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

FORM 10-Q

☒ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended September 30, 2024
OR

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the transition period from to
Commission file number: 000-56422

TILT Holdings Inc.
(Exact name of registrant as specified in its charter)

British Columbia	**83-2097293**
(State or other jurisdiction of incorporation or organization)	(I.R.S. employer identification no.)
2801 E. Camelback Road #180 **Phoenix, Arizona**	**85016**
(Address of principal executive offices)	(Zip code)

(623) 887-4990
(Registrant's telephone number, including area code)

Not Applicable
(Former name, former address and former fiscal year, if changed since last report)

Securities registered pursuant to Section 12(b) of the Act: None

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non- accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	☐	Accelerated filer	☐
Non-accelerated filer	☒	Smaller reporting company	☒
		Emerging growth company	☒

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

As of October 31, 2024, there were 346,969,492 common shares, without par value, of TILT Holdings Inc. outstanding, excluding limited partnership units of Jimmy Jang, L.P. exchangeable for 43,821,379 common shares.

TILT HOLDINGS INC.
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USE OF NAMES AND CURRENCY

In this Quarterly Report on Form 10-Q, unless the context otherwise requires, the terms "we," "us," "our," "Company," or "TILT" refer to TILT Holdings Inc. together with its wholly owned subsidiaries.

Unless otherwise indicated, all references to "$," "US$," "USD," or "USD$" in this Quarterly Report on Form 10-Q refer to United States dollars, and all references to "C$," "CAD," or "CAD$" refer to Canadian dollars.

CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

This Quarterly Report on Form 10-Q includes "forward-looking information" and "forward-looking statements" within the meaning of applicable Canadian and United States ("U.S.") securities laws (collectively, "forward-looking statements"). Such statements include, but are not limited to, statements with respect to expectations, projections, or other characterizations of future events or circumstances, and the Company's objectives, goals, strategies, beliefs, intentions, plans, estimates, projections and outlook, including statements relating to the Company's plans and objectives, or estimates or predictions of actions of customers, suppliers, competitors or regulatory authorities. These statements are subject to certain risks, assumptions and uncertainties that could cause actual results to differ materially from those included in the forward-looking statements. The words "believe," "plan," "intend," "estimate," "expect", "likely," "potential," "proposed," "scheduled," "forecast," or "anticipate," and similar expressions, as well as future or conditional verbs such as "will," "should," "would," "may," "might," and "could" identify forward-looking statements.

Management of the Company has based the forward-looking statements on its current views with respect to future events and financial performance and has made assumptions and applied certain factors regarding, among other things: future product pricing; costs of inputs; the Company's ability to successfully market its products to its anticipated clients; the Company's reliance on its key personnel; certain regulatory requirements; the application of federal and state environmental laws; the impact of increasing competition; the Company's ability to successfully execute its operating plan for the next 12 months; the Company's ability to obtain additional financing on favorable terms; the Company's ability to defer principal and interest payments on certain notes; the Company's ability to successfully negotiate a mutually agreeable waiver and forbearance agreement with certain noteholders; the receipt of applicable regulatory approvals; and the regulatory environments in which the Company operates. Although the Company believes that the expectations reflected in such forward-looking statements are reasonable, it can give no assurance that such expectations will prove to have been correct. The Company's forward-looking statements are expressly qualified in their entirety by this cautionary statement. The purpose of forward-looking statements is to provide the reader with a description of management's expectations, and such forward-looking statements may not be appropriate for any other purpose.

By its nature, forward-looking information is subject to risks and uncertainties, and there are a variety of risk factors, many of which are beyond the control of the Company, and that may cause actual outcomes to differ materially from those discussed in the forward-looking statements. Such factors include, among others, the status of cannabis as a controlled substance under the U.S. Federal Controlled Substances Act; risks related to the enforcement activities by the U.S. Department of Justice; risks related to the Company's ability to continue as a going concern; reputational risk to third parties; risks associated with banking, financial transactions and anti-money laundering laws and regulations; risks related to federal and state forfeiture laws; the risk of heightened scrutiny by regulatory authorities; risks related to the potential negative impact of regulatory scrutiny on raising capital; risks related to regulatory or political change; risks due to industry immaturity or limited comparable, competitive or established industry best practices; risks related to the uncertainty surrounding existing protection from U.S. federal prosecution relating to cannabis laws; risks related to uncertainty with respect to geo-political disruptions; risks related to regulatory changes in relation to vaporization devices and subsequent impacts to interstate commerce, registrations and revenue reporting requirements, and potential excise tax applicability; risks relating to tax status; risks associated with the Company's business model; risks related to the Company's dependency on skilled labor, equipment, parts, components and key inputs; risks related to the reliance on third party suppliers; risks related to adverse economic conditions, labor shortages, supply chain disruptions, inflationary pressures and increasing interest rates; risks that the Company's actual financial position and results of operations may differ materially from the expectations of the Company's management; risks related to the costs and obligations relating to the Company's investment in infrastructure, growth, regulatory compliance and operations; risks related to the

Company's dependency on regulatory approvals and licenses to conduct its business; risks related to the potential for changes in laws, regulations and guidelines which could adversely affect the Company's future business; risks related to a failure on the part of the Company to comply with applicable regulations; risks related to the legal, regulatory and scientific status of cannabis; risks related to the Company's ability to find suitable candidates and capital necessary to complete strategic alliances or partnerships; risks related to the Company's ability to successfully identify and execute future acquisitions or dispositions; risks related to indebtedness and the Company's ability to extend, refinance or repay such indebtedness; risks related to the Company's ability to develop its products; risks related to the Company's ability to achieve successful cultivation; risks related to adverse environmental conditions, accidents and labor disputes; risks related to the Company's ability to turn a profit or generate immediate revenues; risks related to limitations on the permissible ownership of licenses; risks related to constraints on marketing the Company's products under varying state laws; risks related to the potential results of future clinical research; risks related to the Company's ability to effectively manage its growth and operations; risks related to the regulation of medical cannabis by the U.S. Food and Drug Administration; risks related to the differing local rules and regulations and the impact this may have on the Company's ability to expand into new markets; risks related to the protection and enforcement of intellectual property rights and allegations that the Company is in violation of intellectual property rights of third parties; risks relating to access to banking; risks relating to disclosure of personal information to government or regulatory entities; risks related to the potential requirement to disclose personal identifying information to government or regulatory entities; risk that the Company may be forced to litigate or defend its intellectual property rights, or to defend against claims by third parties against the Company relating to intellectual property rights; risks related to data privacy laws, rules and regulations; risks relating to fraudulent activity by employees, contractors and consultants; risks regarding the enforceability of contracts; risk of litigation generally; risks relating to increasing competition in the industry; risks relating to the Company's ability to secure adequate or reliable sources of funding; risks relating to product recalls; risks relating to reliance on technology systems that may be subject to cyber-attacks or security breaches; risks that the Company's officers and directors may be engaged in a range of business activities resulting in conflicts of interest; risks that the Company's officers, directors and other parties may exert significant influence on the Company; risks relating to the Company's inability to successfully implement adequate internal controls over financial reporting; risks relating to restrictions on entry to the U.S. for the Company's Canadian individuals; risks relating to the potential that bond requirements and insurance premiums may be economically prohibitive; risks relating to global economic and political instability and conflicts; the risk that the Company's web presence's visibility is not limited by geography; risks relating to volatility in the market price of the Company's securities; risks related to price volatility of publicly traded securities; risks related to dilution of the Company's securities; risks related to the Company's securities being currently quoted on the OTCQB; and other factors beyond our control, as more particularly described under the heading "Risk Factors" in the Form 10-K for the fiscal year ended December 31, 2023 filed by the Company with the U.S. Securities and Exchange Commission (the "SEC") on March 22, 2024 (the "Form 10-K") and on the System for Electronic Document Analysis and Retrieval Plus ("SEDAR+") at www.sedarplus.com.

Readers are cautioned that the foregoing list is not exhaustive of all factors and assumptions which may have been used. Although we have attempted to identify important factors that could cause actual results to differ materially, there may be other factors that cause results not to be as anticipated, estimated or intended. There can be no assurance that such forward-looking information and statements will prove to be accurate as actual results and future events could differ materially from those anticipated in such information and statements. Accordingly, readers should not place undue reliance on forward-looking information and statements. The forward-looking information and statements contained herein are presented for the purposes of assisting readers in understanding our expected financial and operating performance and our plans and objectives and may not be appropriate for other purposes.

The forward-looking information and statements contained in this Quarterly Report on Form 10-Q represent our views and expectations as of the date of this Quarterly Report on Form 10-Q. We anticipate that subsequent events and developments may cause our views to change. However, while we may elect to update such forward-looking information and statements at a future time, we have no current intention of doing so except to the extent required by applicable law.

PART I — FINANCIAL INFORMATION

Item 1. Financial Statements

TILT HOLDINGS INC.
Condensed Consolidated Balance Sheets
(Amounts Expressed in Thousands of United States Dollars, Except for Share Amounts)

	September 30, 2024 (unaudited)	December 31, 2023 (audited)
ASSETS		
Current assets		
Cash and cash equivalents	$ 2,609	$ 2,034
Restricted cash	1,300	1,298
Trade receivables, net	10,332	17,919
Inventories	22,922	32,908
Prepaid expenses and other current assets	2,593	2,115
Total current assets	**39,756**	**56,274**
Non-current assets		
Property, plant and equipment, net	31,704	51,185
Right-of-use assets – finance, net	1,659	2,242
Right-of-use assets – operating, net	12,045	12,296
Investments	—	1
Intangible assets, net	75,086	84,801
Loans receivable	945	1,066
Deferred tax asset	520	3,657
Goodwill	17,721	17,721
Other assets	3,158	1,945
TOTAL ASSETS	**$ 182,594**	**$ 231,188**
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities		
Accounts payable and accrued liabilities	$ 47,898	$ 49,098
Income taxes payable	2,498	2,564
Deferred revenue	3,734	6,083
Finance lease liability, current portion	1,148	1,203
Operating lease liability, current portion	102	72
Notes payable, current portion	28,063	17,052
Total current liabilities	**83,443**	**76,072**
Non-current liabilities		
Finance lease liability, net of current portion	2,208	3,041
Operating lease liability, net of current portion	12,728	12,743
Notes payable, net of discount, net of current portion	37,916	35,108
Massachusetts lease liability	41,362	40,774
Other liabilities	536	1,057
TOTAL LIABILITIES	**178,193**	**168,795**
Shareholders' equity		
Common shares, without par value, unlimited shares authorized, 390,558,148 and 384,833,546 issued and outstanding as of September 30, 2024 and December 31, 2023, respectively	856,558	856,422
Additional paid-in capital	226,105	225,250
Warrants	5,106	5,835
Accumulated other comprehensive income	966	973
Accumulated deficit	(1,084,334)	(1,026,087)
TOTAL SHAREHOLDERS' EQUITY	**4,401**	**62,393**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**$ 182,594**	**$ 231,188**

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

TILT HOLDINGS INC.
Condensed Consolidated Statements of Operations and Comprehensive Loss (Unaudited)
(Amounts Expressed in Thousands of United States Dollars, Except Share and Per Share Amounts)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023
Revenues, net	$ 26,967	$ 44,555	$ 91,052	$ 128,418
Cost of goods sold	(23,172)	(36,595)	(76,281)	(107,622)
Gross profit	**3,795**	**7,960**	**14,771**	**20,796**
Operating expenses:				
Wages and benefits	4,453	4,707	13,586	16,362
General and administrative	2,691	3,721	9,497	13,870
Sales and marketing	140	175	469	869
Share-based compensation expense (benefit)	131	190	261	(1,875)
Depreciation and amortization	3,856	3,891	11,584	12,732
Impairment loss	—	—	15,740	5,135
Total operating expenses	**11,271**	**12,684**	**51,137**	**47,093**
Operating loss	**(7,476)**	**(4,724)**	**(36,366)**	**(26,297)**
Other income (expense):				
Interest income (expense)	—	—	3	—
Other income	105	2	819	102
Gain on sale of assets and membership interests	—	483	—	8,884
Unrealized loss on investment	—	(1)	(1)	(6,401)
Loan receivable losses	—	(14)	—	(5,602)
Loss on foreign currency exchange	—	(17)	(4)	(18)
Interest expense	(6,683)	(6,369)	(19,518)	(15,927)
Total other expense	**(6,578)**	**(5,916)**	**(18,701)**	**(18,962)**
Loss from operations before income tax and non-controlling interest	**(14,054)**	**(10,640)**	**(55,067)**	**(45,259)**
Income taxes:				
Income tax benefit (expense)	1,405	1,977	(3,180)	3,393
Net loss before non-controlling interest	**(12,649)**	**(8,663)**	**(58,247)**	**(41,866)**
Less: Net loss attributable to non-controlling interest	—	—	—	1,433
Net loss attributable to TILT Holdings Inc.	**$ (12,649)**	**$ (8,663)**	**$ (58,247)**	**$ (40,433)**
Other comprehensive loss:				
Net loss before non-controlling interest	$ (12,649)	$ (8,663)	$ (58,247)	$ (41,866)
Foreign currency translation differences	1	(7)	(7)	(12)
Comprehensive loss before non-controlling interest	**(12,648)**	**(8,670)**	**(58,254)**	**(41,878)**
Less: Net loss attributable to non-controlling interest	—	—	—	1,433
Comprehensive loss attributable to TILT Holdings Inc.	**$ (12,648)**	**$ (8,670)**	**$ (58,254)**	**$ (40,445)**
Weighted average number of shares outstanding:				
Basic and diluted	**389,524,790**	**379,610,460**	**387,916,718**	**378,541,584**
Net loss per common share attributable to TILT Holdings Inc.				
Basic and diluted	**$ (0.03)**	**$ (0.02)**	**$ (0.15)**	**$ (0.11)**

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

TILT HOLDINGS INC.
Condensed Consolidated Statements of Changes in Shareholders' Equity (Unaudited)
(Amounts Expressed in Thousands of United States Dollars, Except Share Amounts)

	Common Shares		Additional		Accumulated Other Comprehensive	Accumulated	Non-Controlling	Shareholders' Equity
	Shares	Amount	Paid-in Capital	Warrants	Income (Loss)	Deficit	Interest	Total
Balance - December 31, 2023	**384,833,546**	**$ 856,422**	**$ 225,250**	**$ 5,835**	**$ 973**	**$ (1,026,087)**	**$ —**	**$ 62,393**
Share-based compensation	—	—	17	—	—	—	—	17
Issuance and vesting of restricted share units	2,613,463	90	—	—	—	—	—	90
Comprehensive loss for the period	—	—	—	—	(7)	(9,651)	—	(9,658)
Balance - March 31, 2024	**387,447,009**	**$ 856,512**	**$ 225,267**	**$ 5,835**	**$ 966**	**$ (1,035,738)**	**$ —**	**$ 52,842**
Share-based compensation	—	—	3	—	—	—	—	3
Issuance and vesting (forfeiture) of restricted share units	3,044,399	20	—	—	—	—	—	20
Comprehensive loss for the period	—	—	—	—	(1)	(35,947)	—	(35,948)
Balance - June 30, 2024	**390,491,408**	**$ 856,532**	**$ 225,270**	**$ 5,835**	**$ 965**	**$ (1,071,685)**	**$ —**	**$ 16,917**
Share-based compensation	—	—	106	—	—	—	—	106
Warrants expired	—	—	729	(729)	—	—	—	—
Issuance and vesting (forfeiture) of restricted share units	66,740	26	—	—	—	—	—	26
Comprehensive income (loss) for the period	—	—	—	—	1	(12,649)	—	(12,648)
Balance - September 30, 2024	**390,558,148**	**$ 856,558**	**$ 226,105**	**$ 5,106**	**$ 966**	**$ (1,084,334)**	**$ —**	**$ 4,401**

	Common Shares		Additional		Accumulated Other Comprehensive	Accumulated	Non-Controlling	Shareholders' Equity
	Shares	Amount	Paid-in Capital	Warrants	Income (Loss)	Deficit	Interest	Total
Balance - December 31, 2022	**377,515,391**	**$ 858,143**	**$ 225,127**	**$ 796**	**$ 988**	**$ (963,703)**	**$ 166**	**$ 121,517**
Share-based compensation	—	—	31	—	—	—	—	31
Warrants expired	—	—	67	(67)	—	—	—	—
Issuance and vesting of restricted share units	370,744	209	—	—	—	—	—	209
Shares reserved for contingent consideration	—	53	—	—	—	—	—	53
Warrants issued as part of debt modification	—	—	—	5,106	—	—	—	5,106
Comprehensive (loss) income for the period	—	—	—	—	(2)	(4,875)	9	(4,868)
Balance - March 31, 2023	**377,886,135**	**$ 858,405**	**$ 225,225**	**$ 5,835**	**$ 986**	**$ (968,578)**	**$ 175**	**$ 122,048**
Share-based compensation	—	—	3	—	—	—	—	3
Issuance and vesting (forfeiture) of restricted share units	642,726	(1,074)	—	—	—	—	—	(1,074)
Shares reserved for contingent consideration	—	(1,287)	—	—	—	—	—	(1,287)
Comprehensive loss for the period	—	—	—	—	(3)	(26,895)	(1,442)	(28,340)
Balance - June 30, 2023	**378,528,861**	**$ 856,044**	**$ 225,228**	**$ 5,835**	**$ 983**	**$ (995,473)**	**$ (1,267)**	**$ 91,350**
Share-based compensation	—	—	26	—	—	—	—	26
Issuance and vesting of restricted share units	2,934,977	164	—	—	—	—	—	164
CGSF/SFNY Divestiture	—	—	—	—	—	—	1,267	1,267
Comprehensive loss for the period	—	—	—	—	(7)	(8,663)	—	(8,670)
Balance - September 30, 2023	**381,463,838**	**$ 856,208**	**$ 225,254**	**$ 5,835**	**$ 976**	**$ (1,004,136)**	**$ —**	**$ 84,137**

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

TILT HOLDINGS INC.
Condensed Consolidated Statements of Cash Flows (Unaudited)
(Amounts Expressed in Thousands of United States Dollars)

	Nine Months Ended September 30, 2024	Nine Months Ended September 30, 2023
Cash flows from operating activities:		
Net loss	$ (58,247)	$ (41,866)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Unrealized loss on investments	1	6,401
Gain on sale of assets and other	(717)	(8,133)
Depreciation and amortization	14,611	16,527
Amortization of operating lease right of use assets	2,112	1,887
Payments on operating lease liability	(1,845)	—
Change in allowance for doubtful accounts	(117)	328
Deferred tax	3,137	(3,947)
Share-based compensation expense (benefit)	261	(1,875)
Accretion of debt discount	1,246	1,466
Loan receivable losses	—	5,602
Impairment loss and loss on disposal of assets	15,740	5,135
Inventory adjustments	498	5,831
Non-cash interest expense	12,216	4,255
Net change in working capital items:		
Trade receivables, net	7,704	5,394
Inventories	7,172	8,644
Prepaid expenses and other current assets	(34)	(1,185)
Accounts payable and accrued liabilities	(1,004)	(1,788)
Income tax payable	(66)	435
Deferred revenue	(2,349)	(1,720)
Net cash provided by operating activities	**319**	**1,391**
Cash flows from investing activities:		
Purchases of property, plant, and equipment	(572)	(351)
Proceeds from sale of property, plant and equipment	—	15,000
Repayment of loan receivable, net of advances	121	(2,806)
Proceeds from CGSF/SFNY Divestiture	—	1,400
Net cash (used in) provided by investing activities	**(451)**	**13,243**
Cash flows from financing activities:		
Payments on financing lease liability	(889)	(2,348)
Repayments on notes payable and Massachusetts Lease Liability	—	(14,825)
Repayments on Revolving Facility	(64,613)	(94,870)
Debt issuance costs	—	(1,507)
Proceeds from Revolving Facility	63,219	91,283
Proceeds from 2024 Standard Farms Loan	3,000	—
Proceeds from notes payable and Massachusetts Lease Liability	—	4,000
Proceeds from Employee Retention Credit	—	2,930
Net cash provided by (used in) financing activities	**717**	**(15,337)**
Effect of foreign exchange on cash and cash equivalents	(8)	(14)
Net change in cash and cash equivalents and restricted cash	**577**	**(717)**
Cash and cash equivalents and restricted cash, beginning of year	3,332	3,500
Cash and cash equivalents and restricted cash, end of year	**$ 3,909**	**$ 2,783**
Supplemental disclosures of non-cash investing and financing activities:		
Increases to right-of-use assets related to Ohio facility	$ 80	$ —
Increases to operating lease liability related to Ohio facility	$ 80	$ —
Decrease in inventory related to the 2024 Standard Farms Loan	$ 2,316	$ —
Increase in other assets related to the 2024 Standard Farms Loan	$ 1,654	$ —
Increase in notes payable, discount related to the 2024 Standard Farms Loan	$ 662	$ —
2023 Refinanced Notes interest paid-in-kind	$ 11,878	$ —
Increases to right-of-use assets related to Pennsylvania Transaction	$ —	$ 11,974
Increase to operating lease liability related to Pennsylvania Transaction	$ —	$ 11,880
Reclassification from accounts payable and accrued liabilities to notes payable related to 2023 New Notes (see Note 10)	$ —	$ 8,260
Warrants issued related to 2023 Notes (equity classified)	$ —	$ 5,106
Noteholder representative fee related to 2023 Refinanced Notes	$ —	$ 1,620
Non-cash debt issuance cost	$ —	$ 500
Supplemental disclosure of cash flow information:		
Cash paid for interest	$ 4,713	$ 10,349
Cash paid for income taxes	$ 111	$ —

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

All dollar amounts expressed in thousands, except per share amounts

TILT HOLDINGS INC.
Notes to the Condensed Consolidated Financial Statements (Unaudited)

1. Nature and Continuance of Operations

TILT Holdings Inc. ("TILT" or the "Company") is a business solutions provider to the global cannabis industry offering a diverse range of value-added products and services to industry participants. Through a portfolio of companies providing technology, hardware, cultivation and production, TILT services brands and cannabis retailers in regulated markets across 40 states in the United States ("U.S."), as well as Canada, Israel, Mexico, South America, and the European Union.

TILT was incorporated under the laws of Nevada pursuant to NRS Chapter 78 on June 22, 2018. The Company was continued under the Business Corporations Act (British Columbia) pursuant to a Certificate of Continuance dated November 14, 2018. The Company is a reporting issuer in Canada in the Provinces of British Columbia, Alberta, and Ontario and its common shares are listed for trading on the Cboe Canada (formerly known as the NEO Exchange) under the symbol "TILT." In addition, the common shares are quoted on the OTCQB in the U.S. under the symbol "TLLTF." The Company's head office is in Phoenix, Arizona and its registered office is located at Suite 2400, 745 Thurlow Street, Vancouver, BC V6C 0C5 Canada.

Liquidity and Going Concern

The Company has experienced operating losses since its inception and may continue to incur losses in the development of its business. The Company incurred a comprehensive loss of $58,254 during the nine months ended September 30, 2024 and has an accumulated deficit of $1,084,334 as of September 30, 2024. Additionally, as of September 30, 2024, the Company had negative working capital of $43,687 compared to negative working capital of $19,798 as of December 31, 2023. The negative working capital is related to certain notes payable becoming due within the next 12 months, including the Company's asset-based revolving credit facility (the "Revolving Facility"), the employee retention credit note, and obligations under the 2023 Refinanced Notes and 2023 New Notes (each defined below). See Note 10 — Notes Payable for additional information.

On May 2, 2024, Standard Farms, LLC ("Standard Farms PA") entered into a Secured Promissory Note with a third-party experienced retailer and operator (the "Lender") for borrowings up to $10,500 (the "2024 Standard Farms Loan"). Proceeds from the 2024 Standard Farms Loan will be used to construct dispensaries obtained via a permit issued from the Department of Health, Bureau of Medical Marijuana, of the Commonwealth of Pennsylvania (the "Commonwealth"). The Standard Farms PA permit will allow the construction and operation of up to three medical marijuana dispensaries in the Commonwealth (collectively, the "Retail Locations"). Proceeds from the 2024 Standard Farms Loan will also be utilized for the initial setup and operation of the Retail Locations. The 2024 Standard Farms Loan will mature on December 31, 2027, and will initially bear interest at 20%. The interest rate will automatically increase to 30% upon Standard Farm PA's opening a Retail Location and completing a first commercial sale in the Commonwealth ("Location Opening Date"). On May 2, 2024, the Company drew $3,000 in proceeds on the 2024 Standard Farms Loan, $1,700 of which is allocated to a contingent interest derivative, and recognized a debt discount of $784. See Note 10 — Notes Payable for additional information.

On February 15, 2023 (the "Effective Date"), the Company and its subsidiaries, Jimmy Jang, L.P. ("JJ LP"), Baker Technologies, Inc. and subsidiaries (collectively, "Baker"), Commonwealth Alternative Care ("CAC"), and Jupiter Research LLC ("Jupiter") (collectively, the "Subsidiary Borrowers") entered into a first amendment (the "NPA Amendment") to its existing junior secured note purchase agreement (the "2019 Junior Notes NPA") with Jordan Geotas, as the noteholder representative (the "Noteholder Representative") on behalf of the noteholders under the 2019 Junior Notes NPA (the "Note Holders") and refinanced $38,000 in aggregate principal amount of secured promissory notes issued originally under the 2019 Junior Notes NPA (the "2023 Refinanced Notes").

Pursuant to the NPA Amendment, the Subsidiary Borrowers also issued by way of private placement secured promissory notes (the "2023 New Notes") in the aggregate principal amount of $8,260 to the Note Holders with a maturity date of February 15, 2027. The consideration for the 2023 New Notes was paid by an offset of an existing unsecured obligation owed by the Subsidiary Borrowers to the Note Holders. See Note 10 — Notes Payable for additional information.

On March 13, 2023, the Company, through its subsidiary Jupiter, entered into an amendment to its existing $10,000 Revolving Facility to increase the amount available under the Revolving Facility to $12,500 and extend the maturity date to July 21, 2024. The Revolving Facility bears interest at the prime rate plus 3%. On July 21, 2024, the maturity date of the Revolving Facility automatically extended one year to July 21, 2025. On October 3, 2024, the Company entered into an amendment with the lender through its subsidiary Jupiter to amend certain terms in the debt agreement. See Note 19 — Subsequent Events for additional information.

On May 15, 2023, the Company and its subsidiaries issued senior secured promissory notes in the aggregate principal amount of $4,500 (the “2023 Bridge Notes”). The 2023 Bridge Notes provided gross cash proceeds of $4,000 with an original issue discount of $500 and require monthly payments of $750 which started July 1, 2023. The 2023 Bridge Notes bore interest at the greater of 16% or the prime rate plus 8.5%, payable monthly, with a maturity date of December 1, 2023.

On September 1, 2023, due to a strategic shift to focus on the Company’s core business, the Company divested its interests in its joint venture in SFNY pursuant to a membership interest purchase agreement (“MIPA”) by and among SFNY Holdings Inc. (“SFNY Holdings”), SFNY, each wholly owned subsidiaries of the Company, and CGSF Investments, LLC (“CGSF Investments”), a wholly owned subsidiary of PowerFund Holdings II LLC. Pursuant to the MIPA, CGSF Investments acquired 100% of the membership interests in SFNY from SFNY Holdings for $1,400 cash consideration (the “CGSF/SFNY Divestiture”). SFNY held a 75% interest in CGSF Group LLC (“CGSF Group”), which was formed to establish vertical cannabis operations on the Shinnecock Nation’s aboriginal tribal territory in the Hamptons on Long Island, New York. As part of the CGSF/SFNY Divestiture, the Company derecognized its noncontrolling interest in CGSF of $1,267 and a related party note payable of $350, which resulted in a gain of $483. This gain is included in gain (loss) on sale of assets and membership interests on the condensed consolidated statements of operations and comprehensive loss.

The Company’s operating plans for the next 12 months include (i) increasing revenue growth from the sale of existing products and the introduction of new products across all operating segments; (ii) reducing production and operational costs as a result of efficiencies in cannabis operations; (iii) reducing supply chain costs; (iv) reducing and delaying overhead and other certain expenditures; (v) obtaining other financings or strategic transactions as necessary; and (vi) deferring principal and interest payments on the notes payable.

The Company believes that successfully implementing these operating plans will help to mitigate any substantial doubt raised by our historical operating results and satisfy our estimated liquidity needs for the 12 months following the issuance of these condensed consolidated financial statements. However, during the second quarter of 2023, a primary supplier significantly changed the payment terms of the Company’s trade payable. This was an unexpected event impacting short-term liquidity, therefore, the Company secured additional financing through the issuance of the 2023 Bridge Notes to satisfy the transition of the new payment terms and provide working capital for the business.

The issuance of the 2023 Bridge Notes required the Company to obtain a waiver for financial covenant defaults expected to occur for the 2023 Refinanced Notes and 2023 New Notes. As a result of the waiver, the Company paid default interest rates on its 2023 Refinanced Notes and 2023 New Notes, which resulted in an increase from 16.5% as of March 31, 2023 to 25.0% beginning June 30, 2023. On October 2, 2023, the Company and the Subsidiary Borrowers entered into the Limited Waiver and Continued Forbearance Agreement (the “October Forbearance Agreement”) with the Noteholder Representative on behalf of the Note Holders under the 2019 Junior Notes NPA. The October Forbearance Agreement reduced the interest rate on the 2023 Refinanced Notes to 17.0% beginning September 30, 2023.

However, as of September 30, 2024, the Company continued to apply the default rate of 25.5% to accrue interest on the 2023 Refinanced Notes due to continued noncompliance with financial covenants. The 25.5% interest rate represents the prime rate of 8.0% plus 8.5%, the 8% default interest rate, and the 1% annual increase pursuant to the NPA

Amendment, as the principal balance was more than $30,000 as of the first anniversary of the Effective Date. The 2023 New Notes remain at the default interest rate of 24.5%.

The interest payments will constrain the Company's liquidity while the default rates remain in effect. While, as of the date of this filing, the Company is not in compliance with certain payment obligations and covenants under the 2023 Refinanced Notes and the 2023 New Notes, the Note Holders have not provided the requisite notice of an event of default. The Company is currently negotiating a waiver and forbearance agreement with the Note Holders to address such non-compliance. The Company can provide no assurance that the parties will reach a mutually agreeable resolution. See Note 10 — Notes Payable for additional information.

The Company cannot predict with certainty the outcome of its actions to generate liquidity as discussed above, including the availability of additional financing as necessary, or whether such actions would generate the expected liquidity as currently planned. Therefore, management has concluded there is substantial doubt about the Company's ability to continue as a going concern within 12 months after the date of this filing. These financial statements do not include any adjustments that might become necessary should the Company be unable to continue as a going concern.

2. Basis of Presentation and Summary of Significant Accounting Policies

Basis of Presentation

The accompanying condensed consolidated unaudited interim financial statements have been prepared in accordance with (i) United States generally accepted accounting principles ("U.S. GAAP") for interim financial information, (ii) the instructions to Form 10-Q, and (iii) Article 10 of Regulation S-X. In the opinion of our management, our condensed consolidated unaudited financial statements and accompanying notes (the "Financial Statements") include all normal recurring adjustments that are necessary for the fair statement of the interim periods presented. Interim results of operations are not necessarily indicative of results for the full year, or any other period. The Financial Statements should be read in conjunction with our audited consolidated financial statements (and notes thereto) in our Annual Report on Form 10-K for the fiscal year ended December 31, 2023 (the "Form 10-K"), as filed with the SEC on March 22, 2024 and with the relevant Canadian securities regulatory authorities under our profile on SEDAR+. Except as noted below, there have been no material changes to the Company's significant accounting policies and estimates during the nine months ended September 30, 2024. Certain information, footnotes and disclosures normally included in the annual financial statements, prepared in accordance with U.S. GAAP, have been condensed or omitted in accordance with SEC rules and regulations.

The financial data included in the Financial Statements contain all normal and recurring adjustments necessary to state fairly the consolidated financial condition, results of operations, statements of changes in shareholder's equity, and cash flows of the Company for the nine months ended September 30, 2024 and 2023. Operating results for the nine months ended September 30, 2024 are not necessarily indicative of the results that may be expected for the current year ending December 31, 2024.

Principles of Consolidation

The Financial Statements have been prepared in accordance with U.S. GAAP and include the accounts of the Company and its subsidiaries, as well as the accounts of any entities over which the Company has a controlling financial interest in accordance with Accounting Standards Codification ("ASC") 810 Consolidation. All transactions and balances between these entities have been eliminated upon consolidation.

Use of Estimates

The preparation of these 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. Actual results may differ from these estimates.

Restricted Cash

The Company had $1,300 and $1,298 in restricted cash as of September 30, 2024 and December 31, 2023, respectively. Included in restricted cash was a certificate of deposit related to Jupiter customs bonds totaling $1,254 and $1,253 as of September 30, 2024 and December 31, 2023, respectively.

Estimated Useful Lives and Depreciation of Property, Plant and Equipment

Depreciation of property, plant and equipment is 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 take into account factors such as economic and market conditions and the useful lives of assets.
Depreciation is provided on a straight-line basis over the following estimated useful lives:

Machinery and equipment	2 – 7 years
Furniture and fixtures	3 – 10 years
Autos and trucks	5 years
Buildings and land improvements	5 – 39 years
Leasehold improvements	Lesser of useful life of lease term
Greenhouse - agricultural structure	5 – 15 years
Land	Not depreciated

The assets' residual values, useful lives and methods of depreciation are reviewed annually and adjusted prospectively, if appropriate. Leasehold improvements are amortized over the shorter of either the useful life or term of the lease. Gains or losses on disposal of an item are determined by comparing the proceeds from disposal with the carrying amount of the item and recognized in the consolidated statements of operations and comprehensive loss.

Recently Adopted and Issued Accounting Pronouncements

Recent accounting pronouncements, other than those below, issued by the Financial Accounting Standards Board ("FASB"), the American Institute of Certified Public Accountants, and the SEC did not or are not believed by management to have a material effect on the Company's present or future financial statements.

<u>Recently Issued Accounting Pronouncements</u>

In November 2023, the FASB issued accounting standards update ("ASU") 2023-07, *Segment Reporting (Topic 280): Improvements to Reportable Segment Disclosures*, which improves reportable segment disclosure requirements. These improvements include enhanced disclosures about significant segment expenses that are regularly provided to the chief operating decision maker ("CODM") and included within each reported measure of segment profit or loss, the CODM's title and position, the measures the CODM uses to measure segment profit or loss, and how the CODM uses those measures. This guidance is effective for fiscal years beginning after December 15, 2023 and interim periods within fiscal years beginning December 15, 2024 with early adoption permitted. The Company adopted this standard on January 1, 2024 and does not anticipate any impact on its Financial Statements.

In December 2023, the FASB issued ASU 2023-09, *Income Taxes (Topic 740): Improvements to Income Tax Disclosures.* This ASU requires public companies to annually disclose specific categories in the rate reconciliation and provide additional information for reconciling items that meet a quantitative threshold, certain information about income taxes paid, and certain information disaggregated between federal, state, and/or domestic, and foreign. This guidance is effective for public business entities after December 15, 2024, with early adoption permitted. The Company expects to adopt this standard on January 1, 2025 and does not anticipate any impact to its Financial Statements.

All dollar amounts expressed in thousands, except per share amounts

3. Fair Value Measurements

A number of the Company's accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities. Fair value is defined as the price that would be received from selling an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. When determining the fair value measurements for assets and liabilities that are required to be recorded at fair value, the Company considers all related factors of the asset by market participants in which the Company would transact and the market-based risk measurements or assumptions that market participants would use in pricing the asset or liability, such as inherent risk, transfer restrictions and credit risk.

When measuring the fair value of an asset or a liability, the Company uses observable market data as far as possible. Fair values are categorized into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices).
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Assets and liabilities measured at fair value on a recurring basis, including their levels in the fair value hierarchy are as follows:

	As of September 30, 2024		
	Fair value hierarchy		
Fair value of assets	**Level 1**	**Level 2**	**Level 3**
Cash and cash equivalents	$ 2,609	$ —	$ —
Restricted cash	1,300	—	—
Investments	—	—	—
Total fair value of assets	**$ 3,909**	**$ —**	**$ —**
Fair value of liabilities			
Contingent interest feature derivative	—	—	(1,700)
Total fair value of liabilities	**$ —**	**$ —**	**$ (1,700)**

	As of December 31, 2023		
	Fair value hierarchy		
Fair value of assets	**Level 1**	**Level 2**	**Level 3**
Cash and cash equivalents	$ 2,034	$ —	$ —
Restricted cash	1,298	—	—
Investments	1	—	—
Total	**$ 3,333**	**$ —**	**$ —**

Contingent Interest Feature Derivative

The fair value is based on Level 3 inputs, which include the projected escalating incremental interest expense from the 2024 Standard Farms Loan. See Note 10 — Notes Payable for additional information.

All dollar amounts expressed in thousands, except per share amounts

Investments

The Akerna Corp. ("Akerna") marketable security balance included in investments has Level 1 inputs. During the nine months ended September 30, 2024, the Company recorded a loss of $1 related to its investment in Akerna, which brought the carrying value of the investment to zero. During the nine months ended September 30, 2023, the Company recorded a loss of $1 related to its investment in Akerna. These losses are included in unrealized loss on investment on the condensed consolidated statements of operations and comprehensive loss.

The HERBL Inc. ("HERBL") investment is recorded at cost and excluded from the schedule above. During the three months ended June 30, 2023, the Company noted declining conditions in its investment in HERBL and performed impairment testing. The Company concluded that the balance of its investment was not recoverable due to HERBL entering into receivership in June 2023 and recorded an impairment of $6,400 on its investment in HERBL, bringing the balance of its investment to zero. These losses are included in unrealized loss on investment on the condensed consolidated statements of operations and comprehensive loss. The balance was $0 as of both September 30, 2024 and December 31, 2023.

See Note 6 — Investments for additional information about the Akerna and HERBL investments.

Financial Instruments

The carrying amount of the Company's notes payable, which are recorded at amortized cost, approximates their fair value based upon market interest rates available to the Company for debt of similar risk and maturities, a Level 3 input. See Note 10 — Notes Payable for additional information. Additionally, the carrying amount of the Company's loans receivable, net of expected credit losses, approximates their fair values. See Note 8 — Loans Receivable for additional information. There were no transfers between the levels of fair value hierarchy during each of the nine months ended September 30, 2024 and 2023.

4. Inventories

The Company's inventories consisted of the following:

	September 30, 2024	December 31, 2023
Raw Material - cannabis plants	$ 2,617	$ 2,651
Raw Material - other materials	406	483
Work in progress	9,531	13,380
Finished goods	9,192	14,758
Supplies and accessories	1,176	1,636
Total Inventories	**$ 22,922**	**$ 32,908**

During the three months ended September 30, 2024 and 2023, the Company recorded total inventory adjustments of $270 and $734, respectively. During the nine months ended September 30, 2024 and 2023, the Company recorded total inventory adjustments of $498 and $5,831, respectively. These amounts are included in cost of goods sold on the condensed consolidated statements of operations and comprehensive loss.

All dollar amounts expressed in thousands, except per share amounts

5. Property, Plant and Equipment and Assets Held for Sale

The Company's property, plant and equipment consisted of the following:

	September 30, 2024	December 31, 2023
Land	$ 5,010	$ 6,266
Machinery & equipment	13,541	13,250
Furniture & fixtures	751	751
Buildings	45,100	45,107
Greenhouse - agricultural structure	6,769	6,769
Leasehold improvements	10,434	10,380
Construction in progress	255	306
Autos & trucks	274	275
Total cost	82,134	83,104
Less: Accumulated depreciation	(50,430)	(31,919)
Total property, plant and equipment, net	**$ 31,704**	**$ 51,185**

During the three months ended September 30, 2024 and 2023, the Company recognized depreciation expense of $1,219 and $1,604, respectively. During the nine months ended September 30, 2024 and 2023, the Company recognized depreciation expense of $4,313 and $6,061, respectively. Depreciation expense is included in cost of goods sold and depreciation and amortization in the condensed consolidated statements of operations and comprehensive loss.

During the three months ended June 30, 2024, the Massachusetts market continued to experience challenges marked by increased cultivation and supply, market saturation, and pricing pressure, prompting CAC to revise its financial forecast to align with the prevailing market conditions. The forecast results indicated continuing losses associated with the use of a long-lived asset group, which resulted in the Company performing a test of its assets related to CAC as of June 30, 2024. The result of this test indicated that the fair value of this asset group was less than the carrying value, which resulted in the Company recording an impairment charge of $15,678 for the three months ended June 30, 2024. This loss was allocated to the long-lived major assets of the group on a pro rata basis using the relative carrying amounts of the assets. There was no additional impairment recorded during the three months ended September 30, 2024.

On February 15, 2023, the Company completed the sale and leaseback of its facility in White Haven, Pennsylvania (the "White Haven Facility") to the buyer (the "Pennsylvania Transaction"). The Company received cash proceeds of $15,000 and derecognized the property, plant and equipment with a net carrying value of $6,599, resulting in a gain on sale of assets of $8,401. See Note 12 — Leases for additional information.

Assets Held for Sale

During the nine months ended September 30, 2023, it was determined that the assets held for sale had a fair market value less costs to sell of zero. As a result, the Company recorded an impairment loss of $325 to bring these assets held for sale to fair market value less costs to sell. This loss is included in impairment loss and loss on disposal of assets in the condensed consolidated statements of operations and comprehensive loss, and the assets are still held for sale as of September 30, 2024. The Company is currently in the process of donating these assets, and expects to complete the donation before the end of its fiscal year on December 31, 2024.

6. Investments

The Company's investments included the following:

Investment	September 30, 2024	December 31, 2023
HERBL, Inc.	$ —	$ —
Akerna	—	1
Total Investments	**$ —**	**$ 1**

All dollar amounts expressed in thousands, except per share amounts

The Company recorded the investment in HERBL in accordance with a measurement alternative due to the lack of readily determinable fair values. The measurement alternative allows the Company to record the investments at cost, less impairment, if any, and subsequently adjust for observable price changes of identical or similar investments of the same issuer. The Company intended to hold its investment in HERBL until HERBL executed its next equity financing. The Company had an arrangement with HERBL that, upon such equity financing, if the fair value of HERBL's class B common shares was less than the initial cost, HERBL would issue additional shares to make up the difference. However, during June 2023, the Company determined that it was not probable that HERBL would issue additional shares to bring the Company's investment up to its initial cost as HERBL entered into receivership in June 2023. Therefore, the Company recorded a loss of $6,400 on its investment in HERBL to adjust the balance to zero.

During the nine months ended September 30, 2024, the Company recorded an unrealized loss of $1 from its investment in Akerna. This loss is included in unrealized loss on investment in the condensed consolidated statements of operations and comprehensive loss.

7. Intangible Assets

Intangible asset balances consisted of the following:

Intangible assets	September 30, 2024	December 31, 2023
Customer relationships	$ 85,300	$ 85,300
Trademarks	29,000	29,000
License rights(1)	2,361	2,361
Patents & technologies	32,900	32,900
Backlog and non-competition agreements	10,406	10,406
Total intangible assets, at cost	**159,967**	**159,967**
Less: Accumulated amortization	(84,881)	(75,166)
Total intangible assets, net	**$ 75,086**	**$ 84,801**

(1) License rights primarily consists of indefinite-lived intangible assets, which pertain to licenses for cultivation and processing.

Amortization expense for the three months ended September 30, 2024 and 2023 was $3,239 and $3,239, respectively. Amortization expense for the nine months ended September 30, 2024 and 2023 was $9,715 and $9,758, respectively. This amortization expense is included in depreciation and amortization in the condensed consolidated statements of operations and comprehensive loss.

During the three months ended June 30, 2023, the Company determined that its management agreement with CGSF Group, LLC ("CGSF") was impaired. As a result, the Company recognized an impairment loss of $737 to bring the carrying value of the management agreement intangible asset to zero. This loss is included in impairment loss and loss on disposal of assets in the condensed consolidated statements of operations and comprehensive loss. During September 2023, the Company completed the CGSF/SFNY Divestiture. As part of this transaction, the Company derecognized the management agreement of $926 and all related amortization totaling $926, and the balance no longer exists.

All dollar amounts expressed in thousands, except per share amounts

The following table outlines the estimated future annual amortization expense for intangible assets as of September 30, 2024:

Years ended December 31,	Estimated amortization
Remainder of 2024	$ 3,238
2025	12,953
2026	12,796
2027	12,796
2028	12,778
Thereafter	18,325
	$ 72,886

8. Loans Receivable

A breakdown of the loans receivable terms and balances are as follows:

Loans receivable	September 30, 2024	December 31, 2023
Teneo Fund SPVi LLC Note	$ 5,501	$ 5,622
Pharma EU, LLC Note	—	1,410
A&R Note	—	710
SSZ and Elev8 Note	—	1,002
Pure Hana Synergy Note	—	224
Little Beach Harvest Note	—	—
Total loans receivable	**$ 5,501**	**$ 8,968**
Less allowance for expected credit losses	(4,556)	(7,902)
Loans receivable	**$ 945**	**$ 1,066**

Little Beach Harvest Note

In September 2023, the Company completed the CGSF/SFNY Divestiture. As a result, the Company wrote off the principal of the Little Beach Harvest Note as well as related accrued interest totaling $5,135 and the balance no longer exists.

During the three months ended September 30, 2024, the Company determined that it may not be able to collect the full amount of its loan receivable from the Pharma EU, LLC Note, the A&R Note, the SSZ and Elev8 Note, and the Pure Hana Synergy Note, all of which had been fully reserved for in the Company’s allowance for expected credit losses. As a result, the Company wrote off the loan balances and related allowances, and the balances no longer exist.

Impairment

At each reporting date, the Company assesses whether loans receivables are credit impaired by applying the guidance in ASC 326. A financial asset is considered “credit impaired” when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. Credit impairment is based on observable data such as significant financial difficulty of the debtor and a breach of contract such as a default or being past due. During the three and nine months ended September 30, 2024, the Company did not record additional allowance for expected credit losses related to its remaining loans receivable.

All dollar amounts expressed in thousands, except per share amounts

Current expected credit loss ("CECL") reserves are measured by the Company on a probability-weighted basis based on historical experience, current conditions, and reasonable and supportable forecasts. Our assessment includes a variety of factors, including underlying credit, relative maturity dates of the loans, economic considerations, as well as ongoing legal and other regulatory developments in the industry. The process includes consideration for the assumed recovery rate from underlying collateral, with adjustments for time value of money and estimated costs for obtaining and selling the collateral. Given the repayment profile and underlying terms of such loans, CECL reserves are generally estimated over the contractual term of the loan.

The following tables present an analysis of the credit quality of loans receivable, together with impairment losses recognized based on lifetime CECL reserves:

	As of September 30, 2024		
Nature of collateral	**Gross amounts**	**Loan losses**	**Net**
Security interest in assets of counterparty	$ 5,501	**$** (4,556)	**$ 945**
Third party guarantee	—	—	—
No collateral	—	—	—
Net loans receivable	**$ 5,501**	**$ (4,556)**	**$ 945**

	As of December 31, 2023		
Nature of collateral	**Gross amounts**	**Loan losses**	**Net**
Security interest in assets of counterparty	$ 7,334	$ (6,268)	**$ 1,066**
Third party guarantee	1,410	(1,410)	—
No collateral	224	(224)	—
Net loans receivable	**$ 8,968**	**$ (7,902)**	**$ 1,066**

9. Accounts Payable and Accrued Liabilities

Accounts payable and accrued liabilities consisted of the following:

Accounts payable and accrued liabilities	**September 30, 2024**	**December 31, 2023**
Accounts payable	$ 45,487	$ 46,326
Accrued payroll	1,974	1,534
Other current payables/liabilities(1)	437	1,238
Total accounts payable and accrued liabilities	**$ 47,898**	**$ 49,098**

(1) Includes accrued host agreement due, accrued freight, loyalty liability, and sales tax payable.

Loyalty Liability

For some of its locations, the Company offers a loyalty reward program to its dispensary customers. The loyalty points are accrued when earned as a liability and reduction of revenues. The amount earned is deferred until the loyalty points are redeemed or expire. As of September 30, 2024 and December 31, 2023, the loyalty liability totaled $99 and $126, respectively, which is included in accounts payable and accrued liabilities on the condensed consolidated balance sheets.

Supplier Guaranty

All dollar amounts expressed in thousands, except per share amounts

On January 28, 2024, the Company and its subsidiaries JJ LP, Baker, CAC, Jimmy Jang Holdings, Inc. ("JJH"), JJ Blocker Co. ("JJB"), SFNY, Sea Hunter Therapeutics, LLC ("SEA"), Standard Farms OH, Standard Farms PA, SH Finance Company, LLC ("SF Finance"), and Jupiter (collectively with the Company, JJ LP, Baker, CAC, JJH, JJB, SFNY, SEA, Standard Farms OH, Standard Farms PA, SF Finance, the "Guarantors") and Shenzhen Smoore Technology Limited ("Smoore") and each of its affiliates that sells products to Jupiter and the Company (the "Buyers") from time to time (collectively, the "Secured Party") entered into: (i) a Debt and Security Agreement in favor of the Secured Party (the "Debt and Security Agreement"); (ii) a Guaranty in favor of the Secured Party (the "Guaranty"); (iii) a Side Letter (the "Side Letter"); (iv) a Trademark Security Agreement in favor of the Secured Party; and (v) an Equity Pledge Agreement in favor of the Secured Party (collectively, the "Smoore Agreements").

The Guarantors entered into the Smoore Agreements with the Secured Party, its principal supplier of vaping product inventory ("Inventory") to Jupiter, to provide for the payment of currently existing accounts payable by the Guarantors to the Secured Party ("Accounts"), reduction in the outstanding balance of Accounts from time to time in the future, and the continued shipping of Inventory to Jupiter by the Secured Party.

On July 19, 2024, the Guarantors entered into an amended side letter (the "Amended Side Letter") with the Secured Party. Under the Amended Side Letter, the Guarantors agree to reduce the outstanding balance of all Accounts to $31,000 as of September 29, 2024; $29,000, as of December 30, 2024; $27,000, as of March 29, 2025; $25,000, as of June 29, 2025; and $15,000, as of June 30, 2025 (the "Reduction Plan"). The amounts owed accrue interest at rates ranging from 5.0% to 10.0%, dependent upon the date of the invoices, how long such invoices have remained outstanding, and other criteria. The amounts due under the Smoore Agreements are included in accounts payable and accrued liabilities on the condensed consolidated balance sheets.

10. Notes Payable

Notes payable and debt issuance costs are as follows:

Notes Payable	September 30, 2024	December 31, 2023
Revolving Facility – Interest rate of 11.5% as of September 30, 2024, due on July 21, 2025 (1)	$ 3,355	$ 4,749
2023 Refinanced Notes – Interest rate of 25.5% per annum as of September 30, 2024, due on February 15, 2026 (2)	49,878	39,943
2023 New Notes – Interest rate of 24.5% per annum as of September 30, 2024, due on February 15, 2027 (2)	12,275	10,169
2024 Standard Farms Loan	1,643	—
2024 Standard Farms Loan, Derivative Features	1,700	—
Employee Retention Credit note and other loans and borrowings	3,594	3,594
Total debt	72,445	58,455
Less: Debt discount and debt issuance costs	(6,466)	(6,295)
Less: Current portion of notes payable	(28,063)	(17,052)
Total debt, net of discount, net of current portion	**$ 37,916**	**$ 35,108**

(1) The Revolving Facility initially matured on July 21, 2024 and automatically renewed on July 21, 2024 for a one-year term to an updated maturity date of July 21, 2025. The Revolving Facility will continue to renew for successive one-year terms unless terminated by the Company or the lender.

(2) The interest rates of 25.5% and 24.5% are the default interest rates in effect.

Revolving Facility

During the nine months ended September 30, 2024, the Company drew proceeds of $63,219 and made principal and interest payments of $64,613 on its Revolving Facility. On October 3, 2024, the Company entered into an amendment with the lender through its subsidiary Jupiter to amend certain terms in the debt agreement, which included reducing the borrowing capacity of the Revolving Facility from $12,500 to $6,000. See Note 19 — Subsequent Events for additional information.

2023 Refinanced Notes

All dollar amounts expressed in thousands, except per share amounts

The 2023 Refinanced Notes include the remaining $38,000 in aggregate principal from the 2019 Junior Notes. The 2023 Refinanced Notes mature on February 15, 2026, and bear interest at the greater of 16% or the prime rate plus 8.5% payable monthly. The interest rate is subject to an increase by 1% annually if the aggregate principal amount outstanding under the 2023 Refinanced Notes is greater than $30,000 on the first anniversary or greater than $22,000 on the second anniversary of the Effective Date. On February 15, 2024, the base interest rate increased from 17.0% to 18.0%, as the aggregate principal amount was greater than $30,000 on that date. As of September 30, 2024, the Company used a default rate of 25.5% to accrue interest on the 2023 Refinanced Notes due to this noncompliance. The 25.5% interest rate represents the prime rate of 8.0% plus 8.5%, the 8% default interest rate, and the 1% annual increase pursuant to the NPA Amendment, as the principal balance was more than $30,000 as of the first anniversary of the Effective Date. During the nine months ended September 30, 2024, compounded interest of $8,830 was added to the principal balance and no principal payments were made.

As part of the 2023 Refinanced Notes, the Company recognized a debt discount of $7,106. This amount included $5,106 related to the fair value of warrants issued to each Note Holder (the "Debt Modification Warrants"), and $2,000 in fees owed to the Note Holders. During the three months ended September 30, 2024 and 2023, the Company recorded an amortization adjustment of $1,495 and amortization expense of $1,062, respectively. During the nine months ended September 30, 2024 and 2023, the Company recorded an amortization adjustment of $1,246 and amortization expense of $1,466, respectively. These amortization amounts are included in interest expense on the condensed consolidated statements of operations and comprehensive loss. The balance net of amortization was $5,771 as of September 30, 2024.

2023 New Notes

The 2023 New Notes issued included aggregate principal of $8,260 due to the Note Holders, with a maturity date of February 15, 2027. The 2023 New Notes bear interest at the greater of 16% or the prime rate plus 8.5% payable quarterly. During the nine months ended September 30, 2024, compounded interest of $2,106 was added to the principal balance and no principal payments were made.

The NPA Amendment includes affirmative and negative covenants (including financial maintenance covenants), events of default, representations and warranties that are customary for debt securities of this type. The 2023 New Notes and 2023 Refinanced Notes may be accelerated and all remedies may be exercised by the Note Holders in case of an event of default, which includes events that customarily constitute an event of default for debt securities of this type as well as upon a change of control.

As of the date of this filing, the Company is not in compliance with certain payment obligations and covenants under the 2023 Refinanced Notes and the 2023 New Notes. However, the Note Holders have not provided the requisite notice of an event of default under these notes. The Company is currently negotiating a waiver and forbearance agreement with the Note Holders to address the non-compliance. The Company can provide no assurance that the parties will reach a mutually agreeable resolution.

Employee Retention Credit Note

During August 2023, the Company filed a claim with the Internal Revenue Service ("IRS") for employee retention credits ("ERC") totaling $3,615 applicable to the first and second fiscal quarter of 2021. In order to accelerate access to the ERC funds, the Company signed an agreement with 1861 Acquisition LLC ("1861 Acquisition"). 1861 Acquisition advanced cash of $3,594 to the Company, which included $619 for fees charged by 1861 Acquisition. These fees are included in interest expense on the condensed consolidated statements of operations and comprehensive loss. The Company expected the IRS to approve or deny its claim within the next 12 months. The Company has not yet received approval or denial from the IRS. Upon approval and payment of the claim, the Company will settle the outstanding balance in cash to 1861 Acquisition. In the event the claim is denied in part or in total, the Company is required to pay the outstanding balance upon the denial.

2024 Standard Farms Loan

On May 2, 2024, Standard Farms PA entered into a Secured Promissory Note with a third party experienced retailer and operator (the "Lender") (the "2024 Standard Farms Loan"). Under the terms of the 2024 Standard Farms Loan, Standard Farms PA can borrow up to $10,500 from the Lender. Proceeds from the 2024 Standard Farms Loan will be used to construct dispensaries obtained via a permit issued from the Department of Health, Bureau of Medical Marijuana, of the Commonwealth of Pennsylvania (the "Commonwealth"). The Standard Farms PA permit will allow the construction and operation of up to three medical marijuana dispensaries in the Commonwealth (collectively, the "Retail Locations"). Proceeds from the 2024 Standard Farms Loan will also be utilized for the initial setup and operation of the Retail Locations.

The 2024 Standard Farms Loan will mature on December 31, 2027, and will initially bear interest at 20%. No principal or interest payments will be due under the 2024 Standard Farms Loan before the maturity date, and the 2024 Standard Farms Loan may not be prepaid in cash or kind without the Lender's prior written consent.

On May 2, 2024, the Company drew $3,000 on the 2024 Standard Farms Loan and recognized a debt discount of $784. Of this amount, $662 was related to lender fees, and $122 represents above market interest, which is the difference between the market interest rate and the stated interest rate.

The $3,000 cash receipt was allocated first to the fair value of a bifurcated embedded derivative at $1,700, with the remainder allocated to the note balance. The embedded derivative comprises a contingent interest feature. The contingent interest feature applies an escalating interest rate to the 2024 Standard Farms Loan outstanding balance upon Standard Farms PA opening a Retail Location and completing the first commercial sale in the Commonwealth ("Location Opening Date"). At that time, the interest rate will increase to 30%, and then to 40% six months after the Location Opening Date that applies through maturity.

The Company can request the remaining $7,500 in three separate tranches based on achieving certain criteria set forth in the 2024 Standard Farms Loan agreement.

Because the capital is to fund the construction and operation of the new dispensaries, the 2024 Standard Farms Loan is secured by a first priority security interest in the retail assets of Standard Farms PA (the "Borrower Collateral"), and a second priority security interest in the equity interests of Standard Farms PA that are held by the Company's subsidiary Baker (the "Baker Collateral"). Also on May 2, 2024, the Lender entered into a Consent, Collateral Release and Subordination Agreement (the "Subordination Agreement") with the Company's existing creditors to subordinate the Lender's interest in the Baker Collateral and release the existing creditors' interest in the Borrower Collateral. The Lender's security interest is further described in in a Security Agreement, dated May 2, 2024, by and among Standard Farms PA, the Lender and Baker Technologies, Inc. (the "Security Agreement" and, collectively with the Note and the Subordination Agreement, the "Dispensary Agreements").

The 2024 Standard Farms Loan and the Security Agreement include usual and customary loan provisions including: affirmative and negative covenants, events of default, representations and warranties. In the case of an event of default under the 2024 Standard Farms Loan, Standard Farms PA may become obligated to pay a multiplied balance of up to four times the then-outstanding obligations under the 2024 Standard Farms Loan, all obligations under the 2024 Standard Farms Loan may be accelerated and all remedies may be exercised by Lender. All obligations under the 2024 Standard Farms Loan are guaranteed by the Company, which guarantee shall terminate if and when a first priority security interest in the properly held retail assets of a wholly-owned subsidiary of Standard Farms PA is activated. In order to provide collateral free from prior liens, under the terms of the loan documents, Lender will have a first-priority security interest in the equity interests of any such wholly-owned subsidiary that may be held by Standard Farms PA.

Future principal payments due and interest accrued as of September 30, 2024 were as follows:

Year ended December 31,	Amount
Remainder of 2024	$ —
2025	11,285
2026	38,000
2027	11,260
2028	—
2029 and thereafter	—
Total principal payments	60,545
Add: Accrued interest	11,900
Total	**$ 72,445**

11. Massachusetts Lease Liability

On May 16, 2022, the Company entered into a long-term lease with Innovative Industrial Properties ("IIP") for the Taunton Facility with a term of 20 years and a maturity date of May 15, 2042, with two five-year extensions exercisable at the Company's discretion (the "Massachusetts Lease Liability"). Lease payments are due monthly and are subject to an annual escalation of 2.5% after two years. The Company anticipates no disruption to CAC's operations as a result of these transactions.

The transaction with IIP was accounted for as a failed sale and leaseback transaction, where the Company retained the Taunton Facility balances included in property, plant, and equipment, and recognized a note payable of $40,000.

As of September 30, 2024, the Massachusetts Lease Liability had a balance of $41,362. Future minimum lease payments for the Massachusetts Lease Liability as of September 30, 2024 are as follows:

Year ended December 31,	Amount
Remainder of 2024	$ 1,127
2025	4,581
2026	4,695
2027	4,813
2028	4,933
2029 and thereafter	157,922
Total future payments	178,071
Less: Interest	(144,421)
Total present value of minimum payments	33,650
Add: Estimated ending residual value	7,712
Total	**$ 41,362**

All dollar amounts expressed in thousands, except per share amounts

12. Leases

The following table provides the components of lease cost recognized in the condensed consolidated statements of operations and comprehensive loss:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023
Operating lease cost	$ 704	$ 702	$ 2,112	$ 1,887
Finance lease cost:				
Amortization of lease assets	194	194	583	708
Interest on lease liabilities	69	92	224	291
Finance lease costs	263	286	807	999
Total lease cost	**$ 967**	**$ 988**	**$ 2,919**	**$ 2,886**

The following table provides the weighted average discount rates and weighted average remaining lease terms for the Company's leases:

	September 30, 2024	December 31, 2023
Operating leases		
Weighted average discount rate	19.1%	19.1%
Weighted average remaining lease term	12.93 years	13.65 years
Finance leases		
Weighted average discount rate	8.0%	8.0%
Weighted average remaining lease term	3.29 years	3.82 years

On February 15, 2023, the Company completed the Pennsylvania Transaction for $15,000 with net proceeds used towards repayment of debt and working capital. The lease is for an initial term of 15 years with two five-year options to extend. Rent under the lease will be payable monthly at a rate of $188 per month. Rent increases 2.5% on the second annual anniversary of the lease commencement date and then annually throughout the initial lease term.

The Company determined that control of the White Haven Facility transferred to the buyer, resulting in a sale of the White Haven Facility. The Company received cash proceeds of $15,000 and recognized a right-of-use ("ROU") asset of $11,974 and an operating lease liability of $11,880 upon closing the transaction. The effective interest rate on the operating lease liability is 19.33%. The Company recorded a gain on the sale leaseback of $8,401, which is included in gain on sale of assets on the condensed consolidated statements of operations and comprehensive loss. As of September 30, 2024, the balance of the operating lease liability associated with this transaction was $12,158.

Future minimum lease payments under the Company's non-cancellable leases as of September 30, 2024 are as follows:

Year ended December 31,	Finance	Operating
Remainder of 2024	$ 377	$ 610
2025	1,212	2,490
2026	926	2,553
2027	916	2,618
2028	310	2,636
2029 and thereafter	69	25,664
Total undiscounted lease liabilities	3,810	36,571
Interest or discount on lease liabilities	(454)	(23,741)
Total present value of minimum lease payments	3,356	12,830
Lease liability - current portion	(1,148)	(102)
Lease liability	**$ 2,208**	**$ 12,728**

All dollar amounts expressed in thousands, except per share amounts

13. Shareholders' Equity

LP Units of JJ LP

The limited partnership units ("LP Units") of JJ LP, a subsidiary of the Company, are exchangeable for one common share at any time per request of the owner of the LP Units and are not saleable or transferable without the Company's authorization. During each of the nine months ended September 30, 2024 and 2023, there were no LP Units of JJ LP converted to common shares. As of each of September 30, 2024 and December 31, 2023, 43,821,379 LP Units of JJ LP were issued and outstanding.

Warrants

In connection with the NPA Amendment, the Company issued 91,999,901 Debt Modification Warrants. Each Debt Modification Warrant is exercisable at any time prior to its expiration for one common share of the Company at an exercise price of $0.07084 per common share. The Debt Modification Warrants expire on February 15, 2030 and contain customary anti-dilution adjustment provisions.

The fair value of the Debt Modification Warrants upon issuance was determined using the Black-Scholes option pricing model with the following assumptions:

Exercise price	$	0.07084
Expected dividend yield		0%
Risk-free interest rate		3.94%
Expected life in years		7.0 years
Expected volatility		84.00%

The following table summarizes the warrants that remain outstanding as of September 30, 2024:

Security issued	Exercise Price (CAD$)	Number of Warrants	Expiration Date
Debt modification warrants	0.09	91,999,901	February 15, 2030
		91,999,901	

A rollforward of warrant activity for the nine months ended September 30, 2024 is as follows:

Warrants	Number of Warrants	Weighted Average Exercise Price
Balance as of December 31, 2023	**101,045,592**	**CAD$ 0.18**
Expired	(9,045,691)	CAD$ 1.05
Balance as of September 30, 2024	**91,999,901**	**CAD$ 0.09**

Share-based Compensation

Under the Amended and Restated 2018 Stock and Incentive Plan (the "2018 Plan"), the Company has reserved 60,000,000 common shares to be issued as awards to employees, management, directors and consultants of the Company, as designated by the Company's board of directors (the "Board") or the compensation committee of the Board. "Award" is defined in the 2018 Plan to include options, stock appreciation rights, restricted stocks, restricted stock units, performance stock units, dividend equivalents and stock-based awards. As of September 30, 2024, 11,912,146 common shares are available for issuance under the 2018 Plan.

All dollar amounts expressed in thousands, except per share amounts

Restricted Stock Units (“RSUs”)

A summary of the status of the RSUs outstanding is as follows:

RSUs	Number of RSUs	Weighted Average Grant Date Fair Value
Unvested as of December 31, 2023	**7,552,704**	**$ 0.04**
Vested	(5,337,389)	0.03
Forfeited	(283,395)	0.09
Unvested as of September 30, 2024	**1,931,920**	**$ 0.05**

During the three months ended September 30, 2024 and 2023, the Company recorded $3 of share-based compensation expense and $146 of share-based compensation benefit, respectively, relating to RSUs. During the nine months ended September 30, 2024 and 2023, the Company recorded $74 of share-based compensation expense and $160 of share-based compensation benefit, respectively, related to RSUs. For the three months ended March 31, 2023, the share-based compensation expense relating to RSUs included $53 related to the performance awards for achievement of milestones relating to the projects of the Company’s joint venture in CGSF. During the three months ended June 30, 2023, the Company determined achievement of the milestones related to CGSF projects was no longer probable. As a result, the Company reversed all share-based compensation expense recognized for the performance awards and recorded share-based compensation benefit of $1,287 and $1,234 for the three and six months ended June 30, 2023. No share-based compensation benefit or expense was recognized related to this event during the three months ended September 30, 2023. Due to the CGSF/SFNY Divestiture, no share-based compensation related to performance awards was recognized during the three and nine months ended September 30, 2024.

On June 12, 2023, the Company approved the grant of 2,468,301 RSUs to the audit committee chair of the Board, and 7,404,903 RSUs to three new members of the Board. These RSUs were issued at a weighted average grant date fair value of $0.03, and share-based compensation expense of $137 and $165 was recognized related to these RSUs during the three and nine months ended September 30, 2023. Share-based compensation expense of $0 and $55 was recognized related to these RSUs during the three and nine months ended September 30, 2024, respectively.

During August 2023, the Board granted 3,196,678 RSUs and issued 538,425 shares to certain employees in connection with their employment with the Company. Of these RSUs, 143,525 had vested as of September 1, 2023 and 443,537 vested on December 1, 2023. The remaining RSUs are scheduled to vest on a quarterly basis through December 1, 2026. These RSUs were issued at a weighted-average grant date fair value of $0.0294, and share-based compensation expense of $6 and $25 was recognized related to these RSUs during the three and nine months ended September 30, 2024, respectively. Share-based compensation expense of $29 was recognized related to these RSUs during each of the three and nine months ended September 30, 2023.

As of September 30, 2024, there was $26 of remaining RSU expense to be recognized over the weighted average remaining period of 1.22 years.

Share Options

A summary of the status of the share options outstanding is as follows:

Share options	Share Options Common Shares	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life (yrs)
Balance as of December 31, 2023	**8,552,161**	**$ 0.62**	**4.94**
Granted	**27,878,788**	0.02	10.00
Forfeited	(2,696,997)	0.91	—
Balance as of September 30, 2024	**33,733,952**	**$ 0.10**	**9.22**

All dollar amounts expressed in thousands, except per share amounts

For the three months ended September 30, 2024 and 2023, the Company recorded share-based compensation expense of $106 and $26, respectively, related to these options. For the nine months ended September 30, 2024 and 2023, the Company recorded share-based compensation expense of $126 and $60, respectively, of share-based compensation related to these options.

On September 29, 2024, the Company entered into an independent director compensation agreement that approved issuance of 27,878,788 options to four members of the Board, with each member granted 6,969,697 share options. These options were issued at a weighted-average grant date fair value of $0.0143, and share-based compensation expense of $104 was recognized related to these options during the three months ended September 30, 2024. On September 30, 2024 6,969,697 options vested, with each Board member receiving 1,742,424 options. The remaining options are scheduled to vest on December 31, 2024, March 31, 2025, and the business day immediately preceding the next annual general meeting of shareholders.

As of September 30, 2024, there was $303 of remaining expense to be recognized over the weighted average remaining period of 0.49 years.

The following table summarizes the share options that remain outstanding as of September 30, 2024:

Security issuable	Number of Share Options	Exercise Price	Expiration Date	Options Exercisable
Legacy employees	190,000	$ 1.58-1.58	June 28, 2028	190,000
2020 employee grant	3,979,747	$ 0.30-0.48	June 25, 2030 - December 1, 2030	3,729,891
Other employee grants	29,564,205	$ 0.02-3.96	February 14, 2029 - September 29, 2034	8,655,113
Total	**33,733,952**			**12,575,004**

Performance Stock Units ("PSUs")

A summary of the status of the PSUs outstanding is as follows:

Performance Stock Units	Number of PSUs	Weighted Average Grant Date Fair Value
Unvested as of December 31, 2023	**3,377,366**	**$ 0.17**
Vested	(666,666)	0.06
Forfeited	(531,486)	0.09
Unvested as of September 30, 2024	**2,179,214**	**$ 0.22**

During the three and nine months ended September 30, 2024, the Company recorded share-based compensation expense of $23 and $62, respectively, relating to PSUs.

During April 2023, the Company's former CEO, Gary F. Santo, Jr. forfeited various share awards, including PSUs. The forfeiture of PSUs resulted in share-based compensation benefit of $944 and $812 for the three and six months ended June 30, 2023, respectively. No additional expense or benefit was recognized related to this forfeiture during the three months ended September 30, 2023 and the three and nine months ended September 30, 2024.

All dollar amounts expressed in thousands, except per share amounts

On September 26, 2023, the Company entered into an employment agreement with Tim Conder, the Company's CEO (the "CEO Agreement") pursuant to which Mr. Conder serves as the CEO of the Company. Under the terms of the CEO Agreement, Mr. Conder received an equity grant of 2,000,000 PSUs under the 2018 Plan of which up to 1,000,000 PSUs would vest upon the Board's approval of whether metrics set forth in the CEO Agreement had been achieved as of December 31, 2023. On April 19, 2024, the Board determined that two-thirds of the metrics set forth in the CEO Agreement had been achieved as of December 31, 2023 and Mr. Conder is entitled to 666,666 PSUs. On April 19, 2024, the Company also entered into a side letter with Mr. Conder pursuant to which Mr. Conder agreed that the 666,666 PSUs would vest on June 30, 2024. These PSUs vested per the side letter on June 30, 2024.

As of December 31, 2023, Mark Scatterday, the Company's former CEO and director, and major stockholder and lender, had an aggregate of 700,000 PSUs outstanding, which will vest on May 31, 2025, contingent upon the achievement of certain subsequent sales of products by Jupiter.

As of September 30, 2024, there was $65 of remaining expense to be recognized over the weighted average remaining period of 0.63 years.

A summary of the PSU awards granted containing market conditions as of September 30, 2024 is as follows:

PSU Grant Dates	Closing Price on Grant Date	Expiration Date	Outstanding (#)
September 30, 2021	$ 0.39	December 31, 2024	249,955
December 19, 2021	$ 0.23	December 31, 2024	229,259
Total			**479,214**

14. Loss Per Share

The following is a calculation of basic and diluted loss per share for the three and nine months ended September 30, 2024 and 2023:

Loss per share	Three Months Ended		Nine Months Ended	
	September 30, 2024	September 30, 2023	September 30, 2024	September 30, 2023
Net loss attributable to TILT	$ (12,649)	$ (8,663)	$ (58,247)	$ (40,433)
Weighted-average number of shares and units outstanding - basic and diluted	389,524,790	379,610,460	387,916,718	378,541,584
Loss per share - basic and diluted	**$ (0.03)**	**$ (0.02)**	**$ (0.15)**	**$ (0.11)**

Diluted loss per share for each of the three and nine months ended September 30, 2024 and 2023 is the same as basic loss per share as the issuance of shares on exercise of warrants and share options is anti-dilutive.

15. Income Taxes

The following table summarizes the Company's income tax expense and effective tax rates for the three and nine months ended September 30, 2024 and 2023:

	Three Months Ended		Nine Months Ended	
	September 30, 2024	September 30, 2023	September 30, 2024	September 30, 2023
Loss before income taxes	$ (14,054)	$ (10,640)	$ (55,067)	$ (45,259)
Income tax benefit (expense)	1,405	1,977	(3,180)	3,393
Effective tax rate	10%	19%	6%	7%

The Company is treated as a U.S. corporation under Section 7874 of the Internal Revenue Code ("IRC") and is expected to be subject to U.S. federal, state and local income tax. However, the Company is expected, regardless of any application of Section 7874 of the IRC, to be treated as a Canadian resident Company for Canadian income tax purposes. Due to the organizational structure and multinational operations, the Company is subject to taxation in U.S. federal, state and local and Canadian jurisdictions.

All dollar amounts expressed in thousands, except per share amounts

As the Company operates in the cannabis industry, it is subject to the limitations of Section 280E of the IRC. This results in permanent differences for ordinary and necessary business expenses deemed non-allowable under Section 280E of the IRC for income tax purposes. Therefore, the effective tax rate can be highly variable and may not necessarily correlate with pre-tax income or loss.

During the nine months ended September 30, 2024, the Company's estimated annual effective tax rate was revised to include additional valuation allowance expected to be required as a result of current year operations. This revised rate also includes additional valuation allowance for the beginning of the year deferred tax assets that resulted from a change in judgement on the realizability of the beginning of the year deferred tax assets. The change in judgement resulted from changes in the underlying business and changes to the forecasted annual operations.

On February 15, 2023, the Company completed the Pennsylvania Transaction which generated ordinary and capital gains of $11,074. See Note 5 — Property, Plant and Equipment and Assets Held for Sale for further details. The Company estimates that approximately $6,814 of the gain from the sale will be offset by the net capital loss carryforward. Therefore, during 2023, the Company recognized a release of the valuation allowance related to the capital loss carryforward and the corresponding benefit of the release.

During June 2023, the Company determined its investment in HERBL was not recoverable. As a result, the Company recorded a loss of $6,400 to its HERBL investment, adjusting the balance to zero. This loss was treated as a capital loss, which will more likely than not be realized. See Note 6 — Investments for additional information.

16. Related Party Transactions

On February 15, 2023, the Company refinanced a payable due to Mark Scatterday, a former director of the Company, through an affiliated entity, Mak One LLP ("Mak One") as part of its 2023 Refinanced Notes. As of September 30, 2024, the balance of the payable was $24,689, which is included in notes payable in the condensed consolidated balance sheet as of September 30, 2024. The payable bears interest at 25.5% as of September 30, 2024 and is due on February 15, 2026. The portion of the old note included in accounts payable and accrued liabilities was reclassified as part of the 2023 New Notes entered into on February 15, 2023 and is now included in notes payable with a balance of $6,076 on the condensed consolidated balance sheet as of September 30, 2024. This payable bears interest at 24.5% as of September 30, 2024 and is due on February 15, 2027. As of September 30, 2024, the Company had paid $2,604 and zero in interest to Mak One on the 2023 Refinanced Notes and the 2023 New Notes, respectively.

The Company had another payable due to Mark Scatterday through Mak One related to the issuance of the 2019 Senior Notes. On February 15, 2023, the 2019 Senior Notes were repaid and retired, and this payable was settled.

The Company also has a payable of $2,486 as of September 30, 2024 owed to Adam Draizin, a current director of the Company, through Callisto Collaboration, LLC ("Callisto"), an affiliated entity. Of this amount, $1,995 is related to the 2023 Refinanced Notes and is included in notes payable in the condensed consolidated balance sheet as of September 30, 2024. This payable bears interest at 25.5% as of September 30, 2024 and is due on February 15, 2026. The remaining $491 is related to the 2023 New Notes and is included in accounts payable and accrued liabilities in the condensed consolidated balance sheet as of September 30, 2024. This payable bears interest at 24.5% as of September 30, 2024 and is due on February 15, 2027. As of September 30, 2024, the Company had paid $210 and zero in interest to Callisto on the 2023 Refinanced Notes and the 2023 New Notes, respectively.

See Note 10 — Notes Payable for additional information regarding the 2023 Refinanced Notes and 2023 New Notes, including calculation of the interest rates for each note as of September 30, 2024.

In connection with the 2023 Refinanced Notes, the Company issued 91,999,901 Debt Modification Warrants to the Note Holders. Of this amount, 45,539,951 Debt Modification Warrants were issued to Mark Scatterday through Mak One and 3,679,996 Debt Modification Warrants were issued to Adam Draizin through Callisto.

In connection with the 2023 Bridge Notes, the Company had additional payables due to Mark Scatterday through Mak One and Adam Draizin through Sheldrake Interests, LLC ("Sheldrake), an affiliated entity. On August 30, 2023, the Company fully repaid the 2023 Bridge Notes. As part of this repayment, the Company paid $2,669 to Mak One and $216 to Sheldrake.

17. Commitments and Contingencies

Litigation

The Company has been named as a defendant in several legal actions and is subject to various risks and contingencies arising in the normal course of business. Management is of the opinion that the outcome of these uncertainties will not have a material adverse effect on the Company's financial position.

On February 2, 2021, the Haze Corp., Nevada ("Haze NV") filed a complaint in Clark County, Nevada's Eighth Judicial District Court against Brand Canna Growth Partners, Inc. ("BCGP"), Michael Orr, Santé Veritas Holdings, Inc. ("SVH") and Santé Veritas Therapeutics Inc. ("SVT"). As explained below, Haze NV later amended its complaint to name a second plaintiff, Haze Corp., Ontario ("Haze Ontario," and together with Haze NV, the "Plaintiffs"). SVH and SVT are wholly owned subsidiaries of the Company. In the operative complaint, Plaintiffs allege that Haze Ontario entered into a Finder's Fee Agreement with BCGP in 2017 and under that agreement Haze Ontario is owed payments for acquisitions that it facilitated. Plaintiffs further allege that Haze Ontario assigned its rights to payment under the Finder's Fee Agreement to Haze NV. Plaintiffs allege that BCGP is influenced and governed by SVH and SVT because they had the same principal, defendant Michael Orr, and SVH and SVT are liable for BCGP's or Orr's obligations under the Finders' Fee Agreement. SVT and SVH moved for dismissal. On May 13, 2021, the court granted the motion without prejudice. On May 17, 2021, Haze NV moved for leave to amend its complaint, adding Haze Ontario as a plaintiff and again naming SVT and SVH as defendants. That motion to amend was granted by the court on June 29, 2021. SVT and SVH again moved to dismiss on July 23, 2021. On August 10, 2021, Plaintiffs again moved to amend, seeking to add TILT Holdings Inc. ("TILT") and TILT Holdings US, Inc. ("TILT US" and, collectively with SVT, SVH and TILT, the "TILT Parties") as defendants. On October 7, 2021, the motions to dismiss were denied without prejudice and the court ordered the parties to participate in limited jurisdictional discovery before entertaining renewed motions to dismiss. Upon the closing of the limited jurisdictional discovery period, the TILT Parties moved to dismiss on April 19, 2023. By order dated August 29, 2023, the court granted the TILT Parties' motion to dismiss due to lack of personal jurisdiction. The Plaintiffs filed a notice of appeal on September 8, 2023. By order dated March 18, 2024, the Supreme Court of the State of Nevada dismissed the Plaintiffs' appeal due to lack of appellate jurisdiction. On May 14, 2024, Plaintiffs moved to certify the courts dismissal as a final judgment pursuant to NRCP 54(b). By order dated July 10, 2024, the court denied the motion without prejudice.

18. Reportable Segments and Revenue

The Company operates in three reportable segments: (i) cannabis segment (SVH), Standard Farms PA, Standard Farms Ohio, LLC ("Standard Farms OH"), Baker, and CAC, (ii) accessories (Jupiter), and (iii) corporate. The cannabis segment includes production, cultivation, extraction and sale of cannabis products and accessories including the manufacturing and distribution of electronic, non-nicotine (i.e., cannabis) devices and systems. The accessories segment includes distribution of vapor cartridges and accessory products. The corporate segment represents all corporate level and unallocated items and includes the Company's operating expenses and intercompany eliminations. On September 1, 2023, the Company completed the CGSF/SFNY Divestiture, which was included in other for the three and nine months ended September 30, 2023. During the three months ended September 30, 2024, the Company dissolved its White Haven RE, LLC entity, which was the only entity under the "other" segment during the six months ended June 30, 2024 and the three and nine months ended September 30, 2023.

Information related to each segment is set out below. Segment net loss is used to measure performance because management believes that this information is the most relevant in evaluating the results of the respective segments relative to other entities that operate in the same industries.

The following tables present the operating results of the Company's segments:

	Three Months Ended September 30, 2024			
	Cannabis	Accessories	Corporate	Total
Revenue	$ 10,123	$ 17,115	$ —	$ 27,238
Inter-segment revenue	—	(271)	—	(271)
Net revenue	$ 10,123	$ 16,844	$ —	$ 26,967
Share-based compensation	—	—	131	131
Depreciation and amortization	646	3,210	—	3,856
Wages and benefits	1,852	1,349	1,252	4,453
Impairment loss	—	—	—	—
Interest expense	1,520	1,038	4,125	6,683
Net loss	$ (4,376)	$ (3,660)	$ (4,613)	$ (12,649)

	Three Months Ended September 30, 2023				
	Cannabis	Accessories	Corporate	Other	Total
Revenue	$ 11,738	$ 33,010	$ —	$ —	$ 44,748
Inter-segment revenue	—	(193)	—	—	(193)
Net revenue	$ 11,738	$ 32,817	$ —	$ —	$ 44,555
Share-based compensation	—	—	190	—	190
Depreciation and amortization	655	3,236	—	—	3,891
Wages and benefits	1,884	1,518	1,305	—	4,707
Impairment loss	—	—	—	—	—
Interest expense	1,817	680	3,872	—	6,369
Loan losses	—	—	1	13	14
Net loss	$ (4,365)	$ (1,311)	$ (3,456)	$ 469	$ (8,663)

	Nine Months Ended September 30, 2024				
	Cannabis	Accessories	Corporate	Other	Total
Revenue	$ 31,420	$ 60,286	$ —	$ —	$ 91,706
Inter-segment revenue	—	(654)	—	—	(654)
Net revenue	$ 31,420	$ 59,632	$ —	$ —	$ 91,052
Share-based compensation	—	—	261	—	261
Depreciation and amortization	1,942	9,642	—	—	11,584
Wages and benefits	5,530	3,926	4,130	—	13,586
Impairment loss	15,740	—	—	—	15,740
Interest expense	4,469	2,619	12,430	—	19,518
Net income (loss)	$ (34,330)	$ (9,968)	$ (13,947)	$ (2)	$ (58,247)

	Nine Months Ended September 30, 2023				
	Cannabis	Accessories	Corporate	Other	Total
Revenue	$ 37,624	$ 91,256	$ —	$ —	$ 128,880
Inter-segment revenue	—	(462)	—	—	(462)
Net revenue	$ 37,624	$ 90,794	$ —	$ —	$ 128,418
Share-based compensation	—	—	(641)	(1,234)	(1,875)
Depreciation and amortization	2,270	9,720	642	100	12,732
Wages and benefits	6,004	4,126	6,232	—	16,362
Impairment loss	3,256	16	1,126	737	5,135
Interest expense	4,550	1,943	9,366	68	15,927
Loan losses	—	—	666	4,936	5,602
Net (loss) income	$ (27,400)	$ (6,801)	$ (11,656)	$ 3,991	$ (41,866)

All dollar amounts expressed in thousands, except per share amounts

Geographic Areas

The following table presents financial information relating to geographic areas in which the Company operated for the three and nine months ended September 30, 2024 and 2023:

	Three Months Ended September 30, 2024			
	US	Canada	Other	Total
Revenue	$ 20,520	$ 6,374	$ 73	$ 26,967
Gross profit (loss)	3,803	(11)	3	3,795

	Three Months Ended September 30, 2023			
	US	Canada	Other	Total
Revenue	$ 38,803	$ 5,752	$ -	$ 44,555
Gross profit	6,292	1,668	-	7,960

	Nine Months Ended September 30, 2024			
	US	Canada	Other	Total
Revenue	$ 78,284	$ 12,655	$ 113	$ 91,052
Gross profit	13,151	1,596	24	14,771

	Nine Months Ended September 30, 2023			
	US	Canada	Other	Total
Revenue	$ 113,210	$ 15,193	$ 15	$ 128,418
Gross profit	16,689	4,103	4	20,796

19. Subsequent Events

On October 3, 2024, the Company entered into a Second Amendment to its Revolving Facility (the “Revolving Facility Amendment”) through its subsidiary Jupiter. The Revolving Facility Amendment amended the required fixed charge coverage ratio financial covenant, the minimum monthly charge paid to the lender, and the inventory availability amount. The Revolving Facility Amendment also reduced the borrowing capacity from $12,500 to $6,000.

All dollar amounts expressed in thousands, except per share amounts

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

You should read the following management's discussion and analysis of financial condition and results of operations ("MD&A") in conjunction with our unaudited consolidated condensed financial statements for the three and nine months ended September 30, 2024, included elsewhere in this Quarterly Report on Form 10-Q. This MD&A contains statements that are forward-looking. Please refer to the discussion of forward-looking statements and information set out under the heading "Cautionary Note Regarding Forward-Looking Statements" identified in this Quarterly Report on Form 10-Q. These statements are based on current expectations and assumptions that are subject to risks, uncertainties and other factors. Actual results could differ materially because of the factors discussed below or elsewhere in this Quarterly Report on Form 10-Q. See Item 1A. "Risk Factors" of the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2023 (the "Form 10-K"). Unless otherwise indicated or the context otherwise requires, references herein to "we," "us," "our," and the "Company" refers to TILT Holdings Inc., and its subsidiaries.

All dollar amounts presented in this MD&A are presented in thousands of U.S. dollars ("USD$", "$", or "US$"), except per share amounts, unless otherwise indicated.

Overview

The Company was incorporated under the laws of Nevada pursuant to NRS Chapter 78 on June 22, 2018. The Company was continued under the Business Corporations Act (British Columbia) pursuant to a Certificate of Continuance dated November 14, 2018. The Company's head office is located in Phoenix, Arizona and its registered office is located in Vancouver, British Columbia.

The Company operates through two business divisions: Inhalation Technology and Cannabis. The Inhalation Technology division encompasses the Jupiter Research LLC ("Jupiter") business, through which the Company sells vape and accessory products and services to regulated markets across 40 states in the United States ("U.S."), as well as Canada, Israel, Mexico, South America and the European Union. The cannabis division includes operations in Massachusetts at Commonwealth Alternative Care ("CAC"), in Pennsylvania at Standard Farms LLC ("Standard Farms PA") and in Ohio at Standard Farms Ohio, LLC ("Standard Farms OH").

Through CAC, the Company operates a vertically integrated marijuana facility in Taunton, Massachusetts, dually licensed for both medical and adult-use cultivation, manufacturing and retail sales and a dispensary, also dually licensed for both medical and adult-use retail sales, in Brockton, Massachusetts. CAC also has another medical dispensary operating in Cambridge, Massachusetts. Through these operating facilities, the Company produces, packages, and sells a variety of cannabis flower, vape cartridge, concentrate, edible and topical products via wholesale and retail to Massachusetts customers.

Through Standard Farms PA, the Company operates a fully licensed integrated cultivation and manufacturing facility specializing in high-quality medical cannabis products such as vape cartridges, flower, capsules, oil syringes and tinctures, all of which are sold via wholesale to Pennsylvania customers throughout the Commonwealth.

Through Standard Farms OH's facility outside Cleveland, Ohio, the Company produces high-quality medical cannabis products from cannabis biomass including tinctures, vape cartridges, syringes, topicals, concentrates and edibles, which are then sold and distributed throughout Ohio via wholesale to other licensed cannabis businesses.

Significant Developments in the Quarter

The Company is not aware of any significant developments during the three months ended September 30, 2024 that require recognition or disclosure.

Certain Trends and Uncertainties

The Company's business, financial condition, and results of operations may be impacted by certain trends and uncertainties. See Liquidity and Capital Resources below and Liquidity and Capital Resources under Item 7. "Management's Discussion and Analysis of Financial Condition and Results of Operations" and Item 1A. "Risk Factors" of the Form 10-K filed with the U.S. Securities and Exchange Commission (the "SEC") and on the System for Electronic Document Analysis and Retrieval Plus ("SEDAR+") for discussions of trends and uncertainties and risks that may affect the Company.

Results of Operations

The Company reports the results of operations of its affiliates and subsidiaries from the date that control commences, either through the purchase of the business or control through a management agreement. The following selected financial information includes only the results of operations after the Company established control of affiliates and subsidiaries. Accordingly, the information included below may not be representative of the results of operations of such affiliates or subsidiaries had their results of operations been included for the entire reporting period.

Three Months Ended September 30, 2024 Compared to Three Months Ended September 30, 2023

	Three Months Ended September 30,	
	2024	2023
Revenues, net	$ 26,967	$ 44,555
Cost of goods sold	(23,172)	(36,595)
Gross profit	3,795	7,960
Operating loss	(7,476)	(4,724)
Total other expense	(6,578)	(5,916)
Loss from operations before income tax and non-controlling interest	(14,054)	(10,640)
Net loss before non-controlling interest	(12,649)	(8,663)
Net income attributable to non-controlling interest	-	-
Net loss attributable to TILT Holdings Inc.	(12,649)	(8,663)

Revenue

Revenue represents the amount the Company expects to receive for goods and services in its contracts with customers, net of discounts and sales taxes. The Company's revenue is derived from the following:

Sale of Goods — Vaporization and Inhalation Devices:

Revenue from the wholesale sales of accessories is recognized when the Company transfers control and satisfies its performance obligations on wholesale sales of accessories. Revenue is recognized from product sales at a point in time following the transfer of control of such products to the customer, which typically occurs upon shipment or delivery, depending on the terms of sale with the customer.

Sale of Goods — Cannabis:

Revenue from the direct sale of goods to customers for a fixed price is recognized when the Company transfers control of the goods to the customer. The Company transfers control and satisfies its performance obligations on retail sales upon delivery and acceptance from the customer. For dispensary sales, this occurs at the point of sale at the dispensary. The Company satisfies its performance obligation on wholesale sales when goods are delivered to the customer.

Revenue for the three months ended September 30, 2024 was $26,967, down from $44,555 for the three months ended September 30, 2023, reflecting a year-over-year decrease of $17,588 or 39%. The decrease was mainly attributable to

All dollar amounts expressed in thousands, except per share amounts

Jupiter which saw revenue decrease $15,973 or 48% year-over-year, mainly driven by lower sales volume related to delays in shipping from a primary supplier and the temporary transition of certain customers to a commission structure. Additionally, the cannabis division decreased revenue by $1,615 or 14% year-over-year, primarily driven by a decrease in sales volume.

Cost of Goods Sold, Gross Profit and Gross Margin Percentage

Cost of goods sold represents costs directly related to manufacturing and distribution of the Company's products. Primary costs include raw materials, packaging, direct labor, overhead, shipping and handling, the depreciation of certain property, plant and equipment, and tariffs. Manufacturing overhead and related expenses include salaries, wages, employee benefits, utilities, maintenance, and property taxes. Cost of goods sold also includes inventory valuation adjustments.

Cost of goods sold for the three months ended September 30, 2024 was $23,172, down from $36,595 for the three months ended September 30, 2023 reflecting a year-over-year decrease of $13,423 or 37%, mainly attributable to the sales volume decline described above and a decrease in expenses related to inventory valuation adjustments for excess and obsolete products in the cannabis division.

Gross profit reflects revenue less production costs primarily consisting of labor, materials, rent and facilities, supplies, overhead, and amortization on production equipment, shipping, packaging and other expenses required to grow and manufacture cannabis products. Gross margin represents gross profit as a percentage of revenue.

The Company's gross profit for the three months ended September 30, 2024 was $3,795, down from $7,960 for the three months ended September 30, 2023, which reflects a year-over-year decrease of $4,165 or 52%. Gross margin was 14% and 18% for the three months ended September 30, 2024 and 2023, respectively. The decrease in gross profit was mainly driven by the decreased sales volume whereas the decrease in gross margin was primarily driven by increased logistics costs related to the delays in shipping from a primary supplier described above and a shift in product mix.

Total Operating Expenses

Total operating expenses primarily consists of costs incurred at the Company's corporate offices, share-based compensation, personnel costs including wages and employee benefits, professional service costs including accounting and legal expenses, rental costs associated with certain of the Company's offices and facilities, insurance expenses, costs associated with advertising and marketing the Company's products and other general and administrative expenses which support the Company's business.

The following is a summary of the Company's operating expenses derived from the condensed consolidated financial statements of the Company for the three months ended September 30, 2024 and 2023:

	Three Months Ended September 30,	
	2024	2023
Wages and benefits	$ 4,453	$ 4,707
General and administrative	2,691	3,721
Sales and marketing	140	175
Share-based compensation expense (benefit)	131	190
Depreciation and amortization	3,856	3,891
Total operating expenses	**$ 11,271**	**$ 12,684**

Total operating expenses for the three months ended September 30, 2024 were $11,271, a decrease of $1,413 or 11% year-over-year from $12,684. The decrease was primarily due to general and administrative expense. This was largely driven by the Company's cost reduction strategies which included reducing certain professional fees such as consulting and legal expenses as well as a decrease in bad debt.

All dollar amounts expressed in thousands, except per share amounts

Total Other Expense

The following is a summary of the Company's total other expense derived from the consolidated financial statements of the Company for the three months ended September 30, 2024 and 2023:

	Three Months Ended September 30,	
	2024	2023
Other income	$ 105	$ 2
Gain on sale of assets and membership interests	-	483
Unrealized loss on investment	-	(1)
Loan receivable losses	-	(14)
Loss on foreign currency exchange	-	(17)
Interest expense	(6,683)	(6,369)
Total other expense	**$ (6,578)**	**$ (5,916)**

Other expense for the three months ended September 30, 2024 was $6,578, an increase of $662 from other expense of $5,916 for the three months ended September 30, 2023, primarily driven by the decrease in gain on sale of assets and membership interests driven by the September 2023 divestiture of the Company's interest in CGSF/SFNY, whereas there was no such sale of assets or membership interests during the three months ended September 30, 2024. Additionally, interest expense increased mainly due to higher interest rates on the Company's debt including the default interest rate on the 2023 Refinanced Notes and the 2023 New Notes. However, the Note Holders have not provided the requisite notice of an event of default under these notes and the Company is currently negotiating a waiver and forbearance agreement with the Note Holders to address such non-compliance. See Note 10 – Notes Payable for further details.

Income Tax Benefit

As the Company operates in the cannabis industry, it is subject to the limits of Section 280E of the Internal Revenue Code under which the Company is only allowed to deduct expenses directly related to the cost of production. As such, the effective tax rate can be highly variable and may not correlate to pre-tax income or loss.

Income tax benefit for the three months ended September 30, 2024 was $1,405, a decrease of $572 from income tax benefit of $1,977 for the three months ended September 30, 2023. See Note 15 — Income Taxes for further details.

Net Loss Attributable to TILT

The Company recorded net loss of $12,649 for the three months ended September 30, 2024 compared to net loss of $8,663 for the three months ended September 30, 2023, for an increase in net loss of $3,986 primarily driven by the $4,165 decrease in gross profit, the $662 increase in other expense, and the $572 decrease in income tax benefit, partially offset by the $1,413 decrease in operating expense.

All dollar amounts expressed in thousands, except per share amounts

Nine Months Ended September 30, 2024 Compared to Nine Months Ended September 30, 2023

	Nine Months Ended September 30,	
	2024	2023
Revenues, net	$ 91,052	$ 128,418
Cost of goods sold	(76,281)	(107,622)
Gross profit	14,771	20,796
Operating loss	(36,366)	(26,297)
Total other expense	(18,701)	(18,962)
Loss from operations before income tax and non-controlling interest	(55,067)	(45,259)
Net loss before non-controlling interest	(58,247)	(41,866)
Net income attributable to non-controlling interest	-	1,433
Net loss attributable to TILT Holdings Inc.	(58,247)	(40,433)

Revenue

Revenue for the nine months ended September 30, 2024 was $91,052, down from $128,418 for the nine months ended September 30, 2023, reflecting a year-over-year decrease of $37,366 or 29%. The decrease was mainly attributable to Jupiter which decreased revenue by $31,162 or 34% year-over-year, mainly driven by lower sales volume related to delays in shipping from a primary supplier and lower average price per unit in certain product lines as market prices have decreased from the prior period. In addition, revenue in the cannabis division decreased by $6,204 or 16% year-over-year, primarily driven by a decrease in sales volume and price compression in the Massachusetts market, partially offset by sales volume driven growth in Ohio operations.

Cost of Goods Sold, Gross Profit and Gross Margin Percentage

Cost of goods sold for the nine months ended September 30, 2024 was $76,281, down from $107,622 for the nine months ended September 30, 2023 reflecting a year-over-year decrease of $31,341 or 29%, mainly attributable to the sales volume decline at Jupiter related to shipping delays from a primary supplier and reductions in the average cost per unit, which partially offset the impact of average price decrease in certain product lines described above. The cannabis division also decreased cost of goods sold largely due to a decrease in expenses related to inventory adjustments for excess and obsolete products, a decrease in sales volume and cost savings efforts resulting in increased production efficiencies.

The Company's gross profit for the nine months ended September 30, 2024 was $14,771, down from $20,796 for the nine months ended September 30, 2023, which reflects a year-over-year decrease of $6,025 or 29%. The decrease in gross profit was mainly driven by decreased revenue at Jupiter as described above, partially offset by increased gross profit from the cannabis division driven primarily by the decrease in inventory adjustments for excess and obsolete products and by growth and improved capacity utilization in Ohio operations. Gross margin was 16% for the nine months ended September 30, 2024 and 2023.

All dollar amounts expressed in thousands, except per share amounts

Total Operating Expenses

The following is a summary of the Company's operating expenses derived from the consolidated financial statements of the Company for the nine months ended September 30, 2024 and 2023:

	Nine Months Ended September 30,	
	2024	2023
Wages and benefits	$ 13,586	$ 16,362
General and administrative	9,497	13,870
Sales and marketing	469	869
Share-based compensation expense (benefit)	261	(1,875)
Depreciation and amortization	11,584	12,732
Impairment loss	15,740	5,135
Total operating expenses	**$ 51,137**	**$ 47,093**

Total operating expenses for the nine months ended September 30, 2024 were $51,137, an increase of $4,044 or 9% year-over-year from $47,093. The increase was primarily due to the increase in impairment loss described below and increased share-based compensation expense which was mainly driven by the 2023 forfeiture of equity awards by the Company's former CEO and the 2023 reversal of share-based compensation expense related to the Company's joint venture in CGSF due to the determination that the achievement of certain milestones related to the CGSF project was no longer probable, both of which resulted in a net benefit for the nine months ended September 30, 2023. Partially offsetting the foregoing, the Company's cost control efforts led to lower general and administrative expense and decreased wages and benefits expense, mainly driven by decreased use of third-party service providers and reduced headcount, respectively. Further contributing to the decrease, there was reduced bad debt expense, a decrease in legal fees and lower severance. In addition, depreciation and amortization expense decreased, mainly related to the impairment of certain assets during the previous fiscal year.

Impairment Losses

Impairment losses for the nine months ended September 30, 2024 were $15,740, an increase of $10,605 or 207% year-over-year from $5,135 for the nine months ended September 30, 2023. During the three months ended June 30, 2024, the Massachusetts market continued to experience challenges marked by increased cultivation and supply, market saturation, and pricing pressure, prompting CAC to revise its financial forecast to align with the prevailing market conditions. Consequently, a test of CAC assets was performed which indicated the fair value of this asset group was less than the carrying value resulting in an impairment charge of $15,678 for the three months ended June 30, 2024.

The impairment loss in the nine months ended September 30, 2023 was mainly driven by the impairment of certain fixed assets, ROU assets and leasehold improvements related to the reduction in operating capacity of certain Massachusetts retail operations which resulted in an expense of $3,994, the $737 impairment expense related to the write-down of a management contract and the $325 write-down of certain assets held for sale to their fair market value.

All dollar amounts expressed in thousands, except per share amounts

Total Other Expense

The following is a summary of the Company's total other expense derived from the consolidated financial statements of the Company for the nine months ended September 30, 2024 and 2023:

	Nine Months Ended September 30,	
	2024	2023
Interest income	$ 3	$ -
Other income	819	102
Gain on sale of assets and membership interests	-	8,884
Unrealized loss on investment	(1)	(6,401)
Loan receivable losses	-	(5,602)
Loss on foreign currency exchange	(4)	(18)
Interest expense	(19,518)	(15,927)
Total other expense	**$ (18,701)**	**$ (18,962)**

Other expense for the nine months ended September 30, 2024 was $18,701, a decrease of $261 from other expense of $18,962 for the nine months ended September 30, 2023, primarily driven by the decrease in unrealized loss on investments as the Company no longer has any investments, the absence of loan receivable losses during the period and the increase in other income driven mainly by supplier credits, reimbursements from certain vendors and miscellaneous income. Partially offsetting the foregoing, there was a decrease in the gain on sale of assets and membership interests as there was no sale of assets or membership interest during the nine months ended September 30, 2024 as compared to the nine months ended September 30, 2023 wherein the Company completed the sale-leaseback of the Company's White Haven facility described in Note 5 – Property, Plant and Equipment and Assets Held for Sale and the divestiture of its interest in CGSF/SFNY. Additionally, interest expense increased mainly due to higher interest rates on the Company's debt including the default interest rate on the 2023 Refinanced Notes and the 2023 New Notes. However, the Note Holders have not provided the requisite notice of an event of default under these notes and the Company is currently negotiating a waiver and forbearance agreement with the Note Holders to address such non-compliance. See Note 10 – Notes Payable for further details.

Income Tax Benefit (Expense)

Income tax expense for the nine months ended September 30, 2024 was $3,180, an increase of $6,573 from income tax benefit of $3,393 for the nine months ended September 30, 2023. See Note 15 — Income Taxes for further details.

Net Loss Attributable to TILT

The Company recorded net loss of $58,247 for the nine months ended September 30, 2024 compared to net loss of $40,433 for the nine months ended September 30, 2023, for an increase in net loss of $17,814 primarily driven by the $6,573 increase in income tax expense, the $6,025 decrease in gross profit and the $4,044 increase in operating expense which was mainly driven by the increase in non-cash impairment loss.

Liquidity and Capital Resources

The Company closely monitors and manages its capital resources to assess the liquidity required to fund fixed asset capital expenditures and operations.

Liquidity and Going Concern

The Company's balance of cash and cash equivalents was $2,609 as of September 30, 2024 compared to $2,034 as of December 31, 2023. The Company requires cash to: (i) fund operating expenses, working capital requirements, including accounts payable and accrued liabilities, and outlays for strategic acquisitions and investments, (ii) service debt, including principal and interest; (iii) conduct research and development; and (iv) incur capital expenditures.

All dollar amounts expressed in thousands, except per share amounts

The Company has experienced operating losses since its inception and may continue to incur losses in the development of its business. The Company incurred a comprehensive loss of $58,254 during the nine months ended September 30, 2024 and has an accumulated deficit of $1,084,334 as of September 30, 2024. Additionally, as of September 30, 2024, the Company had negative working capital of $43,687 compared to negative working capital of $19,798 as of December 31, 2023. The negative working capital is related to certain notes payable becoming due within the next 12 months including the Company's asset-based revolving credit facility (the "Revolving Facility"), the employee retention credit note, and obligation under the 2023 Refinanced Notes and 2023 New Notes. See Note 10 — Notes Payable for additional information.

On May 2, 2024, Standard Farms, LLC ("Standard Farms PA") entered into a Secured Promissory Note with a third-party experienced retailer and operator (the "Lender") for borrowings up to $10,500 (the "2024 Standard Farms Loan"). Proceeds from the 2024 Standard Farms Loan will be used to construct dispensaries obtained via a permit issued from the Department of Health, Bureau of Medical Marijuana, of the Commonwealth of Pennsylvania (the "Commonwealth"). The Standard Farms PA permit will allow the construction and operation of up to three medical marijuana dispensaries in the Commonwealth (collectively, the "Retail Locations"). Proceeds from the 2024 Standard Farms Loan will also be utilized for the initial setup and operation of the Retail Locations. The 2024 Standard Farms Loan will mature on December 31, 2027, and will initially bear interest at 20%. The interest rate will automatically increase to 30% upon Standard Farm PA's opening a Retail Location and completing a first commercial sale in the Commonwealth ("Location Opening Date"). On May 2, 2024, the Company drew $3,000 in proceeds on the 2024 Standard Farms Loan, $1,700 of which is allocated to a contingent interest derivative, and recognized a debt discount of $784. See Note 10 — Notes Payable for additional information.

On February 15, 2023 (the "Effective Date"), the Company and its subsidiaries, Jimmy Jang, L.P. ("JJ LP"), Baker Technologies, Inc. and subsidiaries (collectively, "Baker"), Commonwealth Alternative Care ("CAC"), and Jupiter Research LLC ("Jupiter") (collectively, the "Subsidiary Borrowers") entered into a first amendment (the "NPA Amendment") to its existing junior secured note purchase agreement (the "2019 Junior Notes NPA") with Jordan Geotas, as the noteholder representative (the "Noteholder Representative") on behalf of the noteholders under the 2019 Junior Notes NPA (the "Note Holders") and refinanced $38,000 in aggregate principal amount of secured promissory notes issued originally under the 2019 Junior Notes NPA (the "2023 Refinanced Notes").

Pursuant to the NPA Amendment, the Subsidiary Borrowers also issued by way of private placement secured promissory notes (the "2023 New Notes") in the aggregate principal amount of $8,260 to the Note Holders with a maturity date of February 15, 2027. The consideration for the 2023 New Notes was paid by an offset of an existing unsecured obligation owed by the Subsidiary Borrowers to the Note Holders. See Note 10 — Notes Payable for additional information.

On March 13, 2023, the Company, through its subsidiary Jupiter, entered into an amendment to its existing $10,000 Revolving Facility to increase the amount available under the Revolving Facility to $12,500 and extend the maturity date to July 21, 2024. The Revolving Facility bears interest at the prime rate plus 3%. On July 21, 2024, the maturity date of the Revolving Facility automatically extended one year to July 21, 2025. On October 3, 2024, the Company entered into an amendment with the lender through its subsidiary Jupiter to amend certain terms in the debt agreement. See Note 19 — Subsequent Events for additional information.

On May 15, 2023, the Company and its subsidiaries issued senior secured promissory notes in the aggregate principal amount of $4,500 (the "2023 Bridge Notes"). The 2023 Bridge Notes provided gross cash proceeds of $4,000 with an original issue discount of $500 and require monthly payments of $750 which started July 1, 2023. The 2023 Bridge Notes bore interest at the greater of 16% or the prime rate plus 8.5%, payable monthly, with a maturity date of December 1, 2023.

On September 1, 2023, due to a strategic shift to focus on the Company's core business, the Company divested its interests in its joint venture in SFNY pursuant to a membership interest purchase agreement ("MIPA") by and among SFNY Holdings Inc. ("SFNY Holdings"), SFNY, each wholly owned subsidiaries of the Company, and CGSF Investments, LLC ("CGSF Investments"), a wholly owned subsidiary of PowerFund Holdings II LLC. Pursuant to the MIPA, CGSF Investments acquired 100% of the membership interests in SFNY from SFNY Holdings for $1,400 cash consideration (the “CGSF/SFNY Divestiture”). SFNY held a 75% interest in CGSF Group LLC (“CGSF Group”), which was formed to establish vertical cannabis operations on the Shinnecock Nation’s aboriginal tribal territory in the Hamptons on Long Island, New York. As part of the CGSF/SFNY Divestiture, the Company derecognized its noncontrolling interest in CGSF of $1,267 and a related party note payable of $350, which resulted in a gain of $483. This gain is included in gain (loss) on sale of assets and membership interests on the condensed consolidated statements of operations and comprehensive loss.

The Company’s operating plans for the next 12 months include (i) increasing revenue growth from the sale of existing products and the introduction of new products across all operating segments; (ii) reducing production and operational costs as a result of efficiencies in cannabis operations; (iii) reducing supply chain costs; (iv) reducing and delaying overhead and other certain expenditures; (v) obtaining other financings or strategic transactions as necessary; and (vi) deferring principal and interest payments on the 2023 Refinanced Notes.

The Company believes that successfully implementing these operating plans will help to mitigate any substantial doubt raised by our historical operating results and satisfy our estimated liquidity needs for the 12 months following the issuance of these condensed consolidated financial statements. However, during the second quarter of 2023, a primary supplier significantly changed the payment terms of the Company’s trade payable. This was an unexpected event impacting short-term liquidity, therefore, the Company secured additional financing through the issuance of the 2023 Bridge Notes to satisfy the transition of the new payment terms and provide working capital for the business. The issuance of the 2023 Bridge Notes required the Company to have to obtain a waiver of the financial covenant defaults expected to occur for the 2023 Refinanced Notes and 2023 New Notes. As a result of the waiver, the Company had to pay default interest rates on its 2023 Refinanced Notes and 2023 New Notes, which resulted in an increase from 16.5% as of March 31, 2023 to 25.0% as of June 30, 2023. On October 2, 2023, the Company and the Subsidiary Borrowers entered into the Limited Waiver and Continued Forbearance Agreement (the “October Forbearance Agreement”) with the Noteholder Representative on behalf of the Note Holders under the 2019 Junior Notes NPA. The October Forbearance Agreement reduced the interest rate on the 2023 Refinanced Notes to 17.0% as of September 30, 2023.

However, as of September 30, 2024, the Company used a default rate of 25.5% to accrue interest on the 2023 Refinanced Notes due to noncompliance with financial covenants. The 25.5% interest rate represents the prime rate of 8.0% plus 8.5%, the 8% default interest rate, and the 1% annual increase pursuant to the NPA Amendment, as the principal balance was more than $30,000 as of the first anniversary of the Effective Date. The 2023 New Notes remain at the default interest rate of 24.5%.

The interest payments required under these rates will constrain the Company’s liquidity while these rates remain in effect. While, as of the date of this filing, the Company is not in compliance with certain payment obligations and covenants under the 2023 Refinanced Notes and the 2023 New Notes, the Note Holders have not provided the requisite notice of an event of default under these notes. The Company is currently negotiating a waiver and forbearance agreement with the Note Holders to address such non-compliance. The Company can provide no assurance that the parties will reach a mutually agreeable resolution. See Note 10 — Notes Payable for additional information.

The Company cannot predict with certainty the outcome of its actions to generate liquidity as discussed above, including the availability of additional financing as necessary, or whether such actions would generate the expected liquidity as currently planned. Therefore, management has concluded there is substantial doubt about the Company’s ability to continue as a going concern within 12 months after the date of this filing. These financial statements do not include any adjustments that might become necessary should the Company be unable to continue as a going concern.

Cash Flows

The following table presents the Company's net cash inflows and outflows from the condensed consolidated financial statements for the nine months ended September 30, 2024 and 2023:

	Nine Months Ended September 30, 2024	Nine Months Ended September 30, 2023
Net cash provided by operating activities	$ 319	$ 1,391
Net cash (used in) provided by investing activities	(451)	13,243
Net cash provided by (used in) financing activities	717	(15,337)
Effect of foreign exchange on cash and cash equivalents	(8)	(14)
Net changes in cash and cash equivalents	**$ 577**	**$ (717)**

For the nine months ended September 30, 2024, cash was provided by (used in):

- Operating activities: $319. The cash flow from operating activities for the nine months ended September 30, 2024 decreased $1,072 as compared to cash provided by operating activities of $1,391 for the nine months ended September 30, 2023, mainly driven by the decrease in gross profit and reclassification of certain lease payments from financing activities to operating activities. This was partially offset by decreased payments for operating expenses from wages and benefits, general and administrative, and sales and marketing, as well as lowered interest payments.
- Investing activities: ($451). The cash flow from investing activities for the nine months ended September 30, 2024 decreased $13,694 from cash provided by investing activities of $13,243 for the nine months ended September 30, 2023. The decrease was mainly related to the 2023 proceeds from the Pennsylvania Transaction described in Note 12 — Leases and cash consideration from the CGSF/SFNY Divestiture described in Note 8 – Loans Receivable.
- Financing activities: $717. The cash flow from financing activities for the nine months ended September 30, 2024 increased $16,054 as compared to cash used in financing activities of $15,337 for the nine months ended September 30, 2023. The increase in cash provided was mainly driven by a decrease in repayments on notes payable compared to the prior period wherein the Company made repayments related to the retiring of the senior secured promissory notes issued on November 1, 2019 and the refinancing that resulted in the 2023 Refinanced Notes. For further details see Note 10 — Notes Payable.

Critical Accounting Estimates

There were no significant changes in the Company's significant accounting judgements and estimates during the nine months ended September 30, 2024 from those previously disclosed in Item 7. "Management's Discussion and Analysis of Financial Condition and Results of Operations" in the Form 10-K.

Recent Accounting Pronouncements

For a discussion of recent accounting pronouncements, see Item 8. Note 2 to our audited consolidated financial statements in the Form 10-K and the "Recent Accounting Pronouncements" section of Note 2 — Basis of Presentation and Summary of Significant Accounting Policies in the notes to the Financial Statements.

Legal and Regulatory Matters

All dollar amounts expressed in thousands, except per share amounts

In accordance with the Canadian Securities Administrators Staff Notice 51-352 Issuers with U.S. Marijuana-Related Activities, readers are referred to the subsection titled "Legal and Regulatory Matters" in the Form 10-K, which includes information regarding the current federal and state-level United States regulatory regimes in those jurisdictions where the Company is currently directly and indirectly involved in the cannabis industry, through its subsidiaries and investments. Other than as described below, there have been no material updates to this disclosure as of the date hereof.

Regulation of Cannabis in the U.S. Federally

On August 29, 2023, and in response to President Biden’s directive to review cannabis’s scheduling, the Department of Health and Human Services (“HHS”) formally presented its recommendation to the Drug Enforcement Administration (“DEA”) that cannabis be rescheduled to Schedule III from Schedule I. Section 280E does not apply to those trafficking in Schedule III controlled substances. On May 16, 2024, the DEA, which has final jurisdiction over scheduling decisions, issued a proposed rule to move cannabis from Schedule I to Schedule III.

Regulation of Cannabis at State Levels

Ohio

Standard Farms OH converted its medical processor license to a medical/adult dual use co-located processing license. Standard Farms OH engages in the production, possession, use, sale and distribution of cannabis products in both the medicinal and adult use cannabis marketplaces in Ohio. The Company is in compliance with Ohio state law and the related licensing framework.

Pennsylvania

Act 63 of 2023 became effective on April 12, 2024. Act 63 allows qualified independent MMOs to apply for either a grower/processor permit or dispensary permit. An independent grower/processor may apply for one dispensary permit and an independent dispensary may apply for one grower/processor permit.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

The Company is a smaller reporting company as defined by Rule 12b-2 of the Securities Exchange Act of 1934, as amended (the “Exchange Act”) and, as such, is not required to provide the information under this item.

Item 4. Controls and Procedures

Conclusion Regarding the Effectiveness of Disclosure Controls and Procedures

The Company maintains disclosure controls and procedures that are designed to ensure that information required to be disclosed in the Company’s reports under the Exchange Act, is recorded, processed, summarized and reported within the time periods specified in the SEC’s rules and forms, and that such information is accumulated and communicated to management, including the Company’s Chief Executive Officer (“CEO”) and Interim Chief Financial Officer (“ Interim CFO”), as appropriate, to allow timely decisions regarding required disclosure. In designing and evaluating the disclosure controls and procedures, management recognized that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives, as the Company’s controls and procedures are designed to do, and management necessarily was required to apply its judgment in evaluating the risk related to controls and procedures.

In connection with the preparation of this Quarterly Report on Form 10-Q, as of September 30, 2024, an evaluation was performed under the supervision and with the participation of the Company’s management, including the CEO and Interim CFO, of the effectiveness of the design and operation of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act). Based on that evaluation, management concluded that the Company’s disclosure controls and procedures were effective at a reasonable assurance level as of September 30, 2024.

Changes in Internal Control Over Financial Reporting

There was no change in the Company's internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) identified in connection with the evaluation of the Company's internal control performed during the quarter ended September 30, 2024 that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

PART II — OTHER INFORMATION

Item 1. Legal Proceedings

Except as set forth below, there have been no material changes in the status of the legal proceedings to those previously disclosed in Item 3. “Legal Proceedings” of the Form 10-K, Item 1. Refer to Note 17 — Commitments and Contingencies for additional information on the Company’s legal proceedings.

On February 2, 2021, the Haze Corp., Nevada (“Haze NV”) filed a complaint in Clark County, Nevada’s Eighth Judicial District Court against Brand Canna Growth Partners, Inc. (“BCGP”), Michael Orr, Santé Veritas Holdings, Inc. (“SVH”) and Santé Veritas Therapeutics Inc. (“SVT”). As explained below, Haze NV later amended its complaint to name a second plaintiff, Haze Corp., Ontario (“Haze Ontario,” and together with Haze NV, the “Plaintiffs”). SVH and SVT are wholly owned subsidiaries of the Company. In the operative complaint, Plaintiffs allege that Haze Ontario entered into a Finder’s Fee Agreement with BCGP in 2017 and under that agreement Haze Ontario is owed payments for acquisitions that it facilitated. Plaintiffs further allege that Haze Ontario assigned its rights to payment under the Finder’s Fee Agreement to Haze NV. Plaintiffs allege that BCGP is influenced and governed by SVH and SVT because they had the same principal, defendant Michael Orr, and SVH and SVT are liable for BCGP’s or Orr’s obligations under the Finders’ Fee Agreement. SVT and SVH moved for dismissal. On May 13, 2021, the court granted the motion without prejudice. On May 17, 2021, Haze NV moved for leave to amend its complaint, adding Haze Ontario as a plaintiff and again naming SVT and SVH as defendants. That motion to amend was granted by the court on June 29, 2021. SVT and SVH again moved to dismiss on July 23, 2021. On August 10, 2021, Plaintiffs again moved to amend, seeking to add TILT Holdings Inc. (“TILT”) and TILT Holdings US, Inc. (“TILT US” and, collectively with SVT, SVH and TILT, the “TILT Parties”) as defendants. On October 7, 2021, the motions to dismiss were denied without prejudice and the court ordered the parties to participate in limited jurisdictional discovery before entertaining renewed motions to dismiss. Upon the closing of the limited jurisdictional discovery period, the TILT Parties moved to dismiss on April 19, 2023. By order dated August 29, 2023, the court granted the TILT Parties’ motion to dismiss due to lack of personal jurisdiction. The Plaintiffs filed a notice of appeal on September 8, 2023. By order dated March 18, 2024, the Supreme Court of the State of Nevada dismissed the Plaintiffs’ appeal due to lack of appellate jurisdiction. On May 14, 2024, Plaintiffs moved to certify the courts dismissal as a final judgment pursuant to NRCP 54(b). By order dated July 10, 2024, the court denied the motion without prejudice.

Item 1A. Risk Factors

You should carefully consider the risks described in Item 1A. “Risk Factors” of the Form 10-K filed with the SEC and on SEDAR+ at www.sedarplus.com, and all information contained in this Quarterly Report on Form 10-Q, including the Financial Statements and the related notes thereto, before making a decision to purchase our securities.

Other than as described below, there have been no material changes since the filing of the Form 10-K to the risk factors previously disclosed therein. If any of such risks actually occur, our business, financial condition or results of operations could be materially adversely affected. If that happens, the value of our securities could decline, and you may lose all or part of your investment.

The Rohrabacher-Farr Amendment may not be renewed, potentially resulting in DOJ enforcement activities against entities in the cannabis industry.

An appropriations rider contained in various federal appropriations and spending bills since 2014 (formerly known as the “Rohrabacher-Farr Amendment”); now known as the Joyce Amendment (the “Joyce Amendment”) provides budgetary constraints on the federal government’s ability to interfere with the implementation of state-based medical cannabis laws. The Ninth Circuit Court of Appeals and other courts have interpreted the language to mean that the DOJ cannot prosecute medical cannabis operators complying strictly with state medical cannabis laws. The Joyce Amendment does not protect state adult-use businesses, and the DOJ maintains that it can still prosecute violations of the federal cannabis ban and continue cases already in the courts. If the Joyce Amendment expires and is not renewed, federal prosecutors could prosecute even compliant medical cannabis operators for conduct within the five-year statute of limitations. On September 26, 2024, the Joyce Amendment was most recently renewed through December 20, 2024. While this current appropriations rider only applies to jurisdictions authorizing medical cannabis-related activities, supportive legislators continue their efforts to amend future appropriations bills to extend the prohibition on the use of federal enforcement funds against the implementation of state cannabis programs regulating cannabis for either medical or adult-use purposes.

Pursuant to the Joyce Amendment, through December 20, 2024, the DOJ is prohibited from expending any funds to prevent states from implementing their own medical cannabis laws. President Biden became the first president to propose a budget with the Joyce Amendment included.

Although unlikely, there is a possibility that procedural rules in the House of Representatives and the Senate may ban all amendments from federal omnibus spending bills, and if this occurs and the substantive provisions of the Joyce Amendment are not included in the base federal omnibus spending bill or other law, these protections would lapse. If the Joyce Amendment or an equivalent thereof is not successfully included in the next or any subsequent federal omnibus spending bill, the protection which has been afforded thereby to U.S. medical cannabis businesses in the past would lapse, and such businesses would be subject to a higher risk of prosecution under federal law.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

The Company made no unregistered sales of equity securities during the quarter covered by this report.

Item 3. Defaults Upon Senior Securities

Not applicable.

Item 4. Mine Safety Disclosures

Not applicable.

Item 5. Other Information

During the nine months ended September 30, 2024, no director or officer of the Company adopted or terminated a Rule 10b5-1 trading arrangement or non-Rule 10b5-1 trading arrangement, as each term is defined in Item 408(a) of Regulation S-K.

Item 6. Exhibits

Exhibit No.	Description of Exhibit
10.1	Amendment Number One to Side Letter Agreement, dated July 19, 2024, by and between TILT Holdings Inc., Jimmy Jang, L.P., Baker Technologies, Inc., Commonwealth Alternative Care, Inc., Jimmy Jang Holdings, Inc, JJ Blocker Co., SFNY Holdings, Inc., Sea Hunter Therapeutics, LLC, Standard Farms Ohio LLC, Standard Farms LLC, SH Finance Company, LLC, Jupiter Research, LLC and Shenzhen Smoore Technology Limited.
31.1	Certification of Principal Executive Officer pursuant to Rules 13a-14(a) and 15d-14(a) under the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 (filed herewith).
31.2	Certification of Principal Financial Officer pursuant to Rules 13a-14(a) and 15d-14(a) under the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 (filed herewith).
32.1	Certification of Principal Executive Officer and Principal Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (furnished herewith).
101.INS	Inline XBRL Instance Document
101.SCH	Inline XBRL Taxonomy Extension Calculation Schema Document
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document
104	Cover Page Interactive Data File (embedded with Inline XBRL document)

All dollar amounts expressed in thousands, except per share amounts

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this Quarterly Report on Form 10-Q to be signed on its behalf by the undersigned, thereunto duly authorized.

Date: November 14, 2024

TILT HOLDINGS INC.

By: /s/ Tim Conder
Tim Conder
Chief Executive Officer
(Principal Executive Officer)

By: /s/ Brad Hoch
Brad Hoch
Interim Chief Financial Officer
(Principal Financial Officer)

Exhibit 10.1

AMENDMENT NUMBER ONE TO SIDE LETTER AGREEMENT

THIS AMENDMENT NUMBER ONE TO SIDE LETTER AGREEMENT (this "**Amendment**") is entered into as of July 19, 2024, by and among Tilt Holdings Inc., a corporation formed under the laws of British Columbia ("**TILT**"), Jimmy Jang, L.P., a Delaware limited partnership ("**JJLP**"), Baker Technologies, Inc., a Delaware corporation ("**Baker**"), Commonwealth Alternative Care, Inc., a Massachusetts corporation ("**CAC**"), JJ Blocker Co., a Delaware corporation ("**JJB**"), SFNY Holdings, Inc., a Delaware corporation ("**SFNY**"), Sea Hunter Therapeutics, LLC, a Delaware limited liability company ("**SHT**"), Standard Farms Ohio LLC, an Ohio limited liability company ("**SF Ohio**"), Standard Farms LLC, a Pennsylvania limited liability company ("**SF Penn**"), SH Finance Company, LLC, a Delaware limited liability company ("**SF Finance**", together with TILT, JJLP, Baker, CAC, JJB, SFNY, SHT, SF Ohio and SF Penn, each a "**Guarantor**", and collectively the, "**Guarantors**"), Jupiter Research LLC, an Arizona limited liability company ("**Jupiter**", together with the Guarantors, each individually, a "**Debtor**", and collectively, the "**Debtors**"), and Shenzhen Smoore Technology Limited, and certain of its affiliates (collectively, "**Smoore**"), and is based on the following facts:

RECITALS

Guarantors and Smoore have previously entered into that certain Side Letter Agreement, dated January 28, 2024, by and among Guarantors and Smoore (as amended, restated, supplemented or otherwise modified from time to time, the "**Side Letter**"), and (ii) various other agreements and documents in connection with the Side Letter (collectively, the "**Debt and Security Documents**").

Pursuant to the terms of the Debt and Security Documents, Smoore extended financial accommodations to or on behalf of Guarantors secured by substantially all of the assets of Guarantors.

Guarantors have requested that Smoore amend the Side Letter in accordance with the terms of this Amendment.

AGREEMENT

Now, therefore, for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, Debtors and Smoore, intending to be legally bound, agree as follows:

Recitals. Each of the Recitals and facts set forth above are true and correct and are incorporated herein by this reference and made a part hereof.

Definitions. Terms which are defined in the Side Letter shall have the same definition when used in this Amendment unless specifically defined herein.

Amendments to Side Letter. The Side Letter is hereby amended as follows:

Addition of Defined Term "Old Debt". Section 1 of the Side Letter is hereby amended and restated, in its entirety, to read as follows:

1. Defined Terms.

(a) Capitalized Terms used, but not defined in this letter have the meanings given or referenced in the Guaranty, or the Debt and Security Agreement, as applicable.

(b) For purposes of this letter, the following terms shall have the following meanings:

"Invoices" means, collectively, any and all invoices outstanding or delivered by Seller to Jupiter or any Guarantor for products on behalf of Jupiter (each, an "Invoice").

"Old Debt" means $11,601,718.75, the aggregate dollar amount of the Old Debt Invoices.

"Old Debt Invoices" means, collectively, the invoices listed on Exhibit A-1 attached hereto (each individually an "Old Debt Invoice").

"Credit Period" means the payment period plus the overdue days.

Change in Payment of Invoices. Section 2 of the Side Letter is hereby amended and restated, in its entirety, to read as follows:

2. Payment of Invoices. Jupiter Research LLC ("**Jupiter**") and TILT shall, at all times, cause to be paid in full all Invoices (except for the Old Debt Invoices):

(a) the credit period more than 150 days (without affecting clause 7(c) of this agreement) from the date of each such Invoice by December 31, 2024;

(b) the credit period more than 120 days from the date of each such Invoice by March 31, 2025;

(c) the credit period more than 90 days from the date of each such Invoice by June 30, 2025 and continuing thereafter; and

(d) no more than 90 days from the date of each such Invoice at all times by and after July 1, 2025.

The failure at any time by Jupiter or any Guarantor to satisfy the conditions set forth in this Section 2 shall immediately constitute an Event of Default under the Debt and Security Agreement.

Addition of Termination of Guaranty. A new Section 7 is hereby added to the Side Letter, in numerical order, to read as follows:

3. Guaranty Termination. In addition to any other rights held by a Party, the Parties hereby agree that the Guaranty will automatically terminate and be of

no further force or effect upon the satisfaction of both of the following conditions: (a) the Credit Line is no greater than $15,000,000 as of September 30, 2025, and (b) after September 30, 2025 and for no less than 3 consecutive months, the amount of unpaid Invoices does not exceed, at any time, 70% of the amount of insurance coverage provided by China Export & Credit Insurance Corporation ("Sinosure") with respect to the Invoices. (c) all debts/invoice are in a status that can be reported or claimed to China Export & Credit Insurance Corporation ("Sinosure"), that is, the credit period (The payment period plus the overdue days) for all debts/invoice shall not exceed 150 days.

Addition of Appendix 1 Defined Terms. Section 1 of Appendix 1 of the Side Letter is hereby amended by adding the following defined terms, in alphabetical order, to read as follows

"New Debt Excess Credit Line Amount": The term "**New Debt Excess Credit Line Amount**" shall mean the aggregate dollar amount of all Invoices (excluding the Old Debt Invoices) owing from any Guarantor or Jupiter to Seller which have not been paid within 90 days of such Invoice's date.

"Old Debt Excess Credit Line Amount": The term "**Old Debt Excess Credit Line Amount**" shall mean the aggregate dollar amount of all Old Debt Invoices owing from any Guarantor or Jupiter to Seller which have not been paid within 90 days of such Invoice's date.

Changes to Interest Calculation. Section 2 of Appendix 1 of the Side Letter is hereby amended and restated, in its entirety, to read as follows:

a. The obligations of Jupiter and Guarantors owing to Seller shall accrue interest as follows:

i. 8% per annum, with respect to the New Debt Excess Credit Line Amount;

ii. 5% per annum, with respect to the Old Debt Excess Credit Line Amount; and

iii. 10% per annum, with respect to:

1. for the period commencing July 1, 2024, and ending September 29, 2024, the amount resulting from (x) the aggregate amount of all Invoices owing from any Guarantor or Jupiter to Seller, minus (y) $29,000,000 (provided that such amount shall not be less than $0.00);

2. for the period commencing September 30, 2024, and ending December 30, 2024, the amount resulting from (x) the aggregate amount of all Invoices owing from any Guarantor or Jupiter to Seller, minus (y) $27,000,000 (provided that such amount shall not be less than $0.00);

3. for the period commencing December 31, 2024, and ending June 29, 2025, the amount resulting from (x) the aggregate amount of all Invoices owing from any Guarantor or Jupiter to Seller, minus (y) $25,000,000 (provided that such amount shall not be less than $0.00); and

4. for the period commencing June 30, 2025, the amount resulting from (x) the aggregate amount of all Invoices owing from any Guarantor or Jupiter to Seller, minus (y) $15,000,000 (provided that such amount shall not be less than $0.00).

b. All computations of interest shall be calculated on the basis of a year of 360 days for the actual days elapsed.

c. Under no circumstances shall the interest rate and other charges hereunder exceed the highest rate permissible under any law which a court of competent jurisdiction shall, in a final determination, deem applicable hereto. In the event that such a court determines that Seller has received interest and other charges hereunder in excess of the highest rate applicable hereto, such excess shall be deemed received on account of, and shall automatically be applied to reduce the amounts then owing from Jupiter and the Guarantors to Seller, and the provisions hereof shall be deemed amended to provide for the highest permissible rate. If there are no amounts then owing from Jupiter and the Guarantors to Seller, Seller shall refund to Jupiter and the Guarantors such excess.

d. Interest shall accrue on the amounts set forth in Section 2(a) of this Appendix 1 each day that any such amounts are outstanding and owing to Seller.

e. All accrued but unpaid interest arising pursuant to this side letter agreement shall be due and payable, in arrears, on or before the last day of the month following the month in which such interest accrued, or such later date as Seller may determine in its sole discretion.

Changes to Credit Line. Section 4 of Appendix 1 of the Side Letter is hereby amended and restated, in its entirety, to read as follows:

4. Line Reduction Commitment. Guarantors and Jupiter shall, at all times during each time period set forth below, cause the Credit Line to be no greater than:

a. $31,000,000 for the period commencing May 22, 2024, and ending September 29, 2024;

b. $29,000,000 for the period commencing September 30, 2024, and ending December 30, 2024;

c. $27,000,000 for the period commencing December 31, 2024, and ending March 29, 2025;

d. $25,000,000 for the period commencing March 30, 2025, and ending June 29, 2025; and

e. $15,000,000 for the period commencing June 30, 2025.

The failure at any time by Jupiter or any Guarantor to satisfy the conditions set forth in this Section 4 shall immediately constitute an Event of Default under the Debt and Security Agreement.

Temporary amount of ＄2 million :

a. Temporary amount: The amount of ＄2 million is temporarily granted by Smoore and is independent of the historical debts. The granting period is only July, August, and September of 2024.

b. Use of the amount: this amount will be granted at the beginning of each month, and Smoore shall be paid in full by Jupiter at the end of the month.

c. Interest calculation: From the date of shipment of the product by Smoore to the date of payment by Jupiter, interest should be charged at an annual rate of 10%.

Conditions Precedent:

Smoore shall have received a fully executed copy of this Amendment;

Condition Subsequent.

Debtors shall perform and satisfy the following condition subsequent. The failure by Debtors to so perform and satisfy or cause to be performed or satisfied such conditions subsequent as and when required by the terms hereof unless such date is extended, in writing, by Smoore in its sole discretion, shall constitute an immediate Event of Default under the Debt and Security Documents , and the Parties hereby agree that if the Debtors fail to perform and satisfy the condition subsequent as and when required by the terms hereof, the Amendment shall be deemed to have not occurred and the Debtors still shall cause the Credit Line to be no greater than $15,000,000, as of June 30, 2025).On or before August 31, 2024, Jupiter shall have caused the five commission customers identified in the Cooperation Agreement to have placed orders in writing to Smoore directly.

Acknowledgments; Reaffirmation of Smoore's Liens and Security Interests. Debtors acknowledge Smoore has, a valid, enforceable and perfected lien on and security interest in all of the Collateral. The Collateral secures all of the presently existing and hereafter arising obligations of Debtors owing to Smoore.

Representations and Warranties. Debtors hereby affirm to Smoore that all of Debtors' representations and warranties set forth in the Side Letter and Debt and Security Documents are true, complete and accurate in all respects as of the date hereof.

Limited Effect. Except for the specific amendment contained in this Amendment, the Side Letter and Debt and Security Documents shall remain unchanged and in full force and effect.

Counterparts. This Amendment may be executed in counterparts, all of which taken together shall constitute a single document.

Headings. The headings in this Amendment are inserted for convenience and are not a part of this Amendment.

Further Assurances. Upon request of a party hereto, each party will take all reasonable actions, including execution of additional documents and agreements, necessary or appropriate to carry out the terms, conditions and intent of this Amendment.

Neutral Construction. This Amendment is the product of negotiation among the parties hereto and represents the jointly conceived, bargained-for and agreed upon language mutually determined by the parties to express their intentions in entering into this Amendment. Any ambiguity or uncertainty in this Amendment shall be deemed to be caused by, or attributable to, all parties hereto collectively. In any action or proceeding to enforce or interpret this Amendment, this Amendment shall be construed in a neutral manner, and no term or condition of this Amendment, or the Debt and Security Documents as a whole, shall be construed more or less favorably to any one party, or group of parties, to this Amendment. In the event any provision contained in this Amendment is determined to be unenforceable by a court competent jurisdiction, then that provision shall be deemed omitted from this Amendment and the remaining provisions of this Amendment shall continue to be in full force and effect.

[Signatures on Next Page]

This Amendment is entered into as of the date first set forth above.

Debtors

TILT HOLDINGS INC., a corporation formed under the laws of British Columbia

By: /s/ Tim Conder
Name: Tim Conder
Title: Chief Executive Officer

JIMMY JANG, L.P., a Delaware limited partnership

By: Jimmy Jang Holdings Inc., its general partner

By: /s/ Tim Conder
Name: Tim Conder
Title: Chief Executive Officer

BAKER TECHNOLOGIES, INC., a Delaware corporation

By: /s/ Tim Conder
Name: Tim Conder
Title: President

COMMONWEALTH ALTERNATIVE CARE, INC., a Massachusetts corporation

By: /s/ Tim Conder
Name: Tim Conder
Title: President

JJ BLOCKER CO., a Delaware corporation

By: /s/ Tim Conder
Name: Tim Conder
Title: President

SFNY HOLDINGS, INC., a Delaware corporation

By: /s/ Tim Conder
Name: Tim Conder
Title: President

SEA HUNTER THERAPEUTICS, LLC, a Delaware limited liability company

By: /s/ Tim Conder
Name: Tim Conder
Title: President

STANDARD FARMS OHIO LLC, an Ohio limited liability company

By: /s/ Tim Conder
Name: Tim Conder
Title: President

STANDARD FARMS LLC, a Pennsylvania limited liability company

By: /s/ Tim Conder
Name: Tim Conder
Title: President

SH FINANCE COMPANY, LLC, a Delaware limited liability company

By: /s/ Tim Conder
Name: Tim Conder
Title: President

JUPITER RESEARCH LLC, an Arizona limited liability company

By: /s/ Tim Conder
Name: Tim Conder
Title: Chief Executive Officer

Smoore

SHENZHEN SMOORE TECHNOLOGY LIMITED, a company organized and existing under the laws of Peoples' Republic of China

By: /s/ Jianliang Wang
Name: Jianliang Wang
Title: Head of HC Business

Exhibit 31.1

CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER
PURSUANT TO RULES 13a-14(a) AND 15d-14(a)
UNDER THE SECURITIES EXCHANGE ACT OF 1934,
AS ADOPTED PURSUANT TO SECTION 302
OF THE SARBANES-OXLEY ACT OF 2002

I, Tim Conder, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of TILT Holdings Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 14, 2024

/s/ Tim Conder
Tim Conder
Chief Executive Officer
(Principal Executive Officer)

Exhibit 31.2

CERTIFICATION OF PRINCIPAL FINANCIAL OFFICER
PURSUANT TO RULES 13a-14(a) AND 15d-14(a)
UNDER THE SECURITIES EXCHANGE ACT OF 1934,
AS ADOPTED PURSUANT TO SECTION 302
OF THE SARBANES-OXLEY ACT OF 2002

I, Brad Hoch, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of TILT Holdings Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 14, 2024

/s/ Brad Hoch
Brad Hoch
Interim Chief Financial Officer
(Principal Financial Officer)

Exhibit 32.1

CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER AND PRINCIPAL FINANCIAL OFFICER PURSUANT TO 18 U.S.C. SECTION 1350 AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of TILT Holdings Inc. (the "Company") on Form 10-Q for the period ended September 30, 2024, as filed with the Securities and Exchange Commission ("SEC") on the date hereof (the "Report"), each of Tim Conder, Chief Executive Officer of the Company, and Brad Hoch, Interim Chief Financial Officer and Chief Accounting Officer of the Company, certify, pursuant to 18 U.S.C. section 1350, as adopted pursuant to section 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and
(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: November 14, 2024

/s/ Tim Conder
Tim Conder
Chief Executive Officer
(Principal Executive Officer)

Date: November 14, 2024

/s/ Brad Hoch
Brad Hoch
Interim Chief Financial Officer
(Principal Financial Officer)