



TRULIEVE CANNABIS CORP.

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

(IN US DOLLARS)

**Trulieve Cannabis Corp.
Management’s Responsibility for Financial Reporting**

To the Shareholders of Trulieve Cannabis Corp.:

The accompanying consolidated financial statements were prepared by management of Trulieve Cannabis Corp. (“the Company”), and were reviewed by the Audit Committee and approved by the Board of Directors.

Management is responsible for the consolidated financial statements and believes that they fairly present the Company’s financial condition and results of operation in conformity with International Financial Reporting Standards. Management has included in the Company’s consolidated financial statements amounts based on estimates and judgments that it believes are reasonable, under the circumstances.

To discharge its responsibilities for financial reporting and safeguarding of assets, management believes that it has established appropriate systems of internal accounting control which provide reasonable assurance that the financial records are reliable and form a proper basis for the timely and accurate preparation of financial statements. Consistent with the concept of reasonable assurance, the Company recognizes that the relative cost of maintaining these controls should not exceed their expected benefits. Management further assures the quality of the financial records through careful selection and training of personnel and through the adoption and communication of financial and other relevant policies.

These consolidated financial statements have been audited by the Company’s auditor, MNP LLP, and their report is presented herein.

“Kim Rivers”
Chief Executive Officer

“Mohan Srinivasan”
Chief Financial Officer

April 7, 2020

TRULIEVE CANNABIS CORP.

TABLE OF CONTENTS

Independent Auditor’s Report
Consolidated Statements of Financial Position 1
Consolidated Statements of Operations 2
Consolidated Statements of Changes in Shareholders’ Equity 3
Consolidated Statements of Cash Flows 4-5
Notes to the Consolidated Financial Statements 6-40

Independent Auditor's Report

To the Shareholders of Trulieve Cannabis Corp.:

Opinion

We have audited the consolidated financial statements of Trulieve Cannabis Corp. and its subsidiaries (the "Company"), which comprise the consolidated statements of financial position as at December 31, 2019 and December 31, 2018, and the consolidated statements of operations, changes in shareholders' equity and cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

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

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 audits of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of Matter - Restated Comparative Information

We draw attention to Note 2 to the consolidated financial statements, which explains that certain comparative information presented for the year ended December 31, 2018 has been restated. Our opinion is not modified in respect of this matter.

Other Information

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

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

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

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

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

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

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

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

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

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

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 Marc Normand.

Ottawa, Ontario

April 7, 2020

MNP LLP

Chartered Professional Accountants

Licensed Public Accountants

MNP

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT DECEMBER 31, 2019 AND 2018

		<u>2019</u>	<u>2018</u>
			<i>(As Restated See Note 2)</i>
ASSETS			
Current Assets:			
Cash		\$ 91,812,821	\$ 24,430,108
Inventories	<i>Note 5</i>	204,472,470	24,270,844
Biological Assets	<i>Note 5</i>	66,718,321	29,636,269
Prepaid Expenses and Other Current Assets		<u>6,871,683</u>	<u>2,453,239</u>
Total Current Assets		369,875,295	80,790,460
Property and Equipment, Net	<i>Note 6</i>	189,248,416	70,789,888
Intangible Assets, Net	<i>Note 7</i>	23,504,446	9,396,347
Goodwill	<i>Note 4</i>	7,315,885	-
Other Assets		<u>948,644</u>	<u>1,095,886</u>
TOTAL ASSETS		<u>\$ 590,892,686</u>	<u>\$ 162,072,581</u>
LIABILITIES			
LIABILITIES			
Current Liabilities:			
Accounts Payable and Accrued Liabilities		\$ 24,307,928	\$ 10,463,109
Income Tax Payable		12,241,333	15,061,446
Deferred Revenue		2,403,836	1,427,201
Notes Payable - Current Portion	<i>Note 8</i>	2,000,000	6,000,000
Notes Payable - Related Party - Current Portion	<i>Note 9</i>	923,728	1,426,791
Warrant Liability	<i>Note 10</i>	9,891,666	-
Lease Liability - Current Portion	<i>Note 11</i>	<u>4,968,476</u>	<u>335,881</u>
Total Current Liabilities		56,736,967	34,714,428
Long-Term Liabilities:			
Notes Payable	<i>Note 8</i>	4,000,000	-
Notes Payable - Related Party	<i>Note 9</i>	11,979,246	12,647,124
Lease Liability	<i>Note 11</i>	66,031,123	616,165
Finance Liability, net	<i>Note 10</i>	114,341,837	-
Other Long-Term Liabilities		-	722,733
Deferred Tax Liability	<i>Note 15</i>	<u>55,446,351</u>	<u>9,153,000</u>
TOTAL LIABILITIES		308,535,524	57,853,450
SHAREHOLDERS' EQUITY			
Share Capital	<i>Note 12</i>	62,559,815	60,976,944
Warrants	<i>Note 12</i>	15,019,564	15,628,304
Accumulated Earnings		<u>204,777,783</u>	<u>27,613,883</u>
TOTAL SHAREHOLDERS' EQUITY		<u>282,357,162</u>	<u>104,219,131</u>
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		<u>\$ 590,892,686</u>	<u>\$ 162,072,581</u>

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

Nature of Operations (*Note 1*)
Contingencies (*Note 17*)
Subsequent Events (*Note 22*)

Approved and authorized by the Board of Directors on April 7, 2020

"Kim Rivers"

Chief Executive Officer

"Mohan Srinivasan"

Chief Financial Officer

**CONSOLIDATED STATEMENTS OF OPERATIONS
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018**

		<u>2019</u>	<u>2018</u>
			<i>(As Restated See Note 2)</i>
Revenues, Net of Discounts		\$ 252,818,591	\$ 102,816,631
Production Expenses and Cost of Goods From Third Party Suppliers	<i>Note 5</i>	89,808,241	34,195,407
Revenues less Production Expenses and Cost of Goods From Third Party Suppliers		<u>163,010,350</u>	<u>68,621,224</u>
Fair Value Adjustment on Inventory Sold		(134,953,260)	(48,622,209)
Fair Value Adjustment on Growth of Biological Assets	<i>Note 5</i>	<u>334,227,804</u>	<u>85,563,656</u>
Revenues less Production Expenses and Cost of Goods From Third Party Suppliers and Fair Value Adjustments		<u>362,284,894</u>	<u>105,562,671</u>
Expenses:			
General and Administrative	<i>Note 20</i>	14,070,939	19,155,757
Sales and Marketing		53,935,916	25,050,227
Depreciation and Amortization	<i>Note 6 & 7</i>	<u>8,397,765</u>	<u>1,137,675</u>
Total Expenses		<u>76,404,620</u>	<u>45,343,659</u>
Income From Operations		<u>285,880,274</u>	<u>60,219,012</u>
Other Income (Expense):			
Interest Expense, Net		(12,816,465)	(2,183,653)
RTO Expense	<i>Note 13</i>	-	(1,387,423)
Other (Expense) Income, Net		<u>(593,748)</u>	<u>59,510</u>
Total Other Expense		<u>(13,410,213)</u>	<u>(3,511,566)</u>
Income Before Provision for Income Taxes		<u>272,470,061</u>	<u>56,707,446</u>
Provision For Income Taxes	<i>Note 15</i>	<u>94,437,298</u>	<u>28,759,218</u>
Net Income		<u>\$ 178,032,763</u>	<u>\$ 27,948,228</u>
Basic Net Income per Common Share	<i>Note 14</i>	<u>\$ 1.62</u>	<u>\$ 0.27</u>
Diluted Net Income per Common Share	<i>Note 14</i>	<u>\$ 1.54</u>	<u>\$ 0.27</u>
Weighted average number of common shares used in computing net income per common share:			
Basic	<i>Note 14</i>	<u>110,206,103</u>	<u>101,697,002</u>
Diluted	<i>Note 14</i>	<u>115,317,942</u>	<u>103,201,127</u>

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

TRULIEVE CANNABIS CORP
**CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY FOR THE YEARS ENDED
DECEMBER 31, 2019 AND 2018**

	<u>Super Voting Shares</u>	<u>Multiple Voting Shares</u>	<u>Subordinate Voting Shares</u>	<u>Total Common Shares</u>	<u>Share Capital</u>	<u>Warrants</u>	<u>Accumulated Earnings (Deficit)</u>	<u>Total</u>
Balance, January 1, 2018	85,246,600	13,436,800	-	98,683,400	\$11,456,199	\$ -	\$ (334,345)	\$ 11,121,854
Issuance of Common Stock as Debt Discount <i>Note 12</i>	-	-	-	-	200,000	-	-	200,000
Additional Contribution from the Issuance of Below Market Interest Debt <i>Note 9</i>	-	-	-	-	46,467	-	-	46,467
Issuance of Shares for Schyan Transaction <i>Note 13</i>	-	-	200,000	200,000	927,000	-	-	927,000
Issuance of Shares Subscription Receipt Offering, Net <i>Note 12</i>	-	3,573,450	7,354,050	10,927,500	45,948,203	1,518,740	-	47,466,943
Shares Issued for Cash - Warrant Exercise <i>Note 12</i>	-	-	321,268	321,268	2,399,075	(910,000)	-	1,489,075
Conversion of Multiple to Subordinate Shares	-	(3,259,799)	3,259,799	-	-	-	-	-
Share-based compensation <i>Note 2 & 12</i>	-	-	-	-	-	15,019,564	-	15,019,564
Net Income	-	-	-	-	-	-	27,948,228	27,948,228
Balance, December 31, 2018 (As Restated See Note 2)	<u>85,246,600</u>	<u>13,750,451</u>	<u>11,135,117</u>	<u>110,132,168</u>	<u>\$60,976,944</u>	<u>\$ 15,628,304</u>	<u>\$ 27,613,883</u>	<u>\$ 104,219,131</u>
Additional Contribution from the Issuance of Below Market Interest Debt <i>Note 9</i>	-	-	-	-	10,092	-	-	10,092
IFRS 16 Implementation <i>Note 3</i>	-	-	-	-	-	-	(868,863)	(868,863)
Conversions of Super and Multiple to Subordinate Shares <i>Note 12</i>	(17,433,300)	(7,089,077)	24,522,377	-	-	-	-	-
Shares Issued for Cash - Warrant Exercise <i>Note 12</i>	-	-	214,178	214,178	1,572,779	(608,740)	-	964,039
Net Income	-	-	-	-	-	-	178,032,763	178,032,763
Balance, December 31, 2019	<u>67,813,300</u>	<u>6,661,374</u>	<u>35,871,672</u>	<u>110,346,346</u>	<u>\$62,559,815</u>	<u>\$ 15,019,564</u>	<u>\$ 204,777,783</u>	<u>\$ 282,357,162</u>

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

TRULIEVE CANNABIS CORP
**CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018**

	<u>2019</u>	<u>2018</u>
		<i>(As Restated See Note 2)</i>
CASH FLOW FROM OPERATING ACTIVITIES		
Net Income	\$ 178,032,763	\$ 27,948,228
Adjustments to Reconcile Net Income to Net Cash Provided by Operating Activities:		
Depreciation and Amortization	Notes 6 & 7 17,186,400	3,105,142
Non-Cash Interest Expense	1,314,473	244,141
(Gain) Loss from Sale of Property and Equipment	(451,411)	45,928
Non-Cash Issuance of Shares Schyan	Note 13 -	927,000
Share-Based Compensation	Note 12 -	15,019,564
Loss from Fair Value of Warrants	Note 10 806,153	-
Deferred Tax Expense	42,943,466	6,062,000
Changes in Operating Assets and Liabilities:		
Inventories	(180,128,188)	(21,997,910)
Biological Assets	(37,082,052)	(19,897,969)
Prepaid Expenses and Other Current Assets	(4,735,906)	(2,270,772)
Other Assets	147,242	(1,095,886)
Accounts Payable and Accrued Liabilities	7,324,746	811,727
Other Long-Term Liabilities	-	722,733
Income Tax Payable	(2,820,113)	13,926,446
Deferred Revenue	976,635	1,412,428
	<u>23,514,208</u>	<u>24,962,800</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES		
CASH FLOW FROM INVESTING ACTIVITIES		
Purchases of Property and Equipment	Note 6 (74,704,247)	(45,427,976)
Cash Paid in Acquisitions, Net of Cash Acquired	Note 4 (19,898,400)	(7,662,146)
Proceeds from Sale of Property and Equipment	Note 6 20,529,010	128,819
	<u>(74,073,637)</u>	<u>(52,961,303)</u>
NET CASH USED IN INVESTING ACTIVITIES		
CASH FLOW FROM FINANCING ACTIVITIES		
Proceeds from Issuance of Notes Payable	Note 8 -	6,040,000
Proceeds from Issuance of Notes Payable - Related Party	Note 9 -	11,156,614
Proceeds from Debt Financings, Net Discounts and Accrued Interest	Note 10 122,214,771	-
Proceeds from Shares Warrant Exercise	Note 12 964,039	1,489,075
Payments on Notes Payable	Note 8 -	(6,000,000)
Payments on Notes Payable - Related Party	Note 9 (1,520,080)	(8,676,728)
Payments on Lease Liability	Note 11 (3,716,588)	(454,352)
Proceeds from Issuance of Shares for Subscription Receipt Offering, Net	Note 12 -	47,466,943
	<u>117,942,142</u>	<u>51,021,552</u>
NET CASH PROVIDED BY FINANCING ACTIVITIES		
NET INCREASE IN CASH AND CASH EQUIVALENTS	67,382,713	23,023,049
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>24,430,108</u>	<u>1,407,059</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 91,812,821</u>	<u>\$ 24,430,108</u>
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
CASH PAID DURING THE YEAR FOR		
Interest	\$ 6,713,402	\$ 2,947,552
Taxes	\$ 43,657,577	\$ 8,195,000

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

**CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018**

		<u>2019</u>	<u>2018</u>
			<i>(As Restated See Note 2)</i>
OTHER NONCASH INVESTING AND FINANCING ACTIVITIES			
Purchase of Property and Equipment Financed with Notes			
Payable - Related Party	<i>Note 6</i>	\$ 257,337	\$ 3,094,565
Issuance of Warrants		\$ -	\$ 1,518,740
Purchase of Property and Equipment Financed with Accounts			
Payable	<i>Note 6</i>	\$ 6,516,112	\$ 4,697,190
Property and Equipment Acquired via Leases	<i>Note 6</i>	\$ 48,100,305	\$ 1,406,398
Transfer of Shares Treated as a Debt Discount	<i>Note 12</i>	\$ -	\$ 200,000
Debt Discount Related to Below Market Interest Debt	<i>Note 9</i>	\$ 10,092	\$ 46,467

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

AS AT AND FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

1. NATURE OF OPERATIONS

Trulieve Cannabis Corp. (“Trulieve” or the “Company”) was incorporated in British Columbia, Canada. Trulieve’s wholly owned licensed subsidiary, Trulieve, Inc., is a vertically integrated cannabis company and is licensed under the laws of the State of Florida to cultivate, produce, and sell medicinal-use cannabis products within such state. Trulieve also operates in California, Massachusetts, and Connecticut.

In July 2018, Trulieve, Inc. entered into a non-binding letter agreement (“Letter Agreement”) with Schyan Exploration Inc. (“Schyan”) whereby Trulieve, Inc. and Schyan have agreed to merge their respective businesses resulting in a reverse takeover of Schyan by Trulieve, Inc. and change the business of Schyan from a mining issuer to a marijuana issuer (the “Transaction”). The Transaction was completed in August 2018 and Schyan changed its name to Trulieve Cannabis Corp. See “*Note 13 – Transaction*” for further details.

The Company’s head office and principal address is located at 6749 Ben Bostic Road, Quincy, Florida 32351. The Company’s registered office is located at Suite 2800, Park Place, 666 Burrard Street, Vancouver, British Columbia, V6C 2Z7.

The Company is listed on the Canadian Securities Exchange (the “CSE”) and began trading on September 24, 2018 under the ticker symbol “TRUL”.

2. RESTATEMENT OF PREVIOUSLY REPORTED CONSOLIDATED FINANCIAL STATEMENTS

After the issuance of the previously reported consolidated financial statements for the year ended December 31, 2018 (filed on SEDAR on April 10, 2019) the Company determined that the share-based compensation expense for warrants was understated by \$15,019,564, as discussed in “*Note 12 – Share Capital*”. As disclosed in the Company’s Listing Application filed on September 25, 2018, in September 2018, in conjunction with the closing of the Transaction and listing on the CSE, the Company issued 8,784,872 warrants to certain employees and directors of the Company for past services provided, specifically to Kim Rivers (director and CEO of the Company), Ben Atkins (former director and CFO of the Company), Jason Pernell (CIO of the Company), Craig Kirkland, George Hackney, Jr. and Jordan Atkins (all former employees of the Company). The warrants had no vesting conditions and are exercisable at any time for three years after the issuance, subject to certain lock-up provisions. Accordingly, the financial statements for the year ended December 31, 2018, presented herein for comparative purposes, have been restated in order to reflect the share-based compensation expense associated with those warrants.

The following tables summarize the effects of the adjustments described above.

Line items restated on the consolidated statement of financial position and consolidated statement of changes in shareholders' equity as at December 31, 2018 are summarized as follows:

	December 31, 2018		Adjustment		December 31, 2018
	<i>(Previously Reported)</i>				<i>(As Restated)</i>
Warrants	\$ 608,740	\$	15,019,564	\$	15,628,304
Accumulated Earnings	\$ 42,633,447	\$	(15,019,564)	\$	27,613,883

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
AS AT AND FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018
2. RESTATEMENT OF PREVIOUSLY REPORTED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Line items restated on the consolidated statement of operations for the year ended December 31, 2018 are summarized as follows:

	December 31, 2018		Adjustment		December 31, 2018
	<i>(Previously Reported)</i>				<i>(As Restated)</i>
General and Administrative	\$ 4,136,193	\$	15,019,564	\$	19,155,757
Total Expenses	30,324,095		15,019,564		45,343,659
Income From Operations	75,238,576		(15,019,564)		60,219,012
Income Before Provision for Income Taxes	71,727,010		(15,019,564)		56,707,446
Net Income	\$ 42,967,792	\$	(15,019,564)	\$	27,948,228
Basic Net Income per Common Share	\$ 0.42	\$	(0.15)	\$	0.27
Diluted Net Income per Common Share	\$ 0.42	\$	(0.15)	\$	0.27
Weighted average number of common shares used in computing diluted net income per common share:					
Diluted Share	101,911,180		1,289,947		103,201,127

Line items restated on the consolidated statement of cash flows for the year ended December 31, 2018 are summarized as follows:

	December 31, 2018		Adjustment		December 31, 2018
	<i>(Previously Reported)</i>				<i>(As Restated)</i>
Net Income	\$ 42,967,792	\$	(15,019,564)	\$	27,948,228
Share-based compensation	\$ -	\$	15,019,564	\$	15,019,564

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(a) Statement of Compliance

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

These consolidated financial statements were authorized for issuance by the Board of Directors of the Company on April 7, 2020.

(b) Basis of Measurement

These consolidated financial statements have been prepared on the going concern basis, under the historical cost convention except for biological assets and certain financial instruments, which are measured at fair value.

(c) Functional Currency

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

(d) Basis of Consolidation

These consolidated financial statements include the financial information of the Company and its subsidiaries, Trulieve, Inc., Life Essence, Inc., Leef Industries, LLC, Trulieve Bristol, Inc. (formerly The Healing Corner, Inc.) and various holding companies that have no operations. The accounts of the subsidiaries are prepared for the same reporting period using consistent accounting policies from the date of acquired control. See "Note 4 – Acquisitions" for further details on the acquired companies. Intercompany transactions, balances and unrealized gains or losses on transactions are eliminated.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
AS AT AND FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018**

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(e) Cash

Cash includes cash deposits in financial institutions plus cash held at retail locations.

(f) Biological Assets

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

(g) Inventory

Inventories of finished goods and packing materials are valued at the lower of cost and 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 for inventories in process and the estimated costs necessary to make the sale. Cost is determined using the average cost basis. Products for resale and supplies and consumables are valued at the lower of cost and net realizable value.

(h) Property and Equipment

Property and equipment are measured at cost less accumulated depreciation and impairment losses. Depreciation is provided on a straight-line basis over the following terms:

Land	Not Depreciated
Buildings & Improvements	5 to 20 Years
	Leasehold Improvements are the lesser of the life of the lease or the estimated useful life of the asset
Furniture & Equipment	3 to 10 Years
Vehicles	3 to 6 Years
Construction in Progress	Not Depreciated

An asset's residual value, useful life and depreciation method are reviewed during each financial year and adjusted if appropriate. When parts of an item of equipment have different useful lives, they are accounted for as separate items (major components) of property and equipment.

Gains or losses on disposal of an item are determined by comparing the proceeds from disposal with the carrying amount of the item and the difference is recognized in profit or loss. Construction in progress is not depreciated until it is completed and available for use.

The Company capitalizes interest on debt financing invested in projects under construction. Upon the asset becoming available for use, capitalized interest costs, as a portion of the total cost of the asset, are depreciated over the estimated useful life of the related asset.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

AS AT AND FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**(i) Intangible Assets**

Intangible assets are recorded at cost, less accumulated amortization and impairment losses, if any. Intangible assets acquired in a business combination are measured at fair value at the acquisition date. 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. As of December 31, 2019, and 2018, the Company has determined that no impairment exists.

Intangible assets are amortized using the straight-line method over estimated useful lives as follows:

Dispensary License	15 Years
Trademarks	6 Months to 1 Year
Tradename	10 Years
Customer Relationship	5 Years
Non-Compete	2 Years

(j) Impairment of Long-Lived Assets

Long-lived assets, including property and equipment and intangible assets are reviewed for impairment at the end of each reporting period 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. For the years ended December 31, 2019 and 2018, the Company did not record an impairment loss.

(k) Goodwill

Goodwill represents the excess of the price paid for the acquisition of an entity over the fair value of the net identifiable tangible and intangible assets and liabilities acquired.

Goodwill is measured at historical cost and is evaluated for impairment annually in the fourth quarter or more often if events or circumstances indicate there may be an impairment. Impairment is determined for goodwill by assessing if the carrying value of a CGU, including goodwill, exceeds its recoverable amount determined as the greater of the estimated fair value less costs of disposal and the value in use. Impairment losses recognized in respect of the CGU are first allocated to the carrying value of goodwill and any excess is allocated to the carrying amount of assets in the CGU. Any goodwill impairment is recorded in income in the reporting year in which the impairment is identified. Impairment losses on goodwill are not subsequently reversed.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
AS AT AND FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)****(l) Revenue Recognition**

The Company follows the following steps for accounting for revenue from contracts with customers:

1. Identify the contract with a customer
2. Identify the performance obligation(s)
3. Determine the transaction price
4. Allocate the transaction price to the performance obligation(s)
5. Recognize revenue when/as performance obligation(s) are satisfied

Revenue from the direct sale of cannabis to customers for a fixed price is recognized when the Company transfers control of the goods to the customer at the point of sale and the customer has paid for the goods. The Company has a loyalty rewards program that allows customers to earn reward credits to be used on future purchases. Loyalty reward credits issued as part of a sales transaction results in revenue being deferred until the loyalty reward is redeemed by the customer. The loyalty rewards are shown as reductions to 'revenue, net of discounts' line on the accompanying consolidated statements of operations.

(m) Research and Development

Research costs are expensed as incurred. Development expenditures are capitalized only if development costs can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable, and the Company intends to and has sufficient resources to complete development to use or sell the asset. Other development expenditures are recognized in profit or loss as incurred.

(n) Income Taxes

The Company uses the liability method to account for income taxes. Deferred income tax assets and liabilities are recognized for the future tax consequences attributable to differences between the carrying amounts of existing assets and liabilities for accounting purposes, and their respective tax bases. Deferred income tax assets and liabilities are measured using tax rates that have been enacted or substantively enacted applied to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred income tax assets and liabilities of a change in statutory tax rates is recognized in profit or loss in the year of change. Deferred income tax assets are recorded when their recoverability is considered probable and are reviewed at the end of each reporting period.

As the Company operates in the cannabis industry, it 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 producing the products or cost of production. This results in permanent differences between ordinary and necessary business expenses deemed unallowable under IRC Section 280E.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

AS AT AND FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The Company intends to be treated as a United States corporation for United States federal income tax purposes under section 7874 of the U.S. Tax Code and is expected to be subject to United States federal income tax on its worldwide income. However, for Canadian tax purposes, the Company is expected, regardless of any application of section 7874 of the U.S. Tax Code, to be treated as a Canadian resident company (as defined in the Income Tax Act (Canada) (the “ITA”) for Canadian income tax purposes. As a result, the Company will be subject to taxation both in Canada and the United States. Notwithstanding the foregoing, it is Management’s expectation that the Company’s activities will be conducted in such a manner that income from operations will not be subjected to double taxation.

(o) Financial Instruments*Financial assets and liabilities*

The Company initially recognizes financial assets and liabilities at fair value on the date that they are originated. All financial liabilities (including liabilities designated at fair value through profit or loss) are recognized initially on the date at which the Company becomes a party to the contractual provisions of the instrument. The Company derecognizes a financial liability when its contractual obligations are discharged or cancelled or expire.

Classification of financial instruments

The Company classifies its financial assets and liabilities as outlined below:

	Classification
Cash	Amortized cost
Accounts Payable and Accrued Liabilities	Amortized cost
Notes Payable	Amortized cost
Notes Payable - Related Party	Amortized cost
Finance Liability	Amortized cost
Warrant Liability	Fair value through profit or loss

Effective interest method

The effective interest method is a method of calculating the amortized cost of a financial instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

(p) Critical accounting estimates and judgments

The preparation of the consolidated financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected. Significant judgments, estimates, and assumptions that have the most significant effect on the amounts recognized in the consolidated financial statements are described below.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Accounting for acquisitions

The Company has treated the acquisitions described in Note 4 (b) and (c) as asset acquisitions. Treatment as a business combination would have resulted in the Company expensing the acquisition costs and recognition of a deferred tax liability related to the licenses.

The Company has treated the acquisition described in Note 4 (a) as a business combination. In a business combination, all identifiable assets, liabilities and contingent liabilities acquired and consideration paid are recorded at their fair values. One of the most significant estimates relates to the determination of the fair value of these assets and liabilities. For any intangible asset identified, depending on the type of intangible asset and the complexity of determining its fair value, an independent valuation expert or management may develop the fair value, using appropriate valuation techniques, which are generally based on a forecast of the total expected future net cash flows. The evaluations are linked closely to the assumptions made by management regarding the future performance of the assets concerned and any changes in the discount rate applied.

Biological assets and inventory

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

Estimated useful lives and depreciation and amortization of property and equipment and intangible assets

Depreciation and amortization of property and equipment and intangible assets are 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.

IFRS 16 - Leases

Leases requires lessees to discount lease payments using the rate implicit in the lease if that rate is readily available. If that rate cannot be readily determined, the lessee is required to use its incremental borrowing rate. The Company generally uses the incremental borrowing rate when initially recording real estate leases as the implicit rates are not readily available as information from the lessor regarding the fair value of underlying assets and initial direct costs incurred by the lessor related to the leased assets is not available. The Company determines the incremental borrowing rate as the interest rate the Company would pay to borrow over a similar term the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. Leases requires lessees to estimate the lease term. In determining the period which the Company has the right to use an underlying asset, management considers the non-cancellable period along with all facts and circumstances that create an economic incentive to exercise an extension option, or not to exercise a termination option

Compound financial instruments

The identification of components in compound financial instruments is based on interpretations of the substance of the contractual arrangement and therefore requires judgment from management. The separation of the components affects the initial recognition at issuance and the subsequent recognition of interest on the liability component. The determination of the fair value of the liability is also based on a number of assumptions, including contractual future cash flows, discount rates and the presence of any derivative financial instruments.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Share-based payment arrangements

The Company uses the Black-Scholes pricing model to determine the fair value of warrants granted to employees and directors under share-based payment arrangements, where appropriate. In estimating fair value, management is required to make certain assumptions and estimates such as the expected life of units, volatility of the Company's future share price, risk free rates, and future dividend yields at the initial grant date. Changes in assumptions used to estimate fair value could result in materially different results.

(q) Recently Adopted Accounting Pronouncements

The Company has adopted IFRS 16 - Leases ("IFRS 16") with the date of initial application of January 1, 2019 using the modified retrospective approach. Comparative information has not been restated and continues to be reported under IAS 17 - Leases ("IAS 17") (accounting standard in effect for those periods).

IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract, i.e. the customer ('lessee') and the supplier ('lessor'). The standard introduces a single, on-balance sheet recognition and measurement model for lessees, eliminating the distinction between operating and finance leases. Lessees recognize a right-of-use asset representing its control of and right to use the underlying asset and a lease liability representing its obligation to make future lease payments. IFRS 16 also includes guidance on accounting for sales-leaseback transactions, see "Note 11 Leases".

Right-of-use assets

At commencement date, the Company has measured the right-of-use asset at cost which comprises of:

- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date, less any lease incentives received;
- any initial direct costs incurred by the lessee; and,
- an estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are to produce inventories. The lessee incurs the obligation for those costs either at the commencement date or as a consequence of having used the underlying asset during a particular period.

There are no dismantling, removal and restoration costs included in the cost of the right-of-use asset as management has not incurred an obligation for those costs.

Lease liabilities

At the commencement date, the Company measured the lease liability at the present value of the lease payments that are not paid at that date. The lease payments are discounted using the interest rate implicit in the lease, if that rate can be readily determined. If that rate cannot be readily determined, the lessee uses the lessee's incremental borrowing rate.

The lease payments included in the measurement of the lease liability comprise the following payments for the right to use the underlying asset during the lease term that are not paid at the commencement date:

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
AS AT AND FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

- fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable by the lessee under residual value guarantees;
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option; and,
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease.

Subsequent Measurements

After the commencement date, the Company recognized depreciation and impairment of the right-of-use asset in profit or loss. The Company also recognized in profit or loss the interest on the lease liability. There were no variable lease payments which were not included in the measurement of the lease liability.

Exemptions and practical expedients

IFRS 16 permits the use of exemptions and practical expedients. The Company applied the following recognition exemptions and practical expedients:

- grandfather lease definition for existing contracts at the date of initial application;
- exclude low-value and short-term leases from IFRS 16 lease accounting;
- use portfolio application for leases with similar characteristics, such as vehicle and equipment leases;
- apply a single discount rate to a portfolio of leases with reasonably similar characteristics at the date of initial application;
- exclude initial direct costs from the measurement of the right-of-use assets at the date of initial application; and,
- use hindsight in determining lease term at the date of initial application

The financial impact of applying the standard resulted in a \$24,393,582 increase of in right-of-use assets (included in property and equipment Note 6), an increase of \$25,663,837 in lease liability, a \$868,863 adjustment to retained earnings, a \$722,733 decrease in other long-term liabilities, and a \$321,342 decrease in prepaid expenses and other current assets. The weighted average incremental borrowing rate applied to the lease liabilities was between 9% to 10%.

The following table provides a reconciliation of the commitments as at December 31, 2018 to the Company's lease liabilities as at January 1, 2019:

Lease liability - current portion	\$	335,881
Lease liability		616,165
Total lease liability as of December 31, 2018	\$	952,046
Lease liabilities previously not recognized under IFRS 16		25,663,837
Lease liability as of January 1, 2019	\$	26,615,883

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

On January 1, 2019 we adopted, IFRIC 23, “Uncertainty over Income Tax Treatments”, which clarifies the accounting for (Current and/or Deferred) tax assets and liabilities when there is uncertainty over income tax treatments. In particular, if there is uncertainty over income tax treatments, if the company concludes it is probable that the taxation authority will accept an uncertain tax treatment, it determines the (current and/or deferred) income taxes to be recognized in the financial statements. IFRIC 23 did not have a material impact on the measurement of incomes taxes.

(r) Recently Announced Accounting Pronouncements

Amendments to IFRS 9, Financial Instruments (“IFRS 9”) and IAS 39, Financial Instruments: Recognition and Measurement (“IAS 39”)

On September 26, 2019, the IASB issued amendments for some of its requirements for hedge accounting in IFRS 9, Financial Instruments and IAS 39, Financial Instruments: Recognition and Measurement, as well as the related standards on disclosures, IFRS 7, Financial Instruments: Disclosures. The amendments are effective from January 1, 2020. The amendments modify some specific hedge accounting requirements to provide relief from potential effects of the uncertainty caused by interest rate benchmark reform in the following areas:

- the ‘highly’ probable requirement,
- prospective assessments,
- retrospective assessments (for IAS 39), and
- eligibility of risk components.

The adoption of amendments to IFRS 9 and IAS 39 is not expected to have a material impact on the consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
AS AT AND FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

4. ACQUISITIONS

(a) The Healing Corner, Inc.

On May 21, 2019, the Company acquired all of the issued and outstanding shares of The Healing Corner, Inc. The purpose of this acquisition was to acquire the medical marijuana license in the State of Connecticut. The acquisition was financed with cash on hand and borrowings. 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 income of The Healing Corner, Inc. included in the consolidated statements of operations from the acquisition date through December 31, 2019 were approximately \$7,840,000 and \$260,000. Revenue and net income of The Healing Corner, Inc. on a proforma basis assuming the acquisition occurred on January 1, 2019 through December 31, 2019 were approximately \$12,780,000 and \$420,000. Total transaction costs related to the acquisition were approximately \$270,000 and has been included in the year ended December 31, 2019 consolidated statement of operations. 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:	
Cash	\$ <u>19,900,000</u>
Fair value of consideration exchanged	\$ <u>19,900,000</u>
Recognized amounts of identifiable assets acquired and liabilities assumed:	
Cash	\$ 1,600
Inventory	73,438
Prepays	3,880
Property and equipment	203,202
Intangible assets:	
Dispensary License	14,300,000
Trademark	320,841
Customer Relationship	1,000,000
Non-Compete	35,000
Goodwill	7,315,885
Accrued expenses	(3,961)
Deferred tax liability	<u>(3,349,885)</u>
Total net assets acquired	\$ <u>19,900,000</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
AS AT AND FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

4. ACQUISITIONS (CONTINUED)

(b) Life Essence, Inc.

On December 13, 2018, the Company acquired all of the issued and outstanding shares of Life Essence, Inc. The purpose of this acquisition was to acquire the licenses in Massachusetts to operate three medical marijuana dispensaries and a marijuana cultivation and processing facility. The acquisition was financed with cash on hand. In accordance with IFRS 3, it was determined that the net assets acquired did not constitute a business. Accordingly, the transaction was accounted for as an asset acquisition. Operating results of the acquired entity are included in the accompanying consolidated statements of operations, changes in shareholders' equity, and 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:	
Cash	\$ 4,125,000
Transaction costs	<u>269,547</u>
Fair value of consideration exchanged	<u>\$ 4,394,547</u>
Recognized amounts of identifiable assets acquired and liabilities assumed:	
Intangible asset - Dispensary License	\$ 4,515,617
Accrued expenses	<u>(121,070)</u>
Total net assets acquired	<u>\$ 4,394,547</u>

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
AS AT AND FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018**
4. ACQUISITIONS (CONTINUED)
(c) Leef Industries, LLC

On November 30, 2018, the Company acquired 80% of the issued and outstanding membership interests of Leef Industries, LLC. Payment for 19% occurred in 2019 and payment for the remaining 1% will be made upon receipt of final regulatory approval from the State of California. The purpose of this acquisition was to acquire the recreational marijuana license. The acquisition was financed with cash on hand. By application of the optional concentration test in accordance with IFRS 3, it was determined that the net assets acquired did not constitute a business. Accordingly, the transaction was accounted for as an asset acquisition. Operating results of the acquired entity are included in the accompanying consolidated statements of operations, changes in shareholders' equity, and 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:	
Cash	\$ 3,250,000
Contingent Payment	750,000
Transaction costs	<u>24,799</u>
Fair value of consideration exchanged	<u>\$ 4,024,799</u>
Recognized amounts of identifiable assets acquired and liabilities assumed:	
Cash	\$ 7,200
Inventory	18,620
Property and equipment, net	8,410
Intangible assets:	
Dispensary License	4,017,799
Tradename	10,444
Accrued expenses	<u>(37,674)</u>
Total net assets acquired	<u>\$ 4,024,799</u>

The contingent payment of \$750,000 was included in accrued liabilities at December 31, 2018. There is \$40,000 remaining to be paid at December 31, 2019.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
AS AT AND FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018**

5. BIOLOGICAL ASSETS AND INVENTORIES

As at December 31, 2019 and December 31, 2018 biological assets comprise:

	December 31, 2019	December 31, 2018
	<u> </u>	<u> </u>
Cannabis plants	\$ 66,718,321	\$ 29,636,269

The changes in the carrying value of biological assets are as follows:

Balance at December 31, 2017	\$ 9,738,300
Net increase in fair value less costs to sell due to biological transformation	85,563,656
Transferred to inventory upon harvest	<u>(65,665,687)</u>
Balance at December 31, 2018	\$ 29,636,269
Net increase in fair value less costs to sell due to biological transformation for indoor flower	277,981,960
Net increase in fair value less costs to sell due to biological transformation for outdoor flower	56,245,844
Transferred to inventory upon harvest	<u>(297,145,752)</u>
Balance at December 31, 2019	<u>\$ 66,718,321</u>

Biological assets are measured at fair value less costs to sell until harvest. All production costs related to biological assets are expensed as incurred. All direct and indirect costs related to both biological assets and inventory are included in the ‘Production Expenses and Cost of Goods From Third Party Suppliers’ line on the accompanying consolidated statements of operations.

The fair value measurements for biological assets have been categorized as Level 3 fair values based on the inputs to the valuation technique used. The fair value was determined using a model which assumes the biological assets at the end of the reporting period will grow to maturity, be harvested and converted into finished goods inventory and sold in the medical cannabis market. The Company’s method of accounting for biological assets attributes value accretion on a straight-line basis throughout the life of the biological asset from initial cloning to the point of harvest.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
AS AT AND FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018**
5. BIOLOGICAL ASSETS AND INVENTORIES (CONTINUED)

The cannabis plant model utilizes the following significant assumptions:

Assumption	December 31, 2019		December 31, 2018	
	Range	Average	Range	Average
(i) Weighted average of expected loss of plants until harvest (a)	0-74%	26%	0-40%	17%
(ii) Expected yields for cannabis plants (average grams per plant)	55 - 250 grams per plant	146 grams per plant	136 - 227 grams per plant	158 grams per plant
(iii) Expected number of growing days	119 - 133	126	154 - 164	159
(iv) Weighted average number of growing days completed as a percentage of total growing days as at period end	N/A	48%	N/A	40%
(v) Estimated selling price (per gram) (b)	N/A	\$10.33	N/A	\$9.93
(vi) After harvest cost to complete and sell (per gram)	\$1.07 - \$2.34	\$1.71	\$2.62 - \$2.90	\$2.76
(vii) Reasonable margin \$ on after harvest costs to complete and sell (per gram)	\$1.85 - \$2.10	\$1.98	\$1.50 - \$1.75	\$1.65

(a) Weighted average of expected loss of plants until harvest represents loss via plants that do not survive to the point of harvest. It does not include any financial loss on a surviving plant.

(b) The estimated selling price (per gram) for December 31, 2019 and December 31, 2018 represent the average sales price for the Company's various strains sold as medical products.

These estimates are subject to volatility in market prices and a number of uncontrollable factors, which could significantly affect the fair value of biological assets in future periods.

The following table presents the effect of 10% positive change and 10% negative change on the fair valuation of cannabis plants biological assets as at December 31, 2019 and December 31, 2018.

Assumption	10% change as at December 31, 2019 \$	10% change as at December 31, 2018 \$
Weighted average of expected loss of plants until harvest	6,671,832	503,816
Expected yields for cannabis plants	6,671,832	3,154,838
Expected number of growing days	6,671,832	2,471,188
Estimated selling price	8,240,341	4,428,190
After harvest cost to complete and sell	1,866,961	1,273,352
Reasonable margin on after harvest costs to complete and sell	2,328,282	758,425

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
AS AT AND FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018**
5. BIOLOGICAL ASSETS AND INVENTORIES (CONTINUED)

The Company estimates the harvest yields for medical cannabis at various stages of growth. As of December 31, 2019, it was expected that the Company's cannabis plants of 13,524,148 effective grams currently undergoing transformation is expected to yield a total of 28,195,319 grams at maturity and 5,908,686 effective grams of cannabis plants undergoing transformation on December 31, 2018 will yield at maturity 12,833,433 grams.

The Company's estimates are, by their nature, subject to change and differences from the anticipated yield will be reflected in the gain or loss on biological assets in future periods.

Inventories comprised the following items:

	December 31,	
	<u>2019</u>	<u>2018</u>
Packaging and miscellaneous	8,132,079	2,199,640
Work in Process	166,982,954	12,011,300
Finished Goods - Umedicated	5,263,005	1,981,577
Finished Goods - Medicated	<u>24,094,432</u>	<u>8,078,327</u>
Total Inventories	<u>\$ 204,472,470</u>	<u>\$ 24,270,844</u>

For the years ended December 31, 2019 and 2018 Production Expenses and Cost of Goods From Third Party Suppliers comprised of:

	December 31,	
	<u>2019</u>	<u>2018</u>
Grow Costs Incurred	\$ 55,595,690	\$ 23,389,464
Processing Costs and Purchased Goods for Inventory Sold	<u>34,212,551</u>	<u>10,805,943</u>
Total (1)	<u>\$ 89,808,241</u>	<u>\$ 34,195,407</u>

(1) Cost such as payroll, materials, utilities, direct and indirect overhead, rent, facility & equipment maintenance, cleaning, lab testing, and fulfillment.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
AS AT AND FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018
5. BIOLOGICAL ASSETS AND INVENTORIES (CONTINUED)

The Company does not capitalize any production costs including overheads to biological assets. All production costs related to biological assets are expensed as incurred and are included in production costs in the table above. All indirect and direct cost related to biological assets are recorded within production expenses and cost of goods from third party suppliers.

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

6. PROPERTY AND EQUIPMENT

At December 31, 2019 and December 31, 2018, Property and Equipment consisted of the following:

	Land	Buildings & Improvements	Construction in Progress	Furniture & Equipment	Vehicles	Total
<u>Cost</u>						
At December 31, 2017	\$ 300,000	\$ 12,070,729	\$ 3,060,224	\$ 4,170,931	\$ 357,050	\$ 19,958,934
Additions	2,021,871	20,517,329	17,183,455	13,563,621	1,422,815	54,709,091
Transfers	-	3,507,487	(2,960,413)	(546,164)	(910)	-
Disposals	-	(48,902)	-	(93,754)	(115,676)	(258,332)
At December 31, 2018	2,321,871	36,046,643	17,283,266	17,094,634	1,663,279	74,409,693
Additions	2,157,569	27,710,983	37,689,276	14,006,123	116,947	81,680,898
Additions right-of-use assets	-	44,674,203	-	274,522	3,151,580	48,100,305
Transfers	-	16,062,091	(17,014,933)	953,221	(379)	-
Disposals	(762,992)	(3,000)	(19,226,060)	(12,547)	(73,000)	(20,077,599)
IFRS 16 Implementation	-	26,509,651	-	265,556	994,244	27,769,451
At December 31, 2019	3,716,448	151,000,571	18,731,549	32,581,509	5,852,671	211,882,748
<u>Accumulated Depreciation</u>						
At December 31, 2017	\$ -	\$ 392,976	\$ -	\$ 226,402	\$ 51,831	\$ 671,209
Additions	-	1,547,499	-	1,085,424	324,706	2,957,629
Disposals	-	36,144	-	(8,607)	(36,570)	(9,033)
At December 31, 2018	-	1,976,619	-	1,303,219	339,967	3,619,805
Additions	-	6,938,996	-	2,595,572	62,211	9,596,779
Additions right-of-use assets	-	4,679,461	-	91,397	1,327,897	6,098,755
Disposals	-	-	-	(790)	(56,086)	(56,876)
IFRS 16 Implementation	-	3,111,879	-	37,576	226,414	3,375,869
At December 31, 2019	-	16,706,955	-	4,026,974	1,900,403	22,634,332
<u>Net book value</u>						
At December 31, 2017	\$ 300,000	\$ 11,677,753	\$ 3,060,224	\$ 3,944,529	\$ 305,219	\$ 19,287,725
At December 31, 2018	\$ 2,321,871	\$ 34,070,024	\$ 17,283,266	\$ 15,791,415	\$ 1,323,312	\$ 70,789,888
At December 31, 2019	\$ 3,716,448	\$ 134,293,616	\$ 18,731,549	\$ 28,554,535	\$ 3,952,268	\$ 189,248,416

The disposals noted in 2019 of land and construction in process of approximately \$20.0 million relate to the sales-leaseback transactions, see “*Note 11 Leases*”.

For the year ended December 31, 2018, the Company capitalized interest of \$899,434. The Company did not capitalize interest for the year ended December 31, 2019.

For the years ended December 31, 2019 and 2018, depreciation expense of \$8,788,635 and \$1,967,467, respectively, were considered as part of Production Expenses and Cost of Goods From Third Party Suppliers, see “*Note 5 – Biological Assets and Inventories*” the other overhead line item.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
AS AT AND FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018
6. PROPERTY AND EQUIPMENT (CONTINUED)

J.T. Burnette, the spouse of Kim Rivers, the Chief Executive Officer and Chair of the Board of Directors of the Corporation, is a minority owner of a company (the “Supplier”) that provides construction and related services to the Company. The Supplier is responsible for the construction of the Company’s cultivation and processing facilities, and provides labor, materials and equipment on a cost-plus basis. For the years ended December 31, 2019 and 2018, property and equipment purchases totaled \$46,381,877 and \$12,131,265, respectively. As of December 31, 2019 and 2018, \$6,463,125 and \$3,356,511 was included in accounts payable. The use of the Supplier was reviewed and approved by the independent members of the Company’s board of directors, and all invoices are reviewed by the office of the Company’s general counsel.

7. INTANGIBLE ASSETS & GOODWILL

At December 31, 2019 and December 31, 2018, Intangible assets consisted of the following:

	Dispensary Licenses	Tradename	Trademarks	Customer Relationship	Non-Compete	Total
<u>Cost</u>						
At December 31, 2017	\$ -	\$ 1,000,000	\$ -	\$ -	\$ -	\$ 1,000,000
Additions from acquisitions	8,533,416	-	10,444	-	-	8,543,860
At December 31, 2018	8,533,416	1,000,000	10,444	-	-	9,543,860
Additions from acquisitions	14,300,000	-	320,841	1,000,000	35,000	15,655,841
At December 31, 2019	22,833,416	1,000,000	331,285	1,000,000	35,000	25,199,701
<u>Accumulated Amortization</u>						
At December 31, 2017	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Amortization	45,772	100,000	1,741	-	-	147,513
At December 31, 2018	45,772	100,000	1,741	-	-	147,513
Amortization	1,125,006	100,000	195,861	116,667	10,208	1,547,742
At December 31, 2019	1,170,778	200,000	197,602	116,667	10,208	1,695,255
<u>Net book value</u>						
At December 31, 2017	\$ -	\$ 1,000,000	\$ -	\$ -	\$ -	\$ 1,000,000
At December 31, 2018	\$ 8,487,644	\$ 900,000	\$ 8,703	\$ -	\$ -	\$ 9,396,347
At December 31, 2019	\$ 21,662,638	\$ 800,000	\$ 133,683	\$ 883,333	\$ 24,792	\$ 23,504,446

Amortization expense for the years ended December 31, 2019 and 2018 was \$1,547,742 and \$147,513, respectively.

The goodwill arose from the acquisition of The Healing Corner, Inc., see “*Note 4 Acquisitions*”. The Company tested for impairment in the fourth quarter of fiscal 2019 for goodwill. Management estimated the recoverable amount of goodwill based on their fair values less costs of disposal and determined that the amounts were not impaired based on a discounted statement of cash model with a 10% revenue growth through 2022 and forward and 21.9% factor.

	December 31, 2019
Beginning Balance	\$ -
Additions from acquisitions	7,315,885
Ending Balance	<u>\$ 7,315,885</u>

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
AS AT AND FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018**

8. NOTES PAYABLE

At December 31, 2019 and 2018, notes payable consisted of the following:

	December 31,	
	2019	2018
	<u> </u>	<u> </u>
Promissory note dated April 10, 2017, with annual interest at 12%, due between April and July 2022.	\$ 4,000,000	\$ 4,000,000
Promissory note dated December 7, 2017, with annual interest at 12%, secured by certain property located in Miami, FL, due December 2021.	2,000,000	2,000,000
Less current portion	<u>(2,000,000)</u>	<u>(6,000,000)</u>
	<u>\$ 4,000,000</u>	<u>\$ -</u>

The unsecured promissory note dated April 10, 2017, was amended in January 2019 to extend the maturity three years to 2022, all other terms remain unchanged.

The promissory note dated December 7, 2017, has terms allowing the lender to request prepayment at any time once the Company had raised in excess of \$24 million. In conjunction with the close of the private placement, in August 2018, the promissory note became due on demand.

In January 2018, the Company entered into a \$6,000,000 unsecured promissory note with a 24-month maturity and 12% annual interest rate. The Company shall make monthly interest payments to the lender and all outstanding principal and any unpaid accrued interest shall be due and payable in full on maturity. In conjunction with the closing of the promissory note, as additional consideration to the lender, existing shareholders agreed to dilute their ownership and transfer shares from their personal shareholdings which was valued at \$50,000. The Company treated that dilution as a contributed surplus in share capital and as an additional debt discount. If the Company goes public on any foreign or domestic exchange, this promissory note will be due within 90 days of the initial public offering. The Company did go public and in September 2018 the note was paid in full and the outstanding debt discount was expensed.

Stated maturities of notes payable are as follows:

Year Ending December 31,

2020	\$ -
2021	2,000,000
2022	<u>4,000,000</u>
	<u>\$ 6,000,000</u>

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
AS AT AND FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018**
9. NOTES PAYABLE RELATED PARTY

At December 31, 2019 and 2018, notes payable to related parties consisted of the following:

	December 31,	
	2019	2018
Notes payable due to related parties, with varying interest rates between 8% to 12% annually, with varying maturity dates.	\$ 12,952,389	\$ 14,215,131
Less debt discount	(49,415)	(141,216)
Less current portion	(923,728)	(1,426,791)
	\$ 11,979,246	\$ 12,647,124

In February 2019, the Company entered into a 24-month unsecured loan with an 8% annual interest rate with Benjamin Atkins, a former director and shareholder for \$257,337. The loan was issued in March 2019. The Company determined that the stated interest rate was below market rates and recorded a debt discount of \$10,092 using an annual discount interest rate of 12%.

In March 2018, the Company entered into a 24-month unsecured loan with an 8% annual interest rate with Benjamin Atkins, a former director and shareholder for \$158,900. The loan was funded in April 2018. The Company determined that the stated interest rate was below market rates and recorded a debt discount of \$6,232 using an annual discount interest rate of 12%.

In April 2018, the Company entered into a \$6,000,000 unsecured promissory note with Clearwater GPC, an entity controlled by members of management and shareholders with a 24-month maturity and 12% annual interest rate. Approximately \$1,500,000 of the outstanding balance of C2C lines of credit was extinguished in lieu of cash proceeds as part of the funding of this promissory note. The Company shall make monthly interest payments to the lender and all outstanding principal and any unpaid accrued interest shall be due and payable in full on maturity. If the Company goes public on any foreign or domestic exchange, this promissory note will be due within 90 days of the initial public offering. The Company did go public and in September 2018 the note was paid in full.

In May 2018, the Company entered into two separate unsecured promissory notes (the “Traunch Four Note” and the “Rivers Note”) for a total of \$12,000,000. The Traunch Four Note is held by Traunch Four, LLC, an entity whose owners include Kim Rivers, the CEO and Chair of the Board of the Corporation, as well as Thad Beshears, Richard May and George Hackney, all directors of the Corporation. The Rivers Note is held by Kim Rivers. Each promissory note has a 24-month maturity and 12% annual interest rate. The two unsecured promissory notes were amended in December 2019 to extend the maturity one year to May 2021, all other terms remain unchanged.

In June 2018, the Company entered into a 24-month unsecured loan with an 8% annual interest rate with Benjamin Atkins, a former director and shareholder for \$262,010. The Company determined that the stated interest rate was below market rates and recorded a debt discount of \$10,276 using an annual discount interest rate of 12%.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
AS AT AND FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018**

9. NOTES PAYABLE RELATED PARTY (CONTINUED)

In November 2018, the Company entered into two separate 24-month unsecured loans each with an 8% annual interest rate with Benjamin Atkins, a former director and shareholder for a total of \$474,864. The Company determined that the stated interest rate was below market rates and recorded a debt discount for a total of \$18,624 using an annual discount interest rate of 12%.

As disclosed in the consolidated statements of cash flows, under other noncash investing and financing activities, the noncash portion of the notes for the years ended December 31, 2019 and 2018 was \$257,337 and \$3,094,565, respectively, and was used to finance acquisition of property and equipment. The lenders paid for the property and equipment directly while issuing the Company promissory notes and the Company took custody of the property and equipment.

Stated maturities of notes payables related party are as follows:

Year Ending December 31,

2020	\$ 923,728
2021	<u>12,028,661</u>
	\$ 12,952,389

10. DEBT

On May 16, 2019, the Corporation completed a private offering of an aggregate principal amount of US\$17,750,000 of 9.75% unsecured notes of the Corporation maturing on August 14, 2019 (the “Bridge Notes”). In connection with the closing of the June Units (defined below), the Corporation repaid the Bridge Notes.

On June 18, 2019, the Company completed a private placement financing comprising 5-year senior secured promissory notes (the “June Notes”) with a face value of \$70,000,000. The June Notes accrue interest at an annual rate of 9.75%, payable semi-annually, in equal instalments, in arrears on June 18 and December 18 of each year, commencing on December 18, 2019. The purchasers of the June Notes also received warrants to purchase 1,470,000 Subordinate Voting Shares at an exercise price of C\$17.25 (the “June Warrants”), which can be exercised for three years after the closing.

The fair value of the June Notes was determined to be \$63,890,650 using an interest rate of 13.32% which the Company estimates would have been the coupon rate required to issue the notes had the financing not included the June Warrants. The fair value of the June Warrants was determined to be \$4,709,349 using the Black Scholes option pricing model and the following assumptions: Share Price: C\$14.48; Exercise Price: C\$17.25; Expected Life: 3 years; Annualized Volatility: 49.96%; Dividend yield: 0%; Discount Rate: 1.92%; C\$ Exchange Rate: 1.34.

Because of the Canadian denominated exercise price, the June Warrants do not qualify to be classified within equity and are therefore classified as derivative liabilities at fair value through profit or loss “FVTPL”.

Issuance costs totaling \$3,117,093 were allocated between the June Notes and the June Warrants based on their relative fair values with \$2,903,106 allocated to the June Notes and \$213,987 expensed as incurred.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**AS AT AND FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018****10. DEBT (CONTINUED)**

The June Notes will accrete from their carrying value on June 18, 2019 of \$60,987,544 to \$70,000,000 at maturity in 5 years using an effective interest rate of 13.32%. For the year ended December 31, 2019 accretion expense of \$716,127 was expensed.

The June Warrants were re-valued at \$4,798,927 at December 31, 2019 using the Black Scholes option pricing model and the following assumptions: Share price: C\$15.37; Exercise Price: C\$17.25; Expected Life: 2.47 years; Annualized Volatility: 49.08%; Dividend yield: 0%; Discount Rate: 1.92%; C\$ Exchange Rate: 1.302. A total loss of \$89,578 has been recognized and is included in Other (Expense) Income, Net.

On November 7, 2019, the Company completed a prospectus offering of 60,000 units of the Company (the "November Units"), comprised of an aggregate principal amount of \$60,000,000 of 9.75% senior secured notes of the Company maturing in 2024 (the "November Notes") and an aggregate amount of 1,560,000 subordinate voting share warrants of the Company (each individual warrant being a "November Warrant") at a price of \$980 per Unit for a gross proceeds of \$61,059,000. Each Unit was comprised of one Note issued in denominations of \$1,000 and 26 Warrants.

The fair value of the November Notes was determined to be \$56,682,835 using an interest rate of 13.43% which the Company estimates would have been the coupon rate required to issue the notes had the financing not included the November Warrants. The fair value of the November Warrants was determined to be \$4,376,164 using the Black Scholes option pricing model and the following assumptions: Share Price: C\$14.29; Exercise Price: C\$17.25; Expected Life: 2.6 years; Annualized Volatility: 48.57%; Dividend yield: 0%; Discount Rate: 1.92%; C\$ Exchange Rate: 1.32

Because of the Canadian denominated exercise price, the November Warrants do not qualify to be classified within equity and are therefore classified as derivative liabilities at FVTPL.

Issuance costs totaling \$2,111,480 were allocated between the November Notes and the November Warrants based on their relative fair values with \$1,954,450 allocated to the November Notes and \$157,030 expensed as incurred.

The November Notes will accrete from their carrying value on November 7, 2019 of \$54,722,688 to \$60,000,000 at maturity in 4.6 years using an effective interest rate of 13.43%. For the year ended December 31, 2019 accretion expense of \$131,134 was expensed.

The November Warrants were re-valued at \$5,092,739 at December 31, 2019 using the Black Scholes option pricing model and the following assumptions: Share price: C\$15.37; Exercise Price: C\$17.25; Expected Life: 2.47 years; Annualized Volatility: 49.08%; Dividend yield: 0%; Discount Rate: 1.92%; C\$ Exchange Rate: 1.302. A total loss of \$716,575 has been recognized and is included in Other (Expense) Income, Net.

The \$130,000,000 principal amount of the June and November Notes are due in June 2024.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
AS AT AND FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018**
10. DEBT (CONTINUED)

At December 31, 2019 and 2018, the Financial liability, net consisted of:

	December 31, 2019
Beginning Balance	\$ -
Issuance of debt, net of discounts and issuance costs	113,494,576
Accretion	847,261
Ending Balance	<u>\$ 114,341,837</u>

11. LEASES

As of December 31, 2019, our lease liability consisted of the following:

	December 31, 2019
Balance, beginning of year [Note 3]	\$ 26,615,883
Additions	48,100,305
Lease & interest payments, accretion, and accrued interest, net	<u>(3,716,589)</u>
Balance, end of year	<u>\$ 70,999,599</u>
Lease liability - current portion	\$ 4,968,476
Lease liability	<u>\$ 66,031,123</u>

The Company has lease liabilities for leases related to real estate used for dispensaries, production plants, and corporate offices. Other leased assets include passenger vehicles and trucks and equipment. The weighted average discount rate for the year ended December 31, 2019 was between 9% to 10%.

Sales-Leaseback

In July 2019, the Company sold property it had recently acquired in Massachusetts for \$3.5 million, which was the cost to the Company. In connection with this sale, the Company entered a triple – net lease agreement for cultivation. The lease meets the requirements of a sales-leaseback transaction in accordance with IFRS 15 and IFRS 16 and is being accounted for as such. Included in the agreement, the Company is expected to complete tenant improvements related to the property, for which the landlord has agreed to provide a tenant improvement allowance (“TI Allowance”) for \$40,000,000. As of December 31, 2019, \$2,517,042 of the TI Allowance has been provided. The initial term of the lease is the earliest of (i) 10 years beginning when the Corporation has been reimbursed for all tenant improvements (up to the TI Allowance), or (ii) 138 months, with two options to extend the term of the lease for five years each. The initial base rent is equal to 11% of the sum of the purchase price for the property and will increase when a draw is made on the TI Allowance. In addition, a 3% increase in rent will be applied annually after the initial term of the lease. As of December 31, 2019, the total lease liability associated with this transaction is \$6,620,052.

In October 2019 the Company sold property in Quincy, Florida. Concurrent with the closing of the purchase, the buyer entered into a triple-net lease agreement with the Company, for continued operation as a licensed medical cannabis cultivation facility. The lease meets the requirements of a sales-leaseback transaction in accordance with IFRS 15 and IFRS 16 and is being accounted for as such. The purchase price for the Florida property was \$17,000,000 (excluding transaction costs). The initial lease

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
AS AT AND FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018**
11. LEASES (CONTINUED)

term is ten years, with two options to extend the term of the lease for five years each. The initial annualized base rent is equal to 11% of the purchase price for the property. As of December 31, 2019, the total lease liability associated with this transaction is \$17,043,889.

The maturity of the contractual undiscounted lease liabilities as at December 31, 2019 is as follows:

	December 31, 2019
Within one year	\$ 11,477,282
One to two years	11,016,929
Two to three years	10,528,509
Three to four years	10,099,059
Thereafter	90,524,531
Total undiscounted lease liabilities at December 31, 2019	\$ 133,646,310
Interest on lease liabilities	(62,646,711)
Total present value of minimum lease payments	\$ 70,999,599
Lease liability - current portion	4,968,476
Lease liability	\$ 66,031,123

12. SHARE CAPITAL

The authorized share capital of the Company is comprised of the following:

(i) Unlimited number of Subordinate Voting Shares

Holders of the Subordinate Voting Shares are entitled to notice of and to attend any meeting of the shareholders of the Company, except a meeting of which only holders of another particular class or series of shares of the Company shall have the right to vote. At each such meeting holders of Subordinate Voting Shares shall be entitled to one vote in respect of each Subordinate Voting Share held. As long as any Subordinate Voting Shares remain outstanding, the Company may not, without the consent of the holders of the Subordinate Voting Shares by separate special resolution, prejudice or interfere with any right or special right attached to the Subordinate Voting Shares. Holders of Subordinate Voting Shares are entitled to receive as and when declared by the directors, dividends in cash or property of the Company. No dividend will be declared or paid on the Subordinate Voting Shares unless the Company simultaneously declares or pays, as applicable, equivalent dividends (on an as-converted to Subordinate Voting Share basis) on the Multiple Voting Shares and Super Voting Shares. In the event of the liquidation, dissolution or winding-up of the Company, whether voluntary or involuntary, or in the event of any other distribution of assets of the Company among its shareholders for the purpose of winding up its affairs, the holders of Subordinate Voting Shares are, subject to the prior rights of the holders of any shares of the Company ranking in priority to the Subordinate Voting Shares, entitled to participate rateably along with all other holders of Multiple Voting Shares (on an as-converted to Subordinate Voting Share basis), Subordinate Voting Shares and Super Voting Shares (on an as-converted to Subordinate Voting Share basis). Holders of Subordinate Voting Shares are not entitled to a right of first refusal to subscribe for, purchase or receive any part of any issue of Subordinate Voting Shares, or bonds, debentures or other securities of the Company now or in the future. No subdivision or consolidation of the Subordinate Voting Shares, Multiple Voting Shares or Super Voting Shares shall occur unless, simultaneously, the Subordinate

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
AS AT AND FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018**12. SHARE CAPITAL (CONTINUED)**

Voting Shares, Multiple Voting Shares and Super Voting Shares are subdivided or consolidated in the same manner or such other adjustment is made so as to maintain and preserve the relative rights of the holders of the shares of each of the said classes.

As of December 31, 2019, there were 35,871,672 Subordinate Voting Shares issued and outstanding.

(ii) Unlimited number of Multiple Voting Shares

Holders of Multiple Voting Shares are entitled to notice of and to attend at any meeting of the shareholders of the Company, except a meeting of which only holders of another particular class or series of shares of the Company have the right to vote. At each such meeting, holders of Multiple Voting Shares are entitled to one vote in respect of each Subordinate Voting Share into which such Multiple Voting Share could ultimately then be converted (initially, 100 votes per Multiple Voting Share). As long as any Multiple Voting Shares remain outstanding, the Company may not, without the consent of the holders of the Multiple Voting Shares and Super Voting Shares by separate special resolution, prejudice or interfere with any right or special right attached to the Multiple Voting Shares. In connection with the exercise of the voting rights relating to any proposed alteration of rights, each holder of Multiple Voting Shares has one vote in respect of each Multiple Voting Share held. Holders of Multiple Voting Shares have the right to receive dividends, out of any cash or other assets legally available therefor, *pari passu* (on an as converted basis, assuming conversion of all Multiple Voting Shares into Subordinate Voting Shares at the Conversion Ratio) as to dividends and any declaration or payment of any dividend on the Subordinate Voting Shares. No dividend may be declared or paid on the Multiple Voting Shares unless the Company simultaneously declares or pays, as applicable, equivalent dividends (on an as-converted to Subordinate Voting Share basis) on the Subordinate Voting Shares and Super Voting Shares. In the event of the liquidation, dissolution or winding-up of the Company, whether voluntary or involuntary, or in the event of any other distribution of assets of the Company among its shareholders for the purpose of winding up its affairs, holders of Multiple Voting Shares, subject to the prior rights of the holders of any shares of the Company ranking in priority to the Multiple Voting Shares, are entitled to participate rateably along with all other holders of Multiple Voting Shares (on an as-converted to Subordinate Voting Share basis), Subordinate Voting Shares and Super Voting Shares (on an as-converted to Subordinate Voting Share basis). Holders of Multiple Voting Shares are not entitled to a right of first refusal to subscribe for, purchase or receive any part of any issue of Subordinate Voting Shares, or bonds, debentures or other securities of the Company now or in the future. Each Multiple Voting Share is convertible, at the option of the holder thereof, at any time after the date of issuance of such share, into such number of fully paid and non-assessable Subordinate Voting Shares as is determined by multiplying the number of Multiple Voting Shares by the Conversion Ratio applicable to such share in effect on the date the Multiple Voting Share is surrendered for conversion. The initial "Conversion Ratio" for Multiple Voting Shares is 100 Subordinate Voting Shares for each Multiple Voting Share, subject to adjustment in certain events. The Multiple Voting Shares are subject to standard anti-dilution adjustments in the event the Company declares a distribution to holders of Subordinate Voting Shares, effects a recapitalization of the Subordinate Voting Shares, issues Subordinate Voting Shares as a dividend or other distribution on outstanding Subordinate Voting Shares, or subdivides or consolidates the outstanding Subordinate Voting Shares.

As of December 31, 2019, there were 66,614 Multiple Voting Shares issued and outstanding which are equal to 6,661,374 Subordinate Voting Shares as if converted. During the year ended December 31, 2019, 70,891 Multiple Voting Shares were converted into 7,089,077 Subordinate Voting Shares.

(iii) Unlimited number of Super Voting Shares

Holders of Super Voting Shares are entitled to notice of and to attend at any meeting of the shareholders

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
AS AT AND FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018**12. SHARE CAPITAL (CONTINUED)**

of the Company, except a meeting of which only holders of another particular class or series of shares of the Company shall have the right to vote. At each such meeting, holders of Super Voting Shares are entitled to two votes in respect of each Subordinate Voting Share into which such Super Voting Share could ultimately then be converted (initially, 200 votes per Super Voting Share). As long as any Super Voting Shares remain outstanding, the Company may not, without the consent of the holders of the Super Voting Shares by separate special resolution, prejudice or interfere with any right or special right attached to the Super Voting Shares. Consent of the holders of a majority of the outstanding Super Voting Shares is required for any action that authorizes or creates shares of any class having preferences superior to or on a parity with the Super Voting Shares. In connection with the exercise of the voting rights in respect of any proposed alteration of rights, each holder of Super Voting Shares has one vote in respect of each Super Voting Share held. Holders of Super Voting Shares have the right to receive dividends, out of any cash or other assets legally available therefor, *pari passu* (on an as converted to Subordinated Voting Share basis) as to dividends and any declaration or payment of any dividend on the Subordinate Voting Shares. No dividend is to be declared or paid on the Super Voting Shares unless the Company simultaneously declares or pays, as applicable, equivalent dividends (on an as-converted to Subordinate Voting Share basis) on the Subordinate Voting Shares and Multiple Voting Shares. In the event of the liquidation, dissolution or winding-up of the Company, whether voluntary or involuntary, or in the event of any other distribution of assets of the Company among its shareholders for the purpose of winding up its affairs, holders of Super Voting Shares are, subject to the prior rights of the holders of any shares of the Company ranking in priority to the Super Voting Shares, entitled to participate ratably along with all other holders of Super Voting Shares (on an as-converted to Subordinate Voting Share basis), Subordinate Voting Shares and Multiple Voting Shares (on an as-converted to Subordinate Voting Share basis). Holders of Super Voting Shares are not entitled to a right of first refusal to subscribe for, purchase or receive any part of any issue of Subordinate Voting Shares, or bonds, debentures or other securities of the Company now or in the future. Each Super Voting Share is convertible, at the option of the holder thereof, at any time after the date of issuance of such share at the office of the Company or any transfer agent for such shares, into such number of fully paid and non-assessable Multiple Voting Shares as is determined by multiplying the number of Super Voting Shares by the Conversion Ratio applicable to such share, determined as hereafter provided, in effect on the date the Super Voting Share is surrendered for conversion. The initial "Conversion Ratio" for the Super Voting Shares is one Multiple Voting Share for each Super Voting Share, subject to adjustment in certain events. The Super Voting Shares are subject to standard anti-dilution adjustments in the event the Company declares a distribution to holders of Multiple Voting Shares, effects a recapitalization of the Multiple Voting Shares, issues Multiple Voting Shares as a dividend or other distribution on outstanding Multiple Voting Shares, or subdivides or consolidates the outstanding Multiple Voting Shares.

As of December 31, 2019, there were 678,133 Super Voting Shares issued and outstanding which are equal to 67,813,300 Subordinate Voting Shares as if converted. During the year ended December 31, 2019, 174,333 Super Voting Shares were converted into 17,433,300 Subordinate Voting Shares.

During the year ended December 31, 2018, the Company entered into four separate \$6,000,000 promissory notes see "*Note 8 Notes Payable and Note 9 – Notes Payable Related Party*". In conjunction with the closing of the promissory notes, as additional consideration to the lenders, existing shareholders agreed to dilute their ownership and transfer shares from their personal shareholdings which were valued at \$200,000. The Company treated that dilution as a contributed surplus in share capital and as an additional debt discount of \$50,000 per note.

On August 27, 2018, concurrent with the Transaction, the Company completed a brokered private placement (the "SR Offering") of 10,927,500 subscription receipts for gross proceeds of \$50,625,000,

12. SHARE CAPITAL (CONTINUED)

which after transaction costs resulted in net proceeds of \$47,466,943. The 10,927,500 issued and outstanding subscription receipts were exchanged for 10,927,500 Subordinate Voting Shares of the Company (3,573,450 of those Subordinate Voting Shares were immediately converted into 35,734.50 Multiple Voting Shares).

In connection with the SR Offering, Trulieve paid a cash fee to the Agents equal to 6.0% of the gross proceeds of the SR Offering, provided that the cash fee payable to the Agents was reduced to 3.0% in respect of sales to subscribers on a president’s list. As additional consideration, the Agents were granted an aggregate of 535,446 broker warrants (the “Broker Warrants”) on closing of the SR Offering. Each Broker Warrant is exercisable at any time prior to the date that is 24 months following the date the Escrow Release Conditions are satisfied to acquire one Trulieve Share at the SR Offering Price. In October 2018, 321,268 broker warrants were exercised for proceeds of approximately \$1,489,000. In August 2019, 214,178 broker warrants were exercised for proceeds of approximately \$964,000.

On September 11, 2018, Trulieve approved a reclassification of the issued and outstanding share capital of Trulieve whereby each issued and outstanding Trulieve Share will be split and became 150 Trulieve Shares. Unless otherwise noted, impacted amounts and share information included in the consolidated financial statements and notes thereto have been retroactively adjusted for the stock split as if such stock split occurred on the first day of the first period presented.

Share-based Compensation

During the year ended December 31, 2018, the Company issued 8,784,872 warrants to certain employees and directors of the Company for past services provided, as discussed in “*Note 2 – Restatement of Previously Reported Consolidated Financial Statements*”. The warrants had no vesting conditions and are exercisable at any time for three years after the issuance, subject to certain lock-up provisions: (i) the warrants may not be exercised for 18 months following the Issue Date; (ii) 50% of the warrants may be exercised between months 19-24 following the Issue Date; and (iii) the remaining 50% of the warrants may be exercised at any time thereafter until expiration. The warrants are exchangeable into Subordinate Voting Shares. For the year ended December 31, 2018, the Company recognized \$15,019,564 in share-based compensation expense. No warrants related to share-based compensation were issued during the year ended December 31, 2019. No warrants have been exercised during the years ended December 31, 2018 and 2019.

In determining the amount of share-based compensation related to warrants issued during the year, the Company used the Black-Scholes pricing model to establish the fair value of the warrants granted.

	<u>December 31, 2018</u>	
	<i>(As Restated)</i>	
Stock Price (\$CAD)	\$	6.00
Exercise Price (\$CAD)	\$	6.00
Expected Life in Years		3.00
Annualized Volatility		51%
Annual Rate of Quarterly Dividends		0%
Discount Rate - Bond Equivalent Yield		3%

Volatility was estimated by using the historical volatility of other companies that the Company considers comparable that have trading and volatility history prior to the Company becoming public. The expected life in years represents the life of the warrants. The risk-free rate was based on the United States 3-year bond yield rate.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
AS AT AND FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018
13. TRANSACTION

In accordance with IFRS 3, the substance of the Transaction was a reverse takeover of a non-operating company. The Transaction does not constitute a business combination since Schyan does not meet the definition of a business under IFRS 3. As a result, the transaction is accounted for as an asset acquisition.

In consideration for the acquisition of Schyan, Trulieve is deemed to have issued 200,000 shares of Trulieve common stock representing \$927,000 total value based on the concurrent financing subscription price of \$4.6328 "Note 12 – Share Capital". This represents an effective exchange ratio for Schyan shares of 0.01235 to 1. The excess of the purchase price over net assets acquired was charged to the consolidated statements of operations as RTO expense. Schyan equity was eliminated.

There were no identifiable assets of Schyan on the date of acquisition. The acquisition cost has been allocated as follows:

Fair value of 200,000 shares issued	\$ 927,000
Transaction costs	460,423
Total purchase price	\$ 1,387,423
Total net assets acquired	\$ -
Listing Expense	1,387,423
Total purchase price	\$ 1,387,423

14. EARNINGS PER SHARE

The following is a reconciliation for the calculation of basic and diluted earnings per share for the years ended December 31, 2019 and 2018:

	December 31,	
	2019	2018
Net Income	\$ 178,032,763	\$ 27,948,228 <i>(As Restated)</i>
Weighted average number of common shares outstanding	110,206,103	101,697,002
Dilutive effect of warrants outstanding	5,111,839	1,504,125
Diluted weighted average number of common shares outstanding	<u>115,317,942</u>	<u>103,201,127</u>
Basic earnings per share	\$ 1.62	\$ 0.27
Diluted earnings per share	\$ 1.54	\$ 0.27

15. INCOME TAXES

The components of the income tax provision include:

	Year Ended December 31,	
	2019	2018
Current	\$ 51,493,832	\$ 22,697,218
Deferred	42,943,466	6,062,000
	<u>\$ 94,437,298</u>	<u>\$ 28,759,218</u>

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
AS AT AND FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018**
15. INCOME TAXES (CONTINUED)

A reconciliation of the Federal statutory income tax rate percentage to the effective tax rate is as follows:

	Year Ended December 31,	
	2019	2018
		<i>(As Restated)</i>
Income before income taxes	\$ 272,470,061	\$ 56,707,446
Statutory rate	25.9%	26.5%
Theoretical tax expense	<u>70,507,165</u>	<u>15,027,473</u>
Listing expense	-	367,667
Rounding	-	(5,923)
True up 2017 expense and overpayment adjustment	-	373,982
Prior Year Tax Adjustment	1,215,263	611,661
State subtraction	-	14,696
Tax effect of non-deductible expenses:		
Nondeductible share-based compensation	-	3,980,185
Nondeductible political contributions	-	95,293
Nondeductible meals and entertainment	-	10,213
Section 280E permanent differences	22,714,870	8,223,593
Related party interest nondeductible	<u>-</u>	<u>60,378</u>
Tax expense	<u>\$ 94,437,298</u>	<u>\$ 28,759,218</u>

Deferred income taxes consist of the following at December 31, 2019 and 2018, which includes the effects of the reduction in the effective federal corporate income tax rate from 35% to 21% as required by The Tax Cuts and Jobs Act (“the Act”). The components of deferred tax assets and liabilities are summarized below:

	Year Ended December 31,	
	2019	2018
Deferred tax assets	\$ 1,267,065	\$ 570,000
Deferred tax liabilities		
Biological assets	(14,606,990)	(5,799,000)
Unrealized fair value adjustment	(38,693,687)	(3,390,000)
Intangible Assets	(3,163,701)	-
Depreciation of property and equipment	<u>(249,038)</u>	<u>(534,000)</u>
Net deferred tax liability	<u>\$ (55,446,351)</u>	<u>\$ (9,153,000)</u>

15. INCOME TAXES (CONTINUED)

The Company has a filing obligation in Canada as well, but as there is not expected to be any income for the parent Company, there is no associated tax liability related to the Canadian filing, and any deferred tax asset is not being recognized because it is unlikely the Company will generate sufficient taxable income in Canada to utilize these assets.

16. RELATED PARTIES

Related party transactions

The Company had raised funds by issuing notes to various related parties including directors, officers, and shareholders and the balance at December 31, 2019 and December 31, 2018 was \$12,952,389 and \$14,215,131, respectively, as discussed in “*Note 9 – Notes Payable Related Party*”.

J.T. Burnette, the spouse of Kim Rivers, the Chief Executive Officer and Chair of the Board of Directors of the Corporation, is a minority owner of a company (the “Supplier”) that provides construction and related services to the Company. The Supplier is responsible for the construction of the Company’s cultivation and processing facilities, and provides labor, materials and equipment on a cost-plus basis. For the years ended December 31, 2019 and 2018, property and equipment purchases totaled \$46,381,878 and \$12,131,265. As of December 31, 2019, and 2018, \$6,463,125 and \$3,356,511 was included in accounts payable, as discussed in “*Note 6 – Property and Equipment*”. The use of the Supplier was reviewed and approved by the independent members of the Company’s board of directors, and all invoices are reviewed by the office of the Company’s general counsel.

The Company has many leases from various real estate holding companies that are managed, controlled by various related parties including Benjamin Atkins, a former director and current shareholder of the Company, and the Supplier. As of December 31, 2019, and under IFRS 16, the Company had \$17,405,612 and \$17,140,119 of right-of-use assets in Property and Equipment, Net and Lease Liability, respectively. Of the \$17,140,119 Lease Liability, \$1,480,365 is included in Lease Liability – Current. See “*Note 6 – Property and Equipment*” and “*Note 11 – Leases*” for further information.

Key management personnel compensation

Key management personnel are those persons having the authority and responsibility for planning, directing and controlling activities of the entity, directly or indirectly. The key management personnel of the Company are the members of the Company’s executive management team and Board of Directors. Compensation provided to key management is as follows:

	December 31,	
	2019	2018
Short-term employee benefits	\$ 2,084,048	\$ 1,193,521
Share-based compensation	-	15,019,564
Total	\$ 2,084,048	\$ 16,213,085

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
AS AT AND FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018**17. CONTINGENCIES****(a) Operating Licenses**

Although the possession, cultivation and distribution of cannabis for medical use is permitted in Florida, California, and Connecticut cannabis is a Schedule-I controlled substance and its use remains a violation of federal law. Since federal law criminalizing the use of cannabis preempts state laws that legalize its use, strict enforcement of federal law regarding cannabis would likely result in the Company's inability to proceed with our business plans. In addition, the Company's assets, including real property, cash, equipment and other goods, could be subject to asset forfeiture because cannabis is still federally illegal.

(b) 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. Except as disclosed below, at 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 consolidated statements of 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.

On December 30, 2019, a securities class-action complaint, *David McNear v. Trulieve Cannabis Corp. et al.*, Case No. 1:19-cv-07289, was filed against the Company in the United States District Court for the Eastern District of New York. On February 12, 2020, a second securities class-action complaint, *Monica Acerra v. Trulieve Cannabis Corp. et al.*, Case No. 1:20-cv-00775, which is substantially similar to the complaint filed on December 30, 2019, was filed against the Company in the United States District Court for the Eastern District of New York. Both complaints name the Company, Kim Rivers, and Mohan Srinivasan as defendants for allegedly making materially false and misleading statements regarding the Company's previously reported financial statements and public statements about its business, operations, and prospects. The complaint alleges violations of Sections 10(b) and 20(a) of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and SEC Rule 10b-5 promulgated thereunder. The complaint sought unspecified damages, costs, attorneys' fees, and equitable relief. On March 20, 2020, the Court consolidated the two related actions under *In re Trulieve Cannabis Corp. Securities Litigation*, No. 1:19-cv-07289, and appointed William Kurek, John Colomara, David McNear, and Monica Acerra as Lead Plaintiffs. The parties are currently negotiating a briefing schedule and intend to submit it to the court shortly. The Company believes that the suit is immaterial and that the claims are without merit and intends to vigorously defend against them.

18. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT**(a) Financial Instruments**

The Company's financial instruments consist of cash, accounts payable and accrued liabilities, warrant liability, notes payable (both to third parties and related parties) and finance liability. Excluding the warrant liability classified at FVTPL, the carrying values of these financial instruments approximate their fair values at December 31, 2019 and December 31, 2018 due to their short-term nature or because the effective interest rate applied to the balance approximates the market rate.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
AS AT AND FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018
18. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (CONTINUED)

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

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

The warrants liability is classified within level 2 of the fair value hierarchy.

There have been no transfers between hierarchy levels during the years ended December 31, 2019 or the year ended December 31, 2018.

The following table summarizes the Company's financial instruments at December 31, 2019:

	Fair Value Through Profit or Loss	Amortized Cost	Total
Financial Assets:			
Cash	\$ -	\$ 91,812,821	\$ 91,812,821
Financial Liabilities:			
Accounts Payable and Accrued Liabilities	\$ -	\$ 24,307,928	\$ 24,307,928
Notes Payable	\$ -	\$ 6,000,000	\$ 6,000,000
Notes Payable - Related Party	\$ -	\$ 12,902,974	\$ 12,902,974
Finance Liability	\$ -	\$ 114,341,837	\$ 114,341,837
Warrant Liability	\$ 9,891,666	\$ -	\$ 9,891,666

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

	Fair Value Through Profit or Loss	Amortized Cost	Total
Financial Assets:			
Cash	\$ -	\$ 24,430,108	\$ 24,430,108
Financial Liabilities:			
Accounts Payable and Accrued Liabilities	\$ -	\$ 10,463,109	\$ 10,463,109
Notes Payable	\$ -	\$ 6,000,000	\$ 6,000,000
Notes Payable - Related Party	\$ -	\$ 14,073,915	\$ 14,073,915
Lease Liability	\$ -	\$ 952,046	\$ 952,046

18. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (CONTINUED)
(b) Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they become due. The Company manages its liquidity risk by reviewing on an ongoing basis its capital requirements. During the year ended December 31, 2019, the Company completed several Debt financings see “*Note 10 – Debt*”.

The following table summarizes the Company’s contractual cash flows:

	<u><1 Year</u>	<u>1 to 3 Years</u>	<u>3 to 5 Years</u>	<u>Total</u>
Accounts Payable and Accrued Liabilities	\$ 24,307,928	\$ -	\$ -	\$ 24,307,928
Notes Payable	\$ -	\$ 6,000,000	\$ -	\$ 6,000,000
Notes Payable - Related Party	\$ 923,728	\$ 11,979,246	\$ -	\$ 12,902,974
Finance Liability	\$ -	\$ -	\$ 130,000,000	\$ 130,000,000

A summary for future minimum lease payments due under our Lease Liability has been disclosed in “*Note 11 – Leases*”.

(c) Credit Risk

Credit risk is the risk of a potential loss to the Company if a customer or third party to a financial instrument fails to meet its contractual obligations. The Company is moderately exposed to credit risk from its cash. The risk exposure is limited to the carrying amount at the statements of financial position date. The risk for cash is mitigated by holding these instruments with highly rated U.S. state financial institutions. The Company does not have significant credit risk with respect to its customers.

(d) Market Risk
(i) Interest Rate Risk

Interest rate risk is the risk that the fair value or the future cash flows of a financial instrument will fluctuate as a result of changes in market interest rates. The Company’s interest-bearing loans and borrowings are all at fixed interest rates. The Company considers interest rate risk to be immaterial.

(ii) Concentration Risk

The Company operates substantially in Florida. Should economic conditions deteriorate within that region, its results of operations and financial position would be negatively impacted.

(iii) Price Risk

Price risk is the risk of variability in fair value due to movements in equity or market prices. See “*Note 5 Biological Assets and Inventories*” for the Company’s assessment of certain changes in the fair value assumption used in the calculation of biological asset values. The Company has exposure to the U.S. dollar and Canadian dollar from warrant derivatives. The Company is mainly exposed to a 10% change in the U.S. dollar against the Canadian dollar which would result in an impact of approximately \$90,000 to net income

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
AS AT AND FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018**
18. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (CONTINUED)
(e) Banking risk

Notwithstanding that a majority of states have legalized medical marijuana, there has been no change in U.S. federal banking laws related to the deposit and holding of funds derived from activities related to the marijuana industry. Given that U.S. federal law provides that the production and possession of cannabis is illegal, there is a strong argument that banks cannot accept for deposit funds from businesses involved with the marijuana industry. Consequently, businesses involved in the marijuana industry often have difficulty accessing the U.S. banking system and traditional financing sources. The inability to open bank accounts with certain institutions may make it difficult to operate the businesses of the Company, its subsidiaries and investee companies, and leaves their cash holdings vulnerable. The Company has banking relationships in all jurisdictions in which it operates.

19. CAPITAL MANAGEMENT

The Company's objectives when managing its capital are to ensure that there are adequate capital resources to safeguard the Company's ability to continue as a going concern and maintain adequate levels of funding to support its ongoing operations and development such that it can continue to provide returns to shareholders. The capital structure of the Company consists of items included in shareholders' equity, notes payable notes payable related party and finance liability. The Company manages its capital structure and adjusts it in light of changes in economic conditions and the risk characteristics of the Company's underlying assets. The Company plans to use existing funds, as well as funds from the future sale of products, to fund operations and expansion activities. However, the Company may attempt to issue new shares or issue new debt for acquisitions.

As of December 31, 2019, the Company is not subject to externally imposed capital requirements. In addition, there have been no changes to the Company's approach to capital management during the year ended December 31, 2019.

20. GENERAL AND ADMINISTRATIVE EXPENSE

For the years ended December 31, general and administrative expenses were comprised of:

	December 31,	
	2019	2018
		<i>(As Restated)</i>
Salaries and taxes	\$ 4,297,527	\$ 1,475,050
Share-based compensation <i>Note 16</i>	-	15,019,564
Political contributions	155,500	356,000
Professional fees	7,144,369	1,445,185
Rent	-	152,634
Travel	558,494	91,347
Communications	76,304	12,484
All other general and administrative expenses	1,838,745	603,493
	<u>\$ 14,070,939</u>	<u>\$ 19,155,757</u>

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
AS AT AND FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018****21. SEGMENTED INFORMATION****(a) Reportable segment**

The Company operates in one segment. Cannabis operations, which encompasses the cultivation, production, distribution and sale of both medical and recreational cannabis in select states within the United States.

(b) Entity-wide disclosures

All property, plant and equipment and intangible assets are located in the United States. All revenues were generated in the United States during the year ended December 31, 2019 and December 31, 2018. For the years ended December 31, 2019 and 2018, no customers represented more than 10% of the Company's net revenue.

22. SUBSEQUENT EVENTS

The Company has evaluated subsequent events through April 7, 2020, which is the date these consolidated financial statements were approved by the Board of Directors.

On February 12, 2020, a second securities class-action complaint, *Monica Acerra v. Trulieve Cannabis Corp. et al.*, Case No. 1:20-cv-00775, which is substantially similar to the complaint filed on December 30, 2019, was filed against the Company, see "*Note 17 – Contingencies*".

Subsequent to December 31, 2019, financial markets have been negatively impacted by the novel Coronavirus or COVID-19, which was declared a pandemic by the World Health Organization on March 12, 2020. This has resulted in significant economic uncertainty and consequently, it is difficult to reliably measure the potential impact of this uncertainty on our future financial results.