

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 and nine months ended September 30, 2019 and 2018. It is supplemental to, and should be read in conjunction with, the Company’s consolidated financial statements and the accompanying notes for the three and nine months ended September 30, 2019. 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.

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 consumer packaged goods brands including Rythm, Dogwalkers, The Feel Collection, incredibles, Dr. Solomon’s and Beboe, primarily to third-party retail stores across the United States as well as to GTI owned retail stores. The Corporate also owns and operates a rapidly growing national chain of retail cannabis stores called Rise[™] and Essence.

Headquartered in Chicago, Illinois, GTI owns or has executed definitive acquisition agreements for 13 manufacturing facilities, licenses for 96 retail locations and operations across 12 U.S. markets. Established in 2014, GTI employs over 1,300 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 nine months ended September 30, 2019, GTI has operating revenue in eleven of its twelve markets: Nevada, Illinois, Pennsylvania, Massachusetts, Maryland, Florida, Connecticut, California, Ohio, Colorado and New York and ramp up expenses related to the build out of New Jersey in preparation for revenue generation over the next six months.

SELECTED FINANCIAL INFORMATION

The following is selected financial data derived from the consolidated financial statements of the Company for the three and nine months September 30, 2019 and 2018.

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		Nine Months Ended	
	September 30,		September 30,	
	2019	2018	2019	2018
Total Revenues, net of discounts	\$ 67,990,907	\$ 17,171,710	\$ 140,630,847	\$ 41,722,266
Cost of Goods Sold (excluding biological assets)	\$ 33,187,397	\$ 9,337,105	\$ 69,487,533	\$ 22,887,108
Gross Profit	\$ 34,803,510	\$ 7,834,605	\$ 71,143,314	\$ 18,835,158
Total Expenses	\$ 36,733,693	\$ 13,873,320	\$ 95,758,973	\$ 32,257,199
Other (Expense) Income	\$ (12,984,657)	\$ 8,104,724	\$ (20,602,758)	\$ 43,090,571
(Loss) Income Before Provision for Income Taxes and Non-Controlling Interest	\$ (13,569,745)	\$ 2,752,245	\$ (44,298,929)	\$ 31,090,575
Total Assets	\$ 1,081,676,668	\$ 297,570,813	\$ 1,081,676,668	\$ 297,570,813
Long-Term Liabilities	\$ 154,507,167	\$ 9,252,109	\$ 154,507,167	\$ 9,252,109

Three Months Ended September 30, 2019

Revenue

Revenue for the three months ended September 30, 2019 was \$67,990,907, up 296% from \$17,171,710 for the three months ended September 30, 2018 driven by contribution from both Consumer Packaged Goods and Retail sales across eleven of twelve markets (California, Colorado, Connecticut, Florida, Illinois, Nevada, Maryland, Massachusetts, New York, Ohio and Pennsylvania). Key performance drivers are: distribution expansion of GTI's branded product portfolio primarily in Illinois, Massachusetts, and Pennsylvania; new store opening and increased store traffic to GTI's 32 open and operating retail stores, particularly in Florida, Illinois, Massachusetts, and Pennsylvania; and the addition of revenue from the acquisition of Connecticut-based Advanced Grow Labs (AGL) and Nevada-based Integral Associates, LLC (Integral Associates).

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 September 30, 2019 cost of goods sold, excluding any adjustments to the fair value of biological assets, of \$33,187,397 was up \$23,850,292 or 255% compared to three months ended September 30, 2018, driven by growth in consumer products and retail sales in Illinois, Massachusetts and Pennsylvania and the addition of Connecticut-based AGL and Nevada-based Integral Associates.

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 September 30, 2019 was \$34,803,510, representing a gross margin on the sale of finished cannabis consumer packaged goods of 51%. This is compared to gross profit before biological asset adjustments for the three months ended September 30, 2018 of \$7,834,605 or a 46% gross margin.

Gross profit after net losses on biological asset transformation for three months ended September 30, 2019 was \$36,148,605, representing a gross margin of 53%, compared with gross profit after biological asset transformation of \$8,520,841 or 50% gross margin, for the three months ended September 30, 2018, driven by increased scale across the consumer packaged goods and retail businesses.

Total Expenses

Total expenses for the three months ended September 30, 2019 were \$36,733,693 or 54% of Total Revenues, net of discounts, an increase of \$22,860,373. Total expenses for the three months ended September 30, 2018 were \$13,873,320 or 81% of Total Revenues, net of discounts.

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 \$4,747,683, an increase of \$2,136,008 compared to the three months ended September 30, 2018. Salaries and benefits also contributed to the increase as a result of new headcount from the Company's Retail and Wholesale facilities along with corporate staff development.

Additionally, the Company had professional fees of \$4,765,424 which represented an increase of \$1,865,098 over the 2018 amount of \$2,900,326, primarily driven by acquisition related support, and other regulatory and growth-related activities.

As a result of the adoption of IFRS 16, the company recorded \$1,096,250 of amortization expense and \$606,319 of interest expense while removing \$1,108,562 in cash rent expense during the three months ended September 30, 2019.

Total Other Income (Expense)

Total other expense for three months ended September 30, 2019 was \$12,984,657, an increase of \$21,089,381 compared to 2018, mainly due to a favorable adjustment to the fair values of the Company's investments recorded in 2018, 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 September 30, 2019, Federal and State income tax expense totaled \$3,304,333 compared to expense of \$10,000 for the

three months ended September 30, 2018. The net expense of \$3,304,333 for the three months ended September 30, 2019 includes current tax expense of \$5,880,333 and deferred tax benefit of \$2,576,000 in the current period. The deferred tax benefit is driven by net operating losses and changes in the fair value of investments.

Loss From Operations

Net operating loss before other income, provision for income taxes and non-controlling interest for three months ended September 30, 2019 was \$13,569,745 an increase of \$16,321,990 compared to the three months ended September 30, 2018.

As presented in the Non-IFRS section, after adjusting for non-cash equity incentive compensation of \$4,747,683 as described above, as well as other non-operating items, adjusted operating EBITDA was \$14,092,977 and \$(1,973,948) for the three months ended September 30, 2019 and 2018, respectively.

Nine Months Ended September 30, 2019

Revenue

Revenue for the nine months ended September 30, 2019 was \$140,630,847, up 237% from \$41,722,266 for the nine months ended September 30, 2018 driven by contribution from both Consumer Packaged Goods and Retail sales across eleven of twelve markets (California, Colorado, Connecticut, Florida, Illinois, Nevada, Maryland, Massachusetts, New York, Ohio and Pennsylvania). Key performance drivers are: distribution expansion of GTI's branded product portfolio primarily in Illinois, Massachusetts, and Pennsylvania; new store opening and increased store traffic to GTI's 32 open and operating retail stores, particularly in Florida, Illinois, Massachusetts, and Pennsylvania; and the addition of revenue from the acquisition of Connecticut-based AGL and Nevada-based Integral Associates.

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.

Nine months ended September 30, 2019 cost of goods sold, excluding any adjustments to the fair value of biological assets, increased by \$46,600,425 or 204% compared to nine months ended September 30, 2018, driven by growth in consumer products and retail sales in Illinois, Massachusetts and Pennsylvania and the addition of Connecticut-based AGL and Nevada-based Integral Associates.

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 nine months ended September 30, 2019 was \$71,143,314, representing a gross margin on the sale of finished cannabis consumer packaged goods of 51%. This is compared to gross profit before biological asset adjustments for the nine months ended September 30, 2018 of \$18,835,158 or a 45% gross margin.

Gross profit after net gains on biological asset transformation for the nine months ended September 30, 2019 was \$72,062,802, representing a gross margin of 51%, compared with gross profit after biological asset transformation of \$20,257,203 or 49% gross margin, for the nine months ended September 30, 2018, driven increased scale across the consumer packaged goods and retail businesses

Total Expenses

Total expenses for the nine months ended September 30, 2019 were \$95,758,973 or 68% of Total Revenues, net of discounts, an increase of \$63,501,774. Total expenses for the nine months ended September 30, 2018 were \$32,257,199 or 77% of Total Revenues, net of discounts.

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 \$17,560,588, an increase of \$13,941,925 compared to the nine months ended September 30, 2018. 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 Massachusetts and Florida along with corporate staff development.

Additionally, the Company had professional fees of \$12,762,904 which represented an increase of \$6,250,346 over the 2018 amount of \$6,512,558, primarily driven by acquisition related support, and other regulatory and growth-related activities.

As a result of the adoption of IFRS 16, the company recorded \$2,453,612 of amortization expense and \$2,171,336 of interest expense while removing \$3,008,942 in cash rent expense during the nine months ended September 30, 2019.

Total Other Expense (Income)

Total other expense for the nine months ended September 30, 2019 was \$20,602,758, representing an increase of \$63,693,329 compared to 2018, mainly due to a favorable adjustment to the fair values of the Company's investments recorded in 2018, 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 nine months ended September 30, 2019, Federal and State income tax expense totaled \$4,434,000 compared to \$4,298,000 for the nine months ended September 30, 2018. The net expense of \$4,434,000 for the nine months ended September 30, 2019 includes current tax expense of \$10,425,000 and deferred tax benefit of \$5,991,000 in the current period. The deferred tax benefit is driven by net operating losses and changes in the fair value of investments.

Loss From Operations

Net operating loss before other income, provision for income taxes and non-controlling interest for nine months ended September 30, 2019 was \$44,298,929, an increase of \$75,389,504 compared to the nine months ended September 30, 2018.

As presented in the Non-IFRS section, after adjusting for non-cash equity incentive compensation of \$17,560,588 as described above, as well as other non-operating items, adjusted operating EBITDA was \$18,743,641 and \$(2,402,430) for the nine months ended September 30, 2019 and 2018, respectively.

Drivers of Results of Operations

Revenue

The Company derives its revenue from the sale of consumer packaged goods to third party retail customers as well as to end consumers through its owned retail stores. For the nine months ended September 30, 2019, revenue was contributed from consumer packaged goods and retail sales across California, Colorado, Connecticut, Florida, Illinois, Nevada, Maryland, Massachusetts, New York, Ohio, and Pennsylvania.

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.

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, Pennsylvania, Massachusetts and Connecticut) and increase in the up and coming markets as business continues to grow (Florida, Ohio, New Jersey, and 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 and Adjusted Operating 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.

Adjusted EBITDA

(Amounts expressed in United States Dollars)

	Three months ended September 30,		Nine months ended September 30,	
	2019	2018	2019	2018
Net (loss) income before noncontrolling interest (IFRS)	\$ (16,874,078)	\$ 2,742,245	\$ (48,732,929)	\$ 26,792,575
Interest income	(407,509)	(430,430)	(1,300,233)	(1,408,512)
Interest expense	6,806,626	300,211	13,933,558	1,137,984
Income tax expense	3,304,333	10,000	4,434,000	4,298,000
Depreciation and amortization	8,741,452	766,856	19,838,257	1,713,839
Earnings before interest, taxes, depreciation and amortization (EBITDA) (non-IFRS measure)	\$ 1,570,824	\$ 3,388,882	\$ (11,827,347)	\$ 32,533,886
Other expense (income)	6,585,540	(7,974,505)	7,969,433	(42,820,043)
Share-based compensation, non-cash	4,747,683	2,611,675	17,560,588	3,618,663
Acquisition, transaction, and other non-operating costs	1,188,930	-	5,040,967	4,265,064
Adjusted Operating EBITDA (non-IFRS measure)	\$ 14,092,977	\$ (1,973,948)	\$ 18,743,641	\$ (2,402,430)

Liquidity, Financing Activities During the Period, and Capital Resources

As of September 30, 2019, the Company had total current liabilities of \$105,626,299 (December 31, 2018 had \$47,619,512) and cash and cash equivalents of \$66,121,654 (December 31, 2018 had \$145,986,072) to meet its current obligations. As of September 30, 2019, the Company had working capital of \$18,133,742 down \$108,642,786 compared to December 31, 2018 driven primarily by liabilities arising from the completion of business acquisitions during the nine months ended September 30, 2019.

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 Provided by (Used in) Operating Activities

Net cash provided by operating activities was \$345,655 for the nine months ended September 30, 2019, an increase of \$13,568,731 compared to net cash used in operating activities of \$13,223,076 for the nine months ended September 30, 2018.

Cash Flow from Investing Activities

Net cash used in investing activities was \$171,943,137 for the nine months ended September 30, 2019, an increase of \$134,754,576 compared to \$37,188,561 for the nine months ended September 30, 2018.

Cash Flow from Financing Activities

Net cash provided by financing activities was \$91,733,064 for the nine months ended September 30, 2019, a decrease of \$78,887,171 compared to \$170,620,235 for the nine months ended September 30, 2018.

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.

Subsequent Transactions

The Company has evaluated subsequent events through November 20, 2019, which is the date these unaudited interim condensed consolidated financial statements were issued.

- a) On November 12, 2019, the Company closed on a transaction to sell its Danville, Pennsylvania cultivation and processing facility to an unrelated third party. GTI will lease back the facility via a long-term agreement and continue to operate and manage it.

The purchase price for the property was \$20,300,000, excluding transaction costs. GTI is also expected to make certain improvements to the property that will significantly enhance production capacity, for which GTI will be reimbursed up to \$19,300,000. Assuming full reimbursement for such improvements, the total investment in the property will be \$39,600,000.

As part of this transaction, GTI entered into the first amendment of the Notes Purchase Agreement whereby among other things, the amended agreement reduced the additional amount of funds available for borrowing from \$44,533,571 to \$24,533,571 and extended the time frame in which GTI may borrow these funds an additional 180 days to May 2020. As of September 30, 2019, GTI has not drawn any additional funds from the lenders.

Upcoming Changes in Issuer's Accounting Framework

Effective December 31, 2019, we will become a domestic issuer under the rules of the U.S. Securities and Exchange Commission, and will no longer qualify as a "foreign private issuer" under those rules, and as a result we will have to prepare our December 31, 2019 annual financial statements in accordance with US GAAP, with such change being applied retrospectively. The extent of the impact of adoption of the standard

has not yet been determined. We will report our third quarter results under IFRS as issued by the International Accounting Standards Board.

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 16, Leases

In January 2016, the IASB issued IFRS 16, *Leases* (“IFRS 16”), which replaced 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 is effective for annual periods beginning on or after January 1, 2019.

The Company has applied 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 elected 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 were not reassessed for whether a lease exists. The Company did not elect to 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 also did not account for leases for which the lease term ends within 12 months of the date of initial application as short-term leases.

Upon adoption of IFRS 16, the Company recognized \$10,932,883 in right-of-use assets and \$11,984,980 in corresponding lease liabilities with the difference of \$1,047,395 million 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. Any 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.