VIREO HEALTH INTERNATIONAL, INC.
(FORMERLY DARIEN BUSINESS DEVELOPMENT CORP.)

CONSOLIDATED FINANCIAL STATEMENTS

For the Years Ended
December 31, 2019 and 2018

(Expressed in United States Dollars)

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of
Vireo Health International, Inc.
(formerly Darien Business Development Corp.)

Opinion

We have audited the accompanying consolidated financial statements of Vireo Health International, Inc. (formerly Darien Business Development Corp.) (the "Company"), which comprise the consolidated statements of financial position as at December 31, 2019 and 2018, and the consolidated statements of loss and comprehensive loss, cash flows, and changes in shareholders' equity for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2019 and 2018, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards ("IFRS").

Basis for Opinion

We conducted our audits 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 in our audits is sufficient and appropriate to provide a basis for our opinion.

Other Information

Management is responsible for the other information. The other information obtained at the date of this auditor's report includes Management's Discussion and 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 audit, 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, 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 IFRS, 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 Erez Bahar.

"DAVIDSON & COMPANY LLP"

Vancouver, Canada

Chartered Professional Accountants

May 14, 2020

VIREO HEALTH INTERNATIONAL, INC.
(FORMERLY DARIEN BUSINESS DEVELOPMENT CORP.)
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
As at December 31, 2019 and December 31, 2018
(Expressed in United States Dollars)

	Note		December 31, 2019		December 31, 2018
ASSETS					
Current Assets					
Cash		$	7,641,673	$	9,624,110
Restricted Cash	*13(g)*		1,592,500		-
Receivables	*5*		1,025,963		1,671,257
Inventories	*6*		32,437,308		21,379,722
Biological Assets	*7*		6,134,209		5,967,150
Prepaid Expenses			2,285,548		962,297
Deferred acquisition costs	*8*		28,136		1,885,653
Deferred financing costs			-		448,480
			51,145,337		**41,938,669**
Non-Current Assets					
Right of Use Assets	*9*		25,921,603		-
Property and Equipment	*9*		13,326,337		22,847,283
Deposits	*8*		2,651,366		2,259,735
Deferred Loss on Sale Leaseback			30,481		26,596
Goodwill	*14*		3,132,491		-
Intangible Asset	*14*		9,001,237		2,184,565
			54,063,515		**27,318,179**
Total Assets		**$**	**105,208,852**	**$**	**69,256,848**
LIABILITIES AND SHAREHOLDERS' EQUITY					
Current Liabilities					
Accounts Payable and Accrued Liabilities		$	3,140 086	$	2,512,389
Current portion of Right of Use Liability	*11*		619,827		680,193
Current portion of Long-Term Debt	*11*		-		1,010,000
			3,759,913		**4,202,582**
Long-Term Liabilities					
Deferred Rent			-		271,091
Deferred Income Taxes	*15*		4,528,000		6,508,000
Right of Use Liability	*11*		28,665,681		16,620,922
Long-Term Debt	*11*		1,110,000		-
Convertible debt	*11*		817,446		-
			38,881,040		**27,602,595**
Shareholders' Equity					
Share Capital	*10*		118,453,142		41,965,556
Reserves	*10*		7,962,509		2,766,050
Deficit			(60,087,839)		(3,077,353)
			66,327,812		**41,654,253**
Total Liabilities and Equity		**$**	**105,208,852**	**$**	**69,256,848**

Nature of operations *(Note 1)*
Subsequent events *(Note 21)*

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

VIREO HEALTH INTERNATIONAL, INC.
(FORMERLY DARIEN BUSINESS DEVELOPMENT CORP.)
CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS
For the Years Ended December 31, 2019 and 2018
(Expressed in United States Dollars)

	Note		Year Ended December 31, 2019		Year Ended December 31, 2018
REVENUE		$	29,956,172	$	18,459,069
Production Costs			(21,754,487)		(9,519,433)
Gross Profit Before Fair Value Adjustments			**8,201,685**		**8,939,636**
					-
Realized Fair Value Amounts Included in Inventory Sold	*6*		(18,569,503)		(16,457,419)
Unrealized Fair Value Gain on Growth of Biological Assets	*7*		21,209,166		24,302,031
Gross Profit			**10,841,348**		**16,784,248**
EXPENSES					
Depreciation	*9*		1,368,685		274,319
Professional fees			4,036,348		1,862,317
Salaries and wages			10,339,741		4,144,540
Selling, general and administrative expenses			9,994,361		3,831,634
Share Based Compensation	*10*		3,303,297		2,072,706
			29,042,432		**12,185,516**
OTHER INCOME (EXPENSE)					
Loss on sale of property and equipment	*9*		(23,216)		(25,065)
Interest expense			(5,131,622)		(2,390,422)
Interest income			662		319
Accretion expense			(52,096)		-
Listing expense	*4*		(3,562,883)		-
Acquisition related costs	*13*		(739,880)		-
Inventory adjustment	*6*		(865,405)		-
Other expense			(469,112)		(59,917)
Loss on Impairment	*14*		(28,264,850)		-
Total Other Income (Expense)			**(39,108,402)**		**(2,475,085)**
INCOME (LOSS) BEFORE INCOME TAXES			**(57,309,486)**		**2,123,647**
Current income taxes	*15*		(1,681,000)		(2,918,000)
Deferred income taxes	*15*		1,980,000		(2,283,000)
PROVISION (RECOVERY) FOR INCOME TAXES			**299,000**		**(5,201,000)**
LOSS AND COMPREHENSIVE LOSS		**$**	**(57,010,486)**	**$**	**(3,077,353)**
Weighted Average Shares Outstanding - basic and diluted			80,822,129		1,208,403
Net Loss Per Share - basic and diluted		$	(0.71)	$	(2.55)

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

VIREO HEALTH INTERNATIONAL, INC.
(FORMERLY DARIEN BUSINESS DEVELOPMENT CORP.)
CONSOLIDATED STATEMENTS OF CASH FLOWS
For the Years Ended December 31, 2019 and 2018
(Expressed in United States Dollars)

	Note	Year Ended December 31, 2019	Year Ended December 31, 2018
Cash Flows from Operating Activities:			
Net loss		$ **(57,010,486)**	$ **(3,077,353)**
Item not affecting cash:			
Depreciation	*9*	3,201,955	771,281
Amortization of intangible assets	*14*	864,229	-
Loss on sale of property and equipment		19,331	27,455
Share-based compensation	*10*	3,303,297	2,072,706
Fair value adjustment on sale of inventory	*6*	18,569,503	16,457,419
Fair value adjustment on growth of biological assets	*7*	(21,209	(24,302,031)
Impairment of goodwill and intangible assets	*14*	28,264,850	-
Interest expense		5,183,718	2,390,422
Other income		-	(105,275)
Deferred income taxes	*15*	(1,980,000)	2,283,000
Deferred gain/loss on sale leaseback		-	8,845
Listing expense	*5*	3,562,883	
Acquisition costs	*13*	739,880	-
Changes in non-cash working capital	*20*	(5,968,453)	(5,751,349)
Cash Flows Used in Operating Activities		**(22,458,459)**	**(9,224,880)**
Cash Flows from Investing Activities:			
Purchase of property and equipment	*9*	(7,690,753)	(2,089,058)
Proceeds on sale of property and equipment	*9*	1,000,257	5,793,830
Cash acquired from MaryMed	*13*	-	1,499,085
Acquisition costs on RTO, net of cash acquired	*5*	(567,849)	-
Acquisition costs on business combinations and assets acquisitions, net of cash acquired	*13*	(13,534,735)	-
Restricted cash	*13*	(1,592,500)	-
Deferred acquisition costs and deposits		(214,470)	(1,885,653)
Cash Flows from Investing Activities		**(22,600,050)**	**3,318,204**
Cash Flows from Financing Activities:			
Proceeds from private placement, net of issuance costs	*10*	48,213,438	15,790,392
Deferred financing costs		-	(448,480)
Proceeds from debt	*11*	100,000	2,500,000
Payments on debt	*11*	-	(2,500,000)
Lease payments	*11*	(617,145)	-
Interest paid	*11*	(4,620,221)	(2,407,091)
Cash Flows from Financing Activities		**43,076,072**	**12,934,821**
Net Change in Cash		$ **(1,982,437)**	$ **7,028,145**
Cash, Beginning of the Year		9,624,110	2,595,965
Cash, End of the Year		$ **7,641,673**	$ **9,624,110**

Supplemental cash flow information *(Note 20)*

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

VIREO HEALTH INTERNATIONAL, INC.
(FORMERLY DARIEN BUSINESS DEVELOPMENT CORP.)
CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
For the Years Ended December 31, 2019 and 2018
(Expressed in United States Dollars)

		Members' Capital		**Share Capital**				
	Note	**Number of Members' Units**	**Amount**	**Number of Shares**	**Amount**	**Reserves**	**Retained Earnings (Deficit)**	**Total Shareholders' Equity**
Balance as of December 31, 2017		1,042,100	$ 22,909,162	-	$ -	$ -	$ 4,584,346	$ 27,493,508
Deferred Tax Liability from Reorganization		-	-	-	-	-	(4,225,000)	(4,225,000)
Non-Cash Contributions Resulting from Conversion to C-Corp	*11*	(1,042,100)	(22,909,162)	52,275,362	23,268,508	-	(359,346)	-
Share Based Compensation	*11*	-	-	-	-	2,072,706	-	2,072,706
Issuance of Series D Preferred Stock		-	-	11,500,855	15,790,392	-	-	15,790,392
Warrants		-	-	-	(693,344)	693,344	-	-
Acquisition of MaryMed, LLC	*13(h)*	-	-	2,422,531	3,600,000	-	-	3,600,000
Net Loss		-	-	-	-	-	(3,077,353)	(3,077,353)
Balance as of December 31, 2018		-	-	**66,198,748**	**$ 41,965,556**	**$ 2,766,050**	**$ (3,077,353)**	**$ 41,654,253**
Shares issued on RTO transaction	*5*	-	-	705,879	2,999,986	-	-	2,999,986
Shares issued in private placement	*10*	-	-	12,090,937	46,041,217	1,723,741	-	47,764,958
Acquisition of Mayflower Botanicals	*13(d)*	-	-	3,704,700	15,996,524	-	-	15,996,524
Acquisition of AZ entities	*13(b)*	-	-	1,680,600	7,594,463	-	-	7,594,463
Acquisition of Silver Fox assets	*13(c)*	-	-	672,100	3,130,306	-	-	3,130,306
Equity portion of convertible debt	*11*	-	-	-	-	463,446	-	463,446
Shares issued on conversion of debt	*10*	-	-	166,500	725,090	(294,025)	-	431,065
Stock-based compensation	*10*	-	-	-	-	3,303,297	-	3,303,297
Net Loss		-	-	-	-	-	(57,010,486)	(57,010,486)
Balance as of December 31, 2019		-	-	**85,219,464**	**$ 118,453,142**	**$ 7,962,509**	**$ (60,087,839)**	**$ 66,327,812**

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

1. NATURE OF OPERATIONS

Vireo Health International Inc. ("Vireo International" or the "Company") (formerly, Darien Business Development Corp.) was incorporated under the Alberta Business Corporations Act on November 23, 2004. On March 18, 2019, the Company completed a Reverse Takeover Transaction ("RTO") with Vireo Health Inc. ("Vireo U.S."), whereby the Company acquired Vireo U.S. and the shareholders of Vireo U.S. became the controlling shareholders of the Company (*Note 4*). Following the RTO, the Company is listed on the Canadian Securities Exchange (the "CSE") under ticker symbol "VREO".

Vireo U.S. is a physician-led, science-focused organization that cultivates and manufactures pharmaceutical-grade cannabis extracts. Vireo U.S. operates medical cannabis cultivation, production, and dispensary facilities in Arizona, Maryland, Minnesota, New Mexico, New York, Ohio, Pennsylvania, and Rhode Island through its subsidiaries.

While marijuana and CBD-infused products are legal under the laws of several U.S. states (with vastly differing restrictions), the United States Federal Controlled Substances Act classifies all "marijuana" as a Schedule I drug. Under U.S. federal law, a Schedule I drug or substance has a high potential for abuse, no accepted medical use in the United States, and a lack of safety for the use of the drug under medical supervision. Recently some federal officials have attempted to distinguish between medical cannabis use as necessary, but recreational use as "still a violation of federal law." At the present time, the distinction between "medical marijuana" and "recreational marijuana" does not exist under U.S. federal law, if one is illegal, both are illegal.

2. BASIS OF PRESENTATION

(a) Statement of compliance

These consolidated financial statements 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").

These consolidated financial statements were approved by the Board of Directors and authorized for issue by the Board of Directors on May 8, 2020.

(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, which are measured at fair value. Historical cost is generally based upon the fair value of the consideration given in exchange for assets. In addition, these consolidated financial statements have been prepared using the accrual basis of accounting.

(c) Functional currency

The functional currency of the Company and its subsidiaries, as determined by management, is the United States ("US") dollar. These consolidated financial statements are presented in United States dollars.

(d) Basis of consolidation

These consolidated financial statements include accounts of the Company, its wholly owned subsidiaries and entities over which the Company has control as defined in IFRS 10. Subsidiaries over which the Company has control are fully consolidated from the date control commences until the date control ceases. Control exists when the Company is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. In assessing control, potential voting rights that are currently exercisable are taken into account. All the consolidated entities were under common control during the entirety of the periods for which their respective results of operations were included in the consolidated statements (i.e., from the date of their acquisition). All intercompany balances and transactions are eliminated on consolidation.

The Company's consolidated subsidiaries are listed below and are 100% owned by the Company unless otherwise noted:

Name of Subsidiary	State, Country of Incorporation	Functional Currency	Principal Activity
Vireo Health International, Inc.	British Columbia, CAN	USD	Holding Company
Vireo Health, Inc.	Delaware, USA	USD	Holding Company
Vireo Health of New York, LLC	New York, USA	USD	Cannabis cultivation, production, wholesale and retail
Minnesota Medical Solutions, LLC	Minnesota, USA	USD	Cannabis cultivation, production, and retail
Pennsylvania Medical Solutions, LLC	Pennsylvania, USA	USD	Cannabis cultivation, production and wholesale
Ohio Medical Solutions, Inc. (1)	Delaware, USA	USD	Cannabis production and wholesale
MaryMed, LLC	Maryland, USA	USD	Cannabis cultivation, production and wholesale
1776 Hemp, LLC	Delaware, USA	USD	Hemp cultivation and production
Pennsylvania Dispensary Solutions, LLC	Delaware, USA	USD	Cannabis retail
Vireo Health of Massachusetts, LLC	Delaware, USA	USD	Holding Company
Mayflower Botanicals, Inc.	Massachusetts, USA	USD	Cannabis cultivation, production, and retail
High Gardens, Inc.	Rhode Island, USA	USD	Cannabis cultivation, production and wholesale
Elephant Head Farm, LLC	Arizona, USA	USD	Management company
Retail Management Associates, LLC	Arizona, USA	USD	Management company
Arizona Natural Remedies, Inc. (2)	Arizona, USA	USD	Cannabis cultivation, wholesale and retail
Midwest Hemp Research, LLC	Minnesota, USA	USD	Hemp cultivation
Vireo Health of New Mexico, LLC (3)	Delaware, USA	USD	Management company
Red Barn Growers, Inc. (3)	New Mexico, USA	USD	Cannabis cultivation and retail
Resurgent Biosciences, Inc.	Delaware, USA	USD	Holding Company for Intellectual Property
Vireo Health of Puerto Rico, LLC	Delaware, USA	USD	Holding Company
Vireo Health de Puerto Rico, Inc.	Puerto Rico	USD	Holding company
XAAS Agro, Inc.	Puerto Rico	USD	Cannabis cultivation, production, and retail
Vireo Health of Nevada 1, LLC (3)	Nevada, USA	USD	Holding company
Verdant Grove, Inc.	Massachusetts, USA	USD	Real Estate holding company

(1) Ohio Medical Solutions, Inc. is owned by certain executives and the Company controls the operations.
(2) Arizona Natural Remedies, Inc. is a non-profit entity that is controlled by certain officers and directors of the Company and has contracted for the management of the cannabis businesses with Elephant Head Farm, LLC and Retail Management Associates, LLC *(Note 13(b))*.
(3) Red Barn Growers, Inc. is a non-profit entity that is controlled by certain officers and directors of the Company and has contracted for the management of the cannabis businesses with Vireo Health of New Mexico, LLC *(Note 13(c))*.

The purchase method of accounting is used to account for acquisitions of subsidiaries and assets that meet the definition of a business under IFRS. The cost of an acquisition is measured as the fair value of the assets transferred, equity instruments issued, and liabilities incurred or assumed at the date of exchange. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The excess of the cost of an acquisition over the fair value of the identifiable assets, liabilities, and contingent liabilities acquired is recorded as goodwill. If the cost of an acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognized immediately in profit or loss. Associated transaction costs are expensed when incurred.

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented.

(a) Critical accounting estimates and judgements

The application of the Company's accounting policies requires management to make judgements, estimates and assumptions about future events that affect the amounts reported in the consolidated financial statements and related notes to the financial statements. Although these estimates are based on management's best knowledge of the amount, event or actions, actual results may differ from those estimates. Estimates and judgements are continuously evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable.

Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected. The information about significant areas of estimation uncertainty and judgment considered by management in preparing these consolidated financial statements is as follows:

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, impairment considerations and amortization of intangible assets

Amortization of intangible assets is dependent upon estimates of useful lives based on management's judgement.

Goodwill and indefinite life intangible asset impairment testing requires management to make estimates in the impairment testing model. On an annual basis, the Company tests whether goodwill and indefinite life intangible assets are impaired.

Impairment of definite-lived assets is influenced by judgement in defining a CGU and determining the indicators of impairment, and estimates used to measure impairment losses.

The recoverable value of indefinite and definite long-lived assets is determined using discounted future cash flow models, which incorporate assumptions regarding future events, specifically future cash flows, growth rates and discount rates.

Biological assets and inventory

In calculating the value of the biological assets and inventory, management is required to make a number of estimates, including estimating the stage of growth of the cannabis plant up to the point of harvest, harvesting costs, selling costs, sales price, wastage and expected yields of the cannabis plant. In calculating final inventory values, management is required to determine an estimated fail rate and compare the inventory cost to estimated net realizable value.

Expected credit loss

Management determines expected credit loss by evaluating individual receivable balances and considering customers' financial condition and current economic conditions. Accounts receivable 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 year ended.

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 intangible assets is recognized on a straight-line basis over their estimated useful lives.

Impairment of long-lived assets

Long-lived assets, including property and equipment and intangible assets, are reviewed for impairment at each statement of financial position date or whenever events or changes in circumstances indicate that the carrying amount of an asset exceeds its recoverable amount. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the cash-generating unit, or “CGU”). The recoverable amount of an asset or a CGU is the higher of its fair value, less costs of disposal, and its value in use. If the carrying amount of an asset exceeds its recoverable amount, an impairment charge is recognized immediately in profit or loss by the amount by which the carrying amount of the asset exceeds the recoverable amount. Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the lesser of the revised estimate of recoverable amount, and the carrying amount that would have been recorded had no impairment loss been recognized previously.

Income taxes

The measurement of deferred income tax provision is subject to uncertainty associated with the timing of future events and changes in legislation, tax rates and interpretations by tax authorities. The estimation of taxes includes evaluating the recoverability of deferred tax assets based on an assessment of the Company’s ability to utilize the underlying future tax deductions against future taxable income prior to expiry of those deductions. Management assesses whether it is probable that some or all of the deferred income tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income, which in turn is dependent upon the successful operations of the Company. To the extent that management’s assessment of the Company’s ability to utilize future tax deductions changes, the Company would be required to recognize more or fewer deferred tax assets, and deferred tax provisions or recoveries could be affected.

Fair value of stock options and warrants

Determining the fair value of warrants and stock options requires judgments related to the choice of a pricing model, the estimation of volatility, the expected forfeiture rate and the expected term of the underlying instruments. Any changes in the estimates or inputs utilized to determine fair value could result in a significant impact on the Company’s future operating results or on other components of equity.

Business combinations

Judgement is used in determining whether an acquisition is a business combination or an asset acquisition. In determining the allocation of the purchase price in a business combination, including any acquisition-related contingent consideration, estimates including market based and appraisal values are used. The contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. Contingent consideration that is classified as equity is not re-measured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or liability is re-measured at subsequent reporting dates in accordance with IAS 39, or IAS 37, as appropriate, with corresponding gain or loss being recognized in profit or loss.

The Company measures all assets acquired and liabilities assumed at their acquisition-date fair values. Non-controlling interests in the acquiree are measured on the basis of the non-controlling interests’ proportionate share of this equity in the acquiree’s identifiable net assets. Acquisition-related costs are recognized as expenses in the periods in which the costs are incurred and the services are received (except for the costs to issue debt or equity securities which are recognized according to specific requirements). The excess aggregate of (a) the consideration transferred to obtain control, the amount of any non-controlling interest in the acquire over (b) the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed, is recognized as goodwill as of the acquisition date.

(b) Foreign currencies

Functional and presentation currency

The functional currency is the currency of the primary economic environment in which the entity operates. The functional currency of the Company and its subsidiaries was determined by conducting an analysis of the consideration factors identified in IAS 21, *The Effects of Changes in Foreign Exchange Rates* ("IAS 21"). The functional currency of the Company and its subsidiaries is included within *Note 2*.

Translation of foreign transactions and balances into the functional currency

Foreign currency transactions are translated into the functional currency of the Company at rates of exchange prevailing on the dates of the transactions. At each financial position reporting date, all monetary assets and liabilities that are denominated in foreign currencies are translated to the functional currency of the Company at the rates prevailing at the date of the statement of financial position. Foreign exchange gains and losses resulting from the settlement of such transactions are recognized in profit or loss.

(c) Financial instruments

The Company measures financial assets at fair value plus, in the case of a financial asset not at fair value through profit and loss ("FVTPL"), transaction costs. Financial assets are subsequently measured at:

i) FVTPL;
ii) amortized cost;
iii) debt measured at fair value through other comprehensive income ("FVOCI");
iv) equity investments designated at FVOCI; or
v) financial instruments designated at FVTPL.

The classification is based on whether the contractual cash flow characteristics represent "solely payment of principal and interest" (the "SPPI test") as well as the business model under which the financial assets are managed. Financial assets are required to be reclassified only when the business model under which they are managed has changed. All reclassifications are to be applied prospectively from the reclassification date.

Debt investments are recorded at amortized cost for financial assets that are held within a business model with the objective to hold the financial assets in order to collect contractual cash flows that meet the SPPI test.

The assessment of whether contractual cash flows on debt instruments meet the SPPI test was made based on the facts and circumstances as at the initial recognition of the financial assets. All financial liabilities held by the Company, other than convertible debentures, are initially measured at fair value and subsequently measured at amortized cost. For the periods presented, the Company did not hold convertible debentures.

The following table summarizes the original measurement under IFRS 9 for each class of the Company's financial assets and financial liabilities:

	IFRS 9 Classification
Financial Assets	
Cash	FVTPL
Restricted cash	FVTPL
Deposits	Amortized cost
Due from related party	Amortized cost
Receivables	Amortized cost
Financial Liabilities	
Accounts payable and accrued liabilities	Other liabilities
Convertible debt	Other liabilities
Long-term debt	Other liabilities

(d) Impairment of financial assets

The Company applies an expected credit loss ("ECL") model to all debt financial assets not held at FVTPL, where credit losses that are expected to transpire in futures years are provided for, irrespective of whether a loss event has occurred or not as at the balance sheet date. For trade receivables, the Company has applied the simplified approach and has calculated ECLs based on lifetime expected credit losses taking into considerations historical credit loss experience and financial factors specific to the debtors and general economic conditions.

(e) Impairment of non-financial assets

At the end of each reporting period the carrying amounts of the Company's assets are reviewed to determine whether there is any indication that those assets may be impaired. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment, if any. The recoverable amount is the higher of fair value less costs to sell and value in use. Fair value is determined as the amount that would be obtained from the sale of the asset in an arm's length transaction between knowledgeable and willing parties. In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount and the impairment loss is recognized in profit or loss for the period. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash generating unit to which the asset belongs. Following the recognition of an impairment loss, the depreciation charge applicable to the asset is adjusted prospectively in order to systematically allocate the revised carrying amount, net of any residual value, over the remaining useful life. Where an impairment subsequently reverses, the carrying amount of the asset (or CGU) is increased to the revised estimate and its recoverable amount, but to an amount that does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or CGU) in prior periods. A reversal of an impairment loss is recognized immediately in profit or loss.

(f) Revenue

The Company's accounting policy for revenue recognition is to determine the amount and timing of revenue to be recognized, following a five-step process:

i) Identifying the contract with a customer
ii) Identifying the performance obligations
iii) Determining the transaction price
iv) Allocating the transaction price to the performance obligations
v) Recognizing revenue when/as performance obligation(s) are satisfied

Revenue from the direct sale of cannabis products to medical customers for a fixed price is recognized when the Company transfers control of the good to the customer upon delivery.

(g) Cash and Cash Equivalents

Cash and cash equivalents included cash held at dispensaries and cash deposits in financial institutions. The Company considers all highly liquid investments purchased with an original maturity of three months or less to be cash equivalents. At times, cash and cash equivalents may be in excess of FDIC insurance limits. As at December 31, 2019 and 2018, the Company held no cash equivalents.

(h) Inventories

Inventories of harvested finished goods and packing materials are valued initially 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 at harvest, which becomes the initial deemed cost. Any subsequent post-harvest costs, including materials, and labor, are capitalized to inventory to the extent that 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 the lower of cost and net realizable value. The Company reviews inventory for obsolete and slow-moving goods and any such inventory is written-down to net realizable value.

(i) Biological assets

The Company's biological assets consist of cannabis plants. The Company capitalizes all the direct and indirect costs as incurred related to the biological transformation of the biological assets between the point of initial recognition and the point of harvest including labor related costs, grow consumables, materials, utilities, facilities costs, quality and testing costs, and production related depreciation. All direct and indirect costs of biological assets are capitalized as they are incurred and they are all subsequently recorded within the line item 'cost of goods sold' in profit or loss in the period that the related product is sold. Unrealized fair value gains/losses on growth of biological assets are recorded in a separate line on the statement of income and comprehensive income. Biological assets are measured at their fair value less costs to sell on the statement of financial position.

(j) Property and equipment

Property and equipment are stated at cost, net of accumulated depreciation and accumulated impairment losses, if any.

Depreciation is calculated using the following terms and methods:

Building & Improvements	Straight Line	7 - 39 years
Furniture & Equipment	Straight Line	7 - 10 years
Software	Straight Line	3 years
Vehicles	Straight Line	5 years

An item of property and equipment is derecognized upon disposal or when no future economic benefits are expected from its use. Any gain or loss arising from de-recognition of the asset (calculated as the difference between the net disposal proceeds and the carrying value of the asset) is included in the profit or loss in the period the asset is derecognized. The assets' residual values, useful lives and methods of depreciation are reviewed at each reporting date, and adjusted prospectively, if appropriate. Assets classified as construction-in-process are transferred to the appropriate asset class when available for use and depreciation of the asset commences at that point.

(k) Leases

At inception of a contract, the Company assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset over a period of time in exchange for consideration. The Company assesses whether the contract involves the use of an identified asset, whether the Company has the right to obtain substantially all of the economic benefits from the use of the asset during the term of the contract and if the Company has the right to direct the use of the asset.

As a lessee, the Company recognizes a right-of-use asset, which is included in property, plant and equipment, and a lease liability at the commencement date of the lease. The right-of-use asset is initially measured at cost, which is comprised of the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any decommissioning and restoration costs, less any lease incentives received.

The right-of-use asset is subsequently depreciated from the commencement date to the earlier of the end of the lease term, or the end of the useful life of the asset. In addition, the right-of-use asset may be reduced due to impairment losses, if any, and adjusted for certain re-measurements of the lease liability.

A lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date discounted by the interest rate implicit in the lease or, if that rate cannot be readily determined, the incremental borrowing rate. The lease liability is subsequently measured at amortized cost using the effective interest method. Lease payments included in the measurement of the lease liability comprise: fixed payments; variable lease payments that depend on an index or a rate; amounts expected to be payable under any residual value guarantee, and the exercise price under any purchase option that the Company would be reasonably certain to exercise; lease payments in any optional renewal period if we are reasonably certain to exercise an extension option; and penalties for any early termination of a lease unless we are reasonably certain not to terminate early.

(l) Basic and diluted loss per share

Basic loss per share has been calculated using the weighted average number of common shares outstanding during the year.

Diluted loss per share has been calculated using the weighted average number of common shares that would have been outstanding during the respective period had all of the stock options and warrants outstanding at period-end having a dilutive effect been converted into shares at the beginning of the period and the proceeds used to repurchase the Company's common shares at the average market price for the period. If these computations prove to be anti-dilutive, diluted loss per share is the same as basic loss per share.

(m) Income taxes

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantially enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purpose. Deferred tax is not recognized for the following temporary differences: the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit and loss, and differences relating to investments in subsidiaries and jointly controlled entities to the extent that it is probable that they will not reverse in the foreseeable future. In addition, deferred tax is not recognized for taxable temporary differences arising on the initial recognition of goodwill. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantially enacted by the reporting date.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax assets and liabilities, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

A deferred tax asset is recognized for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

(n) Intangible assets

Intangible assets are recorded at cost less accumulated amortization and impairment losses, if any. Intangible assets acquired in a business combination are measured at fair value at the acquisition date. Amortization is provided 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. The estimated useful lives, residual values, and amortization methods are reviewed at each year end, and any changes in estimates are accounted for prospectively.

(o) Share-based compensation

The stock option plan (*Note 10*) allows Company employees and consultants to acquire shares of the Company. The fair value of options granted is recognized as a share-based compensation expense with a corresponding increase in equity. An individual is classified as an employee when the individual is an employee for legal or tax purposes. In situations where equity instruments are issued to non-employees and some or all of the goods or services received by the entity as consideration cannot be specifically identified, they are measured at fair value of the share-based payment. Otherwise, share-based payments are measure at the fair value of goods received. Consideration paid on the exercise of stock options is credited to share capital and the fair value of the options is reclassified from reserves to capital stock.

The fair value is measured at grant date and each tranche is recognized over the period during which the options vest. The fair value of the options granted is measured using the Black-Scholes option pricing model taking into account the terms and conditions upon which the options were granted. At each financial position reporting date, the amount recognized as an expense is adjusted to reflect the number of stock options that are expected to vest.

(p) Share capital

Incremental costs directly attributable to the issue of shares and other equity instruments are recognized as a deduction from share capital. Shares issued for consideration, other than cash, are valued based on their market value at the date the shares are issued.

(q) New or amended standards adopted effective January 1, 2019

The Company has adopted the following new or amended IFRS standards for the interim and annual period beginning on January 1, 2019.

IFRS 16 Leases ("IFRS 16")

On January 2016, the IASB issued IFRS 16, Leases (“IFRS 16”), which replaces IAS 17, Leases (“IAS 17”) and related interpretations. The standard introduces a single lessee accounting model and requires lessees to recognize assets and liabilities for all leases with a term exceeding 12 months, unless the underlying asset is insignificant. 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. Lessors continue to classify leases as operating or finance, with lessor accounting remaining substantially unchanged from the preceding guidance under IAS 17. The Company adopted the standard on July 1, 2019 using the modified retrospective method, with the cumulative effect initially recognized in retained earnings, and no restatement of prior comparative periods.

The Company elected to apply the following recognition exemptions and practical expedients, as described under IFRS 16:

- i) recognition exemption of short-term leases;
- ii) recognition exemption of low-value leases;
- iii) application of a single discount rate to a portfolio of leases with similar characteristics on transition;
- iv) exclusion of initial direct costs from the measurement of the right-of-use assets upon transition;
- v) application of hindsight in determining the applicable lease term at the date of transition; and
- vi) election to not separate non-lease components from lease components, and instead account for each lease component and any associated non-lease components as a single lease component.

(Expressed in United States Dollars)

The following table summarizes the adjustments to opening balances resulting from the initial adoption of IFRS 16, with the effects on transition being recognized directly to retained earnings:

The following is the Company's policy for accounting for lease contracts in accordance with IFRS 16:

As at January 1, 2019		**Previously Reported under IAS 17**		**IFRS 16 Transition Adjustments**		**As report under IFRS 16**
Property, plant and equipment (ROU Asset)	$	16,312,250	$	5,415,585	$	21,727,835
Deferred rent	$	(271,091)	$	271,091	$	-
Lease liabilities (ROU Liabilities)	$	(17,301,115)	$	(5,686,676)	$	(22,987,791)

IFRIC 23, Uncertainty over income tax treatments ("IFRIC 23")

IFRIC 23 clarifies the application of recognition and measurement requirements in IAS 12, Income taxes, when there is uncertainty over income tax treatments. It specifically addresses whether an entity considers each tax treatment independently or collectively, the assumptions an entity makes about the examination of
tax treatments by taxation authorities, how an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates, and how an entity considers changes in facts and circumstances. IFRIC 23 became effective for fiscal years beginning on or after January 1, 2019, with earlier application permitted. The Company has adopted this interpretation as of its effective date and has assessed no significant impact as a result of the adoption of this interpretation.

4. REVERSE TAKE-OVER

On March 18, 2019, Vireo U.S. completed the reverse take-over transaction of the Vireo Health International Inc. (formerly Darien Business Development Corp. or "Darien") (the "Transaction") whereby Vireo U.S. acquired all of the issued and outstanding shares of Darien. Following the completion of the Transaction, the former shareholders of Vireo U.S. acquired control of the Company, as they own a majority of the outstanding shares of the Company upon completion of the Transaction.

As the Transaction did not meet the definition of a business under IFRS, the Transaction was outside of the scope of IFRS 3, Business Combinations, and was accounted for as a share-based payment transaction in accordance with IFRS 2, Share-based Payments ("IFRS 2"). Under IFRS 2, the Transaction was measured at the fair value of the shares deemed to have been issued by Vireo U.S. in order for the ownership interest in the combined entity to be the same as if the transaction had taken the legal form of Vireo U.S. acquired 100% of Darien. Any difference between the fair value of the shares deemed to have been issued by Vireo U.S. and the fair value of Darien's' identifiable net assets acquired represents the value of the public listing received by Vireo U.S.

(Expressed in United States Dollars)

The Company recorded a listing expense of $3,562,883 in the consolidated statement of comprehensive loss, the details of which are as follows:

Consideration paid:		
705,879 subordinate voting shares (valued at $4.25 per share) (*Note 10*)	$	2,999,986
Transaction costs		568,277
Total Consideration	**$**	**3,568,263**
Fair value of net assets acquired:		
Cash	$	428
Receivables		7,012
Prepaid expenses		7,715
Accounts payable and accrued liabilities		(9,775)
Net assets assumed	**$**	**5,380**
Listing Expense	**$**	**3,562,883**

5. RECEIVABLES

		December 31, 2019		December 31, 2018
Tenant improvements receivable	$	-	$	1,444,217
Trade receivable		1,025,963		152,040
Taxes receivable		-		75,000
Total	**$**	**1,025,963**	**$**	**1,671,257**

6. INVENTORIES

Inventory is comprised of:

		December 31, 2019		December 31, 2018
Work in process - harvested cannabis bud and trim	$	10,765,599	$	8,132,817
Work in process - cannabis oil		13,534,434		8,001,384
Finished goods - cannabis		7,791,081		4,985,091
Accessories		323,880		260,430
Packaging Materials		22,314		-
	$	**32,437,308**	**$**	**21,379,722**

Cost of inventory is recognized as an expense when sold and included in cost of goods sold. Included in costs of goods sold for the year ended December 31, 2019, is $18,569,503 (2018 - $16,457,419) from changes in fair value of biological assets which was transferred to inventory upon harvest. The Company recorded an inventory adjustment for the years ended December 31, 2019 of $865,405 (2018 - $nil).

(Expressed in United States Dollars)

7. BIOLOGICAL ASSETS

Biological assets are comprised of:

	Capitalized Costs	Fair Value Adjustment	Balance
December 31, 2017	**$ 479,773**	**$ 2,335,257**	**$ 2,815,030**
Fair value adjustment on growth of biological assets	-	24,302,031	24,302,031
Production costs capitalized	3,712,823	-	3,712,823
Transferred to inventory upon harvest	(3,254,558)	(21,608,176)	(24,862,734)
December 31, 2018	**$ 938,038**	**$ 5,029,112**	**$ 5,967,150**
Fair value adjustment on growth of biological assets	-	21,209,166	21,209,166
Purchased as part of acquisition (*Note 13*)	1,651,452	-	1,651,452
Production costs capitalized	10,446,443	-	10,446,443
Transferred to inventory upon harvest	(9,572,130)	(23,567,872)	(33,140,002)
December 31, 2019	**$ 3,463,803**	**$ 2,670,406**	**$ 6,134,209**

As of December 31, 2019, and 2018, the carrying value of biological assets consisted entirely of live cannabis plants.

The Company measures its biological assets at their fair value less costs to sell. This is determined using a model which estimates the expected harvest yield in grams for plants currently being cultivated, and then adjusts that amount for the expected selling price per gram less any additional costs to be incurred to transform the yield into a sellable product. Percentage of cost completion is applied to biological assets growing as of the measurement date.

The following significant unobservable inputs, all of which are classified as level 3 on the fair value hierarchy, were used by management as part of this model:

i) Selling price – calculated as the annual historical selling price for flower yield in all finished goods sold by the Company, which is expected to approximate future selling prices
ii) Percentage of completion – represents the percentage of total expected costs incurred from growing biological assets as of the measurement date.
iii) Yield by plant – represents the expected number of grams of finished cannabis inventory which are expected to be obtained from each harvested cannabis plant
iv) Wastage – represents the weighted average percentage of biological assets which are expected to fail to mature into cannabis plants that can be harvested
v) Post-harvest costs – calculated as the cost per gram of harvested cannabis to complete the sale of cannabis plants post-harvest, consisting of the cost of direct and indirect materials and labor related to labelling and packaging

(Expressed in United States Dollars)

The following table quantifies each significant unobservable input, and also provides the impact of a 10% increase/decrease in each input would have on the fair value of biological assets.

	December 31, 2019	December 31, 2018	10% Change as of 12/31/2019	10% Change as of 12/31/2018
Selling price	$ 11.11	$ 19.76	$ 4,224,000	$ 2,090,000
% of Completion	66%	55%	$ 613,000	$ 597,000
Yield by plant (grams)	159	238	$ 614,000	$ 574,000
Wastage	17%	4%	$ (55,000)	$ (18,000)
Post-harvest costs	$ 2.89	$ 3.47	$ (1,699,000)	$ (550,000)

Biological assets were on average at a more advanced stage of growth in 2019 (66% complete) compared to December 31, 2018 (55% complete). The Company aggregates fair value on a percentage of completion. As a result, a cannabis plant that is 50% through its estimated total grow cycle would be ascribed approximately 50% of its harvest date expected fair value (subject to wastage adjustments).

8. DEPOSITS AND DEFERRED ACQUISITION COSTS

Non-Current deposits consist of security deposits for various leased properties. As of December 31, 2019, the Company had a total of $2,651,366 (2018 - $2,259,735) in non-current deposits.

As of December 31, 2019, the Company had a total of $28,136 (2018 - $1,885,653) for deferred acquisition cost relating to an acquisition not yet closed *(Note 13(g))*.

(Expressed in United States Dollars)

9. PROPERTY AND EQUIPMENT AND RIGHT OF USE ASSETS

	Land	Building & Improvements	Furniture & Equipment	Software	Vehicles	Construction in Progress	Assets under Capital Lease	Total
Cost								
Balance December 31, 2017	**$ -**	**$ 2,513,051**	**$ 1,824,329**	**$ 105,968**	**$ 77,567**	**$ 4,880,079**	**$ 6,400,100**	**$ 15,801,094**
Additions	-	407,513	392,209	-	93,950	1,713,133	10,683,658	13,290,463
Acquisitions	-	665,691	412,731	-	-	454,234	-	1,532,656
Disposals	-	-	(120,815)	-	-	(5,471,539)	-	(5,592,354)
Balance December 31, 2018	**-**	**3,586,255**	**2,508,454**	**105,968**	**171,517**	**1,575,907**	**17,083,758**	**25,031,859**
Adoption of IFRS 16	-	-	-	-	-	-	(17,083,758)	(17,083,758)
Additions	1,309,949	1,141,470	2,344,506	-	227,785	2,667,043	-	7,690,753
Acquisitions	-	795,655	310,770	-	-	-	-	1,106,425
Disposals	-	-	(81,314)	-	-	(978,248)	-	(1,059,562)
Balance December 31, 2019	**$ 1,309,949**	**$ 5,523,380**	**$ 5,082,416**	**$ 105,968**	**$ 399,302**	**$ 3,264,702**	**$ -**	**$ 15,685,717**
Depreciation								
Balance December 31, 2017	**-**	**327,830**	**481,999**	**81,784**	**13,692**	**-**	**90,001**	**995,306**
Additions	-	387,133	137,565	21,611	24,314	-	681,507	1,252,130
Disposals	-	-	(62,860)	-	-	-	-	(62,860)
Balance December 31, 2018	**-**	**714,963**	**556,704**	**103,395**	**38,006**	**-**	**771,508**	**2,184,576**
Adoption of IFRS 16	-	-	-	-	-	-	(771,508)	(771,508)
Additions	-	237,432	675,697	2,573	66,699	-	-	982,401
Disposals	-	-	(36,089)	-	-	-	-	(36,089)
Balance December 31, 2019	**$ -**	**$ 952,395**	**$ 1,196,312**	**$ 105,968**	**$ 104,705**	**$ -**	**$ -**	**$ 2,359,380**
Net book Value								
Carrying Amount December 31, 2018	**$ -**	**$ 2,871,292**	**$ 1,951,750**	**$ 2,573**	**$ 133,511**	**$ 1,575,907**	**$ 16,312,250**	**$ 22,847,283**
Carrying Amount December 31, 2019	**$ 1,309,949**	**$ 4,570,985**	**$ 3,886,104**	**$ -**	**$ 294,597**	**$ 3,264,702**	**$ -**	**$ 13,326,337**

(Expressed in United States Dollars)

The Company initially adopted IFRS 16 effective January 1, 2019, whereby the amount recognized as a right-of-use asset was equal to the present value of the future lease payments due under outstanding leases at January 1, 2019. The right-of-use assets are being depreciated on a straight-line basis over the remaining term of the underlying lease as there are no options to acquire or otherwise transfer ownership of the underlying asset to the Company at the end of the lease term. Right of use assets consist of the following:

		Right of Use
Balance, January 1, 2019 ***(Note 3(q))***	**$**	**21,727,835**
Acquisition *(Note 13(b) and(c))*		207,096
Additions		6,206,226
Depreciation		(2,219,554)
Balance, December 31, 2019	**$**	**25,921,603**

During the years ended December 31, 2019, $1,368,685 (2018 - $274,319) in depreciation and amortization expense was included in the statement of loss and $1,833,270 (2018 - $957,394) was capitalized to biological assets relating to property and equipment and right of use assets.

10. SHARE CAPITAL

(a) Authorized

The Company has authorized an unlimited number of Subordinate Voting Shares, Multiple Voting Shares, and Super Voting Shares, all with no par value. All share classes are included within share capital in the consolidated statements of shareholders' equity on an as converted basis. Each share class is entitled to notice of and to attend at any meeting of the shareholders, except a meeting of which only holders of another particular class of shares will have the right to vote. All share classes are entitled to receive dividends, as and when declared by the Company, on an as-converted basis, and no dividends will be declared by the Company on any individual class unless the Company simultaneously declares or pays dividends on all share classes. No subdivision or consolidation of any share class shall be made without simultaneously subdividing or consolidating all share classes in the same manner.

Subordinate Voting Shares
Holders of Subordinate Voting Shares are entitled to one vote in respect of each Subordinate Voting Share held.

Multiple Voting Shares
Holders of Multiple Voting Shares will be entitled to one hundred votes for each Multiple Voting Share held. Multiple Voting Shares each have the restricted right to convert to one hundred Subordinate Voting Shares subject to adjustments for certain customary corporate changes.

Super Voting Shares
Holders of Super Voting Shares will be entitled to ten votes in respect of each Subordinate Voting Share into which such Super Voting share could ultimately then be converted, which for greater certainty, shall initially equal one thousand votes per Super Voting Share. Each super voting share shall be convertible into one Multiple Voting Share

(Expressed in United States Dollars)

(b) Issued and outstanding

During the year ended December 31, 2019, the Company completed a share split on a basis of 30.0048397130798 to 1. All shares, options, and warrants have been retroactively restated.

At December 31, 2019 the Company has 24,300,903 shares issued and outstanding, as follows:

Series	Shares Outstanding	As Converted to SVS Shares
Subordinate Voting Shares ("SVS")	23,685,564	23,685,564
Multiple Voting Shares ("MVS")	549,928	54,992,800
Super Voting Shares	65,411	6,541,100
Total	**24,300,903**	**85,219,464**

From Vireo U.S.'s inception to December 31, 2017, the Company was not subject to corporate federal and state income taxes since it was operating as a Limited Liability Company (LLC). On January 1, 2018 the Company converted from an LLC to a C Corporation and, as a result, became subject to corporate federal and state income taxes. Vireo U.S.'s accumulated retained earnings of $359,346 and members' capital of $22,909,162 was reclassified to share capital as a non-cash capital contribution.

On conversion to a C corporation, the Company was authorized to issue 300,048,397 shares, including 225,036,298 common shares, and 75,012,099 preferred stock both of which have a par value of $0.0001 per share.

On conversion to a C Corporation, Vireo U.S. had the following shares outstanding:

Series	Shares Issued		Share Capital
Series A Preferred Stock	21,663,494	$	3,590,044
Series B Preferred Stock	10,261,655	$	1,615
Series C Preferred Stock	22,772,744	$	19,676,849
Series D Preferred Stock	11,500,855	$	18,697,048
Total	**66,198,748**	**$**	**41,965,556**

On the Transaction date *(Note 4)*, Vireo U.S. had 66,198,748 issued and outstanding preferred shares and upon completion of the Transaction, preferred stock was converted into 8,217,695 Subordinate Voting Shares, 514,388 Multiple Voting Shares and 65,411 Super Voting Shares (for a total equivalent of 66,198,748 SVS shares on an as converted basis).

(c) Transactions during the year ended December 31, 2019:

i) The Company issued 12,090,937 Subordinate Voting Shares of the Company at $4.25 per share for gross proceeds of $51,386,482. In connection with the financing, the Company paid a cash fee to the agents equal to $2,826,739 and the agents were granted a combined 763,111 in compensation warrants. The agent's compensation warrants will be exercisable at a price of $4.25 per share for a period of two years. In addition, the Company paid a financial advisory fee of $415,000 and had costs in the amount of $379,785. Of total costs, $448,840 was incurred during the year ended December 31, 2018. The compensation warrants have been valued at $1,723,741 using the Black-Scholes option pricing model applying the following assumptions: Risk Free Rate - 2.31%, Expected Life - 2 years, Expected Annualized Volatility – 100%, Expected Dividend Yield – 0%.

ii) The Company issued 705,879 Subordinate Voting Shares with a fair value of $2,999,986 as part of the RTO Transaction *(Note 4)* in exchange for all outstanding shares of Vireo U.S.

iii) The Company acquired all the equity of Elephant Head Farm, LLC and Retail Management Associates, LLC both Arizona limited liability companies. As consideration, the Company paid cash and issued 16,806 Multiple Voting Shares (equivalent of 1,680,600 SVS shares) of the Company with a fair value of $7,594,463 *(Note 13(b))*.

iv) The Company acquired all the assets of Silver Fox Management Services, LLC. As consideration, the Company paid cash, issued 6,721 Multiple Voting Shares (equivalent of 672,100 SVS shares) with a fair value of $3,130,306 *(Note 13(c))*.

v) The Company completed the 100% acquisition of Mayflower Botanicals, Inc., a Massachusetts corporation. As consideration, the Company paid cash and issued 30,325 Multiple Voting Shares (equivalent of 3,032,500 SVS shares) with a fair value of $13,094,032. The Company issued 6,722 Multiple Voting Shares (equivalent of 672,200 SVS shares) as a finder's fee on the acquisition. The shares issued had a fair value of $2,902,492 *(Note 13(d))*.

vi) The Company converted a convertible note to equity *(Note 11)*. The Company converted a note with a face value of $700,000 and a carrying value of $431,065 into 1,665 Multiple Voting Shares (equivalent of 166,500 SVS shares). On conversion, $294,025 was transferred from reserves to share capital.

vii) The Company redeemed 26,699 Multiple Voting Shares and converted them into 2,669,900 subordinate voting shares.

(d) Transactions during the year ended December 31, 2018:

i) The Company issued 11,500,855 Class D Preferred shares for gross proceeds of $17,248,500. In connection with the issuance, the Company incurred share issuance costs of $1,458,108 and issued 867,198 warrants, which are exercisable into Series D-1 preferred shares of the Company at a price of $45 for a period of 24 months. The warrants have been valued at $693,344 using the Black-Scholes option pricing model applying the following assumptions: Risk Free Rate - 2.64%, Expected Life - 2 years, Expected Annualized Volatility – 100%, Expected Dividend Yield – 0%.

ii) Vireo U.S. acquired all the issued and outstanding membership units of a Maryland company related to Vireo, which has applied for a cannabis cultivation, manufacturing and dispensary license in Maryland. As consideration for the membership units, Vireo U.S. issued 2,170,490 series C-4 preferred shares and 252,041 series C-5 preferred shares with fair value of $3,600,000

(Expressed in United States Dollars)

(e) Stock Options

The Company adopted an equity incentive plan where the Company may grant incentive stock option, restricted shares, restricted share units, or other awards. Under the terms of the plan, a total of ten percent of the number of shares outstanding assuming conversion of all super voting and multiple voting shares to subordinate voting shares. The exercise price for incentive stock options issued under the plan will be set by the committee but will not be less 100% of the fair market value of the Company's shares on the date of grant. Incentive stock options have a maximum term of 10 years from the date of grant. The incentive stock options vest at the discretion of the Board.

	Options Outstanding		Weighted Avg. Exercise Price
Balance, December 31, 2017	-	$	-
Granted	22,215,547		0.29
Balance, December 31, 2018	22,215,547		0.29
Forfeitures	(225,040)		0.33
Granted	1,672,093		1.13
Balance December 31, 2019	**23,662,600**	**$**	**0.35**

As at December 31, 2019 the Company has the following options outstanding and exercisable:

Grant Date		Exercise Price	Options Outstanding	Options Exercisable	Weighted Average Life Remaining (years)
January 1, 2018	$	0.19	6,664,059	5,814,674	8.01
May 1, 2018	$	0.33	775,193	775,193	3.34
May 1, 2018	$	0.33	3,725,532	3,725,532	3.34
May 1, 2018	$	0.33	5,199,830	2,274,926	8.34
October 1, 2018	$	0.33	1,200,192	450,072	8.76
November 5, 2018	$	0.33	-	-	-
December 20, 2018	$	0.33	4,425,701	1,106,426	8.93
December 2, 2019	$	1.13	1,672,093	-	9.88
Total			**23,662,600**	**14,146,823**	**7.54**

During the year ended December 31, 2019, the Company recognized $789,537 in share-based compensation (2018 - $2,072,706) relating to stock options vesting. In determining the amount of share-based compensation related to options issued during the year, the Company used the Black-Scholes option pricing model to establish fair value of options granted:

		December 31, 2019		December 31, 2018
Risk-Free Interest Rate		1.48%		2.56%
Expected Life of Options (years)		8.01		8.74
Expected Annualized Volatility		100%		100%
Expected Forfeiture Rate		nil		nil
Expected Dividend Yield		nil		nil
Black-Scholes Value of Each Option	$	0.963	$	0.153

(Expressed in United States Dollars)

(f) Warrants

Subordinate Voting Share (SVS) warrants entitle the holder to purchase one subordinate voting share of the Company. Multiple Voting Share (MVS) warrants entitle the holder to purchase one multiple voting share of the Company. A summary of the status of the warrants outstanding is as follows:

SVS Warrants	Warrants Outstanding		Weighted Avg. Exercise Price
Balance, December 31, 2017	-	$	-
Issued	867,198		1.50
Balance, December 31, 2018	867,198		1.50
Issued	15,763,111		2.39
Balance December 31, 2019	**16,630,309**	**$**	**2.34**

MVS Warrants	Warrants Outstanding		Weighted Avg. Exercise Price
Balance, December 31, 2017	-	$	-
Issued	-		-
Balance, December 31, 2018	-		-
Issued	13,583		194.66
Balance December 31, 2019	**13,583**	**$**	**194.66**

As of December 31, 2019, the Company has the following warrants outstanding and exercisable:

Grant Date		Exercise Price	Warrants Outstanding	Warrants Exercisable	Weighted Average Life Remaining (years)
July 20, 2018 (1)	$	1.50	509,241	509,241	0.55
July 20, 2018 (1)	$	1.50	294,047	294,047	0.55
July 20, 2018 (1)	$	1.50	18,903	18,903	0.55
October 24, 2018 (1)	$	1.50	45,007	45,007	0.81
March 18, 2019 (1)	$	4.25	763,111	763,111	1.21
March 29, 2019 (2)	$	297.50	1,695	565	1.24
September 11, 2019 (2)	$	180.00	11,888	11,888	2.70
November 7, 2019 (1)	$	1.02	10,000,000	-	4.85
November 7, 2019 (1)	$	3.81	2,500,000	-	4.85
November 7, 2019 (1)	$	5.86	2,500,000	-	4.85
			16,643,892	**1,642,762**	**4.46**

(1) Consists of SVS warrants
(2) Consists of MVS warrants

During the year ended December 31, 2019, the Company issued 763,111 SVS finders' warrants with a value of $1,723,741. The Company also issued 15,000,000 SVS compensation warrants. During the year ended December 31, 2019, $1,392,628 in share based compensation expense was recorded in connection with the SVS compensation warrants.

(Expressed in United States Dollars)

During the year ended December 31, 2019, the Company issued 13,583 MVS warrants and recorded $1,121,132 in share based compensation in connection with the MVS warrants.

During the year ended December 31, 2018, the Company issued 867,198 warrants valued at $693,344, in connection with a share issuance.

In determining the amount of the warrant compensation expense related to SVS and MVS warrants issued during the years ended December 31, 2019 and 2018 the Company used the Black-Scholes option pricing model to establish fair value of warrants issued on their measurement date by applying the following weighted average assumptions:

SVS Warrants		December 31, 2019		December 31, 2018
Risk-Free Interest Rate		1.74%-2.31%		2.86%
Expected Life of Options (years)		2-5		2.00
Expected Annualized Volatility		100%		100%
Expected Forfeiture Rate		nil		nil
Expected Dividend Yield		nil		nil
Black-Scholes Value of Each Warrant	$	0.603-2.259	$	0.799

MVS Warrants		December 31, 2019	December 31, 2018
Risk-Free Interest Rate		1.67%-2.31%	N/A
Expected Life of Options (years)		2-5	N/A
Expected Annualized Volatility		60%-100%	N/A
Expected Forfeiture Rate		nil	N/A
Expected Dividend Yield		nil	N/A
Black-Scholes Value of Each Warrant	$	67.07-266.87	N/A

11. LONG TERM DEBT AND LEASE OBLIGATIONS

(a) Long-term debt

		December 31, 2019		**December 31, 2018**
Beginning of year	**$**	**1,010,000**	**$**	**1,010,000**
Proceeds		100,000		1,000,000
Payments		-		(1,000,000)
End of year	**$**	**1,110,000**	**$**	**1,010,000**
Less: Current portion		-		(1,010,000)
Long-term debt	**$**	**1,110,000**	**$**	**-**

During the year ended December 31, 2018, the Company issued a promissory note payable in the amount of $1,000,000. The note bears interest at a rate of 15% per annum with interest payments required on a monthly basis and matured on January 31, 2020. The loan was paid in full during the year ended December 31, 2018.

During the year ended December 31, 2017, the Company signed a promissory note payable in the amount of $1,010,000. The note bears interest at a rate of 15% per annum with interest payments required on a monthly basis. Effective November 13, 2019, the Company's promissory note payable in the amount of $1,010,000 was modified to increase the amount payable to $1,110,000 and extended the maturity date to December 31, 2021

(Expressed in United States Dollars)

(b) Convertible debt

	December 31, 2019	December 31, 2018
Opening balance	$ -	$ -
Additions	1,650,000	-
Equity component of convertible debt	(463,446)	-
Accretion of loan discount	52,096	-
Accrued interest	9,861	-
Conversion to MVS shares	(431,065)	-
Ending balance	**$ 817,446**	**-**
Less: Current portion	-	-
Long-term debt	**$ 817,446**	**$ -**

During the year ended December 31, 2019, the Company issued a convertible promissory note payable in the amount $700,000 in connection with the acquisition of High Gardens, Inc. *(Note 13(a))*. The note bears interest at 3% per annum with interest payments required on a monthly basis. All the unpaid principal balance of this note shall be converted to shares of the Company at the option of the holder of the note. The Company recognized $294,025 as the equity portion of the convertible debt. The loan was converted into 1,655 multiple voting shares during the year ended December 31, 2019 *(Note 10)*.

During the year ended December 31, 2019, the Company signed a convertible promissory note payable in the amount $900,000 in connection with the acquisition of XAAS Agro, Inc. *(Note 13(e))*. The note bears interest at 5% per annum with interest payments required on a monthly basis. All the unpaid principal balance of this note shall be converted to shares of the Company at the option of the holder or the Company. The Company recognized $154,697 as the equity portion of the convertible debt. The loan is repayable in full in June 2021.

During the year ended December 31, 2019, the Company signed two convertible promissory notes payable in the amount $25,000 each in connection with the acquisition of Midwest Hemp Research, LLC *(Note 13(f))*. The notes bear interest at 2.76% per annum with interest payments required on a monthly basis. All of the unpaid principal balance of these notes shall be converted to shares of the Company at the option of the holder or the Company. The Company recognized $14,724 as the equity portion of the convertible debts. The loans are repayable in full in December 2021.

During the year ended December 31, 2019, the Company signed two separate convertible promissory notes payable in the amount $1,250,000 each in connection with the acquisition of MJ Distributing, Inc. *(Note 13(g))*. The note bears interest at 4% per annum for the first six months and 8% per annum thereafter with interest payments required on a monthly basis. All the unpaid principal balance of this note shall be converted to shares of the Company at the option of the holder or the Company. The loan is repayable in full in April 2021. The acquisition of MJ Distributing, Inc. has yet to close as at December 31, 2019, and as such the convertible promissory notes payable have yet to be recorded.

(Expressed in United States Dollars)

(c) Lease obligations

	December 31, 2019	December 31, 2018
Opening balance	**$ 17,301,115**	**$ 6,431,129**
Adoption of IFRS 16	5,686,676	-
Acquired through acquisitions *(Note 13(b) and (c))*	207,096	-
Additions	6,206,226	10,886,655
Interest	4,486,403	2,146,298
Interest Payments	(4,486,403)	(2,162,967)
Interest Accretion	501,540	-
Principal Payments	(617,145)	-
Ending balance	$ 29,285,508	17,301,115
Less: Current portion	(619,827)	(680,193)
Long-term debt	$ 28,665,681	$ 16,620,922

Future minimum lease payments (principal and interest) on the leases is as follows

	December 31, 2019
2020	$ 5,831,222
2021	5,737,806
2022	5,891,509
2023	6,030,677
2024	6,200,621
Thereafter	70,465,963
Total minimum lease payments	100,157,798
Effect of discounting	(70,872,290)
Present value of minimum lease payments	29,285,508
Current portion lease obligations	(619,827)
Long term lease obligations	$ 28,665,681

The Company has entered into various lease agreements for the use of buildings used in production and retail sales of cannabis products.

During the year ended December 31, 2019, the Company entered into sale and leaseback transactions for Cultivation Facilities *(Note 9)*. As part of the transaction, the Company entered a lease agreement for the Cultivation Facilities as follows:

- The lease agreement for a processing and manufacturing facility in Ohio with a fair value of $1,018,123 is for 15 years with two consecutive options to extend for an additional 5 years each. The effective interest rate on the lease is 15% and requires regular monthly payments of $42,000, which increase by 3.5% each year. Principal repayments begin in 2028. The lease also provides for a Tenant Improvement (“TI”) allowance up to $2,581,887.

During the year ended December 31, 2018, the Company entered into sale and leaseback transactions for Cultivation Facilities *(Note 9)*. As part of the transaction, the Company entered into three separate lease agreements for the Cultivation Facilities as follows:

- The lease agreement (as amended in December 2018) for a cultivation and manufacturing facility in Pennsylvania with a fair value of $5,763,330 is for 15 years with two consecutive options to extend for an additional 5 years each. The effective interest rate of the lease is 15% and requires regular monthly payments of $120,000 which increase by 3.5% each year. Principal repayments begin in 2025. Principal repayments begin in 2025. The lease also provides for a Tenant Improvement ("TI") allowance up to $3,500,000.

On December 7, 2018 the Company signed a first amendment to the existing lease agreements for the cultivation and manufacturing facilities in Minnesota, New York and Pennsylvania. Under the terms of the amendments, the term of leases was extended to December 7, 2033, for tenant improvements per the terms through December 7, 2033 and provides for additional tenant improvements of up to $5,000,000.

On September 25, 2019 the Company signed a second amendment to the existing lease agreements for the cultivation and manufacturing facilities in Minnesota. Under the terms of the second amendment, the term of the lease was extended to December 7, 2038 and provides for additional tenant improvements of up to $5,588,000. The amended agreement for the cultivation and manufacturing facility in Minnesota requires regular monthly payments of $111,263.

- The amended agreement cultivation and manufacturing facility in New York requires regular monthly payments of $82,800 which increases by 3.5% each year beginning in December 2018 over the remaining term of the agreement. Principal repayments begin in 2023. The agreement has two optional consecutive options to extend for an additional 5 years. Also, the amendment requires an additional deposit of $150,000 and provides for additional tenant improvement (TI) allowance up to $2,000,000.

- The amended agreement for the cultivation and manufacturing facility in Minnesota requires regular monthly payments of $111,263 which increases by 3.5% each year beginning in October 2019 over the remaining term of the agreement. Principal repayments begin in 2024. The agreement has two optional consecutive options to extend for an additional 5 years. Also, the amendment provides for additional tenant improvement (TI) allowance up to $5,588,000.

12. ASSESSMENT OF CONTINGENT LIABILITIES

(a) 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. As of December 31, 2019, there were no pending or threatened lawsuits that could reasonably be expected to have a material effect on the results of the Company's 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.

(b) Contingencies

The Company's operations are subject to a variety of local and state regulation. Failure to comply with one or more of those regulations could result in fines, restrictions on its operations, or losses of permits that could result in the Company ceasing operations. While management believes that the Company is in compliance with applicable local and state regulation as of December 31, 2019, medical marijuana 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.

(Expressed in United States Dollars)

13. BUSINESS COMBINATIONS AND ASSET ACQUISITIONS

(a) High Gardens, Inc.

On January 4, 2019, the Company acquired all of the issued and outstanding shares of High Gardens, Inc. The purpose of this acquisition was to acquire a medical marijuana license in the State of Rhode Island. The acquisition was financed with cash on hand and borrowings. The acquisition was accounted for as an asset acquisition in accordance with IFRS 3, and related operating results are included in the accompanying consolidated statements of operations, changes in shareholders' equity, and statement of cash flows commencing from the date of acquisition.

The following table summarizes the allocation of consideration exchanged to the estimated fair value of tangible and identifiable intangible assets acquired and liabilities assumed:

Consideration paid:		
Cash	$	300,000
Convertible Debt *(Note 11)*		700,000
Transaction costs		26,256
	$	1,026,256
Fair value of net assets acquired:		
Intangible asset	$	1,026,256

(b) Elephant Head Farm, LLC and Retail Management Associates, LLC

On March 22, 2019, the Company acquired all of the equity interests of Elephant Head Farm, LLC and Retail Management Associates, LLC (collectively, the "AZ entities"). The purpose of this acquisition was to acquire the exclusive right to manage and control Arizona Natural Remedies, an Arizona nonprofit corporation with licenses to cultivate and distribute medical cannabis in the state of Arizona. The acquisition was financed with cash on hand and equity. The acquisition was accounted for as a business combination in accordance with IFRS 3, and related operating results are included in the accompanying consolidated statements of operations, changes in shareholders' equity, and statement of cash flows for periods subsequent to the acquisition date. Revenue and net loss of the AZ entities included in the consolidated statements of operations from the acquisition date through December 31, 2019 was $4,631,052 and $5,415,373 respectively.

Total transaction costs related to the acquisition were approximately $723,272, including a finders' fee of $620,000, and have been included in consolidated statement of operations for the year ended December 31, 2019. Goodwill arose because the consideration paid for the business acquisition reflected the benefit of expected revenue growth and future market development. These benefits were not recognized separately from goodwill because they do not meet the recognition criteria for identifiable intangible assets. Goodwill is subject to the limits of IRC Section 280E under which the Company is only allowed to deduct expenses directly related to the cost of production.

(Expressed in United States Dollars)

The following table summarizes the allocation of consideration exchanged to the estimated fair value of tangible and identifiable intangible assets acquired and liabilities assumed:

Consideration paid:		
Cash	$	10,500,000
Issuance of 16,806 multiple voting shares *(Note 10)*		7,594,463
	$	18,094,463
Fair value of net assets acquired:		
Cash	$	340,507
Inventory		557,017
Biological assets		1,470,983
Other current assets		277,340
Property and equipment		1,033,135
Right of Use Asset		81,603
Intangible asset license		6,800,000
Goodwill		7,792,605
Accounts payable and accrued liabilities		(177,124)
Right of Use Liability		(81,603)
	$	18,094,463

(Expressed in United States Dollars)

(c) Red Barn Growers

On March 25, 2019, the Company acquired substantially all of the assets of Silver Fox Management Services, LLC ("Silver Fox") including all intellectual property, contracts, leases, license rights and inventory. The purpose of this acquisition was to acquire the exclusive right to manage and control Red Barn Growers, Inc. ("Red Barn Growers"), a New Mexico nonprofit corporation with licenses to cultivate and distribute medical cannabis in the state of New Mexico. The acquisition was accounted for in accordance with IFRS 3, and related operating results are included in the accompanying consolidated statements of operations, changes in shareholders' equity, and statement of cash flows for periods subsequent to the acquisition date. Revenue and net loss of Red Barn Growers included in the consolidated statements of operations from the acquisition date through December 31, 2019 were approximately $1,085,332 and $4,022,077 respectively.

Total transaction costs related to the acquisition were approximately $16,608 and have been included in consolidated statement of operations for the year ended December 31, 2019. Goodwill arose because the consideration paid for the business acquisition reflected the benefit of expected revenue growth and future market development. These benefits were not recognized separately from goodwill because they do not meet the recognition criteria for identifiable intangible assets. Goodwill is subject to the limits of IRC Section 280E under which the Company is only allowed to deduct expenses directly related to the cost of production.

The following table summarizes the allocation of consideration exchanged to the estimated fair value of tangible and identifiable intangible assets acquired and liabilities assumed:

Consideration paid:		
Cash	$	2,000,000
Issuance of 6,721 multiple voting shares *(Note 10)*		3,130,306
	$	5,130,306
Fair value of net assets acquired:		
Cash	$	75,695
Inventory		369,107
Biological assets		180,469
Other current assets		497
Property and equipment		73,290
Right of Use Asset		125,493
Intangible asset license		569,400
Goodwill		3,878,300
Accounts payable and accrued liabilities		(16,452)
Right of Use Liability		(125,493)
	$	5,130,306

(Expressed in United States Dollars)

(d) Mayflower Botanicals, Inc.

On March 29, 2019, the Company completed the 100% acquisition of Mayflower Botanicals, Inc., a Massachusetts corporation which has licenses to cultivate and distribute medical and adult use cannabis in the state of Massachusetts. The purpose of this acquisition was to acquire a medical marijuana license in the State of Massachusetts. The acquisition was financed with cash on hand and equity. The acquisition was accounted for as an asset acquisition in accordance with IFRS 3, and related operating results are included in the accompanying consolidated statements of operations, changes in shareholders' equity, and statement of cash flows for periods subsequent to the acquisition date.

The following table summarizes the allocation of consideration exchanged to the estimated fair value of tangible and identifiable intangible assets acquired and liabilities assumed:

Consideration paid:		
Cash	$	1,001,165
Issuance of 30,325 multiple voting shares *(Note 10)*		13,094,032
Issuance of 6,722 multiple voting shares as finder's fee *(Note 10)*		2,902,492
Transaction costs		59,900
	$	17,057,589
Fair value of net assets acquired:		
Intangible asset license	$	17,057,589

(e) XAAS Agro, Inc.

On June 19, 2019, the Company completed the 100% acquisition of XAAS Agro, Inc., a Puerto Rico corporation which has licenses to cultivate and distribute medical and adult use cannabis in Puerto Rico. The purpose of this acquisition was to acquire a medical marijuana license in the territory of Puerto Rico. The acquisition was financed with cash on hand and borrowings. The acquisition was accounted for as an asset acquisition in accordance with IFRS 3, and related operating results are included in the accompanying consolidated statements of operations, changes in shareholders' equity, and statement of cash flows for periods subsequent to the acquisition date.

The following table summarizes the allocation of consideration exchanged to the estimated fair value of tangible and identifiable intangible assets acquired and liabilities assumed:

Consideration paid:		
Cash	$	900,000
Convertible debt *(Note 11)*		900,000
Transaction costs		91,863
	$	1,891,863
Fair value of net assets acquired:		
Intangible asset license	$	1,891,863

(Expressed in United States Dollars)

(f) Midwest Hemp Research, LLC

During the year ended December 31, 2019, the Company completed the 100% acquisition of Midwest Hemp Research, LLC., a Minnesota limited liability company which has licenses to cultivate and distribute industrial hemp. The purpose of this acquisition was to acquire an industrial hemp license in the State of Minnesota. The acquisition was financed with borrowings. The acquisition was accounted for as an asset acquisition in accordance with IFRS 3, and related operating results are included in the accompanying consolidated statements of operations, changes in shareholders' equity, and statement of cash flows for periods subsequent to the acquisition date.

The following table summarizes the allocation of consideration exchanged to the estimated fair value of tangible and identifiable intangible assets acquired and liabilities assumed:

Consideration paid:		
Convertible debt *(Note 11)*	$	50,000
Transaction costs		12,229
	$	62,229
Fair value of net assets acquired:		
Intangible asset license	$	62,229

(g) Acquisition Pending Regulatory Approval

On April 10, 2019, the Company entered into a definitive agreement to acquire 100% of the membership interests in MJ Distributing C201, LLC and MJ Distributing P132, LLC ("MJ Distributing") which hold provisional licenses to cultivate and distribute, respectively, medical cannabis in the state of Nevada. The purpose of this acquisition was to acquire a medical marijuana license in the state of Nevada. The acquisition was financed with cash on hand and borrowings.

As of December 31, 2019, the Company had made cash deposits with the sellers and in escrow of $1,592,500 and placed convertible promissory notes in the amount of $2,500,000 in escrow, as consideration for the equity *(Note 11)*. Additionally, as of December 31, 2019, there were deferred acquisition costs of $28,136 *(Note 8)*. The completion of the acquisition of MJ Distributing is conditional upon the Nevada Department of Taxation's approval of the change in ownership.

(Expressed in United States Dollars)

(h) MaryMed, LLC

On November 1, 2018, the Company acquired all of the issued and outstanding membership units of Dorchester Capital, LLC ("Dorchester"). Dorchester is the sole member of MaryMed, LLC ("MaryMed"). As consideration for the membership units, the Company issued 2,170,490 series C-4 preferred shares and 252,041 series C-5 preferred shares with a fair value of $3,600,000. The purchase price allocation for the acquisition, as set forth in the table below.

The following table summarizes the final accounting estimates of the acquisition with a purchase price of $3,600,000

Consideration paid:		
Issuance of preferred shares *(Note 10)*	$	3,600,000
Fair value of net assets acquired:		
Cash	$	1,499,085
Prepaid expenses		112,083
Deposits		300,000
Property and equipment		1,532,656
Intangible asset license		2,204,982
Accounts payable and accrued liabilities		(307,567)
Debt due to Vireo Health, Inc.		(1,741,239)
	$	3,600,000

14. GOODWILL AND INTANGIBLE ASSETS

During the years ended December 31, 2019 and 2018 the Company acquired cannabis licenses in Arizona, Maryland, Massachusetts, New Mexico, Puerto Rico, and Rhode Island *(Note 13)*. During the year ended December 31, 2019 the license and goodwill were allocated a fair value of $39,078,242 (2018- $2,204,982) based on the purchase price allocation. The fair value allocated to the license is depreciated over its expected useful life, which is estimated between 4-20 years.

(a) Goodwill

A summary of goodwill is as follows:

Balance, December 31, 2017 and 2018	$	-
Acquisition *(Note 13(b) and(c))*		11,670,905
Impairment		(8,538,414)
Balance, December 31, 2019	$	3,132,491

(Expressed in United States Dollars)

(b) Licenses

A summary of license is as follows:

Balance, December 31, 2017	**$ -**
Acquisition *(Note 13(h))*	2,204,982
Amortization	(20,417)
Balance, December 31, 2018	**2,184,565**
Acquisition *(Note 13(a),(b),(c),(d),(e) and (f))*	27,407,337
Amortization	(864,229)
Impairment	(19,726,436)
Balance, December 31, 2019	**$ 9,001,237**

During the year ended December 31, 2019, amortization of $864,229 (2018 - $20,417) was recorded in selling, general and administration expenses.

(c) Impairment of goodwill and intangible assets

On an annual basis, the Company assess the Company's CGUs for indicators of impairment or when facts or circumstances suggest the carrying amount may exceed it recoverable amount. Goodwill is tested for impairment annually. For the purpose of impairment testing, goodwill is allocated to the Company's CGU to which it relates.

The Company performed its annual impairment test and estimated the recoverable amount of its goodwill and intangible assets based on the fair value less cost of disposal (FVLCD), which was determined using a capitalized cash flow method and categorized within level 3 of the fair market value hierarchy.

The key assumptions used in the calculation of the recoverable amount include forecast next twelve months:

i) Revenues;
ii) Normalized Operating Expenses;
iii) Income taxes; and
iv) Capital Expenditures

Capitalized cash flows are determined with reference to undiscounted risk adjusted cash flows and discount rates in the range of 20% to 25% based on individual characteristics of the Company's CGU, the risk-free rate of return and other economic and operating factors.

The result is that the carrying amount of goodwill and intangible assets exceeded their recoverable amount and as a result the Company recognized the following impairment charges:

i) Intangible assets of $19,726,436; and
ii) Goodwill of $8,538,414

(Expressed in United States Dollars)

15. INCOME TAXES

On January 1, 2018, the Company converted to a C corporation in the state of Delaware. Prior to January 1, 2018, the Company was classified as a Limited Liability Company ("LLC"). As such, prior to January 1, 2018 losses generated from operations were passed through to individual members.

As a result of the conversion to a C Corporation, the Company recognized a deferred tax liability of $4,225,000 with a corresponding decrease to retained earnings. The liability pertains to the difference between the carrying value of biological assets on the statement of financial position and the tax basis.

Internal Revenue Code ("IRC") Section 280E denies, at the US federal level, deductions and credits attributable to a trade or business trafficking in controlled substances. Case law shows that cost of goods sold has been permitted as a deduction in determining taxable income. Because the Company is subject to IRC Section 280E, the Company has computed its US tax based on gross receipts less cost of goods sold. The tax provision for the year ended December 31, 2019, has been prepared based on the assumption cost of goods sold is a valid expense for income tax purposes.

Minnesota legislative bodies enacted legislation effective for taxable years beginning after December 31, 2018 eliminating the effects of code Section 280E for Minnesota income tax purposes. This change in tax law resulted in the deductibility of expenses in 2019 which were not deductible in periods prior to 2019.

A Reconciliation of income taxes at statutory rates is as follows:

	December 31, 2019	December 31, 2018
Net income (loss) before taxes	**$ (57,309,486)**	**$ 2,123,647**
Expected tax expense at a combined federal and state rate of 23.5% and 31% as at December 31, 2019 and 2018, respectively.	(13,468,000)	658,000
Effect on income taxes of:		
Non-deductible Section 280e permanent differences	13,169,000	4,543,000
Changes in unrecognized deductible temporary differences	-	-
Total income tax expense	**$ (299,000)**	**$ 5,201,000**

Income Tax Expense (Benefit) is comprised of:

	December 31, 2019	December 31, 2018
Deferred tax assets:		
Inventory reserve	$ 203,000	$ 92,000
Net operating loss	1,175,000	-
Deferred tax liabilities:		
Biological Assets	(5,638,000)	(6,600,000)
Depreciation of property and equipment	(268,000)	-
Net deferred tax (liabilities)	**$ (4,528,000)**	**$ (6,508,000)**

16. FINANCIAL RISK MANAGEMENT

The Company's risk exposures and the impact on the Company's financial instruments are summarized below.

(a) Fair value of financial assets and liabilities

IFRS 13 establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities and the lowest priority to unobservable inputs. The three levels of the fair value hierarchy are as follows:

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 (i.e.: As prices) or indirectly (i.e.: derived from prices); and
Level 3: Inputs that are not based on observable market data.

The fair value of cash and restricted cash is measured using Level 1 inputs. The carrying values of receivables, and accounts payable and accrued liabilities approximate their respective fair values due to the short-term nature of these instruments, and the carrying value of long term loans and convertible debt approximates fair value as they bear a market rate of interest.

The Company's exposures and the impact on its financial instruments are summarized below:

(b) Credit risk

Credit risk is the risk of loss associated with counterparty's inability to fulfill its payment obligations. The Company's credit risk is primarily attributable to cash and receivables. A small portion of cash is held on hand, from which management believes the risk of loss is remote. Receivables relate primarily to wholesale sales. The Company does not have significant credit risk with respect to customers. The Company's maximum credit risk exposure is equivalent to the carrying value of these instruments. The Company has been granted licenses pursuant to the laws of the states of Arizona, Massachusetts, Maryland, Minnesota, New Mexico, New York, Ohio, Pennsylvania, Puerto Rico and Rhode Island with respect to cultivating, processing, and/or distributing marijuana. Presently, this industry is illegal under United States federal law. The Company has, and intends, to adhere strictly to the state statutes in its operations.

(c) Liquidity risk

The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. As of December 31, 2019, the Company's financial liabilities consist of accounts payable and accrued liabilities, debt, and lease liabilities. The Company manages liquidity risk by reviewing its capital requirements on an ongoing basis. Historically, the Company's main source of funding has been additional funding from shareholders. The Company's access to financing is always uncertain. There can be no assurance of continued access to significant equity financing.

(d) Legal Risk

Vireo U.S. operates in the United States. The United States federal government regulates drugs through the Controlled Substances Act (21 U.S.C. § 811), which places controlled substances, including cannabis, in a schedule. Cannabis is classified as a Schedule I drug. Under United States federal law, a Schedule I drug or substance has a high potential for abuse, no accepted medical use in the United States, and a lack of accepted safety for the use of the drug under medical supervision. The United States Food and Drug Administration has not approved marijuana as a safe and effective drug for any indication. In the United States marijuana is largely regulated at the state level. State laws regulating cannabis are in direct conflict with the federal Controlled Substances Act, which makes cannabis use and possession federally illegal.

(e) Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign currency rates. The Company is not exposed to currency risk.

(f) Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company currently does not carry variable interest-bearing debt. It is management's opinion that the Company is not exposed to significant interest rate risk.

(g) Price risk

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

17. CAPITAL RISK MANAGEMENT

The Company defines capital as shareholders' equity. The Company manages its capital structure and adjusts in order to have the funds available to support its operating activities.

The Company's objective when managing capital is to safeguard the Company's ability to continue as a going concern in order to pursue the development of its business. The Company manages its capital structure and adjusts it considering changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust its capital structure, the Company may issue new equity instruments, new debt, or acquire and/or dispose of assets. The Company's ability to continue as a going concern is dependent upon the continued financial support of its shareholders, future profitable operations, the lack of adverse political developments in the United States with respect to cannabis legislation and securing additional financing.

Management reviews its capital management approach on an ongoing basis. There were no changes in the Company's approach to capital management during the year ended December 31, 2019. The Company is not subject to externally imposed capital requirement.

18. SEGMENTED INFORMATION

The Company operates in one reportable segment being the cultivation, production, and sale of medical cannabis.

The cannabis cultivation and production segment are the manufacturing and sales of refined cannabis products, which has operations in Arizona, Maryland, Massachusetts, Minnesota, , New Mexico, New York, Ohio, Pennsylvania, , and Rhode Island.

The Company's chief operating decision makers are the CEO and CFO. They review the operations and performance of the Company.

All of the Company's non-current assets are located in the United States and all revenue was earned in the United States.

(Expressed in United States Dollars)

19. RELATED PARTY TRANSACTIONS

Key management personnel include those persons having the authority and responsibility of planning, directing, and executing the activities of the Company. The Company has determined that its key management personnel consists of all six directors, the Company's Chief Executive Officer, and the Company's Chief Financial Officer.

Key management personnel compensation during the year ended December 31, 2019 and 2018 were as follows:

		December 31, 2019		December 31, 2018
Salaries and Wages	$	979,096	$	835,338
Directors fees		364,525		-
Share Based Compensation		1,636,396		1,184,540
Total	$	2,980,017	$	2,019,878

As at December 31, 2019, $106,113 (2018 - $nil) owing to related parties was included in accounts payable and accrued liabilities.

As of December 31, 2019 – $nil was due from related parties.

During the year ended December 31, 2019, the Company acquired Midwest Hemp Research, LLC which was 50% owned by the CEO of the Company *(Note 13(f))*. As consideration for the acquisition, the Company issued a $25,000 convertible note to the CEO.

For the year ending December 31, 2019, the Company paid a related party for contract staffing expenses in the amount of $295,463.

Certain directors and officers of the Company own Ohio Medical Solutions, Inc and the Company executed a management agreement and option to purchase.

20. SUPPLEMENTARY CASH FLOW INFORMATION

Changes in non-cash working capital:

		December 31, 2019		December 31, 2018
Receivables	$	930,143	$	(1,671,257)
Due from related party		-		146,893
Inventory and biological assets		(6,007,406)		(2,112,190)
Prepaid expenses		(1,315,536)		(226,204)
Deposits		-		(993,723)
Deferred rent		-		157,849
Accounts payable and accrued liabilities		424,346		(1,052,717)
Total	$	(5,968,453)	$	(5,751,349)

Non-cash activities during the years ended December 31, 2019 and 2018 were as follows:

	December 31, 2019	December 31, 2018
Biological assets transferred to inventory	$ 33,140,002	$ 24,666,429
Transfer of members capital to share capital on conversion to a C corp.	-	23,268,508
Deferred tax incurred on conversion to a C corp.	-	4,255,000
Equipment acquired through lease	6,206,226	5,763,330
Fair value of brokers' warrants	1,723,741	657,395
Shares issued on RTO	2,999,986	-
Equity portion of convertible debt	463,446	-
Non cash portion of business and asset acquisitions		
Convertible Debt	1,650,000	-
Shares issue	26,721,293	-
Deferred acquisition costs	1,025,137	-
Deferred share issue costs	448,480	-
Conversion of convertible debt	431,065	-

Cash paid for interest and income taxes:

	December 31, 2019	December 31, 2018
Interest	$ 4,620,221	$ 2,314,467
Income taxes	$ 1,404,845	$ 2,993,000

21. SUBSEQUENT EVENTS

Subsequent to December 31, 2019, there was a global outbreak of a new strain of coronavirus, COVID-19. The global and domestic response to the COVID-19 pandemic continues to rapidly evolve. Thus far, certain responses to the COVID-19 outbreak have included mandates from federal, state and/or local authorities that required temporary closure of many businesses and cessation of public events. While the Company's medical cannabis business has been deemed "essential" in each of the states in which we currently operate, substantial job losses resulting in millions of people filing new applications for unemployment benefits as of the date of these financial statements, many of whom are likely our customers, A reduction in the income or financial security of our customers could result in a material impact to the Company's future results of operations, cash flows and financial condition.

On March 9, 2020, the Company closed the first tranche of a non-brokered private placement and issued 13,651,574 Units at a price of CAD $0.77 per Unit. Each Unit is comprised of one subordinate voting share of the Company and one subordinate voting share purchase warrant. Each warrant entitles the holder to purchase one subordinate voting share for a period of three years from the date of issuance at an exercise price of CAD $0.96 per subordinate voting share. The company has the right to force the holders of the Warrants to exercise the Warrants into Shares if, prior to the maturity date, the five-trading-day volume weighted-average price of the Shares equals or exceeds CAD $1.44. Total proceeds from this transaction were $7,613,480 net of share issuance costs of $104,173.

On April 10, 2020, the Company, through several of its subsidiaries, entered into three (3) lease amendments to provide additional funding to complete improvements to properties in Minnesota, New York and Pennsylvania. These amendments included, among other things, increased available leasehold improvement funds, the extension of lease term and increased required monthly payment amounts.