GREEN THUMB INDUSTRIES INC. (formerly Bayswater Uranium Corporation)

MANAGEMENT'S DISCUSSION & ANALYSIS

FOR THE THREE AND TWELVE MONTHS ENDED DECEMBER 31, 2018 AND 2017

(Expressed in United States Dollars)

MD&A of Green Thumb Industries Inc.

This management discussion and analysis ("**MD&A**") of the financial condition and results of operations of Green Thumb Industries Inc. (the "Company" or "GTI") is for the three months and year ended December 31, 2018 and 2017. It is supplemental to, and should be read in conjunction with, the Company's consolidated financial statements and the accompanying notes for the three months and year ended December 31, 2018. The Company's financial statements are prepared in accordance with International Financial Reporting Standards ("**IFRS**"). Financial information presented in this MD&A is presented in United States dollars ("**$**" or "**US$**"), unless otherwise indicated.

This MD&A has been prepared by reference to the MD&A disclosure requirements established under National Instrument 51-102 – Continuous Disclosure Obligations of the Canadian Securities Administrators.

This MD&A contains certain "forward-looking statements" and certain "forward-looking information" as defined under applicable United States securities laws and Canadian securities laws. Please refer to the discussion of forward-looking statements and information set out under the heading "Cautionary Note Regarding Forward-Looking Information", identified in the ''Risks and Uncertainties'' section of this MD&A. As a result of many factors, the Company's actual results may differ materially from those anticipated in these forward-looking statements and information.

All references to "$" are to United States dollars unless otherwise specified.

OVERVIEW OF THE COMPANY

GTI is empowering the right to wellness by progressing responsible adult use of cannabis through branded consumer packaged goods and people-first retail experiences, while being committed to community and sustainable profitable growth.

GTI owns, manufactures, and distributes a portfolio of cannabis brands including Rythm, Dogwalkers, The Feel Collection, and Beboe, among others, primarily to third-party retail stores across the United States as well as to GTI-owned retail stores. The Company also owns and operates a rapidly growing national chain of retail cannabis stores called Rise™.

Headquartered in Chicago, Illinois, GTI owns or has executed definitive acquisition agreements for 13 manufacturing facilities, licenses for 88 retail locations and operations across 12 U.S. markets. Established in 2014, GTI employs over 600 people and serves thousands of patients and customers each year.

Revenue Streams

The Company has consolidated financial statements across its operating businesses with revenue from the manufacture, sale and distribution of branded cannabis products to third-party retail customers as well as the sale of finished products to consumers in its retail stores.

As of the three months ended December 31, 2018, GTI has operating revenue in five of its twelve markets: Nevada, Illinois, Pennsylvania, Massachusetts, and Maryland and ramp up expenses related to the build out of new markets: Florida, Ohio and New York in preparation for revenue generation over the next three to six months.

SELECTED FINANCIAL INFORMATION

The following is selected financial data derived from the consolidated financial statements of the Company for the three months and year ended December 31, 2018 and 2017.

The selected consolidated financial information set out below may not be indicative of the Company's future performance:

	As of and for the			
	Three Months Ended December 31,		Year Ended December 31,	
	2018	**2017**	**2018**	**2017**
Total Revenues, net of discounts	$ 20,771,414	$ 6,163,165	$ 62,493,680	$16,528,779
Cost of Goods Sold (excluding biological assets)	$ 11,104,727	$ 5,113,492	$ 33,991,355	$10,446,801
Gross Profit	$ 9,667,167	$ 1,049,673	$ 28,502,325	$ 6,081,978
Total Expenses	$ 27,967,979	$ 3,906,213	$ 60,225,178	$11,490,772
Other Income (Loss)	$ 13,000,961	$ (428,207)	$ 56,091,532	$ 111,951
Income (Loss) Before Provision for Income Taxes and Non-Controlling Interest	$ (2,517,812)	$ (2,712,830)	$ 28,572,763	$ (4,150,756)
Total Assets	$ 417,002,585	$ 87,157,281	$ 417,002,585	$ 87,157,281
Long-Term Liabilities	$ 20,503,174	$ 7,507,778	$ 20,503,174	$ 7,507,778

Three Months Ended December 31, 2018

Revenue

Revenue for the three months ended December 31, 2018 was $20,771,414, up 237% from $6,163,165 for the three months ended December 31, 2017 driven by contribution from both Consumer Packaged Goods and Retail sales across Illinois, Nevada, Maryland, Pennsylvania and Massachusetts. Key performance drivers are: distribution expansion of GTI's branded product portfolio to third-party retailers in Illinois, Maryland, Pennsylvania, and Massachusetts as well as increased store traffic to GTI's 14 open and operating brick and mortar retail stores, particularly new stores in Illinois and Pennsylvania, and the onset of adult use sales in Nevada vs. a year ago.

Cost of Goods Sold & Biological Assets

Cost of goods sold are derived from cost related to the internal cultivation and production of cannabis and from retail purchases made from other licensed producers operating within our state markets.

Three months ended December 31, 2018 cost of goods sold, excluding any adjustments to the fair value of biological assets, of $11,104,727 was up $5,990,755 or 117% compared to three months ended December 31, 2017, driven by expansion of the consumer products sales in Maryland and Pennsylvania, the addition

of two Illinois Retail stores, and material increases in daily transactions from the onset of adult use sales for the Nevada Retail business.

Inventory of plants under production is considered a biological asset. Under IFRS, biological assets are to be recorded at fair value at the time of harvest, less costs to sell. The biological assets are transferred to inventory and the transfer becomes the deemed cost on a go-forward basis. When the product is sold, the fair value is relieved from inventory and the transfer is recorded to cost of sales. In addition, the cost of sales also includes products and costs related to other products acquired from other producers and sold by the Company.

Gross Profit

Gross profit before biological asset adjustments for the three months ended December 31, 2018 was $9,667,167, representing a gross margin on the sale of finished cannabis consumer packaged goods of 47%. This is compared to gross profit before biological asset adjustments for the three months ended December 31, 2017 of $1,049,673 or a 17% gross margin.

Gross profit after net gains on biological asset transformation for three months ended December 31, 2018 was $12,449,206, representing a gross margin of 60%, compared with gross profit after biological asset transformation of $1,621,590 or 26% gross margin, for the three months ended December 31, 2017, driven by increased harvested cannabis and wholesale shipments, along with incremental contribution from increased volume from Retail sales.

Total Expenses

Total expenses for three months ended December 31, 2018 were $27,967,979, an increase of $24,061,766, compared to three months ended December 31, 2017.

Increase in total expenses was attributable to an increase in general and administrative expenses, mainly due to non-cash charges related to equity incentive compensation of $11,095,553, which is all incremental compared to the prior year. Salaries and benefits also contributed to the increase as a result of new headcount from the Company’s Retail and Wholesale facilities in Illinois, Nevada, Maryland, Pennsylvania and Massachusetts along with corporate staff development.

Additionally, the Company had professional fees of $4,006,572 which represented an increase of $3,006,813 over the 2017 amount of $999,759, primarily driven by acquisition related support, and other regulatory and growth-related activities.

Total Other Income (Expense)

Total other income for three months ended December 31, 2018 was $13,000,961, an increase of $13,429,168 compared to 2017, mainly due to the increase in fair values of the Company’s investments, as further described in the Liquidity, Financing Activities During the Period, and Capital Resources section of this MD&A.

Provision for Income Taxes

Income tax expense is recognized based on the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at year-end. For the three months ended December 31, 2018, Federal and State income tax expense totaled $4,326,595 compared to $55,000 provision for income taxes for the three months ended December 31, 2017. The net expense of $4,326,595 for the three months ended December 31, 2018 includes current tax expense of $1,763,595 and deferred tax expense of $2,563,000 in the current period. The deferred tax expense is driven by the fair value of investments in addition to biological assets, partially offset by net operating losses and share based compensation.

Loss From Operations

Net operating loss before other income, provision for income taxes and non-controlling interest for three months ended December 31, 2018 was $15,518,773, an increase of $13,234,150 compared to the three months ended December 31, 2017.

As presented in the Non-IFRS section, after adjusting for non-cash fees of $11,095,553 equity incentive compensation as described above, as well as non-operating income, adjusted operating EBITDA was $(953,019) and $(2,024,199) for the three months ended December 31, 2018 and 2017, respectively.

Year Ended December 31, 2018

Revenue

Revenue for the year ended December 31, 2018 was $62,493,680, up 278% from $16,528,779 for the year ended December 31, 2017 due to revenue contribution from Consumer Products and Retail sales across Illinois, Nevada, Maryland, Pennsylvania and Massachusetts. Year over year consumer products growth is driven by expanded distribution to third party retail customers of GTI's branded product portfolio including Rythm, The Feel Collection and Dogwalkers primarily across Illinois, Maryland, and Pennsylvania. Retail sales growth is driven by increased foot traffic in Illinois retail stores, incremental revenue from two Illinois stores which were acquired in October 2017, new store openings of Rise: three in Maryland, four in Pennsylvania, and the commencement of adult use sales for both Nevada Rise stores as of January 1, 2018, all incremental compared to the year ending December 31, 2017.

Cost of Goods Sold & Biological Assets

Cost of goods sold are derived from cost related to the internal cultivation and production of cannabis and from retail purchases made from other licensed producers operating within our state markets.

Year ended December 31, 2018 cost of goods sold, excluding any adjustments to the fair value of biological assets, of $33,991,355 was up $23,544,554 or 225% compared to year ended December 31, 2017, driven by expanded production of consumer products in new markets Maryland and Pennsylvania, as well as material increases from retail sales driven by new store openings and increases in daily transactions across Illinois, Maryland, Massachusetts, Nevada, and Pennsylvania.

Inventory of plants under production is considered a biological asset. Under IFRS, biological assets are to be recorded at fair value at the time of harvest, less costs to sell. The biological assets are transferred to inventory and the transfer becomes the deemed cost on a go-forward basis. When the product is sold, the fair value is relieved from inventory and the transfer is recorded to cost of sales. In addition, the cost of sales also includes products and costs related to other products acquired from other producers and sold by the Company.

Gross Profit

Gross profit before biological asset adjustments for the year ended December 31, 2018 was $28,502,325, representing a gross margin on the sale of branded cannabis flower and processed and packaged products including concentrates, edibles, topicals and other cannabis products, of 46%. This is compared to gross profit before biological asset adjustments for the year ended December 31, 2017 of $6,081,978 or a 37% gross margin.

Gross profit after net gains on biological asset transformation for year ended December 31, 2018 was $32,706,409, representing a gross margin of 52%, compared with gross profit after biological asset transformation of $7,228,065 or 44% gross margin, for the year ended December 31, 2017, driven by increased harvested cannabis and wholesale shipments.

Total Expenses

Total expenses for year ended December 31, 2018 were $60,225,178, an increase of $48,734,406, compared to year ended December 31, 2017.

Increase in total expenses was attributable to an increase in general and administrative expenses, mainly due to non-cash charges related to equity incentive compensation of $14,714,216, which is all incremental compared to the prior year. Salaries and benefits also contributed to the increase as a result of new headcount from the Company's Retail and Wholesale facilities in Illinois, Nevada, Maryland, Pennsylvania and Massachusetts along with corporate staff development.

The Company also recorded a non cash listing fee charge of $3,002,634 in connection with the completion of the reverse takeover transaction on June 12, 2018.

Additionally, the Company had professional fees of $10,689,130 which represented an increase of $7,171,238 over the 2017 amount of $3,517,892 due to the reverse takeover transaction, acquisition related support, and other regulatory and growth related activities.

Total Other Income (Expense)

Total other income for year ended December 31, 2018 was $56,091,532, an increase of $55,979,581 compared to 2017, due to the iAnthus Warrants and other investments recorded at fair value, as further described in the Liquidity, Financing Activities During the Period, and Capital Resources section of this MD&A.

Provision for Income Taxes

Income tax expense is recognized based on the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at year-end. For year ended December 31, 2018, Federal and State income tax expense totaled $8,624,595 compared to $214,000 provision for income taxes for the year ended December 31, 2017. Deferred tax expense of $5,454,000 is included in the $8,624,595 for the current period. This expense is driven by the fair value of Warrants and investments in addition to biological assets, offset by deferred tax benefit related to net operating losses and share-based compensation.

Loss From Operations

Net operating loss before other income, provision for income taxes and non-controlling interest for year ended December 31, 2018 was $27,518,769, an increase of $23,256,062 compared to the year ended December 31, 2017. The increase in net operating loss was driven by the non cash fees of $3,002,634 and $14,714,216 for listing fees and equity incentive compensation as described above, in addition to startup costs for new markets this year.

Drivers of Results of Operations

Revenue

The Company derives its revenue from two business units: a Consumer Packaged Good business in which it manufactures, sells and distributes its portfolio of finished consumer packaged goods including brands Rythm, Dogwalkers, and The Feel Collection, among others, primarily to third-party retail customers, and a Retail business in which it sells finished goods sourced primarily from third-party cannabis manufacturers direct to the end consumer in its brick and mortar retail stores, as well as direct-to-consumer delivery where applicable by state law.

For the three months and year ended December 31, 2018, revenue was contributed from both Consumer Packaged Goods and Retail business units in Illinois, Nevada, Maryland, Pennsylvania and Massachusetts.

Gross Profit

Gross profit is revenue less cost of goods sold. Cost of goods sold includes the costs directly attributable to product sales and includes amounts paid for finished goods, such as flower, edibles, and concentrates, as well as packaging and other supplies, fees for services and processing, and allocated overhead which includes allocations of rent, utilities, and related costs. Cannabis costs are affected by various state regulations that limit the sourcing and procurement of cannabis product, which may create fluctuations in gross profit over comparative periods as the regulatory environment changes. Gross margin measures our gross profit as a percentage of revenue.

Over the three months and year ended December 31, 2018, the Company continued to be focused on executing sustainable profitable growth of the Company's base business while pursuing national expansion. GTI expects to continue its growth strategy for the foreseeable future as the Company expands its consumer products and retail footprint within its current markets with acquisitions and partnerships, and scales resources into new markets.

In the markets in which GTI is already operational, the Company expects to realize gradual price compression as these state markets mature, which will place downward pressure on both consumer products and retail gross margins. However, the Company is focused on developing and distributing value-added branded products as a barrier to price compression and also intends to optimize production output and become more efficient in its manufacturing processes, for example by automating certain processes. Thus, it is expected that price compression at the consumer products level will be offset by the scalability of the production facilities and continued realization of significant distribution market share.

Total Expenses

Total expenses other than the cost of goods sold consist of selling costs to support customer relationships and marketing and branding activities. It also includes a significant investment in the corporate infrastructure required to support ongoing business.

Selling costs generally correlate to revenue. As a percentage of sales, the Company expects selling costs to remain relatively flat in the more established operational markets (Illinois, Nevada, Maryland, and Pennsylvania) and increase in the up and coming markets as business continues to grow (Massachusetts, Florida, Ohio, New York). The increase is expected to be driven primarily by the growth of our Consumer Products and Retail channels and the ramp up from pre-revenue to sustainable market share.

General and administrative expenses also include costs incurred at the corporate offices, primarily related to personnel costs, including salaries, incentive compensation, benefits, share-based compensation and other professional service costs. The Company expects to continue to invest considerably in this area to support aggressive expansion plans and to support the business by attracting and retaining top-tier talent. Furthermore, the Company expects to continue to incur acquisition and transaction costs related to these expansion plans and anticipates an increase in stock compensation expenses related to recruiting and hiring talent, along with legal and professional fees associated with being a publicly traded company.

Provision for Income Taxes

The Company is subject to income taxes in the jurisdictions in which it operates and, consequently, income tax expense is a function of the allocation of taxable income by jurisdiction and the various activities that impact the timing of taxable events. As the Company operates in the legal cannabis industry, it is subject to the limitations of IRC Section 280E under which taxpayers are 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 and a higher effective tax rate than most industries. Therefore, the effective tax rate can be highly variable and may not necessarily correlate to pre-tax income or loss.

Non-IFRS Measures

EBITDA, Adjusted Operating EBITDA, and Adjusted EBITDA are non-IFRS measures and do not have standardized definitions under IFRS. The following information provides reconciliations of the supplemental non-IFRS financial measures, presented herein to the most directly comparable financial measures calculated and presented in accordance with IFRS. The Company has provided the non-IFRS financial measures, which are not calculated or presented in accordance with IFRS, as supplemental information and in addition to the financial measures that are calculated and presented in accordance with IFRS. These supplemental non-IFRS financial measures are presented because management has evaluated the financial results both including and excluding the adjusted items and believe that the supplemental non-IFRS financial measures presented provide additional perspective and insights when analyzing the core operating performance of the business. These supplemental non-IFRS financial measures should not be considered superior to, as a substitute for or as an alternative to, and should be considered in conjunction with, the IFRS financial measures presented.

	FY2018	FY2017
Net income (loss) (IFRS)	$ 19,948,168	$ (4,364,756)
Interest income	(1,952,945)	-
Interest expense	2,278,834	432,448
Income taxes	8,624,595	214,000
Depreciation and amortization	5,183,980	689,988
Earnings before interest, taxes, depreciation and amortization (EBITDA) (non-IFRS measure)	**$ 34,082,632**	**$ (3,028,320)**
Other income	(56,417,421)	(544,399)
Share-based compensation, non-cash	14,714,216	-
Listing fee	3,002,634	-
Adjusted Operating EBITDA (non-IFRS measure)	**$ (4,617,939)**	**$ (3,572,719)**
Adjustment for investment fair value adjustments attributable to Green Thumb Industries Inc.	25,812,923	-
Adjusted EBITDA (non-IFRS measure)	**$ 21,194,984**	**$ (3,572,719)**

Liquidity, Financing Activities During the Period, and Capital Resources

As of December 31, 2018, the Company had total current liabilities of $47,619,512 (December 31, 2017 had $14,280,657) and cash and cash equivalents of $145,986,072 (December 31, 2017 had $29,565,497) to meet its current obligations. As of December 31, 2018, the Company had working capital of $126,776,528 up $105,267,349 compared to December 31, 2017 driven mainly by capital raises including completion of the reverse takeover transaction during the second quarter of 2018, and two bought deal financing transactions during the third and fourth quarters of 2018.

On January 17, 2018, the Company, through a subsidiary, entered into a debenture purchase agreement with iAnthus Capital Holdings, Inc. whereby the subsidiary loaned $20 million to iAnthus so that they could purchase a Florida medical cannabis business. The subsidiary was capitalized by the Company and a group of private investors. As part of the debenture purchase agreement, the subsidiary received (i) an unsecured debenture with a principal amount of $20 million accruing interest at the rate of 15% per annum, and (ii) 10,040,000 iAnthus Warrants at an exercise price of $1.9928 per common share expiring January 17, 2021. The unsecured debenture matures in 12 months but has 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 million along with accrued interest. The Warrants were distributed to the subsidiary's investors during October 2018. On October 18, 2018 the Company divested all of its membership interests in the subsidiary to an unaffiliated third party.

On April 30, 2018, the Company completed a private placement financing of $45 million of 3-year unsecured convertible promissory notes. An initial $25 million offering was approximately 2x oversubscribed and the Company limited the final amount to approximately $45 million. The cash proceeds from the transaction were used for working capital and acquisition purposes.

On June 12, 2018, the Company completed a reverse takeover transaction ("RTO") raising net proceeds of approximately $61 million. 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".

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

On October 17, 2018 the Company closed on its $78,562,596 (CAD$101,660,000) bought deal financing (the "Second Offering") for 5,083,000 shares, co-led by Canaccord Genuity Corp. and GMP Securities L.P. and including Beacon Securities Limited, Echelon Wealth Partners Inc. and Eight Capital. The proceeds are intended to be used for business development, including wholesale capacity, strategic initiatives, and working capital. Financing costs related to the Second Offering totaled $3,479,116 (CAD $4,501,976).

The Company is an early-stage growth company. It is generating cash from sales and is deploying its capital reserves to acquire and develop assets capable of producing additional revenues and earnings over both the immediate and near term. Capital reserves are being utilized for acquisitions in the medical and adult use cannabis markets, for capital expenditures and improvements in existing facilities, product development and marketing, as well as customer, supplier and investor and industry relations.

Cash Flows

Cash Used in Operating Activities

Net cash used in operating activities was $7,114,957 for the year ended December 31, 2018, an increase of $2,826,249 compared to the year ended December 31, 2017. The increase in net cash used in operating activities was primarily due to increases in inventory and prepaid expenses due to additional operational facilities compared to last year.

Cash Flow from Investing Activities

Net cash used in investing activities was $121,989,314 for the year ended December 31, 2018, an increase of $95,963,903, compared to $26,025,411 for the year ended December 31, 2017. The increase in net cash used in investing activities was primarily due to facility buildout and expansion, along with the acquisition of KSGNF, LLC, which holds a license to operate a medical marijuana cultivation and processing facility, and up to 30 retail stores in the State of Florida. As further described in the Completed and Proposed Transactions section, the acquisition closed in November 2018.

Cash Flow from Financing Activities

Net cash provided by financing activities was $245,524,846 for the year ended December 31, 2018, an increase of $198,600,748 compared to $46,924,098 for the year ended December 31, 2017. The increase in net cash provided by financing activities was due to the proceeds from the aforementioned private placement, RTO, and bought deal financings.

Off-Balance Sheet Arrangements

As of the date of this filing, the Company does not have any off-balance-sheet arrangements that have, or are reasonably likely to have, a current or future effect on the results of operations or financial condition of the Company, including, and without limitation, such considerations as liquidity and capital resources.

Transactions with Related Parties

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

	2018	2017
Note receivable dated December 15, 2017, principal due by December 31, 2018, plus interest at 1.52%(1)	$ -	$ 605,000
Note receivable dated July 20, 2017, principal due the earlier of July 19, 2018 or upon the achievement of defined capital raisings activities; plus interest at 2%; note repaid on February 13, 2018(2)	$ -	$ 575,000
Other	$ -	$ 8,686
Total Due from Related Party	$ -	$ 1,188,686

Notes:

(1) The Promissory Note in the amount of $605,000, dated December 15, 2017, was entered into by GTI Pennsylvania, LLC, a Pennsylvania limited liability company and Wendy Berger for the purpose of acquiring real estate for the Company's medical marijuana dispensary in Erie, Pennsylvania. Wendy Berger is a member of GTI's Board of Directors. The loan was satisfied by Wendy Berger and GTI Pennsylvania, LLC subsequently became the owner of such real estate as of January 1, 2018.

(2) The Promissory Note in the amount of $575,000, dated July 20, 2017, was entered into by Vision Management Services, LLC, a Delaware limited liability company and Mosaic Real Estate Sparks, LLC, an Illinois limited liability company for the purpose of acquiring real estate for the Company's medical and adult use dispensary in Sparks, Nevada. Wendy Berger is an owner of Mosaic Real Estate Sparks, LLC and is a member of GTI's Board of Directors. The Promissory Note was repaid by Mosaic Real Estate Sparks, LLC on February, 13, 2018.

Proposed Transactions

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.

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.

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.

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.

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.

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.

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.

Changes in or Adoption of Accounting Practices

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.

IFRS 7, Financial instruments: Disclosure

IFRS 7, Financial instruments: Disclosure was amended to require additional disclosures on transition from IAS 39 to IFRS 9. IFRS 7 is effective on adoption of IFRS 9, which is effective for annual periods commencing on or after January 1, 2018. There was no significant impact on the Company's consolidated financial statements as a result of this adoption.

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 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.

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.

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.

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.

CRITICAL ACCOUNTING ESTIMATES

The Company makes judgements, estimates and assumptions about the future that affect the reported amounts of assets and liabilities, and revenues 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.

The preparation of the Company’s consolidated financial statements in conformity with IFRS requires management to make judgments, estimates, and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. 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.

Estimated Useful Lives and Depreciation of Property and Equipment

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.

Estimated Useful Lives and Amortization of Intangible Assets

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.

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.

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.

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.

Biological Assets

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.

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.

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.

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.

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.

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.

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.

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.

Financial Instruments and Financial Risk Management

The Company's financial instruments consist of cash and cash equivalents, investments, accounts payable and accrued liabilities, income tax payable, short-term notes payable and long-term debt. The carrying values of these financial instruments approximate their fair values. 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.

Financial Risk Management

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

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 is the carrying amount of cash and cash equivalents. The Company does not have significant credit risk with respect to 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.

Liquidity Risk

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

Market Risk

Currency Risk

The operating results and financial position of the Company are reported in U.S. dollars. Some of the Company's financial transactions are denominated in currencies other than the U.S. dollar. The results of the Company's operations are subject to currency transaction risks.

The Company has no hedging agreements in place with respect to foreign exchange rates. The Company has not entered into any agreements or purchased any instruments to hedge possible currency risks at this time.

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.

Price Risk

Price risk is the risk of variability in fair value due to movements in equity or market prices.