



TRULIEVE CANNABIS CORP.

**UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL
STATEMENTS**

**FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30,
2019 AND 2018**

(IN US DOLLARS)

TRULIEVE CANNABIS CORP.

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**CONDENSED CONSOLIDATED INTERIM STATEMENTS OF FINANCIAL POSITION
(UNAUDITED) AS AT SEPTEMBER 30, 2019 AND DECEMBER 31, 2018**

		<u>September 2019</u>	<u>December 31, 2018</u>
ASSETS			
Current Assets:			
Cash		\$ 31,018,389	\$ 24,430,108
Inventories	<i>Note 4</i>	144,339,328	24,270,844
Biological Assets	<i>Note 4</i>	62,420,229	29,636,269
Prepaid Expenses and Other Current Assets		<u>4,556,245</u>	<u>2,453,239</u>
Total Current Assets		242,334,191	80,790,460
Property and Equipment, Net	<i>Note 5</i>	166,041,364	70,789,888
Intangible Assets, Net	<i>Note 6</i>	24,044,589	9,396,347
Goodwill	<i>Note 3</i>	8,666,000	-
Other Assets		<u>1,066,975</u>	<u>1,095,886</u>
TOTAL ASSETS		<u>\$ 442,153,119</u>	<u>\$ 162,072,581</u>
LIABILITIES			
LIABILITIES			
Current Liabilities:			
Accounts Payable and Accrued Liabilities		\$ 16,956,203	\$ 10,463,109
Income Tax Payable		8,450,498	15,061,446
Deferred Revenue		1,603,176	1,427,201
Notes Payable - Current Portion	<i>Note 7</i>	2,000,000	6,000,000
Notes Payable - Related Party - Current Portion	<i>Note 8</i>	13,247,924	1,426,791
Warrant Liability	<i>Note 9</i>	2,244,546	-
Lease Liability - Current Portion	<i>Note 10</i>	<u>4,550,992</u>	<u>335,881</u>
Total Current Liabilities		49,053,339	34,714,428
Long-Term Liabilities:			
Notes Payable	<i>Note 7</i>	4,000,000	-
Notes Payable - Related Party	<i>Note 8</i>	30,483	12,647,124
Lease Liability	<i>Note 10</i>	43,781,512	616,165
Finance Liability, net	<i>Note 9</i>	59,261,442	-
Other Long-Term Liabilities		-	722,733
Deferred Tax Liability		<u>49,199,614</u>	<u>9,153,000</u>
TOTAL LIABILITIES		<u>205,326,390</u>	<u>57,853,450</u>
SHAREHOLDERS' EQUITY			
Share Capital	<i>Note 11</i>	62,559,815	60,976,944
Warrants		-	608,740
Accumulated Earnings		<u>174,266,914</u>	<u>42,633,447</u>
TOTAL SHAREHOLDERS' EQUITY		<u>236,826,729</u>	<u>104,219,131</u>
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		<u>\$ 442,153,119</u>	<u>\$ 162,072,581</u>

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

**CONDENSED CONSOLIDATED INTERIM STATEMENTS OF OPERATIONS (UNAUDITED)
FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2019 AND 2018**

		Three Months Ended September 30,		Nine Months Ended September 30,	
		2019	2018	2019	2018
Revenues, Net of Discounts		\$ 70,730,359	\$ 28,325,604	\$ 173,126,436	\$ 66,871,174
Cost of Goods Sold	<i>Note 4</i>	<u>26,715,460</u>	<u>8,342,259</u>	<u>61,664,906</u>	<u>19,056,835</u>
Gross Profit before Biological Asset Adjustment		44,014,899	19,983,345	111,461,530	47,814,339
Fair Value Adjustment on Inventory Sold		(22,935,473)	(5,993,488)	(75,293,257)	(58,856,448)
Fair Value Adjustment on Growth of Biological Assets	<i>Note 4</i>	<u>89,055,337</u>	<u>21,763,241</u>	<u>217,866,779</u>	<u>82,858,835</u>
Gross Profit		<u>110,134,763</u>	<u>35,753,098</u>	<u>254,035,052</u>	<u>71,816,726</u>
Expenses:					
General and Administrative		3,243,380	1,511,673	8,779,164	3,357,503
Sales and Marketing		14,720,608	6,529,674	35,871,075	15,386,804
Depreciation and Amortization	<i>Note 5 & 6</i>	<u>2,665,269</u>	<u>300,262</u>	<u>5,965,996</u>	<u>647,425</u>
Total Expenses		<u>20,629,257</u>	<u>8,341,609</u>	<u>50,616,235</u>	<u>19,391,732</u>
Income From Operations		<u>89,505,506</u>	<u>27,411,489</u>	<u>203,418,817</u>	<u>52,424,994</u>
Other Income (Expense):					
Interest Expense, Net		(3,887,542)	(372,936)	(7,023,567)	(1,492,274)
RTO Expense		-	(1,387,423)	-	(1,387,423)
Other Income, Net		<u>5,140,985</u>	<u>4,115</u>	<u>5,146,222</u>	<u>20,572</u>
Total Other Income (Expense)		<u>1,253,443</u>	<u>(1,756,244)</u>	<u>(1,877,345)</u>	<u>(2,859,125)</u>
Income Before Provision for Income Taxes		<u>90,758,949</u>	<u>25,655,245</u>	<u>201,541,472</u>	<u>49,565,869</u>
Provision For Income Taxes	<i>Note 13</i>	<u>30,487,678</u>	<u>8,153,553</u>	<u>69,039,142</u>	<u>17,317,750</u>
Net Income		<u>\$ 60,271,271</u>	<u>\$ 17,501,692</u>	<u>\$ 132,502,330</u>	<u>\$ 32,248,119</u>
Basic Net Income per Common Share	<i>Note 12</i>	<u>\$ 0.55</u>	<u>\$ 0.18</u>	<u>\$ 1.20</u>	<u>\$ 0.33</u>
Diluted Net Income per Common Share	<i>Note 12</i>	<u>\$ 0.55</u>	<u>\$ 0.18</u>	<u>\$ 1.20</u>	<u>\$ 0.32</u>
Weighted average number of common shares used in computing net income per common share:					
Basic	<i>Note 12</i>	<u>110,213,649</u>	<u>99,299,125</u>	<u>110,159,627</u>	<u>98,891,726</u>
Diluted	<i>Note 12</i>	<u>110,213,649</u>	<u>99,834,571</u>	<u>110,159,627</u>	<u>99,427,172</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 NINE MONTHS ENDED SEPTEMBER 30, 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	-	-	-	-	200,000	-	-	200,000
Additional Contribution from the Issuance of Below Market Interest Debt	-	-	-	-	27,843	-	-	27,843
Issuance of Shares for Schyan Transaction			200,000	200,000	927,000	-	-	927,000
Issuance of Shares Subscription Receipt Offering, Net		3,573,450	7,354,050	10,927,500	45,948,203	1,518,740	-	47,466,943
Net Income	-	-	-	-	-	-	32,248,119	32,248,119
Balance, September 30, 2018	<u>85,246,600</u>	<u>17,010,250</u>	<u>7,554,050</u>	<u>109,810,900</u>	<u>\$ 58,559,245</u>	<u>\$ 1,518,740</u>	<u>\$ 31,913,774</u>	<u>\$ 91,991,759</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	-	-	-	-	10,092	-	-	10,092
IFRS 16 Implementation	-	-	-	-	-	-	(868,863)	(868,863)
Conversions of Super and Multiple to Subordinate Shares	(17,433,300)	(7,039,742)	24,473,042	-	-	-	-	-
Shares Issued for Cash - Warrant Exercise			214,178	214,178	1,572,779	(608,740)	-	964,039
Net Income	-	-	-	-	-	-	132,502,330	132,502,330
Balance, September 30, 2019	<u>67,813,300</u>	<u>6,710,709</u>	<u>35,822,337</u>	<u>110,346,346</u>	<u>62,559,815</u>	<u>-</u>	<u>174,266,914</u>	<u>236,826,729</u>

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

TRULIEVE CANNABIS CORP**CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CASH FLOWS (UNAUDITED)
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2019 AND 2018**

	Nine Months Ended September 30,	
	2019	2018
CASH FLOW FROM OPERATING ACTIVITIES		
Net Income	\$ 132,502,330	\$ 32,248,119
Adjustments to Reconcile Net Income to		
Net Cash Provided by Operating Activities:		
Depreciation and Amortization	Notes 5 & 6 10,378,447	1,901,858
Non-Cash Interest Expense	1,018,199	212,537
Loss (Gain) from Sale of Property and Equipment	10,771	(1,199)
Gain from Fair Value of Warrants	Note 9 (4,904,651)	-
Deferred Tax Liabilities	35,346,614	6,249,000
Changes in Operating Assets and Liabilities:		
Inventories	(119,995,046)	(5,621,267)
Biological Assets	(32,783,960)	(24,002,387)
Prepaid Expenses and Other Current Assets	(2,420,468)	(2,174,724)
Other Assets	28,911	-
Accounts Payable and Accrued Liabilities	3,523,918	(952,120)
Other Long-Term Liabilities	-	488,096
Income Tax Payable	(6,610,948)	8,297,978
Deferred Revenue	175,975	538,892
	<u>16,270,092</u>	<u>17,184,783</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES		
CASH FLOW FROM INVESTING ACTIVITIES		
Purchases of Property and Equipment	Note 5 (55,304,457)	(27,362,089)
Net Cash Paid in Acquisition of Business	Note 3 (19,898,400)	-
Proceeds from Sale of Property and Equipment	<u>3,529,010</u>	<u>1,199</u>
NET CASH USED IN INVESTING ACTIVITIES	<u>(71,673,847)</u>	<u>(27,360,890)</u>
CASH FLOW FROM FINANCING ACTIVITIES		
Proceeds from Issuance of Notes Payable	Note 7 -	6,040,000
Proceeds from Issuance of Notes Payable - Related Party	Note 8 -	11,156,614
Proceeds from Financing	Note 9 65,482,906	-
Proceeds from Issuance of Shares Warrant Exercise	Note 11 964,039	-
Payments on Notes Payable	Note 7 -	(6,000,000)
Payments on Notes Payable - Related Party	(1,133,219)	(8,374,998)
Payments on Lease Liability	Note 10 (3,321,690)	(308,760)
Proceeds from Issuance of Shares for Subscription Receipt Offering, Net	-	47,466,943
Proceeds from Issuance of Shares for Schyan Transaction	-	<u>927,000</u>
NET CASH PROVIDED BY FINANCING ACTIVITIES	<u>61,992,036</u>	<u>50,906,799</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	6,588,281	40,730,692
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>\$ 31,018,389</u>	<u>\$ 42,137,751</u>
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
CASH PAID DURING THE YEAR FOR		
Interest	<u>\$ 1,894,965</u>	<u>\$ 2,249,521</u>
Taxes	<u>\$ 29,700,000</u>	<u>\$ 2,195,000</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 NINE MONTHS ENDED SEPTEMBER 30, 2019 AND 2018**

		Nine Months Ended September 30,	
		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 5</i>	\$ 257,337	\$ 2,619,700
Issuance of Warrants	<i>Note 8</i>	\$ -	\$ 1,518,740
Purchase of Property and Equipment Financed with Accounts Payable	<i>Note 5</i>	\$ 2,965,215	\$ 4,699,327
Property and Equipment Acquired via Finance Leases	<i>Note 5</i>	\$ 25,038,312	\$ 918,460
Transfer of Shares Treated as a Debt Discount	<i>Note 8</i>	\$ -	\$ 200,000
Debt Discount Related to Below Market Interest Debt	<i>Note 8</i>	\$ 10,092	\$ 27,843

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 AND NINE MONTHS ENDED SEPTEMBER 30, 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. Trulieve also operates in California, Massachusetts, and Connecticut.

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 is 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 year ended December 31, 2018. The unaudited condensed consolidated interim financial statements should be read in conjunction with the annual financial statements of the Company for the year ended December 31, 2018, 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 November 18, 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.

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., Leef Industries, LLC, and The Healing Corner, Inc. 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. Additionally, see "Note 9 - Debt" for the fair value allocation between debt and warrants using assumptions including effective interest rate, volatility, and expected life.

(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.

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; and,
- 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 AND NINE MONTHS ENDED SEPTEMBER 30, 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 and equipment Note 5), 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

3. ACQUISITIONS

On May 21, 2019, the Company acquired all of the issued and outstanding shares of The Healing Corner, Inc. The purpose of this acquisition was to acquire the medical marijuana license in the State of Connecticut. The acquisition was financed with cash on hand and borrowings. The acquisition was accounted for as a business combination in accordance with IFRS 3, and related operating results are included in the accompanying condensed consolidated interim statements of operations, changes in shareholders' equity, and statement of cash flows for periods subsequent to the acquisition date. The revenues and net income since acquisition date and assuming the acquisition had occurred on January 1, 2019 are insignificant to the consolidated results ended September 30, 2019. Total transaction costs related to the acquisition were approximately \$270,000 and has been included in the nine months ended September 30, 2019 condensed consolidated interim statement of operations.

**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (UNAUDITED)
AS AT AND FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2019 AND 2018**
3. ACQUISITIONS (CONTINUED)

The following table summarizes the preliminary allocation of consideration exchanged to the estimated fair value of tangible and identifiable intangible assets acquired and liabilities assumed:

<u>The Healing Corner</u>	
Consideration:	
Cash	\$ <u>19,900,000</u>
Fair value of consideration exchanged	\$ <u>19,900,000</u>
Recognized amounts of identifiable assets acquired and liabilities assumed:	
Cash	\$ 1,600
Inventory	73,438
Prepays	3,880
Property and equipment	203,202
Intangible assets:	
Dispensary License	14,300,000
Trademark	320,841
Customer Relationship	1,000,000
Non-Compete	35,000
Goodwill	8,666,000
Accrued expenses	(3,961)
Deferred tax liability	<u>(4,700,000)</u>
Total net assets acquired	\$ <u>19,900,000</u>

**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (UNAUDITED)
AS AT AND FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2019 AND 2018**

4. BIOLOGICAL ASSETS AND INVENTORIES

As at September 30, 2019 and December 31, 2018 biological assets comprise:

	September 30, 2019	December 31, 2018
	<u> </u>	<u> </u>
Cannabis plants	<u>\$ 62,420,229</u>	<u>\$ 29,636,269</u>

The changes in the carrying value of biological assets 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	217,866,779
Transferred to inventory upon harvest	<u>(185,082,819)</u>
Balance at September 30, 2019	<u>\$ 62,420,229</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.

**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (UNAUDITED)
AS AT AND FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2019 AND 2018**
4. BIOLOGICAL ASSETS AND INVENTORIES (CONTINUED)

The cannabis plant model utilizes the following significant assumptions:

Assumption	September 30, 2019		December 31, 2018	
	Range	Average	Range	Average
(i) Weighted average of expected loss of plants until harvest (a)	0-40%	19%	0-40%	17%
(ii) Expected yields for cannabis plants (average grams per plant)	57 - 200 grams per plant	128 grams per plant	136 - 227 grams per plant	158 grams per plant
(iii) Expected number of growing days	128 - 138	133	154 - 164	159
(iv) Weighted average number of growing days completed as a percentage of total growing days as at period end	N/A	47%	N/A	40%
(v) Estimated selling price (per gram) (b)	N/A	\$9.62	N/A	\$9.93
(vi) After harvest cost to complete and sell (per gram)	\$2.00 - \$2.85	\$2.43	\$2.62 - \$2.90	\$2.76
(vii) Reasonable margin \$ on after harvest costs to complete and sell (per gram)	\$0.85 - \$2.45	\$1.65	\$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 September 30, 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 September 30, 2019 and December 31, 2018.

Assumption	10% change as at September 30, 2019	10% change as at December 31, 2018
Weighted average of expected loss of plants until harvest	6,218,314	503,816
Expected yields for cannabis plants	6,254,241	3,154,838
Expected number of growing days	6,254,241	2,471,188
Estimated selling price	7,840,622	4,428,190
After harvest cost to complete and sell	1,871,763	1,273,352
Reasonable margin on after harvest costs to complete and sell	2,174,730	758,425

**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (UNAUDITED)
AS AT AND FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2019 AND 2018**
4. BIOLOGICAL ASSETS AND INVENTORIES (CONTINUED)

The Company estimates the harvest yields for medical cannabis at various stages of growth. As of September 30, 2019, it was expected that the Company's cannabis plants of 11,673,847 effective grams currently undergoing transformation is expected to yield a total of 30,424,458 grams at maturity and 5,908,686 effective grams of cannabis plants undergoing transformation on December 31, 2018 will yield at maturity 12,833,433 grams.

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:

	September 30, 2019	December 31, 2018
Raw Material		
Harvested Cannabis	\$ 17,604,564	\$ 854,233
Packaging and miscellaneous	6,856,547	2,199,640
Total Raw Material	24,461,111	3,053,873
Work in Process	85,485,543	11,157,067
Finished Goods	34,392,674	10,059,904
Total Inventories	\$ 144,339,328	\$ 24,270,844

For the three months and nine months ended September 30, 2019 and 2018 cost of goods sold comprised of:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2019	2018	2019	2018
Payroll costs for personnel involved in growing and processing marijuana	\$ 9,150,134	\$ 3,666,724	\$ 22,854,403	\$ 8,063,727
Materials and utilities	10,473,021	3,585,022	24,795,267	8,343,271
Other overhead, rent, facility and equipment maintenance, cleaning, uniforms, quality and fulfillment and other	7,092,305	1,090,513	14,015,236	2,649,837
Cost of Goods Sold	\$ 26,715,460	\$ 8,342,259	\$ 61,664,906	\$ 19,056,835

**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (UNAUDITED)
AS AT AND FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2019 AND 2018**
4. 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 \$16,287,469 out of 'cost of goods sold' line on the accompanying condensed consolidated interim statements of operations and a corresponding reduction of \$16,287,469 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.

5. PROPERTY AND EQUIPMENT

At September 30, 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	2,157,569	6,787,883	40,889,637	8,826,282	63,696	58,725,067
Additions right-of-use assets	-	23,395,811	-	196,507	1,445,994	25,038,312
Transfers & disposals	(617,429)	27,963,536	(32,281,653)	1,439,639	(70,878)	(3,566,785)
IFRS 16 Implementation	-	26,509,651	-	265,556	994,244	27,769,451
At September 30, 2019	3,862,011	120,703,524	25,891,250	27,822,618	4,096,335	182,375,738
<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	-	3,453,908	-	1,732,263	20,374	5,206,545
Additions right-of-use assets	-	3,225,014	-	61,708	877,581	4,164,303
Transfers & disposals	-	213	-	(1,216)	(31,145)	(32,148)
IFRS 16 Implementation	-	3,111,879	-	37,576	226,414	3,375,869
At September 30, 2019	-	11,767,633	-	3,133,550	1,433,191	16,334,374
<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 September 30, 2019	\$ 3,862,011	\$ 108,935,891	\$ 25,891,250	\$ 24,689,068	\$ 2,663,144	\$ 166,041,364

**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (UNAUDITED)
AS AT AND FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2019 AND 2018**
5. PROPERTY AND EQUIPMENT (CONTINUED)

For the three and nine months ended September 30, 2018, the Company capitalized interest of \$613,826 and \$861,178, respectively. The Company did not capitalize any interest for the three and nine months ended September 30, 2019.

For the three months ended September 30, 2019 and 2018, depreciation expense of \$1,749,109 and \$631,624, respectively, were considered as part of costs of goods sold. For the nine months ended September 30, 2019 and 2018, depreciation expense of \$4,412,451 and \$1,254,443, respectively, were considered as part of costs of goods sold. For further information see “*Note 4 – Biological Assets and Inventories*” the other overhead line item.

The spouse of an officer and director of the Company is a minority owner of a company (the “Supplier”) that provides construction and related services to the Company. The Supplier is responsible for the construction of the Corporation’s cultivation and processing facilities, and provides labor, materials and equipment on a cost-plus basis. For the nine months ended September 30, 2019 and 2018, payments totaled \$27,846,573 and \$6,248,535. As of September 30, 2019, \$2,674,037 was included in accounts payable.

6. INTANGIBLE ASSETS

At September 30, 2019 and December 31, 2018, Intangible assets consisted of the following:

	Dispensary					Total
	Licenses	Tradenname	Trademarks	Customer Relationship	Non-Compete	
<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
Additions from acquisitions	14,300,000	-	320,841	1,000,000	35,000	15,655,841
At September 30, 2019	22,833,416	1,000,000	331,285	1,000,000	35,000	25,199,701
<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	744,449	75,000	115,650	66,667	5,833	1,007,599
At September 30, 2019	790,221	175,000	117,391	66,667	5,833	1,155,112
<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 September 30, 2019	\$ 22,043,195	\$ 825,000	\$ 213,894	\$ 933,333	\$ 29,167	\$ 24,044,589

Amortization expense for the three months and nine months ended September 30, 2019 was \$555,438 and \$1,007,599, respectively. No Amortization expense related to Intangible assets was recognized for the three months and nine months ended September 30, 2018.

**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (UNAUDITED)
AS AT AND FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2019 AND 2018**
7. NOTES PAYABLE

At September 30, 2019 and December 31, 2018, notes payable consisted of the following:

	September 30, 2019	December 31, 2018
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 AND NINE MONTHS ENDED SEPTEMBER 30, 2019 AND 2018**
8. NOTES PAYABLE RELATED PARTY

At September 30, 2019 and December 31, 2018, notes payable to related parties consisted of the following:

	September 30, 2019	December 31, 2018
Notes payable due to related parties, with varying interest rates between 8% to 12% annually, with varying maturity dates.	\$ 13,339,250	\$ 14,215,131
Less debt discount	(60,843)	(141,216)
Less current portion	<u>(13,247,924)</u>	<u>(1,426,791)</u>
	<u>\$ 30,483</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%.

In April 2018, the Company entered into a \$6,000,000 unsecured promissory note with an entity controlled by members of management and shareholders with a 24-month maturity and 12% annual interest rate. Approximately \$1,500,000 of the outstanding balance of C2C lines of credit was extinguished in lieu of cash proceeds as part of the funding of this promissory note. 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. 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.

In May 2018, the Company entered into two separate unsecured promissory notes with an officer and director of the Company for a total of \$12,000,000. Each promissory note has a 24-month maturity and 12% annual interest rate. For one of the promissory notes, certain notes payable from related parties and the transfer of title of one of the Company's facilities were credited as part of the funding and the Company received net cash of approximately \$650,000. The other promissory note provided approximately \$6,000,000 in additional capital to the Company.

In June 2018, the Company entered into a 24-month unsecured loan with an 8% annual interest rate with a former director and shareholder for \$262,010. The Company determined that the stated interest rate was below market rates and recorded a debt discount of \$10,276 using an annual discount interest rate of 12%.

**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (UNAUDITED)
AS AT AND FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2019 AND 2018****8. NOTES PAYABLE RELATED PARTY (CONTINUED)**

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 nine months ended September 30, 2019 and 2018 was \$257,337 and \$2,619,700, respectively, 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.

9. DEBT

On June 18, 2019, the Company completed a private placement financing comprising 5-year senior secured promissory notes (the “June Notes”) with a face value of \$70,000,000. The June Notes accrue interest at an annual rate of 9.75%, payable semi-annually, in equal instalments, in arrears on June 18 and December 18 of each year, commencing on December 18, 2019. The purchasers of the June Notes also received warrants to purchase 1,470,000 Subordinate Voting Shares at an exercise price of C\$17.25 (the “June Warrants”), which can be exercised for three years after the closing.

The fair value of the June Notes was determined to be \$61,450,800 using an interest rate of 13% which the Company estimates would have been the coupon rate required to issue the notes had the financing not included the June Warrants. The fair value of the June Warrants was determined to be \$7,149,200 using the Black Scholes option pricing model and the following assumptions: Share Price: C\$14.48; Exercise Price: C\$17.25; Expected Life: 3 years; Annualized Volatility: 73.68%; Dividend yield: 0%; Discount Rate: 1.92%; C\$ Exchange Rate: 1.328.

Because of the Canadian denominated exercise price, the June Warrants do not qualify to be classified within equity and are therefore classified as derivative liabilities at FVTPL.

Issuance costs totaling \$3,117,100 were allocated between the June Notes and the June Warrants based on their relative fair values with \$2,792,250 allocated to the June Notes and \$324,850 expensed as incurred.

The June Notes will accrete from their net present value on June 18, 2019 of \$58,658,550 to \$70,000,000 at maturity in 5 years using an effective interest rate of 14.35%. For the three and nine months ended September 30, 2019 accretion expense of \$545,782 and \$602,892 was expensed, respectively.

The June Warrants were re-valued at \$2,244,546 at September 30, 2019 using the Black Scholes option pricing model and the following assumptions: Share price: C\$10.90; Exercise Price: C\$17.25; Expected Life: 2.72 years; Annualized Volatility: 48.8%; Dividend yield: 0%; Discount Rate: 1.92%; C\$ Exchange Rate: 1.324. A total gain of \$4,904,651 has been recognized and is included in Other Income, Net.

**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (UNAUDITED)
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10. LEASES

As of September 30, 2019, our lease liability consisted of the following:

	September 30, 2019
Balance, beginning of period [Note 2]	\$ 26,615,883
Additions	25,038,311
Lease Payments & Interest	(3,321,690)
Balance, end of period	\$ 48,332,504
Lease liability - current portion	\$ 4,550,992
Lease liability	\$ 43,781,512

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 nine months ended September 30, 2019 was 4.76% percent.

Sales-Leaseback

On July 2019, the Company sold property it had recently acquired in Massachusetts for \$3.5 million, which was the cost to the Company. In connection with this sale, the Company entered a triple – net lease agreement for cultivation. The lease meets the requirements of a sales-leaseback transaction and is being accounted for as such. Included in the agreement, the Company is expected to complete tenant improvements related to the property, for which the landlord has agreed to provide a tenant improvement allowance (“TI Allowance”) for \$40,000,000. The initial term of the lease is ten years with two options to extend the term of the lease for five years each. The initial base rent is equal to 11% of the sum of the purchase price for the property and will increase when a draw is made on the TI Allowance. In addition, a 3% increase in rent will be applied annually after the initial term of the lease. As of September 30, 2019, the total lease liability associated with this transaction is \$3,248,624 of which \$33,819 is classified in our current portion.

11. SHARE CAPITAL

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

(i) Unlimited number of Subordinate Voting Shares

As of September 30, 2019, there were 35,822,337 Subordinate Voting Shares issued and outstanding.

(ii) Unlimited number of Multiple Voting Shares

As of September 30, 2019, there were 67,107 Multiple Voting Shares issued and outstanding which are equal to 6,710,709 Subordinate Voting Shares as if converted. During the nine months ended September 30, 2019, 70,397 Multiple Voting Shares were converted into 7,039,742 Subordinate Voting Shares.

(iii) Unlimited number of Super Voting Shares

As of September 30, 2019, there were 678,133 Super Voting Shares issued and outstanding which are equal to 67,813,300 Subordinate Voting Shares as if converted. During the nine months ended September 30, 2019, 174,333 Super Voting Shares were converted into 17,433,300 Subordinate Voting Shares.

**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (UNAUDITED)
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12. EARNINGS PER SHARE

The following is a reconciliation for the calculation of basic and diluted earnings per share for the three and nine months ended September 30, 2019 and 2018:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2019	2018	2019	2018
Net Income	\$ 60,271,271	\$ 17,501,692	\$ 132,502,330	\$ 32,248,119
Weighted average number of common shares outstanding	110,213,649	99,299,125	110,159,627	98,891,726
Dilutive effect of warrants outstanding	-	535,446	-	535,446
Diluted weighted average number of common shares outstanding	<u>110,213,649</u>	<u>99,834,571</u>	<u>110,159,627</u>	<u>99,427,172</u>
Basic earnings per share	\$ 0.55	\$ 0.18	\$ 1.20	\$ 0.33
Diluted earnings per share	\$ 0.55	\$ 0.18	\$ 1.20	\$ 0.32

13. INCOME TAXES

The components of the income tax provision include:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2019	2018	2019	2018
Current	\$ 12,316,781	\$ 4,097,978	\$ 32,485,245	\$ 10,492,978
Deferred	<u>18,170,897</u>	<u>4,055,575</u>	<u>36,553,897</u>	<u>6,824,772</u>
	<u>\$ 30,487,678</u>	<u>\$ 8,153,553</u>	<u>\$ 69,039,142</u>	<u>\$ 17,317,750</u>

14. RELATED PARTIES

The Company had raised funds by issuing notes to various related parties including directors, officers, and shareholders and the balance at September 30, 2019 and December 31, 2018 was \$13,339,250 and \$14,215,131, respectively, as discussed in “*Note 8 – Notes Payable Related Party*”.

The spouse of an officer and director of the Company is a minority owner of a company (the “Supplier”) that provides construction and related services to the Company. The Supplier is responsible for the construction of the Corporation’s cultivation and processing facilities, and provides labor, materials and equipment on a cost-plus basis. For the nine months ended September 30, 2019 and 2018, payments totaled \$27,846,573 and \$6,248,535. As of September 30, 2019, \$2,674,037 was included in accounts payable, as discussed in “*Note 5 – 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 10 – Leases*”

15. 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 September 30, 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.

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

The Company's financial instruments consist of cash, accounts payable and accrued liabilities, warrant liability, notes payable (both to third parties and related parties) and finance liability. Excluding the warrant liability classified at FVTPL, the carrying values of these financial instruments approximate their fair values at September 30, 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.

The warrants liability is classified within level 2 of the fair value hierarchy.

**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (UNAUDITED)
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16. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (CONTINUED)

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

There have been no transfers between hierarchy levels during the nine months ended September 30, 2019 or the year ended December 31, 2018.

The following table summarizes the Company's financial instruments at September 30, 2019:

	Fair Value Through Profit or Loss	Amortized Cost	Total
Financial Assets:			
Cash	\$31,018,389	\$ -	\$31,018,389
Financial Liabilities:			
Accounts Payable and Accrued Liabilities	\$ -	\$ 16,956,203	\$ 16,956,203
Notes Payable	\$ -	\$ 6,000,000	\$ 6,000,000
Notes Payable - Related Party	\$ -	\$ 13,278,407	\$ 13,278,407
Lease Liability	\$ -	\$ 48,332,504	\$ 48,332,504
Finance Liability	\$ -	\$ 59,261,442	\$ 59,261,442
Warrant Liability	\$ 2,244,546	\$ -	\$ 2,244,546

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 AND NINE MONTHS ENDED SEPTEMBER 30, 2019 AND 2018****17. 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 notes payable related party and finance liability. 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 September 30, 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 nine months ended September 30, 2019.

18. SUBSEQUENT EVENTS

The Company has evaluated subsequent events through November 18, 2019, which is the date these unaudited condensed consolidated interim financial statements were approved by the Board of Directors.

From October 1, 2019 to November 18, 2019, shareholders have converted 493 Multiple Voting Shares into 49,335 Subordinate Voting Shares.

On October 23, 2019 the Company sold property in Quincy, Florida. Concurrent with the closing of the purchase, the buyer entered into a triple-net lease agreement with the Company, for continued operation as a licensed medical cannabis cultivation facility. The purchase price for the Florida property was \$17,000,000 (excluding transaction costs). The initial lease term is ten years, with two options to extend the term of the lease for five years each. The initial annualized base rent is equal to 11% of the purchase price for the property.

On November 7, 2019, the Corporation completed a prospectus offering of 60,000 units of the Corporation (the "November Units"), comprised of an aggregate principal amount of \$60,000,000 of 9.75% senior secured notes of the Corporation maturing in 2024 (the "November Notes") and an aggregate amount of 1,560,000 subordinate voting share warrants of the Corporation (each individual warrant being a "November Warrant") at a price of \$980 per Unit for a gross proceeds of \$61,059,000. Each Unit was comprised of one Note issued in denominations of \$1,000 and 26 Warrants.