



TRULIEVE CANNABIS CORP.

**UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL
STATEMENTS**

FOR THE SIX MONTHS ENDED JUNE 30, 2020 AND 2019

(IN US DOLLARS)

TRULIEVE CANNABIS CORP.

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

	<u>June 30, 2020</u>	<u>December 31, 2019</u>
ASSETS		
Current Assets:		
Cash and Cash Equivalents	\$ 150,313,424	\$ 91,812,821
Inventories	73,800,358	65,980,610
Prepaid Expenses and Other Current Assets	12,216,825	7,677,545
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Total Current Assets	236,330,607	165,470,976
Property and Equipment, Net	190,269,852	144,747,619
Right of Use Asset - Operating, Net	25,583,658	22,045,401
Right of Use Asset - Finance, Net	30,415,759	19,088,219
Intangible Assets, Net	25,210,213	26,379,523
Goodwill	7,315,886	7,315,886
Other Assets	3,144,891	948,644
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TOTAL ASSETS	\$ 518,270,866	\$ 385,996,268
LIABILITIES		
Current Liabilities:		
Accounts Payable and Accrued Liabilities	\$ 21,561,778	\$ 24,307,930
Income Tax Payable	51,164,410	8,326,756
Deferred Revenue	3,796,056	2,403,836
Notes Payable - Current Portion	2,000,000	2,000,000
Notes Payable - Related Party - Current Portion	12,207,826	923,728
Warrant Liability	10,913,147	9,891,666
Operating Lease Liability - Current Portion	2,862,931	2,541,297
Finance Lease Liability - Current Portion	3,406,524	2,271,666
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Total Current Liabilities	107,912,672	52,666,879
Long-Term Liabilities:		
Notes Payable	4,000,000	4,000,000
Notes Payable - Related Party	-	11,979,246
Operating Lease Liability	24,092,816	20,601,301
Finance Lease Liability	27,496,378	17,167,619
Other Long-Term Liabilities	119,644,098	118,256,414
Construction Finance Liability	41,985,353	22,955,955
Deferred Tax Liability	4,571,695	5,486,245
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TOTAL LIABILITIES	329,703,012	253,113,659
SHAREHOLDERS' EQUITY		
Common Stock, no par value; unlimited shares authorized as of June 30, 2020 and December 31, 2019, 113,069,657 and 110,346,346 issued and outstanding as of June 30, 2020 and December 31, 2019, respectively	-	-
Additional Paid-in-Capital	89,333,999	76,191,956
Accumulated Earnings	99,233,855	56,690,653
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TOTAL SHAREHOLDERS' EQUITY	188,567,854	132,882,609
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TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	\$ 518,270,866	\$ 385,996,268

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

**CONDENSED CONSOLIDATED INTERIM STATEMENTS OF OPERATIONS AND
COMPREHENSIVE INCOME (UNAUDITED)**

	3 Months Ended		6 Months Ended	
	June 30, 2020	June 30, 2019	June 30, 2020	June 30, 2019
Revenues, Net of Discounts	\$ 120,764,866	\$ 57,920,111	\$ 216,821,376	\$ 102,396,075
Cost of Goods Sold	30,233,305	9,716,106	52,459,691	28,038,959
Gross Profit	90,531,561	48,204,005	164,361,685	74,357,116
Expenses:				
General and Administrative	7,935,982	3,410,033	14,194,683	5,535,783
Sales and Marketing	27,008,408	13,091,059	49,873,924	24,171,871
Depreciation and Amortization	3,103,818	887,917	5,297,729	1,677,100
Total Expenses	38,048,208	17,389,009	69,366,336	31,384,754
Income From Operations	52,483,353	30,814,996	94,995,349	42,972,362
Other Income (Expense):				
Interest Expense, Net	(5,301,822)	(1,270,600)	(11,213,537)	(1,797,608)
Other Income (Expense), Net	(4,969,631)	(50,522)	(71,051)	(39,485)
Total Other Expense	(10,271,453)	(1,321,122)	(11,284,588)	(1,837,093)
Income Before Provision for Income Taxes	42,211,900	29,493,874	83,710,761	41,135,269
Provision For Income Taxes	23,273,625	12,475,549	41,167,559	20,174,490
Net Income and Comprehensive Income	\$ 18,938,275	\$ 17,018,325	\$ 42,543,202	\$ 20,960,779
Basic Net Income per Common Share	\$ 0.17	\$ 0.15	\$ 0.38	\$ 0.19
Diluted Net Income per Common Share	\$ 0.16	\$ 0.15	\$ 0.37	\$ 0.18
Weighted average number of common shares used in computing net income per common share:				
Basic	111,573,332	110,132,168	110,959,839	110,132,168
Diluted	115,307,313	115,677,182	114,468,339	115,547,892

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 SIX MONTHS ENDED JUNE 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>
Balance, April 1, 2019	74,013,300	9,194,922	26,923,946	110,132,168	\$ 75,227,917	\$ 7,538,658	\$ 82,766,575
Conversions of Multiple and Voting to Subordinate Shares	(3,000,000)	(2,300,581)	5,300,581	-	-	-	-
Settlement of Note Payable with Shares	-	-	-	-	-	-	-
Net Loss	-	-	-	-	-	17,018,325	17,018,325
Balance, June 30, 2019	<u>71,013,300</u>	<u>6,894,341</u>	<u>32,224,527</u>	<u>110,132,168</u>	<u>\$ 75,227,917</u>	<u>\$24,556,983</u>	<u>\$ 99,784,900</u>
Balance, January 1, 2019	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	(14,233,300)	(6,856,110)	21,089,410	-	-	-	-
Net Income	-	-	-	-	-	20,960,779	20,960,779
Balance, June 30, 2019	<u>71,013,300</u>	<u>6,894,341</u>	<u>32,224,527</u>	<u>110,132,168</u>	<u>\$ 75,227,917</u>	<u>\$24,556,983</u>	<u>\$ 99,784,900</u>
Balance, April 1, 2020	67,813,300	6,661,374	35,871,672	110,346,346	\$ 77,414,179	\$80,295,580	\$157,709,759
Share-based compensation	-	-	-	-	462,306	-	462,306
Shares issued for cash - Warrant Exercise	-	-	2,723,311	2,723,311	11,457,514	-	11,457,514
Net Income	-	-	-	-	-	18,938,275	18,938,275
Balance, June 30, 2020	<u>67,813,300</u>	<u>6,661,374</u>	<u>38,594,983</u>	<u>113,069,657</u>	<u>\$ 89,333,999</u>	<u>\$99,233,855</u>	<u>\$188,567,854</u>
Balance, January 1, 2020	67,813,300	6,661,374	35,871,672	110,346,346	\$ 76,191,956	\$56,690,653	\$132,882,609
Share-based compensation	-	-	-	-	1,684,529	-	1,684,529
Shares issued for cash - Warrant Exercise	-	-	2,723,311	2,723,311	11,457,514	-	11,457,514
Net Income	-	-	-	-	-	42,543,202	42,543,202
Balance, June 30, 2020	<u>67,813,300</u>	<u>6,661,374</u>	<u>38,594,983</u>	<u>113,069,657</u>	<u>\$ 89,333,999</u>	<u>\$99,233,855</u>	<u>\$188,567,854</u>

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

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

	<u>June 30, 2020</u>	<u>June 30, 2019</u>
CASH FLOW FROM OPERATING ACTIVITIES		
Net Income and Comprehensive Income	\$ 42,543,202	\$ 20,960,779
Adjustments to Reconcile Net Income and Comprehensive Income to Net Cash Provided by Operating Activities:		
Depreciation and Amortization	5,297,729	1,677,100
Depreciation and Amortization Included in Cost of Goods Sold	4,890,636	2,491,400
Interest Expense	1,434,389	398,554
Loss/(Gain) from Sale of Property and Equipment	-	13,308
Amortization of Operating Lease Right of Use Assets	1,508,273	2,057,582
Share-based Compensation	1,684,529	-
Accretion of Construction Finance Liability	429,881	-
Loss/(Gain) on Fair Value of Warrants	1,021,481	-
Deferred Tax Expense	(914,550)	4,706,026
Changes in Operating Assets and Liabilities:		
Inventories	(7,819,748)	(11,363,357)
Prepaid Expenses and Other Current Assets	(4,539,280)	(1,370,141)
Other Assets	(2,196,247)	56,065
Accounts Payable and Accrued Liabilities	(8,665,526)	(3,348,159)
Operating Lease Liabilities	(1,233,376)	(1,168,423)
Other Long-Term Liabilities	-	(722,732)
Income Tax Payable	42,837,654	7,500,444
Deferred Revenue	1,392,220	762,678
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>77,671,267</u>	<u>22,651,124</u>
CASH FLOW FROM INVESTING ACTIVITIES		
Purchases of Property and Equipment	(27,922,709)	(32,802,111)
Purchases of Property and Equipment from Construction	(17,693,525)	-
Capitalized Interest	(813,535)	(235,330)
Cash paid in Acquisitions, Net of Cash Acquired	-	(24,521,082)
Proceeds from Sale of Property and Equipment	-	(217,445)
NET CASH USED IN INVESTING ACTIVITIES	<u>(46,429,769)</u>	<u>(57,775,968)</u>
CASH FLOW FROM FINANCING ACTIVITIES		
Proceeds from Debt Financings, Net of Discounts and Accrued Interest	-	65,881,930
Proceeds from Share Warrant Exercise	11,457,514	-
Proceeds from Construction Finance Liability	18,599,517	-
Payments on Notes Payable	-	(734,213)
Payments on Notes Payable - Related Party	(741,853)	-
Payments on Lease Obligations	(2,056,073)	(421,063)
NET CASH PROVIDED BY FINANCING ACTIVITIES	<u>27,259,105</u>	<u>64,726,654</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	58,500,603	29,601,810
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	<u>91,812,821</u>	<u>24,430,109</u>
CASH AND CASH EQUIVALENTS, END OF PERIOD	<u>\$ 150,313,424</u>	<u>\$ 54,031,919</u>
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
CASH PAID DURING THE PERIOD FOR		
Interest	<u>\$ 10,361,952</u>	<u>\$ 1,667,802</u>
Taxes	<u>\$ 115,000</u>	<u>\$ 12,700,000</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 SIX MONTHS ENDED JUNE 30, 2020 AND 2019**

	June 30, 2020	June 30, 2019
OTHER NONCASH INVESTING AND FINANCING ACTIVITIES		
Purchase of Property and Equipment Financed with Notes Payable - Related Party	\$ -	\$ 257,337
Purchase of Property and Equipment Financed with Accounts Payable	\$ 5,919,374	\$ 4,289,505
Property and Equipment Acquired via Finance Leases	\$ 13,519,690	\$ 12,167,564
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 SIX MONTHS ENDED JUNE 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 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 SIX MONTHS ENDED JUNE 30, 2020 AND 2019**
3. INVENTORIES

Inventories were comprised of the following items:

	June 30, 2020	December 31, 2019
Raw Material		
Cannabis plants	\$ 7,054,908	\$ 10,835,213
Harvested Cannabis and Packaging	6,164,083	8,132,078
Total Raw Material	13,218,991	18,967,291
Work in Process	49,013,221	34,212,098
Finished Goods-Unmedicated	3,984,523	5,263,006
Finished Goods-Medicated	7,583,623	7,538,215
Total Inventories	\$ 73,800,358	\$ 65,980,610

4. PROPERTY AND EQUIPMENT

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

	June 30, 2020	December 31, 2019
Land	\$ 4,479,440	4,479,440
Buildings & Improvements	95,493,413	89,542,405
Construction in Progress	64,830,267	24,731,976
Furniture & Equipment	44,918,247	38,658,852
Vehicles	328,364	288,169
Total	210,049,731	157,700,842
Less: Accumulated Depreciation	(19,779,879)	(12,953,223)
Total Property & Equipment, net	\$ 190,269,852	\$ 144,747,619

Capitalized interest for the three and six months ended June 30, 2020 totaled \$607,640 and \$813,535, respectively. Capitalized interest for the three and six months ended June 30, 2019 totaled \$401,745 and \$235,330, respectively.

Depreciation expense for the three and six months ended June 30, 2020 totaled \$3,577,368 and \$6,826,658, respectively. Depreciation expense for the three and six months ended June 30, 2019 totaled \$1,752,530 and \$3,015,188, 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.

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

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

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

	Finance Lease	Operating Lease
Weighted average discount rate	8.20%	8.61%
Weighted average remaining lease term (in years)	8.53	7.67

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

Quarter Ending June 30,

	Finance Lease	Operating Lease
Remainder of 2020	\$ 5,746,007	\$ 5,030,531
2021	5,255,238	4,906,507
2022	4,878,403	4,834,658
2023	4,539,023	4,500,643
2024	4,083,449	4,286,665
Thereafter	19,479,415	13,606,241
Total undiscounted lease liabilities	43,981,535	37,165,245
Interest on lease liabilities	(13,078,633)	(10,209,498)
Total present value of minimum lease payments	30,902,902	26,955,747
Lease liability - current portion	3,406,524	2,862,931
Lease liability	\$ 27,496,378	\$ 24,092,816

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

<u>Lease Cost</u>	<u>2020</u>	<u>2019</u>
Operating lease cost	1,547,903	1,602,379
Finance lease cost:		
Amortization of lease assets	1,335,111	407,108
Interest on lease liabilities	612,390	211,970
Finance lease cost	1,947,501	619,078
Variable lease cost	189,250	51,075
Total lease cost	\$ 3,684,654	\$ 2,272,532

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

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

<u>Lease Cost</u>	<u>2020</u>	<u>2019</u>
Operating lease cost	2,542,580	3,130,563
Finance lease cost:		
Amortization of lease assets	2,192,147	598,470
Interest on lease liabilities	1,018,566	263,793
Finance lease cost	3,210,713	862,263
Variable lease cost	282,465	76,230
Total lease cost	<u>\$ 6,035,758</u>	<u>\$ 4,069,056</u>

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 June 30, 2020, and December 31, 2019, \$20,264,567 and \$2,571,042, 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 June 30, 2020, and December 31, 2019, the total finance liability associated with this transaction is \$24,950,560 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 June 30, 2025 with the entire balance of \$41,985,353 due thereafter.

In October 2019, the Company sold property in Florida in exchange for cash of \$17.0 million. Concurrent with the closing of the purchase, the buyer entered into a lease agreement with the Company, for continued operation as a licensed medical cannabis cultivation facility. Control was never transferred to the buyer-lessor because the transaction was determined to be a finance lease and did not meet the requirements of a sale. The transaction was treated as a failed sale-leaseback financing arrangement.

The initial term of the agreement is ten years, with two options to extend the term for five years each. The initial annualized payments are equal to 11% of the purchase price for the property. A 3% increase in payments will be applied annually after the first year. As of June 30, 2020, and December 31, 2019, the total finance liability associated with this transaction is \$17,034,793 and \$16,890,325, respectively.

**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (UNAUDITED)
AS AT AND FOR THE SIX MONTHS ENDED JUNE 30, 2020 AND 2019****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 accrued 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.

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 June 30, 2020 and 2019 the Company recognized accretion expense of \$359,602 and \$57,110, respectively. For the six months ended June 30, 2020 and 2019 the Company recognized accretion expense of \$707,643 and \$57,110, respectively.

The June Warrants were re-valued at \$5,294,497 at June 30, 2020 using the Black Scholes option pricing model and the following assumptions: Share price: C\$17.00; Exercise Price: C\$17.25; Expected Life: 1.97 years; Annualized Volatility: 51.15%; Dividend yield: 0%; Discount Rate: 1.92%; C\$ Exchange Rate: 1.36. For the three months ended June 30, 2020 the Company recognized a loss of \$2,446,995. For the six months ended June 30, 2020 the company recognized a loss of \$495,570 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 \$52,512,731 to \$60,000,000 at maturity in 4.6 years using an effective interest rate of 13.43%. For the three and six months ended June 30, 2020 the Company recorded accretion expense of \$316,011 and \$677,491, respectively.

The November Warrants were re-valued at \$5,618,650 at June 30, 2020 using the Black-Scholes option pricing model and the following assumptions: Share price: C\$17.00; Exercise Price: C\$17.25; Expected Life: 1.97 years; Annualized Volatility: 51.15%; Dividend yield: 0%; Discount Rate: 1.92%; C\$ Exchange Rate: 1.36. For the three months ended June 30, 2020 the Company recognized a loss of \$2,596,811. For the six months ended June 30, 2020 the company recognized a loss of \$525,911 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 six months

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

ended June 30, 2020, the Company used the Black-Scholes pricing model to establish the fair value of the options granted with the following assumptions:

	<u>Six Months Ended June 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 six months ended June 30, 2020, the Company recorded share-based compensation in the amount of \$1,684,529. This is recognized as \$146,208 in Cost of Goods Sold, Net, \$1,245,906 in General and Administrative, and \$292,415 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 June 30, 2020 were as follows:

	<u>Number of options 2020</u>	<u>Weighted average exercise price 2020</u>
Outstanding at January 1, 2020	-	\$ -
Granted	1,252,403	11.70
Forfeited	104,230	11.52
Outstanding, June 30, 2020	1,148,173	11.71
Exercisable, June 30, 2020	291,551	\$ 11.58

**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (UNAUDITED)
AS AT AND FOR THE SIX MONTHS ENDED JUNE 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 June 30, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Net Income and Comprehensive Income	\$ 18,938,275	\$ 17,018,325
Weighted average number of common shares outstanding	111,573,332	110,132,168
Dilutive effect of warrants outstanding	<u>3,733,981</u>	<u>5,545,014</u>
Diluted weighted average number of common shares outstanding	<u>115,307,313</u>	<u>115,677,182</u>
Basic earnings per share	\$ 0.17	\$ 0.15
Diluted earnings per share	\$ 0.16	\$ 0.15

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

	<u>2020</u>	<u>2019</u>
Net Income and Comprehensive Income	\$ 42,543,202	\$ 20,960,779
Weighted average number of common shares outstanding	110,959,839	110,132,168
Dilutive effect of warrants outstanding	<u>3,508,500</u>	<u>5,415,724</u>
Diluted weighted average number of common shares outstanding	<u>114,468,339</u>	<u>115,547,892</u>
Basic earnings per share	\$ 0.38	\$ 0.19
Diluted earnings per share	\$ 0.37	\$ 0.18

For the six months ended June 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. INCOME TAXES

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

	<u>June 30, 2020</u>	<u>June 30, 2019</u>
Income Before Provision for Income Taxes	\$ 42,211,900	\$ 29,493,874
Provision For Income Taxes	\$ 23,273,625	\$ 12,475,549
Effective Tax Rate	55%	42%

**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (UNAUDITED)
AS AT AND FOR THE SIX MONTHS ENDED JUNE 30, 2020 AND 2019**
10. INCOME TAXES (CONTINUED)

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

	June 30, 2020	June 30, 2019
Income Before Provision for Income Taxes	\$ 83,710,761	\$ 41,135,269
Provision For Income Taxes	\$ 41,167,559	\$ 20,174,490
Effective Tax Rate	49%	49%

The effective tax rates for the three and six months ended June 30, 2020 and June 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 June 30, 2020 and December 31, 2019. No material interest and penalties were accrued based on the amount of estimated tax payments made through June 30, 2020 and 2019.

11. 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 June 30, 2020 and December 31, 2019 were \$12,210,537 and \$12,952,389, respectively. The amounts are included in current Notes Payable – Related Party as of June 30, 2020 and current and non-current Notes Payable – Related Party in the unaudited Condensed Consolidated Interim Balance Sheets.

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 six months ended June 30, 2020 and the year ended December 31, 2019, property and equipment purchases from J.T. Burnette consisting of construction related serviced, totaled \$35,942,463 and \$46,381,877, respectively. As of June 30, 2020, and December 31, 2019, respectively, \$7,416,380, 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.

**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (UNAUDITED)
AS AT AND FOR THE SIX MONTHS ENDED JUNE 30, 2020 AND 2019****11. RELATED PARTIES (CONTINUED)**

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 June 30, 2020, and December 31, 2019, and under ASC 842, the Company had \$16,537,066 and \$18,850,685 of right-of-use assets in Property and Equipment, Net, respectively, and \$17,164,816 and \$19,296,170 of Lease Liability, respectively. As of June 30, 2020, and December 31, 2019, \$1,750,750 and \$1,823,052 is included in Lease Liability – Current in the unaudited Condensed Consolidated Interim Balance Sheets.

12. 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, as of June 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 and Comprehensive Income. 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 consolidated 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. This case has been removed from New York to Florida federal court with no other material developments. The Company believes that the suit is immaterial and that the claims are without merit and intends to vigorously defend against them.

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

The Company's financial instruments consist of money market funds and warrant liability. Excluding the warrant liability classified at fair value, the carrying values of these financial instruments approximate their fair values as of June 30, 2020 and December 31, 2019 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. There have been no transfers between hierarchy levels in the amounts presented in the unaudited consolidated balance sheets as of June 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 we have credit risk.

**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (UNAUDITED)
AS AT AND FOR THE SIX MONTHS ENDED JUNE 30, 2020 AND 2019****13. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (CONTINUED)****(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 due to changes in market interest rates. The Company's interest-bearing loans and borrowings all have fixed interest rates. The Company considers interest rate risk to be immaterial.

(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.

14. 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 the Board of Directors.

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.

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

14. SUBSEQUENT EVENTS (CONTINUED)

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.

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.