TERRASCEND CORP.

Condensed Interim Consolidated Financial Statements

For the three months ended March 31, 2018 and 2017
(In Canadian Dollars)

TerrAscend Corp.

Interim Condensed Consolidated Statements of Financial Position

(Unaudited)
(Expressed in Canadian Dollars)

	Notes		As at March 31, 2018		As at December 31, 2017
ASSETS					
Current Assets					
Cash and cash equivalents		**$**	**45,680,064**	$	51,816,602
Other receivable			**671,017**		412,144
Biological assets	5		**541,881**		-
Inventory	4		**5,333,167**		1,364,198
Prepaid expenses			**828,315**		99,873
			53,054,444		53,692,817
Non-current assets					
Property, plant and equipment	6		**17,447,856**		15,036,146
Intangible assets	7		**313,254**		332,603
Total Assets		**$**	**70,815,554**	$	69,061,566
LIABILITIES AND SHAREHOLDERS' EQUITY					
Current liabilities					
Accounts payable and accrued liabilities		**$**	**4,124,968**	$	1,692,100
Total Liabilities			**4,124,968**		1,692,100
Shareholders' Equity					
Share capital	8		**51,090,477**		50,343,804
Warrants reserve	8		**23,375,236**		23,460,497
Share-based payments reserve	8		**3,342,864**		2,336,451
Deficit			**(11,117,991)**		(8,771,286)
Total Shareholders' Equity			**66,690,586**		67,369,466
Total Liabilities and Shareholders' Equity		**$**	**70,815,554**	$	69,061,566
Total number of commons shares outstanding			**94,709,657**		94,351,198

Subsequent events (*note 11*)
The accompanying notes are an integral part of these interim condensed consolidated financial statements.

On behalf of the Board

"*Michael Nashat*"
President & Chief Executive Officer

"*Jason Wild*"
Chairman of the Board

TerrAscend Corp.

Interim Condensed Consolidated Statements of Loss and Comprehensive Loss

(Unaudited)

(Expressed in Canadian Dollars)

	Notes	For the three months ended March 31, 2018	March 31, 2017
Sales		**$ -**	$ -
Production salaries and wage		**225,649**	-
Production amortization and depreciation	6	**81,120**	-
Production supplies and expenses		**104,897**	-
Gross loss before gain on fair value of biological assets		**(411,666)**	-
Unrealized gain on changes in fair value of biological assets		**576,508**	-
Gross margin		**164,842**	-
Expenses:			
Share-based payments	8	**998,118**	-
General and administrative		**940,251**	(153,598)
Consulting & professional fees		**394,217**	550,631
Selling expenses		**171,159**	-
Amortization and depreciation	6, 7	**86,540**	-
Shareholder relations		**72,069**	-
Finance (income) expense		**(100,735)**	320,577
Other income		**(50,072)**	-
Total operating expenses		**2,511,547**	717,610
Net loss and comprehensive loss		**$ (2,346,705)**	$ (717,610)
Net loss per share, basic and diluted			
Net loss per share – basic and diluted		**$ (0.02)**	$ (0.03)
Weighted average shares outstanding		**94,437,399**	26,826,531

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

TerrAscend Corp.

Interim Condensed Consolidated Statements of Changes in Shareholders' Equity

(Unaudited)

(Expressed in Canadian Dollars)

Three months ended March 31, 2018	**Share Capital**	**Warrants**	**Share-based Payments Reserve**	**Deficit**	**Total**
Balance at January 1, 2018	**$ 50,343,804**	**$ 23,460,497**	**$ 2,336,451**	**$ (8,771,286)**	**$ 67,369,466**
Stock Options exercised	**230,248**	**-**	**(153,119)**	**-**	**77,129**
Warrants exercised	**516,425**	**(85,261)**	**-**	**-**	**431,164**
Share-based compensation	**-**	**-**	**1,159,532**	**-**	**1,159,532**
Net loss for the year	**-**	**-**	**-**	**(2,346,705)**	**(2,346,705)**
Balance at March 31, 2018	**$ 51,090,477**	**$ 23,375,236**	**$ 3,342,864**	**$ (11,117,991)**	**$ 66,690,586**

Three months ended March 31, 2017	Share Capital	Warrants	Share-based Payments Reserve	Deficit	Total
Balance at January 1, 2017	$ 4,046,840	$ -	$ -	$ (1,965,817)	$ 2,081,023
Shares issued for cash	585,125	-	-	-	585,125
Repurchase of shares	(1)	-	-	-	(1)
Issuance of convertible debenture	955,098	-	-	-	955,098
Issuance of subscription receipts	923,063	-	-	-	923,063
Issuance of warrants	-	338,838	-	-	338,838
Net loss for the year	-	-	-	(717,610)	(717,610)
Balance at March 31, 2017	$ 6,510,125	$ 338,838	$ -	$ (2,683,427)	$ 4,165,536

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

TerrAscend Corp.

Interim Condensed Consolidated Statements of Cash Flow

(Unaudited)

(Expressed in Canadian Dollars)

	For the three months ended			
		March 31, 2018		March 31, 2017
Cash flow from operating activities				
Net loss and comprehensive (loss)	**$**	**(2,346,705)**	$	(717,610)
Add (deduct) items not involving cash				
Gain from changes in fair value of biological assets		**(576,508)**		-
Accretion and accrued interest		**-**		320,429
Deprecation of property, plant and equipment		**148,311**		-
Amortization of intangible assets		**19,349**		-
Share-based payments		**1,159,532**		338,838
Change in working capital				
Other receivables		**(258,873)**		(313,800)
Inventory		**(3,732,212)**		-
Biological Assets		**(202,130)**		-
Prepaid expense		**(728,442)**		(79,708)
Accounts payable and accrued liabilities		**2,432,868**		(452,621)
		(4,084,810)		(904,472)
Cash flow from financing activities				
Private placements of shares, net of issuance costs		**-**		585,125
Proceeds from warrants exercised		**431,164**		-
Proceeds from option exercised		**77,129**		-
Proceeds from convertible debentures		**-**		8,985,000
Advances (repayment) to related parties		**-**		546
		508,293		9,570,671
Cash flow from investing activities				
Investment in property, plant and equipment		**(2,560,021)**		(9,171,874)
Investment in intangible assets		**-**		-
		(2,560,021)		(9,171,874)
Decrease in cash		**(6,136,538)**		(505,675)
Cash, beginning of period		**51,816,602**		3,332,698
Cash, end of period	**$**	**45,680,064**	$	2,827,023

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

1. Nature of operations

TerrAscend Corp. ("**TerrAscend**" or the "**Company**") was incorporated under the Ontario Business Corporations Act. on March 7, 2017, and has three wholly-owned subsidiaries: Solace Health Inc. ("**Solace**"), Terra Health Network Inc. ("**THN**") and 2627685 Ontario Inc., and one 50%-owned joint venture: Solace RX Inc. ("**SolaceRx**").

The Company is a Licensed Producer (as such term is defined in the *Access to Cannabis for Medical Purposes Regulations* (Canada) (the "**ACMPR**")) of medical cannabis and its current principal business activities are in development and include cultivation and sale of medical cannabis through Solace upon receipt of the sales licence. Additional activities include physician and patient education and support programs offered through THN. Solace applied to Health Canada to become a Licensed Producer under the ACMPR and on July 10, 2017, was granted that license (the "**License**") for its 67,300 square foot Mississauga facility (the "**Facility**"). On February 5, 2018, Solace was granted an amendment to the License by Health Canada to allow for oil production pursuant to the ACMPR. A further amendment to the License was granted on March 9, 2018 to allow for sales of dried cannabis. The License expires on July 10, 2020. The Company is in the development stage and has not yet earned any revenues. The Company's registered office is located at PO Box 43125, Mississauga, Ontario, L5C 1W2.

2. Basis of presentation

(a) Statement of compliance

These interim condensed consolidated financial statements for the three months ended March 31, 2018 of the Company were prepared in accordance with International Accounting Standard 34, Interim Financial Reporting ["IAS 34"] as issued by the International Accounting Standards Board ["IASB"]

The same accounting policies and methods of computation were followed in the preparation of these interim condensed consolidated financial statements as were followed in the preparation of the annual consolidated financial statements for the year ended December 31, 2017 prepared in accordance with International Financial Reporting Standards ["IFRS"] as issued by the IASB.

Certain comparative figures have been reclassified to conform to the current period's presentation.

The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual consolidated financial statements. Accordingly, these interim condensed consolidated financial statements for the three months ended March 31, 2018 should be read together with the annual consolidated financial statements for the year ended December 31, 2017, which are available on SEDAR at www.sedar.com.

The preparation of interim condensed consolidated financial statements in accordance with IAS 34 requires the use of certain critical accounting estimates. It also requires management to exercise judgment in applying the Company's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are consistent with those disclosed in the notes to the annual consolidated financial statements for the year ended December 31, 2017. These interim condensed consolidated financial statements were authorized for issue by the Board of the Directors on May 25, 2018.

(b) Basis of measurement

These financial statements have been prepared on the going concern basis, under the historical cost convention except for certain financial instruments that are measured at fair value and biological assets that are measured at fair value less costs to sell, as detailed in the Company's accounting policies.

(c) Functional and presentation currency

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

(d) Principles of consolidation

TerrAscend has three wholly-owned subsidiaries: Solace, THN and 2627685 Ontario Inc. TerrAscend also has one 50%-owned joint venture, Solace RX Inc., which has not commenced business activities as the facility is under construction. The Company consolidates its interest in entities which it controls. Control is defined by the power to govern an entity's financial and operating policies so as to be able to obtain benefits from its activities. All intercompany balances and transactions have been eliminated.

(e) Use of estimates and judgments

The preparation of financial statements requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, and revenue and expenses.

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

Management has applied significant estimates and assumptions related to the following:

i) *Biological assets and inventory*

Management is required to make a number of estimates in calculating the fair value of biological assets and harvested cannabis inventory. These estimates include a number of assumptions, such as estimating the stage of growth of the cannabis, harvesting costs, sales price and expected yields.

ii) *Stock based compensation*

In calculating the share-based compensation expense, key estimates such as the rate of forfeiture of options granted, the expected life of the option, the volatility of the Company's stock price, the vesting period of the option and the risk-free interest rate are used.

iii) *Warrants*

In calculating the value of the warrants, the Company includes key estimates such as the volatility of the Company's stock price, the value of the Common Share, and the risk-free interest rate.

iv) *Depreciation and amortization of property, plant and equipment and intangible assets*

Depreciation and amortization rates are dependent upon estimates of useful lives, which are determined through the exercise of judgment. The assessment of any impairment of these assets is dependent upon estimates of recoverable amounts that consider factors such as economic and market conditions and the useful lives of assets.

3. Significant accounting policies

Inventory

Inventories of harvested finished goods and packing materials are valued at the lower of cost and net realizable value. Inventories of harvested cannabis are transferred from biological assets at their fair value at harvest, which becomes the initial deemed cost. Any subsequent post-harvest costs are capitalized to inventory to the extent that cost is less than net realizable value. Net realizable value is determined as the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale. Cost is determined using the average cost method. Products for resale and supplies and consumables are valued at the lower of cost and net realizable value.

Biological assets

The Company measures biological assets consisting of medical cannabis plants at fair value less cost to sell up to the point of harvest, which becomes the basis for the cost of finished goods inventories after harvest. Unrealized gains or losses arising from changes in fair value less cost to sell during the year are included in the results of operations of the related year.

The Company does not recognize the mother plants used for cloning the production medical cannabis plants on the consolidated statement of financial position, since such plants are in the scope of IAS 16 – Bearer plants, but only have a useful life of less than one year.

Any costs related to the production of biological assets are treated as periodic expense and are included in the consolidated statement of income (loss) for the related year.

IFRS 9 - Financial instruments

Effective January 1, 2018, the Company adopted IFRS 9.

IFRS 9 introduces new requirements for the classification and measurement of financial assets. IFRS 9 requires all recognized financial assets to be measured at amortized cost or fair value in subsequent accounting periods following initial recognition. IFRS 9 also amends the requirements around hedge accounting, and introduces a single, forward-looking expected loss impairment model.

The Company has elected to apply the limited exemption in IFRS 9 paragraph 7.2.15 relating to transition for classification and measurement and impairment, and accordingly has not restated comparative periods in the year of initial application. The adoption of IFRS 9 had no impact on the Company's consolidated financial statements on the date of initial application. There was no change in the carrying amounts on the basis of allocation from original measurement categories under IAS 39 Financial Instruments: Recognition and Measurement to the new measurement categories under IFRS 9.

Classification

The Company classifies its financial assets and financial liabilities in the following measurement categories i) those to be measured subsequently at fair value through profit or loss (FVTPL); ii) those to be measured subsequently at fair value through other comprehensive income (FVOCI); and iii) those to be measured at amortized cost. The classification of financial assets depends on the business model for managing the financial assets and the contractual terms of the cash flows. Financial liabilities are classified as those to be measured at amortized cost unless they are designated as those to be measured subsequently at FVTPL (irrevocable election at the time of recognition). For assets and liabilities measured at fair value, gains and losses are either recorded in profit or loss or other comprehensive income.

The Company reclassifies financial assets when and only when its business model for managing those assets changes. Financial liabilities are not reclassified.

Financial assets at fair value through comprehensive income

Equity instruments that are not held-for-trading can be irrevocably designated to have their change in fair value recognized through comprehensive income instead of through profit or loss. This election can be made on individual instruments and is not required to be made for the entire class of instruments. Attributable transaction costs are included in the carrying value of the instruments. Financial assets at fair value through other comprehensive income are initially measured at fair value and changes therein are recognized in other comprehensive income.

Measurement

All financial instruments are required to be measured at fair value on initial recognition, plus, in the case of a financial asset or financial liability not at FVTPL, transaction costs that are directly attributable to the acquisition or issuance of the financial asset or financial liability. Transaction costs of financial assets and financial liabilities carried at FVTPL are expensed in profit or loss. Financial assets and financial liabilities with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

Financial assets that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortized cost at the end of the subsequent accounting periods. All other financial assets including equity investments are measured at their fair values at the end of subsequent accounting periods, with any changes taken through profit and loss or other comprehensive income (irrevocable election at the time of recognition). For financial liabilities measured subsequently at FVTPL, changes in fair value due to credit risk are recorded in other comprehensive income.

Impairment

The Company assesses all information available, including on a forward-looking basis the expected credit loss associated with its assets carried at amortized cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk. To assess whether there is a significant increase in credit risk, the Company compares the risk of a default occurring on the asset as at the reporting date with the risk of default as at the date of initial recognition based on all information available, and reasonable and supportive forward-looking information. For trade receivables only, the Company applies the simplified approach as permitted by IFRS 9. The simplified approach to the recognition of expected losses does not require the Company to track the changes in credit risk; rather, the Company recognizes a loss allowance based on lifetime expected credit losses at each reporting date from the date of the trade receivable.

Evidence of impairment may include indications that the counterparty debtor or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganization and where observable data indicates that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults. Receivables are reviewed qualitatively on a case-by-case basis to determine whether they need to be written off.

Expected credit losses are measured as the difference in the present value of the contractual cash flows that are due to the Company under the contract, and the cash flows that the Company expects to receive. The Company assesses all information available, including past due status, credit ratings, the existence of third-party insurance, and forward looking macro-economic factors in the measurement of the expected credit losses associated with its assets carried at amortized cost.

The Company measures expected credit loss by considering the risk of default over the contract period and incorporates forward-looking information into its measurement.

Summary of the Company's classification and measurements of financial assets and liabilities

	IFRS 9		**IAS 39**	
	Classification	**Measurement**	**Classification**	**Measurement**
Cash and cash equivalents	FVTPL	Fair value	Loans and receivables	Fair Value
Accounts receivables	Amortized cost	Amortized cost	Loans and receivables	Amortized cost
Trade payables and accrued liabilities	Amortized cost	Amortized cost	Other liabilities	Amortized cost

4. Inventory

The Company's inventory includes both purchased and internally produced inventory. The Company did not record the fair value of its cannabis trim biological assets, as it did not yet have a license to sell cannabis oil. The oil inventory recorded was externally purchased. The Company's purchased inventory is comprised of the following items:

	March 31, 2018 **$**	**December 31, 2017** **$**
Dry Cannabis		
Packaged goods	**386,476**	95,547
Dry Bud	**3,945,146**	1,226,910
Oil Inventory	**917,536**	-
Supplies and consumables	**84,009**	41,741
Balance, end of year	**5,333,167**	1,364,198

5. Biological assets

The Company's biological assets consist of 1,894 cannabis plants as at March 31, 2018. The continuity of biological assets is as follows:

Carrying amount, December 31, 2017	$	-
Increase in fair value less costs to sell due to biological transformation		576,508
Transferred to inventories upon harvest		(236,757)
Carrying amount, March 31, 2018	$	339,751

Also included in the biological asset is $202,130 of cannabis seeds.

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

These estimates include the following assumptions:

(a) Selling prices are determined by estimating the Company's expected average selling price and mix of product strains;

(b) Costs incurred and remaining costs to complete were estimated by calculating the average production costs up to the point of harvest over the total production period;

(c) The percentage of costs incurred for each stage of plant growth;

(d) The stage of plant growth at which point of harvest is determined;

(e) Costs to sell and other fulfillment costs were determined by estimating the Company's average cost per gram; and

(f) Expected yields of harvested plants are estimated and risk adjusted at each stage of growth.

The Company expects that a $1 increase or decrease in the market price per gram of dried cannabis would increase or decrease the fair value of biological assets by $106,000. A 5% increase or decrease in the estimated yield per cannabis plant would result in an increase or decrease in the fair value of biological assets of $17,000. Additionally, an increase or decrease of 10% in the costs of production would increase or decrease the fair value of biological assets by $43,000.

6. Property, plant and equipment

	Land	Assets in Process	Building and Improvements	Irrigation & Lighting Systems	Security System	Office Furniture & Equipment	Total
	$	$	$	$	$	$	$
Cost							
Balance at December 31, 2017	993,991	370,944	12,773,674	706,536	151,654	261,487	15,258,286
Additions	-	1,967,784	333,370	-	16,802	242,065	2,560,021
Completion of construction	-	-	-	-	-	-	-
Disposals	-	-	-	-	-	-	-
Balance at March 31, 2018	**993,991**	**2,338,728**	**13,107,044**	**706,536**	**168,456**	**503,552**	**17,818,307**
Accumulated Depreciation							
Balance at December 31, 2017	-	-	191,203	10,758	1,410	18,769	222,140
Depreciation	-	-	107,784	8,068	7,767	24,692	148,311
Disposals	-	-	-	-	-	-	-
Balance at March 31, 2018	**-**	**-**	**298,987**	**18,826**	**9,177**	**43,461**	**370,451**
Net book value at March 31, 2018	**993,991**	**2,338,728**	**12,808,057**	**687,710**	**159,279**	**460,091**	**17,447,856**

	Land	Assets in Process	Building and Improvements	Irrigation & Lighting Systems	Security System	Office Furniture & Equipment	Total
	$	$	$	$	$	$	$
Cost							
Balance at December 31, 2016	-	400,771	-	-	-	-	400,771
Additions	993,991	370,944	6,628,957	-	-	261,487	8,255,379
Completion of construction	-	(400,771)	6,368,719	706,536	151,654	-	6,826,138
Disposals	-	-	(224,002)	-	-	-	(224,002)
Balance at December 31, 2017	**993,991**	**370,944**	**12,773,674**	**706,536**	**151,654**	**261,487**	**15,258,286**
Accumulated Depreciation							
Balance at December 31, 2016	-	-	-	-	-	-	-
Depreciation	-	-	193,070	10,758	1,410	18,769	224,007
Disposals	-	-	(1,867)	-	-	-	(1,867)
Balance at December 31, 2017	**-**	**-**	**191,203**	**10,758**	**1,410**	**18,769**	**222,140**
Net book value at December 31, 2017	**993,991**	**370,944**	**12,582,471**	**695,778**	**150,244**	**242,718**	**15,036,146**

As at March 31, 2018, assets in process of $2,338,728 (December 31, 2017 – 370,944) are not being depreciated. Depreciation will commence when the construction of the second phase of the Mississauga facility is complete.

7. Intangible Assets

	Software $	Patient List $	Total $
Cost			
Balance at December 31, 2017	102,679	250,000	352,679
Additions	-	-	-
Balance at March 31, 2018	**102,679**	**250,000**	**352,679**
Accumulated Depreciation			
Balance at December 31, 2017	7,577	12,499	20,076
Amortization	6,848	12,501	19,349
Balance at March 31, 2018	**14,425**	**25,000**	**39,425**
Net book value at March 31, 2018	**88,254**	**225,000**	**313,254**

	Software $	Patient List $	Total $
Cost			
Balance at December 31, 2016	**-**	**-**	**-**
Additions	**102,679**	**250,000**	**352,679**
Balance at December 31, 2017	**102,679**	**250,000**	**352,679**
Accumulated Depreciation			
Balance at December 31, 2016	**-**	**-**	**-**
Amortization	**7,577**	**12,499**	**20,076**
Balance at December 31, 2017	**7,577**	**12,499**	**20,076**
Net book value at December 31, 2017	**95,102**	**237,501**	**332,603**

For the three months ended March 31, 2018, additions to intangibles were nil (December 31, 2017 - $352,679).

8. Share Capital

Authorized share capital

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

Outstanding share capital

	Class A Shares	Class B Shares	Common Shares	Amount $
Outstanding, December 31, 2016	300	25,672,352	-	4,046,840
Shares issued for cash	-	1,089,888	53,944,819	57,910,905
Shares issued – stock options	-	-	197,376	185,090
Shares issued – convertible debentures	-	-	13,159,263	9,912,353
Shares issued for services	-	225,000	62,500	160,125
Reallocation from share-based payments reserve	-	-	-	121,118
Reallocation to warrants reserve	-	-	-	(22,960,997)
Reallocation of related party debt	(300)	-	-	968,371
Repurchase of shares	-	-	-	(1)
Exchange of shares	-	(26,987,240)	26,987,240	-
Outstanding, December 31, 2017	**-**	**-**	**94,351,198**	**50,343,804**
Shares issued – warrant exercises	-	-	246,379	516,425
Shares issued – stock option exercises	-	-	112,080	230,248
Outstanding, March 31, 2018	**-**	**-**	**94,709,657**	**51,090,477**

Warrants reserve

The fair value of warrants outstanding as at March 31, 2018 and December 31, 2017 was estimated on their respective grant dates using the Black-Scholes valuation model based on the following assumptions:

Issue date	January 31, 2017	July 31, 2017	August 16, 2017	December 8, 2017	2016
Volatility	100%	100%	100%	100%	n/a
Risk-free interest rate	0.76%	1.31%	1.23%	1.54%	n/a
Expected life (years)	1.75	2.00	2.00	2.00	n/a
Dividend yield	Nil	Nil	Nil	Nil	n/a
Forfeieture rate	0%	0%	0%	0%	n/a
# of Warrants issued	2,173,913	1,518,988	464,785	47,727,273	n/a
Share price	$ 0.45	$ 1.05	$ 1.05	$ 1.10	n/a
Value	$ 499,500	$ 545,583	$ 141,725	$ 22,273,689	n/a

On January 31, 2017, the Company issued 2,173,913 Common Share purchase warrants in payment for financial advisory services rendered. Each warrant is exercisable at $0.46 per share and expires on January 31, 2019.

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

On December 8, 2017, the Company issued 47,727,273 Common Share purchase warrants as a part of a non-brokered private placement offering (see above, Outstanding share capital). Each warrant is exercisable at $1.10 per share and expires at 36 months from the respective closing date.

During the three months ended March 31, 2018, 246,379 warrants were exercised for $1.75 per unit for total gross proceeds of $431,164.

The following is a summary of the outstanding warrants as at March 31, 2018.

Number Outstanding as at March 31, 2018	Number of Warrants	Issue Date	Expiry Date	Weigthed Average Exercise Price $	Weighted Average Remaining Life (years)
Issued in payment for financial advisory services	2,173,913	31/01/2017	31/01/2019	0.46	0.84
Issued during private placement	1,332,180	31/07/2017	31/07/2019	1.75	1.33
Issued during private placement	405,214	16/08/2017	16/08/2019	1.75	1.38
Issued during private placement	47,727,273	08/12/2017	08/12/2020	1.10	2.69
	51,638,580			**1.09**	**2.57**

Options

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

The fair value of the various stock options granted during the three months period ended March 31, 2018 were estimated using the Black-Scholes option pricing model with the following weighted average assumptions: Stock price volatility – 100%; Risk-free interest rate – 1.94% to 2.04%; Dividend yield – 0%; and Expected lives – 4 to 5 years.

The following is a summary of the changes in the Company's options for the three months ended March 31, 2018.

	Options Issued	Average Exercise Price $
Balance Outstanding at December 31, 2016	-	-
Options Granted	4,518,749	1.36
Options Exercised	(197,379)	0.94
Options Forefeited/Cancelled	(258,036)	0.95
Balance Outstanding at December 31, 2017	4,063,334	1.41
Options Granted	575,000	3.12
Options Exercised	(112,080)	0.69
Options Forefeited/Cancelled	(20,000)	3.14
Balance Outstanding at March 31, 2018	**4,506,254**	**1.64**

During the three months ended March 31, 2018, $1,159,532 of stock-based compensation was recorded on the statement of loss and comprehensive loss, of which $161,414 was included in the production salaries and wage line item and $998,118 was included in the share-based payments line item.

During the three months ended March 31, 2018, 112,080 options were exercised for an average exercise price of $0.69 for total gross proceeds of $77,129.

The following is a summary of the outstanding stock options as at March 31, 2018.

Number Outstanding at March 31, 2018	Exercise Price $	Weighted Average Remaining Contractual Life (years)	Number Exercisable at March 31, 2018
1,350,000	0.60	7.54	1,350,000
25,000	0.81	4.49	6,250
261,251	0.85	4.41	58,751
41,668	0.89	4.57	12,500
307,083	0.90	4.59	44,583
650,000	1.21	3.65	253,333
300,000	1.40	2.21	300,000
18,335	1.95	4.67	1,666
1,000,000	3.05	9.72	200,000
110,000	2.95	4.84	-
295,000	3.14	4.92	-
147,917	3.20	4.79	10,417
4,506,254	**1.64**	**6.34**	**2,237,500**

At March 31, 2018, the weighted average exercise price of options outstanding and options exercisable was $1.64 and $1.00, respectively.

9. Capital management

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

Since inception, the Company has primarily financed its liquidity needs through the issuance of Common Shares.

There have been no changes to the Company's objectives and what it manages as capital as at March 31, 2018 or during the year ended December 31, 2017. The Company is not subject to externally-imposed capital requirements.

10. Financial instruments and risk management

Financial instruments

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

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

Fair value hierarchy

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

Level 1 – quoted prices (unadjusted) in active markets for identical assets and liabilities
Level 2 – inputs that are observable for the asset or liability, either directly (prices) or indirectly (derived from prices) from observable market data
Level 3 – inputs for assets and liabilities not based upon observable market data

Financial risk factors

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

(a) Credit risk

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

(b) Liquidity risk

The Company is exposed to liquidity risk or the risk of not meeting its financial obligations as they come due. The Company monitors and manages its cash flows to assess the liquidity necessary to fund operations. As at March 31, 2018, the Company had cash and receivables balance of $46,351,081 (December 31, 2017 - $52,228,746) to settle current liabilities of $4,124,968 (December 31, 2017 - $1,692,100). As such, liquidity risk for the Company should be considered very low. All of the Company's financial liabilities have contractual maturities of less than 30 days and are subject to normal trade terms.

(c) Interest rate risk

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

11. Consignment

As at March 31, 2018, the Company holds dry bud at an average cost of $1,575,292 on behalf of another licensed producer, which is not included in the inventory of the Company.

12. Subsequent events

(a) Incentive Stock Options

On April 9, 2018, the Company granted 355,000 options to 7 employees of the Company. The options have a weighted average exercise price of $4.35.

On April 16, 2018, the Company granted 175,000 options to 4 employees of the Company. The options have a weighted average exercise price of $3.85.

On April 30, 2018, the Company granted 20,000 options to 1 employee of the Company. The options have a weighted average exercise price of $3.85.

On May 1, 2018, the Company granted 65,000 options to 4 employees of the Company. The options have a weighted average exercise price of $3.45.

On May 9, 2018, the Company granted 135,000 options to 3 employees of the Company. The options have a weighted average exercise price of $3.60.

On May 15, 2018, the Company granted 55,000 options to 3 employees of the Company. The options have a weighted average exercise price of $3.49.

Subsequent to March 31, 2018, 479,748 stock options were exercised ranging in price from $0.60 to $3.20 for gross proceeds of $384,031 and 116,807 warrants were exercised from the $1.75 issuance for gross proceeds of $204,412.

(b) Fire & Flower Investment

On April 20, 2018, the Company purchased 3,125,000 units of Fire & Flower, a proposed private retailer for adult use cannabis sales in select provinces for an aggregate of $2,500,000 or $0.80 per unit, amounting to approximately 5% of the outstanding Fire & Flower shares. Each unit is comprised of one common share and one common share purchase warrant in Fire & Flower. Each common share purchase warrant entitles TerrAscend to purchase one additional common share of Fire & Flower at a price of CDN$1.05 within twenty-four (24) months. The Company completed this strategic investment through 2627685 Ontario Inc.

(c) Solace Health Marketplace

On April 25, 2018, the Company's wholly-owned subsidiary, Solace Health Inc. launched the Solace Health Marketplace, a centralized destination for Canadian cannabis patients to access information, quality support and a diverse selection of dried cannabis products to support patient wellness.

(d) Strategic Investment in Think AHLOT Corporation

On May 1, 2018, the Company made a strategic investment in Think AHLOT Corporation ("AHLOT"), an award-winning cannabis innovation company that creates groundbreaking cannabis products and accessories. The Company will issue convertible notes of up to $2.5 million to AHLOT to be utilized towards increasing sales & marketing, product development, operations and general corporate purposes. Additionally, TerrAscend, through its wholly-owned affiliate, Solace Health Inc., will provide fulfillment and distribution services on behalf of AHLOT that will enable AHLOT to commence the development and sale of licensed cannabis products for AHLOT's unique product portfolio.