GREEN THUMB INDUSTRIES INC. (formerly Bayswater Uranium Corporation)

AUDITED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2018 AND 2017

(Expressed in United States Dollars)

Green Thumb Industries Inc. (formerly Bayswater Uranium Corporation)
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Independent Auditor's Report

To the Shareholders of Green Thumb Industries Inc.:

Opinion

We have audited the consolidated financial statements of Green Thumb Industries Inc. and its subsidiaries (the "Company"), which comprise the consolidated statement of financial position as at December 31, 2018, and the consolidated statement of operations and other comprehensive loss, changes in shareholders' equity and cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as at December 31, 2018 and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Matter

The amended and restated combined financial statements of the Company for the year ended December 31, 2017 were audited by another auditor who expressed an unmodified opinion on those financial statements on July 26, 2018.

Other Information

Management is responsible for the other information. The other information comprises Management's Discussion & Analysis.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audits or otherwise appears to be materially misstated. We obtained Management's Discussion and Analysis prior to the date of this auditor's report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company’s internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company’s ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditor's report is Ahlan Veerasamy.

MNP LLP

Toronto, Ontario
April 30, 2019

Chartered Professional Accountants
Licensed Public Accountants

Green Thumb Industries Inc. (formerly Bayswater Uranium Corporation)
Consolidated Statements of Financial Position
December 31, 2018 and 2017
(Amounts Expressed in United States Dollars)

		2018	**(Combined) 2017**
ASSETS			
Current Assets:			
Cash and Cash Equivalents		$ 145,986,072	$ 29,565,497
Accounts Receivable		4,574,404	892,373
Members Contribution Receivable		-	2,785,998
Due from Related Parties	*Note 20*	-	1,188,686
Inventories	*Note 4*	11,371,868	2,689,762
Biological Assets	*Note 5*	6,321,215	2,117,131
Notes Receivable	*Note 6*	3,500,000	-
Prepaid Expenses and Other Current Assets		2,642,481	550,389
Total Current Assets		174,396,040	39,789,836
Property and Equipment, Net	*Note 7*	65,324,080	31,558,357
Investments	*Note 13*	40,933,283	-
Investment in Associate	*Note 14*	5,850,000	-
Notes Receivable	*Note 6*	7,424,727	-
Intangible Assets, Net	*Note 9*	91,565,678	14,161,995
Goodwill	*Note 8*	29,324,360	188,260
Deposits and Other Assets		2,184,417	1,458,833
TOTAL ASSETS		$ 417,002,585	$ 87,157,281
LIABILITIES AND SHAREHOLDERS' EQUITY			
LIABILITIES			
Current Liabilities:			
Accounts Payable		$ 8,928,528	$ 4,044,760
Accrued Liabilities		7,046,029	1,160,521
Current Portion of Notes Payable	*Note 10*	1,480,660	8,861,376
Liability for Acquisition of Noncontrolling Interest	*Note 15*	25,420,009	-
Derivative Liability	*Note 17*	4,238,701	-
Income Tax Payable	*Note 12*	505,585	214,000
Total Current Liabilities		47,619,512	14,280,657
Long-Term Liabilities:			
Deferred Rent		280,127	301,105
Notes Payable, Net of Current Portion	*Note 10*	5,733,797	7,206,673
Contingent Consideration Payable	*Note 8*	9,035,250	-
Deferred Income Taxes	*Note 12*	5,454,000	-
TOTAL LIABILITIES		68,122,686	21,788,435
Share Capital		$ 402,667,548	$ 65,745,210
Shares to be Issued		27,773,234	-
Contributed Surplus		15,131,145	-
Accumulated Deficit		(100,189,487)	(3,742,714)
Equity of Green Thumb Industries Inc.	*Note 13*	345,382,440	62,002,496
Non-controlling interests	*Note 16*	3,497,459	3,366,350
TOTAL EQUITY		348,879,899	65,368,846
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		$ 417,002,585	$ 87,157,281

Nature of Operations (*Note 1*)
Commitments and Contingencies (*Note 19*)
Subsequent Events (*Note 23*)

Approved and authorized by the Board of Directors on April 30, 2019:

Benjamin Kovler
Chief Executive Officer

Anthony Georgiadis
Chief Financial Officer

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

Green Thumb Industries Inc. (formerly Bayswater Uranium Corporation)
Consolidated Statements of Operations and Comparehensive Loss
Years Ended December 31, 2018 and 2017
(Amounts Expressed in United States Dollars)

		2018	(Combined) 2017
Revenues, net of discounts		$ 62,493,680	$ 16,528,779
Cost of Goods Sold, net		(33,991,355)	(10,446,801)
Gross Profit before Biological Asset Adjustment		28,502,325	6,081,978
Net Effect of Changes in Fair Value of Biological Assets	*Note 5*	4,204,084	1,146,087
Gross Profit		32,706,409	7,228,065
Expenses:			
General and Administrative	*Note 11*	54,881,861	11,039,124
Sales and Marketing		1,494,239	190,384
Depreciation and Amortization		3,849,078	261,264
Total Expenses		60,225,178	11,490,772
Loss From Operations		(27,518,769)	(4,262,707)
Other Income (Expense):			
Other Income (Expense), net	*Note 18*	56,417,421	544,399
Interest Income		1,952,945	-
Interest Expense		(2,278,834)	(432,448)
Total Other Income (Expense)		56,091,532	111,951
Income (Loss) Before Provision for Income Taxes And Non-Controlling Interest		28,572,763	(4,150,756)
Provision For Income Taxes	*Note 12*	8,624,595	214,000
Net Income (Loss) and Comparehensive Income (Loss) Before Non-Controlling Interest		19,948,168	(4,364,756)
Net Income (Loss) and Comprehensive Income (Loss) Attributable To Non-Controlling Interest		27,811,696	(622,042)
Net Loss and Comprehensive Loss Attributable To Green Thumb Industries Inc.		$ (7,863,528)	$ (3,742,714)
Net Loss per share - basic and diluted		$ (0.05)	
Weighted average number of shares outstanding - basic and diluted		148,318,518	
Net Loss per membership unit			$ (0.01)
Membership units			249,702,041

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

Green Thumb Industries Inc. (formerly Bayswater Uranium Corporation)
Consolidated Statements of Changes in Shareholders' Equity
Years Ended December 31, 2018 and 2017
(Amounts Expressed in United States Dollars)

		Share Capital	Shares to Be Issued	Contributed Surplus	Accumulated Earnings (Deficit)	Non-Controlling Interest	Total
Balance, January 1, 2017		$ 31,860,953	$ -	$ -	$ -	$ -	$ 31,860,953
Contributions from shareholders		65,385,608	-	-	-	774,468	66,160,076
Member contributions receivable		2,785,998	-	-	-	-	2,785,998
Initial consolidation of controlled entities		-	-	-	-	934,472	934,472
Conversion of note payable into membership interests		-	-	-	-	2,279,452	2,279,452
Distributions payable to shareholders		(279,750)	-	-	-	-	(279,750)
Distributions to shareholders		(34,007,599)	-	-	-	-	(34,007,599)
Net loss		-	-	-	(3,742,714)	(622,042)	(4,364,756)
Balance, December 31, 2017		$ 65,745,210	$ -	$ -	$ (3,742,714)	$ 3,366,350	$ 65,368,846
Balance, January 1, 2018		$ 65,745,210	$ -	$ -	$ (3,742,714)	$ 3,366,350	$ 65,368,846
Conversion of exchangeable notes by noncontrolling interest in subsidiary	*Note 16*	-	-	-	3,927,483	4,686,257	8,613,740
Shares issued pursuant to reverse takeover	*Note 15*	3,002,634	-	-	-	-	3,002,634
Shares issued pursuant to private placement, net of share issuance costs and issuance of options as settlement of services provided	*Note 15*	61,884,344	-	906,366	-	-	62,790,710
Conversion of exchangeable note	*Note 15*	44,140,526	-	-	-	-	44,140,526
Issuance of shares upon fundraise transaction, August 2018, net of costs	*Note 15*	58,592,775	-	-	-	-	58,592,775
Issuance of shares upon fundraise transaction, October 2018, net of costs	*Note 15*	75,083,480	-	-	-	-	75,083,480
Contributions from limited liability company unit holders		-	-	1,637,479	-	17,297,494	18,934,973
Issuance of shares under business combinations and investments	*Note 8*	51,151,649	-	-	-	-	51,151,649
Noncontrolling interests adjustment for change in ownership	*Note 15*	35,940,000	27,773,234	-	(90,244,101)	(10,439,741)	(36,970,608)
Issuance of shares for redemption of noncontrolling interests	*Note 15*	4,093,718	-	-	-	-	4,093,718
Stock based compensation	*Note 15*	-	-	14,714,216	-	-	14,714,216
Exercise of stock options	*Note 15*	1,395,733	-	(489,437)	-	-	906,296
Control acquired through management service agreement		-	-	-	-	(164,635)	(164,635)
Noncontrolling interest under business combination		-	-	-	-	1,896,546	1,896,546
Distributions to limited liability company unit holders		-	-	-	(2,266,627)	(14,821,657)	(17,088,284)
Distributions of investments		-	-	-	-	(26,134,851)	(26,134,851)
Net income (loss)		-	-	-	(7,863,528)	27,811,696	19,948,168
Balance, December 31, 2018		$ 401,030,069	$ 27,773,234	$ 16,768,624	$ (100,189,487)	$ 3,497,459	$ 348,879,899

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

Green Thumb Industries Inc. (formerly Bayswater Uranium Corporation)
Consolidated Statements of Cash Flows
Years Ended December 31, 2018 and 2017
(Amounts Expressed in United States Dollars)

	2018	(Combined) 2017
CASH FLOW FROM OPERATING ACTIVITIES		
Net loss attributable to Green Thumb Industries Inc.	$ (7,863,528)	$ (3,742,714)
Net income (loss) attributable to non-controlling interest	27,811,696	(622,042)
Adjustments to reconcile net income (loss) to net cash used in operating activities:		
Depreciation and amortization	5,183,980	689,988
Loss on disposal of property and equipment	667,837	-
Loss from joint venture	55,750	-
Deferred rent	(20,978)	301,105
Deferred income taxes	5,454,000	-
Share based compensation	14,714,216	-
Increase in fair value of investments	(41,374,815)	-
Decrease in fair value of conversion feature	(1,293,474)	-
Changes in value of liabilities related to put option and purchase of noncontrolling interests	(2,518,180)	-
Reverse takeover transaction listing expense	3,002,634	-
Interest on convertible note payable	434,000	-
Interest on contingent consideration payable	178,030	-
Changes in operating assets and liabilities:		
Accounts receivable	(3,682,031)	(592,026)
Biological assets	(4,204,084)	(1,146,087)
Inventory	(7,627,694)	(1,165,818)
Prepaid expenses and other current assets	(2,092,697)	(394,922)
Deposits and other assets	(679,072)	(901,768)
Accounts payable	4,725,096	3,098,293
Accrued liabilities	1,722,772	(26,717)
Income tax payable	291,585	214,000
NET CASH USED IN OPERATING ACTIVITIES	(7,114,957)	(4,288,708)
CASH FLOW FROM INVESTING ACTIVITIES		
Investments in debentures and equity investments	(53,118,046)	-
Repayments from debenture investments	20,000,000	-
Investment in associates	(4,387,500)	-
Purchases of property and equipment	(27,432,847)	(14,244,340)
Advances to related parties	(2,750,000)	(1,188,686)
Repayments from related parties	583,686	-
Issuance of notes receivable	(3,500,000)	-
Consolidation of controlled entities	154,776	-
Purchases of licenses	(49,999)	(220,000)
Purchase of businesses, net of cash acquired	(51,489,384)	(10,372,385)
NET CASH USED IN INVESTING ACTIVITIES	(121,989,314)	(26,025,411)

Green Thumb Industries Inc. (formerly Bayswater Uranium Corporation)
Consolidated Statements of Cash Flows (Continued)
Years Ended December 31, 2018 and 2017
(Amounts Expressed in United States Dollars)

	2018	2017
CASH FLOW FROM FINANCING ACTIVITIES		
Contributions from limited liability company unit holders	21,748,211	66,160,076
Distributions to limited liability company unit holders	(17,368,034)	(34,007,599)
Payment for change in ownership interests of subsidiary	(700,000)	-
Proceeds from shares issued pursuant to private placement	66,805,295	-
Proceeds from exchangeable notes payable	45,000,000	-
Proceeds from fundraise transactions	140,289,093	-
Proceeds from exercise of options	906,296	-
Reverse takeover, private placement, and fundraise transaction financing costs	(10,627,423)	-
Proceeds from issuance of notes payable	825,000	15,000,000
Principal repayments of notes payable	(1,353,592)	(228,379)
NET CASH PROVIDED BY FINANCING ACTIVITIES	245,524,846	46,924,098
NET INCREASE IN CASH AND CASH EQUIVALENTS	116,420,575	16,609,979
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	29,565,497	12,955,518
CASH AND CASH EQUIVALENTS, END OF PERIOD	$ 145,986,072	$ 29,565,497

Green Thumb Industries Inc. (formerly Bayswater Uranium Corporation)
Consolidated Statements of Cash Flows (Continued)
Years Ended December 31, 2018 and 2017
(Amounts Expressed in United States Dollars)

	2018	2017
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Interest paid	$ 874,298	$ 149,081
OTHER NONCASH INVESTING AND FINANCING ACTIVITIES		
Purchase of property and equipment with cancellation of note receivable	$ 605,000	$ -
Distributions payable to members	$ -	$ 279,750
Conversion of notes payable into equity	$ 8,613,740	$ 2,279,452
Compensation options issued for reverse takeover services	$ 906,366	$ -
Initial consolidation of variable interest entities, net of cash	$ (319,411)	$ 934,472
Due from investors for equity contributions	$ -	$ 2,785,998
Accrued capital expenditures	$ 2,710,085	$ -
Distributions of investments	$ 26,134,851	$ -
Liability related to put option of convertible note payable	$ 7,108,043	$ -
Liability for purchase of noncontrolling interest	$ 25,068,847	$ -
Issuance of shares under business combinations and investments	$ 51,151,649	$ -
Acquisitions		
Inventory	$ 975,329	$ 483,058
Prepaid expenses and other current assets	26,635	-
Property and equipment	3,938,703	397,015
Identifiable intangible assets	79,850,639	10,600,480
Goodwill	29,136,100	188,260
Deposits and other assets	239,808	-
Liabilities assumed	(2,088,369)	(1,296,428)
Contingent liabilities	(8,857,220)	-
Equity interests issued	(49,689,149)	-
Noncontrolling interests	(2,043,092)	-
	$ 51,489,384	$ 10,372,385
Initial consolidation of controlled entities, net of cash		
Inventory	$ 79,083	$ -
Prepaid expenses and other current assets	-	1,921
Property and equipment	2,433,950	1,287,356
Deposits and other assets	9,000	160,000
Liabilities assumed	(2,841,444)	(514,805)
	$ (319,411)	$ 934,472

The accompanying notes are an integral part of these 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 twelve State markets (Illinois, Maryland, Massachusetts, Nevada, Ohio, Pennsylvania, Florida, New Jersey, Connecticut, Colorado, California, 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 and Statement of Compliance

The consolidated financial statements for the years ended December 31, 2018 and 2017, have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and Interpretations of the IFRS Interpretations Committee ("IFRIC") in effect for the years ended December 31, 2018 and 2017.

These consolidated financial statements were approved and authorized for issue by the Board of Directors of the Company on April 30, 2019.

(b) Basis of Measurement

These 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 and Presentation Currency

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

(d) Basis of Consolidation

The consolidated financial statements for the year ended December 31, 2018 include the accounts of the Company, its wholly-owned subsidiaries, its partially-owned subsidiaries, and those controlled by the Company by virtue of agreements, on a consolidated basis after elimination of intercompany transactions and balances.

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(d) Basis of Consolidation (Continued)

Control exists when the Company has power over an investee, when the Company is exposed, or has rights, to variable returns from the investee, and when the Company has the ability to affect those returns through its power over the investee. The financial statements of entities controlled by the Company by virtue of agreements are fully consolidated from the date that control commences and deconsolidated from the date control ceases.

On January 1, 2018, the members of 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 and controlled by GTI senior management. Subsequent to January 1, 2018, VCP23, LLC was controlled by the members of GTI-Clinic Illinois Holdings, LLC and RCP23, LLC.

On June 12, 2018, the Company completed a reverse takeover transaction with Bayswater Uranium Corporation (Bayswater). 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.

The following are the Company's wholly-owned subsidiaries that are included in these consolidated financial statements as of and for the year ended December 31, 2018:

Subsidiaries	Jurisdiction	Interest
GTI23, Inc.	Delaware	100%
VCP23, LLC	Delaware	100%
GTI Core, LLC	Delaware	100%

The following are VCP23, LLC's and GTI Core, LLC's wholly-owned subsidiaries and entities over which the Company has control, that are included in these consolidated financial statements as of and for the year ended December 31, 2018:

Subsidiaries	Ownership	Jurisdiction	Purpose
JB17, LLC	100%	Maryland	Management company
GTI-Clinic Illinois Holdings, LLC	100%	Illinois	License holder
RISE Holdings, Inc.	100%	Massachusett	License holder
GTI Maryland, LLC	100%	Maryland	License holder
Ohio Investors 2017, LLC	40%	Ohio	License holder
GTI Nevada, LLC	100%	Nevada	License holder
GTI Pennsylvania, LLC	100%	Pennsylania	License holder
KSGNF, LLC	100%	Florida	License holder
GTI New Jersey, LLC	67%	New Jersey	License holder
KW Ventures Holdings, LLC	0%	Pennsylvania	License holder
Chesapeake Alternatives, LLC	0%	Maryland	License holder
Meshow, LLC	0%	Maryland	License holder
Vision Management Services, LLC	100%	Delaware	Management company
TWD18, LLC	100%	Delaware	Investment company
VCP Real Estate Holdings, LLC	100%	Delaware	Real estate holding company

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(d) Basis of Consolidation (Continued)

The combined financial statements for the year ended December 31, 2017 include entities which were controlled either through common control or common management. Common control exists when the same group of shareholders and/or Board members have the power, directly or indirectly, to govern the financial and operating policies of multiple entities and to expose them to variable returns from their activities. Common management exists when entities operate under the terms of management service agreements that empower the same group of people or entities to directly or indirectly govern the financial and operating policies of multiple entities and to expose them to the variable returns from their activities. All entities were either under common control or common management throughout the year ended December 31, 2017.

The combined financial statements for the year ended December 31, 2017 included the accounts of the following entities, either through common control ("CC") or common management ("CM").

- RCP23, LLC, a Delaware limited liability company – CC and CM
- VCP23, LLC, a Delaware limited liability company – CC and CM
- GTI Clinic Illinois Holdings, LLC, an Illinois limited liability company – CC

All significant intercompany balances and transactions were eliminated in combination.

(e) Investment in Associates

Associates are all entities over which the Company has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method and are initially recognized at cost. Unrealized gains on transactions between the Company and its associates are eliminated to the extent of the Company's interest in the associates. Accounting policies of associates have been adjusted where necessary to ensure consistency with the policies adopted by the Company. Dilution gains and losses arising in investments in associates are recognized in the consolidated statements of operations and comprehensive loss.

The Company assesses annually whether there is any objective evidence that its interest in associates is impaired. If impaired, the carrying value of the Company's share of the underlying assets of associates is written down to its estimated recoverable amount (being the higher of fair value less costs of disposal or value in use) and charged to the consolidated statement of loss and comprehensive loss. If the financial statements of an associate are prepared on a date different from that used by the Company, adjustments are made for the effects of significant transactions or events that occur between that date and the date of these consolidated financial statements.

(f) Non-controlling Interests

Non-controlling interests ("NCI") represent equity interests owned by outside parties. NCI may be initially measured at fair value or at the NCI's proportionate share of the recognized amounts of the acquiree's identifiable net assets. The choice of measurement is made on a transaction by transaction basis. The share of net assets attributable to NCI are presented as a component of equity. Their share of net income or loss and comprehensive income or loss is recognized directly in equity. Total comprehensive income or loss of subsidiaries is attributed to the shareholders of the Company and to the NCI, even if this results in the NCI having a deficit balance.

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(g) Cash and Cash Equivalents

Cash and cash equivalents include cash deposits in financial institutions, other deposits that are readily convertible into cash, with original maturities of three months or less, and cash held at retail locations.

(h) Accounts Receivable and Expected Credit Loss

Accounts receivable are recorded at the invoiced amount and do not bear interest. Expected credit loss reflects the Company's estimate of amounts in its existing accounts receivable that may not be collected due to customer claims or customer inability or unwillingness to pay. Collectability of trade receivables is reviewed on an ongoing basis. The expected credit loss is determined based on a combination of factors, including the Company's risk assessment regarding the credit worthiness of its customers, historical collection experience and length of time the receivables are past due. Account balances are charged off against the allowance when the Company believes it is probable the receivable will not be recovered.

(i) Inventories

Inventories of purchased finished goods and packing materials are initially valued at cost and subsequently at the lower of cost and net realizable value. Inventories of harvested cannabis are transferred from biological assets at their fair value less costs to sell and complete at harvest which becomes the deemed cost. Any subsequent post-harvest costs are capitalized to inventory to the extent that the cost is less than net realizable value. Net realizable value is determined as the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale. Cost is determined using the weighted average cost basis. Products for resale and supplies and consumables are valued at lower of cost and net realizable value. The Company reviews inventory for obsolete, redundant and slow-moving goods and any such inventories are written down to net realizable value.

(j) Biological Assets

The Company measures biological assets consisting of medical and adult-use 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 harvested cannabis and finished goods inventories after harvest. These costs are then recorded with cost of goods sold in the consolidated statement of operations and comprehensive loss int eh period when the related product is sold. Unrealized gains or losses arising from changes in fair value less cost to sell during the period are included in the results of operations.

Production costs related to biological assets are expensed. They include the direct cost of seeds and growing materials as well as other indirect costs such as utilities and supplies used in the growing process. Indirect labor for individuals involved in the growing and quality control process is also included, as well as depreciation on production equipment and overhead costs such as rent to the extent it is associated with the growing space. Unrealized fair value gains/losses on growth of biological assets are recorded in a separate line on the face of the income statements.

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

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(k) Property and Equipment

Property and equipment is stated at cost, including capitalized borrowing costs, 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.

(l) Convertible Notes Receivable and Investments in Equity

Convertible notes investments and investments in equity of private companies are classified as financial assets at fair value through profit or loss. Upon initial recognition, the investment is recognized at fair value with directly attributable transaction costs expensed as incurred. Subsequent changes in fair value are recognized in profit or loss.

(m) 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 of definite life intangibles is provided on a straight-line basis over their estimated useful lives, which do not exceed the contractual period, if any, over the following terms:

Licenses and Permits	15 years
Patient Relationships	5 years
Non-competition Agreements	2 years

The estimated useful lives, residual values, and amortization methods are reviewed at each year end, and any changes in estimates are accounted for prospectively.

(n) 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 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.

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(n) Goodwill *(Continued)*

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 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.

(o) Leased Assets

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership to the lessee. All other leases are classified as operating leases. Lease payments under operating leases 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. Lease inducement, which corresponds to a free rent period are deferred and recognized as an expense on straight line basis over the period the inducement was received.

(p) Convertible Promissory Note Payable

At December 31, 2017, the Company had a convertible promissory note. The convertible promissory note was considered to contain an embedded derivative relating to the conversion feature. The conversion feature was measured at fair value upon initial recognition using the Black-Scholes valuation model and was separated from the debt component of the note. The debt component of the note was measured at residual value upon initial recognition. Subsequent to initial recognition, the embedded derivative component was re-measured at fair value at each reporting date while the debt component was accreted to the face value of the note using the effective interest rate through periodic charges to finance expense over the term of the note.

(q) 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.

As discussed further in Note 11, the Company is subject to the limitations of IRC Section 280E.

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(r) Revenue Recognition

Revenue is recognized by the Company in accordance with IFRS 15, *Revenue from Contracts with Customers.* Through application of the standard, the Company recognizes revenue to depict the transfer of promised goods or services to the customer in an amount that reflects the consideration to which the Company expects to be entitled in exchange for those goods or services.

In order to recognize revenue under IFRS 15, the Company applies the following five (5) steps:

- Identify a customer along with a corresponding contract;
- Identify the performance obligation(s) in the contract to transfer goods or provide distinct services to a customer;
- Determine the transaction price the Company expects to be entitled to in exchange for transferring promised goods or services to a customer;
- Allocate the transaction price to the performance obligation(s) in the contract;
- Recognize revenue when or as the Company satisfies the performance obligation(s).

Under IFRS 15, revenues from the sale of cannabis are generally recognized at a point in time when control over the goods have been transferred to the customer. Payment is typically due upon transferring the goods to the customer or within a specified time period permitted under the Company's credit policy.

Revenue is recognized upon the satisfaction of the performance obligation. The Company satisfies its performance obligation and transfers control upon delivery and acceptance by the customer.

Based on the Company's assessment, the adoption of this new standard had no impact on the amounts recognized in its consolidated financial statements.

(s) Share-Based Payments

The Company operates equity settled share-based remuneration plans for its eligible directors, officers, employees and consultants. All goods and services received in exchange for the grant of any share-based payments are measured at their fair value unless the fair value cannot be estimated reliably. If the Company cannot estimate reliably the fair value of the goods and services received, the Company shall measure their value indirectly by reference to the fair value of the equity instruments granted. For transactions with employees and others providing similar services, the Company measures the fair value of the services by reference to the fair value of the equity instruments granted.

Equity settled share-based payments under share-based payments plans are ultimately recognized as an expense in profit or loss with a corresponding credit to reserve for share-based payments, in equity.

If vesting periods or other vesting conditions apply, the expense is allocated over the vesting period, based on the best available estimate of the number of share options expected to vest. Non-market vesting conditions are included in the assumptions about the number of options that are expected to become exercisable. Estimates are subsequently revised if there is any indication that the number of share options expected to vest differs from the previous estimate. Any cumulative adjustment prior to vesting is recognized in the current period. No adjustment is made to any expense recognized in prior period if share options ultimately exercised are different to that estimated on vesting.

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(t) Financial Instruments *(See also Note 21)*

Financial Assets

Recognition and Initial Measurement

The Company recognizes financial assets when it becomes party to the contractual provisions of the instrument. Financial assets are measured initially at their fair value plus, in the case of financial assets not subsequently measured at fair value through profit or loss, transaction costs that are directly attributable to their acquisition. Transaction costs attributable to the acquisition of financial assets subsequently measured at fair value through profit or loss are expensed in profit or loss when incurred.

Classification and Subsequent Measurement

On initial recognition, financial assets are classified as subsequently measured at amortized cost, fair value through other comprehensive income ("FVOCI") or fair value through profit or loss ("FVTPL"). The Company determines the classification of its financial assets, together with any embedded derivatives, based on the business model for managing the financial assets and their contractual cash flow characteristics.

Financial assets are classified as follows:

- Amortized cost - Assets that are held for collection of contractual cash flows where those cash flows are solely payments of principal and interest are measured at amortized cost. Interest revenue is calculated using the effective interest method and gains or losses arising from impairment, foreign exchange and derecognition are recognized in profit or loss. Financial assets measured at amortized cost are comprised of trade receivables.

- Fair value through other comprehensive income - Assets that are held for collection of contractual cash flows and for selling the financial assets, and for which the contractual cash flows are solely payments of principal and interest, are measured at fair value through other comprehensive income. Interest income calculated using the effective interest method and gains or losses arising from impairment and foreign exchange are recognized in profit or loss. All other changes in the carrying amount of the financial assets are recognized in other comprehensive income. Upon derecognition, the cumulative gain or loss previously recognized in other comprehensive income is reclassified to profit or loss. The Company does not hold any financial assets measured at fair value through other comprehensive income.

- Mandatorily at fair value through profit or loss - Assets that do not meet the criteria to be measured at amortized cost, or fair value through other comprehensive income, are measured at fair value through profit or loss. All interest income and changes in the financial assets' carrying amount are recognized in profit or loss. Financial assets mandatorily measured at fair value through profit or loss are comprised of cash and cash equivalents.

- Designated at fair value through profit or loss – On initial recognition, the Company may irrevocably designate a financial asset to be measured at fair value through profit or loss in order to eliminate or significantly reduce an accounting mismatch that would otherwise arise from measuring assets or liabilities, or recognizing the gains and losses on them, on different bases. All interest income and changes in the financial assets' carrying amount are recognized in profit or loss. The Company does not hold any financial assets designated to be measured at fair value through profit or loss.

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(t) Financial Instruments *(See also Note 21)* (Continued)

Financial Assets (Continued)

The Company measures all equity investments at fair value. Changes in fair value are recorded in profit or loss.

Business model assessment

The Company assesses the objective of its business model for holding a financial asset at a level of aggregation which best reflects the way the business is managed and information is provided to management. Information considered in this assessment includes stated policies and objectives.

Contractual cash flow assessment

The cash flows of financial assets are assessed as to whether they are solely payments of principal and interest on the basis of their contractual terms. For this purpose, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money, the credit risk associated with the principal amount outstanding, and other basic lending risks and costs. In performing this assessment, the Company considers factors that would alter the timing and amount of cash flows such as prepayment and extension features, terms that might limit the Company's claim to cash flows, and any features that modify consideration for the time value of money.

Impairment

The Company recognizes a loss allowance for the expected credit losses associated with its financial assets, other than financial assets measured at fair value through profit or loss. Expected credit losses are measured to reflect a probability-weighted amount, the time value of money, and reasonable and supportable information regarding past events, current conditions and forecasts of future economic conditions.

The Company applies the simplified approach for trade receivables. Using the simplified approach, the Company records a loss allowance equal to the expected credit losses resulting from all possible default events over the assets' contractual lifetime.

The Company assesses whether a financial asset is credit-impaired at the reporting date. Regular indicators that a financial instrument is credit-impaired include significant financial difficulties as evidenced through borrowing patterns or observed balances in other accounts and breaches of borrowing contracts such as default events or breaches of borrowing covenants. For financial assets assessed as credit-impaired at the reporting date, the Company continues to recognize a loss allowance equal to lifetime expected credit losses.

For financial assets measured at amortized cost, loss allowances for expected credit losses are presented in the statement of financial position as a deduction from the gross carrying amount of the financial asset.

Financial assets are written off when the Company has no reasonable expectations of recovering all or any portion thereof.

Derecognition of Financial Assets

The Company derecognizes a financial asset when its contractual rights to the cash flows from the financial asset expire.

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(t) Financial Instruments *(See also Note 21)* (Continued)

Financial Liabilities (Continued)

Recognition and Initial Measurement

The Company recognizes a financial liability when it becomes party to the contractual provisions of the instrument. At initial recognition, the Company measures financial liabilities at their fair value plus transaction costs that are directly attributable to their issuance, with the exception of financial liabilities subsequently measured at fair value through profit or loss for which transaction costs are immediately recorded in profit or loss.

Where an instrument contains both a liability and equity component, these components are recognized separately based on the substance of the instrument, with the liability component measured initially at fair value and the equity component assigned the residual amount.

Classification and subsequent measurement

Subsequent to initial recognition, all financial liabilities are measured at amortized cost using the effective interest rate method. Interest, gains and losses relating to a financial liability are recognized in profit or loss.

	Classification and Measurement
Cash and Cash Equivalents	FVTPL
Accounts Receivable	Amortized cost
Member Contributions Receivable	Amortized cost
Due from Related Parties	Amortized cost
Notes Receivable	Amortized cost/FVTPL
Investments	FVTPL
Accounts Payable and Accrued Liabilities	Amortized cost
Liability for Redemption of Noncontrolling Interest	FVTPL
Derivative Liability	FVTPL
Notes Payable	Amortized cost
Contingent Consideration Payable	FVTPL

Derecognition of financial liabilities

The Company derecognizes a financial liability only when its contractual obligations are discharged, cancelled or expire.

(u) Provisions and Contingent Liabilities

Provisions, where applicable, are recognized in other liabilities when the Company has a present legal or constructive obligation as a result of past events, it is more likely than not that an outflow of resources will be required to settle the obligation, and the amount can be reliably estimated. Provisions are measured at management's best estimate of the expenditure required to settle the obligation at the end of the reporting period and are discounted to present value where the effect is material. The Company performs evaluations to identify onerous contracts and, where applicable, records provisions for such contracts.

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(v) Share Capital

Common shares are classified as equity. Incremental costs directly attributable to the issuance of shares are recognized as a deduction from equity. The proceeds from the exercise of stock options or warrants together with amounts previously recorded in reserves over the vesting periods are recorded as share capital. Income tax relating to transaction costs of an equity transaction is accounted for in accordance with IAS 12.

(w) Loss per Share

Basic loss per share is calculated by dividing the net loss attributable to shareholders by the weighted average number of common shares outstanding during each of the years presented. Contingently issuable shares (including shares held in escrow) are not considered outstanding common shares and consequently are not included in the loss per share calculations.

Diluted loss per share is calculated by adjusting the weighted average number of common shares outstanding to assume conversion of all dilutive potential common shares. The Company has two categories of dilutive potential common shares: restricted stock units and stock options. In order to determine diluted loss per share, it is assumed that any proceeds from the exercise of dilutive stock options would be used to repurchase common shares at the average market price during the period. The diluted loss per share calculation excludes any potential conversion of stock options and convertible debt that would increase earnings per share or decrease loss per share.

(x) Business Combinations

Business combinations are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value at the date of acquisition. Acquisition related transaction costs are expensed as incurred. Identifiable assets and liabilities, including intangible assets, of acquired businesses are recorded at their fair value at the date of acquisition. When the Company acquires control of a business, any previously held equity interest also is remeasured to fair value. The excess of the purchase consideration and any previously held equity interest over the fair value of identifiable net assets acquired is goodwill. If the fair value of identifiable net assets acquired exceeds the purchase consideration and any previously held equity interest, the difference is recognized in the consolidated statements of loss and comprehensive loss immediately as a gain or loss on acquisition.

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 remeasured 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 remeasured at subsequent reporting dates in accordance with IFRS 9, or IAS 37 Provisions, *Contingent Liabilities and Contingent Assets,* as appropriate, with the corresponding gain or loss being recognized in profit or loss.

(y) Foreign Currency

Monetary assets and liabilities denominated in currencies other than functional currencies are translated into functional currencies at the rate of exchange in effect at the statement of financial position date. Non-monetary assets and liabilities are translated at the historical rates. Revenues and expenses are translated at the transaction date exchange rate. Foreign currency gains and losses resulting from translation are reflected in net comprehensive loss for the period.

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(z) Impairment of Non-Financial Assets

The carrying amount of the Company's non-financial assets is reviewed at each financial reporting date to determine whether there is any indication of impairment. If such indication exists, the recoverable amount of the asset is estimated to determine the extent of the impairment loss. An impairment loss is recognized when the carrying amount of an asset or its Cash Generating Unit ("CGU") exceeds its recoverable amount.

The recoverable amount of an asset or CGU is the greater of its fair value less cost to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects the current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is only reversed if there is an indication that the impairment loss may no longer exist and there has been a change in the estimates used to determine the recoverable amount, however, not to an amount higher than the carrying amount that would have been determined had no impairment loss been recognized in previous years.

(aa) Significant Accounting Judgments, Estimates and Assumptions

The preparation of the Company's 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 revision affects both current and future periods.

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

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

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(m))

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.

(iii) Business Combinations

Classification of an acquisition as a business combination or an asset acquisition depends on whether the assets acquired constitute a business, which can be a complex judgment. Whether an acquisition is classified as a business combination or asset acquisition can have a significant impact on the entries made on and after acquisition.

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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

(iii) Business Combinations (Continued)

In determining the fair value of all identifiable assets, liabilities and contingent liabilities acquired, the most significant estimates relate to contingent consideration and intangible assets. Management exercises judgement in estimating the probability and timing of when earn-outs are expected to be achieved which is used as the basis for estimating fair value. 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 these assets and any changes in the discount rate applied.

(iv) Inventories

The net realizable value of inventories represents the estimated selling price for inventories in the ordinary course of business, less all estimated costs of completion and costs necessary to make the sale. The determination of net realizable value requires significant judgment, including consideration of factors such as shrinkage, the aging of and future demand for inventory, expected future selling price the Company expects to realize by selling the inventory, and the contractual arrangements with customers. Reserves for excess and obsolete inventory are based upon quantities on hand, projected volumes from demand forecasts and net realizable value. The estimates are judgmental in nature and are made at a point in time, using available information, expected business plans, and expected market conditions. As a result, the actual amount received on sale could differ from the estimated value of inventory. Periodic reviews are performed on the inventory balance. The impact of changes in inventory reserves is reflected in cost of goods sold.

(v) Biological Assets (Also see Note 5)

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 of the cannabis, harvested costs, sales price and expected yields.

(vi) Investments in Private Holdings

Investments include private company investments which are classified as FVTPL and carried at fair value based on the value of the Company's interests in the private companies determined from financial information provided by management of the companies, which may include operating results, subsequent rounds of financing and other appropriate information. Ay change in fair value is recognized on the consolidated statement of operations and comprehensive loss.

(vii) 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.

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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

(viii) Determination of Cash-Generating Units

The Company's assets are aggregated into cash-generating units ("CGU's"). CGU's are based on an assessment of the unit's ability to generate independent cash inflows. The determination of these CGU's was based on management's judgment in regard several factors such as shared infrastructure, geographical proximity, and exposure to market risk and materiality.

(ix) Consolidation

Judgment is applied in assessing whether the Company exercises control and has significant influence over entities in which the Company directly or indirectly owns an interest. The Company has control when it has the power over the subsidiary, has exposure or rights to variable returns, and has the ability to use its power to affect the returns. Significant influence is defined as the power to participate in the financial and operating decisions of the subsidiaries. Where the Company is determined to have control, these entities are consolidated. Additionally, judgment is applied in determining the effective date on which control was obtained.

(x) Expected Credit Loss

Management determines the expected credit loss by evaluating individual receivable balances and considering accounts and other receivable financial condition and current economic conditions. Accounts receivable and financial assets recorded in other receivables are written off when deemed uncollectible. Recoveries of accounts receivable previously written off are recorded as income when received. All receivables are expected to be collected within one year of the statement of financial position date.

(xi) Share-Based Payments

Valuation of stock-based compensation and warrants requires management to make estimates regarding the inputs for option pricing models, such as the expected life of the option, the volatility of the Company's stock price, the vesting period of the option and the risk-free interest rate are used. Actual results could differ from those estimates. The estimates are considered for each new grant of stock options or warrants.

(xii) Fair Value of Financial Instruments

The individual fair values attributed to the different components of a financing transaction, derivative financial instruments, are determined using valuation techniques. The Company uses judgment to select the methods used to make certain assumptions and in performing the fair value calculations in order to determine (a) the values attributed to each component of a transaction at the time of their issuance; (b) the fair value measurements for certain instruments that require subsequent measurement at fair value on a recurring basis; and (c) for disclosing the fair value of financial instruments subsequently carried at amortized cost. These valuation estimates could be significantly different because of the use of judgment and the inherent uncertainty in estimating the fair value of these instruments that are not quoted in an active market.

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(bb) Adoption of New and Revised Standards and Interpretations

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 amendments are effective on adoption of IFRS 9, which is effective for annual periods commencing on or after January 1, 2018. There was no significant impact on the Company's consolidated financial statements as a result of this adoption.

(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. There was no significant impact on the Company's consolidated financial statements as a result of this adoption.

(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. There was no significant impact on the Company's consolidated financial statements as a result of this adoption.

(iv) IFRS 2, Share-Based Payments

In June 2016, the IASB issued final amendments to this standard. IFRS 2 clarifies the classification and measurement of share-based payments transactions. These amendments deal with variations in the final settlement arrangements including: (a) accounting for cash settled share-based payment transactions that include a performance condition; (b) classification of share-based payment transactions with net settlement features; and (c) accounting for modifications of share-based payment transactions from cash settled to equity. IFRS 2 amendments are effective for annual periods beginning on or after January 1, 2018, with early adoption permitted. The Company has assessed this standard and will account for share-based payments on this basis as they occur. There was no significant impact on the consolidated financial statements as a result of this adoption.

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(cc) New and Revised Standards, Not Yet Adopted

(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.

The Company intends to apply this standard on a modified retrospective basis, where the cumulative effect of initially applying the standard is recognized as an adjustment to the opening balance of retained earnings and comparative balances are not restated.

On transition to IFRS 16, the Company will elect to apply the practical expedient to grandfather the assessment of which transactions are leases and apply IFRS 16 only to contracts that were previously identified as leases. Contracts that were not identified as leases under IAS 17 will not be reassessed for whether a lease exists. The Company will elect to not recognize right-of-use assets and lease liabilities for leases that have a lease term of 12 months or less and for leases of low-value assets. The Company will also account for leases for which the lease term ends within 12 months of the date of initial application as short-term leases.

As management is still finalizing the impact of the new standard, the Company anticipates the recognition of approximately $9 million in right-of-use assets and corresponding lease liabilities. Should differences arise between the right of-use asset and lease liability, net of deferred tax impacts, they will be recorded in opening retained earnings.

3. REVERSE TAKEOVER TRANSACTION

In April 2018, the Company raised approximately $65.1 million in subscription receipts, gross of approximately $4.0 million in transaction costs. The subscription receipts were for the potential purchase of shares in GTI Finco Inc. (“GTI Finco”) and were held in an escrow account until the reverse takeover transaction.

At a meeting of shareholders on June 11, 2018, the Company’s shareholders approved a resolution to restructure the Company’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”).

On June 12, 2018, Green Thumb Industries Inc., 1165318 B.C. Ltd. (a wholly-owned subsidiary of Bayswater) (“Subco”), VCP23, LLC (“VCP”), GTI23, Inc. (“GTI23”) and 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. The subscription receipts of GTI Finco were then released from escrow.

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. Such share consolidation has been reflected retrospectively in these consolidated financial statements.

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 December 31, 2018 and 2017:

	2018	2017
Raw Material		
Harvested Cannabis	$ 527,456	$ 601,227
Packaging and Miscellaneous	2,511,769	500,765
Total Raw Material	3,039,225	1,101,992
Work in Process	4,038,787	184,435
Finished Goods	4,293,856	1,403,335
Total Inventories	$ 11,371,868	$ 2,689,762

During the years ended December 31, 2018 and 2017, realized gains on the fair value of biological assets included in cost of goods sold, net, on the consolidated statements of operations and comprehensive loss were $9,836,604 and $5,461,645, respectively. The remaining cost of goods sold relates to the cost of inventories recognized as expense amounting to $20,717,263 and $2,680,739 and cultivation costs of biological assets amounting to $3,437,488 and $2,304,417 for the years ended December 31, 2018 and 2017, respectively.

5. BIOLOGICAL ASSETS

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

	2018	2017
Biological assets, beginning balance	$ 2,117,131	$ 971,044
Changes in fair value less costs to sell due to biological transformation	14,040,688	6,607,732
Transferred to inventory upon harvest	(9,836,604)	(5,461,645)
Net change	4,204,084	1,146,087
Biological assets, ending balance	$ 6,321,215	$ 2,117,131

5. BIOLOGICAL ASSETS *(Continued)*

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.

Management has made the following estimates in this valuation model:

- The average number of weeks in the growing cycle is eighteen weeks from propagation to harvest;
- The average harvest yield of whole flower is 118 grams per plant;
- The average selling price of whole flower is $8.27 per gram;
- Processing costs include drying and curing, testing and packaging, and post-harvest overhead allocation, estimated to be $1.46 per gram: and
- Selling costs include shipping, order fulfillment, and labelling, estimated to be $0.34 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 $317,750 (2017 - $414,937).
- Harvest yield per plant - a decrease in the harvest yield per plant of 5% would result in the biological asset value decreasing by $316,060 (2017 - $293,365).
- Average days to grow – an increase in the average days to grow by 5% would result in the biological asset value decreasing by $301,010.
- Processing costs per gram – an increase in the cost per gram by 5% would result in the biological asset value decreasing by $54,986.

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 December 31, 2018, the biological assets were on average, 42% 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 $5.34 per gram.

As of December 31, 2018, it is expected that the Company's biological assets will ultimately yield approximately 2,840 kg of cannabis (December 2017 - 512kg).

6. NOTES RECEIVABLE

Notes Receivable Classified at Amortized Cost

On October 22, 2018, the Company issued a line of credit to an entity, allowing for maximum borrowings of $1,000,000, of which $500,000 was drawn as of December 31, 2018. The note has a term of one year and bears interest at a rate of 8%.

On October 31, 2018, the Company issued a $3,000,000 promissory note to an unrelated third party. The note has a term of one year and bears interest at a rate of 8%.

At each reporting date, the Company applies its judgment to evaluate the collectability of the notes receivable and makes a provision based on the assessed amount of expected credit loss. This judgment is based on parameters such as interest rates, specific country risk factors, and creditworthiness of the creditor. The Company has not experienced an increase in credit risk since the initial recognition of the notes receivable.

6. NOTES RECEIVABLE *(Continued)*

Notes Receivable Classified at FVTPL

On October 16, 2018, the Company executed a promissory note to an unrelated third party. The value of the note is variable in nature as the note is secured by an investment vehicle. The initial fair value upon execution of the note was $11,630,867. The fair value as of December 31, 2018 was $7,424,727, resulting in an adjustment to fair value of $4,206,141 which is recorded in other income (expense) on the consolidated statement of operations and comprehensive loss. The note receivable does not meet the solely payment of principal and interest test, as the repayment terms are based on variable conditions that are dependent on the value of the underlying publicly traded security of the investee. As such, the note receivable is categorized as a financial instrument measured at FVTPL. Repayment of the note is due within ten days of exercise of the underlying security, at which time it will bear interest at the lowest applicable federal rate. The principal amount due is based on the actual value of the underlying security at the time of exercise. The Company used the Black Scholes option pricing model to estimate the fair value of the note receivable using the assumptions below. An increase or decrease to the underlying share price and volatility rate of 5% would result in a nominal change to the fair value.

Risk-free Rate	1.86%
Exercise Price of Underlying Security	$1.998
Share Price of Underlying Security	$4.03 - $5.50
Volatility	71.50%
Remaining Life (in years)	2.0

7. PROPERTY AND EQUIPMENT

At December 31, 2018 and 2017, property and equipment consist of:

	Land	Buildings and Improvements	Furniture and Fixtures	Computer Equipment and Software	Leasehold Improvements	Production and Processing Equipment	Assets Under Construction	Total
Cost								
As at December 31, 2017	$ 1,626,989	$ 13,999,703	$ 505,268	$ 381,029	$ 2,350,287	$ 1,128,835	$ 12,762,563	$ 32,754,674
Transfers	-	83,609	796,512	213,667	7,820,415	408,733	(9,322,936)	-
Additions	60,500	3,278,221	874,487	1,310,292	8,009,792	3,321,472	13,893,168	30,747,932
Additions from acquisition	555,596	3,500,455	152,580	188,217	255,399	1,720,406	-	6,372,653
Disposals	-	-	-	-	-	-	(667,837)	(667,837)
As at December 31, 2018	$ 2,243,085	$ 20,861,988	$ 2,328,847	$ 2,093,205	$ 18,435,893	$ 6,579,446	$ 16,664,958	$ 69,207,422
Accumulated Depreciation								
As at December 31, 2017	$ -	$ 752,962	$ 195,832	$ 28,517	$ 82,809	$ 136,197	$ -	$ 1,196,317
Depreciation	-	598,268	294,124	220,906	925,189	648,538	-	2,687,025
Disposals	-	-	-	-	-	-	-	-
As at December 31, 2018	$ -	$ 1,351,230	$ 489,956	$ 249,423	$ 1,007,998	$ 784,735	$ -	$ 3,883,342
Net book value								
As at December 31, 2017	$ 1,626,989	$ 13,246,741	$ 309,436	$ 352,512	$ 2,267,478	$ 992,638	$ 12,762,563	$ 31,558,357
As at December 31, 2018	$ 2,243,085	$ 19,510,758	$ 1,838,891	$ 1,843,782	$ 17,427,895	$ 5,794,711	$ 16,664,958	$ 65,324,080

7. PROPERTY AND EQUIPMENT *(Continued)*

	Land	Buildings and Improvements	Furniture and Fixtures	Computer Equipment and Software	Leasehold Improvements	Production and Processing Equipment	Assets Under Construction	Total
Cost								
As at December 31, 2016	$ 1,116,641	$ 13,814,275	$ 258,135	$ 15,958	$ 298,037	$ 761,717	$ 561,200	$ 16,825,963
Transfers	-	-	(33,176)	46,651	12,620	(13,475)	(12,620)	-
Additions	510,348	185,428	273,362	218,528	1,749,455	380,593	12,213,983	15,531,697
Additions from acquisition	-	-	6,947	99,892	290,175	-	-	397,014
Disposals	-	-	-	-	-	-	-	-
As at December 31, 2017	$ 1,626,989	$ 13,999,703	$ 505,268	$ 381,029	$ 2,350,287	$ 1,128,835	$ 12,762,563	$ 32,754,674
Accumulated Depreciation								
As at December 31, 2016	$ -	$ 393,928	$ 144,738	$ 965	$ 9,758	$ -	$ -	$ 549,389
Depreciation	-	359,034	51,094	27,552	73,051	136,197	-	646,928
Disposals	-	-	-	-	-	-	-	-
As at December 31, 2017	$ -	$ 752,962	$ 195,832	$ 28,517	$ 82,809	$ 136,197	$ -	$ 1,196,317
Net book value								
As at December 31, 2016	$ 1,116,641	$ 13,420,347	$ 113,397	$ 14,993	$ 288,279	$ 761,717	$ 561,200	$ 16,276,574
As at December 31, 2017	$ 1,626,989	$ 13,246,741	$ 309,436	$ 352,512	$ 2,267,478	$ 992,638	$ 12,762,563	$ 31,558,357

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

Depreciation expense for the years ended December 31, 2018 and 2017 totaled $2,687,025 and $646,928, respectively, of which $1,346,632 and $428,724, respectively, is included in cost of goods sold.

8. ACQUISITIONS

The Company has determined that the below acquisitions are business combinations under IFRS 3, *Business Combinations.* They are accounted for by applying the acquisition method, whereby the assets acquired and the liabilities assumed are recorded at their fair values with any excess of the aggregate consideration over the fair values of the identifiable net assets allocated to goodwill. Operating results have been included in these consolidated financial statements from the date of the acquisition. Any goodwill recognized is attributed based on CGUs.

(a) Compassionate Organics, LLC

On October 31, 2018, the Company acquired all of the assets of Compassionate Organics, LLC in exchange for a total consideration of $10,513,220. The acquisition was accounted for in accordance with IFRS 3. The assets consisted primarily of the Commonwealth of Massachusetts issued dispensary license.

The consideration paid includes contingent consideration of up to $3,000,000 depending upon the achievement of certain milestones in 2019 and 2020, in addition to an amount, estimated at approximately $8,300,000, which is based on a multiple of sales during October 2020 to December 2020. The liability for contingent consideration is the present value of management's estimate of future outcomes.

The following table summarizes the consideration for the acquisition:

Cash Paid	$ 1,656,000
Contingent Consideration	8,857,220
Total Consideration	**$ 10,513,220**

8. ACQUISITIONS

(a) Compassionate Organics, LLC (Continued)

The purchase price allocation for the acquisition, as set forth in the table below, reflects various fair value estimates and analyses which are subject to change within the measurement period. The primary areas of the purchase price allocation that are subject to change relate to the valuation of licenses and permits acquired and residual goodwill. The Company assigned a preliminary value of $7,166,000 to the licenses and permits, with the remaining excess purchase price allocated to goodwill. Goodwill is allocated to the CGU or CGU's which are expected to benefit from the synergies of the combination. Goodwill is not deductible for income tax purposes, and as such there are no deferred tax liabilities related to goodwill. The Company expects to continue to obtain information to assist in determining the fair value of the licenses and permits acquired at the acquisition date during the measurement period. Measurement period adjustments that the Company determines to be material will be applied retrospectively to the period of acquisition in the Company's consolidated financial statements and, depending on the nature of the adjustments, other periods subsequent to the period of acquisition could also be affected. The Company expects to finalize the accounting for the acquisition by September 30, 2019.

The following table summarizes the provisional accounting estimates of the acquisition with a purchase price of $10,513,220:

Licenses and Permits	$ 7,166,000
Total Identifiable Net Assets	7,166,000
Goodwill	3,347,220
Net Assets	**$ 10,513,220**

The Company also incurred approximately $150,000 of acquisition related costs which were expensed in the current period.

For the year ended December 31, 2018, the acquired business accounted for approximately $75,000 in net loss since October 31, 2018. This amount included no revenues. Also, there were no revenues, and negligible income statement activity, from January 1, 2018 through the acquisition date.

(b) KSGNF, LLC

On November 7, 2018, the Company acquired all of the assets of KSGNF, LLC (KSGNF) in exchange for a combination of cash and stock. The total consideration included a cash payment of approximately $48.6 million and GTI shares that were valued at approximately $10 million based on the share price at the time of signing of the agreement ($58.6 million total). Between the time of signing of the agreement and final closing, the value of the shares increased such that the total final consideration was valued at $98,256,607. The acquisition was accounted for in accordance with IFRS 3. The assets acquired consisted primarily of a state of Florida vertically integrated medical marijuana license.

The following table summarizes the consideration for the acquisition:

Cash Paid	$ 48,567,458
32,965 Multiple Voting shares of the Company	49,689,149
Total Consideration	**$ 98,256,607**

8. ACQUISITIONS *(Continued)*

(b) KSGNF, LLC (Continued)

The purchase price allocation for the acquisition, as set forth in the table below, reflects various fair value estimates and analyses which are subject to change within the measurement period. The primary areas of the purchase price allocation that are subject to change relate to the valuation of licenses and permits acquired and residual goodwill. The Company assigned a preliminary value of $69,685,000 to the licenses and permits, with the remaining excess purchase price allocated to goodwill. Goodwill is allocated to the CGU or CGU's which are expected to benefit from the synergies of the combination. Goodwill is not deductible for income tax purposes, and as such there are no deferred tax liabilities related to goodwill. The Company expects to continue to obtain information to assist in determining the fair value of the net assets acquired at the acquisition date during the measurement period. Measurement period adjustments that the Company determines to be material will be applied retrospectively to the period of acquisition in the Company's consolidated financial statements and, depending on the nature of the adjustments, other periods subsequent to the period of acquisition could also be affected. The Company expects to finalize the accounting for the acquisition by September 30, 2019.

The following table summarizes the provisional accounting estimates of the acquisition with a purchase price of $98,256,607:

Non-biological Inventory	$ 790,398
Property and Equipment	3,629,758
Deposits and Other Assets	238,940
Intangible Assets:	
Licenses and Permits	69,685,000
Accrued Liabilities	(1,876,369)
Total Identifiable Net Assets	72,467,727
Goodwill	25,788,880
Net Assets	**$ 98,256,607**

The Company also incurred approximately $205,000 of acquisition related costs which were expensed in the current period.

For the year ended December 31, 2018, KSGNF accounted for approximately $180,000 in net loss since November 11, 2018. This amount included no revenues. Also, there were no revenues, and negligible income statement activity, from January 1, 2018 through the acquisition date.

(c) 3C Compassionate Care Center, LLC

On October 2, 2017, the Company acquired all of the assets of 3C Compassionate Care Center, LLC in exchange for a total consideration of $11,668,813. The acquisition was accounted for in accordance with IFRS 3, *"Business Combinations"* ("IFRS 3"). The assets consisted primarily of the state of Illinois issued dispensary license and customer relationships.

Goodwill is allocated to the CGU or CGU's which are expected to benefit from the synergies of the combination. Goodwill is not deductible for income tax purposes, and as such there are no deferred tax liabilities related to goodwill.

8. ACQUISITIONS *(Continued)*

(c) 3C Compassionate Care Center, LLC (Continued)

The following table summarizes the consideration for the acquisition:

Cash Paid	$ 10,372,385
Consideration Payable (See Note 10)	1,296,428
Total Consideration	**$ 11,668,813**

The following table summarizes the finalized purchase price allocation:

Non-biological Inventory	$ 483,058
Property and Equipment	397,015
Intangible Assets:	
Licenses and Permits	9,400,000
Patient Relationships	820,000
Tradename	360,000
Non-competition Agreements	20,480
Total Identifiable Net Assets	11,480,553
Goodwill	188,260
Net Assets	**$ 11,668,813**

Acquisition costs, which are expensed as incurred, were not significant and were excluded from the consideration transferred. Goodwill is allocated to the CGU or CGU's which are expected to benefit from the synergies of the combination.

For the year ended December 31, 2017, the acquired entity accounted for $368,961 in net income since October 2, 1017. This amount included revenues of $1,887,433. Revenues and net income from January 1, 2017 through the acquisition date were $4,334,408 and $911,399, respectively.

9. INTANGIBLE ASSETS

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

	Licenses and Permits	Tradename	Patient Relationships	Non-competition Agreements	Total
Cost					
As at December 31, 2016	$ 3,384,575	$ -	$ -	$ -	$ 3,384,575
Additions	220,000	-	-	-	220,000
Additions from acquisitions	9,400,000	360,000	820,000	20,480	10,600,480
As at December 31, 2017	13,004,575	360,000	820,000	20,480	14,205,055
Additions	49,999	-	-	-	49,999
Additions from acquisitions	79,850,639	-	-	-	79,850,639
As at December 31, 2018	$ 92,905,213	$ 360,000	$ 820,000	$ 20,480	$ 94,105,693
Accumulated Amortization					
As at December 31, 2016	$ -	$ -	$ -	$ -	$ -
Amortization	-	-	40,500	2,560	43,060
As at December 31, 2017	-	-	40,500	2,560	43,060
Amortization	2,322,715	-	164,000	10,240	2,496,955
As at December 31, 2018	$ 2,322,715	$ -	$ 204,500	$ 12,800	$ 2,540,015
Net Carrying Amount					
As at December 31, 2016	$ 3,384,575	$ -	$ -	$ -	$ 3,384,575
As at December 31, 2017	$ 13,004,575	$ 360,000	$ 779,500	$ 17,920	$ 14,161,995
As at December 31, 2018	$ 90,582,498	$ 360,000	$ 615,500	$ 7,680	$ 91,565,678

Intangible assets with finite lives are amortized over their estimated useful lives. The Company recorded amortization expense for the years ended December 31, 2018 and 2017 totaling $2,496,955 and $43,060 respectively. Amortization periods of assets with finite lives are based on management's estimates at the date of acquisition.

As described in Notes 2(m) and 2(n), annual impairment testing involves determining the recoverable amount of the cash generating unit ("CGU") to which goodwill is allocated and comparing this to the carrying value of the CGU. The impairment is first allocated to reduce the carrying amount of goodwill, with the remaining losses then allocated to other assets in accordance with IAS 36 Impairment of Assets. The Company's CGU's to which goodwill has been allocated include GTI-Clinic Illinois Holdings, LLC, RISE Holdings, Inc., and KSGNF, LLC. The net carrying value for goodwill was $29,324,360 and $188,260 as at December 31, 2018 and 2017, respectively.

The Company estimated that the recoverable amount of goodwill was higher than the carrying amount for the year ended December 31, 2018, and therefore, no impairment losses were recognized. To estimate the recoverable amount of goodwill, management utilized the value in use method.

The key assumptions used in the calculation of the recoverable amount include management's projections of future cash flows for a five-year period and after projections end, a growth rate of 3.0% - 4.0%, a discount rate of 16.0% - 18.0% with variability within the range based on the risk associated with the CGU. If the growth rate and discount rate were to be increased or decreased by 5%, the recoverable amount of goodwill would still be higher than the carrying amounts.

10. NOTES PAYABLE

At December 31, 2018 and 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 12.0% per annum.	$ 2,007,256	$ 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.	4,084,885	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%.	1,122,316	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 $4,500,000 issued to accredited investors, which matures December 22, 2018, and bears interest at a rate of 8.00% per annum. The note and unpaid accrued interest were converted on April 1, 2018, to a 16.5% member interest in GTI Pennsylvania, LLC.	-	4,500,000
Total Notes Payable	7,214,457	16,068,049
Less: Current Portion of Notes Payable	(1,480,660)	(8,861,376)
Notes Payable, Net of Current Portion	**$ 5,733,797**	**$ 7,206,673**

Stated maturities of debt obligations are as follows:

Year Ending December 31,	
2019	$ 1,480,660
2020	1,689,509
2021	1,884,791
2022	1,769,086
2023	193,092
Thereafter	197,319
	$ 7,214,457

10. NOTES PAYABLE *(Continued)*

	Notes Payable	Convertible Notes Payable	Total
Balance as at December 31, 2016	$ -	$ 2,000,000	$ 2,000,000
Issuance	8,796,429	8,248,940	17,045,369
Repayments	(228,380)	-	(228,380)
Conversion to equity	-	(2,748,940)	(2,748,940)
Balance as at December 31, 2017	$ 8,568,049	$ 7,500,000	$ 16,068,049
Issuance	-	825,000	825,000
Acretion of balance	-	288,740	288,740
Repayments	(1,353,592)	-	(1,353,592)
Conversion to equity	-	(8,613,740)	(8,613,740)
Balance as at December 31, 2018	$ 7,214,457	$ -	$ 7,214,457

The promissory notes with outstanding balances at December 31, 2018 of $2,007,256 and $4,084,885 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 certain financial covenants. At December 31, 2018, the Company was in compliance with these covenants.

11. GENERAL AND ADMINISTRATIVE

For the years ended December 31, 2018 and 2017, general and administrative expenses comprised:

	2018	2017
Salaries & Benefits	$ 16,954,694	$ 3,961,245
Stock Based Compensation	14,714,216	-
Professional Fees	10,689,130	3,517,892
Listing Fees	3,002,634	-
Rent	2,203,394	1,071,247
Other	2,101,999	656,281
Travel	1,563,927	637,122
Licenses & Permits	913,686	519,255
Office Equipment and Supplies	763,660	248,433
Insurance	513,980	78,757
Computer, Telephone, and Internet	418,484	34,417
Bank fees	386,738	60,169
Utilities	342,136	81,889
Charitable Donations	313,183	172,417
Total General and Administrative Expenses	$ 54,881,861	$ 11,039,124

12. INCOME TAXES

For the years ended, 2018 and 2017, income taxes expense consisted of:

	2018	2017
Current:		
Federal	$ 2,881,696	$ -
State	288,899	214,000
Total Current	3,170,595	214,000
Deferred:		
Federal	$ 4,405,000	$ -
State	1,049,000	-
Total Deferred	5,454,000	-
Total	$ 8,624,595	$ 214,000

The reconciliation between the effective tax rate on income from operations and the statutory rate is as follows:

	2018	2017
Income (loss) before income taxes	$ 28,572,763	$ (4,150,756)
Statutory tax rate	21%	34%
Expense (recovery) based on statutory rates	6,000,280	(1,411,257)
Pass-through's and noncontrolling interests	(9,141,563)	(211,494)
State taxes	(288,899)	-
Adjustment between provision and tax return	53,304	-
Non-deductible expenses	6,515,798	1,842,735
Other differences	31,675	(5,984)
Change in the unrecognized deferred tax liability	5,454,000	-
Income tax expense	$ 8,624,595	$ 214,000

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.

Income taxes paid for the year ended December 31, 2018 were $2,879,000.

Green Thumb Industries Inc. is based in Canada, but maintains all of its operations in the United States. Due to this inverted entity structure, the Company is subject to both US and Canadian taxation.

12. INCOME TAXES *(Continued)*

On January 1, 2018, the Company, through a tax-free transfer under IRC Section 351, 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 increase to income tax expense. The liability pertains to the difference in reporting biological assets for financial statement and income tax reporting purposes.

At December 31, 2018 and 2017, the components of deferred tax assets and liabilities were as follows:

	2018	2017
Deferred Tax Assets		
Net Operating Losses	$ 1,046,000	$ -
Share-based Compensation	1,118,000	-
Total Deferred Tax Assets	2,164,000	-
Deferred Tax Liabilities		
Biological Assets	$ (1,643,000)	$ -
Fair Value Adjustments	(5,975,000)	-
Total Deferred Tax Liabilities	(7,618,000)	-
Net Deferred Tax Liabilities	$ (5,454,000)	$ -

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. The Company has not identified any uncertain tax positions as of December 31, 2018.

13. 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 principal of $20,000,000 and accrued interest of $978,082 on the Unsecured Debenture.

During 2018, the Company measured the outstanding Warrants using the Black-Scholes valuation model with a volatility of 71.5%, dividend yield 0% and risk-free rate of 1.93. During October 2018, the Warrants were distributed to the investors of the subsidiary holding the Warrants. During October 2018, the warrants attributable to the noncontrolling members, or 70% of the warrants, were distributed to those members. The 30% of the warrants attributable to the Company were exchanged for the variable note receivable described in Note 6.

13. INVESTMENTS

The Company participated in various fundraises of other cannabis companies throughout the year. The investments include convertible notes with terms to maturity ranging from 1 to 2 years that carry simple interest ranging from 2.55% to 6.00% per annum and convert into common shares at pre-defined numbers of units. Management estimated that market interest rates on similar borrowings without the conversion feature was approximately 15% and has used an implied volatility of 100% in measuring the fair value. The fair value of these investments is $30,336,000 at December 31, 2018.

The Company also made direct equity investments during the year. Management estimated that market yields were approximately 15% and used an implied volatility of 100% in measuring the fair value. The fair value of these investments is $10,597,284 at December 31, 2018. An increase in the market yield assumption of 5% would result in an increase in the fair value estimate of approximately $334,000, and a decrease in the assumption of 5% would result in a decrease in the fair value estimate of approximately $337,000.

All of these investments are measured at fair value for financial reporting purposes. As these convertible notes (as described above) and equity investments are not traded in an active market, their fair values are estimated by using market data. Any resulting change in fair value is reflected on the consolidated statement of operations and comprehensive loss under the classification Other (Income) Expense.

Management estimates that the market interest rate on similar borrowings without the conversion feature was approximately 15% and has used an implied volatility of 100% in valuing the convertibility feature.

	Warrants	Convertible Notes Receivable	Equity	Total
Balance as at December 31, 2017	$ -	$ -	$ -	$ -
Additions	-	16,750,000	5,800,000	22,550,000
Fair value adjustments	37,765,718	13,586,000	4,797,283	56,149,001
Exchange for note receivable (see Note 6)	(11,630,867)	-	-	(11,630,867)
Distributions	(26,134,851)	-	-	(26,134,851)
Balance as at December 31, 2018	**$ -**	**$ 30,336,000**	**$ 10,597,283**	**$ 40,933,283**

The calculated fair value is recorded as a Level 3 fair value investment as of December 31, 2018 (see Note 21). The convertible notes receivable were valued using the Binomial Lattice Model, which is based on a generalized binomial option pricing formula, using the following assumptions:

Rf Rate	2.54% - 2.63%
Equity Volatility	100%
Market Yield	15%
Probability of Qualified Financing	0%
Probability of Sale	50% - 80%
Probability of No Event	20% - 50%

14. INVESTMENT IN ASSOCIATE

The Company’s investments in associates are as follows:

Investment in associates	**Jurisdiction**	**Interest**
MC Brands, LLC	Colorado	25%

14. INVESTMENT IN ASSOCIATE *(Continued)*

During 2018, the Company acquired a 25% interest in MC Brands, LLC, a Colorado based intellectual property business that licenses its edibles and extracts brand and product formulation to various cannabis operators. The total consideration of $5,850,000 included $4,387,500 of cash and $1,462,500 in Subordinate Voting Shares.

Presented below is the summarized statement of financial position of MC Brands, LLC as of December 31, 2018.

Cash and cash equivalents	$	9,313
Other current assets		80,719
Total current assets		90,032
Non-current assets		515,282
Current liabilities		235,236
Net assets		370,078

The investee had nominal profit and loss activity from the date of the Company's investment through December 31, 2018, and thus the Company has not recorded an adjustment to the carrying balance of the investment in associate.

15. SHARE CAPITAL

(a) Authorized

(i) 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. The Company is authorized to issue an unlimited number of no par value Subordinate Voting shares.

(ii) Multiple Voting Shares

Each Multiple Voting share is exchangeable for 100 Subordinate Voting shares. The Company has 677,230 issued and outstanding multiple voting shares, which convert into 67,723,000 subordinate voting shares. The Company is authorized to issue an unlimited number of Multiple Voting shares.

(iii) Super Voting Shares

Each Super Voting share is exchangeable for 100 Subordinate Voting shares. The Company has 424,513 issued and outstanding Super Voting shares which converts into 42,451,300 subordinate voting shares. The Company is authorized to issue an unlimited number of super voting shares.

15. SHARE CAPITAL *(Continued)*

(b) Issued and Outstanding

A reconciliation of the beginning and ending amounts of the issued and outstanding shares by class is as follows:

	Outstanding					Vested				
	Subordinate Voting Shares	Multiple Voting Shares	Super Voting Shares	Stock Options	Restricted Stock Units	Subordinate Voting Shares	Multiple Voting Shares	Super Voting Shares	Stock Options	Restricted Stock Units
As at December 31, 2017	-	-	-	-	-	-	-	-	-	-
Private placement in connection with RTO	10,744,995	4,550	-	285,200	-	10,744,995	4,550	-	285,200	-
Conversion of Bayswater shares upon RTO	500,439	-	-	-	-	500,439	-	-	-	-
Conversion of VCP23, LLC shares upon RTO	-	644,083	431,198	-	-	-	644,083	431,198	-	-
Conversion of exchangeable note in connection with RTO	-	122,442	2,211	-	-	-	122,442	2,211	-	-
Fundraise transaction, August 2018	7,300,000	-	-	-	-	7,300,000	-	-	-	-
Fundraise transaction, October 2018	5,083,000	-	-	-	-	5,083,000	-	-	-	-
Investment in MC Brands, LLC (see Note 14)	87,742	-	-	-	-	87,742	-	-	-	-
Purchase of KSGNF, LLC (see Note 8)	-	32,965	-	-	-	-	32,965	-	-	-
Change in ownership of non-controlling interests	-	59,900	-	-	-	-	59,900	-	-	-
Issuance of shares for redemption of noncontrolling interests	489,347	-	-	-	-	489,347	-	-	-	-
Stock options and RSU's issued to employees and consultants	-	-	-	1,548,000	1,604,000	-	-	-	-	-
Stock options and RSU's forfeited	-	-	-	(2,000)	(15,000)	-	-	-	-	-
Stock options exercised	154,008	-	-	(154,008)	-	154,008	-	-	(154,008)	-
Exchange of shares	19,560,600	(186,710)	(8,896)	-	-	19,560,600	(186,710)	(8,896)	-	-
As at December 31, 2018	43,920,131	677,230	424,513	1,677,192	1,589,000	43,920,131	677,230	424,513	131,192	-

(c) Private Placement of Shares in Connection with Reverse Takeover

In contemplation of its reverse takeover (RTO) transaction, the Company issued $45,000,000 in convertible notes payable to various investors. The original maturity of the convertible notes payable was three years from the funding date of April 30, 2018, and the notes bore simple interest at a rate of 8% per year. At June 12, 2018, the carrying value of the convertible notes payable, including accrued interest, was $15,245,960 and the fair value assigned to the conversion feature of the notes was $28,894,566. The Black Scholes options pricing model assumptions used in calculating the fair value include a risk free rate of 2.04%, volatility of 100%, an expected term of 60 days, and a share price of $6.00. The fair value adjustment related to the conversion feature was $1,981,358, and is included in other income on the consolidated statement of operations and comprehensive loss. An increase in the share price and volatility assumptions of 5% would result in an increase in the fair value estimate of approximately $3,700,000, and a decrease in the share price and volatility assumptions of 5% would result in a decrease in the fair value estimate of approximately $3,694,000. Upon the RTO transaction, the convertible notes payable were converted into 122,442 Multiple Voting shares and 2,211 Super Voting shares, carrying a total value of $44,140,526.

15. SHARE CAPITAL *(Continued)*

(c) Private Placement of Shares in Connection with Reverse Takeover (Continued)

On April 25, 2018, Subscription Receipts were sold at a price of CAD $7.75 per Subscription Receipt, for gross proceeds of $64,075,295 less issuance costs of $4,014,585. The Subscription Receipts were for the potential purchase of shares in GTI FinCo Inc. and were to be held in an escrow account until the reverse takeover transaction were to occur. Upon the RTO transaction, simultaneously with the issuance of shares of the Company to the holders of the Subscription Receipts, the funds held in the escrow account were released to the Company, and the shares converted into 10,744,995 Subordinate Voting shares of the Company. Also upon the RTO transaction, 4,550 Multiple Voting shares, which are convertible into 455,000 Subordinate Voting shares, were issued for gross proceeds of $2,730,000. Last, in connection with the private placement, the Company issued 285,000 options to consultants as compensation for the services provided. The options provided the recipients the right to purchase Subordinate Voting shares at an exercise price of CAD $7.75 per share. The options vested immediately and had a contractual life of two years. The value of the options was $906,366 under the Black-Scholes option pricing model. The total of the gross Subscription Receipts and Multiple Voting shares issued, less the direct costs of the Subscription Receipts and the value assigned to the options, resulted in an increase of $61,884,344 to share capital.

As discussed in Note 3, the RTO transaction was executed on June 12, 2018. Pursuant to the RTO transaction, Bayswater Uranium Corporation's existing 185,186,988 common shares were converted into 500,439 Subordinate Voting shares of the Company. The value assigned to these shares was $3,002,634, which was based on a per-share price of $6.00 (US Dollars) on the RTO date. Also pursuant to the RTO transaction, 130,435,783 Common Units and 119,266,258 Preferred Units of VCP23, LLC were converted into 431,198 Super Voting shares and 644,083 Multiple Voting shares, respectively, of the Company.

(d) Fundraise Transactions

On August 2, 2018, the Company closed on a brokered fundraise transaction (the "First Offering") for 7,300,000 Subordinate Voting shares, at a price of CAD $11.00 per share, for gross proceeds of $61,726,497. Financing costs related to the First Offering totaled $3,133,722.

On October 17, 2018, the Company closed on a brokered fundraise transaction (the "Second Offering") for 5,083,000 Subordinate Voting shares, at a price of CAD $20.00 per share, for gross proceeds of $78,562,596. Financing costs related to the Second Offering totaled $3,479,116.

(e) Changes in Ownership and Noncontrolling Interests

On June 12, 2018, the Company acquired all of the noncontrolling interests in JB17, LLC. The consideration paid was $700,000 and the issuance of 59,900 Multiple Voting shares, which were convertible into 5,990,000 Subordinate Voting shares, at a value of $6.00 per Subordinate Voting share-equivalent. This resulted in an increase to share capital of $35,940,000, and a decrease to contributed surplus of $33,662,548 after the reclassification of the noncontrolling interest carrying balance upon the issuance date.

In December 2018, the Company issued the reciprocal put and call options discussed in Note 17 to the noncontrolling interest holders of GTI Pennsylvania, LLC. As discussed in Note 23(d), the noncontrolling interests were acquired by the Company subsequent to year-end, in January 2019. As it was determined that the Company had effective control over GTI Pennsylvania, LLC as of the put and call option date, an increase to shares to be issued was reflected in the statement of equity of $27,773,234, representing the fair value of the shares to be issued upon the subsequent acquisition date, along with a corresponding decrease to contributed surplus of $30,663,670 and the removal of the existing noncontrolling interest carrying balance as of December 31, 2018.

15. SHARE CAPITAL *(Continued)*

(e) Changes in Ownership and Noncontrolling Interests *(Continued)*

In December 2018, the Company acquired the noncontrolling interests of GTI Nevada, LLC, in exchange for shares of the Company. The shares are to be issued in six tranches, the first of which was delivered in December 2018. The removal of the noncontrolling interests carrying balance, as well as the recording of the liability to issue the shares, was resulted in a decrease to contributed surplus of $25,917,883. The balance of the remaining liability at December 31, 2018 is $25,420,009, and is recorded in liability for acquisition of noncontrolling interest on the consolidated statement of financial position.

The total effect of the above three transactions on contributed surplus was a reduction of $90,244,101, which has been presented as a reduction to accumulated deficit on the consolidated statement of changes in shareholders' equity.

(f) Stock Based Compensation

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. The continuity of stock options is as follows:

	Number	Weighted Average Exercise Price (CAD)	Weighted Average Contractual Life
Balance as at December 31, 2017	-	n/a	n/a
Granted	1,833,200	12.77	
Exercised	(154,008)	7.75	
Expired	(2,000)	14.80	
Balance as at December 31, 2018	1,677,192	13.23	8.72

The weighted average share price at the time of exercise was CAD $20.06.

The Company used the Black-Scholes option pricing model to estimate the fair value of the options at the grant date using the following ranges of assumptions:

Risk-free interest rate	1.86% - 2.33%
Expected dividend yield	0%
Expected volatility	100%
Expected option life	2 - 10 years

As the Company became publicly traded in June 2018, sufficient historical trading information was not available to determine an expected volatility rate. The volatility rate was based on comparable companies within the same industry.

During 2018 the Company granted 1,604,000 restricted stock units, to employees and directors, vesting over one to two years. During 2018, 15,000 of the restricted stock units were forfeited. Such units will be equity settled.

The stock-based compensation expense was $3,671,039 for the stock options and $5,519,997 for restricted stock units for the year ended December 31, 2018.

15. SHARE CAPITAL *(Continued)*

(g) Profits Interests Units

During the year ended December 31, 2018, the Company granted 7,657,700 membership units to certain employees and consultants as compensation for services. These membership units qualify as profits interests for U.S. federal income tax purposes and were accounted for in accordance with IFRS 2, *Share-based payment.* The Company amortizes awards over the service period until awards are fully vested.

The following table summarizes the status of the unvested profits interests at December 31, 2018:

	Number of Units	Weighted Average Grant Date Fair Value
Unvested, beginning of period	-	$ -
Granted	7,657,700	0.44
Forfeited	-	-
Vested	(7,657,700)	0.44
Unvested, end of period	-	n/a

The Company recorded $5,523,180 as compensation expense in connection with these awards during the year ended December 31, 2018. At December 31, 2018, there was no unamortized expense related to unvested profits interests.

16. NON-CONTROLLING INTERESTS

The following table represents the summarized financial information about the Company's subsidiaries that have noncontrolling interests. Other non-material interests include the balances of Ohio Investors 2017, LLC; GTI New Jersey, LLC; KW Ventures Holdings, LLC; and Meshow, LLC. This information represents amounts before intercompany eliminations.

	Chesapeake Alternatives, LLC	Other Non-material Interests
As of December 31, 2018:		
Current assets	$ 6,508,304	$ 3,017,654
Non-current assets	1,728,594	15,429,719
Current liabilities	6,739,944	1,660,809
Non-current liabilities	10,892	3,000,000
Noncontrolling interests	1,486,062	2,011,397
Equity attributable to Green Thumb Industries Inc.	-	11,775,167
Year ending December 31, 2018:		
Revenues	13,783,876	5,199,441
Net income (loss) attributable to noncontrolling interests	1,407,266	25,880,951
Net income (loss) attributable to Green Thumb Industries Inc.	-	6,956,292
Net income (loss)	$ 1,407,266	$ 32,837,243

16. NON-CONTROLLING INTERESTS *(Continued)*

The net change in the non-controlling interests is as follows:

	Chesapeake Alternatives, LLC	Other Non-material Interests	Total
Balance as at December 31, 2016	$ -	$ -	$ -
Contributions	170,049	3,818,343	3,988,392
Net income (loss)	-	(622,042)	(622,042)
Balance as at December 31, 2017	$ 170,049	$ 3,196,301	$ 3,366,350
Acquisitions	-	1,731,911	1,731,911
Contributions	193,628	21,790,123	21,983,751
Distributions	(95,000)	(40,861,508)	(40,956,508)
Net income (loss)	1,217,385	26,594,311	27,811,696
Changes in ownership	-	(10,439,741)	(10,439,741)
Balance as at December 31, 2018	$ 1,486,062	$ 2,011,397	$ 3,497,459

In April 2018, the noncontrolling members of GTI Pennsylvania, LLC (“GTI PA”) acquired 27.5% interests in GTI PA. The carrying amount of GTI PA’s net assets in the consolidated financial statements, prior to any eliminations, on the date of acquisition was $8,427,195.

Carrying amount of interests acquired	$ 4,686,257
Consideration paid for interests	8,613,740
Decrease in equity attributable to Green Thumb Industries Inc.	$ (3,927,483)

17. NONCONTROLLING INTERESTS PUT AND CALL OPTIONS

The Company has entered into agreements with certain of its noncontrolling interests whereby the agreements contain a put option, which provides the holder with the right to require the Company to purchase their retained interest for deemed fair market value at the time the put is exercised. The Company has also negotiated reciprocal call options, which would require the same non-controlling interests to sell their retained interest to the Company for deemed fair market value at the time the call is exercised. These symmetrical put and call options are exercisable anytime after January 2, 2019.

The net liability recognized in connection with these put and call options has been estimated using the Black Scholes options pricing model. The assumptions used in the calculating the fair value include a risk free rate of 2.44%, volatility of 100%, an expected term of 30 days, and a share price of $8.07. Upon initial recognition, the Company recorded a derivative liability of $7,078,792. For the year ended December 31, 2018, the Company recorded a gain of $2,869,342 on revaluation of the derivative liability, which is included other income on the consolidated statement of operations and comprehensive loss. The value of the derivative at December 31, 2018 is $4,238,701 and is recorded as a derivative liability on the consolidated statement of financial position. An increase in the share price and volatility assumptions of 5% would result in an increase in the fair value estimate of approximately $1,254,000, and a decrease in the same assumptions of 5% would result in a decrease in the fair value estimate of approximately $1,255,000.

18. OTHER INCOME

For the years ended December 31, 2018 and 2017, other income comprised:

		2018	2017
Fair value adjustments on convertible notes receivable	*Note 13*	$ 13,586,000	$ -
Fair value adjustments on equity investments	*Note 13*	4,797,283	-
Fair value adjustment on put and call options	*Note 17*	2,869,342	-
Fair value adjustments on warrants	*Note 13*	37,765,718	-
Fair value adjustments on variable note receivable	*Note 6*	(4,206,141)	-
Fair value adjustment on convertible note payable in connection with RTO	*Note 15*	1,981,358	-
Other		(376,139)	544,399
Total Other Income		$ 56,417,421	$ 544,399

19. COMMITMENTS AND CONTINGENCIES

(a) Office and Operating Leases

The Company leases certain business facilities from third parties under operating lease agreements that contain minimum rental provisions and expire through 2028. Some of these leases also contain renewal provisions and provide for rent abatement. Rent expense is calculated on straight-line basis over the terms of the leases. The Company's net rent expense for the years ended December 31, 2018 and 2017 totaled approximately $1,901,000 and $927,000, respectively.

Certain facilities are occupied under lease agreements with a related party. The leases expire through 2024 and contain certain renewal provisions. Rent expense under these leases for the years ended December 31, 2018 and 2017 totaled approximately $568,000 and $144,000, respectively.

Future minimum lease payments under non-cancelable operating leases having an initial or remaining term of more than one year are as presented in the table below. As discussed in Note 2, upon the adoption of IFRS 16, such commitments will be recognized as a right-of-use asset representing the right to use the underlying asset and a lease liability representing the obligation to make lease payments.

Year Ending December 31	**Third Parties**	**Related Parties**	**Total**
2019	$ 1,188,865	$ 574,477	$ 1,763,342
2020	1,127,754	585,966	1,713,720
2021	1,123,769	597,686	1,721,455
2022	1,040,481	504,255	1,544,736
2023	1,067,783	366,802	1,434,585
2024 and Thereafter	3,119,021	695,291	3,814,312
Total Future Minimum Lease Payments	**$ 8,667,673**	**$ 3,324,477**	**$ 11,992,150**

19. 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 in that specific state or local jurisdiction. While management of the Company believes that the Company is in compliance with applicable local and state regulations at December 31, 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 December 31, 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 December 31, 2018, the Company held approximately $12,901,000 of open commitments to contractors on work being performed.

20. RELATED PARTIES TRANSACTIONS

(a) Due from Related Parties

At December 31, 2018 and 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 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	-	8,686
Total Due from Related Party	$ -	$ 1,188,686

(b) Related Party Transactions

Key management includes the Company's directors and members of the executive management team. Total compensation of key management personnel and directors was approximately $8,789,000 for the year ended December 31, 2018, which included approximately $1,409,000 of salaries and directors' expenses, and approximately $7,380,000 in stock-based compensation expense.

The Company also has related party rent transactions, as described in Note 19(a).

21. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT

Financial Instruments

The Company's financial instruments consist of cash and cash equivalents, accounts receivable, member contribution receivable, notes receivable, due from related parties, investments, accounts payable and accrued liabilities, long-term debt, derivative liability, and contingent consideration payable.

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.

	As of December 31, 2018			
	Level 1	Level 2	Level 3	Total
Cash and Cash Equivalents	$ 145,986,072	$ -	$ -	$ 145,986,072
Notes Receivable	-	-	10,924,727	10,924,727
Investments	-	-	40,933,283	40,933,283
Liability for Redemption of Noncontrolling Interest	-	-	(25,420,009)	(25,420,009)
Derivative Liability	-	-	(4,238,701)	(4,238,701)
Contingent Consideration Payable	-	-	(9,035,250)	(9,035,250)
	$ 145,986,072	$ -	$ 13,164,050	$ 159,150,122

	As of December 31, 2017			
	Level 1	Level 2	Level 3	Total
Cash and Cash Equivalents	$ 29,565,497	$ -	$ -	$ 29,565,497
Members Contribution Receivable	2,785,998	-	-	2,785,998
Due from Related Parties	1,188,686	-	-	1,188,686
	$ 33,540,181	$ -	$ -	$ 33,540,181

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

There have been no transfers between fair value levels during the periods ended December 31, 2018 and 2017.

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

	Fair Value Through Profit or Loss	Amortized Cost	Fair Value Through OCI
Financial Assets:			
Cash and Cash Equivalents	$ 145,986,072	$ -	$ -
Notes Receivable	$ 7,424,727	$ 3,500,000	$ -
Investments	$ 40,933,283	$ -	$ -
Financial Liabilities			
Liability for Redemption of Noncontrolling Interest	$ 25,420,009	$ -	$ -
Derivative Liability	$ 4,238,701	$ -	$ -
Contingent Consideration Payable	$ 9,035,250	$ -	$ -

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	$ -	$ -
Member Contribution Receivable	$ -	$ 2,785,998	$ -
Due from Related Parties	$ -	$ 1,188,686	$ -
Financial Liabilities			
None			

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 December 31, 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. As of December 31, 2018, the Company had approximately $1,013,000 of accounts receivable that were past due. Given management's expectation that any credit losses will be nominal, no provision is provided.

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

Financial Risk Management (Continued)

(a) Credit Risk

The Company has also issued notes receivable to certain counterparties, as described in Note 6. These notes are issued to creditworthy entities with which the Company is familiar, and thus the Company expects that any credit losses will be nominal.

(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 effective management of its capital structure. The Company's approach to managing liquidity is to ensure that it will have sufficient liquidity at all times to settle obligations and liabilities when due.

In addition to the commitments outlined in Note 19, 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	$ 15,974,557	$ -	$ -	$ -	$ 15,974,557
Notes Payable	$ 1,480,660	$ 3,574,300	$ 1,962,178	$ 197,319	$ 7,214,457
Contingent Consideration Payable	$ -	$ 9,035,250	$ -	$ -	$ 9,035,250

(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 5 for the Company's assessment of certain changes in the fair value assumption used in the calculation of biological asset values.

22. SEGMENT DISCLOSURE

The Company operates in two segments: the cultivation, production and sale of cannabis via retail stores (wholesale), and retailing of cannabis to patients and consumers (retail). The below table presents revenues by type for the years ending December 31:

	2018	2017
Wholesale	$ 20,498,889	$ 6,603,809
Retail	41,994,791	9,924,970
Total Revenues	$ 62,493,680	$ 16,528,779

23. SUBSEQUENT EVENTS

The Company has evaluated subsequent events through April 30, 2019, which is the date these consolidated financial statements were issued.

(a) Transaction with New York Licensee

On June 29, 2018, the Company entered into a definitive agreement to acquire an existing licensee in the regulated New York cannabis market. The acquisition includes the licenses and assets for one cultivation, one processing, and four retail facilities. The definitive agreement was subsequently modified by the parties. The definitive agreement provides consideration of $46 million of cash (subject to certain adjustments, as defined in the agreement) and 1,700,000 of the Company's Subordinate Voting Shares. The closing of the acquisition is subject to the receipt of regulatory approval.

(b) Definitive Agreement with Nevada Licensee

On November 12, 2018, the Company signed a definitive agreement to acquire 100% of the ownership interests of Integral Associates. The acquisition will include Integral Associate's retail brand Essence, as well as two cultivation and processing facilities. The transaction consideration includes $52 million to be paid in cash and approximately 20.8 million in Company Subordinate Voting Shares. The purchase agreement also includes additional consideration based upon future performance targets.

(c) Acquisition of KW Ventures Holdings, LLC

On January 1, 2019, the Company closed on its acquisition of KW Ventures Holdings, LLC (Firefly). Firefly holds a medical marijuana dispensary license from the Pennsylvania Department of Health and has operating dispensaries in Steelton, Carlisle, and York, Pennsylvania. The acquisition was an all stock transaction whereby consideration was satisfied through the issuance of Subordinate Voting Shares.

(d) Redemption of Noncontrolling Interests in GTI Pennsylvania, LLC

On January 7, 2019, the Company closed on its acquisition of the remaining membership interest in GTI Pennsylvania, LLC from two noncontrolling partners. Following the transaction, the Company owns 100% of GTI Pennsylvania, LLC. The acquisition was an all stock transaction whereby consideration was satisfied through the issuance of Subordinate Voting Shares. Please see Note 17 for additional detail.

23. SUBSEQUENT EVENTS *(Continued)*

(e) Acquisition of Advanced Grow Labs, LLC

On February 12, 2019, the Company closed on its acquisition of Connecticut-based Advanced Grow Labs, LLC (AGL). AGL is licensed in Connecticut to grow and process cannabis. The acquisition includes a manufacturing facility and an ownership stake in a recently-awarded dispensary, making AGL the only vertically licensed operator in the state. The transaction consideration was approximately $80 million, which included $15 million of cash and approximately 7.0 million Subordinate Voting Shares of GTI. The purchase agreement also includes additional consideration based upon future performance targets.

(f) Acquisition of For Success Holding Company

On February 21, 2019, the Company closed on its acquisition of For Success Holding Company, the Los Angeles-based creator of the lifestyle suite of Beboe branded products. Beboe is currently available in certain retail locations in California and Colorado and via home delivery across California. The acquisition was an all stock transaction whereby consideration was satisfied through the issuance of GTI Subordinate Voting Shares. The purchase agreement also includes additional consideration based upon performance targets.

(g) Issuance of Debt

On April 12, 2019, the Company completed a private placement of $12,500,000 in six-month senior secured promissory notes. The Company has the right to draw an additional $12,500,000 from the lenders at any time within 120 days of closing. The notes accrue interest at an annual rate of 10.5%, payable on a monthly basis commencing June 1, 2019. Each $12,500,000 tranche also includes warrants to purchase 109,484 Subordinate Voting Shares at an exercise price of CAD $22.90, which can be exercised 42 months after the closing.

The initial accounting for the above acquisitions that would qualify as business combinations was incomplete at the time of issuing the financial statements.