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 August, 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 99.1 and 99.2 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: August 17, 2021

By: */s/ Brad Asher*
Name: Brad Asher
Title: Chief Financial Officer

EXHIBIT INDEX

99.1 Interim Financial Statements – June 30, 2021

99.2 MD&A – June 30, 2021

99.3 Certification of Interim Filings – CFO

99.4 Certification of Interim Filings – CEO

99.5	News Release dated August 16, 2021
99.6	News Release dated August 16, 2021

Exhibit 99.1

Ayr Wellness Inc.

(Formerly Ayr Strategies Inc.)

UNAUDITED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2021 AND 2020

(EXPRESSED IN UNITED STATES DOLLARS)

Ayr Wellness Inc.
(Formerly Ayr Strategies Inc.)

INTERIM FINANCIAL STATEMENTS

JUNE 30, 2021 AND 2020

Ayr Wellness Inc. (formerly Ayr Strategies Inc.)
Interim Balance Sheets
(Expressed in United States Dollars)

	As of	
	June 30, 2021	December 31, 2020
ASSETS		
Current		
Cash	**$ 123,835,778**	$ 127,238,165
Accounts receivable	**6,545,465**	3,464,401
Due from related parties [Note 10]	**176,858**	135,000
Inventory [Note 5]	**70,420,029**	22,919,605
Prepaid expenses, deposits, and other current assets	**26,194,444**	5,270,381
	227,172,574	159,027,552
Non-current		
Property, plant, and equipment [Note 6]	**173,390,686**	69,104,080

Intangible assets [Note 7]	**736,447,835**	252,357,677
Right-of-use assets - operating [Note 8]	**62,246,968**	22,546,256
Right-of-use assets - finance, net [Note 8]	**4,714,108**	877,310
Goodwill [Notes 4 and 7]	**208,654,940**	57,963,360
Equity investments [Note 9]	**531,316**	503,509
Deposits and other assets	**2,593,798**	2,540,674
Total assets	**1,415,752,225**	564,920,418
LIABILITIES		
Current		
Trade payables	**21,779,266**	8,899,786
Accrued liabilities	**15,443,126**	8,706,813
Lease liabilities - operating - current portion [Note 8]	**3,014,313**	740,864
Lease liabilities - finance - current portion [Note 8]	**887,414**	125,440
Purchase consideration payable [Notes 4 and 13]	**661,383**	9,053,057
Income tax payable [Note 19]	**13,982,297**	21,379,351
Debts payable - current portion [Note 11]	**7,191,489**	8,644,633
Accrued interest payable - current portion [Note 11]	**1,200,779**	-
	64,160,067	57,549,944
Non-current		
Deferred tax liabilities [Note 19]	**80,448,626**	14,677,991
Lease liabilities - operating - non-current portion [Note 8]	**61,566,462**	23,474,726
Lease liabilities - finance - non-current portion [Note 8]	**2,626,397**	446,585
Contingent consideration [Notes 4 and 13]	**129,133,701**	22,961,411
Debts payable - non-current portion [Note 11]	**73,464,592**	53,587,948
Senior secured notes - non-current portion [Note 11]	**104,334,397**	103,652,963
Accrued interest payable - non-current portion [Note 11]	**2,813,108**	3,301,155
Total liabilities	**518,547,350**	279,652,723
SHAREHOLDERS' EQUITY (DEFICIENCY)		
Multiple Voting Shares: no par value, unlimited authorized.		
Issued and outstanding - 3,696,486 & 3,696,486 shares, respectively [Note 12]	**-**	-
Subordinate, Restricted, and Limited Voting Shares: no par value, unlimited authorized.		
Issued and outstanding - 49,110,237 & 28,873,641 shares, respectively [Note 12]	**-**	-
Exchangeable Shares: no par value, unlimited authorized.		
Issued and outstanding - 6,013,294 & 2,127,543 shares, respectively [Note 12]	**-**	-
Additional paid-in capital	**1,174,224,989**	524,292,741
Treasury stock	**(556,899)**	(556,899)
Warrant reserve	**5,880,211**	6,515,753
Accumulated other comprehensive income	**3,265,610**	3,265,610
Deficit	**(285,609,036)**	(248,249,510)
Total shareholders' equity	**897,204,875**	285,267,695
Total liabilities and shareholders' equity	**1,415,752,225**	564,920,418

Commitments and contingencies [Note 17]
Subsequent events [Note 20]

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

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

	Three Months Ended		Six Months Ended	
	June 30, 2021	June 30, 2020	**June 30, 2021**	June 30, 2020
Revenues, net of discounts	**$ 91,251,608**	$ 28,310,633	**$ 149,649,931**	$ 61,863,313
Cost of goods sold excluding fair value items	**42,342,374**	11,171,189	**70,482,988**	28,038,945
Incremental costs to acquire cannabis inventory in a business combination [Note 5]	**26,596,051**	-	**32,388,441**	-
Cost of goods sold	**68,938,425**	11,171,189	**102,871,429**	28,038,945
Gross profit	**22,313,183**	17,139,444	**46,778,502**	33,824,368
Expenses				
General and administrative [Note 15]	**25,921,428**	9,465,794	**41,733,952**	18,762,399
Sales and marketing	**1,770,727**	409,247	**2,514,286**	943,845
Depreciation [Notes 6 and 8]	**434,678**	231,261	**719,618**	390,678
Amortization [Note 7]	**10,630,723**	2,998,666	**15,262,665**	5,997,334
Stock-based compensation [Note 16]	**7,151,806**	9,103,459	**15,375,351**	21,248,761
Acquisition expense	**1,284,607**	368,929	**4,421,583**	497,309
Total expenses	**47,193,969**	22,577,356	**80,027,455**	47,840,326
Loss from operations	**(24,880,786)**	(5,437,912)	**(33,248,953)**	(14,015,958)
Other income (expense)				
Share of loss on equity investments [Note 9]	**(5,732)**	(8,013)	**(18,802)**	(23,139)
Foreign exchange	**(34,155)**	191	**(53,293)**	(2,619)
Fair value gain (loss) on financial liabilities [Note 13]	**12,091,072**	211,773	**11,545,062**	(944,298)
Interest expense	**(3,818,226)**	(525,179)	**(6,570,722)**	(1,066,534)

Interest income	**64,702**	26	**124,102**	26
Other	**491,017**	44,785	**490,462**	161,051
Total other income (expense)	**8,788,678**	(276,417)	**5,516,809**	(1,875,513)
Loss before income tax	**(16,092,108)**	(5,714,329)	**(27,732,144)**	(15,891,471)
Current tax [Note 19]	**(8,767,363)**	(4,158,016)	**(15,819,415)**	(8,203,390)
Deferred tax [Note 19]	**4,121,581**	(89,560)	**6,192,033**	(179,120)
Net loss and comprehensive loss	**(20,737,890)**	(9,961,905)	**(37,359,526)**	(24,273,981)
Basic and diluted loss per share	**(0.36)**	(0.37)	**(0.73)**	(0.90)
Weighted average number of shares outstanding (basic and diluted)	**58,115,038**	27,241,386	**51,091,271**	27,065,654

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

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

	Multiple Voting Shares	**Subordinate, Restricted, and Limited Voting Shares**	**Exchangeable Shares**	**Additional paid-in capital**	**Treasury stock**		**Warrant reserve**		**Accumulated other comprehensive income**	**Deficit**	**Total**
					Number	**Amount**	**Number**	**Amount**			
	#	**#**	**#**	**$**	**#**	**$**	**#**	**$**	**$**	**$**	**$**
Balance, December 31, 2019	**3,696,486**	**14,824,485**	**8,373,792**	**410,358,129**	**(29,500)**	**(245,469)**	**16,060,858**	**9,979,446**	**3,265,610**	**(223,644,060)**	**199,713,656**
Stock-based compensation [Note 16]	-	-	-	21,248,761	-	-	-	-	-	-	21,248,761
Exercise of Rights [Note 12]	-	157,569	-	-	-	-	-	-	-	-	-
Conversion of Exchangeable Shares [Note 12]	-	898,739	(898,739)	-	-	-	-	-	-	-	-
Share issuance - business combinations [Note 4]	-	-	614,515	3,765,927	-	-	-	-	-	-	3,765,927
Repurchase of Subordinate Voting Shares [Note 12]	-	-	-	-	(33,800)	(307,442)	-	-	-	-	(307,442)
Net loss for the period	-	-	-	-	-	-	-	-	-	(24,273,981)	(24,273,981)
Balance, June 30, 2020	**3,696,486**	**15,880,793**	**8,089,568**	**435,372,817**	**(63,300)**	**(552,911)**	**16,060,858**	**9,979,446**	**3,265,610**	**(247,918,041)**	**200,146,921**
Balance, December 31, 2020	**3,696,486**	**28,873,641**	**2,127,543**	**524,292,741**	**(63,800)**	**(556,899)**	**10,486,412**	**6,515,753**	**3,265,610**	**(248,249,510)**	**285,267,695**
Stock-based compensation [Note 16]	-	1,906,125	-	15,375,351	-	-	-	-	-	-	15,375,351
Tax withholding on stock-based compensation awards [Note 16]	-	(986,461)	-	(28,421,071)	-	-	-	-	-	-	(28,421,071)
Exercise of Rights [Note 12]	-	134,782	-	-	-	-	-	-	-	-	-
Exercise of Warrants [Note 12]	-	901,410	-	5,981,036	-	-	(1,022,837)	(635,542)	-	-	5,345,494

Conversion of Exchangeable Shares [Note 12]	-	684,683	(684,683)	-	-	-	-	-	-	-	-
Share issuance - business combinations [Note 4]	-	12,746,822	4,570,434	526,975,980	-	-	-	-	-	-	526,975,980
Replacement options issued - business combinations [Notes 4 & 12]	-	-	-	4,452,917	-	-	-	-	-	-	4,452,917
Exercise of options [Note 12]	-	16,976	-	86,246	-	-	-	-	-	-	86,246
Equity offering [Note 12]	-	4,600,000	-	118,052,400	-	-	-	-	-	-	118,052,400
Conversion of convertible debt [Note 11]	-	232,259	-	7,429,389	-	-	-	-	-	-	7,429,389
Net loss for the period	-	-	-	-	-	-	-	-	-	(37,359,526)	(37,359,526)
Balance, June 30, 2021	**3,696,486**	**49,110,237**	**6,013,294**	**1,174,224,989**	**(63,800)**	**(556,899)**	**9,463,575**	**5,880,211**	**3,265,610**	**(285,609,036)**	**897,204,875**

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

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

	Six Months Ended	
	June 30, 2021	**June 30, 2020**
Operating activities		
Net loss	$ **(37,359,526)**	$ (24,273,981)
Adjustments for:		
Net fair value (gain) loss on financial liabilities	**(11,545,062)**	944,298
Stock-based compensation	**15,375,351**	21,248,761
Depreciation	**2,887,083**	1,102,300
Amortization on intangible assets	**19,176,580**	6,757,334
Share of loss on equity investments	**18,802**	23,139
Gain on disposal of equity investments	**(500,000)**	-
Incremental costs to acquire cannabis inventory in a business combination	**32,388,441**	-
Deferred tax (benefit) expense	**(6,192,033)**	179,120
Amortization on financing costs	**817,432**	-
Interest accrued	**559,675**	698,204
Changes in non-cash operations, net of business acquisition:		
Accounts receivable	**(3,048,577)**	686,203
Inventory	**(21,617,774)**	(3,003,987)
Prepaid expenses and other assets	**(508,404)**	(956,055)
Trade payables	**3,260,181**	3,265,691
Accrued liabilities	**(1,880,372)**	705,985
Lease liabilities - operating	**712,985**	(105,222)
Income tax payable	**(14,960,929)**	8,203,389
Cash (used in) provided by operating activities	**(22,416,147)**	15,475,179
Investing activities		
Purchase of property, plant, and equipment	**(31,598,650)**	(5,601,523)
Loss on disposal of property, plant, and equipment	**(57,523)**	-
Cash paid for business combinations and asset acquisitions, net of cash acquired	**(17,776,909)**	-
Cash paid for business combinations and asset acquisitions, working capital	**(3,275,139)**	-
Payments for interests in equity accounted investments	**(46,610)**	-
Cash received in disposal of equity investment	**500,000**	-
Advances to related corporation	**(41,858)**	(73,700)
Cash paid for bridge financing	**(15,809,779)**	-
Deposits for business combinations	**(1,700,000)**	-
Cash used in investing activities	**(69,806,468)**	(5,675,223)
Financing activities		
Proceeds from exercise of Warrants	**5,345,494**	-
Proceeds from exercise of options	**86,248**	-
Proceeds from equity offering, net of expenses	**118,052,400**	-
Payments of financing costs	**(135,998)**	-
Tax withholding on stock-based compensation awards	**(28,421,071)**	-

Repayments of debts payable	**(4,300,250)**	(1,909,195)
Repayments of lease liabilities - finance (principal portion)	**(1,806,595)**	-
Repurchase of Subordinate Shares	**-**	(307,442)
Cash provided by (used in) financing activities	**88,820,228**	(2,216,637)
Net (decrease) increase in cash	**(3,402,387)**	7,583,319
Cash, beginning of the period	**127,238,165**	8,403,196
Cash, end of the period	**123,835,778**	15,986,515
Supplemental disclosure of cash flow information:		
Interest paid during the period	**9,501,317**	607,992
Income taxes paid during the period	**29,779,646**	-
Non-cash investing and financing activities:		
Recognition of right-of-use assets for operating leases	**52,047,198**	-
Recognition of right-of-use assets for finance leases	**4,356,294**	-
Issuance of Subordinate Shares related to business combinations	**526,975,980**	-
Issuance of Subordinate Shares related to equity component of debt	**7,429,389**	-

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

1. NATURE OF OPERATIONS

Ayr Wellness Inc. (formerly Ayr Strategies Inc.) ("Ayr" or the "Company") is a vertically integrated cannabis multi-state operator in the U.S., with cannabis operations in Massachusetts, Nevada, Pennsylvania, Florida, Arizona, and Ohio. 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 Company 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 Company, referred to as the Company's "Qualifying Transaction". The Company had only one operating segment, cannabis sales, during the period ended June 30, 2021. As the Company has experienced rapid growth, operating segments will be further analyzed and are subject to future change.

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

History of the Company

The Company 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 Company is located at 666 Burrard Street, Suite 1700, Vancouver, British Columbia V6C 2X8. The head office of the Company is located at 595 Madison Avenue, 20th Floor, New York, New York, 10022.

On September 12, 2018, the Company 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").

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

On May 24, 2019, the Company 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").

2. BASIS OF PRESENTATION

2.1 Statement of compliance

On March 1, 2021, the United States Securities and Exchange Commission ("SEC") declared effective the Company's Registration Statement (No. 333-253466) on Form F-10 ("the Registration Statement") filed on February 24, 2021. The Registration Statement was made by a foreign issuer that is permitted, under the U.S. / Canada Multijurisdictional Disclosure System ("MJDS") adopted by the United States, to prepare the Registration Statement in accordance with the disclosure requirements of Canadian issuers. As such, these interim financial statements are being prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP") for interim financial information and in accordance with the rules and regulations of Canadian securities regulators and, where applicable, the SEC.

Results of interim periods should not be considered indicative of the results for the full year. These interim financial statements include estimates and assumptions of management that affect the amounts reported in the interim financial statements. Actual results could differ from these estimates.

The interim financial statements are presented in United States dollars (US$ or $) which, following the close of the Qualifying Transaction, became the Company's presentation currency. The functional currency of each entity is determined separately in accordance with Accounting Standards Codification (ASC) 830 – *Foreign Currency Matters* and is measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The functional currency of Ayr, the parent, is CDN$ and for each of the United States subsidiaries is US$.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES BASIS OF CONSOLIDATION

3.1 Basis of consolidation

The interim financial statements for the three and six months ended June 30, 2021 include the accounts of the Company, its wholly-owned subsidiaries, and entities over which the Company has a controlling interest. Entities over which the Company has control are presented on a consolidated basis from the date control commences until the date control ceases. Equity investments where the Company does not exert a controlling interest are not consolidated. All intercompany balances and transactions are eliminated on consolidation. The Company's consolidated subsidiaries are listed below, and are owned 100% by the Company unless otherwise noted:

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.1 Basis of consolidation (continued)

Subsidiaries	State of operation	Purpose
Ayr Wellness Inc.	British Columbia, CA	Parent Company
Ayr Wellness Holdings LLC	NV	Corporate - Holding Company
CSAC Holdings Inc.	NV	Corporate - Holding Company
CSAC Acquisition Inc. (2)	NV	Corporate - Holding Company
CSAC Acquisition MA Corp	NV	Corporate - Holding Company
CSAC Acquisition FL Corp (3)	NV	Corporate - Holding Company
CSAC Ohio, LLC	NV	Production
Sira Naturals, Inc. (4)	MA	Cultivation, Production, and Retail
CannaPunch of Nevada LLC	NV	Production
LivFree Wellness, LLC (1)(5)	NV	Managed Services - Retail
Washoe Wellness, LLC (1)(6)	NV	Managed Services - Cultivation and Production
The Canopy NV LLC (7)	NV	Managed Services - Retail
DocHouse, LLC	PA	Cultivation and Production
CannTech PA, LLC (8)	PA	Cultivation, Production, and Retail
242 Cannabis LLC (3)	FL	Real Estate, Cultivation, and Production
DJMMJ Investments LLC (3)	FL	Cultivation, Production, and Retail
Oasis	AZ	Cultivation, Production, and Retail
Greenlight Management, LLC	OH	Managed Services - Cultivation
Greenlight Holdings, LLC	OH	Real Estate
Ohio Medical Solutions, LLC	OH	Production

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 Company has a controlling interest, 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 NJ Corp, CSAC Acquisition PA Corp ("CSAC PA"), CSAC Acquisition AZ Corp ("CSAC AZ"), Ayr NJ LLC, CSAC 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.

      ii. CSAC AZ includes a wholly-owned subsidiary Blue Camo LLC doing business as ("dba") Oasis ("Oasis"). Oasis includes wholly-owned subsidiaries Ocotillo Vista, Inc. and Total Health & Wellness, Inc. CSAC AZ also include a wholly-owned payroll subsidiary Clear Choice Admin Services, LLC.

   b. Payroll entities - Mercer Strategies PA, LLC, Parker Solutions PA, LLC.

   c. Real estate entity - Parker RE MA, LLC.

3) CSAC Acquisition FL Corp. ("CSAC FL") includes wholly-owned subsidiaries 242 Cannabis LLC and DFMMJ Investments LLC (dba Liberty Health Sciences Florida Ltd.) (collectively referred to as "Liberty"), and payroll subsidiary Parker Solutions FL LLC.

4) Sira Naturals, Inc includes a wholly-owned payroll subsidiary Parker Solutions MA, LLC.

5) LivFree includes a wholly-owned payroll subsidiary BP Solutions LLC.

6) Washoe includes wholly-owned subsidiaries Klymb Project Management, Inc, Tahoe-Reno Botanicals, LLC, Tahoe-Reno Extractions, LLC.

7) Canopy includes wholly-owned subsidiaries Kynd-Strainz, LLC and Lemon Aide, LLC.

8) CSAC Acquisition PA Corp. is the parent company of CannTech PA, LLC ("CannTech PA").

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.2 Revenue

ASU 2014-09 – *Revenue from Contracts with Customers* ("ASC 606") specifies how and when revenue should be recognized based on a five-step model, which is applied to all contracts with customers. Through the application of the standard, the Company applies the following 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 based on 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 Company takes into consideration a) the Company'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 Company expects to receive, taking into account any variation that is expected to result from rights of return and discounts. 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 Company considers the following to be cash: cash deposits in financial institutions and cash held in Company safe or lockbox at operational locations. The Company has banking relationships in all jurisdictions in which it operates. In addition, the Company has cash balances in excess of Federal Deposit Insurance Corporation (the "FDIC") limits.

3.4 Business combination

Acquisitions of subsidiaries and businesses are accounted for using the acquisition method in accordance with ASC 805 –*Business Combination* ("ASC 805"). The Company 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 Company on behalf of the acquiree, any contingent consideration and any equity interests issued by the Company. Transaction costs, other than those associated with the issuance of debt or equity securities that the Company 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 Company 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 ASC 450 – *Contingencies*, as appropriate with corresponding gain or loss recorded in the interim statements of operations and comprehensive loss.

3.5 Inventory

Inventories are primarily comprised of finished goods, work-in-process, raw materials, and supplies. Inventory is valued at the lower of cost and net realizable value. Net realizable value is determined as the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale. Raw materials and work-in-process is stated at the lower of cost or net realizable value, with cost being determined using the weighted average cost method. Finished goods inventory is stated at the lower of cost or net realizable value, with cost being determined on the first-in, first-out ("FIFO") accounting method.

Costs incurred during the growing process are capitalized as incurred to the extent that cost is less than net realizable value. Any subsequent post-harvest costs, including direct costs such as materials, labor, related overhead, and depreciation expense on equipment attributable to processing, are capitalized to inventory to the extent that cost is less than net realizable value. Inventories of purchased finished goods and packing materials are initially valued at cost and subsequently at the lower of cost and net realizable value. The Company reviews inventories for obsolete, redundant, and slow-moving goods and any such inventories identified are written down to net realizable value.

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

PPE is stated at cost less accumulated depreciation and accumulated impairment losses, if any. 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.

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 interim statements of operations and comprehensive loss.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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 Company 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 Company 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.

The Company capitalizes interest on debt financing invested in projects under construction. Upon the asset becoming available for use, capitalized interest costs, as a portion of the total cost of the asset, are depreciated over the estimated useful life of the related asset.

3.7 Intangible assets

Intangible assets are recorded at cost less accumulated amortization and impairment losses, if any. Intangible assets acquired in a business combination are measured at fair value as of the acquisition date. Amortization periods of assets with finite lives are based on management's estimates at the date of acquisition and are amortized over their estimated useful lives. 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.

(a) Goodwill

The Company 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 a specific reporting unit or allocated between reporting units based on the relative fair value of each reporting unit. The Company's policy is to first perform a qualitative assessment to determine if it was more-likely-than-not that the reporting unit's carrying value is less than the fair value, indicating the potential for goodwill impairment. The amount of goodwill impairment is determined as the excess of the carrying value of the reporting unit's goodwill over the fair value of that reporting unit. Impairment testing is performed annually by the Company 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 Company assesses the fair values of its intangible assets, and its reporting unit for goodwill testing purposes, as necessary, using an income-based approach. Under the income approach, fair value is based on the present value of estimated future cash flows.

(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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.7 Intangible assets (continued)

(c) Impairment of long-lived assets

Long-lived assets such as PPE and definite-lived intangible assets are grouped with other assets and liabilities at the lowest level for which identifiable independent cash flows are available ("asset group"). The Company reviews long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying value of an asset may not be recoverable. In order to determine if assets have been impaired, the impairment test is a two-step approach wherein the recoverability test is performed first to determine whether the long-lived asset is recoverable. The recoverability test (Step 1) compares the carrying amount of the asset to the sum of its future undiscounted cash flows using entity specific assumptions generated through the asset's use and eventual disposition. If the carrying amount of the asset is less than the cash flows, the asset is recoverable and an impairment is not recorded. If the carrying amount of the asset is greater than the cash flows, the asset is not recoverable and an impairment loss calculation (Step 2) is required. The measurement of the impairment loss to be recognized is based on the difference between the fair value and the carrying value of the asset group. Fair value can be determined using a market approach, income approach, or cost approach. The cash flow projection and fair value represents management's best estimate, using appropriate and customary assumptions, projections and methodologies, at the date of evaluation. The reversal of impairment losses is prohibited.

3.8 Leases

The Company assesses whether a contract is or contains a lease, at inception of a contract. Leases are recognized as a right-of-use asset ("ROU") and corresponding liability at the commencement date based on the present value of the future minimum lease payments over the lease term. Operating leases are included in ROU – operating and lease liabilities – operating on the interim balance sheets. For operating leases, the Company records operating lease expense. Finance leases are included in ROU – finance, net and lease liabilities - finance are included in other current liabilities and other non-current liabilities on the interim balance sheets. For finance leases, the Company records interest expense on the lease liability in addition to amortizing the right-of-use asset (generally straight-line) over the shorter of the lease term or the useful life of the right-of-use asset. The Company primarily leases space for corporate offices, retail, cultivation, and manufacturing under non-cancellable operating leases. ROU assets represent the right to use an underlying asset for the lease term and lease liabilities represent the obligation to make lease payments arising from the lease.

Lease liabilities include the net present value of fixed payments (including in-substance fixed payments), variable lease payments that are not 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 Company 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 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 Company is reasonably certain to exercise. Renewal options are included in a number of leases across the Company.

Payments associated with short-term leases are recognized as an expense on a straight-line basis in the interim statements of operations and comprehensive loss. Short-term leases are leases with a lease term of 12 months or less. Variable lease payments that depend on an index or a rate or are subject to a fair market value renewal are expensed as incurred and recognized in the interim statements of operations and comprehensive loss.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.9 Equity investments

An associate is an entity over which the Company 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 Company's interest in an associate is adjusted for the Company's share of income or loss and distributions of the investee. The carrying value of associates is assessed for impairment at each balance sheet date. Significant influence is presumed if the Company holds between 20% and 50% of the voting rights, unless evidence exists to the contrary.

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 Company 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.

3.10 Non-controlling interests

Equity interests owned by parties that are not shareholders of the Company 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. The Company does not have any non-controlling interests.

3.11 Derivatives

The Company 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 Company's interim financial statements. In calculating the fair value of derivative liabilities, the Company 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 net-cash settlement of the derivative instrument could be required within 12 months of the interim financial statements date.

3.12 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 Shares, multiple voting shares of the Company ("Multiple Voting Shares"), and Exchangeable Shares (as defined in Note 4), 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"), shares related to contingent consideration ("contingent shares"), and vested options. The "treasury stock method" is used for the assumed proceeds upon the exercise of the Exchangeable Shares, Warrants, and vested options that are used to purchase Subordinate Shares at the average market price during the period. If the Company 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 Warrants, RSUs, contingent shares, and vested options, therefore, basic loss per share and diluted loss per share will be the same.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.13 Stock-based payments

(a) Stock-based payment transactions

Certain employees (including directors and senior executives) of the Company 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 Company 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 Company'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 Company re-assesses its estimates of the number of awards that are expected to vest and recognizes the impact of the revisions in the interim statements of operations 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 Company or the counterparty, any remaining element of the fair value of the award is derecognized at that time through the interim statements of operations and comprehensive loss.

RSUs are issued on the vesting dates, sometimes net of the applicable statutory tax withholding to be paid by the Company on behalf of the employees. In those instances, lower shares are issued than the number of RSUs outstanding and the tax withholding is recorded as a reduction to paid-in capital.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.13 Stock-based payments (continued)

(b) Warrants

The Company determines the accounting classification of warrants, as either liability or equity, by assessing ASC 480 – *Distinguishing Liabilities from Equity* and ASC 815 – *Derivatives and Hedging*. Under ASC 480, warrants are considered a liability if the warrants are mandatorily redeemable, obligate the Company to settle the warrants or the underlying shares by paying cash or other assets, or warrants that must or may require settlement by issuing a variable number of shares. Under ASC 815, warrants are considered liabilities if contracts require or may require the issuer to net settle the contract for cash. Such derivatives are recorded as a liability at fair value, irrespective of the likelihood of the transaction occurring that triggers the net cash settlement feature.

After all relevant assessments, the Company concludes whether the warrants are classified as liability or equity. Liability classified warrants require fair value accounting at issuance and subsequent to initial issuance with all changes in fair value after the issuance date recorded in the statements of operations and comprehensive loss. Equity classified warrants only require fair value accounting at issuance with no changes recognized subsequent to the issuance date.

The Company determined the warrants are freestanding instruments which do not meet the characteristics of a liability and therefore are classified as equity.

3.14 Provisions

Provisions are recognized when the Company 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.

3.15 Financial instruments

Recognition and initial measurement

Financial assets and financial liabilities, including derivatives, are recognized when the Company 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 interim statements of operations and comprehensive loss.

Classification and subsequent measurement

The Company classifies financial assets, at the time of initial recognition, according to the Company'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:

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.16 Financial instruments (continued)

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 interim statements of operations 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 Company 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 interim statements of operations and comprehensive loss in the period that the liability is derecognized, except for financial liabilities classified as FVTPL.

Refer to Note 18 for the classification and fair value ("FV") level of financial instruments.

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

For all financial assets recorded at amortized cost, the Company applies the simplified approach to provide expected credit losses, which requires the use of the lifetime expected loss provision for all accounts receivable based on the Company'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.The Company assesses all information available, including past due status, credit ratings, the existence of third-party insurance, and forward-looking macro-economic factors in the measurement of the ECLs associated with its assets carried at amortized cost. No ECL has been recorded by the Company as all receivables are expected to be collected.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.16 Financial instruments (continued)

Derecognition

The Company 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 interim statements of operations and comprehensive loss.

The Company 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 interim statements of operations and comprehensive loss.

3.17 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 interim statements of operations 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 balance sheet presented are translated at the closing rate at the date of the balance sheet; and

- income and expenses for each statement of operations and comprehensive 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).

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

3.18 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 interim statements of operations and comprehensive loss because of items of income or expenses that are taxable or deductible in other periods 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 periods.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.18 Taxation (continued)

As the Company operates in the cannabis industry, it is subject to the limits of Internal Revenue Code ("IRC") Section 280E under which the Company 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 interim 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 period 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 income or otherwise directly in equity to the extent that it relates to items that are recognized in accumulated other comprehensive 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 Company 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.

3.19 Significant accounting judgments and estimates

The application of the Company'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 interim 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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.19 Significant accounting judgments and estimates (continued)

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 Company obtains control of the acquiree.

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 a liability is remeasured at subsequent reporting dates in accordance with the criteria and guidance provided under ASC 450 – *Contingencies*.

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) Inventory

In calculating the value of 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, expected yields for the cannabis plants, harvesting costs, net realizable value, selling costs, average or expected selling prices, and impairment factors. In calculating final inventory values, management compares the inventory costs to estimated net realizable value as well as investigates slow moving inventory, if applicable. The estimates are judgmental in nature and are made at a point in time, using available information, such as expected business plans and expected market conditions. Periodic reviews are performed on the inventory balance with the changes in inventory reserves reflected in cost of goods sold.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.19 Significant accounting judgments and estimates (continued)

(c) Estimated useful lives and depreciation of PPE

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.

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

Management uses significant judgment in 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. Impairment tests rely on judgments and estimates related to growth rates, discount rates, and estimated margins.

(e) Goodwill impairment

Goodwill is tested for impairment annually and whenever events or changes in circumstances indicate that the carrying amount of goodwill may have been impaired. In order to determine that the value of goodwill may have been impaired, the Company performs a qualitative assessment to determine that it was more-likely-than-not if the reporting unit's carrying value is less than the fair value, indicating the potential for goodwill impairment. A number of factors, including historical results, business plans, forecasts, and market data are used to determine the fair value of the reporting unit. Changes in the conditions for these judgments and estimates can significantly affect the assessed value of goodwill.

(f) Leases

Each capitalized lease is evaluated to determine if the Company 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 Company 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 Company 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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.19 Significant accounting judgments and estimates (continued)

(h) Financial instruments

To determine the fair value of financial instruments, the Company 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.

(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 period end.

3.20 Change in accounting standards

Recently Issued Accounting Standards

In December 2019, the FASB issued ASU 2019-12 Topic 740 - *Simplifying the Accounting for Income Taxes* ("ASU 2019-12"), which eliminates certain exceptions related to the approach for intraperiod tax allocation, the methodology for calculating income taxes in an interim period and the recognition of deferred tax liabilities for outside basis differences. It also clarifies and simplifies other aspects of the accounting for income taxes. ASU 2019-12 is effective for fiscal years beginning after December 15, 2020, and interim periods therein. The Company is evaluating the adoption date and impact, if any, adoption will have on its interim financial statements.

In January 2020, the FASB issued ASU 2020-01 Topic 321 - *Investments - Equity Securities*, Topic 323 - *Investments - Equity Method and Joint Ventures*, and Topic 815 - *Derivatives and Hedging* (collectively "ASU 2020-01"), which is intended to clarify the interaction of the accounting for equity securities under Topic 321 and investments accounted for under the equity method of accounting in Topic 323 and the accounting for certain forward contracts and purchased options accounted for under Topic 815. The Company is evaluating the adoption date and impact, if any, adoption will have on its interim financial statements.

In August 2020, the FASB issued ASU No. 2020-06 Subtopic 470-20 - *Debt—Debt with Conversion and Other Options* and Subtopic 815-40 *Derivatives and Hedging—Contracts in Entity's Own Equity: Accounting for Convertible Instruments and Contracts in an Entity's Own Equity*, to improve financial reporting associated with accounting for convertible instruments and contracts in an entity's own equity. The amendments in this Update are effective for public business entities for fiscal years beginning after December 15, 2021, including interim periods within those fiscal years. The Company is evaluating the adoption date and impact, if any, adoption will have on its interim 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 Company 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 Shares or non-voting exchangeable shares of the Company's subsidiaries ("Exchangeable Shares") that are exchangeable on a one-for-one basis into an equal number of Subordinate Shares of the Company. The Company treats the Exchangeable Shares as options with a value equal to a share of Subordinate Shares, which represents the holder's claim on the equity of the Company. The Company has presented these Exchangeable Shares as a part of shareholders' equity within these interim financial statements due to (i) the fact that they are economically equivalent to the Company's publicly traded Subordinate 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 Shares of the Company. 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 reporting units corresponding to the states of the acquired businesses. None of the goodwill is expected to be deductible for income tax purposes. For further analysis on goodwill relating to business combinations, see Note 7. All the acquisitions noted below were accounted for in accordance with ASC 805.

2021 First Quarter Acquisitions

Business combinations

On February 26, 2021, the Company completed its acquisition of Liberty in a stock-for-stock combination. On March 23, 2021, the Company completed its acquisition of Oasis through a membership interest purchase agreement. On March 31, 2021, the Company completed its acquisition of Ohio Medical Solutions, LLC ("Ohio Medical") through an asset purchase agreement.

Asset acquisition

On March 30, 2021, the Company completed its acquisition of Greenlight Management, LLC ("Greenlight Management") and Greenlight Holdings, LLC ("Greenlight Holdings") through a membership purchase agreement. Greenlight Management has a management agreement with Parma Wellness, Center, LLC ("Parma"). Collectively, the Liberty, Oasis, Ohio Medical, and Parma acquisitions are referred to as the "Q1 2021 Acquisitions."

4. BUSINESS COMBINATIONS AND ASSET ACQUISITIONS (Continued)

The details of the purchase consideration consist of cash, debt, Subordinate Shares, Exchangeable Shares, contingent consideration, purchase consideration payable, and replacement options issued.

Final valuations of the assets acquired and liabilities assumed are not yet complete due to the inherent complexity associated with valuations and the short period of time between the acquisition date and the period end. Therefore, the purchase price allocation is preliminary and subject to adjustment on completion of the valuation process and analysis of resulting tax effects. During the quarter, the Company revised the previously disclosed provisional amounts reflected in the interim financial statements for the three months ended March 31, 2021. Further changes may still be required as management works to finalize the valuation of assets acquired and liabilities assumed. Management will finalize the accounting for the acquisitions no later than one year from the date of the respective acquisition dates. Differences between these provisional estimates and the final acquisition accounting may occur and these differences could have a material impact.

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

	Liberty $	Oasis $	Parma $	Ohio Medical $	Total $
ASSETS ACQUIRED					
Cash	6,650,137	8,237,240	-	-	**14,887,377**
Accounts receivable	-	26,125	-	6,362	**32,487**
Inventory	47,569,164	10,388,851	-	313,076	**58,271,091**
Prepaid expenses and other assets	817,824	463,825	-	85,474	**1,367,123**
Intangible assets	270,000,000	220,000,000	13,255,000	11,739	**503,266,739**
Property, plant, and equipment	56,745,883	10,898,530	3,910,000	493,239	**72,047,652**
Right-of-use assets - operating	11,750,150	15,824,407	-	3,488,670	**31,063,227**
Right-of-use assets - finance, net	378,992	13,095	-	-	**392,087**
Deposits	619,377	166,200	-	252,000	**1,037,577**
Total assets acquired at fair value	**394,531,527**	**266,018,273**	**17,165,000**	**4,650,560**	**682,365,360**
LIABILITIES ASSUMED					
Trade payables	3,274,256	2,901,326	-	-	**6,175,582**
Accrued liabilities	5,881,303	2,720,382	-	15,000	**8,616,685**
Income tax payable	7,135,000	428,875	-	-	**7,563,875**

Deferred tax liabilities	71,962,667	-	-	-	**71,962,667**
Lease liabilities - operating	11,693,248	15,824,407	-	3,497,060	**31,014,715**
Lease liabilities - finance	378,992	13,095	-	-	**392,087**
Debts payable	7,479,389	-	-	-	**7,479,389**
Accrued interest	153,057	-	-	-	**153,057**
Total liabilities assumed at fair value	**107,957,912**	**21,888,085**	**-**	**3,512,060**	**133,358,057**
Goodwill	119,770,385	30,909,695	-	11,500	**150,691,580**
Calculated purchase price	**406,344,000**	**275,039,883**	**17,165,000**	**1,150,000**	**699,698,883**

4. BUSINESS COMBINATIONS AND ASSET ACQUISITIONS (Continued)

Liberty Business Combination

Liberty is a vertically integrated cannabis company with cultivation, processor, transporter, and retail dispensary operations in Florida. Liberty owns a 387-acre cultivation campus in Gainesville, Florida with over 300,000 square feet of current production facilities and operates dispensaries in the medical market.

Purchase consideration was comprised of the following:

		Shares		Value
Share Capital	i	**12,670,958**	**$**	**399,499,188**
Purchase Consideration Payable	ii	**75,864**	**$**	**2,391,895**
Replacement Options Issued	iii	**248,412**	**$**	**4,452,917**
Total		**12,995,234**	**$**	**406,344,000**

Pursuant to the terms of the Definitive Agreement ("Liberty Agreement"), Ayr satisfied the purchase price of $406.3 million for Liberty through the following:

i. $399.5 million of the Liberty purchase price in the form of 12,670,958 Subordinate Shares of the Company in a stock-for-stock combination. Liberty shareholders received 0.03683 Ayr shares for each Liberty share held;

ii. $2.4 million of the Liberty purchase price in the form of 75,864 Subordinate Shares were issued to dissenting Liberty shareholders who subsequently withdrew their dissent notices. On April 1, 2021, the dissenting Liberty shareholders received 0.03683 Ayr Subordinate Shares for each share held and the Company recognized a gain from fair value adjustment of $102,351, see Note 13; and

iii. $4.5 million of the Liberty purchase price in the form of 248,412 replacement options issued that were fully vested.

4. BUSINESS COMBINATIONS AND ASSET ACQUISITIONS (Continued)

Oasis Business Combination

Oasis is a vertically integrated cannabis company with a cultivation, processing, and retail dispensary operations in Arizona. Oasis operates a 10,000 square foot cultivation and processes facility and has an 80,000 square foot cultivation facility under development. Oasis operates three dispensaries in both the adult-use and medical markets.

Purchase consideration was comprised of the following:

		Shares		Value
Cash	i		**$**	**9,732,751**
Debt Payable	ii			**22,504,885**
Shares Issued	iii	**4,570,434**		**125,187,247**
Contingent Consideration	iv			**117,615,000**
Total		**4,570,434**	**$**	**275,039,883**

Pursuant to the terms of the Definitive Agreement ("Oasis Agreement"), Ayr satisfied the purchase price of $275.0 million for Oasis through the following:

i. $9.7 million of the Oasis purchase price in the form of cash consideration;

ii. $22.5 million of the Oasis purchase price in the form of promissory notes payable. The note is subjected to adjustment based on a final working capital adjustment;

iii. $125.2 million of the Oasis purchase price in the form of 4,570,434 Exchangeable Shares, that are exchangeable on a one-for-one basis into an equal number of Subordinate Shares of the Company. Two million of the Exchangeable Shares are held in escrow and may be payable upon the achievement of established cultivation targets at the facility under development. These shares have restrictions on their ability to be sold for six to eighteen months (the "Oasis Lock-Up Provision"); and

iv. A portion of the Oasis purchase price is derived from an earn-out provision, valued through a Monte-Carlo simulation, that may entitle the sellers to earn additional consideration if certain milestones are achieved, see Note 13 for more information.

4. BUSINESS COMBINATIONS AND ASSET ACQUISITIONS (Continued)

Parma Asset Acquisition

Greenlight Management operates on a 58,000 square foot facility in Parma, Ohio under a management agreement with Parma. Parma is a recipient of a Tier 1 Cultivator Provisional License in the medical cannabis market in Ohio. The land and building where the facility is located are owned by Greenlight Holdings.

As the Parma acquisition did not meet the definition of a business according to ASC 805 as there were no outputs at the time of acquisition, it was recorded as an asset acquisition. Purchase consideration for the acquisition was $17,165,000, paid in cash.

Ohio Medical Business Combination

Ohio Medical is a cannabis processor and manufacturer in the Ohio medical market with a 9,000 square foot medical marijuana processor facility that is licensed as part of the Ohio medical cannabis program.

Purchase consideration for the combination was $1,150,000, paid in cash.

4. BUSINESS COMBINATION AND ASSET ACQUISITIONS (Continued)

2020 Fourth Quarter 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 wholly-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 "Q4 2020 Acquisitions".

The details of the purchase price consideration consist of cash, debt, Subordinate Shares, and Exchangeable Shares.

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

	DocHouse $	CannTech PA $	Total $
ASSETS ACQUIRED			
Cash	-	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 - operating	-	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**
Advance from related parties	2,303,349	5,737,455	**8,040,804**
Lease liabilities - operating	-	11,170,076	**11,170,076**
Debts payable	-	8,271,432	**8,271,432**
Total liabilities assumed at fair value	**2,640,191**	**26,157,005**	**28,797,196**
Goodwill	-	3,015,000	**3,015,000**
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 ASC 805, 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 $21.5 million for DocHouse through the following:

i. $17.5 million of the DocHouse purchase price in the form of cash consideration, of which $12.4 million was paid on closing, $3.0 million was paid within three months, and $2.1 million was paid 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 Shares of the Company. 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		$ 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 Definitive Agreement ("CannTech PA Agreement"), Ayr satisfied the purchase price of $64.1 million for CannTech PA through the following:

i. $25.2 million of the CannTech PA purchase price in the form of cash consideration, subject to settlement of the final working capital;

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; and

iii. $25.0 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 Shares of the Company. These shares have restrictions on their ability to be sold for four to twelve months (the "CannTech PA Lock-Up Provision").

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 in accordance with ASC 805, with the results included in the Company's net earnings from the date of acquisition.

The consideration that is subject to a Lock-Up Provision is measured at fair value based on unobservable inputs and is considered a Level 3 measurement. The fair value was determined by the Company's share price at the acquisition date and other inputs based on other observable market data. The earn-out provision in the Oasis Agreement has been measured at fair value by using a Monte-Carlo simulation model. Refer to Note 13 for the contingent consideration fair value treatment subsequent to the acquisition.

5. INVENTORY

The Company's inventory includes the following:

	June 30, 2021	December 31, 2020
Raw materials	$ 5,165,624	$ 1,705,150
Work in process	28,044,896	10,454,491
Finished goods	19,285,020	8,934,839
Supplies and others	8,481,468	1,825,125
Incremental costs to acquire cannabis inventory in a business combination	9,443,021	-
Total inventory	**$ 70,420,029**	**$ 22,919,605**

Amount of inventory included in cost of goods sold during the three and six months ended June 30, 2021 and 2020, was $38,607,552 and $63,944,657, and $10,228,140 and $26,327,087, respectively. There were no inventory write-downs taken during the periods ended.

For the three and six months ended June 30, 2021 and 2020, $26,596,051 and $32,388,441, and $nil and $nil, respectively, of expenses relating to the incremental costs to acquire cannabis inventory in a business combination is included on the interim statements of operations 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. PROPERTY, PLANT, AND EQUIPMENT

	Furniture and fixtures	Office equipment	Machinery and equipment	Auto and trucks	Buildings, leasehold improvements, and land	Construction in Progress	Total
Cost							
As of January 1, 2020	$ 923,391	$ 312,486	$ 1,871,195	$ 130,298	$ 17,732,014	$ 17,146,625	$ 38,116,009
Acquired through combinations and acquisitions [Note 4]	66,915	49,519	4,544,221	-	2,707,898	14,291,656	21,660,209
Additions	85,610	147,350	317,723	59,253	12,476,063	-	13,085,999
Disposals	-	-	-	-	(112,558)	-	(112,558)
Placed in service	-	-	-	-	12,837,753	(12,837,753)	-
As of December 31, 2020	**$ 1,075,916**	**$ 509,355**	**$ 6,733,139**	**$ 189,551**	**$ 45,641,170**	**$ 18,600,528**	**$ 72,749,659**
Acquired through combinations and acquisitions [Note 4]	436,277	37,345	5,163,464	280,976	53,421,125	12,708,465	72,047,652
Additions	470,840	773,960	1,317,028	205,547	10,493,151	21,699,471	34,959,997
Disposals	(12,603)	(44,992)	(80,751)	(6,305)	-	-	(144,651)
Placed in service	-	-	-	-	19,113,335	(19,113,335)	-
As of June 30, 2021	**$ 1,970,430**	**$ 1,275,668**	**$ 13,132,880**	**$ 669,769**	**$ 128,668,781**	**$ 33,895,129**	**$ 179,612,657**
Accumulated Depreciation							
As of January 1, 2020	$ 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**
Depreciation	124,697	95,586	577,110	66,116	1,799,881	-	2,663,390
Disposals	(7,547)	(41,871)	(34,795)	(2,785)	-	-	(86,998)
As of June 30, 2021	**$ 393,600**	**$ 196,537**	**$ 902,989**	**$ 117,435**	**$ 4,611,410**	**$ -**	**$ 6,221,971**
Net book value							
As of January 1, 2020	**$ 829,251**	**$ 270,750**	**$ 1,752,820**	**$ 116,320**	**$ 17,037,095**	**$ 17,146,625**	**$ 37,152,861**
As of December 31, 2020	**$ 799,466**	**$ 366,533**	**$ 6,372,465**	**$ 135,447**	**$ 42,829,641**	**$ 18,600,528**	**$ 69,104,080**
As of June 30, 2021	**$ 1,576,830**	**$ 1,079,131**	**$ 12,229,891**	**$ 552,334**	**$ 124,057,371**	**$ 33,895,129**	**$ 173,390,686**

As of June 30, 2021 and December 31, 2020, the Company capitalized borrowing costs of $3,850,751 and $1,360,605, respectively.

Depreciation expense relating to PPE for the three and six months ended June 30, 2021 and 2020:

	Three Months Ended		**Six Months Ended**	
	June 30, 2021	June 30 2020	**June 30, 2021**	June 30 2020
	$	$	**$**	$
Cost of goods sold	969,493	439,459	1,952,253	711,622
Expenses	427,273	231,261	711,137	390,678
Total depreciation relating to PPE	**1,396,766**	**670,720**	**2,663,390**	**1,102,300**

7. GOODWILL AND INTANGIBLE ASSETS

Goodwill

There were no indicators of impairment during the periods ended. As of June 30, 2021 and December 31, 2020, the Company reported goodwill by segment as follows:

	Massachusetts	Nevada	Pennsylvania	Florida	Arizona	Ohio	Total
As of December 31, 2020	**$ 16,134,926**	**$ 38,813,434**	**$ 3,015,000**	**$ -**	**$ -**	**$ -**	**$ 57,963,360**
Acquired through combinations [Note 4]	-	-	-	119,770,385	30,909,695	11,500	150,691,580
As of June 30, 2021	**$ 16,134,926**	**$ 38,813,434**	**$ 3,015,000**	**$ 119,770,385**	**$ 30,909,695**	**$ 11,500**	**$ 208,654,940**

7. GOODWILL AND INTANGIBLE ASSETS (Continued)

Intangible Assets

Amortization expense is in cost of goods sold and total expenses. The amount in cost of goods sold for the three and six months ended June 30, 2021 and 2020, was $2,408,212 and

$3,913,915, and $760,000 and $380,000, respectively. The following table represents intangible assets:

	Licenses/Permits	Right-to-use licenses	Host community agreements	Trade name / brand	Total
Useful life (# of years)	15	15	15	5	
Cost					
As of January 1, 2020	$ 22,000,000	$ 138,550,000	$ 35,000,000	$ 2,390,000	$ 197,940,000
Acquired through combinations and acquisitions [Note 4]	75,172,043	-	-	-	75,172,043
Additions	-	1,100,000	-	-	1,100,000
As of December 31, 2020	**$ 97,172,043**	**$ 139,650,000**	**$ 35,000,000**	**$ 2,390,000**	**$ 274,212,043**
Acquired through combinations and acquisitions [Note 4]	490,011,739	13,255,000	-	-	503,266,739
As of June 30, 2021	**$ 587,183,782**	**$ 152,905,000**	**$ 35,000,000**	**$ 2,390,000**	**$ 777,478,782**
Accumulated Amortization					
As of January 1, 2020	$ 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**
Amortization	12,907,023	4,863,695	1,166,667	239,196	19,176,581
As of June 30, 2021	**$ 15,458,680**	**$ 19,662,225**	**$ 4,905,018**	**$ 1,005,024**	**$ 41,030,947**
Net book value					
As of January 1, 2020	**$ 21,116,846**	**$ 132,988,136**	**$ 33,594,982**	**$ 2,102,172**	**$ 189,802,136**
As of December 31, 2020	**$ 94,620,386**	**$ 124,851,470**	**$ 31,261,649**	**$ 1,624,172**	**$ 252,357,677**
As of June 30, 2021	**$ 571,725,102**	**$ 133,242,775**	**$ 30,094,982**	**$ 1,384,976**	**$ 736,447,835**

8. RIGHT-OF-USE ASSETS & LEASE LIABILITIES

Information related to operating and finance leases as of June 30, 2021, are as follows:

	Operating Lease	Finance Lease
Weighted average discount rate	14.39%	12.65%
Weighted average remaining lease term	12.46yrs	3.45yrs

The maturity of the contractual undiscounted lease liabilities as of June 30, 2021, are as follows:

	Operating Lease	Finance Lease	Total
Remainder of 2021	$ 5,847,021	$ 634,599	$ 6,481,620
2022	11,648,234	1,268,625	12,916,859
2023	11,722,846	1,224,760	12,947,606
2024	11,193,072	965,398	12,158,470
2025	10,686,526	187,997	10,874,523
2026 and thereafter	96,439,599	-	96,439,599
Total undiscounted lease liabilities	**$ 147,537,298**	**$ 4,281,379**	**$ 151,818,677**
Impact of discounting	(82,956,523)	(767,568)	(83,724,091)
Total present value of minimum lease payments	**$ 64,580,775**	**$ 3,513,811**	**$ 68,094,586**

8. RIGHT-OF-USE ASSETS & LEASE LIABILITIES (Continued)

Payments related to capitalized leases during the three and six months ended June 30, 2021 and 2020, are as follows:

	Three Months Ended		Six Months Ended	
	June 30, 2021	June 30, 2020	**June 30, 2021**	June 30, 2020
Lease liabilities - operating				
Lease liabilities - operating expense, COGS	$ 1,229,260	$ -	$ 1,800,973	$ -
Lease liabilities - operating expense, G&A	2,014,962	115,575	3,079,400	115,575
Lease liabilities - finance				
Amortization of right-of-use assets, COGS	144,451	-	215,212	-
Amortization of right-of-use assets, G&A	7,405	-	8,481	-
Interest of lease liabilities - finance, COGS	65,317	-	101,129	-
Interest of lease liabilities - finance, G&A	6,475	-	6,998	-
Total lease expense	**$ 3,467,870**	**$ 115,575**	**$ 5,212,193**	**$ 115,575**

9. EQUITY INVESTMENTS

The Company 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 Company. 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 three and six months ended June 30, 2021. The following table relates to the Company's investment in Green Garden as of June 30, 2021, and December 31, 2020:

	June 30, 2021	December 31, 2020
Balance, at the beginning of the period	$ 503,509	$ 427,399
Investment	46,609	109,700
Share of loss	(18,802)	(33,590)
Net book value, as of	**$ 531,316**	$ 503,509

The following table presents a summary of the interim balance sheets and statements of operations of Green Garden:

	June 30, 2021	December 31, 2020

Current assets	$ -	$ 15,242
Non-current assets	-	-
Current liabilities	462	-
Revenue	-	-
Loss	(55,704)	(83,976)

During the current period, Ayr received $500,000 for an investment that had been previously written off.

10. RELATED PARTY TRANSACTIONS AND BALANCES

Related parties are defined as management and members of the Company 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 interim financial statements, related party transactions and balances are as follows:

Mercer Park, L.P. entered into a management agreement with the Company dated May 24, 2019. As of June 30, 2021, and December 31, 2020, $736,399 and $83,371 was included in prepaid expenses as an advance for these services. Included in expenses for the three and six months ended June 30, 2021, are management fees of $2,636,279 and $4,423,352 that are included in general and administrative expenses and embedded lease fees of $115,575 and $231,150 that are included in operating lease expense. The management fee is paid monthly and varies based on actual costs incurred by the related entity when providing the Company 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.

10. RELATED PARTY TRANSACTIONS AND BALANCES (Continued)

As of June 30, 2021, and December 31, 2020, Glass House Brands Inc. ("Glass House"), formerly, Mercer Park Brand Acquisition Corp., a company that had limited services shared with the Company, owed to Ayr $176,858 and $135,000. This is included in due from related parties.

During the three and six months ended June 30, 2021, the Company incurred fees from Panther Residential Management, LLC ("Panther"), a company partially owned by a board member of Ayr. The total incurred fees were $25,500 and $51,000 (2020: $25,500 and $51,000) of office expenses, $225,000 and $375,000 (2020: $112,500 and $225,000) of rental fees, and $62,682 and $129,227 (2020: $1,187 and $2,495) of interest expense.

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

	Three Months Ended		Six Months Ended	
	June 30, 2021	June 30, 2020	**June 30, 2021**	June 30, 2020
Compensation and benefits, included in management fee	$ 937,500	$ 529,375	$ 1,875,000	$ 998,750
Stock-based compensation, non-cash	7,151,806	9,103,459	15,375,351	15,375,351
Total compensation	**$ 8,089,306**	$ 9,632,834	**$ 17,250,351**	$ 16,374,101

Refer to Notes 11 and 16 for additional information around the debts payable and non-cash stock-based compensation plan and calculation, respectively, for the three and six months ended June 30, 2021 and 2020.

11. DEBTS PAYABLE & SENIOR SECURED NOTES

Senior Secured Notes

On December 10, 2020, the Company 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 Company 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.

	Senior secured notes
As of December 31, 2020	$ 103,652,963
Debt issuance costs	(135,998)
Debt issuance costs amortized	817,432
Total senior secured notes payable as of June 30, 2021	**$ 104,334,397**
Total accrued interest payable related to senior secured notes as of June 30, 2021	**$ -**

11. DEBTS PAYABLE & SENIOR SECURED NOTES (Continued)

Debt Payable

	Debts payable
As of December 31, 2020	$ 62,232,581
Discounted as of December 31, 2020	1,279,819
Acquired through combinations and acquisitions [Note 4]	29,984,274
Converted to equity	(7,429,389)

Less: repayment		(4,300,250)
Total debts payable, undiscounted as of June 30, 2021		**81,767,035**
Less: discounted to fair value		(1,110,954)
Total debts payable as of June 30, 2021	**$**	**80,656,081**
Total accrued interest payable related to debts payable as of June 30, 2021	**$**	**4,013,887**

The details of debts payable were as follows:

	June 30, 2021		
	Related party debt	**Non-related party debt**	**Total debt**
Principal payments	$ 29,567,637	$ 52,199,398	$ 81,767,035
Less: current portion	4,872,702	2,318,787	7,191,489
Total non-current debt, undiscounted	**$ 24,694,935**	**$ 49,880,611**	**$ 74,575,546**
Less: discount to fair value	-	(1,110,954)	(1,110,954)
Total non-current debt	**$ 24,694,935**	**$ 48,769,657**	**$ 73,464,592**

The following table presents the future debt obligation as of June 30, 2021:

Future debt obligations (per year)		
2021	$	4,394,384
2022		5,611,722
2023		11,446,496
2024		37,809,548
2025 and beyond		22,504,885
Total debt obligations	**$**	**81,767,035**

As part of the combinations and acquisitions, the Company 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 Company across various roles including directors, officers, and shareholders.

Pursuant to the Sira Agreement, the Company 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 Company agreed to assume a non-related party loan of $29,393 that matured on November 10, 2020 with a 5.49% annual interest rate. Total balance assumed was $13,053.

Pursuant to the Canopy Agreement, the Company 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 Company 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 and matured on February 1, 2021, with a 10% annual interest rate.

11. DEBTS PAYABLE & SENIOR SECURED NOTES (Continued)

Debt Payable (continued)

Pursuant to the Washoe Agreement, the Company 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 Company 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 Company 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 Company 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 Company 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 Company 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 Company 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 Company agreed to assume non-related party loans of $8,000,000 that mature on July 1, 2023, with a 9% annual interest rate.

Pursuant to the Oasis Agreement, the Company issued non-related party promissory notes in the amount of $22,504,885, to the former members of Oasis that is secured by all the membership interests in Oasis. The notes mature four years from closing date with a 10% annual interest rate payable semi-annually. The note is subject to adjustment based on a final working capital adjustment.

Interest expense associated with related party debt payable for the three and six months ended June 30, 2021 and 2020, was $449,716 and $911,760, and $608,832 and $1,222,391, respectively.

Convertible Debt

Pursuant to the Liberty Agreement, the Company agreed to assume non-related party convertible debt with a face value of $4,325,000 and accrued interest of $153,055 with a 12% annual interest rate. The Company has the right to convert the debt into Subordinate Shares if the share price meets a minimum trading price. The fair value of the embedded derivative was $3,154,389. On March 4, 2021, the Company called the notes to either be paid out or converted into Subordinate Shares over a thirty-day period. During the period ended June 30, 2021, the debt was fully settled as $50,000 was paid and 232,259 Subordinate Shares were issued.

12. SHARE CAPITAL

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

Unlimited number of Subordinate Shares

- 1 vote per share.
- 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 Shares on a one-for-one basis. The shares are mandatorily converted into Subordinate 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.
- Not traded on the CSE.

A summary of the outstanding share capital of the Company as of June 30, 2021, is comprised of the activity below. For additional shares reserved for issuance refer to Note 16 for stock-based compensation.

Initial Public Offering

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

- 12,500,000 Class A Restricted Voting Units, along with 975,000 Class A Restricted Voting Units upon exercise of an over-allotment option 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.

Qualifying Transaction

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

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

12. SHARE CAPITAL (Continued)

Post Qualifying Transaction

The following activity occurred subsequent to the Qualifying Transaction:

- 6,774,056 Subordinate Shares were issued in connection with the exercise of Warrants. Issued in connection with the exercise of Warrants were:
    1. 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").
    2. 435,631 shares granted related to 314,204 shares exercised through a cashless conversion feature.
- 389,905 Exchangeable Shares were issued as part of the make-whole provision liability as of November 20, 2019 and 614,515 Exchangeable Shares were issued as part of the make-whole provision liability on May 18, 2020.
- 1,370,170 Subordinate Shares were issued in connection with the conversion of 13,701,700 Rights, which were each redeemed for one tenth (1/10) of one Subordinate Share as of June 30, 2021. Rights ("Rights") were trading on the CSE under the symbol "AYR.RT" until they expired on May 25, 2021.
- On October 1, 2019, the Company commenced a stock repurchase program to purchase up to 5% of the total issued and outstanding Subordinate Shares during each twelve-month period through the facilities of the CSE and other marketplaces. 7,400 Subordinate Shares were repurchased and cancelled, and 63,800 Subordinate Shares were repurchased and are held by the Company as treasury shares, under the stock repurchase program as of March 31, 2021. The program ended on September 30, 2020.
- 8,979,026 Exchangeable Shares were converted into Subordinate Shares as of June 30, 2021.
- On January 14, 2021, the Company closed its equity offering of 4,600,000 Subordinate Shares at a price of $34.25CDN per share for total gross proceeds of approximately $123.7 (157.6CDN) million, net of $5.7 ($7.2CDN) million of commission and expenses.

- In connection with the exercise of 1,906,125 RSUs, 919,664 Subordinate Shares were issued due to net settlement.

- 16,976 Subordinate Shares were issued in connection with Options exercised as of June 30, 2021.

Post Qualifying Transaction Combinations and Acquisitions

The following activity occurred subsequent to the Qualifying Transaction that relate to business combinations and asset acquisitions:

- On November 18, 2020 and December 23, 2020, the Company completed its Q4 2020 Acquisitions.

  - 128,265 Subordinate Shares of Ayr were issued as part of the purchase consideration of the DocHouse Transaction.

  - 1,310,041 Exchangeable Shares of CSAC PA were issued as part of the purchase consideration of the CannTech PA Transaction.

- On February 26, 2021 and March 23, 2021, the Company completed its Q1 2021 Acquisitions.

  - 12,746,822 Subordinate Shares were issued as part of the purchase consideration of Liberty.

  - 4,570,434 Exchangeable Shares were issued as part of the purchase consideration of Oasis. 2.0 million of the shares are in escrow and payable upon reaching certain cultivation targets at the facility under development.

12. SHARE CAPITAL (Continued)

On November 4, 2020, the Company 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 seek to ensure Ayr's status as a Foreign Private Issuer.

Warrant Reserve

As of June 30, 2021, and December 31, 2020, the Company had 9,463,575 and 10,486,412, respectively, outstanding in warrant reserve at a fair value of $0.62.

Warrants issued and outstanding are each exercisable on a one-for-one basis into Subordinate Shares. Each Warrant became exercisable for one Subordinate Share, at a price of $11.50CDN 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 Company made an incentive payment of $0.50CDN, resulting in an exercise price of $11.00CDN.

Options

As part of the Liberty acquisition, the Company issued replacement options and recorded additional paid-in capital of $4,452,917 in relation to 248,412 options, which were fully vested as of the date of acquisition. The range of exercise price is between $8.47 and $23.66.

	Number of options	Weighted Average Fair Value
Balance as of December 31, 2020	-	-
Replacement options issued	248,412	$ **17.93**
Options exercised	(8,225)	17.93
Balance as of June 30, 2021	**240,187**	**17.93**

13. DERIVATIVE LIABILITIES

Purchase Consideration and Contingent Consideration

As part of the purchase price of the Qualifying Transaction, the Company entered into make-whole provisions relating to the Exchangeable Shares issued. The Company uses a Monte-Carlo simulation model to estimate the fair value of the make-whole provision liability. Upon initial recognition, the Company recorded a derivative liability of $2,813,718. On November 20, 2019, the Company 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 Company 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 June 30, 2021, and December 31, 2020, purchase consideration consisted of a non-derivative portion of $661,383 and $9,053,057.

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 June 30, 2021 and December 31, 2020, the fair value of the contingent consideration was $24,072,701 and $22,961,412, respectively.

13. DERIVATIVE LIABILITIES (Continued)

The earn-out provision related to the acquisition of Oasis is measured at fair value by using a Monte-Carlo simulation to estimate the fair value. Upon initial recognition, the fair value of the liability was recorded as $117,615,000. As of June 30, 2021, and December 31, 2020, the fair value of the contingent consideration was $105,061,000 and $nil, respectively.

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

	Three Months Ended		Six Months Ended	
	June 30, 2021	June 30, 2020	**June 30, 2021**	June 30, 2020
Gain (loss) from FV adjustment on make-whole provision	$ -	$ 574,169	$ -	$ (225,125)
Gain (loss) from FV adjustment on contingent consideration	11,988,721	(362,396)	11,442,711	(719,173)
Gain from FV adjustment on purchase consideration settlement	102,351	-	102,351	-
Total	**$ 12,091,072**	**$ 211,773**	**$ 11,545,062**	**$ (944,298)**

14. CAPITAL MANAGEMENT

The Company'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 Company manages its capital structure and makes adjustments based on the funds available to the Company 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 Company's management to sustain future development of the business. In order to carry out the planned business development and pay for administrative costs, the Company will spend its existing working capital and seek to raise additional amounts, as needed. There were no changes in the Company's approach to capital management during the periods ended June 30, 2021 and December 31, 2020. The Company is not subject to externally imposed capital requirements apart from the need to maintain its listing in accordance with stock exchange requirements.

The Company 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 Company, is reasonable. The Company plans to use existing funds, as well as funds from the future sale of products, to fund operations and expansion activities. However, the Company may attempt to issue new shares or issue new debt for acquisitions. There can be no assurance that the Company will be able to continue raising capital in this manner.

15. GENERAL AND ADMINISTRATIVE

General and administrative expenses were comprised of:

	Three Months Ended		**Six Months Ended**	
	June 30, 2021	June 30, 2020	**June 30, 2021**	June 30, 2020
Compensation and benefits	**$ 11,168,946**	$ 4,013,750	**$ 17,671,765**	$ 7,825,128
Rent and utilities	**2,577,622**	767,527	**3,994,097**	1,558,333
Taxes and licenses	**1,578,492**	791,611	**2,628,736**	1,666,254
Professional and consulting fees	**1,911,590**	737,540	**3,235,266**	1,727,407
Retail and office expenses	**1,162,302**	289,471	**2,091,784**	610,399
Computer, software, and internet expenses	**639,600**	206,178	**914,247**	391,138
Bank charges and fees	**309,607**	126,028	**485,233**	249,192
Insurance	**905,393**	504,773	**1,640,932**	928,071
Security	**686,931**	427,255	**1,082,148**	693,591
Management fee	**2,636,279**	1,193,207	**4,423,352**	2,322,259
Travel, meals, and entertainment	**464,758**	60,044	**656,231**	132,905
Public company filing and listing costs	**337,813**	32,605	**616,791**	91,132
Other	**1,542,095**	315,805	**2,293,370**	566,590
Total	**$ 25,921,428**	$ 9,465,794	**$ 41,733,952**	$ 18,762,399

16. STOCK-BASED COMPENSATION

In connection with the Qualifying Transaction the Company has adopted an Equity Incentive Plan ("the Plan"), as amended on May 2, 2021, allows the Company to compensate qualifying plan participants through stock-based arrangements and provide them with opportunities for stock ownership in the Company, thereby aligning the interests of such persons with the Company's shareholders. Under the Plan, the Company may grant stock options, restricted stock units, performance compensation awards, and unrestricted stock bonuses or purchases.

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 Shares that may be awarded under the Equity Incentive Plan on a one-for-one basis.

During the three and six months ended June 30, 2021 and 2020, the Company recognized stock-based compensation expense of $10,238,356 and $18,461,901, and$9,103,459 and $21,248,762, respectively, relating to the issuance of RSUs in the current and prior periods. The stock-based compensation expense is based on the Company'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 three and six months ended June 30, 2021, there were no forfeitures of RSUs. During the period ended June 30, 2021 and December 31, 2020, 1,906,125, of which 919,664 were issued due to net settlement, and nil Subordinate Shares vested, respectively. The result of the net settlement was 986,461 Subordinate Shares were withheld with a total value of $28,421,071.

	June 30, 2021	
	Number	**Weighted Average Grant Date Fair Value**
RSUs Outstanding, as of December 31, 2020	4,235,150	$ 16.63
Granted	1,295,404	28.39
Vested	(1,906,125)	(18.44)
RSUs Outstanding as of June 30, 2021	**3,624,429**	**$ 18.83**

17. COMMITMENTS AND CONTINGENCIES

Contingencies

The Company'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 Company ceasing operations. While management of the Company believes that the Company is in compliance, in all material respects, with applicable local and state regulations as of June 30, 2021, cannabis regulations continue to evolve and are subject to differing interpretations. As a result, the Company may be subject to regulatory fines, penalties, or restrictions in the future.

Claims and Litigation

From time to time, the Company may be involved in litigation relating to claims arising out of operations in the normal course of business. As of June 30, 2021, there were no material pending or threatened lawsuits that could be reasonably expected to have a material effect on the results of the Company's operations. There are also no proceedings in which any of the Company's directors, officers or affiliates are an adverse party or have a material interest adverse to the Company's interest.

Acquisition – Definitive Agreement and Term Sheet

Massachusetts

On February 26, 2020, the Company 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 Company entered both a definitive membership interest purchase agreement and purchase and sale agreement. Pursuant to the agreements, the Company 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 Company has agreed to pay a purchase price consisting of $1 million cash. In addition, for the purchase of the property, the Company paid a purchase price of $5 million cash. The closing of the acquisition is subject to, among other things, regulatory approval.

New Jersey

On March 29, 2021, the Company entered a definitive agreement 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 Company 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.

The closing for the acquisitions is subject to, among other things, regulatory approval and due diligence. As of June 30, 2021, the acquisitions have not closed.

18. 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 Company.

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 Company 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 interim 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 June 30, 2021 and December 31, 2020, were as follows:

- Level 1: Cash and deposits
- Level 2: None
- Level 3: 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.

18. FINANCIAL RISK FACTORS (Continued)

(a) Fair value (continued)

	Carrying values		
Financial assets June 30, 2021	**FVTPL**	**AC**	**Total**
Cash	**$ 123,835,778**	**$ -**	**$ 123,835,778**
Deposits	**3,304,951**	**-**	**3,304,951**
Accounts receivable	**-**	**6,545,465**	**6,545,465**
	$ 127,140,729	**$ 6,545,465**	**$ 133,686,194**
December 31, 2020			
Cash	$ 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

	Carrying values		
Financial liabilities June 30, 2021	**FVTPL**	**AC**	**Total**
Contingent consideration	**$ 129,133,701**	**$ -**	**$ 129,133,701**
Trade payables	-	**21,779,266**	**21,779,266**
Accrued liabilities	-	**15,443,126**	**15,443,126**
Accrued interest payable	-	**4,013,887**	**4,013,887**
Purchase consideration payable	-	**661,383**	**661,383**
Debts payable	-	**184,990,478**	**184,990,478**
	$ 129,133,701	**$ 226,888,140**	**$ 356,021,841**
December 31, 2020			
Contingent consideration	$ 22,961,411	$ -	$ 22,961,411
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
	$ 22,961,411	$ 195,846,355	$ 218,807,766

The Company is exposed to credit risk, liquidity risk, and interest rate risk. The Company's management oversees the management of these risks. The Company'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 Company. The Company's financial risk activities are governed by policies and procedures and financial risks are identified, measured, and managed in accordance with the Company's policies and the Company's risk appetite.

The Company quantified the sensitivity of inputs in relation to the contingent consideration as of June 30, 2021, and December 31, 2020, and would expect the following effects on fair value in the event of changes to the discount rate to the earn-out provisions related to the acquisitions of Sira and Oasis, respectively:

			Value at period end	
Significant assumption	**Inputs**	**Sensitivity**	**June 30, 2021**	December 31, 2020
Discount rate	10.0%	Increase 1%	$ 23,886,554	$ 22,681,839
		Decrease 1%	24,262,042	23,247,053

			Value at period end	
Significant assumption	**Inputs**	**Sensitivity**	**June 30, 2021**	December 31, 2020
Discount rate	9.8%	Increase 1%	$ 119,748,700	$ -
		Decrease 1%	123,249,600	-

18. FINANCIAL RISK FACTORS (Continued)

(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 Company to concentrations of credit risk consist of cash, deposits, and accounts receivable. To address its credit risk arising from cash and deposits, the Company ensures to keep these balances with reputable financial institutions. The Company has not recorded an ECL as all amounts are considered to be recoverable and are immaterial. The Company 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 Company as all receivables are expected to be collected. As of June 30, 2021, and December 31, 2020, the maximum amount exposed to credit risks was $130,381,243 and $130,702,566, respectively, including cash. The components of accounts receivable as of June 30, 2021 and December 31, 2020, were:

	0-30 days	31-90 days	Over 90 days	Total
Balance, as of June 30, 2021	$ 5,982,362	$ 485,523	$ 77,580	$ 6,545,465
Balance, as of December 31, 2020	2,995,368	469,033	-	3,464,401

(c) Liquidity risk

Liquidity risk is the risk that the Company is unable to generate or obtain sufficient cash in a cost-effective manner to fund its obligations as they come due. The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. The Company manages liquidity risk through maintaining sufficient funds on hand and continuously monitoring forecast and actual cash flows. Refer to Notes 8 and 11 for future lease and debt commitments. The Company has the following gross obligations as of June 30, 2021, which are expected to be payable:

	Less than 1 year	1-5 years	> 5 years	Total
Trade payables and accrued liabilities	$ 37,222,392	$ -	$ -	$ 37,222,392
Lease obligations	6,481,620	48,897,458	96,439,599	151,818,677
Purchase consideration	661,383	-	-	661,383
Income tax payable	13,982,297	-	-	13,982,297
Debt Payable	4,394,384	77,372,651	-	81,767,035
Contingent consideration	-	27,500,000	-	27,500,000
Senior secured notes	-	110,000,000	-	110,000,000
Accrued interest payable	1,200,779	2,813,108	-	4,013,887
	$ 63,942,855	**$ 266,583,217**	**$ 96,439,599**	**426,965,671**

(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 Company is exposed to interest rate risk on its cash and long-term debts. Cash and deposits bear interest at market rates. The Company's debts have fixed rates of interest. The Company 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 Company are reported in United States dollars. As the Company operates in an international environment, some of the Company's financial instruments and transactions are denominated in currencies other than the United States dollar. The results of the Company's operations are subject to currency transaction and translation risks.

18. FINANCIAL RISK FACTORS (Continued)

(e) Currency risk (continued)

As of June 30, 2021 and December 31, 2020, the Company had no hedging agreements in place with respect to foreign exchange rates. The Company has not entered into any agreements or purchased any instruments to hedge possible currency risks at this time. The Company believes that a change in exchange rates will not have a significant impact on financial results. The Company 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 June 30, 2021 $
Cash and cash equivalents	181,688	0.8084	Increase / Decrease 1%	**1,469**

19. TAXATION

The Company 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 Company 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 Company will be subject to taxation both in Canada and the United States. The Company is also subject to state income taxation in Massachusetts, Pennsylvania, Florida, and Arizona.

The Company's deferred tax liability as of June 30, 2021 and December 31, 2020, was $80,448,626 and $14,677,991, respectively. The Company has recognized deferred tax liabilities through acquisitions of $87,044,055 largely due to the recognition of acquired intangible assets and PPE. The deferred tax (recovery) expense during the three and six months ended June 30, 2021 and 2020, was ($4,121,581) and ($6,192,033), and $89,560 and $179,120 respectively.

The Company incurred current income tax of $8,767,363 and $15,819,415, and $4,158,016 and $8,203,390, respectively, for the three and six months ended June 30, 2021 and 2020.

20. SUBSEQUENT EVENTS

The Company's management has evaluated subsequent events up to August 16, 2021, the date the interim financial statements were issued:

Subsequent to June 30, 2021, the Company entered a definitive purchase agreement to acquire Tahoe Hydroponics Company, LLC (Tahoe Hydro"), a cultivation and production company, and NV Green, Inc ("NV Green") a production company. Ayr intends to purchase 100% of the membership interested in Tahoe Hydro and NV Green, adding two cultivation licenses, one production license, and one distribution license to Ayr's Nevada footprint. The terms of the transaction, subject to adjustment, include consideration of $17 million, made up of $5 million in cash, $3.5 million in debt, and approximately $8.5 million in stock. The acquisition is subject to customary closing conditions and regulatory approvals.

Subsequent to June 30, 2021, the Company entered into a definitive agreement to acquire Herbal Remedies Dispensaries, LLC ("Herbal"), an operator of two licensed retail dispensaries in Illinois. Ayr intends to purchase 100% membership interests in Herbal. The terms of the transaction, subject to adjustment, include consideration of $30 million, made up of $8 million in cash, $12 million in sellers notes, and $10 million in stock. The acquisition is subject to customary closing conditions and regulatory approvals.

Subsequent to June 30, 2021, Lincoln was awarded a conditional retail dispensary license in Illinois via the state's lottery process.

20. SUBSEQUENT EVENTS (Continued)

Subsequent to June 30, 2021, the Company entered a binding agreement to acquire Cultivauna, LLC (“Cultivauna”), the owner of Levia branded cannabis infused beverages and tinctures. Ayr intends to purchase 100% membership interests in Cultivauna, LLC. The terms of the transaction include upfront consideration of $20 million, made up of $10 million in cash and $10 million in stock. An earn-out payment of up to an additional $40 million of stock consideration will be contingent on the achievement of revenue targets in 2022 and 2023. The acquisition is subject to customary closing conditions, regulatory approvals, and reaching an agreement on definitive documentation.

Subsequent to June 30, 2021, the Company completed its arrangement with Eskar Holdings, LLC. Previously, the Company had a definitive agreement as disclosed in Note 17.

Ayr Wellness Inc.
(Formerly Ayr Strategies Inc.)
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2021 AND 2020
(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 Company", "we", "our" or "us") constitutes management's review of the factors that affected the Company's financial and operating performance for the three and six months ended June 30, 2021. This discussion should be read in conjunction with the Company's Quarterly Report, the unaudited interim consolidated financial statements for the three and six months ended June 30, 2021 and 2020 (the "interim 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. The interim financial statements and the financial information contained in this MD&A were prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP"). Further information about the Company and its operations can be obtained on **www.sedar.com**.

The effective date of this MD&A is August 16, 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 Company 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 Company, 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 Company. 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 the novel strain of coronavirus ("COVID-19"), including government and/or regulatory responses to the outbreak;
- assumptions and expectations described in the Company'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 Company'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 Company's current and proposed products and services, as well as the Company's ability to capture market share;
- the benefits and applications of the Company'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 Company operates and the Company's market expertise;
- the Company'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 Company's and third-party products sold by the Company;
- the Company's ability to mitigate risks relating to the cannabis industry, the larger economy, breaches of and unauthorized access to the Company'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 the number of planned dispensaries to be opened in the future and the timing and location in respect of the same, and related forecasts;
- the Company's ability to hit anticipated development targets of cultivation and production projects;
- the ability to successfully integrate recent acquisitions;
- the ability to develop the Company's brand and meet growth objectives;

- the risk related to limited market data and difficulty to forecast results;
- the concentrated voting control of the Company;
- market volatility and the risks associated with selling of substantial amount of Subordinate Shares;
- product liability claims related to the products the Company cultivates, produces and sells; 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.

Management's Definition and Reconciliation of Non-GAAP Measures

Management reports certain non-GAAP 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-GAAP 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 GAAP measure.

The Company references non-GAAP measures including cannabis industry metrics, in this document and elsewhere. These are provided as additional information to complement those GAAP measures by providing further understanding of the results of the operations of the Company from management's perspective. Accordingly, these measures should not be considered in isolation, nor as a substitute for analysis of the Company's financial information reported under GAAP. Non-GAAP measures used to analyze the performance of the Company include "Adjusted EBITDA" and "Adjusted Gross Profit".

The Company believes that these non-GAAP financial measures 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 highlight trends in the Company's core businesses that may not otherwise be apparent when solely relying on the GAAP measures.

Adjusted EBITDA

"Adjusted EBITDA" represents loss from operations, as reported, before interest and tax, adjusted to exclude non-recurring items, other non-cash items, including depreciation and amortization, and further adjusted to remove non-cash stock-based compensation, the accounting for the incremental costs to acquire cannabis inventory in a business combination, acquisition related costs, and start-up costs.

Adjusted Gross Profit

"Adjusted Gross Profit" represents gross profit, as reported, adjusted to exclude the accounting for the incremental costs to acquire cannabis inventory in a business combination, interest, depreciation and amortization, and start-up 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 cannabis operations in Massachusetts, Nevada, Pennsylvania, Florida, Arizona, and Ohio. 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 Company 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 Company, referred to as the Company's "Qualifying Transaction". The Company had only one operating segment, cannabis sales, during the period ended June 30, 2021. As the Company has experienced rapid growth, operating segments will be further analyzed and are subject to future change.

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

History of the Company

The Company 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 Company is located at 666 Burrard Street, Suite 1700, Vancouver, British Columbia V6C 2X8. The head office of the Company is located at 595 Madison Avenue, 20th Floor, New York, New York, 10022.

On September 12, 2018, the Company 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").

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

On May 24, 2019, the Company 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").

Business combinations and asset acquisitions

Each of the acquisitions are subject to specific terms relating to the satisfaction of the purchase price by the Company 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 Shares or non-voting exchangeable shares of the Company's subsidiaries ("Exchangeable Shares") that are exchangeable on a one-for-one basis into an equal number of Subordinate Shares of the Company. The Company treats the Exchangeable Shares as options with a value equal to a share of Subordinate Shares, which represents the holder's claim on the equity of the Company. The Company has presented these Exchangeable Shares as a part of shareholders' equity within these interim financial statements due to (i) the fact that they are economically equivalent to the Company's publicly traded Subordinate 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 Shares of the Company. 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 completion of the respective acquisition. Goodwill has been allocated to the reporting units corresponding to the states of the acquired businesses. None of the goodwill is expected to be deductible for income tax purposes. For further analysis on goodwill relating to business combinations, see Note 7 on the interim financial statements. All the acquisitions noted below were accounted for in accordance with ASC 805.

<u>2021 First Quarter Acquisitions</u>

Business combinations

On February 26, 2021, the Company completed its acquisition of 242 Cannabis LLC and DFMMJ Investments LLC (doing business as ("dba") Liberty Health Sciences Florida Ltd.) (collectively referred to as "Liberty") in a stock-for-stock combination. On March 23, 2021, the Company completed its acquisition of Blue Camo LLC dba Oasis ("Oasis") through a membership interest purchase agreement. On March 31, 2021, the Company completed its acquisition of Ohio Medical Solutions, LLC ("Ohio Medical") through an asset purchase agreement.

Asset acquisition

On March 30, 2021, the Company completed its acquisition of Greenlight Management, LLC ("Greenlight Management") and Greenlight Holdings, LLC ("Greenlight Holdings") through a membership purchase agreement. Greenlight Management has a management agreement with Parma Wellness, Center, LLC ("Parma"). Collectively, the Liberty, Oasis, Ohio Medical, and Parma acquisitions are referred to as the "Q1 2021 Acquisitions."

The details of the purchase consideration consist of cash, debt, Subordinate Shares, Exchangeable Shares, contingent consideration, purchase consideration payable, and replacement options issued.

Final valuations of the assets acquired and liabilities assumed are not yet complete due to the inherent complexity associated with valuations and the short period of time between the acquisition date and the period end. Therefore, the purchase price allocation is preliminary and subject to adjustment on completion of the valuation process and analysis of resulting tax effects. During the quarter, the Company revised the previously disclosed provisional amounts reflected in the interim financial statements for the three months ended March 31, 2021. Further changes may still be required as management works to finalize the valuation of assets acquired and liabilities assumed. Management will finalize the accounting for the acquisitions no later than one year from the date of the respective acquisition dates. Differences between these provisional estimates and the final acquisition accounting may occur and these differences could have a material impact.

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

	Liberty $	Oasis $	Parma $	Ohio Medical $	Total $
ASSETS ACQUIRED					
Cash	6,650,137	8,237,240	-	-	**14,887,377**
Accounts receivable	-	26,125	-	6,362	**32,487**
Inventory	47,569,164	10,388,851	-	313,076	**58,271,091**
Prepaid expenses and other assets	817,824	463,825	-	85,474	**1,367,123**
Intangible assets	270,000,000	220,000,000	13,255,000	11,739	**503,266,739**
Property, plant, and equipment	56,745,883	10,898,530	3,910,000	493,239	**72,047,652**
Right-of-use assets - operating	11,750,150	15,824,407	-	3,488,670	**31,063,227**
Right-of-use assets - finance, net	378,992	13,095	-	-	**392,087**
Deposits	619,377	166,200	-	252,000	**1,037,577**
Total assets acquired at fair value	**394,531,527**	**266,018,273**	**17,165,000**	**4,650,560**	**682,365,360**
LIABILITIES ASSUMED					
Trade payables	3,274,256	2,901,326	-	-	**6,175,582**
Accrued liabilities	5,881,303	2,720,382	-	15,000	**8,616,685**
Income tax payable	7,135,000	428,875	-	-	**7,563,875**
Deferred tax liabilities	71,962,667	-	-	-	**71,962,667**
Lease liabilities - operating	11,693,248	15,824,407	-	3,497,060	**31,014,715**
Lease liabilities - finance	378,992	13,095	-	-	**392,087**
Debts payable	7,479,389	-	-	-	**7,479,389**
Accrued interest	153,057	-	-	-	**153,057**
Total liabilities assumed at fair value	**107,957,912**	**21,888,085**	**-**	**3,512,060**	**133,358,057**
Goodwill	119,770,385	30,909,695	-	11,500	**150,691,580**
Calculated purchase price	**406,344,000**	**275,039,883**	**17,165,000**	**1,150,000**	**699,698,883**

Liberty Business Combination

Liberty is a vertically integrated cannabis company with cultivation, processor, transporter, and retail dispensary operations in Florida. Liberty owns a 387-acre cultivation campus in Gainesville, Florida with over 300,000 square feet of current production facilities and operates dispensaries in the medical market.

Purchase consideration was comprised of the following:

		Shares	Value
Share Capital	i	**12,670,958**	**$ 399,499,188**
Purchase Consideration Payable	ii	**75,864**	**$ 2,391,895**
Replacement Options Issued	iii	**248,412**	**$ 4,452,917**
Total		**12,995,234**	**$ 406,344,000**

Pursuant to the terms of the Definitive Agreement ("Liberty Agreement"), Ayr satisfied the purchase price of $406.3 million for Liberty through the following:

i. $399.5 million of the Liberty purchase price in the form of 12,670,958 Subordinate Shares of the Company in a stock-for-stock combination. Liberty shareholders received 0.03683 Ayr shares for each Liberty share held;

ii. $2.4 million of the Liberty purchase price in the form of 75,864 Subordinate Shares were issued to dissenting shareholders who subsequently withdrew their dissent notices. On April 1, 2021, the dissenting Liberty shareholders received 0.03683 Ayr Subordinate Shares for each share held and the Company recognized a gain from fair value adjustment of $1 02,351, see Note 13; and

iii. $4.5 million of the Liberty purchase price in the form of 248,412 replacement options issued that were fully vested.

Oasis Business Combination

Oasis is a vertically integrated cannabis company with a cultivation, processing, and retail dispensary operations in Arizona. Oasis operates a 10,000 square foot cultivation and processes facility and has an 80,000 square foot cultivation facility under development. Oasis operates three dispensaries in both the adult-use and medical markets.

Purchase consideration was comprised of the following:

		Shares	Value
Cash	i		**$ 9,732,751**
Debt Payable	ii		**22,504,885**
Shares Issued	iii	**4,570,434**	**125,187,247**
Contingent Consideration	iv		**117,615,000**
Total		**4,570,434**	**$ 275,039,883**

Pursuant to the terms of the Definitive Agreement ("Oasis Agreement"), Ayr satisfied the purchase price of $275.0 million for Oasis through the following:

i. $9.7 million of the Oasis purchase price in the form of cash consideration;

ii. $22.5 million of the Oasis purchase price in the form of promissory notes payable. The note is subjected to adjustment based on a final working capital adjustment;

iii. $125.2 million of the Oasis purchase price in the form of 4,570,434 Exchangeable Shares, that are exchangeable on a one-for-one basis into an equal number of Subordinate Shares of the Company. Two million of the Exchangeable Shares are held in escrow and may be payable upon the achievement of established cultivation targets at the facility under development. These shares have restrictions on their ability to be sold for six to eighteen months (the "Oasis Lock-Up Provision"); and

iv. A portion of the Oasis purchase price is derived from an earn-out provision, valued through a Monte-Carlo simulation, that may entitle the sellers to earn additional consideration if certain milestones are achieved, see Note 13 for more information.

Parma Asset Acquisition

Greenlight Management operates on a 58,000 square foot facility in Parma, Ohio under a management agreement with Parma. Parma is a recipient of a Tier 1 Cultivator Provisional License in the medical cannabis market in Ohio. The land and building where the facility is located are owned by Greenlight Holdings.

As the Parma acquisition did not meet the definition of a business according to ASC 805 as there were no outputs at the time of acquisition, it was recorded as an asset acquisition. Purchase consideration for the acquisition was $17,165,000, paid in cash.

Ohio Medical Business Combination

Ohio Medical is a cannabis processor and manufacturer in the Ohio medical market with a 9,000 square foot medical marijuana processor facility that is licensed as part of the Ohio medical cannabis program.

Purchase consideration for the combination was $1,150,000, paid in cash.

2020 Fourth Quarter 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 Acquisition PA, Corp (CSAC "PA"), a wholly-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 "Q4 2020 Acquisitions".

The details of the purchase price consist of cash, debt, Subordinate Shares, and Exchangeable Shares.

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

	DocHouse $	CannTech PA $	Total $
ASSETS ACQUIRED			
Cash	-	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 - operating	-	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**

Advance from related parties	2,303,349	5,737,455	**8,040,804**
Lease liabilities - operating	-	11,170,076	**11,170,076**
Debts payable	-	8,271,432	**8,271,432**
Total liabilities assumed at fair value	**2,640,191**	**26,157,005**	**28,797,196**
Goodwill	-	3,015,000	**3,015,000**
Calculated purchase price	**21,496,202**	**64,053,680**	**85,549,882**

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 ASC 805, 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 $21.5 million for DocHouse through the following:

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

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

v. $2.1 million of the DocHouse purchase price in the form of 128,265 Subordinate Shares of the Company. 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		**$ 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 $64.1 million for CannTech PA through the following:

i. $25.2 million of the CannTech PA purchase price in the form of cash consideration, subject to settlement of the final working capital;

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; and

iii. $25.0 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 Shares of the Company. These shares have restrictions on their ability to be sold for four to twelve months (the "CannTech PA Lock-Up Provision").

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 in accordance with ASC 805, with the results included in the Company's net earnings from the date of acquisition.

The consideration that is subject to a Lock-Up Provision is measured at fair value based on unobservable inputs and is considered a Level 3 measurement. The fair value was determined by the Company's share price at the acquisition date and other inputs based on other observable market data. The earn-out provision in the Oasis Agreement has been measured at fair value by using a Monte-Carlo simulation model. Refer to Note 13 on the interim financial statements for the contingent consideration fair value treatment subsequent to the acquisition.

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 Sira Naturals flower, Entourage vape pens, Wicked Sour gummies, Origyn Extracts, Jimmy's Choice flower, Nantucket Nuggets flower, and Root 90 flower. The Company sells cannabis products at its medical dispensaries and is actively seeking licenses to operate adult-use cannabis retail establishments.

Ayr currently operates two state of the art facilities encompassing approximately 50,000 square feet of cultivation and production space. Ayr has begun construction on an additional 100,000 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 six dispensaries licensed to sell in both the medical and adult-use markets. Four 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. The two remaining dispensaries are operating under the MYNT brand, with retail operations in Unincorporated Washoe County and Reno, Nevada. Overall, Nevada retail operations currently generate annualized sales averaging close to $9,000 per square foot.

The licensed cultivation and production facilities to which Ayr provides operational services produce premium cannabis products in 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 six 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 are three dispensaries operating under the name "Ayr Wellness", in New Castle, Plymouth Meeting, and Gibsonia, Pennsylvania. Ayr currently sells branded product in Pennsylvania under the Revel brand (flower, vapes, and Rick Simpson Oil) and the Seven Hills brand (flower), through its retail establishments and wholesale channels.

Florida

In Florida, Ayr is vertically integrated with cultivation, extraction, production, manufacturing, distribution, and retail dispensary operations. Ayr's current operations include a 300,000 square foot cultivation and production facility, 39 opened retail dispensaries, and an additional 11 retail locations under development scheduled to open in 2021. The retail dispensaries currently operate under the Liberty Health Science banner. Ayr's products include cannabis flower and cannabis products, including concentrates, and vaporizer products.

Arizona

In Arizona, Ayr is vertically integrated with cultivation, extraction, production, manufacturing, distribution, and retail dispensary operations. Ayr's current operations include a 10,000 square foot cultivation and production facility and three retail dispensaries which operate under the Oasis brand and serve both the medical and adult-use markets. It has another 80,000 square feet of cultivation and production under development. Ayr's products include premium cannabis flower and cannabis products, including concentrates, edibles, and vaporizer products. Its top branded products, which include Lit vape pens and Haze Extracts, are sold at its retail stores and in the wholesale market.

Ohio

In Ohio, Ayr has a 9,000 square foot production facility and a 58,000 square foot cultivation and production facility under development.

Brand Strategy

The level of products and brands across Ayr's portfolio allows customers and patients the ability to select from a wide-range of high-quality products. By sharing brands across markets, Ayr has expanded the variety offered to customers and patients while expanding brand visibility. The Company maintains strict brand and quality assurance standards and implements standard operating procedures across its cultivation and production facilities to ensure product continuity and positive 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 Company'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 Company 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 Company 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 Company 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 Company 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 Company was able to maintain operations and expand delivery options and curbside pick-up to provide additional fulfillment models that are safe and efficient for employees and customers. 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 Company 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 Company 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. The Company 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

Subsequent to June 30, 2021, The Company entered a binding agreement to acquire Cultivauna, LLC ("Cultivauna"), the owner of Levia branded cannabis infused beverages and tinctures. Ayr intends to purchase 100% membership interests in Cultivauna, LLC. The terms of the transaction include upfront consideration of $20 million, made up of $10 million in cash and $10 million in stock. An earn-out payment of up to an additional $40 million of stock consideration will be contingent on the achievement of revenue targets in 2022 and 2023. The acquisition is subject to customary closing conditions, regulatory approvals, and reaching an agreement on definitive documentation.

Nevada

Subsequent to June 30, 2021, the Company entered a definitive purchase agreement to acquire Tahoe Hydroponics Company, LLC ("Tahoe Hydro"), a cultivation and production company, and NV Green, Inc ("NV Green") a production company. Ayr intends to purchase 100% of the membership interested in Tahoe Hydro and NV Green, adding two cultivation licenses, one production license, and one distribution license to Ayr's Nevada footprint. The terms of the transaction, subject to adjustment, include consideration of $17 million, made up of $5 million in cash, $3.5 million in debt, and approximately $8.5 million in stock. The acquisition is subject to customary closing conditions and regulatory approvals.

Illinois

Subsequent to June 30, 2021, The Company entered into a definitive agreement to acquire Herbal Remedies Dispensaries, LLC ("Herbal"), an operator of two licensed retail dispensaries in Illinois. Ayr intends to purchase 100% membership interests in Herbal. The terms of the transaction, subject to adjustment, include consideration of $30 million, made up of $8 million in cash, $12 million in sellers notes, and $10 million in stock. The acquisition is subject to customary closing conditions and regulatory approvals.

Subsequent to June 30, 2021, Land of Lincoln Dispensary, LLC was awarded a conditional retail dispensary license in Illinois via the state's lottery process. Ayr is an operational and 49% equity partner in Land of Lincoln.

Acquisitions – Definitive Agreements and Term Sheets

<u>Massachusetts</u>

On February 26, 2020, the Company 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 Company entered both a definitive membership interest purchase agreement and purchase and sale agreement. Pursuant to the agreements, the Company 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 Company has agreed to pay a purchase price consisting of $1 million cash. In addition, for the purchase of the property, the Company paid a purchase price of $5 million cash. The closing of the acquisition is subject to, among other things, regulatory approval.

Subsequent to June 30, 2021, the Company completed its arrangement with Eskar Holdings, LLC.

<u>New Jersey</u>

On March 29, 2021, the Company entered a definitive agreement 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 Company 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.

The closing for the acquisition is subject to, among other things, regulatory approval and due diligence. The acquisition has not closed.

Forward-Looking Financial Projections or Targets

Based on the results to date, management is expecting revenue during Q3 2021 of approximately $100 million, which reflects growth of over 10% sequentially and 218% year-over-year. Adjusted EBITDA is expected to remain flat with the prior quarter on a US GAAP basis, reflecting the investment in new markets and growth projects that are expected to generate meaningful revenue in the second half of 2021 and 2022.

The company is updating its 2022 targets to reflect its accelerated investments in driving growth in both the retail and wholesale segments. The Company now expects 2022 revenue of approximately $800 million, an increase from its original guidance of at least $725 million. On a US GAAP-adjusted basis, the Company is reiterating its prior guidance for 2022 with Adjusted EBITDA of $300 million.

In developing the 2022 guidance set forth above, Ayr made the following assumptions and relied on the following factors and considerations (as well as those referred to under "Forward-Looking Information"):

- The targets are subject to the timing of pending M&A transactions:
  - New Jersey will close by the end of Q3 2021.
- The targets are subject to the timing of on-line dates for cultivation and manufacturing capacity as well as retail store openings:
  - Pennsylvania:
    - 45,000 square feet of cultivation and manufacturing capacity, which came on-line in Q2 2021, followed by an additional 38,000 in Q3 2021 and an additional cultivation expansion in Q3 2022.
    - Three additional retail locations will open in the second half of 2021, bringing the total store count to six.

  - Arizona:
    - Construction of 80,000 square feet of additional cultivation and manufacturing capacity will be completed in Q4 2021 with revenues coming on-line in Q2 2022.
  - New Jersey:
    - 76,000 square feet of additional cultivation and manufacturing under construction expected to come on-line in two phases: the first in Q1 2022, the second by year end 2022.
    - Adult-use sales will begin in Q1 2022.
  - Massachusetts:
    - Three adult-use retail locations in Greater Boston will be approved to open and will open by Q1 2022.
    - 93,000 sq ft of additional cultivation and manufacturing capacity will come on-line in Q2 2022.
  - Florida:
    - 50 retail locations in Florida by the end of 2021.
    - Steady, gradual improvement in cultivation yields in Florida and retail throughput in 2021 to reach annual retail revenues of roughly $4 million per store in 2022, in-line with the state average.
  - Ohio:
    - 58,000 square feet of cultivation and manufacturing capacity will come on-line in Q3 2022.

Ayr has also assumed that business and economic conditions will continue substantially in the ordinary course, including, without limitation, with respect to general industry conditions, competition, regulations (including those in respect of the cannabis industry), weather, taxes, that there will be no pandemics or substantially worsened pandemics or other material outbreaks of disease or safety issues or material recalls required, and that there will be no unplanned material changes in facilities, equipment, or customer and employee relations.

Review of the Financial Results for the Three and Six Months Ended June 30, 2021 and 2020

Adjusted EBITDA Reconciliation for the Three and Six Months Ended June 30, 2021 and 2020

	Three Months Ended		Year Ended	
	June 30, 2021	June 30, 2020	**June 30, 2021**	June 30, 2020
	$	$	**$**	$
Loss from operations	(24,880,786)	(5,437,912)	(33,248,953)	(14,015,958)
Non-cash items accounting for inventory				
Incremental costs to acquire cannabis inventory in business combination	26,596,051	-	32,388,441	-
Interest	212,666	123,590	456,951	240,236
Depreciation and amortization (from statement of cash flows)	14,587,557	4,049,386	22,063,663	7,859,634
Acquisition costs	1,284,607	368,929	4,421,583	497,309
Stock-based compensation, non-cash	7,151,806	9,103,459	15,375,351	21,248,761
Start-up costs[1]	1,350,226	-	2,973,185	-
Other[2]	1,121,999	239,352	1,407,954	420,464
	52,304,912	13,884,716	46,698,687	30,266,404
Adjusted EBITDA (non-GAAP)	**27,424,126**	**8,446,804**	**45,838,175**	**16,250,446**

Notes:

[1] These are set-up costs to prepare a location for its intended use. Start-up costs are expensed as incurred and are not indicative of ongoing operations.

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

Adjusted Gross Profit Reconciliation for the Three and Six Months Ended June 30, 2021 and 2020

	Three Months Ended		Year Ended	
	June 30, 2021	June 30, 2020		
($ in millions)	**$**	$	**June 30, 2021**	June 30, 2020
Gross Profit	22.3	17.1	46.8	33.8
Incremental costs to acquire cannabis inventory in business combination	26.6	-	32.4	-
Interest (within COGS)	0.2	0.1	0.5	0.2
Depreciation and amortization (within COGS)	3.6	0.8	6.1	1.5
Start-up costs (within COGS)	0.4	-	1.6	-
Adjusted Gross Profit (Non-GAAP)	**53.1**	**18.1**	**87.3**	**35.5**

Unaudited Consolidated Interim Statements of Operations and Comprehensive Loss for the Three and Six Months Ended June 30, 2021 and 2020

	Three Months Ended		Year Ended	
($ in millions)	**June 30, 2021**	June 30, 2020	**June 30, 2021**	June 30, 2020
Revenues, net of discounts	91.3	28.3	149.7	61.9
Cost of goods sold excluding fair value items	(42.3)	(11.2)	(70.5)	(28.0)
Incremental costs to acquire cannabis inventory in a business combination	(26.6)	-	(32.4)	-
Gross profit	22.3	17.1	46.8	33.8
Total expenses	(47.2)	(22.6)	(80.0)	(47.8)
Loss from operations	(24.9)	(5.4)	(33.3)	(14.0)
Total other income (expense)	8.8	(0.3)	5.5	(1.9)
Loss before income tax	(16.1)	(5.7)	(27.7)	(15.9)
Provision for income taxes	(4.7)	(4.3)	(9.6)	(8.4)
Net loss and comprehensive loss	(20.7)	(10.0)	(37.4)	(24.3)

Revenue

Revenue for the three months ended June 30, 2021 and 2020, was $91.3 million and $28.3 million, respectively, increasing $63 million or 222%. The increase in revenue was driven by both organic growth and market expansion due to acquisitions. Excluding the addition of our 6th retail store in Nevada, same store sales from our original footprint of Massachusetts and Nevada increased 185%.

Revenue for the six months ended June 30, 2021 and 2020, was $149.7 million and $61.9 million, respectively, increasing $87.8 million or 142%. Between June 30, 2021 and June 30, 2020, Ayr opened or acquired 43 dispensaries further driving the increase in revenue.

Gross Profit

Gross profit for the three months ended June 30, 2021 and 2020, was $22.3 million and $17.1 million, respectively, increasing $5.2 million or 30.4%. Gross profit percentage for the three months ended June 30, 2021 and 2020 was 24.4% and 60.5%, respectively. Gross profit for the six months ended June 30, 2021 and 2020, was $46.8 million and $33.8 million, respectively, an increase of $13.0 million or 38.5%. Gross profit percentage for the six months ended June 30, 2021 and 2020, was 31.3% and 54.7%, respectively.

The decrease in gross profit percentage for the three and six month periods was primarily driven by the incremental costs to acquire cannabis inventory in a business combination. These incremental costs represent the realized fair value impact from the sales of inventory acquired in a business combination.

Adjusted gross profit for the three months ended June 30, 2021 and 2020, was $53.1 million and $18.1 million, respectively, increasing $35 million or 193.6%. Adjusted gross profit percentage for the three months ended June 30, 2021 and 2020, was 58.2% and 63.9%, respectively. The decrease was due to a lower sales base in the prior year due to the impact of COVID-19 resulting in a higher percentage of internally sourced products.

Adjusted gross profit for the six months ended June 30, 2021 and 2020, was $87.3 million and $35.5 million, respectively, increasing $51.8 million or 146.0%. Adjusted gross profit percentage for the six months ended June 30, 2021 and 2020 was 58.3% and 57.4%, respectively. The increase was due to expansion into new markets which results in different macro-economic factors such as pricing, labor cost, and ability to scale.

Total Expenses

Total expenses for the three months ended June 30, 2021 and 2020 were $47.2 million and $22.6 million, respectively, increasing $24.6 million or 109%. The increase in expense is due to an increase in general and administrative expenses and amortization expense of $16.5 and $7.6 million, respectively. Total expenses for the six months ended June 30, 2021 and 2020 were $80.0 million and $47.8 million, respectively, increasing $32.2 million or 67%. The increase in expense is due to an increase in general and administrative expenses and amortization expense of $23.0 and $9.3 million, respectively.

The increase in general and administrative expenses for the three and six month periods was primarily driven by the expansion to new markets and the investment in talent and infrastructure. The increase to amortization expense over the three and six month periods is driven by the acquisition of cannabis licenses, which are classified as intangible assets and amortized over their useful lives.

Total expenses as a percent of revenue during the three months ended June 30, 2021 and 2020, were 52% and 80%, respectively. Total expenses as a percent of revenue during the six months ended June 30, 2021 and 2020, were 53% and 77%, respectively. The decrease for the three and six month periods was driven by operational efficiencies providing leverage as revenue increased during the same periods by 222% and 142%, respectively.

Total Other Income (Expense)

Total other income (expense) for the three months ended June 30, 2021 and 2020 was $8.8 million and ($0.3) million, respectively. Total other income (expense) for the six months ended June 30, 2021 and 2020 was $5.5 million and ($1.9) million, respectively.

The increase for the three- and six-month periods was primarily driven by the increase in the fair value adjustment on contingent consideration

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.

Total income tax expense for the three months ended June 30, 2021 and 2020 was $4.6 million and $4.2 million, respectively. The current tax expense was $8.0 million and $4.2 million, respectively, for the three months ended June 30, 2021 and 2020. The increase in current tax expense was driven by an increase in gross profit for the same periods. The deferred tax (recovery) expense was ($4.1) million and $0.1 million, respectively, for the three months ended June 30, 2021 and 2020.

Total income tax expense for the six months ended June 30, 2021 and 2020 was $9.6 million and $8.4 million, respectively. The current tax expense was $15.8 million and $8.2 million, respectively, for the six months ended June 30, 2021 and 2020. The increase in current tax expense was driven by an increase in gross profit for the same periods. The deferred tax (recovery) expense was ($6.2) million and $0.2 million, respectively, for the six months ended June 30, 2021 and 2020.

Net Loss

Net loss for the three months ended June 30, 2021 and 2020 was ($20.7) million and ($10.0) million, respectively. The decrease was primarily driven by the factors described above.

Net loss for the six months ended June 30, 2021 and 2020 was ($37.4) million and ($24.3) million, respectively. The decrease was primarily driven by the factors described above.

Liquidity and Capital Resources as of June 30, 2021

Selected Liquidity and Capital Resource Information

($ in millions)	June 30, 2021	December 31, 2020
Cash	123.8	127.2
Total current assets	227.2	159.0
Total assets	1,415.8	564.9
Total current liabilities	64.2	57.6
Total long-term liabilities	454.4	222.1
Total liabilities	518.6	279.7
Total shareholders' equity	897.2	285.3

As of June 30, 2021, the Company had cash of $123.8 million, other current assets of $103.3 million, current liabilities of $64.2 million, and working capital of $163.0 million compared to December 31, 2020 which had cash of $127.2 million, other current assets of $31.8 million, current liabilities of $57.6 million, and working capital of $101.5 million to meet its current obligations. The overall increase in net working capital is due to the increase in inventory due to the acquisitions and the cash received through an equity offering.

The Company 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

	Six Months Ended June 31,	
($ in millions)	2021	2020
Net cash (used in) provided by operating activities	(22.4)	15.5
Net cash used in investing activities	(69.8)	(5.7)
Net cash provided by (used in) financing activities	88.8	(2.2)
Net increase (decrease) in cash	(3.4)	7.6
Cash, beginning of the period	127.2	8.4
Cash, end of the period	123.8	16.0

Operating Activities

Net cash (used in) provided by operating activities during the periods ended June 30, 2021 and 2020 was ($22.4) million and $15.5 million, respectively, a decrease of $37.9 million. The decrease in net cash provided by operating activities was driven by tax payments that occurred throughout the period ended June 30, 2021 as well as an investment of cash in inventory.

Investing Activities

Net cash used in investing activities during the periods ended June 30, 2021 and 2020 was ($69.8) million and ($5.7) million, respectively, a decrease of ($64.1) million. The cash used during the current year was due primarily to the cash paid for acquisitions and bridge financing, and investment in property, plant, and equipment.

Financing Activities

Net cash provided by (used in) financing activities during the periods ended June 30, 2021 and 2020 was $88.8 million and ($2.2) million, respectively, an increase of $91 million. The increase in net cash provided by financing activities was primarily due to the proceeds from an equity offering.

Capital Management

The Company'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 Company manages its capital structure and makes adjustments based on the funds available to the Company 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 Company's management to sustain future development of the business. In order to carry out the planned business development and pay for administrative costs, the Company will spend its existing working capital and seek to raise additional amounts, as needed. There were no changes in the Company's approach to capital management during the periods ended June 30, 2021 and December 31, 2020. The Company is not subject to externally imposed capital requirements apart from the need to maintain its listing in accordance with stock exchange requirements.

The Company 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 Company, is reasonable. The Company plans to use existing funds, as well as funds from the future sale of products, to fund operations and expansion activities. However, the Company may attempt to issue new shares or issue new debt for acquisitions. There can be no assurance that the Company will be able to continue raising capital in this manner.

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

Share Capital

As of June 30, 2021 and December 31, 2020, the Company had share capital of $1,174.2 million and $524.3 million, respectively, consisting of additional paid-in capital.

Outstanding Shares

	June 30, 2021	December 31, 2020
Issued and outstanding		
Multiple Voting Shares	3,696,486	3,696,486
Subordinate Voting Shares	12,959,049	4,264,417
Restricted Voting Shares	9,262,563	12,588,577
Limited Voting Shares	26,888,625	12,020,647
Exchangeable Shares	6,013,294	2,127,543
Treasury stock	(63,800)	(63,800)
Total number of shares	58,756,217	34,633,870

As of June 30, 2021, the Company had 9,463,575 Subordinate Shares issuable upon the exercise of Warrants, 3,624,429 restricted Exchangeable Share units, and 240,187 Subordinate Shares issuable upon the exercise of options. As of December 31, 2020, the Company had 10,486,312 Subordinate Shares issuable upon the exercise of Warrants, 4,235,150 restricted Exchangeable Share units, and 138,394 Subordinate Shares issuable upon the exercise of rights reserved for issuance.

Liquidity

As of June 30, 2021, the Company had working capital of $163.0 million compared to December 31, 2020 when it had working capital of $127.1 million.

Summary of Future Commitments

Year	Leases	Debt	Total
2021	6,481,620	4,394,384	10,876,004
2022	12,916,859	5,611,722	18,528,581
2023	12,947,606	11,446,496	24,394,102
2024	12,158,470	147,809,548	159,968,018
2025	10,874,523	22,504,885	33,379,408
Thereafter	96,439,599	-	96,439,599
Total Commitments	151,818,677	191,767,035	343,585,712

Off-Balance Sheet Arrangements

As of the date of this filing, the Company does not have any off-balance sheet arrangements, with the exception of the definitive agreements and term sheets referenced in Note 17 in the interim 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 Company 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 Company 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 interim financial statements, related party transactions and balances are as follows:

Mercer Park, L.P. entered into a management agreement with the Company dated May 24, 2019. As of June 30, 2021 and December 31, 2020, $736,399 and $83,371 was included in prepaid expenses as an advance for these services. Included in expenses for the three and six months ended June 30, 2021, are management fees of $2,636,279 and $4,423,352 that are included in general and administrative expenses and embedded lease fees of $115,575 and $231,150 that are included in operating lease expense. The management fee is paid monthly and varies based on actual costs incurred by the related entity when providing the Company 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 June 30, 2021 and December 31, 2020, Glass House Brands Inc. ("Glass House"), formerly Mercer Park Brand Acquisition Corp., a company that had limited services shared with the Company, owed to Ayr $176,858 and $135,000. This is included in due from related parties.

During the three and six months ended June 30, 2021, the Company incurred fees from Panther Residential Management, LLC ("Panther"), a company partially owned by a board member of Ayr. The total incurred fees were $25,500 and $51,000 (2020: $25,500 and $51,000) of office expenses, $225,000 and $375,000 (2020: $112,500 and $225,000) of rental fees, and $62,682 and $129,227 (2020: $1,187 and $2,495) of interest expense.

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

	Three Months Ended		Six Months Ended	
	June 30, 2021	June 30, 2020	**June 30, 2021**	June 30, 2020
Compensation and benefits, included in management fee	$ 937,500	$ 529,375	$ 1,875,000	$ 998,750
Stock-based compensation, non-cash	7,151,806	9,103,459	15,375,351	15,375,351
Total compensation	**$ 8,089,306**	$ 9,632,834	**$ 17,250,351**	$ 16,374,101

Refer to Notes 11 and 16 for additional information around the debts payable and non-cash stock-based compensation plan and calculation, respectively, for the three and six months ended June 30, 2021 and 2020.

Significant Accounting Judgments and Estimates

The application of the Company'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 interim 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 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.

The following discusses the most significant accounting judgments, estimates and assumptions that the Company 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 Company obtains control of the acquiree.

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 a liability is remeasured at subsequent reporting dates in accordance with the criteria and guidance provided under ASC 450 – *Contingencies.*

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.

Inventory

In calculating the value of 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, expected yields for the cannabis plants, harvesting costs, net realizable value, selling costs, average or expected selling prices, and impairment factors. In calculating final inventory values, management compares the inventory costs to estimated net realizable value as well as investigates slow moving inventory, if applicable. The estimates are judgmental in nature and are made at a point in time, using available information, such as expected business plans and expected market conditions. Periodic reviews are performed on the inventory balance with the changes in inventory reserves reflected in cost of goods sold.

Estimated useful lives and depreciation of PPE

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.

Valuation, estimated life and impairment of intangible assets

Management uses significant judgment in 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. Impairment tests rely on judgments and estimates related to growth rates, discount rates, and estimated margins.

Goodwill impairment

Goodwill is tested for impairment annually and whenever events or changes in circumstances indicate that the carrying amount of goodwill may have been impaired. In order to determine that the value of goodwill may have been impaired, the Company performs a qualitative assessment to determine that it was more-likely-than-not if the reporting unit's carrying value is less than the fair value, indicating the potential for goodwill impairment. A number of factors, including historical results, business plans, forecasts, and market data are used to determine the fair value of the reporting unit. Changes in the conditions for these judgments and estimates can significantly affect the assessed value of goodwill.

Leases

Each capitalized lease is evaluated to determine if the Company 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 Company 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 Company 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 Company 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 period end.

Risk Factors

Please refer to the Company's final non-offering prospectus dated February 24, 2021, the Company's management information circular dated June 7, 2021, and the Company's Annual Information Form for information on the risk factors to which the Company is subject. In addition, see "Cautionary Note Regarding Forward-Looking Information" above.

Financial Instruments, Financial Risk Management and Other Instruments

The Company does not utilize financial instruments such as derivatives to manage financial risks. The Company's financial instruments consist of cash, deposits, accounts receivable, accounts payable, debts payable, senior secured notes, 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 18 to the financial statements).

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

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 Company 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 interim 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 June 30, 2021 and December 31, 2020, were as follows:

- Level 1: Cash and deposits
- Level 2: None
- Level 3: 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.

	Carrying values		
Financial assets June 30, 2021	**FVTPL**	**AC**	**Total**
Cash	**$ 123,835,778**	**$ -**	**$ 123,835,778**
Deposits	**3,304,951**	**-**	**3,304,951**
Accounts receivable	**-**	**6,545,465**	**6,545,465**
	$ 127,140,729	**$ 6,545,465**	**$ 133,686,194**
December 31, 2020			
Cash	$ 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

	Carrying values		
Financial liabilities June 30, 2021	**FVTPL**	**AC**	**Total**
Contingent consideration	**$ 129,133,701**	**$ -**	**$ 129,133,701**
Trade payables	-	**21,779,266**	**21,779,266**
Accrued liabilities	-	**15,443,126**	**15,443,126**
Accrued interest payable	-	**4,013,887**	**4,013,887**
Purchase consideration payable	-	**661,383**	**661,383**
Debts payable	-	**184,990,478**	**184,990,478**
	$ 129,133,701	**$ 226,888,140**	**$ 356,021,841**
December 31, 2020			
Contingent consideration	$ 22,961,411	$ -	$ 22,961,411
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
	$ 22,961,411	$ 195,846,355	$ 218,807,766

The Company is exposed to credit risk, liquidity risk, and interest rate risk. The Company's management oversees the management of these risks. The Company'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 Company. The Company's financial risk activities are governed by policies and procedures and financial risks are identified, measured, and managed in accordance with the Company's policies and the Company's risk appetite.

The Company quantified the sensitivity of inputs in relation to the contingent consideration as of June 30, 2021 and December 31, 2020, and would expect the following effects on fair value in the event of changes to the discount rate to the earn-out provisions related to the acquisitions of Sira and Oasis, respectively:

			Value at period end	
Significant assumption	**Inputs**	**Sensitivity**	**June 30, 2021**	December 31, 2020
Discount rate	10.0%	Increase 1%	$ 23,886,554	$ 22,681,839
		Decrease 1%	24,262,042	23,247,053

			Value at period end	
Significant assumption	**Inputs**	**Sensitivity**	**June 30, 2021**	December 31, 2020
Discount rate	9.8%	Increase 1%	$ 119,748,700	$ -
		Decrease 1%	123,249,600	-

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 Company to concentrations of credit risk consist of cash, deposits, and accounts receivable. To address its credit risk arising from cash and deposits, the Company ensures to keep these balances with reputable financial institutions. The Company has not recorded an ECL as all amounts are considered to be recoverable and are immaterial. The Company 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 Company as all receivables are expected to be collected and are not significant. As of June 30, 2021 and December 31, 2020, the maximum amount exposed to credit risks was $130,381,243 and $130,702,566, respectively, including cash. The components of accounts receivable as of June 30, 2021 and December 31, 2020, were:

	0-30 days	**31-90 days**	**Over 90 days**	**Total**
Balance, as of June 30, 2021	$ 5,982,362	$ 485,523	$ 77,580	$ 6,545,465
Balance, as of December 31, 2020	2,995,368	469,033	-	3,464,401

Liquidity Risk

Liquidity risk is the risk that the Company is unable to generate or obtain sufficient cash in a cost-effective manner to fund its obligations as they come due. The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. The Company manages liquidity risk through maintaining sufficient funds on hand and continuously monitoring forecast and actual cash flows. As of June 30, 2021 and December 31, 2020, 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 Company has the following gross obligations as of June 30, 2021, which are expected to be payable:

	Less than 1 year	**1-5 years**	**> 5 years**	**Total**
Trade payables and accrued liabilities	$ 37,222,392	$ -	$ -	$ 37,222,392
Lease obligations	6,481,620	48,897,458	96,439,599	151,818,677
Purchase consideration	661,383	-	-	661,383
Income tax payable	13,982,297	-	-	13,982,297
Debt Payable	4,394,384	77,372,651	-	81,767,035
Contingent consideration	-	27,500,000	-	27,500,000
Senior secured notes	-	110,000,000	-	110,000,000
Accrued interest payable	1,200,779	2,813,108	-	4,013,887
	$ 63,942,855	**$ 266,583,217**	**$ 96,439,599**	**426,965,671**

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 Company is exposed to interest rate risk on its cash and long-term debts. Cash and deposits bear interest at market rates. The Company's debts have fixed rates of interest. The Company 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 Company are reported in United States dollars. As the Company operates in an international environment, some of the Company's financial instruments and transactions are denominated in currencies other than the United States dollar. The results of the Company's operations are subject to currency transaction and translation risks.

As of June 30, 2021 and December 31, 2020, the Company had no hedging agreements in place with respect to foreign exchange rates. The Company has not entered into any agreements or purchased any instruments to hedge possible currency risks at this time. The Company believes that a change in exchange rates will not have a significant impact on financial results. The Company performed a sensitivity analysis on the conversion rate applied to Canadian balances:

	Value at year end Dr (Cr.)	**Conversion rate**	**Effect on fair value, as at June 30, 2021**

Balance sheet account	CDN	$	Sensitivity	$
Cash and cash equivalents	181,688	0.8084	Increase / Decrease 1%	**1,469**

FORM 52-109FV2

CERTIFICATION OF INTERIM FILINGS

VENTURE ISSUER BASIC CERTIFICATE

I, Brad Asher, Chief Financial Officer, Ayr Wellness Inc., certify the following:

1. ***Review:*** I have reviewed the interim financial report and interim MD&A (together, the "interim filings") of Ayr Wellness Inc. (the "issuer") for the interim period ended June 30, 2021.

2. ***No misrepresentations:*** Based on my knowledge, having exercised reasonable diligence, the interim filings do not contain any untrue statement of a material fact or omit to state a material fact required to be stated or that is necessary to make a statement not misleading in light of the circumstances under which it was made, with respect to the period covered by the interim filings.

3. ***Fair presentation:*** Based on my knowledge, having exercised reasonable diligence, the interim financial report together with the other financial information included in the interim filings fairly present in all material respects the financial condition, financial performance and cash flows of the issuer, as of the date of and for the periods presented in the interim filings.

Date: August 16, 2021

(signed) "Brad Asher"

Brad Asher
Chief Financial Officer

NOTE TO READER

In contrast to the certificate required for non-venture issuers under National Instrument 52-109 *Certification of Disclosure in Issuers' Annual and Interim Filings* (NI 52-109), this Venture Issuer Basic Certificate does not include representations relating to the establishment and maintenance of disclosure controls and procedures (DC&P) and internal control over financial reporting (ICFR), as defined in NI 52-109. In particular, the certifying officers filing this certificate are not making any representations relating to the establishment and maintenance of

i) controls and other procedures designed to provide reasonable assurance that information required to be disclosed by the issuer in its annual filings, interim filings or other reports filed or submitted under securities legislation is recorded, processed, summarized and reported within the time periods specified in securities legislation; and

ii) a process to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with the issuer's GAAP.

The issuer's certifying officers are responsible for ensuring that processes are in place to provide them with sufficient knowledge to support the representations they are making in this certificate. Investors should be aware that inherent limitations on the ability of certifying officers of a venture issuer to design and implement on a cost effective basis DC&P and ICFR as defined in NI 52-109 may result in additional risks to the quality, reliability, transparency and timeliness of interim and annual filings and other reports provided under securities legislation.

Exhibit 99.4

FORM 52-109FV2

CERTIFICATION OF INTERIM FILINGS

VENTURE ISSUER BASIC CERTIFICATE

I, Jonathan Sandelman, Chief Executive Officer, Ayr Wellness Inc., certify the following:

1. ***Review:*** I have reviewed the interim financial report and interim MD&A (together, the "interim filings") of Ayr Wellness Inc. (the "issuer") for the interim period ended June 30, 2021.

2. ***No misrepresentations:*** Based on my knowledge, having exercised reasonable diligence, the interim filings do not contain any untrue statement of a material fact or omit to state a material fact required to be stated or that is necessary to make a statement not misleading in light of the circumstances under which it was made, with respect to the period covered by the interim filings.

3. ***Fair presentation:*** Based on my knowledge, having exercised reasonable diligence, the interim financial report together with the other financial information included in the interim filings fairly present in all material respects the financial condition, financial performance and cash flows of the issuer, as of the date of and for the periods presented in the interim filings.

Date: August 16, 2021

(signed) "Jonathan Sandelman"

Jonathan Sandelman
Chief Executive Officer

NOTE TO READER

In contrast to the certificate required for non-venture issuers under National Instrument 52-109 *Certification of Disclosure in Issuers' Annual and Interim Filings* (NI 52-109), this Venture Issuer Basic Certificate does not include representations relating to the establishment and maintenance of disclosure controls and procedures (DC&P) and internal control over financial reporting (ICFR), as defined in NI 52-109. In particular, the certifying officers filing this certificate are not making any representations relating to the establishment and maintenance of

i) controls and other procedures designed to provide reasonable assurance that information required to be disclosed by the issuer in its annual filings, interim filings or other reports filed or submitted under securities legislation is recorded, processed, summarized and reported within the time periods specified in securities legislation; and

ii) a process to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with the issuer's GAAP.

The issuer's certifying officers are responsible for ensuring that processes are in place to provide them with sufficient knowledge to support the representations they are making in this certificate. Investors should be aware that inherent limitations on the ability of certifying officers of a venture issuer to design and implement on a cost effective basis DC&P and ICFR as defined in NI 52-109 may result in additional risks to the quality, reliability, transparency and timeliness of interim and annual filings and other reports provided under securities legislation.

Exhibit 99.5

Ayr Wellness Reports Second Quarter 2021 Results

- *Q2 Revenue up 222% Y/Y to $91.3 Million, up 56% sequentially*
- *Q2 Adjusted EBITDA of $27.4 million on a US GAAP basis, up 225% Y/Y and 49% sequentially*
- *US GAAP Operating Loss of $24.9 Million Included Non-Cash, One-Time Expenses, and Non-Operating Adjustments totaling $52.3 Million*
- *Increasing 2022 Revenue Target to $800 Million, with $300 Million of AEBITDA Reflecting Substantial Investments in Growth*
- *Company Provides 3Q21 Guidance for a targeted $100 Million in Revenue, up Over 211% Y/Y and 10% Q/Q, with Adjusted EBITDA Flat Sequentially Over Q2*
- *Announced Three Proposed Acquisitions, Including Levia, the Leading Branded Cannabis Beverage Company, Adding Illinois as Eighth State and Significantly Expanding Cultivation Capacity in Nevada*

NEW YORK, August 16, 2021 – Ayr Wellness Inc. (CSE: AYR.A, OTCQX: AYRWF) ("Ayr" or the "Company"), a vertically-integrated cannabis multi-state operator (MSO), is reporting financial results for the three and six months ended June 30, 2021. Unless otherwise noted, all results are presented in U.S. dollars. As of first quarter 2021, the Company is reporting in US GAAP.

Jonathan Sandelman, CEO of Ayr Wellness, said, "In the last 12 months we've laid out an ambitious plan for growth – growing our footprint and building our brands on the foundation of being the largest scale producer of high-quality flower in the country. Because everything starts with the plant."

"I am incredibly pleased to see those plans becoming reality, with Q2's exceptional 222% year-over-year growth in revenue and 56% growth over last quarter. We are seizing a massive opportunity to position ourselves to be the best cannabis CPG company in the US. Today our brands are in over 280 stores, up 3 times year-over-year, and they aren't slowing down. We're seeing increased demand for our products and accelerating growth in our wholesale business. We plan to continue to invest in the growth of Ayr brands nationally – Kynd premium flower, Origyn Extracts, and our most recently announced acquisition of Levia – and the strategic marketing and operational talent behind them," Mr. Sandelman continued

"As we double down on our success, we have the opportunity to continue to grow our top line at 100%+ rates year-over-year. We are raising our 2022 revenue target to $800 million, and we are reinvesting in our business to accelerate that growth," concluded Mr. Sandelman.

Second Quarter and Recent Highlights:

- Announced proposed acquisition of Cultivauna, LLC, the owner of Levia, a top selling brand of cannabis infused seltzers

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- Announced the proposed acquisition of Herbal Remedies, adding two dispensaries in Illinois; won additional retail license in Bloomington-Normal, Illinois with partner, Land of Lincoln
- Announced the proposed acquisition of Tahoe Hydroponics Company, LLC ("Tahoe Hydro"), an award-winning cultivator and one of Nevada's top producers of high-quality flower
- Hired over 400 new employees across all levels, deepening our bench in marketing, technology and operational professionals focused on driving scalable processes across our regional footprint
- Florida:
  - Continued improvement in cultivation, leading to a meaningful increase in yield and production, up 50% since closing the acquisition based on grams/sq. ft. harvested
  - Increased retail performance driven by improved quality and availability of a wider selection of strains, and updated product offerings, including the addition of *Origyn Extracts* and *Big Pete's Cookies* brands; transaction count up 40% in July vs. January, average basket size up 38%, and new patients up 27%
  - Since closing on February 25, 2021, the Company has opened eight additional retail locations, bringing total store count to 39, the third largest retail footprint in Florida
  - An additional three stores are expected to open by the end of the third quarter and the Company has sited an additional eight new locations, bringing its year-end Florida dispensary target to 50
  - The Company has begun construction of 20 acres of hoop houses in Florida, expected to be completed this fall
- Western Region:
  - Revenue at newly opened sixth dispensary in Nevada, the closest dispensary to the Las Vegas airport, has grown to just under $1 million/month after less than six months of operations
  - Completed 20,000 ft^2 processing facility expansion outside of Las Vegas and began production in July of manufactured products such as edibles, concentrates and vapes

- Chandler, AZ production facility came on-line in July, adding 10,000 sq. ft. of cultivation capacity and allowing for the first sale of Ayr products in the wholesale market
- Arizona retail revenue up nearly 50% year-over-year (on a same store basis) following the approval of adult-use sales in the market
- Construction of 80,000 sq. ft. Phoenix cultivation expected to be completed in Q4

- Northeast:
  - Successful launch of Revel and Seven Hills flower in Pennsylvania, both of which sold out during the first week of wholesale product sales
  - Pennsylvania combined retail revenues reached over $1.5 million per month in July after being open for only an average of four months
  - Three additional Pennsylvania dispensaries are scheduled to open later this year, bringing the total to six
  - Acquisition of Garden State Dispensary in New Jersey on track to close in the coming weeks
  - Provisional licenses received for three Adult Use Dispensaries in Greater Boston
  - Selling to 112 of Massachusetts's 148 adult-use dispensaries, and Ayr remains a leading wholesaler in the state
  - Construction underway on 100,000 ft^2 new cultivation and production facility in Milford, MA that is expected to add 75,000 ft^2 of new canopy to bring Ayr to the maximum capacity allowed under its Massachusetts license

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- Midwest:
  - Added eighth state, Illinois, to growing footprint with the proposed acquisition of Herbal Remedies Dispensaries and license win by affiliated company, Land of Lincoln, LLC
  - Began production of vape carts, concentrates, RSO, and tinctures as well as Highly Edible gummies at processing facility in Ohio

Second Quarter Financial Highlights *($ in millions, excl. margin items; in US GAAP)*

	Q2 2020[1]	Q1 2021	Q2 2021	% Change Y/Y	% Change Q/Q
Revenue	$ 28.3	$ 58.4	**$ 91.3**	222%	56.1%
Adjusted Gross Profit	$ 18.1	$ 34.2	**$ 53.1**	194%	55.2%
Operating Income/(Loss)	$ (5.4)	$ (8.4)	**$ (24.9)**	NM	NM
Adj. EBITDA	$ 8.4	$ 18.4	**$ 27.4**	225%	48.9%
AEBITDA Margin	29.7%	31.5%	**30.0%**	30bps	-150bps

[1]For comparison purposes, Q2 2020 has been restated to be consistent with US GAAP. Adjusted EBITDA and Adjusted Gross Profit are non-GAAP measures. See Definition and Reconciliation of Non-GAAP Measures below. For a reconciliation of Operating Loss to Adjusted EBITDA as well as Gross Profit to Adjusted Gross Profit, see reconciliation table appended to this release.

Outlook:

Based on the results to date, management is targeting 3Q21 revenue of approximately $100 million, which reflects growth of over 10% quarter-over-quarter and 211% year-over-year. Adjusted EBITDA on a US GAAP basis is expected to be in line with the second quarter, following accelerated investments in branding, new markets and growth projects.

The Company is increasing its target for 2022 revenue to $800 million, up from $725 million, and is reiterating guidance for 2022 Adjusted EBITDA of $300 million reflecting substantial investments in growth.

The Company's expectations for 3Q21 and 2022 are based on US GAAP reporting and subject to the assumptions and risks detailed in the MD&A for the period ending June 30, 2021 as filed on SEDAR.

Ayr Wellness Footprint (Pro-forma)[5]

	MA	NJ	PA	OH	FL	AZ	NV	IL	TOTAL
Population	6.9 M	9.2 M	12.8 M	11.7 M	21.9 M	7.5	3.1 M	12.6 M	85.7 M
Adult Use or Medical	AU	AU	Med	Med	Med	AU	AU	AU	4 AU/ 3 Med
Est. 2021 Market Size[4]	$1.4 B	$1 B	$750 M	$500 M	$1.8 B	$1.6 B	$1 B	$1.3 B	$9.4 B
Dispensaries: Current → YE 2021	2 → 4[1]	3	3 → 6	-	39 → 50[2]	3	6	2	58 → 74
Key Retail Markets	Greater Boston	Central NJ	Pittsburgh Philadelphia	-	Miami Tampa Orlando	Phoenix	Las Vegas Reno	Quincy	
Cultivation-Production: Current → YE 2022 Sq Ft	50 → 140K	30 → 105K	83 → TBD	9 → 67K	300 → 735K	10 → 90K	72K	N/A	554 → 1,200K+
Employees[5]	245	110	200	10	450	160	545	50	~1,770
Planned 2021-2022 Cap Exp	$31 M	$14 M	$23 M	$37 M	$39 M	$5 M	<$1M	<$1M	$150 M

[1]Includes two co-located Adult Use/Medical dispensaries (Somerville and Watertown), one Adult Use-only dispensary in Boston and one Medical-only dispensary in Needham
[2]39 currently open, three are currently under construction or pending OMMU approval
[3]Source: Arcview, MJBiz Daily, Company estimates
[4]BDSA estimate
[5]Including pending transactions in NJ, IL and NV

Notice of Change of Auditor

Following its conversion to U.S. GAAP as a U.S. filer last quarter, on August 16, 2021 the Company has released a 'Notice of Change of Auditor' from Canadian mid-cap specialist MNP LLP to the U.S. based firm Marcum LLP, and top U.S. audit firm with a substantial cannabis practice. The Company and MNP have no disagreements or unresolved issues resulting in this change.

Conference Call

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

Conference Call Date: Wednesday, August 17, 2021
Time: 8:30 a.m. Eastern time
Toll-free dial-in number: (800) 319-4610
International dial-in number: (604) 638-5340

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 MATTIO Investor Relations at IR@mattio.com.

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 September 15, 2021.

Toll-free replay number: (855) 669-9658
International replay number: (412) 317-0088
Replay ID: 7438

Financial Statements

Certain financial information reported in this news release is extracted from Ayr's Consolidated Financial Statements for the quarter June 30, 2021 and 2020. Ayr files its financial statements on SEDAR and with the SEC. All financial information contained in this news release is qualified in its entirety by reference to such financial statements and MD&A.

Definition and Reconciliation of Non-GAAP Measures

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

Rather, these are provided as additional information to complement those GAAP measures by providing further understanding of the results of the operations of the Company from management's perspective. Accordingly, these measures should not be considered in isolation, nor as a substitute for analysis of the Company's financial information reported under GAAP. Non-GAAP measures used to analyze the performance of the Company's businesses include "Adjusted EBITDA" and "Adjusted Gross Profit."

The Company believes that these non-GAAP financial measures provide meaningful supplemental information regarding the Company'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 Company's operating performances and thus highlight trends in the Company's core businesses that may not otherwise be apparent when solely relying on the GAAP measures.

Adjusted EBITDA

"Adjusted EBITDA" represents loss from operations, as reported, before interest and tax, adjusted to exclude non-recurring items, other non-cash items, including depreciation and amortization, and further adjusted to remove non-cash stock-based compensation, the accounting for the incremental costs to acquire cannabis inventory in a business combination, acquisition related costs, and start-up costs.

Adjusted Gross Profit

"Adjusted Gross Profit" represents gross profit, as reported, adjusted to exclude the accounting for the incremental costs to acquire cannabis inventory in a business combination, interest, depreciation and amortization, and start-up costs.

A reconciliation of how Ayr calculates Adjusted EBITDA and Adjusted Gross Profit is provided in the tables appended below. Additional reconciliations of Adjusted EBITDA, Adjust Gross Profit and other disclosures concerning non-GAAP measures are provided in our MD&A for the three months ended June 30, 2021.

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 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 in or enter into agreements with respect to other acquisitions.

Forward-looking estimates and assumptions involve known and unknown risks and uncertainties that may cause actual results to differ materially. While Ayr believes there is a reasonable basis for these assumptions, such estimates may not be met. These estimates represent forward-looking information. Actual results may vary and differ materially from the estimates.

Assumptions and Risks

Forward-looking information in this subject to the assumptions and risks as described in our MD&A for June 30, 2021.

Additional Information

For more information about the Company's 2Q2021 operations and outlook, please view Ayr's corporate presentation posted in the Investors section of the Company's website at www.ayrwellness.com.

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.

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

	As of	
	June 30, 2021	**December 31, 2020**
ASSETS		
Current		
Cash	**$ 123,835,778**	$ 127,238,165
Accounts receivable	**6,545,465**	3,464,401
Due from related parties	**176,858**	135,000
Inventory	**70,420,029**	22,919,605
Prepaid expenses, deposits, and other current assets	**26,194,444**	5,270,381
	227,172,574	159,027,552
Non-current		
Property, plant, and equipment	**173,390,686**	69,104,080
Intangible assets	**736,447,835**	252,357,677
Right-of-use assets - operating	**62,246,968**	22,546,256
Right-of-use assets - finance, net	**4,714,108**	877,310
Goodwill	**208,654,940**	57,963,360
Equity investments	**531,316**	503,509
Deposits and other assets	**2,593,798**	2,540,674
Total assets	**1,415,752,225**	**564,920,418**
LIABILITIES		
Current		
Trade payables	**21,779,266**	8,899,786
Accrued liabilities	**15,443,126**	8,706,813
Lease liabilities - operating - current portion	**3,014,313**	740,864
Lease liabilities - finance - current portion	**887,414**	125,440
Purchase consideration payable	**661,383**	9,053,057
Income tax payable	**13,982,297**	21,379,351
Debts payable - current portion	**7,191,489**	8,644,633
Accrued interest payable - current portion	**1,200,779**	-
	64,160,067	57,549,944
Non-current		
Deferred tax liabilities	**80,448,626**	14,677,991
Lease liabilities - operating - non-current portion	**61,566,462**	23,474,726
Lease liabilities - finance - non-current portion	**2,626,397**	446,585
Contingent consideration	**129,133,701**	22,961,411
Debts payable - non-current portion	**73,464,592**	53,587,948
Senior secured notes - non-current portion	**104,334,397**	103,652,963
Accrued interest payable - non-current portion	**2,813,108**	3,301,155
Total liabilities	**518,547,350**	**279,652,723**
SHAREHOLDERS' EQUITY (DEFICIENCY)		
Multiple Voting Shares: no par value, unlimited authorized.		
Issued and outstanding - 3,696,486 & 3,696,486 shares, respectively	**-**	-
Subordinate, Restricted, and Limited Voting Shares: no par value, unlimited authorized.		
Issued and outstanding – 49,110,237 & 28,873,641 shares, respectively	**-**	-
Exchangeable Shares: no par value, unlimited authorized.		
Issued and outstanding - 6,013,294 & 2,127,543 shares, respectively	**-**	-
Additional paid-in capital	**1,174,224,989**	524,292,741
Treasury stock	**(556,899)**	(556,899)
Warrant reserve	**5,880,211**	6,515,753
Accumulated other comprehensive income	**3,265,610**	3,265,610
Deficit	**(285,609,036)**	(248,249,510)
Total shareholders' equity	**897,204,875**	**285,267,695**
Total liabilities and shareholders' equity	**1,415,752,225**	**564,920,418**

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2021	2020	**2021**	2020
Revenues, net of discounts	**$ 91,251,608**	$ 28,310,633	**$ 149,649,931**	$ 61,863,313

Cost of goods sold excluding fair value items	**42,342,374**	11,171,189	**70,482,988**	28,038,945
Incremental costs to acquire cannabis inventory in a business combination	**26,596,051**	-	**32,388,441**	-
Cost of goods sold	**68,938,425**	11,171,189	**102,871,429**	28,038,945
Gross profit	**22,313,183**	17,139,444	**46,778,502**	33,824,368
Expenses				
General and administrative	**25,921,428**	9,465,794	**41,733,952**	18,762,399
Sales and marketing	**1,770,727**	409,247	**2,514,286**	943,845
Depreciation	**434,678**	231,261	**719,618**	390,678
Amortization	**10,630,723**	2,998,666	**15,262,665**	5,997,334
Stock-based compensation	**7,151,806**	9,103,459	**15,375,351**	21,248,761
Acquisition expense	**1,284,607**	368,929	**4,421,583**	497,309
Total expenses	**47,193,969**	22,577,356	**80,027,455**	47,840,326
Loss from operations	**(24,880,786)**	(5,437,912)	**(33,248,953)**	(14,015,958)

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

	Six Months Ended June 30,	
	2021	2020
Operating activities		
Net loss	$ **(37,359,526)**	$ (24,273,981)
Adjustments for:		
Net fair value loss on financial liabilities	**(11,545,062)**	944,298
Stock-based compensation	**15,375,351**	21,248,761
Depreciation	**2,887,083**	1,102,300
Amortization on intangible assets	**19,176,580**	6,757,334
Share of loss on equity investments	**18,802**	23,139
Gain on disposal of equity investments	**(500,000)**	-
Incremental costs to acquire cannabis inventory in a business combination	**32,388,441**	-
Deferred tax (benefit) expense	**(6,192,033)**	179,120
Amortization on financing costs	**817,432**	-
Interest accrued	**559,675**	698,204
Changes in non-cash operations, net of business acquisition:		
Accounts receivable	**(3,048,577)**	686,203
Inventory	**(21,617,774)**	(3,003,987)
Prepaid expenses and other assets	**(508,404)**	(956,055)
Trade payables	**3,260,181**	3,265,691
Accrued liabilities	**(1,880,372)**	705,985
Lease liabilities - operating	**712,985**	(105,222)
Income tax payable	**(14,960,929)**	8,203,389
Cash (used in) provided by operating activities	**(22,416,147)**	15,475,179
Investing activities		
Purchase of property, plant, and equipment	**(31,598,650)**	(5,601,523)
Loss on disposal of property, plant, and equipment	**(57,523)**	-
Cash paid for business combinations and asset acquisitions, net of cash acquired	**(17,776,909)**	-
Cash paid for business combinations and asset acquisitions, working capital	**(3,275,139)**	-
Payments for interests in equity accounted investments	**(46,610)**	-
Cash received in disposal of equity investment	**500,000**	-
Advances to related corporation	**(41,858)**	(73,700)
Cash paid for bridge financing	**(15,809,779)**	-
Deposits for business combinations	**(1,700,000)**	-
Cash used in investing activities	**(69,806,468)**	(5,675,223)
Financing activities		
Proceeds from exercise of Warrants	**5,345,494**	-
Proceeds from exercise of options	**86,248**	-
Proceeds from equity offering, net of expenses	**118,052,400**	-
Payments of financing costs	**(135,998)**	-
Tax withholding on stock-based compensation awards	**(28,421,071)**	-
Repayments of debts payable	**(4,300,250)**	(1,909,195)
Repayments of lease liabilities - finance (principal portion)	**(1,806,595)**	-
Repurchase of Subordinate Shares	**-**	(307,442)
Cash provided by (used in) financing activities	**88,820,228**	(2,216,637)
Net increase in cash	**(3,402,387)**	7,583,319
Effect of foreign currency translation	**-**	-

Cash, beginning of the period	**127,238,165**	8,403,196
Cash, end of the period	**123,835,778**	15,986,515

Ayr Wellness Inc. (formerly, Ayr Strategies Inc.)
Unaudited Condensed Interim Consolidated Adjusted EBITDA Reconciliation
(Expressed in United States Dollars)

	Three Months Ended June 30,		**Six Months Ended June 30,**	
	2021	**2020**	**2021**	**2020**
Loss from operations	(24,880,784)	(5,437,912)	(33,248,951)	(14,015,958)
Non-cash items accounting for inventory				
Incremental costs to acquire cannabis inventory in business combination	26,596,051	-	32,388,441	-
Interest	212,666	123,590	456,951	240,236
Depreciation and amortization (from statement of cash flows)	14,587,557	4,049,386	22,063,663	7,859,634
Acquisition costs	1,284,607	368,929	4,421,583	497,309
Stock-based compensation expense, non-cash	7,151,806	9,103,459	15,375,351	21,248,761
Start-up costs[1]	1,350,226	-	2,973,185	-
Other non-operating[2]	1,121,999	239,352	1,407,954	420,464
	52,304,912	13,884,716	79,087,128	30,266,404
Adjusted EBITDA (non-GAAP)	**27,424,128**	**8,446,804**	**45,838,177**	**16,250,446**

	Three Months Ended June 30,		**Six Months Ended June 30,**	
	2021	**2020**	**2021**	**2020**
Gross Profit	22,313,182	17,139,444	46,778,502	33,824,368
Incremental costs to acquire cannabis inventory in business combination	26,596,051	-	32,388,441	-
Interest (within COGS)	212,666	123,590	456,951	240,236
Depreciation and amortization (within COGS)	3,565,334	819,459	6,081,380	1,471,622
Start-up costs (within COGS)	404,002	-	1,584,168	-
	30,778,053	943,049	40,510,940	1,711,858
Adjusted Gross Profit (non-GAAP)	**53,091,235**	**18,082,493**	**87,289,442**	**35,536,226**

[1] These are set-up costs to prepare a location for its intended use. Start-up costs are expensed as incurred and are not indicative of ongoing operations
[2] Other non-operating adjustments made to exclude the impact of non-recurring items

Exhibit 99.6

Ayr Wellness Enters the Cannabis-Infused Beverage Market with Proposed Acquisition of Levia

NEW YORK, August 16, 2021– Ayr Wellness Inc. (CSE: AYR.A, OTC: AYRWF) ("Ayr" or the "Company"), a leading vertically integrated cannabis multi-state operator ("MSO"), has announced that it has entered into a binding letter of intent to acquire Cultivauna, LLC, the owner of Levia branded cannabis infused seltzers and water-soluble tinctures.

"Ayr wants something exciting to offer every cannabis consumer of today and the future cannabis customer of tomorrow. Infused beverages, done right, will be game changing to the mainstreaming of cannabis in the U.S., providing an approachable and sessionable form factor to new and existing customers. The acquisition of Levia brings Ayr into this rapidly growing segment with delicious, market-leading infused seltzer. We are excited to have Levia join Kynd premium flower and Origyn extracts in Ayr's suite of premier national brands," said Jonathan Sandelman, CEO of Ayr Wellness.

"With a formula that provides consistently great flavor and zero calories in an infused beverage experience, we believe Levia has enormous potential as an alcohol alternative. In just six months since its initial launch in Massachusetts, Levia has become the top selling THC beverage. As we finalize our updated national brand portfolio to address all segments and form factors, Levia will play a marquee role in each market where we operate," Mr. Sandelman concluded.

Ayr intends to purchase 100% of the equity interests of Cultivauna, LLC. The terms of the transaction include $20 million in upfront consideration, made up of up to $10 million in cash with the remainder in stock. An earn-out payment of up to an additional $40 million will be paid in shares based on the achievement of revenue targets in 2022 and 2023.

Levia Cannabis Infused Seltzers provide for rapid onset of the effects of THC, typically 15-20 minutes, allowing for a more consistent consumption experience than many edible products. Levia is currently available in Massachusetts in three experiences and flavors:

- "Achieve" Raspberry Lime (Sativa)
- "Celebrate" Lemon Lime (Hybrid)
- "Dream" Jam Berry (Indica)

Each flavor is available in 12-ounce slim cans and contains 5 mgs of THC. Levia is also available in water soluble tinctures in the same formulations.

The acquisition is subject to customary closing conditions and regulatory approvals, as well as the execution of a binding definitive agreement. The acquisition is expected to close by the end of 2021.

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 approvals will be obtained on satisfactory terms and within expected time frames. There can be no assurance that the acquisition of Levia will be completed or, if it does, that it will be successful.

Estimates and assumptions involve known and unknown risks and uncertainties that may cause actual results to differ materially. While Ayr believes there is a reasonable basis for these assumptions, such estimates may not be met. These estimates represent forward-looking information. Actual results may vary and differ materially from the estimates.

About Ayr Wellness

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.

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