertilizers;
- the number of marijuana plants grown to maturity;
- harvest information, including:
  - the date of harvest; and
  - the final yield weight of processed usable marijuana;
- marijuana flowers in process in all locations;
- marijuana in storage by location;
- marijuana in locked containers awaiting disposal; and
- an audit trail of all material inventory adjustments.

All invoices and delivery documents must be systematically filed and must show a legible and complete statement of terms and conditions for each purchase.

Disposal of Inventory: All marijuana waste, including waste composed of or containing finished marijuana, must be stored, secured, and managed in accordance with applicable State and local statutes, ordinances, and regulations. All waste disposed of by the Pennsylvania-based business is recorded in such business' inventory control system, including:

- a description of and reason for the marijuana being disposed of, including, if applicable, the number of failed or other unusable marijuana plants;
- the date of disposal;
- confirmation that the marijuana was rendered unusable before disposal; and
- the method of disposal.

In addition to controls over inventory, State regulatory frameworks specify guidelines in respect of general security.

General Security Guidelines: The Pennsylvania-based business' general security guidelines include:

- background checks for current/new employees, particularly if the employee is to be accessing restricted areas;
- maintaining video surveillance of facilities;
- maintaining visitor logs;

- providing for and maintaining secure perimeters for facilities;
- requesting employees to watch for suspicious activities;
- keeping all access system credentials, access codes, access cards, passwords, etc., in a way that is designed to be secure and accessible only to specifically authorized personnel;
- retrieving keys and employment identification cards from an employee and changing computer access passwords when their employment ends;
- arranging for prompt and safe disposal of materials;
- all employees being required to be trained on emergency procedures; and
- posting emergency response numbers, including fire, law enforcement, and executive team in several locations in each facility.

The Corporation's Pennsylvania-based business has worked to prescribe and/or implement measures designed to seek to ensure compliance with applicable State laws on an ongoing basis, including:

- correspondence and updates with regulators;
- ongoing monitoring of compliance with operating procedures and regulations by on-site management; and
- appropriate employee training for all standard operating procedures.

In Pennsylvania, Ayr enlists its management and compliance personnel, whose responsibilities include monitoring the day-to-day activities, ensuring that the established standard operating procedures are being adhered to, identifying any non-compliance matters and putting into place the necessary modifications to seek to ensure compliance.

While the Corporation's Pennsylvania-based business is compliant with State and local cannabis laws, its cannabis-related activities remain illegal under United States federal law. See "*Risk Factor*s" below and in the AIF, incorporated herein by reference.

<u>Non-Compliance with State and Local Cannabis Laws</u>

From time to time, as with all businesses and all rules, it is anticipated that the Corporation, through its subsidiaries and establishments to which the Corporation provides operational support, may experience incidences of non-compliance with applicable rules and regulations, which may include minor matters such as:

- staying open slightly too late due to an excess of customers at stated closing time;
- minor inventory discrepancies with regulatory reporting software;
- missing fields in regulatory reports;
- cleaning schedules not available on display;
- educational materials and/or interpreter services not available in a sufficient number of languages;
- updated staffing plan not immediately available on site;
- improper illumination of external signage;
- marijuana infused product utensils improperly stored;
- labels out of compliance with most recent regulatory guidelines;
- partial obstruction of camera views; and
- onsite surveillance room used for any other function (i.e., storage).

In addition, either on an inspection basis or in response to complaints, such as from neighbours, customers or former employees, State or local regulators may among other things issue "show cause" letters, give warnings to or cite businesses which Ayr operates or for which Ayr provides operational support for violations, including those listed above. Such regulatory actions could lead to the requirement to remedy the situation, or, in more serious cases, lead to penalties and/or amendments, suspensions or revocations of licenses or otherwise have an impact on Ayr's licenses, business activities, operational support activities or operations.

Ayr has implemented regular compliance reviews to seek to ensure compliance with applicable State and local cannabis rules and regulations. Ayr intends to promptly remedy any known occurrences of non-compliance with applicable State and local cannabis rules and regulations and Ayr intends to publicly disclose any non-compliance, citations or notices of violation which may have an impact on its licenses, business activities, operational support activities or operations.

Exhibit 99.7

Consent of Independent Registered Public Accounting Firm

We consent to the incorporation by reference in the Registration Statement on Form F-10 (File No. 333-253466) of Ayr Wellness Inc. of our report dated March 9, 2021 on the consolidated financial statements of Ayr Wellness Inc. (formerly Ayr Strategies Inc.) and its subsidiaries, which comprise the consolidated statements of financial position as at December 31, 2020 and December 31, 2019, and the consolidated statements of loss and comprehensive loss, changes in shareholders' equity (deficiency) and cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies, which appears in Exhibit 99.5 to Ayr Wellness Inc.'s Report on Form 6-K filed on March 11, 2021.

Burlington, Canada

March 11, 2021

/s/ MNP LLP
Chartered Professional Accountants
Licensed Public Accountants