



**TRULIEVE CANNABIS CORP.**

**UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL  
STATEMENTS**

**FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30,  
2020 AND 2019**

**(IN US DOLLARS)**

# TRULIEVE CANNABIS CORP.

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**CONDENSED CONSOLIDATED INTERIM BALANCE SHEETS  
(UNAUDITED)**

	<u>September 30, 2020</u>	<u>December 31, 2019</u>
<b>ASSETS</b>		
Current Assets:		
Cash and Cash Equivalents	\$ 193,377,890	\$ 91,812,821
Inventories	77,667,876	65,980,610
Prepaid Expenses and Other Current Assets	<u>14,592,925</u>	<u>7,677,545</u>
Total Current Assets	285,638,691	165,470,976
Property and Equipment, Net	232,200,808	144,747,619
Right of Use Asset - Operating, Net	29,329,190	22,045,401
Right of Use Asset - Finance, Net	38,436,831	19,088,219
Intangible Assets, Net	24,712,021	26,379,523
Goodwill	7,315,886	7,315,886
Other Assets	<u>6,738,984</u>	<u>948,644</u>
<b>TOTAL ASSETS</b>	<u>\$ 624,372,411</u>	<u>\$ 385,996,268</u>
<b>LIABILITIES</b>		
Current Liabilities:		
Accounts Payable and Accrued Liabilities	\$ 32,777,732	\$ 24,307,930
Income Tax Payable	10,237,976	8,326,756
Deferred Revenue	4,611,304	2,403,836
Notes Payable - Current Portion	2,000,000	2,000,000
Notes Payable - Related Party - Current Portion	12,045,229	923,728
Warrant Liability	22,673,899	9,891,666
Operating Lease Liability - Current Portion	3,067,171	2,541,297
Finance Lease Liability - Current Portion	<u>3,756,422</u>	<u>2,271,666</u>
Total Current Liabilities	91,169,733	52,666,879
Long-Term Liabilities:		
Notes Payable	4,000,000	4,000,000
Notes Payable - Related Party	-	11,979,246
Operating Lease Liability	27,844,553	20,601,301
Finance Lease Liability	35,954,645	17,167,619
Other Long-Term Liabilities	120,349,908	118,256,414
Construction Finance Liability	52,155,667	22,955,955
Deferred Tax Liability	<u>3,162,618</u>	<u>5,486,245</u>
<b>TOTAL LIABILITIES</b>	334,637,124	253,113,659
<b>SHAREHOLDERS' EQUITY</b>		
Common Stock, no par value; unlimited shares authorized as of September 30, 2020 and December 31, 2019, 117,793,937 and 110,346,346 issued and outstanding as of September 30, 2020 and December 31, 2019, respectively	-	-
Additional Paid-in-Capital	173,086,550	76,191,956
Accumulated Earnings	<u>116,648,737</u>	<u>56,690,653</u>
<b>TOTAL SHAREHOLDERS' EQUITY</b>	<u>289,735,287</u>	<u>132,882,609</u>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>	<u>\$ 624,372,411</u>	<u>\$ 385,996,268</u>

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

**TRULIEVE CANNABIS CORP.****CONDENSED CONSOLIDATED INTERIM STATEMENTS OF OPERATIONS AND  
COMPREHENSIVE INCOME (UNAUDITED)**

	<b>3 Months Ended</b>		<b>9 Months Ended</b>	
	<b>September 30, 2020</b>	<b>September 30, 2019</b>	<b>September 30, 2020</b>	<b>September 30, 2019</b>
Revenues, Net of Discounts	\$ 136,274,332	\$ 70,730,362	\$ 353,095,708	\$ 173,126,437
Cost of Goods Sold	34,096,918	17,982,030	86,556,609	46,020,989
Gross Profit	102,177,414	52,748,332	266,539,099	127,105,448
<b>Expenses:</b>				
General and Administrative	8,501,480	3,243,380	22,696,163	8,779,163
Sales and Marketing	30,890,263	15,758,883	80,764,187	39,930,754
Depreciation and Amortization	3,314,196	2,005,480	8,611,925	3,682,580
<b>Total Expenses</b>	<b>42,705,939</b>	<b>21,007,743</b>	<b>112,072,275</b>	<b>52,392,497</b>
<b>Income From Operations</b>	<b>59,471,475</b>	<b>31,740,589</b>	<b>154,466,824</b>	<b>74,712,951</b>
<b>Other Income (Expense):</b>				
Interest Expense, Net	(5,352,178)	(3,064,828)	(16,565,715)	(4,862,436)
Other Income (Expense), Net	(10,756,118)	5,140,985	(10,827,169)	5,101,500
<b>Total Other Expense</b>	<b>(16,108,296)</b>	<b>2,076,157</b>	<b>(27,392,884)</b>	<b>239,064</b>
<b>Income Before Provision for Income Taxes</b>	<b>43,363,179</b>	<b>33,816,746</b>	<b>127,073,940</b>	<b>74,952,015</b>
<b>Provision For Income Taxes</b>	<b>25,948,297</b>	<b>13,927,250</b>	<b>67,115,856</b>	<b>34,101,740</b>
<b>Net Income and Comprehensive Income</b>	<b>\$ 17,414,882</b>	<b>\$ 19,889,496</b>	<b>\$ 59,958,084</b>	<b>\$ 40,850,275</b>
<b>Basic Net Income per Common Share</b>	<b>\$ 0.16</b>	<b>\$ 0.18</b>	<b>\$ 0.54</b>	<b>\$ 0.37</b>
<b>Diluted Net Income per Common Share</b>	<b>\$ 0.15</b>	<b>\$ 0.18</b>	<b>\$ 0.52</b>	<b>\$ 0.37</b>
<b>Weighted average number of common shares used in computing net income per common share:</b>				
<b>Basic</b>	<b>112,039,640</b>	<b>110,213,649</b>	<b>111,824,816</b>	<b>110,159,627</b>
<b>Diluted</b>	<b>117,949,224</b>	<b>110,213,649</b>	<b>115,998,704</b>	<b>110,159,627</b>

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

**TRULIEVE CANNABIS CORP.**
**CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY (UNAUDITED)  
FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2020 AND 2019**

	<u>Voting Shares</u>	<u>Multiple Voting Shares</u>	<u>Subordinate Voting Shares</u>	<u>Total Common Shares</u>	<u>Additional Paid-in-Capital</u>	<u>Accumulated Earnings</u>	<u>Total</u>
<b>Balance, July 1, 2019</b>	71,013,300	6,894,341	32,224,527	110,132,168	\$ 75,227,917	\$ 24,556,983	\$ 99,784,900
Additional Contribution from the Issuance of Below Market Interest Debt	-	-	-	-	-	-	-
Conversions of Multiple and Voting to Subordinate Shares	(3,200,000)	(183,632)	3,383,632	-	-	-	-
Shares Issued for Cash - Warrant Exercise	-	-	214,178	214,178	964,039	-	964,039
Net Income	-	-	-	-	-	19,889,496	19,889,496
<b>Balance, September 30, 2019</b>	<u>67,813,300</u>	<u>6,710,709</u>	<u>35,822,337</u>	<u>110,346,346</u>	<u>\$ 76,191,956</u>	<u>\$ 44,446,479</u>	<u>\$ 120,638,435</u>
<b>Balance, January 1, 2019</b>	85,246,600	13,750,451	11,135,117	110,132,168	\$ 75,217,825	\$ 3,596,204	\$ 78,814,029
Additional Contribution from the Issuance of Below Market Interest Debt	-	-	-	-	10,092	-	10,092
Conversions of Multiple and Voting to Subordinate Shares	(17,433,300)	(7,039,742)	24,473,042	-	-	-	-
Shares Issued for Cash - Warrant Exercise	-	-	214,178	214,178	964,039	-	964,039
Net Income	-	-	-	-	-	40,850,275	40,850,275
<b>Balance, September 30, 2019</b>	<u>67,813,300</u>	<u>6,710,709</u>	<u>35,822,337</u>	<u>110,346,346</u>	<u>\$ 76,191,956</u>	<u>\$ 44,446,479</u>	<u>\$ 120,638,435</u>
<b>Balance, July 1, 2020</b>	67,813,300	6,661,374	38,594,983	113,069,657	\$ 89,333,999	\$ 99,233,855	\$ 188,567,854
Share-based Compensation	-	-	-	-	523,213	-	523,213
Shares Issued for Cash - Warrant Exercise	-	-	100	100	1,268	-	1,268
Exercise of Stock Options	-	-	9,180	9,180	-	-	-
Issuance of Shares Private Placement, Net of Issuance Costs	-	-	4,715,000	4,715,000	83,228,070	-	83,228,070
Conversions of Multiple and Voting to Subordinate Shares	(9,630,800)	(5,184,415)	14,815,215	-	-	-	-
Net Income	-	-	-	-	-	17,414,882	17,414,882
<b>Balance, September 30, 2019</b>	<u>58,182,500</u>	<u>1,476,959</u>	<u>58,134,478</u>	<u>117,793,937</u>	<u>\$ 173,086,550</u>	<u>\$ 116,648,737</u>	<u>\$ 289,735,287</u>
<b>Balance, January 1, 2020</b>	67,813,300	6,661,374	35,871,672	110,346,346	\$ 76,191,956	\$ 56,690,653	\$ 132,882,609
Share-based compensation	-	-	-	-	2,207,742	-	2,207,742
Shares Issued for Cash - Warrant Exercise	-	-	2,723,411	2,723,411	11,458,782	-	11,458,782
Exercise of Stock Options	-	-	9,180	9,180	-	-	-
Issuance of Shares Private Placement, Net of Issuance Costs	-	-	4,715,000	4,715,000	83,228,070	-	83,228,070
Conversions of Super and Multiple to Subordinate Shares	(9,630,800)	(5,184,415)	14,815,215	-	-	-	-
Net Income	-	-	-	-	-	59,958,084	59,958,084
<b>Balance, September 30, 2020</b>	<u>58,182,500</u>	<u>1,476,959</u>	<u>58,134,478</u>	<u>117,793,937</u>	<u>\$ 173,086,550</u>	<u>\$ 116,648,737</u>	<u>\$ 289,735,287</u>

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

**TRULIEVE CANNABIS CORP.****CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CASH FLOWS (UNAUDITED)  
FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2020 AND 2019**

	<u>September 30, 2020</u>	<u>September 30, 2019</u>
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>		
Net Income and Comprehensive Income	\$ 59,958,084	\$ 40,850,275
Adjustments to Reconcile Net Income and Comprehensive Income to Net Cash Provided by Operating Activities:		
Depreciation and Amortization	8,611,925	3,682,580
Depreciation and Amortization Included in Cost of Goods Sold	7,423,878	4,187,917
Interest Expense	2,142,348	1,008,105
Loss from Sale of Property and Equipment	63,237	10,771
Amortization of Operating Lease Right of Use Assets	2,382,561	2,035,886
Share-based Compensation	2,207,742	-
Accretion of Construction Finance Liability	617,268	-
Loss/(Gain) on Fair Value of Warrants	12,782,233	(4,904,651)
Deferred Tax Assets/Liabilities	(2,323,627)	4,581,943
Changes in Operating Assets and Liabilities:		
Inventories	(11,687,266)	(26,229,655)
Prepaid Expenses and Other Current Assets	(6,915,380)	(2,103,006)
Other Assets	(5,790,340)	28,911
Accounts Payable and Accrued Liabilities	1,302,948	3,523,919
Operating Lease Liabilities	(2,053,915)	(1,759,745)
Other Long-Term Liabilities	-	(722,733)
Income Tax Payable	1,911,220	(6,083,679)
Deferred Revenue	2,207,468	175,975
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<u>72,840,384</u>	<u>18,282,813</u>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>		
Purchases of Property and Equipment	(61,358,529)	(58,137,223)
Purchases of Property and Equipment from Construction	(27,380,746)	-
Capitalized Interest	(2,089,897)	(352,995)
Cash Paid in Acquisitions, Net of Cash Acquired	-	(24,521,081)
Proceeds from Sale of Property and Equipment	15,503	3,529,010
<b>NET CASH USED IN INVESTING ACTIVITIES</b>	<u>(90,813,669)</u>	<u>(79,482,289)</u>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>		
Proceeds from Debt Financings, Net of Discounts and Accrued Interest	-	65,492,998
Proceeds from Share Warrant Exercise	11,458,782	964,039
Proceeds from Construction Finance Liability	28,582,443	3,500,000
Payments on Notes Payable	-	(1,133,219)
Payments on Notes Payable - Related Party	(906,599)	-
Payments on Construction Finance Liability	-	(128,790)
Payments on Lease Obligations	(2,824,342)	(907,272)
Proceeds from Shares Issued Pursuant to Private Placement	83,228,070	-
<b>NET CASH PROVIDED BY FINANCING ACTIVITIES</b>	<u>119,538,354</u>	<u>67,787,756</u>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	101,565,069	6,588,280
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD</b>	<u>91,812,821</u>	<u>24,430,109</u>
<b>CASH AND CASH EQUIVALENTS, END OF PERIOD</b>	<u>\$ 193,377,890</u>	<u>\$ 31,018,389</u>
<b>SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION</b>		
<b>CASH PAID DURING THE PERIOD FOR</b>		
Interest	<u>\$ 12,797,704</u>	<u>\$ 1,894,965</u>
Taxes	<u>\$ 70,995,800</u>	<u>\$ 29,700,000</u>

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

**CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CASH FLOWS (UNAUDITED) (CONTINUED)  
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2020 AND 2019**

	<u>September 30, 2020</u>	<u>September 30, 2019</u>
<b>OTHER NONCASH INVESTING AND FINANCING ACTIVITIES</b>		
Purchase of Property and Equipment Financed with Notes Payable - Related Party	\$ -	\$ 257,337
Purchase of Property and Equipment Financed with Accounts Payable	\$ 7,166,854	\$ 2,965,215
Property and Equipment Acquired via Finance Leases	\$ 23,096,125	\$ 16,923,875
Debt Discount Related to Below Market Interest Debt	\$ -	\$ 10,092

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

**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (UNAUDITED)  
AS AT AND FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2020 AND 2019****1. NATURE OF OPERATIONS**

Trulieve Cannabis Corp. (“Trulieve” or the “Company”) together with its subsidiaries was incorporated in British Columbia, Canada. Trulieve (through its wholly-owned licensed subsidiary, Trulieve, Inc.) is a vertically integrated cannabis company which currently operates under licenses in four states Florida, Massachusetts, California, and Connecticut to cultivate, produce, and sell medicinal-use cannabis products within such state. All revenues are generated in the United States, and all long-lived assets are located in the United States.

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. SIGNIFICANT ACCOUNTING POLICIES****(a) Basis of Presentation**

The accompanying unaudited condensed consolidated interim financial statements include the accounts of Trulieve Cannabis Corp. and its subsidiaries and have been prepared in accordance with accounting principles generally accepted in the United States (“GAAP”) for interim financial information and in accordance with the rules and regulations of the United States Securities and Exchange Commission (“SEC”). Accordingly, they do not include all of the information and footnotes required by GAAP for complete financial statements and, accordingly, certain information, footnotes and disclosures normally included in the annual financial statements, prepared in accordance with GAAP, have been condensed or omitted in accordance with SEC rules and regulations. The financial data presented herein should be read in conjunction with the audited consolidated financial statements and accompanying notes as of and for the years ended December 31, 2019 and 2018 (“2019 audited consolidated financial statements”). In the opinion of management, the financial data presented includes all adjustments necessary to present fairly the financial position, results of operations and cash flows for the interim periods presented. Results of interim periods should not be considered indicative of the results for the full year. These unaudited interim condensed consolidated financial statements include estimates and assumptions of management that affect the amounts reported in the unaudited condensed consolidated financial statements. Actual results could differ from these estimates.

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

There have been no changes to the Company’s significant accounting policies as described in *Note 3* of the Company’s 2019 audited consolidated financial statements.



**2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)****(b) Recently Adopted Accounting Pronouncements**

In June 2016, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) 2016-13, “Financial Instruments - Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments”. ASU 2016-13 requires the measurement of current expected credit losses for financial assets held at the reporting date based on historical experience, current conditions and reasonable and supportable forecasts. Adoption of ASU 2016-13 will require financial institutions and other organizations to use forward-looking information to better formulate their credit loss estimates. In addition, the ASU amends the accounting for credit losses on available for sale debt securities and purchased financial assets with credit deterioration. This update was effective for fiscal years beginning after December 15, 2019, including interim periods within those fiscal years. The Company adopted the ASU effective January 1, 2020. The adoption of ASU 2016-13 did not have a material impact on the Company’s unaudited condensed consolidated interim financial statements.

In August 2018, the FASB issued ASU 2018-13, “Disclosure Framework - Changes to the Disclosure Requirements for Fair Value Measurement (Topic 820)”. ASU 2018-13 adds, modifies, and removes certain fair value measurement disclosure requirements. ASU 2018-13 was effective for annual and interim periods beginning after December 15, 2019. The Company adopted the ASU effective January 1, 2020. The adoption of ASU 2018-13 did not have a material impact on the Company’s unaudited condensed consolidated interim financial statements.

**(c) Recently Issued Accounting Pronouncements**

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

In January 2020, the FASB issued ASU 2020-01, “Investments—Equity Securities (Topic 321), Investments—Equity Method and Joint Ventures (Topic 323), and Derivatives and Hedging (Topic 815)”. ASU 2020-01 is intended to clarify the interaction of the accounting for equity securities under Topic 321 and investments accounted for under the equity method of accounting in Topic 323, and the accounting for certain forward contracts and purchased options accounted for under Topic 815. ASU 2020-01 is effective for the Company beginning January 1, 2021. The Company does not expect there to be a material effect on the Company’s present or future financial statements as a result of adopting this ASU.

In August 2020, the FASB issued ASU 2020-06, “Debt—Debt with Conversion and Other Options (Subtopic 470-20) and Derivatives and Hedging—Contracts in Entity’s Own Equity (Subtopic 815-40): Accounting for Convertible Instruments and Contracts in an Entity’s Own Equity”, to improve financial reporting associated with accounting for convertible instruments and contracts in an entity’s own equity.

The amendments in this Update are effective for public business entities that meet the definition of an SEC filer, excluding entities eligible to be smaller reporting companies as defined by the SEC, for fiscal years beginning after December 15, 2021, including interim periods within those fiscal years. Early adoption is permitted, but no earlier than fiscal years beginning after December 15, 2020, including interim periods within those fiscal years. The Board specified that an entity should adopt the guidance as of the beginning of its annual fiscal year. The Company is currently evaluating the effect of adopting this ASU on the Company’s financial statements.

**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (UNAUDITED)  
AS AT AND FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2020 AND 2019**
**3. INVENTORIES**

Inventories were comprised of the following items:

	September 30, 2020	December 31, 2019
Raw Material		
Cannabis plants	\$ 7,011,167	\$ 10,835,213
Harvested Cannabis and Packaging	7,192,588	8,132,078
Total Raw Material	14,203,755	18,967,291
Work in Process	52,124,502	34,212,098
Finished Goods-Unmedicated	3,547,339	5,263,006
Finished Goods-Medicated	7,792,280	7,538,215
<b>Total Inventories</b>	<b>\$ 77,667,876</b>	<b>\$ 65,980,610</b>

**4. PROPERTY AND EQUIPMENT**

At September 30, 2020 and December 31, 2019, Property and Equipment consisted of the following:

	September 30, 2020	December 31, 2019
Land	4,479,440	4,479,440
Buildings & Improvements	100,115,736	89,542,405
Construction in Progress	98,170,646	24,731,976
Furniture & Equipment	52,732,131	38,658,852
Vehicles	351,325	288,169
Total	255,849,278	157,700,842
Less: accumulated depreciation	(23,648,470)	(12,953,223)
Total property and equipment, net	\$ 232,200,808	\$ 144,747,619

Capitalized interest for the three and nine months ended September 30, 2020 totaled \$1,276,362 and \$2,089,897, respectively. Capitalized interest for the three and nine months ended September 30, 2019 totaled \$117,665 and \$352,995, respectively.

Depreciation expense for the three and nine months ended September 30, 2020 totaled \$3,853,804 and \$10,680,462, respectively. Depreciation expense for the three and nine months ended September 30, 2019 totaled \$2,518,900 and \$5,534,088, respectively.

**5. LEASES**

On January 1, 2019, the Company adopted ASC 842, Leases (“Topic 842”) using the modified retrospective transition method. Topic 842 requires the recognition of lease assets and liabilities for operating and finance leases. Beginning on January 1, 2019, the Company’s consolidated financial statements are presented in accordance with the revised policies.

**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (UNAUDITED)  
AS AT AND FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2020 AND 2019**
**5. LEASES (CONTINUED)**

For additional information regarding the adoption of Topic 842 see “*Note 11 – Leases*” of the Company’s 2019 audited consolidated financial statements.

Information related to operating and finance leases as of September 30, 2020 are as follows:

	Finance Lease	Operating Lease
Weighted average discount rate	8.34%	8.63%
Weighted average remaining lease term (in years)	8.8	7.86

The maturity of the contractual undiscounted lease liabilities as at September 30, 2020 is as follows:

**Quarter Ending September 30,**

	Finance Lease	Operating Lease
Remainder of 2020	\$ 6,851,535	\$ 5,570,808
2021	6,590,975	5,503,488
2022	6,184,304	5,454,306
2023	5,789,520	5,157,891
2024	5,574,921	5,034,740
Thereafter	26,223,670	16,255,630
Total undiscounted lease liabilities	<u>57,214,925</u>	<u>42,976,863</u>
Interest on lease liabilities	<u>(17,503,858)</u>	<u>(12,065,139)</u>
Total present value of minimum lease payments	39,711,067	30,911,724
Lease liability - current portion	<u>3,756,422</u>	<u>3,067,171</u>
Lease liability	\$ 35,954,645	\$ 27,844,553

The following table provides the components of lease cost recognized in the consolidated Statements of Operations and Comprehensive Income for the three months ended September 30, 2020 and 2019:

<u>Lease Cost</u>	<u>2020</u>	<u>2019</u>
Operating lease cost	1,544,917	1,062,537
Finance lease cost:		
Amortization of lease assets	1,495,692	576,318
Interest on lease liabilities	782,319	329,980
Finance lease cost	<u>2,278,011</u>	<u>906,298</u>
Variable lease cost	27,977	54,190
Total lease cost	<u>\$ 3,850,905</u>	<u>\$ 2,023,025</u>

**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (UNAUDITED)  
AS AT AND FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2020 AND 2019**
**5. LEASES (CONTINUED)**

The following table provides the components of lease cost recognized in the consolidated Statements of Operations and Comprehensive Income for the nine months ended September 30, 2020 and 2019:

<b>Lease Cost</b>	2020	2019
Operating lease cost	4,087,497	4,193,100
Finance lease cost:		
Amortization of lease assets	3,687,839	1,174,788
Interest on lease liabilities	1,800,885	593,773
Finance lease cost	5,488,724	1,768,561
Variable lease cost	310,442	130,420
Total lease cost	\$ 9,886,663	\$ 6,092,081

**6. CONSTRUCTION FINANCE LIABILITY**

In 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 the sale of this location, the Company agreed to lease the location back for cultivation. This transaction was determined to be a finance lease, and therefore did not meet the definition of a sale because control was never transferred to the buyer-lessor. The transaction was treated as a failed sale-leaseback financing arrangement.

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 million. As of September 30, 2020 and December 31, 2019, \$29,951,788 and \$2,517,042, respectively, of the TI Allowance has been provided. The initial term of the agreement is ten years, with two options to extend the term for five years each. The initial payments are 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 payments will be applied annually after the first year. As of September 30, 2020 and December 31, 2019, the total finance liability associated with this transaction is \$35,045,135 and \$6,065,630, respectively.

Under the failed-sale-leaseback accounting model, the Company is deemed under GAAP to still own this real estate and will reflect the properties on the condensed consolidated balance sheet and depreciate over the assets' remaining useful life.

The Company is making interest only payments on the financing arrangements through September 30, 2025 with the entire balance of \$52,155,667 due thereafter.

**7. 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 installments, 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.

**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (UNAUDITED)  
AS AT AND FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2020 AND 2019****7. DEBT (CONTINUED)**

The June Notes will accrete from their carrying value on June 18, 2019 of \$60,987,544 to \$70,000,000 at maturity in 5 years using an effective interest rate of 13.32%. For the three months ended September 30, 2020 and 2019 the Company recognized accretion expense of \$375,630 and \$545,782, respectively. For the nine months ended September 30, 2020 and 2019 the Company recognized accretion expense of \$1,083,272 and \$602,892 respectively.

The June Warrants were re-valued at \$11,000,208 at September 30, 2020 using the Black Scholes option pricing model and the following assumptions: Share price: C\$24.80; Exercise Price: C\$17.25; Expected Life: 1.72 years; Annualized Volatility: 49.95%; Dividend yield: 0%; Discount Rate: .13%; C\$ Exchange Rate: 1.33. For the nine months ended September 30, 2020 the company recognized a loss of \$6,201,281 and has been recognized and is included in Other Income (Expense), Net.

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

The November Notes will accrete from their carrying value on November 7, 2019 of \$54,722,688 to \$60,000,000 at maturity in 4.6 years using an effective interest rate of 13.43%. For the three and nine months ended September 30, 2020 the Company recorded accretion expense of and \$330,180 and \$1,007,671 respectively.

The November Warrants were re-valued at \$11,673,691 at September 30, 2020 using the Black Scholes option pricing model and the following assumptions: Share price: C\$24.80; Exercise Price: C\$17.25; Expected Life: 1.72 years; Annualized Volatility: 49.95%; Dividend yield: 0%; Discount Rate: .13%; C\$ Exchange Rate: 1.33. For the nine months ended September 30, 2020 the company recognized a loss of \$6,580,951 which has been recognized and included in Other Income (Expense), Net.

The \$130,000,000 principal amount of the June and November Notes are due in June 2024.

**8. SHARE-BASED COMPENSATION**

The Company has a Stock Option Plan (the "Plan") as administered by the Board of Directors. The aggregate number of Subordinate Voting Shares which may be reserved for issue under the Plan shall not exceed 10% of the issued and outstanding number of Subordinate Voting Shares.

In determining the amount of share-based compensation related to options issued during the nine months ended September 30, 2020, the Company used the Black-Scholes pricing model to establish the fair value of the options granted with the following assumptions:

**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (UNAUDITED)  
AS AT AND FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2020 AND 2019**
**8. SHARE-BASED COMPENSATION (CONTINUED)**

	<u>Nine Months Ended September 30, 2020</u>
Fair Value at Grant Date	\$3.11 - \$3.26
Stock Price at Grant Date	\$11.52 - \$12.50
Exercise Price at Grant Date	\$11.52 - \$12.50
Expected Life in Years	1.58 - 2.00
Expected Volatility	49.10% - 50.15%
Expected Annual Rate of Dividends	0%
Risk Free Annual Interest Rate	1.40% - 1.58%

The expected volatility was estimated by using the historical volatility of other companies that the Company considers comparable that have trading and volatility history prior to the Company becoming public. The expected life in years represents the period of time that options granted are expected to be outstanding. The risk-free rate was based on the United States two-year bond yield rate at the time of grant of the award. Expected annual rate of dividends is based on the fact that the Company has never paid cash dividends and does not expect to pay any cash dividends in the foreseeable future.

On January 3, 2020, under the Plan, the Board awarded options to purchase shares to directors, officers, and key employees of the Company. In accordance with the Plan's policy, the vesting period for employees is 15% as of the date of issuance, 25% vest on December 31, 2020, and 60% vest on December 31, 2021. For Board of Directors Founder members there is 100% vesting on the date of issuance. For

Board of Directors non-founders' members 50% of the options vest on December 31, 2020, and 50% vest on December 31, 2021.

For the three and nine months ended September 30, 2020, the Company recorded share-based compensation in the amount of \$523,213 and \$2,207,742, respectively. This is recognized as \$48,358 and \$194,566, respectively, in Cost of Goods Sold, Net, \$378,137 and \$1,624,043, respectively, in General and Administrative, and \$96,719 and \$389,134, respectively, in Sales and Marketing in the unaudited Condensed Consolidated Interim Statements of Operations and Comprehensive Income.

The number and weighted-average exercise prices of options at September 30, 2020 were as follows:

	<u>Number of options 2020</u>	<u>Weighted average exercise price 2020</u>
<b>Outstanding at January 1, 2020</b>	-	\$ -
Granted	1,252,403	11.70
Forfeited	(113,444)	-
Exercised	(9,180)	11.52
<b>Outstanding as of September 30, 2020</b>	<u>1,129,779</u>	<u>11.71</u>
Exercisable as of September 30, 2020	282,371	\$ 11.59

**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (UNAUDITED)  
AS AT AND FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2020 AND 2019**
**9. EARNINGS PER SHARE**

The following is a reconciliation for the calculation of basic and diluted earnings per share for the three months ended September 30, 2020 and 2019:

	2020	2019
Net Income and Comprehensive Income	\$ 17,414,882	\$ 19,889,496
Weighted average number of common shares outstanding	112,039,640	110,213,649
Dilutive effect of warrants outstanding	5,909,584	-
Diluted weighted average number of common shares outstanding	<u>117,949,224</u>	<u>110,213,649</u>
Basic earnings per share	\$ 0.16	\$ 0.18
Diluted earnings per share	\$ 0.15	\$ 0.18

The following is a reconciliation for the calculation of basic and diluted earnings per share for the nine months ended September 30, 2020 and 2019:

	2020	2019
Net Income and Comprehensive Income	\$ 59,958,084	\$ 40,850,275
Weighted average number of common shares outstanding	111,824,816	110,159,627
Dilutive effect of warrants outstanding	4,173,888	-
Diluted weighted average number of common shares outstanding	<u>115,998,704</u>	<u>110,159,627</u>
Basic earnings per share	\$ 0.54	\$ 0.37
Diluted earnings per share	\$ 0.52	\$ 0.37

For the nine months ended September 30, 2020, all stock options outstanding were not included in the computation of diluted earnings per share because the options' exercise prices or assumed proceeds per share were greater than the average market price of our common stock, and therefore, would have an anti-dilutive effect.

**10. PROSPECTUS OFFERING**

On September 21, 2020, the Company concluded the offer and sale of 4,715,000 Subordinate Voting Shares pursuant to an agreement with Canaccord Genuity Corp. (the "Underwriter") at a price of \$18.56 per share. After paying the Underwriter a commission of approximately \$4.1 million, the Company received aggregate consideration of approximately \$83.2 million. Net proceeds from the Offering are expected to be used primarily to fund Trulieve's business development and for general working capital purposes. The Company has made the required filings to list the Offered Securities on the Canadian Securities Exchange. The issuance cost of the prospectus offering was \$147,278 for the three and nine months ended September 30, 2020.

**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (UNAUDITED)  
AS AT AND FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2020 AND 2019**
**11. INCOME TAXES**

The following table summarizes the Company's income tax expense and effective tax rates for the three months ended:

	September 30, 2020	September 30, 2019
Income Before Provision for Income Taxes	\$ 43,363,179	\$ 33,816,746
Provision For Income Taxes	\$ 25,948,297	\$ 13,927,250
Effective Tax Rate	60%	41%

The following table summarizes the Company's income tax expense and effective tax rates for the nine months ended:

	September 30, 2020	September 30, 2019
Income Before Provision for Income Taxes	\$ 127,073,940	\$ 74,952,015
Provision For Income Taxes	\$ 67,115,856	\$ 34,101,740
Effective Tax Rate	53%	45%

The effective tax rates for the three and nine months ended September 30, 2020 and September 30, 2019 were based on the Company's forecasted annualized effective tax rates and were adjusted for discrete items that occurred within the periods presented.

Due to its cannabis operations, the Company is subject to the limitations of Internal Revenue Code ("IRC") Section 280E under which the Company is only allowed to deduct expenses directly related to sales of product. This results in permanent differences between ordinary and necessary business expenses deemed non-allowable under IRC Section 280E.

The impact of an uncertain income tax position taken in our income tax return is recognized at the largest amount that is more-likely-than-not to be sustained upon audit by the relevant taxing authority. An uncertain income tax position is not recognized if it has less than a 50% likelihood of being sustained.

Uncertain tax positions of \$3,914,577 are recorded as other long-term liabilities in the consolidated balance sheet as of September 30, 2020 and December 31, 2019. No material interest and penalties were accrued based on the amount of estimated tax payments made through the nine months ended September 30, 2020 and 2019.

**12. RELATED PARTIES**

The Company had raised funds by issuing notes to various related parties including directors, officers, and shareholders and the notes payable balances as of September 30, 2020 and December 31, 2019 were \$12,045,789 and \$12,902,974, respectively. The amounts are included in current Notes Payable – Related Party as of September 30, 2020 and current and non-current Notes Payable – Related Party in the unaudited Condensed Consolidated Interim Balance Sheets.



**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (UNAUDITED)  
AS AT AND FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2020 AND 2019****12. RELATED PARTIES (CONTINUED)**

J.T. Burnette, the spouse of Kim Rivers, the Chief Executive Officer and Chair of the Board of Directors of the Corporation, 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 Company’s cultivation and processing facilities, and provides labor, materials and equipment on a cost-plus basis. For the nine months ended September 30, 2020 and the year ended December 31, 2019, property and equipment purchases from J.T. Burnette consisting of construction related serviced, totaled \$64,971,483 and \$46,381,877, respectively. As of September 30, 2020 and December 31, 2019, respectively, \$8,683,655 and \$6,463,125 was included in Accounts Payable in the unaudited Condensed Consolidated Interim Balance Sheets. The use of the Supplier was reviewed and approved by the independent members of the Company’s board of directors, and all invoices are reviewed by the office of the Company’s general counsel.

The Company has many leases from various real estate holding companies that are managed by various related parties including Benjamin Atkins, a former director and current shareholder of the Company, and the Supplier. As of September 30, 2020 and December 31, 2019, and under ASC 842, the Company had \$16,083,048 and \$18,850,685 of right-of-use assets, respectively, and \$16,805,657 and \$19,296,170 of Lease Liability, respectively. As of September 30, 2020 and December 31, 2019, \$1,818,202 and \$1,823,052 is included in Lease Liability – Current in the unaudited Condensed Consolidated Interim Balance Sheets.

**13. CONTINGENCIES**

From time to time, the Company may be involved in litigation relating to claims arising out of operations in the normal course of business. Except as disclosed below, at September 30, 2020, 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.

As disclosed in the annual audited financial statements for the year ended December 31, 2019, a securities class-action complaint, *In re Trulieve Cannabis Corp. Securities Litigation*, No. 1:19-cv-07289, was filed against the Company and is still ongoing. The Company filed a motion to dismiss the case on September 11, 2020. The Company believes that the suit is immaterial and that the claims are without merit and intends to vigorously defend against them.

**14. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT****(a) Financial Instruments**

The Company’s financial instruments carried at fair value consist of money market funds and warrant liability. The Company’s financial instruments where carrying value approximates fair value as of September 30, 2020 and December 31, 2019 include cash, accounts payable and accrued liabilities, notes payable related party, operating lease liability, finance lease liability, other long-term liabilities and construction finance liability.

**14. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (CONTINUED)**

Financial instruments recorded at fair value are classified using a fair value hierarchy that reflects the significance of the inputs to fair value measurements. There have been no transfers between hierarchy levels in the amounts presented in the unaudited consolidated balance sheets as of September 30, 2020 and December 31, 2019.

**(b) Liquidity Risk**

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they become due. The Company manages its liquidity risk by reviewing on an ongoing basis its capital requirements.

**(c) Credit Risk**

The Company does not believe there is a credit risk, revenue is generated through cash transactions. The Company's revenue is generated from on demand sales and does not enter into wholesale agreements, therefore the Company does not have trade accounts receivable, and the Company does not believe there is a credit risk.

**(d) Market Risk***(i) Interest Rate Risk*

Interest rate risk is the risk that the fair value or the future cash flows of a financial instrument will fluctuate as a result of changes in market interest rates. The Company's interest-bearing loans and borrowings are all at fixed interest rates. The Company considers interest rate risk to be immaterial. The Company values the debt warrants using interest rates any change in the rates will have a material impact on the fair value of the warrants.

*(ii) Concentration Risk*

The Company operates substantially in Florida. Should economic conditions deteriorate within that region, its results of operations and financial position would be negatively impacted.

*(iii) Price Risk*

Price risk is the risk of variability in fair value due to movements in equity or market prices. The Company has exposure to the U.S. dollar and Canadian dollar from warrant derivatives. The Company is mainly exposed to a 10% change in the U.S. dollar against the Canadian dollar which would result in an immaterial impact to net income.

**(e) COVID-19 Pandemic**

The Company's business could be materially and adversely affected by the outbreak of a widespread epidemic or pandemic or other public health crisis, including arising from the novel strain of the coronavirus known as COVID-19. This has resulted in significant economic uncertainty and consequently, it is difficult to reliably measure the potential impact of this uncertainty on our future financial results. Possible future impacts resulting from local or statewide ordinances to help curb the spread of COVID-19 could include limitations on the number of customers in retail stores due to social distancing requirements or forced store closures which forces sales through delivery services.

**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (UNAUDITED)  
AS AT AND FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2020 AND 2019****15. SUBSEQUENT EVENTS**

The Company has evaluated subsequent events through March 31, 2021, which is the date these unaudited condensed consolidated interim financial statements were approved by Management.

In October 2020, Life Essence, entered into an asset purchase agreement with Patient Centric of Martha's Vineyard Ltd. or PCMV, pursuant to which Life Essence agreed to purchase certain assets of PCMV including the rights to a Provisional Marijuana Retailer License from the Massachusetts Cannabis Control Commission, the right to exercise an option held by PCMV to lease real property in Framingham, Massachusetts for use as a marijuana retailer, and necessary municipal entitlements to operate as a marijuana retailer at the property. Life Essence has agreed to acquire these assets for an aggregate purchase price of \$4.7 million payable in Subordinate Voting Shares totaling 258,383, of which 10,881 are subject to a holdback for six months as security for any indemnity claims by us under the asset purchase agreement. The asset purchase agreement includes customary representations, warranties, and indemnities. We expect the closing of the transaction to occur promptly following receipt of applicable state and local regulatory approvals. The issuance of the Subordinate Voting Shares at the closing will have a dilutive impact on our existing shareholders. The closing of the asset acquisition is subject to customary closing conditions including necessary regulatory approvals.

On November 12, 2020, the Company acquired 100% of the membership interests of both PurePenn, LLC and Pioneer Leasing & Consulting, LLC (collectively "PurePenn"). The purpose of this acquisition was to acquire the cultivation and manufacturing facility located in McKeesport, Pennsylvania. Trulieve acquired PurePenn for an upfront payment of \$46 million, comprised of \$27 million or 1,780,061 in Trulieve subordinate voting shares ("Trulieve Shares") and \$19 million in cash, plus a potential earn-out payment of up to 2,405,488 Trulieve Shares based on the achievement of certain agreed EBITDA milestones. The earn-out period is through the end of 2021. The acquisition was accounted for as a business combination in accordance with the Accounting Standards Codification (ASC) 805, Business Combinations. Total transaction costs related to the acquisition were approximately \$1.8 million.

On November 12, 2020, the Company acquired 100% of the membership interests of Keystone Relief Centers, LLC (referred to herein as "Solevo Wellness"). The purpose of this acquisition was to acquire the licenses to operate three medical marijuana dispensaries in the Pittsburgh, Pennsylvania area. Trulieve acquired Solevo for an upfront purchase price of \$20 million, comprised of \$10 million in cash and \$10 million or 481,097 in Trulieve Shares, plus a potential earn-out payment of up to 721,647 Trulieve Shares based on the achievement of certain agreed EBITDA milestones. The earn-out period is through the end of 2021. The acquisition was accounted for as a business combination in accordance with the Accounting Standards Codification (ASC) 805, Business Combinations. Total transaction costs related to the acquisition were approximately \$0.9 million.

On December 10, 2020, the Company entered into a Supplemental Warrant Indenture with Odyssey Trust Company pursuant to which it amended the terms of the issued and outstanding subordinate voting share purchase warrants of the Company (the "Public Warrants") to convert the exercise price of the Public Warrants to \$13.47 per share, the U.S. dollar equivalent of the Canadian dollar exercise price of the Public Warrants of C\$17.25. The U.S. dollar exercise price was determined using the U.S. dollar exchange rate published by the Bank of Canada as at the close of business on December 9, 2020 of C\$1.00 = \$0.781. As of December 10, 2020, the June Notes converted to equity as per ASC 815-40, at an expense of \$25.5 million which is included in other (expense) income on the consolidated statement of operations and comprehensive income. As of December 10, 2020, the November Notes converted to equity as per ASC 815-40, at an expense of \$27.1 million, which is included in other (expense) income on the consolidated statement of operations and comprehensive income.

**15. SUBSEQUENT EVENTS (CONTINUED)**

On March 21, 2021, in accordance with the terms of our Articles, an aggregate of 551,614 outstanding Super Voting Shares converted automatically, without any action by the holders of such Super Voting Shares, into an aggregate of 551,614 Multiple Voting Shares

On March 22, 2021, we entered into a membership interest purchase agreement with Mountaineer Holding, LLC (“Mountaineer”). Mountaineer holds a West Virginia cultivation license and two dispensary licenses. We expected the transaction to close promptly following regulatory approval.