**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 May, 2022.

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.

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**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: May 25, 2022

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

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**EXHIBIT INDEX**

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| 99.1 | Interim Financial Statements – March 31, 2022 |
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Ayr Wellness Inc.
UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED MARCH 31, 2022 AND 2021
(EXPRESSED IN UNITED STATES DOLLARS)

Ayr Wellness Inc.
UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2022 AND 2021

**Unaudited Interim Condensed Consolidated Financial Statements ("Interim Financial Statements")**



Ayr Wellness Inc.
Unaudited Interim Condensed Consolidated Balance Sheets
(Expressed in United States Dollars, Except Number of Shares)

| | As of | |
|---|---|---|
| | **March 31, 2022** | December 31, 2021 |
| **ASSETS** | | |
| Current | | |
| Cash | **$ 78,660,131** | $ 154,342,201 |
| Accounts receivable, net | **7,792,261** | 7,412,906 |
| Inventory | **101,148,443** | 93,362,985 |
| Prepaid expenses, deposits, & other current assets | **22,206,636** | 10,949,349 |
| | **209,807,471** | 266,067,441 |
| Non-current | | |
| Property, plant, & equipment, net | **304,921,240** | 275,222,166 |
| Intangible assets, net | **973,166,700** | 978,915,457 |
| Right-of-use assets - operating | **99,638,719** | 88,720,082 |
| Right-of-use assets - finance, net | **22,192,404** | 17,527,126 |
| Goodwill | **240,792,038** | 229,909,562 |
| Deposits & other assets | **3,305,996** | 3,550,039 |
| Total assets | **$ 1,853,824,568** | $ 1,859,911,873 |
| **LIABILITIES & SHAREHOLDERS' EQUITY** | | |
| **Liabilities** | | |
| Current | | |
| Trade payables | **$ 22,117,052** | $ 26,983,181 |
| Accrued liabilities | **17,945,566** | 32,723,734 |
| Lease liabilities - operating - current portion | **6,285,353** | 4,195,672 |
| Lease liabilities - finance - current portion | **5,557,294** | 3,185,460 |

| | | |
|---|---|---|
| Contingent consideration - current portion | **4,568,482** | 39,868,080 |
| Purchase consideration payable | **5,523,670** | 811,586 |
| Income tax payable | **17,189,686** | 28,914,949 |
| Debts payable - current portion | **7,900,591** | 8,111,723 |
| Accrued interest payable - current portion | **9,601,904** | 7,541,634 |
| | **96,689,598** | 152,336,019 |
| Non-current | | |
| Deferred tax liabilities | **70,475,056** | 70,081,319 |
| Lease liabilities - operating - non-current portion | **97,337,430** | 87,767,033 |
| Lease liabilities - finance - non-current portion | **10,250,973** | 9,406,202 |
| Contingent consideration - non-current portion | **120,304,162** | 145,653,870 |
| Debts payable - non-current portion | **165,090,187** | 125,745,888 |
| Senior secured notes, net of debt issuance costs - non-current portion | **245,226,208** | 245,407,822 |
| Accrued interest payable - non-current portion | **3,798,834** | 3,451,016 |
| Total liabilities | **$ 809,172,448** | $ 839,849,169 |
| *Commitments and contingencies* | | |
| **Shareholders' equity** | | |
| Multiple Voting Shares: no par value, unlimited authorized. Issued & outstanding - 3,696,486 shares | **-** | - |
| Subordinate, Restricted, & Limited Voting Shares: no par value, unlimited authorized. Issued & outstanding - 57,736,723 & 56,337,175 shares, respectively | **-** | - |
| Exchangeable Shares: no par value, unlimited authorized. Issued & outstanding - 7,697,000 & 7,368,285 shares, respectively | **-** | - |
| Additional paid-in capital | **1,312,748,924** | 1,289,827,092 |
| Treasury stock - 645,300 & 568,300 shares, respectively | **(8,987,022)** | (7,828,037) |
| Accumulated other comprehensive income | **3,265,610** | 3,265,610 |
| Accumulated Deficit | **(272,777,933)** | (265,201,961) |
| Equity of Ayr Wellness Inc. | **1,034,249,579** | 1,020,062,704 |
| Noncontrolling interest | **10,402,541** | - |
| Total shareholders' equity | **1,044,652,120** | 1,020,062,704 |
| Total liabilities & shareholders' equity | **$ 1,853,824,568** | $ 1,859,911,873 |

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



**Ayr Wellness Inc.**
**Unaudited Interim Condensed Consolidated Statements of Operations**
**(Expressed in United States Dollars, Except Number of Shares)**

| | Three Months Ended | |
|---|---|---|
| | **March 31, 2022** | March 31, 2021 |
| **Revenues, net of discounts** | **$ 111,225,221** | $ 58,398,323 |
| Cost of goods sold excluding fair value items | **63,188,067** | 28,140,614 |
| Incremental costs to acquire cannabis inventory in a business combination | **2,518,636** | 5,792,389 |
| **Cost of goods sold** | **$ 65,706,703** | $ 33,933,003 |
| **Gross profit** | **$ 45,518,518** | $ 24,465,320 |
| **Operating expenses** | | |
| General and administrative | **49,733,392** | 24,036,071 |
| Sales and marketing | **1,817,722** | 743,558 |
| Depreciation and amortization | **858,371** | 284,940 |
| Amortization on intangible assets | **12,784,164** | 4,631,942 |
| Acquisition expense | **1,450,969** | 3,136,976 |
| **Total operating expenses** | **$ 66,644,618** | $ 32,833,487 |
| **Loss from operations** | **$ (21,126,100)** | $ (8,368,167) |
| **Other income (expense)** | | |
| Share of loss on equity investments | **-** | (13,071) |
| Fair value gain (loss) on financial liabilities | **30,078,954** | (546,010) |
| Interest expense, net | **(6,867,753)** | (2,752,497) |
| Interest income | **29,198** | 59,400 |
| Other, net | **39** | (19,691) |
| **Total other income (expense)** | **$ 23,240,438** | $ (3,271,869) |
| **Income (Loss) before taxes** | **$ 2,114,338** | $ (11,640,036) |
| **Income Taxes** | | |
| Current tax provision | **(10,913,380)** | (7,052,052) |
| Deferred tax (provision) benefit | **(393,737)** | 2,070,452 |
| **Total income taxes** | **$ (11,307,117)** | $ (4,981,600) |
| **Net loss before noncontrolling interest** | **$ (9,192,779)** | $ (16,621,636) |
| Net loss attributable to noncontrolling interest | **(1,616,807)** | - |
| Net loss attributable to Ayr Wellness Inc. | **(7,575,972)** | (16,621,636) |

| | | | | |
|---|---|---|---|---|
| **Basic and diluted loss per share** | **$** | **(0.11)** | $ | (0.38) |
| **Weighted average number of shares outstanding (basic and diluted)** | | **67,585,343** | | 43,989,461 |

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



**Ayr Wellness Inc.**
**Unaudited Interim Condensed Consolidated Statements of Shareholders' Equity**
**(Expressed in United States Dollars, Except Number of Shares)**

| | Multiple Voting Shares | Subordinate, Restricted, and Limited Voting Shares | Exchangeable Shares | Additional paid-in capital | Treasury stock | | Accumulated other comprehensive income | Deficit | Noncontrolling interest | Total |
|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | Number | Amount | | | | |
| | # | # | # | $ | # | $ | $ | $ | $ | $ |
| **Balance, December 31, 2020** | **3,696,486** | **28,873,641** | **2,127,543** | **530,808,494** | **(63,800)** | **(556,899)** | **3,265,610** | **(248,249,510)** | **-** | **285,267,695** |
| Stock-based compensation | - | - | - | 8,223,545 | - | - | - | - | - | 8,223,545 |
| Exercise of Rights | - | 92,722 | - | - | - | - | - | - | - | - |
| Exercise of Warrants | - | 787,710 | - | 4,291,891 | - | - | - | - | - | 4,291,891 |
| Conversion of Exchangeable Shares | - | 350,412 | (350,412) | - | - | - | - | - | - | - |
| Share issuance - business combinations and asset acquisition | - | 12,670,958 | 4,570,434 | 524,686,435 | - | - | - | - | - | 524,686,435 |
| Equity offering | - | 4,600,000 | - | 118,052,400 | - | - | - | - | - | 118,052,400 |
| Conversion of convertible debt | - | 85,049 | - | 2,442,691 | - | - | - | - | - | 2,442,691 |
| Net loss | - | - | - | - | - | - | - | (16,621,636) | - | (16,621,636) |
| **Balance, March 31, 2021** | **3,696,486** | **47,460,492** | **6,347,565** | **1,188,505,456** | **(63,800)** | **(556,899)** | **3,265,610** | **(264,871,146)** | **-** | **926,343,021** |

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



**Ayr Wellness Inc.**
**Unaudited Interim Condensed Consolidated Statements of Shareholders' Equity**
**(Expressed in United States Dollars, Except Number of Shares)**

| | Multiple Voting Shares | Subordinate, Restricted, and Limited Voting Shares | Exchangeable Shares | Additional paid-in capital | Treasury stock | | Accumulated other comprehensive income | Deficit | Noncontrolling interest | Total |
|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | Number | Amount | | | | |
| | # | # | # | $ | # | $ | $ | $ | $ | $ |
| **Balance, December 31, 2021** | **3,696,486** | **56,337,175** | **7,368,285** | **1,289,827,092** | **(568,300)** | **(7,828,037)** | **3,265,610** | **(265,201,961)** | **-** | **1,020,062,704** |
| Stock-based compensation | - | 543,837 | - | 9,653,700 | - | - | - | - | - | 9,653,700 |
| Tax withholding on stock-based compensation awards | - | (251,935) | - | (3,890,770) | - | - | - | - | - | (3,890,770) |
| Share issuance - related party - consulting services | - | 50,000 | - | 707,129 | - | - | - | - | - | 707,129 |
| Share issuance - business combination | - | - | 328,715 | 4,482,103 | - | - | - | - | - | 4,482,103 |
| Share issuance - earn-out consideration | - | 1,029,499 | - | 11,747,805 | - | - | - | - | - | 11,747,805 |
| Consolidation of variable interest entity | - | - | - | - | - | - | - | - | 12,019,348 | 12,019,348 |
| Exercise of options, net of options sold to cover income taxes | - | 33,147 | - | 299,848 | - | - | - | - | - | 299,848 |
| Repurchase of Equity Shares | - | (5,000) | - | (77,983) | (77,000) | (1,158,985) | - | - | - | (1,236,968) |
| Net loss | - | - | - | - | - | - | - | (7,575,972) | (1,616,807) | (9,192,779) |
| **Balance, March 31, 2022** | **3,696,486** | **57,736,723** | **7,697,000** | **1,312,748,924** | **(645,300)** | **(8,987,022)** | **3,265,610** | **(272,777,933)** | **10,402,541** | **1,044,652,120** |

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



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

| | Three Months Ended | |
|---|---|---|
| | **March 31, 2022** | March 31, 2021 |
| **Operating activities** | | |
| Net loss before noncontrolling interest | **$ (9,192,779)** | $ (16,621,636) |
| ***Adjustments for:*** | | |
| Fair value (gain) loss on financial liabilities | **(30,078,953)** | 546,010 |
| Stock-based compensation | **9,653,700** | 8,223,545 |
| Stock-based compensation - related parties | **707,129** | - |
| Depreciation and amortization | **3,591,374** | 1,338,462 |
| Amortization on intangible assets | **17,648,757** | 6,137,644 |
| Share of loss on equity investments | **-** | 13,071 |
| Incremental costs to acquire cannabis inventory in a business combination | **2,518,636** | 5,792,389 |
| Deferred tax expense (benefit) | **393,737** | (2,070,452) |
| Amortization on financing costs | **572,842** | 405,059 |
| Amortization on financing premium | **(754,456)** | - |
| ***Changes in operating assets and liabilities, net of business combinations:*** | | |
| Accounts receivable | **167,988** | (1,525,907) |
| Inventory | **(1,522,818)** | (8,281,309) |
| Prepaid expenses and other current assets | **1,121,978** | 2,759,690 |
| Trade payables | **431,291** | (673,733) |
| Accrued liabilities | **(7,884,485)** | (4,946,187) |
| Interest accrued | **2,408,088** | 3,778,173 |
| Lease liabilities - operating | **741,438** | 23,405 |
| Income tax payable | **(11,725,261)** | (14,842,706) |
| Cash used in operating activities | **(21,201,794)** | (19,944,482) |
| | | |
| **Investing activities** | | |
| Purchase of property, plant, and equipment | **(33,174,357)** | (12,994,107) |
| Cash paid for business combinations and asset acquisitions, net of cash acquired | **(9,101,168)** | (12,684,196) |
| Cash paid for business combinations and asset acquisitions, working capital | **(811,586)** | (3,790,894) |
| Payments for interests in equity accounted investments | **-** | (109,700) |
| Advances to related corporation | **-** | (4,759) |
| Deposits for business combinations, net of cash on hand | **(2,825,114)** | (1,450,000) |
| Cash used in investing activities | **(45,912,225)** | (31,033,656) |
| | | |
| **Financing activities** | | |
| Proceeds from exercise of Warrants | **-** | 4,291,891 |
| Proceeds from exercise of options | **299,848** | - |
| Proceeds from equity offering, net of expenses | **-** | 118,052,400 |
| Proceeds from issuance of notes payable, net of financing costs | **25,913,362** | - |
| Payments of financing costs | **-** | (43,067) |
| Payment for settlement of contingent consideration | **(10,000,020)** | - |
| Deposits paid for financing lease and note payable | **(8,353,100)** | - |
| Tax withholding on stock-based compensation awards | **(3,890,770)** | - |
| Repayments of debts payable | **(2,080,862)** | (2,536,003) |
| Repayments of lease liabilities - finance (principal portion) | **(2,026,386)** | (375,909) |
| Repurchase of Equity Shares | **(8,430,123)** | - |
| Cash (used in) provided by financing activities | **(8,568,051)** | 119,389,312 |
| | | |
| **Net (decrease) increase in cash** | **(75,682,070)** | 68,411,174 |
| **Cash, beginning of the period** | **154,342,201** | 127,238,165 |
| **Cash, end of the period** | **78,660,131** | 195,649,339 |
| | | |
| **Supplemental disclosure of cash flow information:** | | |
| Interest paid during the period | **8,050,450** | 904,304 |
| Income taxes paid during the period | **23,469,340** | 21,892,395 |
| **Non-cash investing and financing activities:** | | |
| Recognition of right-of-use assets for operating leases | **12,193,213** | 41,344,344 |
| Recognition of right-of-use assets for finance leases | **8,057,487** | 1,533,165 |
| Issuance of Equity Shares related to business combinations and asset acquisitions | **4,482,103** | 524,686,435 |
| Issuance of Equity Shares related to equity component of debt | **-** | 2,442,691 |
| Issuance of Equity Shares related to settlement of contingent consideration | **11,747,805** | - |
| Issuance of promissory note related to settlement of contingent consideration | **14,934,040** | - |
| Cancellation of Equity Shares | **77,983** | - |

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

**1. NATURE OF OPERATIONS**

Ayr Wellness 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, New Jersey, and Ohio as of March 31, 2022. Through its operating companies, Ayr is a leading cultivator, manufacturer, and retailer of cannabis products and branded cannabis packaged goods. The Company prepares its segment reporting on the same basis that its chief operating decision maker manages the business and makes operating decisions. The Company has one operating segment, cannabis sales. The Company's segment analysis is analyzed regularly and will be re-evaluated when circumstances change.

The Company is a reporting issuer in the United States and Canada. The Company's subordinate voting shares, restricted voting shares, and limited voting shares ("Equity Shares") are trading on the Canadian Stock Exchange (the "CSE"), under the symbol "AYR.A". The Company's Equity 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". The Company's warrants ("Warrants") and rights ("Rights") were trading on the CSE under the symbols "AYR.WT" and "AYR.RT", however, they stopped trading on September 30, 2021 and May 24, 2021, respectively.

**2. BASIS OF PRESENTATION**

These interim financial statements have been 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 the Securities Exchange Commission ("SEC").

The financial data presented herein should be read in conjunction with the audited consolidated financial statements and accompanying notes for the year ended December 31, 2021 included in the Company's Annual Report on the Form 40-F filed with the SEC on March 30, 2022. In the opinion of management, the financial data presented includes all adjustments, consisting primarily of normal recurring adjustments, necessary to present fairly the financial position, results of operations and cash flows for the periods presented. These interim financial statements include estimates and assumptions of management that affect the amounts reported on the interim financial statements. Actual results could differ from these estimates. The results of operations of unaudited interim periods are not necessarily indicative of the results to be expected for the entire year, or any other period.





**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**3.1 Basis of consolidation**

The interim financial statements for the three months ended March 31, 2022 and 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 involving controlled entities are eliminated on consolidation.

**3.2 Variable Interest Entities ("VIE")**

Under certain provisions of Accounting Standards Codifications ("ASC") Topic 810 – *Consolidations*, ("ASC 810") the Company is determining whether we are the primary beneficiary of a VIE. We assess whether we have the power to direct matters that most significantly impact the activities of the VIE and the obligation to absorb losses or the right to receive the benefits from the VIE that could potentially be significant to the VIE.

A VIE is a legal entity that does not have sufficient equity at risk to finance its activities without additional subordinated financial support or is structured that such equity investors lack the ability to make significant decisions relating to the entity's operations through voting rights or do not substantively participate in the gains or losses of the entity. The primary beneficiary has both the power to direct the activities of the VIE that most significantly impact the entity's economic performance and the obligation to absorb losses or the right to receive benefits from the VIE that could potentially be significant to the VIE. We assess all variable interests in the entity and use our judgment when determining if we are the primary beneficiary. Other qualitative factors that are considered include decision-making responsibilities, the VIE capital structure, risk and rewards sharing, contractual agreements with the VIE, voting rights, and level of involvement of other parties. We assess the primary beneficiary determination for a VIE on an ongoing basis if there are any changes in the facts and circumstances related to a VIE.

Where we determine we are the primary beneficiary of a VIE, we consolidate the accounts of that VIE, under the guidance of ASC 805, *Business Combinations,* ("ASC 805"). The equity owned by other shareholders of the VIE is shown as noncontrolling interests in the accompanying Interim Balance Sheets, Statements of Operations, and Statements of Shareholders' Equity.





**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**3.3 Loss per share**

The basic loss per share is computed by dividing the net loss by the weighted average number of shares outstanding, including Equity 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"), 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 Equity 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, because their effect would be anti-dilutive, therefore, basic loss per share and diluted loss per share will be the same.

| | Three Months Ended | |
|---|---|---|
| **Potentially Dilutive Shares** | **March 31, 2022** | March 31, 2021 |
| Warrants | 1,010,377 | 6,769,212 |
| Rights | - | 45,672 |
| RSUs | 2,850,598 | 2,961,151 |
| **Total** | **3,860,975** | 9,776,035 |

**3.4 Significant accounting judgments and estimates**

Significant estimates made by management include, but are not limited to: economic lives of leased assets; allowances for potential uncollectability of accounts receivable, provisions for inventory obsolescence; impairment assessment of goodwill and long-lived assets; depreciable lives of property, plant and equipment; useful lives of intangible assets; accruals for contingencies, including tax contingencies; valuation allowances for deferred income tax assets; estimates of fair value of identifiable assets and liabilities acquired in business combinations, including contingent consideration obligations; estimates of fair value of derivative instruments; and estimates of the fair value of stock-based payment awards.

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, as well as the increase in inflation and gas prices, has cast uncertainty on the assumptions used by management in making its judgments and estimates. Management has not observed any indicators of impairment to assets or a significant change in the fair value of assets due to COVID-19. The Company implemented new safety procedures in accordance with the guidance from the U.S. Centers for Disease Control and Prevention at all locations to better protect the health and safety of both employees and customers. The Company is re-assessing its response to and any potential impact of the COVID-19 pandemic on an ongoing basis.





**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**3.5 Change in accounting standards**

The Company is treated as an "emerging growth company" per the definition under the Jumpstart Our Business Startups Act (the "JOBS Act"). Under the JOBS Act, emerging growth companies may delay adopting new or revised accounting standards until the standards apply to private companies.

*Recently Issued Accounting Standards*

In June 2016, the FASB issued ASU 2016-13 Topic 326 *Financial Instruments - Credit Losses: Measurement of Credit Losses on Financial Instruments*, which was subsequently revised by ASU 2018-19, ASU 2019-04, ASU 2019-05, ASU 2019-11, ASU 2020-02 and ASU 2020-03 ("ASU 2016-13"), which introduces a new model for assessing impairment on most financial assets. Entities will be required to use a forward-looking expected loss model, which will replace the current incurred loss model, which will result in earlier recognition of allowance for losses. ASU 2016-13 is effective for the Company's fiscal year beginning after December 15, 2021, and interim periods therein. The adoption of ASU 2016-13, on January 1, 2022, did not have a material impact on the Company's Interim Financial Statements.

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 the Company's fiscal year beginning after December 15, 2021, and interim periods therein. The adoption of ASU 2019-12, on January 1, 2022, did not have a material impact on the Company's 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. ASU 2020-01 is effective for the Company's fiscal year beginning after December 15, 2021, and interim periods therein. The adoption of ASU 2020-01, on January 1, 2022, did not have a material impact on the Company's 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* ("ASU 2020-06"), to improve financial reporting associated with accounting for convertible instruments and contracts in an entity's own equity. ASU 2020-06 is effective for the Company's fiscal year beginning after December 15, 2021, including interim periods therein. The adoption of ASU 2020-06, on January 1, 2022, did not have a material impact on the Company's 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 Equity 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 Equity Shares of the Company. The Company treats the Exchangeable Shares as options with a value equal to a share of Equity 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 Equity 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 through the CSE by exchanging them for Equity 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 8.

The fair value considerations have been allocated to the assets acquired and liabilities assumed based on their estimated fair values at the date of acquisition. Transactions accounted for as business combinations have been accounted for in accordance with ASC 805, with the results included in the Company's net loss from the date of acquisition.





**4. BUSINESS COMBINATIONS AND ASSET ACQUISITIONS (Continued)**

2022 First Quarter Acquisition

*Business combination*

On February 15, 2022, the Company completed its acquisition of Cultivauna, LLC ("Cultivauna") through a membership interest purchase agreement. Cultivauna has a production license in the state of Massachusetts and sells cannabis infused seltzers and water-soluble tinctures.

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. Further changes may still be required as management works to finalize the valuation of assets acquired and liabilities assumed. Differences between these provisional estimates and the final acquisition accounting may occur and these differences could have a material impact.

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

| | Cultivauna<br>$ |
|---|---|
| **ASSETS ACQUIRED** | |
| Cash | 1,251,446 |
| Accounts receivable | 470,476 |
| Inventory | 1,812,250 |
| Prepaid expenses and other assets | 37,710 |
| Intangible assets - trade name/brand | 3,400,000 |
| Intangible assets - host community agreements | 2,100,000 |
| Property, plant, and equipment | 2,202,485 |
| Right-of-use assets - operating | 314,761 |
| **Total assets acquired at fair value** | **11,589,128** |
| | |
| **LIABILITIES ASSUMED** | |
| Trade payables | 23,327 |
| Accrued liabilities | 305,123 |
| Lease liabilities - operating | 314,761 |
| **Total liabilities assumed at fair value** | **643,211** |
| | |
| Goodwill | 10,674,804 |
| | |
| **Consideration transferred** | **21,620,720** |





**4. BUSINESS COMBINATIONS AND ASSET ACQUISITIONS (Continued)**

**Cultivauna Business Combination**

Cultivauna, is the owner of Levia branded cannabis infused seltzers and water-soluble tinctures.

Purchase consideration was comprised of the following:

| | | Shares | Fair Value |
|---|---|---|---|
| **Cash** | **i** | | **$ 11,027,105** |
| **Shares Issued** | **ii** | **328,715** | **4,482,103** |
| **Contingent Consideration** | **iii** | | **6,111,512** |
| **Total** | | **328,715** | **$ 21,620,720** |

Pursuant to the terms of the Definitive Agreement ("Cultivauna Agreement"), Ayr satisfied the purchase price of $21.6 million for Cultivauna through the following:

i. $11.0 million of the Cultivauna purchase price in the form of cash consideration and settlement of the final working capital which is deemed immaterial;

ii. $4.5 million of the Cultivauna purchase price in the form of 328,715 Exchangeable Shares, these shares have contractual restrictions on their ability to be sold for six to twelve months (the "Cultivauna Lock-Up Provision"). The fair value of the shares was determined by the share price at the date of acquisition and a 14.85% discount rate attributed to the contractual restrictions; and

iii. A portion of the Cultivauna purchase price is derived from an earn-out provision through December 31, 2023, based on annualized net revenues generated during the measurement period, consisting of Exchangeable Shares, 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)**

**Supplemental Pro-Forma Information**

The consolidated unaudited pro-forma revenue and net income (loss) before taxes attributable to Liberty Health Sciences ("Liberty") and Blue Camo, LLC ("Oasis") for the period ended March 31, 2021, were $18.2 million and ($2.6) million, respectively, through the period from January 1, 2021 through March 31, 2021. The other supplemental pro-forma information required by ASC 805-10-50-2h for the periods ended March 31, 2022 and 2021 is not practicable.

**5. VARIABLE INTEREST ENTITIES ("VIE")**

As of March 31, 2022, the Company has the ability to direct the activities of two entities through a management services and equity purchase agreement, as amended, and obligation to absorb losses or the right to receive benefits from the VIE; therefore, they are VIEs. As of March 31, 2022, the Company's VIEs are as follows:

On February 1, 2022, the Company entered into a Management Service Agreement ("MSA") with Tahoe Hydroponics Company, LLC ("Tahoe Hydro") and NV Green, Inc., ("NV Green"), collectively ("TH/NVG"). The acquisition is subject to customary closing conditions and regulatory approvals. At the time of the MSA approval, Ayr provided a $3.5 million cash deposit and a working capital adjustment estimated at $4.8 million.

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

| | Tahoe Hydro/NV Green<br>$ |
|---|---|
| **ASSETS ACQUIRED** | |
| Cash | 674,886 |
| Accounts receivable | 76,868 |
| Inventory, net | 6,969,028 |
| Due from related party | 203,594 |
| Prepaid expenses and other assets | 40,817 |
| Intangible assets - trade name/brand | 6,400,000 |
| Property, plant, and equipment | 2,949,755 |
| Right-of-use assets - operating | 157,537 |
| **Total assets acquired at fair value** | **17,472,485** |
| | |
| **LIABILITIES ASSUMED** | |
| Trade payables | 373,109 |
| Accrued liabilities | 280,984 |
| Lease liabilities - operating | 157,537 |
| **Total liabilities assumed at fair value** | **811,630** |
| | |
| Goodwill | 207,673 |
| | |
| **Purchase consideration** | **16,868,528** |





**5. VARIABLE INTEREST ENTITIES ("VIE") (Continued)**

The following tables present the summarized financial information about the Company's consolidated VIEs that is included in the Interim Balance Sheets as of March 31, 2022 and in the Interim Statements of Operations for the three months ended March 31, 2022.

| | TH/NVG<br>$ |
|---|---|
| **ASSETS** | |
| Current assets | 5,309,337 |
| Non-current assets | 10,294,149 |
| **Total assets** | **15,603,486** |
| | |
| **LIABILITIES** | |
| Current liabilities | 229,586 |

| | |
|---|---|
| Non-current liabilities | 122,180 |
| **Total liabilities** | **351,766** |
| | |
| Equity | 15,251,720 |
| | |
| **Total liabilities and equity** | **15,603,486** |

The assets of TH/NVG can only be used to settle its liabilities and there are no TH/NVG liabilities for which creditors or beneficial interest holders have recourse to the general credit of the Company.

| | **TH/NVG** |
|---|---|
| | **$** |
| Revenues | 538,106 |
| Net loss attributable to noncontrolling interest | (1,616,807) |

| | **TH/NVG** |
|---|---|
| | **$** |
| Total purchase consideration | 16,868,528 |
| Working capital adjustment presented as consideration payable | 4,849,180 |
| Noncontrolling interest at February 1, 2022 | 12,019,348 |
| Net loss during the period | (1,616,807) |
| **Noncontrolling interest at March 31, 2022** | **10,402,541** |





**6. INVENTORY**

The Company's inventory includes the following:

| | **March 31, 2022** | December 31, 2021 |
|---|---|---|
| Materials, supplies, and packaging | $ 13,020,367 | $ 12,805,219 |
| Work in process | 63,773,986 | 56,857,874 |
| Finished goods | 21,385,054 | 23,125,175 |
| Incremental costs to acquire cannabis inventory in a business combination, net | 2,969,036 | 574,717 |
| **Total inventory** | **$ 101,148,443** | **$ 93,362,985** |

Inventory reserve on finished goods as of March 31, 2022, and December 31, 2021, was $2,239,903 and $2,267,192, respectively.

Amount of inventory included in cost of goods sold during the three months ended March 31, 2022 and 2021, was $55,143,799 and$25,337,104, respectively. There were no inventory write-downs taken during the periods ended.

For the three months ended March 31, 2022 and 2021, $2,518,636 and $5,792,389, respectively, of expenses relating to the incremental costs to acquire cannabis inventory in a business combination is recognized in cost of sales on the Interim Statements of Operations. This relates to the one-time adjustment of cannabis inventory from acquiree historical cost to fair value as part of the purchase price allocation.

**7. PROPERTY, PLANT, AND EQUIPMENT**

As of March 31, 2022 and December 31, 2021, property, plant and equipment, net consisted of the following:

| | **March 31, 2022** | December 31, 2021 |
|---|---|---|
| Furniture and equipment | $ 30,687,371 | $ 26,311,197 |
| Auto and trucks | 1,597,799 | 1,021,291 |
| Buildings | 65,102,368 | 65,819,860 |
| Leasehold improvements | 94,457,359 | 78,282,477 |
| Land | 17,891,960 | 17,891,963 |
| Construction in progress | 108,076,005 | 95,853,330 |
| Total | 317,812,862 | 285,180,118 |
| Less: Accumulated depreciation | 12,891,622 | 9,957,952 |
| **Total property, plant and equipment, net** | **$ 304,921,240** | **$ 275,222,166** |

**8. GOODWILL AND INTANGIBLE ASSETS**

**Goodwill**

There were no indicators of impairment during the periods presented. As of March 31, 2022, and December 31, 2021, the Company's goodwill is as follows:

| | **Total** |
|---|---|
| **As of January 1, 2021** | **$ 57,963,360** |
| Acquired through business combinations | 171,946,202 |
| **As of December 31, 2021** | **229,909,562** |
| Acquired through business combination and VIE | 10,882,477 |
| **As of March 31, 2022** | **$ 240,792,038** |

**8. GOODWILL AND INTANGIBLE ASSETS (Continued)**

**Intangible Assets**

Amortization expense is recorded within cost of goods sold and operating expenses. The amount in cost of goods sold for the three months ended March 31, 2022 and 2021, was $4,864,593 and $1,505,702, 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 | |
| **Net book value** | | | | | |
| As of January 1, 2021 | $ 94,620,386 | $ 124,851,470 | $ 31,261,649 | $ 1,624,172 | $ 252,357,677 |
| As of December 31, 2021 | $ 935,265,386 | $ 12,592,250 | $ 29,911,649 | $ 1,146,172 | $ 978,915,457 |
| As of March 31, 2022 | $ 918,668,157 | $ 18,700,222 | $ 31,399,982 | $ 4,398,339 | $ 973,166,700 |

The anticipated amortization expense over the next five years is as follows:

| Amortization | 2022 | 2023 | 2024 | 2025 | 2026 | 2027 and beyond |
|---|---|---|---|---|---|---|
| **Expense** | **$ 53,407,939** | **$ 71,210,585** | **$ 70,922,757** | **$ 70,732,585** | **$ 70,732,585** | **$ 636,956,954** |

**9. RIGHT-OF-USE ASSETS & LEASE LIABILITIES**

Information related to operating and finance leases is as follows:

| | **March 31, 2022** | | March 31, 2021 | |
|---|---|---|---|---|
| | **Operating Leases** | **Finance Leases** | **Operating Leases** | **Finance Leases** |
| Weighted average discount rate | 12.06% | 9.70% | 13.92% | 12.32% |
| Weighted average remaining lease term | 13.42 yrs | 2.67 yrs | 11.35 yrs | 3.39 yrs |

The maturity of the contractual undiscounted lease liabilities as of March 31, 2022, are as follows:

| | Operating Leases | Finance Leases | Total |
|---|---|---|---|
| 2022 | $ 13,754,073 | $ 5,071,581 | $ 18,825,654 |
| 2023 | 18,500,473 | 6,782,276 | 25,282,749 |
| 2024 | 17,943,119 | 5,292,297 | 23,235,416 |
| 2025 | 17,278,435 | 646,009 | 17,924,444 |
| 2026 | 16,409,855 | 44,961 | 16,454,816 |
| 2027 and beyond | 119,412,018 | 790 | 119,412,808 |
| **Total undiscounted lease liabilities** | **$ 203,297,973** | **$ 17,837,914** | **$ 221,135,887** |
| Impact of discounting | (99,675,190) | (2,029,647) | (101,704,837) |
| **Total present value of minimum lease payments** | **$ 103,622,783** | **$ 15,808,267** | **$ 119,431,050** |

Payments related to capitalized leases during the three months ended March 31, 2022 and 2021, are as follows:

| | **Three Months Ended** | |
|---|---|---|
| | **March 31, 2022** | **March 31, 2021** |
| **Lease liabilities - operating** | | |
| Lease liabilities - operating expense, COGS | $ 1,763,604 | $ 571,714 |
| Lease liabilities - operating expense, G&A | 3,116,422 | 1,064,438 |
| **Lease liabilities - finance** | | |
| Amortization of right-of-use assets, COGS | 614,716 | 70,761 |
| Amortization of right-of-use assets, G&A | 42,989 | 1,076 |
| Interest on lease liabilities - finance, COGS | 339,441 | 35,812 |
| Interest on lease liabilities - finance, G&A | 14,196 | 524 |
| **Total lease expense** | **$ 5,891,368** | **$ 1,744,325** |





**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., a company owned by an executive of Ayr, entered into a management agreement with the Company dated May 24, 2019. 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 March 31, 2022, and December 31, 2021, $1,457,382 and $934,683 was included in prepaid expenses, a majority of which is for a letter of credit for an operating lease.

Lease fees during the three months ended March 31, 2022, of $215,312 (2021: $115,575) included in operating lease. As of March 31, 2021, included in general and administrative expenses were management fees of $1,787,073. There are no management fees in the current period as all management fee services were transferred to wholly owned subsidiaries of the Company.

During the three months ended March 31, 2022, the Company incurred fees from a company partially owned by a board member of Ayr. The total incurred fees were $13,500 (2021: $25,500) of office expenses, $174,883 (2021: $160,311) of development fees, $226,500 (2021: $150,000) of rental fees, and $47,956 (2021: $66,546) of interest expense. Additionally, the board member was issued 50,000 equity shares, valued at $707,129 on the grant date, related to a consulting agreement with the Company for services rendered for the period ended March 31, 2022.

Refer to Notes 11 and 14 for additional information regarding the debts payable to related parties and non-cash stock-based compensation plan, respectively, for the three months ended March 31, 2022 and 2021.



## 11. DEBTS PAYABLE & SENIOR SECURED NOTES



### Senior Secured Notes

On November 12, 2021, the Company completed a private placement offering of approximately $133 million aggregate principal amount of secured promissory notes at a premium price of $1,070 per $1,000, resulting in approximately $147 million of proceeds due December 2024. The notes are considered additional notes under the indenture governing the Company's existing notes which were entered into on December 10, 2020 ("December 2020 Notes"). The resulting yield-to-maturity is 9.8%.

| | | Senior secured notes |
|---|---|---|
| As of January 1, 2021 | $ | 103,652,963 |
| Debt issuance costs | | (2,142,242) |
| Debt issuance costs amortized | | 1,744,520 |
| Senior Secured Notes issued | | 133,250,000 |
| Senior Secured Notes premium | | 9,304,957 |
| Senior Secured Notes premium amortized | | (402,376) |
| **As of December 31, 2021** | | **245,407,822** |
| Debt issuance costs amortized | | 572,842 |
| Senior Secured Notes premium amortized | | (754,456) |
| **Total senior secured notes payable as of March 31, 2022** | **$** | **245,226,208** |
| **Total accrued interest payable related to senior secured notes as of March 31, 2022** | **$** | **7,601,562** |

### Debt Payable

| | | Debts payable |
|---|---|---|
| As of January 1, 2021 | $ | 62,232,581 |
| Discounted as of January 31, 2021 | | 1,279,819 |
| Incurred through combinations and acquisitions | | 87,474,904 |
| Converted to equity | | (7,429,389) |
| Less: repayment | | (8,749,327) |
| Less: discounted to fair value | | (950,977) |
| **As of December 31, 2021** | | **133,857,611** |
| Discounted as of December 31, 2021 | | 950,977 |
| Incurred through earn-out provision | | 14,934,040 |
| Debt Issued | | 26,200,000 |
| Less: repayment | | (2,080,862) |
| **Total debts payable, undiscounted as of March 31, 2022** | | **173,861,766** |
| Less: discounted to fair value | | (870,988) |
| **Total debts payable as of March 31, 2022** | **$** | **172,990,778** |
| **Total accrued interest payable related to debts payable as of March 31, 2022** | **$** | **5,799,176** |

The details of debts payable were as follows:

| | March 31, 2022 | | | | | |
|---|---|---|---|---|---|---|
| | Related party debt | | Non-related party debt | | Total debt | |
| Principal payments | $ | 25,880,089 | $ | 147,981,677 | $ | 173,861,766 |
| Less: current portion | | 2,202,969 | | 5,697,622 | | 7,900,591 |
| **Total non-current debt, undiscounted** | **$** | **23,677,120** | **$** | **142,284,055** | **$** | **165,961,175** |
| Less: discount to fair value | | - | | (870,988) | | (870,988) |
| **Total non-current debt** | **$** | **23,677,120** | **$** | **141,413,067** | **$** | **165,090,187** |





## 11. DEBTS PAYABLE & SENIOR SECURED NOTES (Continued)

### Debt Payable (continued)

The following table presents the future debt obligation as of March 31, 2022:

| **Future debt obligations (per year)** | | |
|---|---|---|
| 2022 | $ | 6,373,711 |
| 2023 | $ | 21,108,376 |
| 2024 | $ | 90,356,026 |
| 2025 | $ | 32,082,079 |
| 2026 and beyond | $ | 23,941,574 |
| **Total debt obligations** | **$** | **173,861,766** |

As part of the business combinations and asset 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.

On March 28, 2022, the Company amended a non-related party note of $2.5 million that was assumed during the acquisition of Washoe. The loan was amended to extend the maturity date an additional year, while the payment terms and interest rate remained the same. Under ASC 470, this was considered to be a debt modification.

On March 17, 2022, the Company entered into a loan agreement with a community bank for total proceeds of $26.2 million, net of financing costs of $0.3 million, with a 4.625% annual interest rate. The loan is secured with a first mortgage lien on certain real property in Massachusetts and matures five years from the date of the agreement, with an option to extend for an additional five years.

On March 1, 2022, pursuant to the PA Natural Medicine, LLC ("PA Natural") Agreement, the Company issued non-related party promissory notes in the amount of $14.9 million. The notes are secured by all the assets and a pledge of the Company's membership interests in PA Natural. The notes mature three years from the date of the agreement with an 8% annual interest rate.

Interest expense associated with related party debt payable for the periods ended March 31, 2022 and 2021, was $391,463 and $462,044, respectively.

**12. SHARE CAPITAL**

The following activity occurred during the three months ended March 31, 2022:

- 5,000 Equity Shares were repurchased and cancelled, and 77,000 Equity Shares were repurchased and held as a result of the Company's stock repurchase program.
- In relation to the exercise of 543,837 RSUs, 291,902 Equity Shares were issued due to net settlement.
    - Through the three months ended March 31, 2022, 19,633 shares were forfeited.
- 33,147 Equity Shares were issued in connection with options exercised.
- 1,029,499 Equity Shares were issued in connection with the earn-out provision related to the acquisition of PA Naturals.
- 328,715 Exchangeable Shares were issued in connection with the Q1 2022 Acquisition.
- 50,000 Equity Shares were issued to a related party, refer to Note 10.





**12. SHARE CAPITAL (Continued)**

*Warrants*

The average remaining life of Warrants is 2.2 years with an aggregate intrinsic value of $12.4 million. The number of Warrants outstanding as of March 31, 2022 and December 31, 2021 is:

| | Number | | Amount |
|---|---|---|---|
| **Balance as of January 1, 2021** | **10,486,412** | **$** | **6,515,753** |
| Exercise of Warrants | (7,555,130) | | (4,694,395) |
| Forfeitures of Warrants, due to expiration | (57,224) | | (35,556) |
| **Balance as of December 31, 2021** | **2,874,058** | **$** | **1,785,802** |
| *No activity* | | | |
| **Balance as of March 31, 2022** | **2,874,058** | **$** | **1,785,802** |

**13. DERIVATIVE LIABILITIES**

**Purchase Consideration and Contingent Consideration**

The earn-out provision related to the acquisition of Sira Naturals, Inc. ("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. As of March 31, 2022 and December 31, 2021, the fair value was $25.9 million and $25.3 million, respectively.

The earn-out provisions related to the acquisitions of Oasis, GSD NJ, LLC ("GSD"), PA Natural, and Cultivauna are measured at fair value based on unobservable inputs and is considered a Level 3 measurement. The provision uses a Monte-Carlo simulation to estimate the fair value through the end of the earn-out period based on the Company's share price at the acquisition date and other inputs based on other observable market data.

As of March 31, 2022, the fair value of Oasis, GSD, and Cultivauna earn-out provisions were $0.1 million, $92.8 million, and $6.1 million, respectively. As of December 31, 2021, the fair value of Oasis, GSD, and PA Natural's earn-out provisions were $28.7 million, $91.7 million, and $39.9 million, respectively.

During the period ended March 31, 2022, the Company paid and settled its earn-out provision related to the PA Naturals acquisition. Ayr paid $10.0 million of cash, issued $14.9 million of promissory notes, and issued $11.7 million of Equity Shares, and recognized a gain during the period of $3.2 million on the change in fair value of the contingent consideration obligation.

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

| | Three Months Ended | |
|---|---|---|
| | **March 31, 2022** | **March 31, 2021** |
| Gain (loss) from FV adjustment on contingent consideration | 26,892,718 | (546,010) |
| Gain from settlement of contingent consideration | 3,186,236 | - |
| **Total** | **$ 30,078,954** | **$ (546,010)** |





## 14. STOCK-BASED COMPENSATION

The Company has adopted an Equity Incentive Plan ("the Plan"), as amended on May 2, 2021, which 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, RSUs, performance compensation awards, and unrestricted stock bonuses or purchases.

In addition, CSAC Acquisition Inc. 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 Equity Shares that may be awarded under the Equity Incentive Plan on a one-for-one basis.

The stock-based compensation expense is based on either the Company's share price for service-based conditions or the Company's share price fair value on the date of the grant. The RSUs vest over a one to four-year period, based on service, market, and/or performance conditions. During the periods ended March 31, 2022, and December 31, 2021, the Company recognized stock-based compensation relating to the granting of RSUs in the current and prior periods, except for the performance based RSUs as they did not meet the probable threshold.

During the three months ended March 31, 2022, 543,837, of which 291,902 were issued due to net settlement, Equity Shares vested. The result of the net settlement was 251,935 Equity Shares were withheld with a total value of $3.9 million to pay income taxes on behalf of the grantees. The average remaining life of unvested RSUs is one year with an expected expense over the next 12 months of $37.8 million, with an aggregate intrinsic value of $99.5 million using the stock price as of March 31, 2022.

| | **Number** | **Weighted Average Grant Date Fair Value** |
|---|---|---|
| **RSUs outstanding and nonvested, as of January 1, 2021** | 4,235,150 | $ 16.63 |
| Granted | 5,781,031 | $ 17.79 |
| Vested | (1,916,045) | $ (18.44) |
| **RSUs outstanding and nonvested, as of December 31, 2021** | **8,100,136** | **$ 18.83** |
| Granted | 208,150 | $ 12.45 |
| Vested | (543,837) | $ 26.86 |
| Forfeited | (19,633) | $ 25.34 |
| **RSUs outstanding and nonvested, as of March 31, 2022** | **7,744,816** | **$ 16.13** |





## 14. STOCK-BASED COMPENSATION (Continued)

*Options*

As part of the Liberty acquisition, the Company issued replacement options to certain employees of Liberty who became employees of the Company 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. The estimated remaining life of the options is approximately one year with an aggregate intrinsic value of $0.3 million.

| | **Number of options** | **Weighted Average Fair Value** |
|---|---|---|
| **Balance as of January 1, 2021** | **-** | **$ -** |
| Replacement options issued | 248,412 | 17.93 |
| Options exercised | (37,234) | 17.93 |
| Options sold to cover income taxes | (13,347) | 17.93 |
| **Balance as of December 31, 2021** | **197,831** | **17.93** |
| Options exercised | (33,147) | 17.93 |
| **Balance as of March 31, 2022** | **164,684** | **17.93** |

## 15. COMMITMENTS AND CONTINGENCIES

**Contingencies**

The Company's operations are subject to a variety of local and state governmental 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 governmental regulations as of March 31, 2022, 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 March 31, 2022, 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.

**Construction Commitments**

As of March 31, 2022, the Company had $27 million of contractual commitments to contractors on work being performed.





## 16. FINANCIAL RISK FACTORS

***(a) Fair value***

• 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.

There were no transfers between levels in the hierarchy during the three months ended March 31, 2022 and 2021. For financial assets and liabilities not measured at fair value, their carrying value is considered to approximate fair value due to their market terms.

The carrying values of cash, deposits, accounts receivable, trade payables, accrued liabilities, accrued interest payable, and purchase consideration payable approximate their fair values because of the short-term nature of these financial instruments. Long-term debt is recorded at amortized cost.

The following table summarizes the fair value hierarchy for the Company's financial assets and liabilities that are re-measured at their fair values periodically:

| **March 31, 2022** | **Level 1** | **Level 2** | **Level 3** | **Total** |
|---|---|---|---|---|
| **Financial Liabilities** | | | | |
| Contingent consideration | $ - | $ - | $ 124,872,644 | $ 124,872,644 |
| | | | | |
| **December 31, 2021** | | | | |
| **Financial Liabilities** | | | | |
| Contingent consideration | $ - | $ - | $ 185,521,950 | $ 185,521,950 |

The following table summarizes the inputs used at the initial and subsequent measurement dates to value the contingent consideration in the table above:

| | |
|---|---|
| Equity Volatility | 55.65 - 57.80% |
| Revenue Volatility | 20.5 - 23.96% |
| Risk-free rate | 1.51 - 1.78% |
| Revenue Risk Premium | 6.77 - 9.61% |
| Credit Risk Rate | 10.50% |
| Discount Rate | 8.40% |

***(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. As of March 31, 2022, and December 31, 2021, substantially all of cash is estimated to be exposed to credit risks. The components of accounts receivable as of March 31, 2022, and December 31, 2021, were:

| | **0-30 days** | **31-90 days** | **Over 90 days** | **Total** |
|---|---|---|---|---|
| Balance, as of March 31, 2022 | $ 3,666,902 | $ 2,306,052 | $ 1,819,307 | $ 7,792,261 |
| Balance, as of December 31, 2021 | $ 4,940,734 | $ 1,649,187 | $ 822,985 | 7,412,906 |





## 16. FINANCIAL RISK FACTORS (Continued)

***(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 9 and 11 for future lease and debt commitments. The Company has the following gross obligations as of March 31, 2022, which are expected to be payable:

| | Less than 1 year | 1-5 years | > 5 years | Total |
|---|---|---|---|---|
| Trade payables and accrued liabilities | $ 40,062,618 | $ - | $ - | $ 40,062,618 |
| Lease obligations | 18,825,654 | 82,897,425 | 119,412,808 | 221,135,887 |
| Purchase consideration | 5,523,670 | - | - | 5,523,670 |
| Income tax payable | 17,189,686 | - | - | 17,189,686 |
| Debt Payable | 6,373,711 | 167,488,055 | | 173,861,766 |
| Contingent consideration | - | 42,500,000 | - | 42,500,000 |
| Senior secured notes | - | 243,250,000 | - | 243,250,000 |
| Accrued interest payable | 9,601,904 | 3,798,834 | - | 13,400,738 |
| | **$ 97,577,243** | **$ 539,934,314** | **$ 119,412,808** | **756,924,365** |

***(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.

As of March 31, 2022, and December 31, 2021, 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 March 31, 2022** $ |
|---|---|---|---|---|
| Cash | 804,193 | 0.8013 | Increase / Decrease 1% | **6,444** |





## 17. TAXATION

As the Company operates in the legal cannabis industry, the Company is subject to the limits of IRC Section 280E for United States federal income tax purposes as well as state income tax purposes. Under IRC Section 280E, the Company is only allowed to deduct expenses directly related to sales of product. This results in permanent differences between ordinary and necessary business expenses deemed non-allowable under IRC Section 280E. Therefore, the effective tax rate can be highly variable and may not necessarily correlate with pre-tax income or loss.

The Company is treated as a United States corporation for the United States federal income tax purposes under IRC Section 7874 and is subject to United States federal income tax on its worldwide income. However, for Canadian tax purposes, the Company, regardless of any application of IRC Section 7874, is treated as a Canadian resident company (as defined in the Income Tax Act (Canada) (the "ITA") for Canadian income tax purposes. As a result, the Company is subject to taxation both in Canada and the United States. The Company is also subject to state income taxation in Massachusetts, Pennsylvania, Florida, Arizona, and New Jersey. Income Tax is accounted for in accordance with ASC 740, Income Taxes including ASU 2019-12. The following table summarizes the Company's income tax expense and effective tax rates for the three months ended March 31, 2022 and 2021.

| | **Three Months Ended March 31,** | |
|---|---|---|
| | **2022** | **2021** |
| Income (loss) before income taxes | $ 2,114,338 | $ (11,640,036) |
| Provision for income taxes | 11,307,117 | 4,981,600 |
| Effective tax rate | 535% | -43% |

## 18. SUBSEQUENT EVENTS

The Company's management has evaluated subsequent events through the date the interim financial statements were issued.

Subsequent to March 31, 2022, the Company completed its acquisition of Herbal Remedies Dispensaries, LLC. Purchase consideration totals $30 million, made up of $4 million in cash, $16 million in sellers' notes, and $10 million in stock. Supplemental proforma information required by ASC 805 is not practicable.

Subsequent to March 31, 2022, the Company entered into a loan agreement with a community bank for total proceeds of $25.8 million, with an annual interest rate of Prime Rate plus 1.5%, floating, with a 5.0% floor (currently 5.5% as of May 25, 2022). The loan is secured with a first mortgage lien on certain real property and matures two years from the date of the agreement. The loan is subject to certain financial and other covenants.

Ayr Wellness Inc.
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE THREE MONTHS ENDED MARCH 31, 2022 AND 2021
(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. ("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 months ended March 31, 2022 and 2021. This discussion should be read in conjunction with the Company's Quarterly Report, the unaudited interim condensed consolidated financial statements for the three months ended March 31, 2022, and 2021 (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 financial statements are 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 ir.ayrwellness.com, sec.gov, and www.sedar.com. The information contained on such websites are not a part of, nor are they incorporated by reference into, this Quarterly Report (or the equivalent thereof).

The effective date of this MD&A is May 25, 2022.

**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 COVID-19, including government and/or regulatory responses to the outbreak;
- laws and regulations and any amendments thereto applicable to our business and the impact thereof, including uncertainty regarding the application of U.S. state and federal law to U.S. cannabis products and the scope of any regulations by the U.S. Food and Drug Administration, the U.S. Drug Enforcement Administration, the U.S. Federal Trade Commission, the U.S. Patent and Trademark Office, the U.S. Department of Agriculture and any state equivalent regulatory agencies over U.S. cannabis products;





- climate change impacting economic factors such as prices and supply chain disruption, as well as governmental response through laws or regulations regarding greenhouse gas emissions;
- 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 comply with its debt covenants, if any;
- the Company's ability to secure further equity or debt financing, if required;
- changes in U.S. generally accepted accounting principles or in the interpretation thereof;
- 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 such as inflation or fluctuation in interest rates, 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 and maintain employees from 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 Equity 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 earnings before interest, tax, depreciation, and amortization ("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) income from operations, as reported under GAAP, before interest and tax, adjusted to exclude non-core costs, 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 non-core costs 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.

**Overview of the Company**

Ayr Wellness Inc. is a national cannabis consumer packed goods company and retailer. Founded in 2019 and headquartered in Miami, Florida, the Company is focused on delivering the highest quality cannabis products and customer experience throughout its footprint. As of March 31, 2022, the Company has operations in seven U.S. markets and employs roughly 2,200 people. The Company, through its subsidiaries and affiliates, holds, operates, and manages licenses and permits in the States of Arizona, Florida, Massachusetts, Nevada, New Jersey, Ohio, and Pennsylvania.

The Company's strategy is to vertically integrate through the consolidation of cultivating, producing, distributing, and dispensing cannabis brands and products at scale. The Company's portfolio of consumer-packaged goods brands includes Kynd, Origyn Extracts, Levia, STiX Preroll Co., Secret Orchard, Lost in Translation and Entourage, among others. The Company distributes and markets its products to Ayr-owned retail stores and to third-party licensed retail cannabis stores throughout Ayr's operating footprint.

The Company owns and operates a chain of cannabis retail stores under brand names including AYR, Liberty Health Sciences, and The Dispensary. Ayr owns stores under other names, primarily where stores acquired still retain their pre-acquisition branding, though the Company intends to unify its retail footprint under the AYR retail brand name over time. The income of Ayr's retail stores derives primarily from the sale of cannabis products, with an immaterial portion of income resulting from the sale of other merchandise (such as cannabis accessories). As of March 31, 2022, Ayr operates 69 retail stores, located across Ayr's portfolio.

**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 designed to be 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 disruptions as well as staffing disruptions. 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 seek 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.





**Forward-Looking Financial Projections or Targets**

Based on the results to date, management is updating the assumptions underlying its previously issued 2022 guidance, most notably around timing of new markets and growth projects becoming operational.

The Company's expectation is that the earnings power of the transformed Ayr business is approximately $250M of Adjusted EBITDA, $800M of Revenue and $100M of US GAAP Operating Income on an annualized basis, based on the run rate expected to be delivered in Q4 2022.

The Company expects its financial results in the first half of 2022 to be relatively in-line with industry trends, expecting sales to be flat in the first half of 2022. The Company expects a step-function in growth beginning in Q3, subject to timing as outlined in the assumptions below, with the run rate reaching the amounts described above in Q4 2022.

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 receiving required regulatory approvals and cultivation and manufacturing capacity coming on-line, retail store openings, and the closing of M&A transactions as follows:
  - Pennsylvania:
    - Previously discussed 36,000 square foot cultivation expansion has been put on hold pending Adult Use developments.
    - An additional dispensary in Indiana, PA is expected to open in Q2 2022, bringing the total store count to nine.

- Arizona:
  - Construction of additional 80,000 square foot cultivation and manufacturing facility was completed in Q4 2021 with revenues commencing in Q2 2022.
- New Jersey:
  - 75,000 square feet cultivation and manufacturing capacity completed in Q1 2022, with revenues expected to commence in Q4 2022.
  - Adult-use sales at our three dispensaries is expected to commence by the end of Q2 2022.
- Massachusetts:
  - Revenues from 93,000 sq ft of additional cultivation and manufacturing capacity expected to commence in Q4 2022.
  - Two adult-use retail locations in Greater Boston are expected to open by June and July of 2022.
  - Received regulatory approval for the sale of adult-use cannabis at the Back Bay dispensary in Q2 2022
  - The acquisition of Cultivauna LLC, maker of Levia cannabis infused seltzer, closed in Q1 2022.
- Florida:
  - Increasing retail locations from 45 as of Q1 2022 to an expected 55 by year-end 2022.
  - Five acres of shade house cultivation are expected to come on-line with revenues in Q2 2022, followed by an additional five acres expected by year-end 2022.
  - Steady, gradual improvement in cultivation yields in Florida and retail throughput are expected in 2022.
- Ohio:
  - Revenues from 58,000 square feet of cultivation capacity is expected to commence in Q1 2023.
- Illinois:
  - Acquisition of Herbal Remedies (two dispensaries) closed in Q2 2022.





  - Acquisition of Dispensary 33 (two dispensaries) expected to close in 2H-2022.
- The targets assume pricing in the wholesale and retail market remains relatively stable at current levels.

Ayr has also assumed that business and economic conditions will continue substantially in the ordinary course, including, without limitation, with respect to general economic and industry conditions, competition, regulations (including those in respect of the cannabis industry), weather, taxes, that there will be no new 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 Months Ended March 31, 2022 and 2021**

*Adjusted EBITDA Reconciliation for the Three Months Ended March 31, 2022 and 2021*

| | Three Months Ended | |
|---|---|---|
| | **March 31, 2022** | March 31, 2021 |
| | **$** | $ |
| (Loss) from operations (GAAP) | (21,126,100) | (8,368,167) |
| **Non-cash items accounting for inventory** | | |
| Incremental costs to acquire cannabis inventory in business combination | 2,518,636 | 5,792,389 |
| Interest (within cost of goods sold "COGS") | 480,006 | 244,286 |
| Depreciation and amortization (from statement of cash flows) | 21,240,131 | 7,476,106 |
| Acquisition costs | 1,450,969 | 3,136,976 |
| Stock-based compensation, non-cash | 10,360,830 | 8,223,545 |
| Start-up costs[1] | 2,649,438 | 1,622,959 |
| Other[2] | 1,922,818 | 285,955 |
| | 38,104,192 | 20,989,827 |
| **Adjusted EBITDA (non-GAAP)** | **19,496,728** | **18,414,049** |

*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 associated with non-core costs.

*Adjusted Gross Profit Reconciliation for the Three Months Ended March 31, 2022 and 2021*

| | Three Months Ended | |
|---|---|---|
| | **March 31, 2022** | March 31, 2021 |
| | **$** | $ |
| Gross Profit (GAAP) | 45,518,518 | 24,465,320 |

| | | |
|---|---|---|
| Incremental costs to acquire cannabis inventory in business combination | 2,518,636 | 5,792,389 |
| Interest (within COGS) | 480,006 | 244,286 |
| Depreciation and amortization (within COGS) | 7,597,596 | 2,516,045 |
| Start-up costs (within COGS) | 978,699 | 1,180,166 |
| Other (within COGS) | 836,792 | - |
| **Adjusted Gross Profit (non-GAAP)** | **57,930,247** | **34,198,206** |





*Unaudited Interim Condensed Consolidated Statements of Operationsfor the Three Months Ended March 31, 2022 and 2021*

| | Three Months Ended | |
|---|---|---|
| ($ in millions) | **March 31, 2022** | March 31, 2021 |
| Revenues, net of discounts | 111.2 | 58.4 |
| Cost of goods sold excluding fair value items | (63.2) | (28.1) |
| Incremental costs to acquire cannabis inventory in a business combination | (2.5) | (5.8) |
| Gross profit | 45.5 | 24.5 |
| Total operating expenses | (66.6) | (32.8) |
| Loss from operations | (21.1) | (8.3) |
| Total other income (expense) | 23.2 | (3.3) |
| Income (Loss) before income tax | 2.1 | (11.6) |
| Provision for income taxes | (11.3) | (5.0) |
| **Net loss before noncontrolling interest** | (9.2) | (16.6) |
| Net loss attributable to noncontrolling interest | (1.6) | - |
| Net loss attributable to Ayr Wellness Inc. | (7.6) | (16.6) |





*Revenue, net of discounts*

Revenue, net of discounts for the three months ended March 31, 2022 and 2021, was $111.2 million and $58.4 million, respectively, increasing $52.8 million or 90%. Revenues increased due to Ayr's expansion that occurred throughout 2021 and 2022, including the addition of four new states as well as one acquisition during the first quarter of 2022.

*Gross Profit*

Gross profit for the three months ended March 31, 2022 and 2021, was $45.5 million and $24.5 million, respectively, an increase of $21 million or 86%. Gross profit percentage for the three months ended March 31, 2022 and 2021, was 41% and 42%, respectively.

The increase in gross profit was directly attributable to the revenue increase as described above. The slight decrease in gross profit percentage for the period was due to a decrease in incremental costs to acquire cannabis inventory in a business combination and offset by the impact of pricing compression in competitive markets.

Adjusted Gross Profit (non-GAAP) for the three months ended March 31, 2022 and 2021, was $57.9 million and $34.2 million, respectively, increasing $23.7 million or 69%. Adjusted gross profit percentage (non-GAAP) for the three months ended March 31, 2022, and 2021, was 52% and 59%, respectively.

The increase in Adjusted Gross Profit was directly attributable to the revenue increase as described above. The slight decrease in Adjusted Gross Profit percentage was due to the makeup of state contribution and product mix as well as the impact of pricing compression in competitive markets.

*Total Operating Expenses*

Total operating expenses for the three months ended March 31, 2022, and 2021, were $66.6 million and $32.8 million, respectively, increasing $33.8 million or 103%. The increase in operating expense was due to an increase in general and administrative expenses and amortization expense of $25.7 million and $8.2 million, respectively.

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

Total operating expenses as a percent of revenue during the periods ended March 31, 2022, and 2021, were 60% and 56%, respectively. The change during the periods ended was due to an increase in amortization expense by over 175%.

*Total Other Income (Expense)*

Total other income (expense) for the three months ended March 31, 2022, and 2021, was $23.2 million and ($3.3) million, respectively. The increase for the three-month periods was primarily driven by the $30.6 million change in the fair value relating to derivative liabilities, primarily for contingent consideration. The other income (expense) was offset by the increase in interest expense of $4 million primarily related to the senior secured notes.

*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 at year-end. The deferred tax is mainly driven by changes in the amortization of intangibles.





As the Company operates in the cannabis industry, it is subject to the limitations of the United States Internal Revenue Code Section 280E under which the Company is only allowed to deduct expenses directly related to sales of product. Therefore, Ayr can have income tax even when it records a net loss.

Total income tax expense for the three months ended March 31, 2022, and 2021, was $10.9 million and $5.0 million, respectively. The current tax expense was $10.9 million and $7 million, respectively, for the three months ended March 31, 2022, and 2021. The increase in current tax expense was driven by an increase in gross profit over the respective periods. The deferred tax (benefit) expense was $0.4 and $2.1 million, respectively, for the three months ended March 31, 2022, and 2021.

*Net Loss attributable to Ayr Wellness Inc.*

Net loss for the three months ended March 31, 2022, and 2021, was $7.6 million and $16.6 million, respectively. The decrease was primarily driven by the factors described above.

**Liquidity and Capital Resources as of March 31, 2022**

*Selected Liquidity and Capital Resource Information*

| ($ in millions) | March 31, 2022 | December 31, 2021 |
|---|---|---|
| Cash | 78.7 | 154.3 |
| Total current assets | 209.8 | 266.1 |
| Total assets | 1,853.8 | 1,859.9 |
| Total current liabilities | 96.7 | 152.3 |
| Total long-term liabilities | 712.5 | 687.5 |
| Total liabilities | 809.2 | 839.8 |
| Total shareholders' equity | 1,044.7 | 1,020.1 |

As of March 31, 2022, the Company had cash of $78.7 million, other current assets of $131.1 million, current liabilities of $96.7 million and working capital of $113.1 million compared to December 31, 2021 which had cash of $154.3 million, other current assets of $111.8 million, current liabilities of $152.3 million, and working capital of $113.8 million. The overall decrease in net working capital is primarily due to payments for capex.

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

*Summary of Future Commitments*

| Year | Operating Leases | Finance Leases | Debt | Contingent Consideration | Construction Commitments | Total |
|---|---|---|---|---|---|---|
| 2022 | $ 13,754,073 | $ 5,071,581 | $ 6,373,711 | $ - | $ 27,042,376 | $ 52,241,741 |
| 2023 | 18,500,473 | 6,782,276 | 21,108,376 | 4,568,482 | - | 50,959,607 |
| 2024 | 17,943,119 | 5,292,297 | 333,606,026 | 120,304,162 | - | 477,145,604 |
| 2025 | 17,278,435 | 646,009 | 32,082,079 | - | - | 50,006,523 |
| 2026 | 16,409,855 | 44,961 | 673,969 | - | - | 17,128,785 |
| Thereafter: | 119,412,018 | 790 | 23,268,971 | - | - | 142,681,779 |
| **Total Commitments** | $ 203,297,973 | $ 17,837,914 | $ 417,113,132 | $ 124,872,644 | $ 27,042,376 | $ 790,164,039 |





*Selected Cash Flow Information*

| | Three Months Ended | |
|---|---|---|
| ($ in millions) | March 31, 2022 | March 31, 2021 |
| Net cash used in operating activities | (21.2) | (19.9) |
| Net cash used in investing activities | (45.9) | (31.0) |
| Net cash (used in) provided by financing activities | (8.6) | 119.4 |
| Net (decrease) increase in cash | (75.7) | 68.4 |
| Cash, beginning of period | 154.3 | 127.2 |
| Cash, end of period | 78.7 | 195.7 |

*Operating Activities*

Net cash used in operating activities during the three months ended March 31, 2022, and 2021, was ($21.2) million and ($19.9) million, respectively, an increase of $1.3 million. The decrease in net cash used in operating activities was driven by tax payments.

*Investing Activities*

Net cash used in investing activities during the three months ended March 31, 2022 and 2021 was ($45.9) million and ($31) million, respectively, an increase of $14.9 million. The cash used during the current period was due primarily to the cash paid for investment in property, plant, and equipment.

*Financing Activities*

Net cash (used in) provided by financing activities during the three months ended March 31, 2022, and 2021, was ($8.6) million and $119.4 million, respectively, a decrease of $128 million. The decrease in net cash related to financing activities was primarily due to the proceeds from an equity offering in the prior period as well as settlements related to acquisitions in the current period.

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 March 31, 2022, and December 31, 2021. 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.





Share Capital

As of March 31, 2022, and December 31 2021, the Company had share capital of $1,312.7 million and $1,289.8 million, respectively, consisting of additional paid-in capital.

Outstanding Shares

| | March 31, 2022 | December 31, 2021 |
|---|---|---|
| **Issued and Outstanding** | | |
| Multiple Voting Shares | 3,696,486 | 3,696,486 |
| Subordinate Voting Shares | 16,820,581 | 15,150,286 |
| Restricted Voting Shares | 13,123,695 | 11,453,800 |
| Limited Voting Shares | 27,792,447 | 29,733,089 |
| Exchangeable Shares | 7,697,000 | 7,368,285 |
| Treasury Stock | (645,300) | (568,300) |
| **Total number of shares** | 68,484,909 | 66,833,646 |

As of March 31, 2022, the Company had 2,874,058 Equity Shares issuable upon the exercise of Warrants, 7,744,817 restricted Exchangeable Share units, of which 1,300,000 are market and performance based, and 164,684 Equity Shares issuable upon the exercise of options. As of December 31, 2021, the Company had 2,874,058 Equity Shares issuable upon the exercise of Warrants, 8,100,136 restricted Exchangeable Share units, of which 1,300,000 are market and performance based, and 197,831 Equity Shares issuable upon the exercise of rights reserved for issuance.

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 15 in the audited consolidated financial statements for the year ended December 31, 2021 ("Audited 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

See Note 10 in the financial statements for the Company's disclosures on related party transactions.

**Significant Accounting Judgments and Estimates**

See Note 3.4 in the financial statements for the Company's accounting policies regarding*Significant Accounting Judgments and Estimates.*

**Recent Accounting Pronouncements**

See Note 3.5 in the financial statements for the Company's action on recent accounting pronouncements.

**Proposed Transactions**

See Note 15 in the Audited Financial Statements for definitive agreements and term sheets the Company entered into.

**Risk Factors**

Please refer to the Company's final base shelf prospectus dated February 24, 2021, the Company's management information circular dated October 1, 2021, and the Company's Annual Information Form dated March 30, 2022 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. See Note 13 in the financial statements for the Company's financial instruments, financial risks factors, and other instruments.

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.

**Exhibit 99.3**

**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 March 31, 2022.

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: May 25, 2022

*(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 March 31, 2022.

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: May 25, 2022

*(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.