

TRULIEVE CANNABIS CORP.

UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

FOR THE THREE MONTHS ENDED MARCH 31, 2019 AND 2018

(IN US DOLLARS)

TRULIEVE CANNABIS CORP.

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**CONDENSED CONSOLIDATED INTERIM STATEMENTS OF FINANCIAL POSITION
(UNAUDITED) AS AT MARCH 31, 2019 AND DECEMBER 31, 2018**

		<u>March 31, 2019</u>	<u>December 31, 2018</u>
ASSETS			
Current Assets:			
Cash		\$ 20,578,567	\$ 24,430,108
Inventories	<i>Note 3</i>	33,423,715	24,270,844
Biological Assets	<i>Note 3</i>	34,276,603	29,636,269
Prepaid Expenses and Other Current Assets		<u>2,823,428</u>	<u>2,453,239</u>
Total Current Assets		91,102,313	80,790,460
Property and Equipment, Net	<i>Note 4</i>	119,329,909	70,789,888
Intangible Assets, Net	<i>Note 5</i>	9,223,901	9,396,347
Other Assets		<u>992,826</u>	<u>1,095,886</u>
TOTAL ASSETS		<u>\$ 220,648,949</u>	<u>\$ 162,072,581</u>
LIABILITIES			
LIABILITIES			
Current Liabilities:			
Accounts Payable and Accrued Liabilities		\$ 12,045,221	\$ 10,463,109
Income Tax Payable		22,938,082	15,061,446
Deferred Revenue		1,881,800	1,427,201
Notes Payable - Current Portion	<i>Note 6</i>	2,000,000	6,000,000
Notes Payable - Related Party - Current Portion	<i>Note 7</i>	1,541,788	1,426,791
Lease Liability - Current Portion	<i>Note 8</i>	<u>3,333,608</u>	<u>335,881</u>
Total Current Liabilities		43,740,499	34,714,428
Long-Term Liabilities:			
Notes Payable	<i>Note 6</i>	4,000,000	-
Notes Payable - Related Party	<i>Note 7</i>	12,466,113	12,647,124
Lease Liability	<i>Note 8</i>	30,289,703	616,165
Other Long-Term Liabilities		-	722,733
Deferred Tax Liability		<u>12,090,000</u>	<u>9,153,000</u>
TOTAL LIABILITIES		102,586,315	57,853,450
SHAREHOLDERS' EQUITY			
Share Capital	<i>Note 9</i>	60,987,036	60,976,944
Warrants		608,740	608,740
Accumulated Earnings/(Deficit)		<u>56,466,858</u>	<u>42,633,447</u>
TOTAL SHAREHOLDERS' EQUITY		<u>118,062,634</u>	<u>104,219,131</u>
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		<u>\$ 220,648,949</u>	<u>\$ 162,072,581</u>

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

Nature of Operations (*Note 1*)
Contingencies (*Note 13*)
Subsequent Events (*Note 16*)

**CONDENSED CONSOLIDATED INTERIM STATEMENTS OF OPERATIONS (UNAUDITED)
FOR THE THREE MONTHS ENDED MARCH 31, 2019 AND 2018**

		Three months ended March 31,	
		2019	2018
Revenues, Net of Discounts		\$ 44,475,965	\$ 15,246,799
Cost of Goods Sold	<i>Note 3</i>	<u>14,587,499</u>	<u>4,677,440</u>
Gross Profit before Biological Asset Adjustment		29,888,466	10,569,359
Fair Value Adjustment on Inventory Sold		(30,649,734)	(7,384,401)
Fair Value Adjustment on Growth of Biological Assets	<i>Note 3</i>	<u>40,873,052</u>	<u>12,596,401</u>
Gross Profit		<u>40,111,784</u>	<u>15,781,359</u>
Expenses:			
General and Administrative		2,125,689	707,978
Sales and Marketing		9,771,061	3,963,711
Depreciation and Amortization	<i>Note 4 & 5</i>	<u>1,460,837</u>	<u>162,935</u>
Total Expenses		<u>13,357,587</u>	<u>4,834,624</u>
Income From Operations		<u>26,754,197</u>	<u>10,946,735</u>
Other Income (Expense):			
Interest Expense, Net		(1,225,961)	(327,164)
Other Income, Net		<u>11,038</u>	<u>6,135</u>
Total Other Expense		<u>(1,214,923)</u>	<u>(321,029)</u>
Income Before Provision for Income Taxes		<u>25,539,274</u>	<u>10,625,706</u>
Provision For Income Taxes	<i>Note 11</i>	<u>10,837,000</u>	<u>3,762,000</u>
Net Income		<u>\$ 14,702,274</u>	<u>\$ 6,863,706</u>
Basic Net Income per Common Share	<i>Note 10</i>	<u>\$ 0.13</u>	<u>\$ 0.07</u>
Diluted Net Income per Common Share	<i>Note 10</i>	<u>\$ 0.13</u>	<u>\$ 0.07</u>
Weighted average number of common shares used in computing net income per common share:			
Basic	<i>Note 10</i>	<u>110,132,168</u>	<u>98,683,400</u>
Diluted	<i>Note 10</i>	<u>110,263,438</u>	<u>98,683,400</u>

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

TRULIEVE CANNABIS CORP
**CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
(UNAUDITED) FOR THE THREE MONTHS ENDED MARCH 31, 2019 AND 2018**

	Super Voting Shares	Multiple Voting Shares	Subordinate Voting Shares	Total Common Shares	Share Capital	Warrants	Accumulated Earnings (Deficit)	Total
Balance, January 1, 2018	85,246,600	13,436,800	-	98,683,400	\$ 11,456,199	\$ -	\$ (334,345)	\$ 11,121,854
Issuance of Common Stock as Debt Discount <i>Note 6</i>	-	-	-	-	50,000	-	-	50,000
Net Income	-	-	-	-	-	-	6,863,706	6,863,706
Balance, March 31, 2018	<u>85,246,600</u>	<u>13,436,800</u>	<u>-</u>	<u>98,683,400</u>	<u>\$ 11,506,199</u>	<u>\$ -</u>	<u>\$ 6,529,361</u>	<u>\$ 18,035,560</u>
Balance, January 1, 2019	85,246,600	13,750,451	11,135,117	110,132,168	\$ 60,976,944	\$ 608,740	\$ 42,633,447	\$ 104,219,131
Additional Contribution from the Issuance of Below Market Interest Debt <i>Note 7</i>	-	-	-	-	10,092	-	-	10,092
IFRS 16 Implementation <i>Note 2</i>	-	-	-	-	-	-	(868,863)	(868,863)
Conversions of Super and Multiple to Subordinate Shares <i>Note 9</i>	(11,233,300)	(4,555,529)	15,788,829	-	-	-	-	-
Net Income	-	-	-	-	-	-	14,702,274	14,702,274
Balance, March 31, 2019	<u>74,013,300</u>	<u>9,194,922</u>	<u>26,923,946</u>	<u>110,132,168</u>	<u>\$ 60,987,036</u>	<u>\$ 608,740</u>	<u>\$ 56,466,858</u>	<u>\$ 118,062,634</u>

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

**CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CASH FLOWS (UNAUDITED)
FOR THE THREE MONTHS ENDED MARCH 31, 2019 AND 2018**

		Three months ended March 31,	
		2019	2018
CASH FLOW FROM OPERATING ACTIVITIES			
Net Income		\$ 14,702,274	\$ 6,863,706
Adjustments to Reconcile Net Income to			
Net Cash Provided by Operating Activities:			
Depreciation and Amortization	<i>Notes 4 & 5</i>	2,394,891	392,935
Non-Cash Interest Expense		31,610	27,955
Loss from Sale of Property and Equipment		6,841	-
Changes in Operating Assets and Liabilities:			
Inventories		(9,152,871)	(1,094,081)
Biological Assets		(4,640,334)	(5,212,000)
Prepaid Expenses and Other Current Assets		(691,531)	(1,558,942)
Other Assets		103,060	-
Deferred Tax Assets/Liabilities		2,937,000	2,387,000
Accounts Payable and Accrued Liabilities		(3,696,299)	(1,313,937)
Other Long-Term Liabilities		-	-
Income Tax Payable		7,876,636	698,803
Deferred Revenue		454,599	183,452
		<u>10,325,876</u>	<u>1,374,891</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES			
CASH FLOW FROM INVESTING ACTIVITIES			
Purchases of Property and Equipment	<i>Note 4</i>	(13,025,818)	(3,874,409)
Proceeds from Sale of Property and Equipment		6,170	-
		<u>(13,019,648)</u>	<u>(3,874,409)</u>
NET CASH USED IN INVESTING ACTIVITIES			
CASH FLOW FROM FINANCING ACTIVITIES			
Proceeds from Issuance of Notes Payable	<i>Note 6</i>	-	6,040,000
Payments on Notes Payable - Related Party	<i>Note 7</i>	(344,869)	(1,033,854)
Payments on Lease Liability		(812,900)	-
		<u>(1,157,769)</u>	<u>5,006,146</u>
NET CASH (USED IN) PROVIDED BY FINANCING ACTIVITIES			
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS		(3,851,541)	2,506,628
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD		<u>24,430,108</u>	<u>1,407,059</u>
CASH AND CASH EQUIVALENTS, END OF PERIOD		<u>\$ 20,578,567</u>	<u>\$ 3,913,687</u>
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION			
CASH PAID DURING THE YEAR FOR			
Interest		<u>\$ 581,936</u>	<u>\$ 463,400</u>

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

**CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CASH FLOWS (UNAUDITED) (CONTINUED)
FOR THE THREE MONTHS ENDED MARCH 31, 2019 AND 2018**

		Three months ended March 31,	
		2019	2018
		<u> </u>	<u> </u>
OTHER NONCASH INVESTING AND FINANCING ACTIVITIES			
Purchase of Property and Equipment Financed with Notes Payable - Related Party	<i>Note 4</i>	<u>\$ 257,337</u>	<u>\$ -</u>
Purchase of Property and Equipment Financed with Accounts Payable	<i>Note 4</i>	<u>\$ 5,278,411</u>	<u>\$ -</u>
Property and Equipment Acquired via Capital Leases	<i>Note 4</i>	<u>\$ 7,820,329</u>	<u>\$ -</u>
Transfer of Shares Treated as a Debt Discount	<i>Note 6</i>	<u>\$ -</u>	<u>\$ 50,000</u>
Debt Discount Related to Below Market Interest Debt	<i>Note 7</i>	<u>\$ 10,092</u>	<u>\$ -</u>

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

**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (UNAUDITED)
AS AT AND FOR THE THREE MONTHS ENDED MARCH 31, 2019 AND 2018****1. NATURE OF OPERATIONS**

Trulieve Cannabis Corp. (“Trulieve” or the “Company”) was incorporated in British Columbia, Canada. Trulieve (through its wholly-owned licensed subsidiary, Trulieve, Inc.) is a vertically integrated cannabis company and is licensed under the laws of the State of Florida to cultivate, produce, and sell medicinal-use cannabis products within such state.

In July 2018, Trulieve, Inc. entered into a non-binding letter agreement (“Letter Agreement”) with Schyan Exploration Inc. (“Schyan”) whereby Trulieve, Inc. and Schyan have agreed to merge their respective businesses resulting in a reverse takeover of Schyan by Trulieve, Inc. and change the business of Schyan from a mining issuer to a marijuana issuer (the “Transaction”). The Transaction was completed in August 2018 and Schyan changed its name to Trulieve Cannabis Corp.

The Company’s head office and principal address is located at 6749 Ben Bostic Road, Quincy, Florida 32351. The Company’s registered office is located at Suite 2800, Park Place, 666 Burrard Street, Vancouver, British Columbia, V6C 2Z7.

The Company listed on the Canadian Securities Exchange (the “CSE”) and began trading on September 24, 2018 under the ticker symbol “TRUL”.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**(a) Statement of Compliance**

The unaudited condensed consolidated interim financial statements have been prepared in accordance with International Accounting Standard 34 – *Interim Financial Reporting*, following the same accounting policies and methods of application as those disclosed in the annual audited financial statements for the years ended December 31, 2018 and 2017. The unaudited condensed consolidated interim financial statements should be read in conjunction with the annual financial statements of the Company for the years ended December 31, 2018 and 2017, which have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”). There has been no material impact on these unaudited condensed consolidated interim financial statements from changes in accounting standards during the period except for the adoption of new standards effective as of January 1, 2019.

These unaudited condensed consolidated interim financial statements were approved by the Board of Directors and authorized for issue by the Board of Directors on May 28, 2019.

(b) Basis of Measurement

These unaudited condensed consolidated interim financial statements have been prepared on the going concern basis, under the historical cost convention except for biological assets and certain financial instruments, which are measured at fair value.

(c) Functional Currency

The functional currency of the Company and its subsidiaries, as determined by management, is the United States (“U.S.”) dollar. These unaudited condensed consolidated interim financial statements are presented in U.S. dollars.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (UNAUDITED)
AS AT AND FOR THE THREE MONTHS ENDED MARCH 31, 2019 AND 2018**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)****(d) Basis of Consolidation**

These unaudited condensed consolidated interim financial statements include the financial information of the Company and its subsidiaries, Trulieve, Inc., Life Essence, Inc. and Leef Industries, LLC. The accounts of the subsidiaries are prepared for the same reporting period using consistent accounting policies from the date of acquired control. Intercompany transactions, balances and unrealized gains or losses on transactions are eliminated.

(e) Significant Accounting Judgments, Estimates, and Assumptions

The preparation of these unaudited condensed consolidated interim financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to these unaudited condensed consolidated interim financial statements have been set out in Note 2 of the audited financial statements for the years ended December 31, 2018 and 2017.

(f) Recently Adopted Accounting Pronouncements

The Company has adopted IFRS 16—Leases (“IFRS 16”) with the date of initial application of January 1, 2019 using the modified retrospective approach. Comparative information has not been restated and continues to be reported under IAS 17—Leases (“IAS 17”) (accounting standard in effect for those periods).

IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract, i.e. the customer (‘lessee’) and the supplier (‘lessor’). The standard introduces a single, on-balance sheet recognition and measurement model for lessees, eliminating the distinction between operating and finance leases. Lessees recognize a right-of-use asset representing its control of and right to use the underlying asset and a lease liability representing its obligation to make future lease payments.

Right-of-use assets

At commencement date, the Company has measured the right-of-use asset at cost which comprises of:

- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date, less any lease incentives received;
- any initial direct costs incurred by the lessee; and
- an estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are to produce inventories. The lessee incurs the obligation for those costs either at the commencement date or as a consequence of having used the underlying asset during a particular period.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (UNAUDITED)
AS AT AND FOR THE THREE MONTHS ENDED MARCH 31, 2019 AND 2018**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)****(f) Recently Adopted Accounting Pronouncements (continued)**

There are no dismantling, removal and restoration costs included in the cost of the right-of-use asset as management has not incurred an obligation for those costs.

Lease liabilities

At the commencement date, The Company measured the lease liability at the present value of the lease payments that are not paid at that date. The lease payments are discounted using the interest rate implicit in the lease, if that rate can be readily determined. If that rate cannot be readily determined, the lessee uses the lessee's incremental borrowing rate.

The lease payments included in the measurement of the lease liability comprise the following payments for the right to use the underlying asset during the lease term that are not paid at the commencement date:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable by the lessee under residual value guarantees;
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option; and
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease.

Subsequent Measurements

After the commencement date, the Company recognized depreciation and impairment of the right-of-use asset in profit or loss. The Company also recognized in profit or loss the interest on the lease liability. There were no variable lease payments which were not included in the measurement of the lease liability.

Exemptions and practical expedients

IFRS 16 permits the use of exemptions and practical expedients. The Company applied the following recognition exemptions and practical expedients:

- grandfather lease definition for existing contracts at the date of initial application;
- exclude low-value and short-term leases from IFRS 16 lease accounting;
- use portfolio application for leases with similar characteristics, such as vehicle and equipment leases;
- apply a single discount rate to a portfolio of leases with reasonably similar characteristics at the date of initial application;
- exclude initial direct costs from the measurement of the right-of-use assets at the date of initial application;
- use hindsight in determining lease term at the date of initial application

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (UNAUDITED)
AS AT AND FOR THE THREE MONTHS ENDED MARCH 31, 2019 AND 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(f) Recently Adopted Accounting Pronouncements (continued)

The financial impact of applying the standard resulted in a \$24,393,582 increase of in right-of-use assets (included in property, plant and equipment Note 4), an increase of \$25,663,837 in lease liability, a \$868,863 adjustment to retained earnings, a \$722,733 decrease in other long-term liabilities, and a \$321,342 decrease in prepaid expenses and other current assets. The weighted average incremental borrowing rate applied to the lease liabilities was 4.76%.

The following table provides a reconciliation of the commitments as at December 31, 2018 to the Company's lease liabilities as at January 1, 2019:

Lease liability - current portion	\$	335,881
Lease liability		616,165
Total lease liability as of December 31, 2018	\$	952,046
Lease liabilities previously not recognized under IFRS 16		25,663,837
Lease liability as of January 1, 2019	\$	26,615,883

**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (UNAUDITED)
AS AT AND FOR THE THREE MONTHS ENDED MARCH 31, 2019 AND 2018**
3. BIOLOGICAL ASSETS AND INVENTORIES

For the three months ended March 31, 2019 and the year ended December 31, 2018 biological assets are comprised of:

	March 31, 2019	December 31, 2018
Cannabis plants	\$ 34,276,603	\$ 29,636,269

The changes in the carrying value of biological assets, which consist of cannabis plants, are as follows:

Balance at December 31, 2017	\$ 9,738,300
Net increase in fair value less costs to sell due to biological transformation	85,563,656
Transferred to inventory upon harvest	<u>(65,665,687)</u>
Balance at December 31, 2018	\$ 29,636,269
Net increase in fair value less costs to sell due to biological transformation	40,873,052
Transferred to inventory upon harvest	<u>(36,232,718)</u>
Balance at March 31, 2019	<u>\$ 34,276,603</u>

Biological assets are measured at fair value less costs to sell until harvest. All production costs related to biological assets are expensed as incurred. All direct and indirect costs related to both biological assets and inventory are included in the 'cost of goods sold' line on the accompanying condensed consolidated interim statements of operations.

The fair value measurements for biological assets have been categorized as Level 3 fair values based on the inputs to the valuation technique used. The fair value was determined using a model which assumes the biological assets at the condensed consolidated interim statements of financial position date will grow to maturity, be harvested and converted into finished goods inventory and sold in the medical cannabis market. The Company's method of accounting for biological assets attributes value accretion on a straight-line basis throughout the life of the biological asset from initial cloning to the point of harvest.

The cannabis plant model utilizes the following significant assumptions:

**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (UNAUDITED)
AS AT AND FOR THE THREE MONTHS ENDED MARCH 31, 2019 AND 2018**
3. BIOLOGICAL ASSETS AND INVENTORIES (CONTINUED)

Assumption	March 31, 2019		December 31, 2018	
	Range	Average	Range	Average
(i) Weighted average of expected loss of plants until harvest (a)	0-40%	17%	0-40%	17%
(ii) Expected yields for cannabis plants (average grams per plant)	136 - 277 grams per plant	158 grams per plant	136 - 227 grams per plant	158 grams per plant
(iii) Expected number of growing days	154-164	159	154-164	159
(iv) Weighted average number of growing days completed as a percentage of total growing weeks as at period end	N/A	68%	N/A	40%
(v) Estimated selling price (per gram) (b)	N/A	\$7.15	N/A	\$9.93
(vi) After harvest cost to complete and sell (per gram)	\$2.58 - \$2.86	\$2.72	\$2.62 - \$2.90	\$2.76
(vii) Reasonable margin \$ on after harvest costs to complete and sell (per gram)	\$0.95 - \$1.25	\$1.10	\$1.50 - \$1.75	\$1.65

(a) Weighted average of expected loss of plants until harvest represents loss via plants that do not survive to the point of harvest. It does not include any financial loss on a surviving plant.

(b) The estimated selling price (per gram) for March 31, 2019 and December 31, 2018 represent the average sales price for the Company's various strains sold as medical products.

These estimates are subject to volatility in market prices and a number of uncontrollable factors, which could significantly affect the fair value of biological assets in future periods.

The following table presents the effect of 10% positive change and 10% negative change on the fair valuation of cannabis plants biological assets as at March 31, 2019 and December 31, 2018.

Assumption	10% change as at March 31, 2019	10% change as at December 31, 2018
Weighted average of expected loss of plants until harvest	450,767	503,816
Expected yields for cannabis plants	3,427,660	3,154,838
Expected number of growing weeks	3,116,054	2,471,188
Estimated selling price	5,157,057	4,428,190
After harvest cost to complete and sell	1,976,930	1,273,352
Reasonable margin on after harvest costs to complete and sell	1,134,672	758,425

**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (UNAUDITED)
AS AT AND FOR THE THREE MONTHS ENDED MARCH 31, 2019 AND 2018**
3. BIOLOGICAL ASSETS AND INVENTORIES (CONTINUED)

The Company estimates the harvest yields for medical cannabis at various stages of growth. As of March 31, 2019 and December 31, 2018, it was expected that the Company's cannabis plants biological assets will yield approximately 10,302,781 grams and 5,908,686 grams of cannabis when harvested.

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

Inventories comprised the following items:

	March 31, 2019	December 31, 2018
Raw Material		
Harvested Cannabis	\$ 4,832,153	\$ 854,233
Packaging and miscellaneous	2,999,434	2,199,640
Total Raw Material	7,831,587	3,053,873
Work in Process	12,972,211	11,157,067
Finished Goods	12,619,917	10,059,904
Total Inventories	\$ 33,423,715	\$ 24,270,844

For the three months ended March 31, 2019 and 2018 cost of goods sold comprised of:

	2019	2018
Payroll costs for personnel involved in growing and processing marijuana	\$ 6,272,555	\$ 1,801,533
Materials and utilities	7,220,310	1,778,487
Other overhead, rent, facility & equipment maintenance, cleaning, uniforms, quality and fulfillment and other	1,094,634	1,097,420
Cost of Goods Sold	\$ 14,587,499	\$ 4,677,440

**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (UNAUDITED)
AS AT AND FOR THE THREE MONTHS ENDED MARCH 31, 2019 AND 2018**
3. BIOLOGICAL ASSETS AND INVENTORIES (CONTINUED)

The Company does not capitalize any production costs including overheads to biological assets. All production costs related to biological assets are expensed as incurred and are included in production costs in the table above.

The use of the capitalization approach would cause a reduction of \$31,166 out of 'cost of goods sold' line on the accompanying condensed consolidated interim statements of operations and a corresponding reduction of \$31,166 out of 'fair value adjustment on growth of biological assets' on the accompanying condensed consolidated interim statements of operations.

The Company capitalizes cost incurred after harvest to bring the products to their present location and condition in accordance with IAS 2 Inventories. The cost of inventories includes the fair value less cost to sell of the cannabis at harvest and costs incurred after harvest (such as quality assurance costs, fulfillment costs and packaging costs) to bring the products to their present location and condition.

4. PROPERTY AND EQUIPMENT

At March 31, 2019 and December 31, 2018, Property and Equipment consisted of the following:

	Land	Buildings & Improvements	Construction in Progress	Furniture & Equipment	Vehicles	Total
<u>Cost</u>						
At December 31, 2017	\$ 300,000	\$ 12,070,729	\$ 3,060,224	\$ 4,170,931	\$ 357,050	\$ 19,958,934
Additions	2,021,871	20,517,329	17,183,455	13,563,621	1,422,815	54,709,091
Transfers & disposals	-	3,458,585	(2,960,413)	(639,918)	(116,586)	(258,332)
At December 31, 2018	2,321,871	36,046,643	17,283,266	17,094,634	1,663,279	74,409,693
Additions	-	10,786,152	4,856,598	2,919,794	-	18,562,544
Additions right-of-use assets	-	7,327,627	-	48,432	444,270	7,820,329
Transfers & disposals	-	28,509	(84,211)	28,432	3,234	(24,036)
IFRS 16 Implementation	-	26,509,651	-	265,556	994,244	27,769,451
At March 31, 2019	2,321,871	80,698,582	22,055,653	20,356,848	3,105,027	128,537,981
<u>Accumulated Depreciation</u>						
At December 31, 2017	\$ -	\$ 392,976	\$ -	\$ 226,402	\$ 51,831	\$ 671,209
Additions	-	1,547,499	-	1,085,424	324,706	2,957,629
Transfers & disposals	-	36,144	-	(8,607)	(36,570)	(9,033)
At December 31, 2018	-	1,976,619	-	1,303,219	339,967	3,619,805
Additions	-	664,614	-	461,671	6,347	1,132,632
Additions right-of-use assets	-	836,108	-	16,357	237,349	1,089,814
Transfers & disposals	-	-	-	(181)	(9,867)	(10,048)
IFRS 16 Implementation	-	3,111,879	-	37,576	226,414	3,375,869
At March 31, 2019	-	6,589,220	-	1,818,642	800,210	9,208,072
<u>Net book value</u>						
At December 31, 2017	\$ 300,000	\$ 11,677,753	\$ 3,060,224	\$ 3,944,529	\$ 305,219	\$ 19,287,725
At December 31, 2018	\$ 2,321,871	\$ 34,070,024	\$ 17,283,266	\$ 15,791,415	\$ 1,323,312	\$ 70,789,888
At March 31, 2019	\$ 2,321,871	\$ 74,109,362	\$ 22,055,653	\$ 18,538,206	\$ 2,304,817	\$ 119,329,909

**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (UNAUDITED)
AS AT AND FOR THE THREE MONTHS ENDED MARCH 31, 2019 AND 2018**
4. PROPERTY AND EQUIPMENT (CONTINUED)

For the three months ended March 31, 2018, the Company capitalized interest of \$164,269. The Company did not capitalize any interest for the three months ended March 31, 2019.

For the three months ended March 31, 2019 and 2018, depreciation expense of \$934,054 and \$230,000, respectively, were considered as part of costs of goods sold, see “*Note 3 – Biological Assets and Inventories*” the other overhead line item.

For the three months ended March 31, 2019 and 2018, property and equipment additions purchased from the spouse of an officer and director of the Company totaled \$9,623,341 and \$665,292 of which \$4,252,791 was included in accounts payable at March 31, 2019.

5. INTANGIBLE ASSETS

At March 31, 2019 and December 31, 2018, Intangible assets consisted of the following:

	Dispensary Licenses	Tradename	Trademarks	Total
<u>Cost</u>				
At December 31, 2017	\$ -	\$ 1,000,000	\$ -	\$ 1,000,000
Additions from acquisitions	8,533,416	-	10,444	8,543,860
At December 31, 2018	8,533,416	1,000,000	10,444	9,543,860
At March 31, 2019	8,533,416	1,000,000	10,444	9,543,860
<u>Accumulated Amortization</u>				
At December 31, 2017	\$ -	\$ -	\$ -	-
Amortization	45,772	100,000	1,741	147,513
At December 31, 2018	45,772	100,000	1,741	147,513
Amortization	142,224	25,000	5,222	172,446
At March 31, 2019	187,996	125,000	6,963	319,959
<u>Net book value</u>				
At December 31, 2017	\$ -	\$ 1,000,000	\$ -	\$ 1,000,000
At December 31, 2018	\$ 8,487,644	\$ 900,000	\$ 8,703	\$ 9,396,347
At March 31, 2019	\$ 8,345,420	\$ 875,000	\$ 3,481	\$ 9,223,901

Amortization expense for the three months ended March 31, 2019 and 2018 were \$172,446 and \$0, respectively.

**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (UNAUDITED)
AS AT AND FOR THE THREE MONTHS ENDED MARCH 31, 2019 AND 2018**
6. NOTES PAYABLE

At March 31, 2019 and December 31, 2018, notes payable consisted of the following:

	<u>March 31, 2019</u>	<u>December 31, 2018</u>
Promissory note dated April 10, 2017, with annual interest at 12%, due between April and July 2022.	\$ 4,000,000	\$ 4,000,000
Promissory note dated December 7, 2017, with annual interest at 12%, secured by certain property located in Miami, FL, due December 2021.	2,000,000	2,000,000
Less current portion	<u>(2,000,000)</u>	<u>(6,000,000)</u>
	<u>\$ 4,000,000</u>	<u>\$ -</u>

The unsecured promissory note dated April 10, 2017, was amended in January 2019 to extend the maturity three years to 2022, all other terms remain unchanged.

The promissory note dated December 7, 2017, has terms allowing the lender to request prepayment at any time once the Company had raised in excess of \$24 million. In conjunction with the close of the private placement, in August 2018, the promissory note became due on demand.

In January 2018, the Company entered into a \$6,000,000 unsecured promissory note with a 24-month maturity and 12% annual interest rate. The Company shall make monthly interest payments to the lender and all outstanding principal and any unpaid accrued interest shall be due and payable in full on maturity. In conjunction with the closing of the promissory note, as additional consideration to the lender, existing shareholders agreed to dilute their ownership and transfer shares from their personal shareholdings which was valued at \$50,000. The Company treated that dilution as a contributed surplus in share capital and as an additional debt discount. If the Company goes public on any foreign or domestic exchange, this promissory note will be due within 90 days of the initial public offering. The Company did go public and in September 2018 the note was paid in full and the outstanding debt discount was expensed.

**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (UNAUDITED)
AS AT AND FOR THE THREE MONTHS ENDED MARCH 31, 2019 AND 2018**
7. NOTES PAYABLE RELATED PARTY

At March 31, 2019 and December 31, 2018, notes payable to related parties consisted of the following:

	March 31, 2019	December 31, 2018
Notes payable due to related parties, with varying interest rates between 8% to 12% annual, with varying maturity dates.	\$ 14,127,600	\$ 14,215,131
Less debt discount	(119,699)	(141,216)
Less current portion	<u>(1,541,788)</u>	<u>(1,426,791)</u>
	<u>\$ 12,466,113</u>	<u>\$ 12,647,124</u>

In February 2019, the Company entered into a 24-month unsecured loan with an 8% annual interest rate with a former director and shareholder for \$257,337. The loan was issued in March 2019. The Company determined that the stated interest rate was below market rates and recorded a debt discount of \$10,092 using an annual discount interest rate of 12%.

In March 2018, the Company entered into a 24-month unsecured loan with an 8% annual interest rate with a former director and shareholder for \$158,900. The loan was funded in April 2018. The Company determined that the stated interest rate was below market rates and recorded a debt discount of \$6,232 using an annual discount interest rate of 12%.

As disclosed in the condensed consolidated interim statements of cash flows, under other noncash investing and financing activities, the noncash portion of the notes for the three months ended March 31, 2019 was \$257,337 and was used to finance acquisition of property and equipment. The lenders paid for the property and equipment directly while issuing the Company promissory notes and the Company took custody of the property and equipment.

8. LEASES

As of March 31, 2019, our lease liability consisted of the following:

	March 31, 2019
Balance, beginning of period [Note 2]	\$ 26,615,883
Additions	7,820,328
Lease & Interest payments	(812,900)
Balance, end of period	<u>\$ 33,623,311</u>
Lease liability - current portion	\$ 3,333,608
Lease liability	<u>\$ 30,289,703</u>

The Company has lease liabilities for leases related to real estate for dispensaries, production plants, and corporate offices. Other leased assets include passenger vehicles and trucks and equipment. The weighted average discount rate for the three months ended March 31, 2019 was 4.76% percent.

**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (UNAUDITED)
AS AT AND FOR THE THREE MONTHS ENDED MARCH 31, 2019 AND 2018**
9. SHARE CAPITAL

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

(i) Unlimited number of Subordinate Voting Shares

As of March 31, 2019, there were 26,923,946 Subordinate Voting Shares issued and outstanding.

(ii) Unlimited number of Multiple Voting Shares

As of March 31, 2019, there were 91,949 Multiple Voting Shares issued and outstanding which are equal to 9,194,922 Subordinate Voting Shares as if converted. During the three months ended March 31, 2019, 45,555 Multiple Voting Shares were converted into 4,555,529 Subordinate Voting Shares.

(iii) Unlimited number of Super Voting Shares

As of March 31, 2019, there were 740,133 Super Voting Shares issued and outstanding which are equal to 74,013,300 Subordinate Voting Shares as if converted. During the three months ended March 31, 2019, 112,333 Super Voting Shares were converted into 11,233,300 Subordinate Voting Shares.

10. EARNINGS PER SHARE

The following is a reconciliation for the calculation of basic and diluted earnings per share for the three months ended March 31, 2019 and 2018:

	2019	2018
Net Income	\$ 14,702,274	\$ 6,863,706
Weighted average number of common shares outstanding	110,132,168	98,683,400
Dilutive effect of 214,178 warrants outstanding	131,270	-
Diluted weighted average number of common shares outstanding	110,263,438	98,683,400
Basic earnings per share	\$ 0.13	\$ 0.07
Diluted earnings per share	\$ 0.13	\$ 0.07

11. INCOME TAXES

The components of the income tax provision (benefit) include:

	Three months ended March 31,	
	2019	2018
Current	\$ 7,900,000	\$ 2,375,000
Deferred	2,937,000	1,387,000
	\$ 10,837,000	\$ 3,762,000

**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (UNAUDITED)
AS AT AND FOR THE THREE MONTHS ENDED MARCH 31, 2019 AND 2018****12. RELATED PARTIES**

The Company had raised funds by issuing a note to various related parties including directors, officers, and shareholders and the balance at March 31, 2019 and December 31, 2018 was \$14,127,600 and \$14,215,131, respectively, as discussed in “*Note 7 – Notes Payable Related Party*”.

The Company uses a general contractor that is the spouse of an officer and director of the Company and for the three months ended March 31, 2019 and 2018, property and equipment purchases totaled \$9,623,341 and \$665,292 of which \$4,252,791 was included in accounts payable at March 31, 2019, as discussed in “*Note 4 – Property and Equipment*”.

The Company has many leases from various real estate holding companies that are managed, controlled by various related parties including a former director and shareholder and the spouse of an officer and director of the Company, see “*Note 8 – Leases*”.

13. CONTINGENCIES**(a) Operating Licenses**

Although the possession, cultivation and distribution of cannabis for medical use is permitted in Florida, cannabis is a Schedule-I controlled substance and its use remains a violation of federal law. Since federal law criminalizing the use of cannabis preempts state laws that legalize its use, strict enforcement of federal law regarding cannabis would likely result in the Company’s inability to proceed with our business plans. In addition, the Company’s assets, including real property, cash, equipment and other goods, could be subject to asset forfeiture because cannabis is still federally illegal.

(b) Claims and Litigation

From time to time, the Company may be involved in litigation relating to claims arising out of operations in the normal course of business. At March 31, 2019, there were no pending or threatened lawsuits that could reasonably be expected to have a material effect on the results of the Company’s consolidated statements of operations. There are also no proceedings in which any of the Company’s directors, officers or affiliates is an adverse party or has a material interest adverse to the Company’s interest.

14. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT**Financial Instruments**

The Company’s financial instruments consist of cash, accounts payable and accrued liabilities, and notes payable (both to third parties and related parties). The carrying values of these financial instruments approximate their fair values at March 31, 2019 and December 31, 2018 due to their short-term nature or because the effective interest rate applied to the balance approximates the market rate.

Financial instruments recorded at fair value are classified using a fair value hierarchy that reflects the significance of the inputs to fair value measurements. The three levels of hierarchy are:

- Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities;
- Level 2 – Inputs other than quoted prices that are observable for the asset or liability, either directly or indirectly; and
- Level 3 – Inputs for the asset or liability that are not based on observable market data.

**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (UNAUDITED)
AS AT AND FOR THE THREE MONTHS ENDED MARCH 31, 2019 AND 2018**
14. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (CONTINUED)

Cash is classified within level 1 of the fair value hierarchy.

There have been no transfers between fair value levels during the three months ended March 31, 2019 or the year ended December 31, 2018.

The following table summarizes the Company's financial instruments at March 31, 2019:

	Fair Value Through Profit or Loss	Amortized Cost	Total
Financial Assets:			
Cash	\$20,578,567	\$ -	\$20,578,567
Financial Liabilities:			
Accounts Payable and Accrued Liabilities	\$ -	\$ 12,045,221	\$ 12,045,221
Notes Payable	\$ -	\$ 6,000,000	\$ 6,000,000
Notes Payable - Related Party	\$ -	\$ 14,007,901	\$ 14,007,901
Lease Liability	\$ -	\$ 33,623,311	\$ 33,623,311

The following table summarizes the Company's financial instruments at December 31, 2018:

	Fair Value Through Profit or Loss	Amortized Cost	Total
Financial Assets:			
Cash	\$24,430,108	\$ -	\$24,430,108
Financial Liabilities:			
Accounts Payable and Accrued Liabilities	\$ -	\$ 10,463,109	\$ 10,463,109
Notes Payable	\$ -	\$ 6,000,000	\$ 6,000,000
Notes Payable - Related Party	\$ -	\$ 14,073,915	\$ 14,073,915
Lease Liability	\$ -	\$ 952,046	\$ 952,046

**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (UNAUDITED)
AS AT AND FOR THE THREE MONTHS ENDED MARCH 31, 2019 AND 2018****15. CAPITAL MANAGEMENT**

The Company's objectives when managing its capital are to ensure that there are adequate capital resources to safeguard the Company's ability to continue as a going concern and maintain adequate levels of funding to support its ongoing operations and development such that it can continue to provide returns to shareholders.

The capital structure of the Company consists of items included in shareholders' equity, notes payable and notes payable related party. The Company manages its capital structure and adjusts it in light of changes in economic conditions and the risk characteristics of the Company's underlying assets. The Company plans to use existing funds, as well as funds from the future sale of products, to fund operations and expansion activities. However, the Company may attempt to issue new shares or issue new debt for acquisitions.

As of March 31, 2019, the Company is not subject to externally imposed capital requirements. In addition, there have been no changes to the Company's approach to capital management during the three months ended March 31, 2019.

16. SUBSEQUENT EVENTS

The Company has evaluated subsequent events through May 28, 2019, which is the date these unaudited condensed consolidated interim financial statements were approved by the Board of Directors.

On May 16, 2019, the Corporation announced that it had entered into an agreement to acquire 100% of the equity of The Healing Corner, a medical marijuana dispensary licensed in the State of Connecticut. On May 21, 2019 the Corporation finalized the agreement.

From April 1, 2019 to May 28, 2019, shareholders have converted 30,000 Super Voting Shares and 23,006 Multiple Voting Shares into 5,300,581 Subordinate Voting Shares.