GREEN THUMB INDUSTRIES INC. (formerly Bayswater Uranium Corporation)

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2018 AND 2017

(Unaudited)

(Expressed in United States Dollars)

Green Thumb Industries Inc. (formerly Bayswater Uranium Corporation)
Interim Condensed Consolidated Statements of Financial Position
(Amounts Expressed in United States Dollars)

		June 30, 2018 (Unaudited)	December 31, 2017 (Audited)
ASSETS			
Current Assets:			
Cash and Cash Equivalents		$ 112,650,317	$ 29,565,497
Accounts Receivable		2,303,003	892,373
Members Contribution Receivable	*Note 13*	-	2,785,998
Due from Related Parties	*Note 16*	3,109,695	1,188,686
Inventories	*Note 4*	6,254,143	2,689,762
Biological Assets	*Note 5*	2,221,273	2,117,131
Prepaid Expenses and Other Current Assets		1,902,377	550,389
Total Current Assets		128,440,808	39,789,836
Property and Equipment, Net	*Note 6*	40,226,129	31,558,357
Intangible Assets, Net	*Note 8*	14,124,874	14,161,995
Investments	*Note 12*	39,057,680	-
Goodwill		188,260	188,260
Deposits and Other Assets		8,102,505	1,458,833
TOTAL ASSETS		$ 230,140,256	$ 87,157,281
LIABILITIES AND SHAREHOLDERS' EQUITY			
LIABILITIES			
Current Liabilities:			
Accounts Payable		$ 4,659,685	$ 4,044,760
Accrued Liabilities		2,988,800	1,160,521
Current Portion of Notes Payable	*Note 9*	1,437,303	8,861,376
Income Tax Payable	*Note 11*	197,490	214,000
Total Current Liabilities		9,283,278	14,280,657
Long-Term Liabilities:			
Deferred Rent		296,769	301,105
Deferred Income Taxes	*Note 11*	3,685,000	-
Notes Payable, Net of Current Portion	*Note 9*	6,467,787	7,206,673
TOTAL LIABILITIES		19,732,834	21,788,435
EQUITY OF GREEN THUMB INDUSTRIES INC.	*Note 13*	171,979,312	62,002,496
NON-CONTROLLING INTEREST	*Note 14*	38,428,110	3,366,350
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		$ 230,140,256	$ 87,157,281

Nature of Operations (*Note 1*)
Commitments and Contingencies (*Note 15*)
Subsequent Events (*Note 18*)

Approved and authorized by the Board of Directors on August 28, 2018

Peter Kadens
Chief Executive Officer

Anthony Georgiadis
Chief Financial Officer

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

Green Thumb Industries Inc. (formerly Bayswater Uranium Corporation)
Unaudited Interim Condensed Consolidated Statements of Operations
For the Three and Six Month Periods Ended June 30, 2018 and 2017
(Amounts Expressed in United States Dollars)

		Three Months Ended June 30, 2018 (Unaudited)	Three Months Ended June 30, 2017 (Unaudited)	Six Months Ended June 30, 2018 (Unaudited)	Six Months Ended June 30, 2017 (Unaudited)
Revenues, net of discounts		$ 13,624,658	$ 3,480,568	$ 24,550,556	$ 6,499,217
Cost of Goods Sold, net		(7,337,040)	(1,741,556)	(13,550,003)	(3,688,294)
Gross Profit before Biological Asset Adjustment		6,287,618	1,739,012	11,000,553	2,810,923
Net Effect of Changes in Fair Value of Biological Assets	*Note 5*	584,764	(494,960)	735,809	1,351,001
Gross Profit		6,872,382	1,244,052	11,736,362	4,161,924
Expenses:					
General and Administrative	*Note 10*	11,251,399	2,471,811	17,103,295	4,601,562
Sales and Marketing		354,292	32,324	524,405	73,670
Depreciation and Amortization		522,550	54,026	756,179	78,137
Total Expenses		12,128,241	2,558,161	18,383,879	4,753,369
Loss From Operations		(5,255,859)	(1,314,109)	(6,647,517)	(591,445)
Other Income (Expense):					
Other Income (Expense), net	*Note 12*	34,612,194	-	34,845,538	516,441
Interest Income		378,082	-	978,082	-
Interest Expense		(466,668)	(9,667)	(837,773)	(31,216)
Total Other Income (Expense)		34,523,608	(9,667)	34,985,847	485,225
Income (Loss) Before Provision for Income Taxes And Non-Controlling Interest		29,267,749	(1,323,776)	28,338,330	(106,220)
Provision For Income Taxes	*Note 11*	4,253,000	-	4,288,000	-
Net Income (Loss) Before Non-Controlling Interest		25,014,749	(1,323,776)	24,050,330	(106,220)
Net Income Attributable To Non-Controlling Interest		24,621,861	-	25,238,411	-
Net Income (Loss) Attributable To Green Thumb Industries Inc.		$ 392,888	$ (1,323,776)	$ (1,188,081)	$ (106,220)
Net Income (Loss) per share - basic and diluted		$ 0.00		$ (0.01)	
Weighted average number of shares outstanding - basic and diluted		139,471,034		139,471,034	

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

Green Thumb Industries Inc. (formerly Bayswater Uranium Corporation)
Unaudited Interim Condensed Consolidated Statements of Changes in Shareholders' Equity
For the Six Month Periods Ended June 30, 2018 and 2017
(Amounts Expressed in United States Dollars)

		Share Capital	Non-Controlling Interest	Option Reserves	Accumulated Earnings (Deficit)	Total
Balance, January 1, 2017		$ 31,860,953	$ -	$ -	$ -	$ 31,860,953
Net loss		-	-	-	(106,220)	(106,220)
Contributions from shareholders		25,309,772	-	-	-	25,309,772
Distributions payable to shareholders		(279,750)	-	-	-	(279,750)
Distributions to shareholders		(3,248,300)	-	-	-	(3,248,300)
Balance, June 30, 2017		$ 53,642,675	$ -	$ -	$ (106,220)	$ 53,536,455
Balance, January 1, 2018		$ 62,002,496	$ 3,366,350	$ -	$ -	$ 65,368,846
Deferred tax liability from reorganization	*Note 11*	(614,000)	-	-	-	(614,000)
Conversion of notes payable into share capital	*Note 14*	-	8,325,000	-	-	8,325,000
Issuance of options as settlement of services provided	*Note 13*	(906,366)	-	906,366	-	-
Reverse takeover	*Note 3*	3,002,634	-	-	-	3,002,634
Issuance of shares upon reverse takeover	*Note 3*	65,082,283	-	-	-	65,082,283
Reverse takeover transaction costs	*Note 3*	(4,014,585)	-	-	-	(4,014,585)
Interest on convertible note payable		434,000	-	-	-	434,000
Contributions from shareholders		49,039,965	17,020,006	-	-	66,059,971
Share based compensation		-	-	27,240	-	27,240
Net income (loss)		-	25,238,411	-	(1,188,081)	24,050,330
Distributions to shareholders		(1,792,640)	(15,521,657)	-	-	(17,314,297)
Balance, June 30, 2018		$ 172,233,787	$ 38,428,110	$ 933,606	$ (1,188,081)	$ 210,407,422

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

Green Thumb Industries Inc. (formerly Bayswater Uranium Corporation)
Unaudited Interim Condensed Consolidated Statements of Cash Flows
For the Six Month Periods Ended June 30, 2018 and 2017
(Amounts Expressed in United States Dollars)

	Six Months Ended June 30, 2018 (Unaudited)	Six Months Ended June 30, 2017 (Unaudited)
CASH FLOW FROM OPERATING ACTIVITIES		
Net loss attributable to Green Thumb Industries Inc.	$ (1,188,081)	$ (106,220)
Net income attributable to non-controlling interest	25,238,411	-
Adjustments to reconcile net income (loss) to net cash used in operating activities:		
Depreciation and amortization	946,983	277,248
Loss on disposal of property and equipment	47,033	-
Income from joint venture	-	(17,500)
Deferred rent	(4,336)	60,255
Deferred income taxes	3,071,000	-
Share based compensation	27,240	-
Increase in fair value of warrants	(34,557,680)	-
Equity conversion and listing expenses	4,009,622	-
Interest on convertible note payable	434,000	-
Changes in operating assets and liabilities:		
Accounts receivable	(1,410,630)	(214,147)
Biological assets	(104,142)	187,028
Inventory	(3,564,381)	(1,791,079)
Prepaid expenses and other current assets	(1,379,228)	(31,759)
Deposits and other assets	(6,643,672)	(224,927)
Accounts payable	614,925	316,063
Accrued liabilities	1,828,279	(428,631)
Income tax payable	(16,510)	-
NET CASH USED IN OPERATING ACTIVITIES	(12,651,167)	(1,973,669)
CASH FLOW FROM INVESTING ACTIVITIES		
Investments in debentures	(24,500,000)	-
Repayments from debenture investments	20,000,000	-
Purchases of property and equipment	(8,969,668)	(727,315)
Advances to related parties	(3,101,009)	-
Repayments from related parties	575,000	-
Purchases of licenses	(49,999)	(964,277)
NET CASH USED IN INVESTING ACTIVITIES	(16,045,676)	(1,691,592)
CASH FLOW FROM FINANCING ACTIVITIES		
Contributions from shareholders	132,948,504	16,533,772
Distributions to shareholders	(17,314,297)	(3,248,300)
Reverse takeover financing costs	(4,014,585)	-
Proceeds from issuance of notes payable	825,000	-
Principal repayments of notes payable	(662,959)	-
NET CASH PROVIDED BY FINANCING ACTIVITIES	111,781,663	13,285,472
NET INCREASE IN CASH AND CASH EQUIVALENTS	83,084,820	9,620,211
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	29,565,497	12,955,518
CASH AND CASH EQUIVALENTS, END OF PERIOD	$ 112,650,317	$ 22,575,729

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

Green Thumb Industries Inc. (formerly Bayswater Uranium Corporation)
Unaudited Interim Condensed Consolidated Statements of Cash Flows
For the Six Month Periods Ended June 30, 2018 and 2017
(Amounts Expressed in United States Dollars)

	Six Months Ended June 30, 2018 (Unaudited)	Six Months Ended June 30, 2017 (Unaudited)
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Interest paid	$ 421,576	$ 854
OTHER NONCASH INVESTING AND FINANCING ACTIVITIES		
Purchase of property and equipment with cancellation of note receivable	$ 605,000	$ -
Distributions payable to members	$ -	$ (279,750)
Deferred tax liability from reorganization	$ 614,000	$ -
Conversion of notes payable into equity	$ 8,325,000	$ -
Compensation options issued for reverse takeover services	$ 906,366	$ -

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

1. NATURE OF OPERATIONS

Green Thumb Industries Inc. (the "Company" or "GTI") is a vertically integrated cannabis operator that focuses on limited-licensed markets in the United States. As a vertically integrated provider it owns or has executed definitive acquisition agreements for cultivation, processing, and retail licenses across eight State markets (Illinois, Maryland, Massachusetts, Nevada, Ohio, Pennsylvania, Florida, and New York). The Company is fully licensed in its State markets and has acquired its various State licenses through competitive application processes and / or via purchase.

In addition to the States listed above, the Company also conducts pre-licensing activities in several other markets. In these markets, the Company has either applied for licenses, or plans on applying for licenses, but does not currently own any cultivation, production or retail licenses. The Company also provides management services and solutions to state licensed cannabis cultivators and dispensaries.

On June 12, 2018, the Company completed a reverse takeover transaction ("RTO") further described in Note 3. Following the RTO, the Company is listed on the Canadian Securities Exchange (the "CSE") under ticker symbol "GTII" and on the OTCQX, part of the OTC Markets Group, under the ticker "GTBIF".

The Company's registered office is located at 885 West Georgia Street, Suite 2200, Vancouver, British Columbia, V6C 3E8, Canada. The Company's U.S. headquarters are at 325 W. Huron St., Chicago, IL 60654.

2. SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of Preparation

The unaudited interim condensed consolidated financial statements for the three and six months ended June 30, 2018 and 2017, have been prepared in accordance with International Accounting Standard ("IAS") 34, Interim Financial Reporting. The accounting policies adopted in the preparation of the unaudited interim condensed consolidated financial statements are consistent with those followed in the preparation of the Company's audited annual consolidated financial statements for the year ended December 31, 2017, except for the adoption of new standards effective as of January 1, 2018.

The unaudited interim condensed consolidated financial statements do not conform in all respects to the requirements of IFRS as issued by the International Accounting Standards Board ("IASB") for annual financial statements. Accordingly, these unaudited interim condensed consolidated financial statements should be read in conjunction with the December 31, 2017 audited consolidated financial statements and notes.

These unaudited interim condensed consolidated financial statements were approved and authorized for issue by the Board of Directors of the Company on August 28, 2018.

(b) Basis of Measurement

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

(c) Functional Currency

The Company's functional currency, as determined by management, is the United States ("U.S.") dollar. These unaudited interim condensed consolidated financial statements are presented in U.S. dollars.

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(d) Basis of Consolidation

On January 1, 2018, GTI-Clinic Illinois Holdings, LLC (representing GTI's Illinois operations and ownership) and RCP23, LLC (representing GTI's non-Illinois operations that included Nevada, Pennsylvania, Massachusetts, and Maryland ownership) closed on a restructuring, which combined all of GTI's operational and ownership structure within VCP23, LLC. Prior to January 1, 2018, these businesses were managed by GTI senior management but had a slightly different shareholder base. As part of the restructuring, the owners of the GTI-Clinic Illinois Holdings, LLC and RCP23, LLC received approximately 42.5% and 57.5% of the Preferred and Common Units of VCP23, LLC respectively.

On June 12, 2018, the Company completed a reverse takeover transaction with Bayswater Uranium Corporation. The Transaction was structured as a series of transactions, including a Canadian three-cornered amalgamation transaction and a series of U.S. reorganization steps as explained further in Note 3.

As a result of these reorganizations described above, the accompanying unaudited interim condensed consolidated financial statements include the accounts of the VCP23, LLC and its wholly-owned or majority owned subsidiaries. Non-controlling interests are included as a component of stockholders' equity.

All significant intercompany balances and transactions were eliminated in consolidation.

(e) Cash and Cash Equivalents

Cash and cash equivalents include cash deposits in financial institutions, other deposits that are readily convertible into cash, and cash held at retail locations.

(f) Inventories

Inventories purchased from third parties, which include work in process, finished goods, and packaging and supplies, are valued at the lower of cost and net realizable value. Cost is determined using the weighted average costing method. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs to sell. The Company reviews inventories for obsolete, redundant and slow moving goods and any such inventories identified are written down to net realizable value. At June 30, 2018 and December 31, 2017, there were no reserves for inventories required.

(g) Biological Assets

The Company measures biological assets consisting of medical cannabis plants at fair value less costs to sell and complete up to the point of harvest, which becomes the basis for the cost of internally produced work in process and finished goods inventories after harvest. Unrealized gains or losses arising from changes in fair value less cost to sell during the period are included in the results of operations. The Company expenses pre-harvest costs as incurred.

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(h) Property and Equipment

Property and equipment is stated at cost, net of accumulated depreciation and impairment losses, if any. Expenditures that materially increase the life of the assets are capitalized. Ordinary repairs and maintenance are expensed as incurred. Depreciation is calculated on a straight-line basis over the estimated useful life of the asset using the following terms and methods:

Land	Not Depreciated
Buildings and Improvements	39 Years
Furniture and Fixtures	5 – 7 Years
Computer Equipment and Software	5 Years
Leasehold Improvements	Remaining Life of Lease
Manufacturing Equipment	5 - 7 Years
Assets Under Construction	Not Depreciated

The assets' residual values, useful lives and methods of depreciation are reviewed at each financial year-end and adjusted prospectively if appropriate. An item of equipment is derecognized upon disposal or when no future economic benefits are expected from its use. Any gain or loss arising on de-recognition of the asset (calculated as the difference between the net disposal proceeds and the carrying value of the asset) is included in operations in the year the asset is derecognized.

The assets' residual values, useful lives and methods of depreciation are reviewed at each financial year-end and adjusted prospectively if appropriate. An item of equipment is derecognized upon disposal or when no future economic benefits are expected from its use. Any gain or loss arising on de-recognition of the asset (calculated as the difference between the net disposal proceeds and the carrying value of the asset) is included in the Consolidated Statements of Operations in the year the asset is derecognized.

(i) Intangible Assets

Intangible assets are recorded at cost, less accumulated amortization and impairment losses, if any. Intangible assets acquired in a business combination are measured at fair value at the acquisition date. Amortization is recorded on a straight-line basis over their estimated useful lives, which do not exceed the contractual period, if any. Intangible assets, which include cannabis licenses, have indefinite useful lives and are not subject to amortization. Such assets are tested annually for impairment, or more frequently, if events or changes in circumstances indicate that they might be impaired. The estimated useful lives, residual values, and amortization methods are reviewed at each year-end, and any changes in estimates are accounted for prospectively. As of June 30, 2018 and December 31, 2017, the Company did not recognize any impairment losses.

Patient relationships and non-compete agreements are measured at fair value at the time of acquisition and are amortized on a straight-line basis over a period of five and two years, respectively.

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(j) Goodwill

Goodwill represents the excess of the purchase price paid for the acquisition of an entity over the fair value of the net tangible and intangible assets acquired. Goodwill is allocated to the cash generating unit ("CGU") or CGUs which are expected to benefit from the synergies of the combination.

Goodwill that has an indefinite useful life is not subject to amortization and is tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

Impairment is determined for goodwill by assessing if the carrying value of a CGU, including the allocated goodwill, exceeds its recoverable amount determined as the greater of the estimated fair value less costs to sell and the value in use. Impairment losses recognized in respect of a CGU are first allocated to the carrying value of goodwill and any excess is allocated to the carrying amount of assets in the CGU.

Any goodwill impairment loss is recognized in operations in the period in which the impairment is identified. Impairment losses on goodwill are not subsequently reversed. As of June 30, 2018 and December 31, 2017, the Company did not recognize any impairment losses.

(k) Leased Assets

A lease of property and equipment is classified as an operating lease whenever the terms of the lease do not transfer substantially all of the risks and rewards of ownership to the lessee. Lease payments are recognized as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which the economic benefits are consumed.

(l) Income Taxes

Income tax expense consisting of current and deferred tax expense is recognized in the Consolidated Statements of Operations based on the expected tax payable on the taxable income for the period, using tax rates enacted or substantively enacted at year-end.

Deferred tax assets and liabilities and the related deferred income tax expense or recovery, if any, are recognized for deferred tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using the enacted or substantively enacted tax rates expected to apply when the asset is realized or the liabilities settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that substantive enactment occurs.

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(m) Revenue Recognition

Revenue is recognized at the fair value of consideration received or receivable. Revenue from the sale of goods is recognized when all the following conditions have been satisfied, which are generally met once the products are shipped to customers:

- The Company has transferred the significant risks and rewards of ownership of the goods to the customer;
- The Company retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- The amount of revenue can be measured reliably;
- It is probable that the economic benefits associated with the transaction will flow to the customer; and
- The costs incurred or to be incurred in respect of the transaction can be measured reliably.

Amounts recorded as revenues are net of allowances, discounts, and rebates for the three and six months ended June 30, 2018 totaled approximately $360,000 and $648,000 respectively, compared to approximately $132,000 and $243,000 for the three and six months ended June 30, 2017.

(n) Financial Instruments *(See also Note 17)*

FIRS 9 addresses classification and measurement of financial assets and replaces the multiple category and measurement models in IAS 39 for debt instruments with a new mixed measurement model having only three categories: amortized cost, fair value through other comprehensive income, and fair value through profit or loss. IFRS 9 also replaces the models for measuring equity instruments and such instruments are either recognized at fair value through profit or loss or at fair value through other comprehensive income. The effective date of this standard was January 1, 2018. The Company has adopted this new standard as of its effective date on a retrospective basis.

(i) *Equity Instruments at Fair Value Through Other Comprehensive Income ("FVOCI")*
This category only includes equity instruments, which the Company intends to hold for the foreseeable future and which the Company has irrevocably elected to so classify upon initial recognition or transition. There were no such instruments at June 30, 2018 or 2017. Equity instruments in this category are subsequently measured at fair value with changes recognized in other comprehensive income, with no recycling of gains or losses to profit or loss upon derecognition. Dividend income is recognized in earnings. Equity instruments at FVOCI are not subject to an impairment assessment under IFRS 9.

(ii) *Amortized Cost*
This category includes financial assets that are held within a business model with the objective to hold the financial assets in order to collect contractual cash flows that meet the solely principal and interest ("SPPI") criterion. Financial assets classified in this category are carried at amortized cost using the effective interest method.

(iii) *Fair Value Through Profit or Loss*
This category includes derivative instruments as well as quoted equity instruments which the Company has not irrevocably elected, at initial recognition or transition, to classify at FOCI. This category would also include debt instruments whose cash flow characteristics fail the SPPI criterion or are not held within a business model whose objective is either to collect contractual cash flows, or to both collect contractual cash flows and sell. Financial assets in this category are recorded at fair value with changes recognized in profit or loss.

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(n) Financial Instruments *(See also Note 17)* (Continued)

The assessment of the Company's business models was made as of the date of initial application, January 1, 2018.

	Classification
Cash and Cash Equivalents	Fair value through profit or loss
Investments	Fair value through profit or loss or amortized cost
Accounts Receivable	Amortized cost
Member Contribution Receivable	Amortized cost
Due from Related Parties	Amortized cost
Accounts Payable and Accrued Liabilities	Amortized cost
Distributions Payable to Members	Amortized cost
Notes Payable	Amortized cost

(iv) Impairment of Financial Instruments

The adoption of IFRS 9 has fundamentally changed the Company's accounting for impairment losses for financial assets by replacing IAS 39's incurred loss approach with a forward-looking expected credit loss ("ECL") approach. IFRS 9 requires the Company to record an allowance for ECL's for all debt financial assets not held at fair value through profit or loss. ECL's are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Company expects to receive. The shortfall is then discounted at a rate approximating the asset's original effective interest rate.

(o) Significant Accounting Judgments, Estimates and Assumptions

The preparation of the Company's unaudited interim condensed consolidated financial statements requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, and revenue and expenses. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the review affects both current and future periods.

Significant judgments, estimates and assumptions that have the most significant effect on the amounts recognized in the unaudited interim condensed consolidated financial statements are described below.

(i) Estimated Useful Lives and Depreciation of Property and Equipment (Also see Note 2(h))

Depreciation of property and equipment is dependent upon estimates of useful lives which are determined through the exercise of judgment. The assessment of any impairment of these assets is dependent upon estimates of recoverable amounts that take into account factors such as economic and market conditions and the useful lives of assets.

(ii) Estimated Useful Lives and Amortization of Intangible Assets (Also see Note 2(i))

Amortization of intangible assets is recorded on a straight-line basis over their estimated useful lives, which do not exceed the contractual period, if any. Intangible assets that have indefinite useful lives are not subject to amortization and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired.

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(o) Significant Accounting Judgments, Estimates and Assumptions (Continued)

(iii) Biological Assets (Also see Note 4)
Management is required to make estimates in calculating the fair value of biological assets and harvested cannabis inventory. These estimates include a number of assumptions, such as estimating the stages of growth or the cannabis, harvested costs, sales price and expected yields.

(iv) Business Combinations (Also see Note 6)

In a business combination, all identifiable assets, liabilities and contingent liabilities acquired are recorded at their fair values. One of the most significant estimates relates to the determination of the fair value of these assets and liabilities. Contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. Contingent consideration that is classified as equity is not re-measured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is re-measured at subsequent reporting dates in accordance with IAS 39, or IAS 37 Provisions, Contingent Liabilities and Contingent Assets, as appropriate, with the corresponding gain or loss being recognized in profit or loss. For any intangible asset identified, depending on the type of intangible asset and the complexity of determining its fair value, an independent valuation expert or management may develop the fair value, using appropriate valuation techniques, which are generally based on a forecast of the total expected future net cash flows. The evaluations are linked closely to the assumptions made by management regarding the future performance of the assets concerned and any changes in the discount rate applied.

Certain fair values may be estimated at the acquisition date pending confirmation or completion of the valuation process. Where provisional values are used in accounting for a business combination, they may be adjusted retrospectively in subsequent periods. However, the measurement period will last for one year from the acquisition date.

(v) Goodwill Impairment

Goodwill is tested for impairment annually and whenever events or changes in circumstances indicate that the carrying amount of goodwill has been impaired. In order to determine if the value of goodwill has been impaired, the cash-generating unit to which goodwill has been allocated must be valued using present value techniques. When applying this valuation technique, the Company relies on a number of factors, including historical results, business plans, forecasts and market data. Changes in the conditions for these judgments and estimates can significantly affect the assessed value of goodwill.

(p) Recent Accounting Pronouncements

The following IFRS standards have been recently issued by the IASB. The Company is assessing the impact of these new standards on future consolidated financial statements. Pronouncements that are not applicable or where it has been determined do not have a significant impact to the Company have been excluded herein.

(i) IFRS 7, Financial instruments: Disclosure

IFRS 7, *Financial instruments: Disclosure*, was amended to require additional disclosures on transition from IAS 39 to IFRS 9. IFRS 7 is effective on adoption of IFRS 9, which is effective for annual periods commencing on or after January 1, 2018. The Company does not expect significant impact on its consolidated financial statements from the adoption of this new standard.

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(p) Recent Accounting Pronouncements (Continued)

(ii) IFRS 9, Financial Instruments

In July 2014, the IASB issued the final version of IFRS 9, *Financial Instruments*, which reflects all phases of the financial instruments project and replaces IAS 39, *Financial Instruments: Recognition and Measurement*, and all previous versions of IFRS 9. The standard introduces new requirements for classification and measurement, impairment, and hedge accounting. IFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early application permitted. The Company does not expect significant impact on its consolidated financial statements from the adoption of this new standard.

(iii) IFRS 15, Revenue from Contracts with Customers

The IASB replaced IAS 18, *Revenue*, in its entirety with IFRS 15, *Revenue from Contracts with Customers*. The standard contains a single model that applies to contracts with customers and two approaches to recognizing revenue: at a point in time or over time. The model features a contract-based five-step analysis of transactions to determine whether, how much and when revenue is recognized. New estimates and judgmental thresholds have been introduced, which may affect the amount and/or timing of revenue recognized. IFRS 15 is effective for annual periods beginning on or after January 1, 2018, with early application permitted. The Company does not expect significant impact on its consolidated financial statements from the adoption of this new standard.

(iv) IFRS 16, Leases

In January 2016, the IASB issued IFRS 16, *Leases*, which will replace IAS 17, *Leases*. This standard introduces a single lessee accounting model and requires a lessee to recognize assets and liabilities for all leases with a term of more than twelve months unless the underlying asset is of low value. A lessee is required to recognize a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. The standard will be effective for annual periods beginning on or after January 1, 2019, with earlier application permitted for entities that apply IFRS 15, *Revenue from Contracts with Customers*, at or before the date of initial adoption of IFRS 16. The extent of the impact of adoption of the standard has not yet been determined. However, upon adoption of IFRS 16, the leases described in note 12(a) will likely constitute right of use assets with a corresponding lease obligation.

3. REVERSE TAKEOVER TRANSACTION

On June 12, 2018, Green Thumb Industries, Inc. (“the Corporation”), 1165318 B.C. Ltd. (a wholly-owned subsidiary of Bayswater) (“Subco”), VCP23, LLC (“VCP”), GTI23, Inc. (“GTI23”) and GTI Finco Inc. (“GTI Finco”) entered into a Business Combination Agreement whereby the Corporation, Subco, VCP, GTI23 and GTI Finco combined their respective businesses (the “Transaction”). The Transaction was structured as a series of transactions, including a Canadian three-cornered amalgamation transaction and a series of U.S. reorganization steps.

At a meeting of shareholders on June 11, 2018, the Corporation’s shareholders approved a resolution to restructure the Corporation’s share capital to, among other things, re-designate its existing common shares as subordinate voting shares (“Subordinate Voting Shares”) and create a class of multiple voting shares (“Multiple Voting Shares”) and super voting shares (“Super Voting Shares”).

In connection with the Transaction completed on June 12, 2018, the Corporation changed its name from “Bayswater Uranium Corporation” to “Green Thumb Industries Inc.” and consolidated its existing common shares on the basis of one Subordinate Voting Share for each 368 existing common shares of the Corporation.

3. REVERSE TAKEOVER TRANSACTION *(Continued)*

The Corporation, Subco and GTI Finco were parties to a three-cornered amalgamation ("Amalgamation") whereby GTI Finco shareholders received Subordinate Voting Shares of the Corporation on a one-for-one basis and members of VCP contributed their membership interests to GTI23 for shares of GTI23 and then contributed their shares of GTI23 to GTI in exchange for Super Voting Shares and Multiple Voting Shares of GTI.

The acquired net assets of Bayswater were nil, and all value was attributed to the acquiror (GTI).

4. INVENTORIES

The Company's inventories include the following at June 30, 2018 and at December 31, 2017:

	2018	2017
Raw Material		
Harvested Cannabis	$ 895,106	$ 601,227
Packaging and Miscellaneous	1,381,239	500,765
Total Raw Material	2,276,345	1,101,992
Work in Process	116,991	184,435
Finished Goods	3,860,807	1,403,335
Total Inventories	$ 6,254,143	$ 2,689,762

5. BIOLOGICAL ASSETS

Biological assets consist of cannabis plants. For the six months ended June 30, 2018 and the twelve months ended December 31, 2017, the changes in the carrying value of biological assets are shown below:

Harvest in Process	2018	2017
Beginning balance	$ 2,117,131	$ 971,044
Net change in fair value less costs to sell due to biological transformation	735,809	6,990,524
Transferred to inventory upon harvest	(631,667)	(5,844,437)
Ending balance	$ 2,221,273	$ 2,117,131

The Company values its biological assets at the end of each reporting period at fair value less costs to sell and complete. This is determined using a valuation model to estimate the expected harvest yield per plant applied to the estimated price per gram less processing and selling costs. This model also considers the progress in the plant life cycle.

5. BIOLOGICAL ASSETS *(Continued)*

Management has made the following estimates in this valuation model:

- The average number of weeks in the growing cycle is sixteen weeks from propagation to harvest;
- The average harvest yield of whole flower is 106 grams per plant;
- The average selling price of whole flower is $5.73 per gram;
- Processing costs include drying and curing, testing and packaging, and post-harvest overhead allocation, estimated to be $0.91 per gram: and
- Selling costs include shipping, order fulfillment, and labelling, estimated to be $0.22 per gram.

The estimates of growing cycle, harvest yield, and costs per gram are based on the Company's historical results. The estimate of the selling price per gram is based on the Company's historical sales in addition to the Company's expected sales price going forward.

Management has quantified the sensitivity of the inputs, and determined the following:

- Selling price per gram - a decrease in the selling price per gram by 5% would result in the biological asset value decreasing by $203,337 (2017 - $414,937) and inventory decreasing by $156,631 (2017 - $93,029).
- Harvest yield per plant - a decrease in the harvest yield per plant of 5% would result in the biological asset value decreasing by $111,064 (2017 - $293,365).

These inputs are level 3 on the fair value hierarchy, and are subject to volatility and several uncontrollable factors, which could significantly affect the fair value of biological assets in future periods.

As of June 30, 2018, the biological assets were on average, 54% complete (December 2017 – 45%) based on the number of days remaining to harvest, and the estimated fair value less costs to sell of dry cannabis was $7.07 per gram.

As of June 30, 2018, it is expected that the Company's biological assets will ultimately yield approximately 1,137 kg of cannabis (December 2017 - 512kg).

6. PROPERTY AND EQUIPMENT

At June 30, 2018 and December 31, 2017, property and equipment consists of:

	2018	2017
Land	$ 1,687,489	$ 1,626,989
Buildings and Improvements	14,684,464	13,999,703
Furniture and Fixtures	2,533,632	505,268
Computer Equipment and Software	1,274,543	381,029
Leasehold Improvements	15,827,850	2,350,287
Manufacturing Equipment	4,008,910	1,128,835
Assets Under Construction	2,265,421	12,762,563
Total Property and Equipment, Gross	42,282,309	32,754,674
Less: Accumulated Depreciation	(2,056,180)	(1,196,317)
Property and Equipment, Net	$ 40,226,129	$ 31,558,357

6. PROPERTY AND EQUIPMENT *(Continued)*

Assets under construction represent construction in progress related to both cultivation and dispensary facilities not yet completed or otherwise not ready for use.

A reconciliation of the beginning and ending balances of property and equipment is as follows:

	Property and Equipment, Gross	Accumulated Depreciation	Property and Equipment, Net
Balance as of January 1, 2018	**$ 32,754,674**	**$ (1,196,317)**	**$ 31,558,357**
Additions	9,574,668	-	9,574,668
Disposals	(47,033)	-	(47,033)
Depreciation	-	(859,863)	(859,863)
Balance as of June 30, 2018	**$ 42,282,309**	**(2,056,180)**	**$ 40,226,129**

Depreciation expense for the three and six months ended June 30, 2018 totaled $559,118 and $859,863 respectively, compared to $140,315 and $277,248 for the three and six months ended June 30, 2017. Amounts included in cost of goods sold for the three and six months ended June 30, 2018 totaled $117,090 and $227,766 respectively, compared to $86,289 and $199,111 for the three and six months ended June 30, 2017.

7. ACQUISITION

There were no acquisitions completed during either the three or six month periods ending June 30, 2018 and 2017, other than the reverse takeover transaction described in Note 3.

8. INTANGIBLE ASSETS

At June 30, 2018 and December 31, 2017, intangible assets consisted of the following:

	Balance at January 1, 2018	Purchases	Additions from Acquisitions	Accumulated Amortization	Balance at June 30, 2018
Indefinite Lives					
Licenses and Permits	$ 13,004,575	$ 49,999	$ -	$ -	$ 13,054,574
Tradename	360,000	-	-	-	360,000
Total	13,364,575	49,999	-	-	13,414,574
Finite Lives					
Patient Relationships	779,500	-	-	(82,000)	697,500
Non-competition Agreements	17,920	-	-	(5,120)	12,800
Total	797,420	-	-	(87,120)	710,300
Total Intangible Assets	**$ 14,161,995**	**$ 49,999**	**$ -**	**$ (87,120)**	**$ 14,124,874**

8. INTANGIBLE ASSETS *(Continued)*

Intangible assets with finite lives are amortized over their estimated useful lives. The Company recorded amortization expense for the three and six months ended June 30, 2018 totaled $43,560 and $87,120 respectively, compared to $0 for the three and six months ended June 30, 2017. Amortization periods of assets with finite lives are based on management's estimates at the date of acquisition.

Based solely on the amortizable intangible assets recorded at June 30, 2018, estimated amortization expense for the years ended December 31, 2018 through 2022 is as follows:

Year Ending December 31	Estimated Amortization
2018 (six months)	$ 87,120
2019	171,680
2020	164,000
2021	164,000
2022	123,500
	$ 710,300

9. NOTES PAYABLE

At June 30, 2018 and December 31, 2017, notes payable consisted of the following:

	2018	2017
Promissory note dated October 2, 2017, in the original amount of $2,500,000 issued to accredited investors, which matures October 1, 2022; monthly payments of $55,611 including interest at 12.5% per annum.	$ 2,246,366	$ 2,438,472
Promissory note dated October 2, 2017, in the original amount of $5,000,000 issued to accredited investors, which matures October 1, 2022; monthly payments of $112,490 including interest at 12.5% per annum.	4,492,733	4,876,943
In connection with an acquisition completed in 2017, the Company is required to make quarterly charitable contributions of $50,000 through October 2024. The net present value of these required payments has been recorded as a liability with an interest rate of 2.17%. (See Note 6)	1,165,991	1,252,634
Convertible note dated October 31, 2017, in the original amount of $3,000,000 issued to accredited investors, which matures January 31, 2019, and bears interest at a rate of 8.00% per annum. The note and unpaid accrued interest were converted on April 1, 2018, to an 11.0% member interest in GTI Pennsylvania, LLC.	-	3,000,000
Convertible note dated September 22, 2017, in the original amount of $4,500,000 issued to accredited investors, which matures December 22, 2018, and bears interest at a rate of 8.00% per annum. The note and unpaid accrued interest were converted on April 1, 2018, to a 16.5% member interest in GTI Pennsylvania, LLC.	-	4,500,000
Total Notes Payable	7,905,090	16,068,049
Less: Current Portion of Notes Payable	(1,437,303)	(8,861,376)
Notes Payable, Net of Current Portion	**$ 6,467,787**	**$ 7,206,673**

Stated maturities of debt obligations are as follows:

Year Ending December 31,	
2018 (six months)	$ 655,446
2019	1,515,846
2020	1,689,509
2021	1,884,791
2022	1,769,087
Thereafter	390,411
	$ 7,905,090

9. NOTES PAYABLE *(Continued)*

The promissory notes with outstanding balances at June 30, 2018 of $2,246,366 and $4,492,733 are collateralized by substantially all of the assets of GTI Clinic Illinois Holdings LLC and affiliates and certain real estate.

In connection with the notes dated October 2, 2017, the Company is required to comply with restrictive financial covenants. At June 30, 2018, the Company was in compliance with these covenants.

10. GENERAL AND ADMINISTRATIVE

For the periods ended June 30, 2018 and 2017, general and administrative expenses comprised:

		Three Months Ended June 30,		Six Months Ended June 30,	
		2018	2017	2018	2017
Salaries & Benefits	*Note 16*	$ 4,040,896	$ 720,591	$ 7,373,243	$ 1,317,539
Professional Fees		2,591,373	824,880	3,612,232	1,845,339
Listing Fees		3,002,634	-	3,002,634	-
Rent	*Note 15(a)*	330,666	292,815	796,702	391,001
Other		371,687	230,366	700,080	429,250
Travel		285,582	146,745	539,176	262,714
Office Equipment and Supplies		149,280	21,856	285,929	33,658
Insurance		227,937	15,780	275,681	25,414
Licenses & Permits		93,236	155,374	187,586	167,716
Utilities		60,049	8,452	170,497	25,880
Bank fees		21,076	10,460	61,196	19,942
Charitable Donations		44,612	38,262	55,262	71,373
Computer, Telephone, and Internet		32,371	6,230	43,077	11,736
Total General and Administrative Expenses		$ 11,251,399	$ 2,471,811	$ 17,103,295	$ 4,601,562

11. INCOME TAXES

For the periods ended June 30, 2018 and 2017, income taxes consisted of:

	Three Months Ended June 30,		**Six Months Ended June 30,**	
	2018	**2017**	**2018**	**2017**
Current:				
Federal	$ 614,000	$ -	$ 1,097,000	$ -
State	99,000	-	120,000	-
Total Current	713,000	-	1,217,000	-
Deferred:				
Federal	$ 2,565,000	$ -	$ 2,125,000	$ -
State	975,000	-	946,000	-
Total Deferred	3,540,000	-	3,071,000	-
Total	**$ 4,253,000**	**$ -**	**$ 4,288,000**	**$ -**

11. INCOME TAXES *(Continued)*

Federal and State income tax expenses for the three and six months ended June 30, 2018 totaled $713,000 and $1,217,000 respectively, compared to $0 for the three and six months ended June 30, 2017. Taxable income is computed for GTI Core, LLC and its respective LLC ownership interests up through the RTO date of June 12, 2018 and for all GTI companies and subsidiaries from this date forward. Effective with the Company's reverse takeover transaction on June 12, 2018, all GTI companies and subsidiaries have elected to be taxed as "C" corporations. When the Company operates through a joint venture agreement, only the Company's respective share of tax liability is included in the provision for income taxes.

Income taxes paid for the six months ended June 30, 2018 were $1,233,510, compared to $0 for the six months ended June 30, 2017.

On January 1, 2018, the Company, through a tax-free transfer under IRC Section 352, transferred ownership in GTI-Clinic Illinois Holdings, LLC (taxed as a partnership) to GTI Core, LLC (taxed as a "C" corporation). As a result of the transaction, the Company now accounts for income taxes in accordance with IAS 12 - Income Taxes, under which deferred tax assets and liabilities are recognized based upon anticipated future tax consequences attributable to differences between financial statement carrying values of assets and liabilities and the respective tax bases. As a result of the transaction, the tax basis of the Company decreased resulting in the recognition of a deferred tax liability of $614,000 with a corresponding decrease to Members' Equity. The liability pertains to the difference in reporting biological assets for financial statement and income tax reporting purposes. Deferred tax expenses for the three and six months ended June 30, 2018 totaled $3,540,000 and $3,071,000 respectively, compared to $0 for the three and six months ended June 30, 2017, and relates to changes in the values of Warrants and biological assets for income tax reporting purposes.

As the Company operates in the cannabis industry, it is subject to the limitations of 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. Therefore, the effective tax rate can be highly variable and may not necessarily correlate with pre-tax income or loss.

12. INVESTMENTS

On January 17, 2018, GTI entered into a Debenture Purchase Agreement with iAnthus Capital Holdings, Inc. whereby GTI loaned $20 million to iAnthus for the purchase of a Florida medical cannabis business. As part of the Debenture Purchase Agreement, GTI received (i) an Unsecured Debenture with a principal amount of $20 million accruing interest at the rate of 15% per annum, and (ii) a Warrant Certificate providing GTI with 10,040,000 iAnthus warrants at a price of $1.9928 per common share. The Unsecured Debenture had a maturity of 12 months but had certain early repayment provisions in the event of subsequent capital offerings made by iAnthus. On May 16, 2018 iAnthus completed a capital raise and subsequently repaid the outstanding principle of $20,000,000 and accrued interest of $978,082 on the Unsecured Debenture.

The Company measured the outstanding Warrants using the Black-Scholes valuation model with a volatility of 68%, dividend yield 0% and risk-free rate of 1.93. The calculated fair value of $34,557,680 is recorded as a Level 2 fair value investment as of June 30, 2018 (see Note 17).

The Company also holds several convertible notes with an aggregate value of $4,500,000 as of June 30, 2018.

13. SHARE CAPITAL

At June 30, 2018 the Company has 137,683,834 shares issued and outstanding, which consist of the following:

(a) Subordinate Voting shares
The holders of the subordinate voting shares are entitled to receive dividends which may be declared from time to time, and are entitled to one vote per share at shareholder meetings of the Company. All subordinate voting shares are ranked equally with regard to the Company's residual assets. During the six months ended June 30, 2018, the Company issued 11,345,434 subordinate voting shares as part of the RTO fundraise transaction completed on June 12, 2018. The Company is authorized to issue an unlimited number of no par value subordinate voting shares.

(b) Multiple Voting shares
Each multiple voting share is exchangeable for 100 subordinate voting shares. The Company has 829,975 issued and outstanding multiple voting shares, which converts into 82,997,500 subordinate voting shares. These shares were converted from member interests as part of the RTO transaction completed on June 12, 2018. The Company is authorized to issue an unlimited number of multiple voting shares.

(c) Super Voting shares
Each super voting share is exchangeable for 1,000 subordinate voting shares. The Company has 433,409 issued and outstanding super voting shares which converts into 43,340,900 subordinate voting shares. These shares were converted from member interests as part of the RTO transaction completed on June 12, 2018. The Company is authorized to issue an unlimited number of super voting shares.

Stock Options

In June 2018, the Company established the GTII Stock and Incentive Plan (the "Plan"). The maximum number of shares issued under the Plan shall not exceed 10% of the issued and outstanding shares. Equity incentives granted generally vest over one to three years, and typically have a life of ten years. Option grants are determined by the Compensation Committee of the Board with the option price set at no less than 100% of the fair market value of a share on the date of grant.

On June 13, 2018, the Company granted stock options as compensation to investment bankers, exercisable at CAD$7.75 on the grant date, to purchase up to an aggregate of 285,200 shares of the Company.

On June 29, 2018, the Company granted non-qualified incentive stock options to employees, exercisable at CAD$13.51 on the grant date, to purchase up to an aggregate of 600,000 shares of the Company.

The Company used the Black-Scholes option pricing model to estimate the fair value of the options at the grant date. This options pricing model requires the application of estimates and assumptions including expected volatility, which may not be available requiring the Company to use information that is available from comparable companies instead.

On June 29, 2018, the Company granted 902,000 restricted stock units to employees and directors, vesting over 1 to 2 years. The Company recorded expense of $27,240 for the three months ended June 30,2018 as share-based compensation related to the plans described above.

14. NON-CONTROLLING INTEREST

In February 2017, an unrelated third party converted its note and accrued interest for an approximate 42.5% interest in GTI Nevada LLC. This entity is included in the unaudited interim condensed consolidated financial statements with a resulting non-controlling interest reflected therein.

In connection with an operating agreement reached in August 2017, GTI Core, LLC effectively assumed control over the operations of an entity which holds multiple Maryland licenses. This entity also contributed assets in exchange for an ownership interest in a GTI subsidiary. Both entities are included in the unaudited interim condensed consolidated financial statements with a resulting non-controlling interest reflected therein.

In January 2018, the Company formed a joint venture investment entity. This entity is included in the unaudited interim condensed consolidated financial statements with a resulting non-controlling interest reflected therein.

In April 2018, two unrelated third parties converted their note and accrued interest for an approximate 27.5% interest in GTI Pennsylvania LLC. This entity is included in the unaudited interim condensed consolidated financial statements with a resulting non-controlling interest reflected therein.

The accompanying unaudited interim condensed consolidated financial statements also include the accounts of other majority owned subsidiaries. Non-controlling interests are included as a component of shareholders' equity.

15. COMMITMENTS AND CONTINGENCIES

(a) Office and Operating Leases

The Company leases certain business facilities from third parties under operating lease agreements that specify minimum rentals. The leases expire through 2028 and contain renewal provisions. Additionally, certain leases provide for rent abatement, and rent expense is calculated on straight-line basis over the terms of the leases with the incentives reported as deferred rent. The Company's net rent expense for the three and six months ended June 30, 2018 totaled $207,000 and $563,000 respectively, compared to $272,000 and $370,000 for the three and six months ended June 30, 2017.

Certain facilities are occupied under the terms of lease agreements with related parties. The leases expire through 2024 and contain certain renewal provisions. Rent expense under these leases for the three and six months ended June 30, 2018 totaled $174,000 and $284,000 respectively, compared to $9,000 for the three and six months ended June 30, 2017.

Future minimum lease payments under non-cancelable operating leases having an initial or remaining term of more than one year are as follows:

Year Ending December 31	Third Parties	Related Parties	Total
2018 (six months)	$ 431,642	$ 283,734	$ 715,376
2019	871,513	574,477	1,445,990
2020	804,587	585,966	1,390,553
2021	792,740	597,686	1,390,426
2022	601,320	504,255	1,105,575
2023 and Thereafter	891,573	1,062,093	1,953,666
Total Future Minimum Lease Payments	**$ 4,393,375**	**$ 3,608,211**	**$ 8,001,586**

15. COMMITMENTS AND CONTINGENCIES *(Continued)*

(b) Contingencies

The Company's operations are subject to a variety of local and state regulation. Failure to comply with one or more of those regulations could result in fines, restrictions on its operations, or losses of permits that could result in the Company ceasing operations. While management of the Company believes that the Company is in compliance with applicable local and state regulation at June 30, 2018, medical cannabis regulations continue to evolve and are subject to differing interpretations. As a result, the Company may be subject to regulatory fines, penalties, or restrictions in the future.

(c) Claims and Litigation

From time to time, the Company may be involved in litigation relating to claims arising out of operations in the normal course of business. At June 30, 2018, 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 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.

(d) Construction Commitments

As of June 30, 2018, the Company held approximately $3,300,000 of open commitments to contractors on work being performed.

16. RELATED PARTIES TRANSACTIONS

(a) Due from Related Parties

At June 30, 2018 and December 31, 2017, amounts due from related parties consisted of:

	2018	2017
Note receivable dated December 15, 2017, principal due by December 31, 2018, plus interest at 1.52%.	$ -	$ 605,000
Note receivable from Firefly Dispensaries dated February 14, 2018, principal due six months after the date of termination of the Services Agreement or the one year anniversary of the Note; plus interest at 10%.	2,750,000	-
Note receivable dated July 20, 2017, principal due the earlier of July 19, 2018 or upon the achievement of defined capital raising activities; plus interest at 2.00%; note repaid on February 13, 2018.	-	575,000
Other	359,695	8,686
Total Due from Related Parties	$ 3,109,695	$ 1,188,686

(b) Related Party Transactions

Total compensation of key management personnel and directors was approximately $640,000 and $1,085,000 for the three and six months ended June 30, 2018, respectively.
The Company also has related party rent transactions, as described in Note 15(a).

17. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT

Financial Instruments

The Company's financial instruments consist of cash and cash equivalents, accounts receivable, member contribution receivable, due from related parties, investments, accounts payable and accrued liabilities, short-term note payable, and long-term debt. The carrying values of these financial instruments approximate their fair values at June 30, 2018 and December 31, 2017.

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

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

17. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT *(Continued)*

There have been no transfers between fair value levels during the periods ended June 30, 2018 and 2017.

The following table summarizes the Company's financial instruments as of June 30, 2018:

	Fair Value Through Profit or Loss	Amortized Cost	Fair Value Through OCI
Financial Assets			
Cash and Cash Equivalents	$ 112,650,317	$ -	$ -
Accounts Receivable	$ -	$ 2,303,003	$ -
Due from Related Parties	$ -	$ 3,109,695	$ -
Investments	$ 39,057,680	$ -	$ -
Financial Liabilities			
Accounts Payable and Accrued Liabilities	$ -	$ 7,648,485	$ -
Current Portion of Notes Payable	$ -	$ 1,437,303	$ -
Notes Payable, Net of Current Portion	$ -	$ 6,467,787	$ -

The following table summarizes the Company's financial instruments as of December 31, 2017:

	Fair Value Through Profit or Loss	Amortized Cost	Fair Value Through OCI
Financial Assets			
Cash and Cash Equivalents	$ 29,565,497	$ -	$ -
Accounts Receivable	$ -	$ 892,373	$ -
Member Contribution Receivable	$ -	$ 2,785,998	$ -
Due from Related Parties	$ -	$ 1,188,686	$ -
Financial Liabilities			
Accounts Payable and Accrued Liabilities	$ -	$ 5,205,281	$ -
Current Portion of Notes Payable	$ -	$ 8,861,376	$ -
Notes Payable, Net of Current Portion	$ -	$ 7,206,673	$ -

Financial Risk Management

The Company is exposed in varying degrees to a variety of financial instrument related risks. The Board mitigates these risks by assessing, monitoring and approving the Company's risk management processes:

(a) Credit Risk

Credit risk is the risk of a potential loss to the Company if a customer or third party to a financial instrument fails to meet its contractual obligations. The maximum credit exposure at June 30, 2018 is the carrying amount of cash and cash equivalents. The Company does not have significant credit risk with respect to its customers. All cash and cash equivalents are placed with major U.S. financial institutions.

The Company provides credit to its customers in the normal course of business and has established credit evaluation and monitoring processes to mitigate credit risk but has limited risk as the majority of its sales are transacted with cash.

17. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT *(Continued)*

(b) Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations associated with financial liabilities. The Company manages liquidity risk through the management of its capital structure. The Company's approach to managing liquidity is to ensure that it will have sufficient liquidity to settle obligations and liabilities when due.

In addition to the commitments outlined in Note 15, the Company has the following contractual obligations:

	<1 Year	1 to 3 Years	3 to 5 Years	Greater than 5	Total
Accounts Payable and Accrued Liabilities	$ 7,648,485	$ -	$ -	$ -	$ 7,648,485
Deferred Rent	$ 6,275	$ 144,878	$ 137,848	$ 7,768	$ 296,769
Notes Payable	$ 1,437,303	$ 2,423,498	$ 4,044,289	$ -	$ 7,905,090

(c) Market Risk

(i) Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Cash and cash equivalents bear interest at market rates. The Company's financial debts have fixed rates of interest and therefore expose the Company to a limited interest rate fair value risk.

(ii) Price Risk

Price risk is the risk of variability in fair value due to movements in equity or market prices. See Note 4 for the Company's assessment of certain changes in the fair value assumption used in the calculation of biological asset values.

18. SUBSEQUENT EVENTS

The Company has evaluated subsequent events through August 28, 2018, which is the date these unaudited interim condensed consolidated financial statements were issued.

(a) Transaction with Firefly Dispensaries (also see note 16(a))

On February 14, 2018, the Company executed several agreements with KW Ventures Holdings, LLC, d/b/a/ Firefly Dispensaries, which received a medical cannabis dispensary license from the Pennsylvania Department of Health in 2017. The executed agreements include a Contribution Agreement for the future acquisition of the equity in Firefly Dispensaries, subject to applicable regulatory approvals, in exchange for a 9.9% direct membership interest in GTI Pennsylvania, LLC. The Contribution Agreement provided for a $3,000,000 working capital line of credit and a management services agreement for the Company to support dispensary build out and pre-operating activities. Both parties intend to execute this transaction and close in the 4th quarter of 2018.

18. SUBSEQUENT EVENTS *(Continued)*

(b) Transaction with Florida Licensee

The Company has entered into a definitive agreement with KSGNF, LLC, the holder of a license to operate a medical marijuana treatment center in the State of Florida, for a combination of cash and equity. The Company also entered into (i) a credit agreement and promissory note with KSGNF, LLC to lend up to $1 million in working capital for the Florida business, and (ii) a consulting agreement pursuant to which the Company would provide certain discrete advisory services to KSGNF, LLC in exchange for a nominal consulting fee. It is anticipated that the closing of the acquisition will occur in the fourth quarter of 2018.

(c) Receipt of Maryland Cultivation License

On April 9, 2018, Maryland Governor Larry Hogan signed House Bill 2 into law. Among other things, HB2 Section 9(a)(1) requires the Maryland Medical Cannabis Commission — on or before June 1, 2018 — to grant a Stage One preapproval for a medical cannabis grower license. GTI Maryland, LLC has received Stage One preapproval. Stage Two of the application process is currently under way. Upon successful completion of the application process, the Company will be authorized to cultivate medical cannabis in Maryland. At that time GTI will achieve full supply chain integration. The Company will work in partnership with the state and the Maryland Medical Cannabis Commission to determine the location for its grow facility, with particular attention paid to areas that would most benefit from newly created jobs.

(d) Transaction with New York Licensee

On June 29, 2018, the Company entered into a definitive agreement to acquire one of the ten licensees in the regulated New York cannabis market. The acquisition includes the licenses and assets for one cultivation, one processing and four retail facilities. The closing of the acquisition is subject receipt of regulatory approval, and is expected to occur in the second half of 2018.

(e) Bought Deal

On August 2, 2018 the Company closed on its $61.7 million (CAD$80.3 million) bought deal financing (the "Offering") for 7,300,000 shares, co-led by Canaccord Genuity Corp. and GMP Securities L.P. and including Beacon Securities Limited, Echelon Wealth Partners Inc. and Eight Capital. Financing costs related to the Offering totaled $3.0 million (CAD $3.9 million).