



TRULIEVE CANNABIS CORP.

**UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL
STATEMENTS**

**FOR THE THREE and SIX MONTHS ENDED JUNE 30, 2020 AND
2019**

(IN US DOLLARS)

TRULIEVE CANNABIS CORP.

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CONDENSED CONSOLIDATED INTERIM STATEMENTS OF FINANCIAL POSITION
(UNAUDITED) AS OF JUNE 30, 2020 AND DECEMBER 31, 2019

	<u>June 30, 2020</u>	<u>December 31, 2019</u>
ASSETS		
Current Assets:		
Cash and Cash Equivalents	\$ 150,313,428	\$ 91,812,821
Inventories	218,986,780	204,472,470
Biological Assets	33,277,374	66,718,321
Prepaid Expenses and Other Current Assets	11,166,231	6,871,683
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Total Current Assets	413,743,813	369,875,295
Property and Equipment, Net	251,037,800	189,248,416
Intangible Assets, Net	22,450,899	23,504,446
Goodwill	7,315,885	7,315,885
Other Assets	3,144,891	948,644
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TOTAL ASSETS	\$ 697,693,288	\$ 590,892,686
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LIABILITIES		
LIABILITIES		
Current Liabilities:		
Accounts Payable and Accrued Liabilities	\$ 21,561,792	\$ 24,307,928
Income Tax Payable	55,078,987	12,241,333
Deferred Revenue	3,796,057	2,403,836
Notes Payable - Current Portion	2,000,000	2,000,000
Notes Payable - Related Party - Current Portion	210,537	923,728
Warrant Liability	10,913,147	9,891,666
Lease Liability - Current Portion	6,522,999	4,968,476
	<hr/>	<hr/>
Total Current Liabilities	100,083,519	56,736,967
Long-Term Liabilities:		
Notes Payable	4,000,000	4,000,000
Notes Payable - Related Party	11,997,289	11,979,246
Lease Liability	102,143,621	66,031,123
Finance Liability, net	115,729,520	114,341,837
Deferred Tax Liability	47,681,079	55,446,351
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TOTAL LIABILITIES	381,635,028	308,535,524
SHAREHOLDERS' EQUITY		
Share Capital	74,017,329	62,559,815
Contributed Surplus	16,704,093	15,019,564
Accumulated Earnings	225,336,838	204,777,783
	<hr/>	<hr/>
TOTAL SHAREHOLDERS' EQUITY	316,058,260	282,357,162
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TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	\$ 697,693,288	\$ 590,892,686
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The accompanying notes are an integral part of these condensed consolidated interim financial statements.

**CONDENSED CONSOLIDATED INTERIM STATEMENTS OF OPERATIONS (UNAUDITED)
FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2020 AND 2019**

	Three Months Ended June 30,		Six Months Ended June 30,	
	2020	2019	2020	2019
Revenues, Net of Discounts	\$ 120,764,879	\$ 57,920,112	\$ 216,821,386	\$ 102,396,077
Production Expenses and Cost of Goods From Third Party Suppliers <i>Note 3</i>	29,677,195	20,361,947	58,606,093	34,949,446
Revenues less Production Expenses and Cost of Goods From Third Party Suppliers	<u>91,087,684</u>	<u>37,558,165</u>	<u>158,215,293</u>	<u>67,446,631</u>
Fair Value Adjustment on Inventory Sold	(93,613,316)	(21,708,050)	(175,621,193)	(52,357,784)
Fair Value Adjustment on Growth of Biological Assets <i>Note 3</i>	<u>76,817,748</u>	<u>87,938,390</u>	<u>154,405,138</u>	<u>128,811,442</u>
Revenues less Production Expenses and Cost of Goods From Third Party Suppliers and Fair Value Adjustments	<u>74,292,116</u>	<u>103,788,505</u>	<u>136,999,238</u>	<u>143,900,289</u>
Expenses:				
General and Administrative	7,936,000	3,410,095	14,194,700	5,535,784
Sales and Marketing	25,116,993	11,379,406	47,156,114	21,150,467
Depreciation and Amortization <i>Note 4 & 5</i>	<u>3,740,150</u>	<u>1,839,890</u>	<u>7,022,440</u>	<u>3,300,727</u>
Total Expenses	<u>36,793,143</u>	<u>16,629,391</u>	<u>68,373,254</u>	<u>29,986,978</u>
Income From Operations	<u>37,498,973</u>	<u>87,159,114</u>	<u>68,625,984</u>	<u>113,913,311</u>
Other Income (Expense):				
Interest Expense, Net	(6,810,243)	(1,910,064)	(13,685,410)	(3,136,025)
Other Income (Expense), Net	<u>(4,963,262)</u>	<u>(5,801)</u>	<u>(64,681)</u>	<u>5,237</u>
Total Other Expense	<u>(11,773,505)</u>	<u>(1,915,865)</u>	<u>(13,750,091)</u>	<u>(3,130,788)</u>
Income Before Provision for Income Taxes	<u>25,725,468</u>	<u>85,243,249</u>	<u>54,875,893</u>	<u>110,782,523</u>
Provision For Income Taxes <i>Note 12</i>	<u>19,164,971</u>	<u>27,714,464</u>	<u>34,316,838</u>	<u>38,551,464</u>
Net Income	<u>\$ 6,560,497</u>	<u>\$ 57,528,785</u>	<u>\$ 20,559,055</u>	<u>\$ 72,231,059</u>
Basic Net Income per Common Share <i>Note 11</i>	<u>\$ 0.06</u>	<u>\$ 0.52</u>	<u>\$ 0.19</u>	<u>\$ 0.66</u>
Diluted Net Income per Common Share <i>Note 11</i>	<u>\$ 0.06</u>	<u>\$ 0.50</u>	<u>\$ 0.18</u>	<u>\$ 0.63</u>
Weighted average number of common shares used in computing net income per common share:				
Basic <i>Note 11</i>	<u>111,573,332</u>	<u>110,132,168</u>	<u>110,959,839</u>	<u>110,132,168</u>
Diluted <i>Note 11</i>	<u>115,307,313</u>	<u>115,677,182</u>	<u>114,468,339</u>	<u>115,547,892</u>

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

CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
(UNAUDITED) FOR THE SIX MONTHS ENDED JUNE 30, 2020 AND 2019

	<u>Super Voting</u>	<u>Multiple Voting</u>	<u>Subordinate Voting</u>	<u>Total Common</u>	<u>Share Capital</u>	<u>Contributed Surplus</u>	<u>Accumulated Earnings</u>	<u>Total</u>
Balance, January 1, 2019	85,246,600	13,750,451	11,135,117	110,132,168	\$60,976,944	\$ 15,628,304	\$ 27,613,883	\$ 104,219,131
Additional Contribution from the Issuance of Below Market Interest Debt	-	-	-	-	10,092	-	-	10,092
IFRS 16 Implementation	-	-	-	-	-	-	(868,863)	(868,863)
Conversion of Multiple to Subordinate Shares	(14,233,300)	(6,856,110)	21,089,410	-	-	-	-	-
Net Income	-	-	-	-	-	-	72,231,059	72,231,059
Balance, June 30, 2019	<u>71,013,300</u>	<u>6,894,341</u>	<u>32,224,527</u>	<u>110,132,168</u>	<u>\$60,987,036</u>	<u>\$ 15,628,304</u>	<u>\$ 98,976,079</u>	<u>\$175,591,419</u>
Balance, January 1, 2020	67,813,300	6,661,374	35,871,672	110,346,346	62,559,815	15,019,564	204,777,783	282,357,162
Share-based Compensation <i>Note 10</i>	-	-	-	-	-	1,684,529	-	1,684,529
Shares Issued for Cash - Warrant Exercise <i>Note 9</i>	-	-	2,723,311	2,723,311	11,457,514	-	-	11,457,514
Net Income	-	-	-	-	-	-	20,559,055	20,559,055
Balance, June 30, 2020	<u>67,813,300</u>	<u>6,661,374</u>	<u>38,594,983</u>	<u>113,069,657</u>	<u>\$74,017,329</u>	<u>\$ 16,704,093</u>	<u>\$225,336,838</u>	<u>\$316,058,260</u>

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

**CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CASH FLOWS (UNAUDITED)
FOR THE SIX MONTHS ENDED JUNE 30, 2020 AND 2019**

	Six Months Ended June 30,	
	2020	2019
CASH FLOW FROM OPERATING ACTIVITIES		
Net Income	\$ 20,559,055	\$ 72,231,059
Adjustments to Reconcile Net Income to Net Cash Provided by Operating Activities:		
Depreciation and Amortization	<i>Notes 4 & 5</i> 12,904,926	5,964,069
Non-Cash Interest Expense	1,434,388	62,767
Loss from Sale of Property and Equipment	-	13,307
Share-Based Compensation	<i>Note 10</i> 1,684,529	-
Loss on Revaluation of Warrant Liability	<i>Note 7</i> 1,021,481	-
Deferred Tax (Recovery) Expense	<i>Note 12</i> (7,765,272)	18,383,000
Changes in Operating Assets and Liabilities:		
Inventories	(14,514,310)	(60,884,380)
Biological Assets	33,440,947	(19,779,526)
Prepaid Expenses and Other Current Assets	(4,294,548)	(1,687,602)
Other Assets	(2,196,247)	56,065
Accounts Payable and Accrued Liabilities	(8,665,510)	(3,002,280)
Income Tax Payable	42,837,654	7,500,444
Deferred Revenue	1,392,221	762,678
NET CASH PROVIDED BY OPERATING ACTIVITIES	77,839,314	19,619,601
CASH FLOW FROM INVESTING ACTIVITIES		
Purchases of Property and Equipment	<i>Note 4</i> (27,016,717)	(33,330,814)
Proceeds from Sale of Property and Equipment	<i>Note 4</i> -	17,885
Cash Paid in Acquisitions, Net of Cash Acquired	-	(19,898,400)
NET CASH USED IN INVESTING ACTIVITIES	(27,016,717)	(53,211,329)
CASH FLOW FROM FINANCING ACTIVITIES		
Payments on Notes Payable - Related Party	(741,853)	(734,213)
Payments on Lease Liability	<i>Note 8</i> (3,037,651)	(1,944,086)
Proceeds from Shares Warrant Exercise	<i>Note 9</i> 11,457,514	-
Proceeds from Debt Financing, Net Discounts and Accrued Interest	-	65,871,838
NET CASH PROVIDED BY FINANCING ACTIVITIES	7,678,010	63,193,539
NET INCREASE IN CASH AND CASH EQUIVALENTS	58,500,607	29,601,811
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	91,812,821	24,430,108
CASH AND CASH EQUIVALENTS, END OF PERIOD	\$ 150,313,428	\$ 54,031,919
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
CASH PAID DURING THE PERIOD FOR		
Interest	\$ 12,020,290	\$ 1,322,493
Taxes	\$ 115,000	\$ 12,700,000

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

CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CASH FLOWS (UNAUDITED) (CONTINUED)
FOR THE SIX MONTHS ENDED JUNE 30, 2020 AND 2019

	Six Months Ended June 30,	
	2020	2019
OTHER NONCASH INVESTING AND FINANCING ACTIVITIES		
Purchase of Property and Equipment Financed with Notes Payable - Related Party	\$ -	\$ 257,337
Purchase of Property and Equipment Financed with Accounts Payable	\$ 5,919,374	\$ 4,289,505
Property and Equipment Acquired via Leases	\$ 40,704,672	\$ 18,095,744
Debt Discount Related to Below Market Interest Debt	\$ -	\$ 10,092

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

**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (UNAUDITED)
AS AT AND FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2020 AND 2019****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 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.

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

The unaudited condensed consolidated interim financial statements have been prepared in accordance with International Accounting Standard 34 – *Interim Financial Reporting*, following the same accounting policies and methods of application as those disclosed in the annual audited consolidated financial statements for the year ended December 31, 2019. The unaudited condensed consolidated interim financial statements should be read in conjunction with the annual consolidated financial statements of the Company for the year ended December 31, 2019, which have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”). There has been no material impact on these unaudited condensed consolidated interim financial statements from changes in accounting standards during the period.

These unaudited condensed consolidated interim financial statements were approved by the Board of Directors and authorized for issue by the Board of Directors on August 11, 2020.

(b) Basis of Measurement

These unaudited condensed consolidated interim 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 unaudited condensed consolidated interim financial statements are presented in U.S. dollars.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(d) Basis of Consolidation

These unaudited condensed consolidated interim 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. Intercompany transactions, balances and unrealized gains or losses on transactions are eliminated upon consolidation.

(e) Significant Accounting Judgments, Estimates, and Assumptions

The preparation of these unaudited condensed consolidated interim 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. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to these unaudited condensed consolidated interim financial statements have been set out in Note 3 of the audited consolidated financial statements for the years ended December 31, 2019 and 2018.

(f) Recently Adopted 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 3 did not have a material impact on the unaudited condensed consolidated interim financial statements.

**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (UNAUDITED)
AS AT AND FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2020 AND 2019**
2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)
(g) COVID-19 Pandemic

The Company's business could be materially and adversely affected by the outbreak of a widespread epidemic or pandemic or other public health crisis, including arising from the novel strain of the coronavirus known as "COVID-19." 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. Possible future impacts resulting from local or statewide ordinances to help curb the spread of COVID-19 could include limitations on the number of customers in retail stores due to social distancing requirements or forced store closures which forces sales through delivery services. However, despite the heightened COVID-19 environment, the Company experienced strong financial results during the three and six months ended June 30, 2020 and experienced increased basket size and sales during this period.

3. BIOLOGICAL ASSETS AND INVENTORIES

As at June 30, 2020 and December 31, 2019 biological assets comprise:

	June 30, 2020	December 31, 2019
	<u> </u>	<u> </u>
Cannabis plants	<u>\$ 33,277,374</u>	<u>\$ 66,718,321</u>

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

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	\$ 66,718,321
Net increase in fair value less costs to sell due to biological transformation for indoor flower	142,087,351
Net increase in fair value less costs to sell due to biological transformation for outdoor flower	12,317,787
Transferred to inventory upon harvest	<u>(187,846,085)</u>
Balance at June 30, 2020	<u>\$ 33,277,374</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 in the condensed consolidated interim 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 CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (UNAUDITED)
AS AT AND FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2020 AND 2019**
3. BIOLOGICAL ASSETS AND INVENTORIES (CONTINUED)

The cannabis plant model utilizes the following significant assumptions:

Assumption	June 30, 2020		December 31, 2019	
	Range	Average	Range	Average
(i) Weighted average of expected loss of plants until harvest (a)	0-45%	8%	0-74%	26%
(ii) Expected yields for cannabis plants (average grams per plant)	183 - 227 grams per plant	219 grams per plant	55 - 250 grams per plant	146 grams per plant
(iii) Expected number of growing days	119 - 133	126	119 - 133	126
(iv) Weighted average number of growing days completed as a percentage of total growing days as at period end	N/A	43%	N/A	48%
(v) Estimated selling price (per gram) (b)	N/A	\$8.40	N/A	\$10.33
(vi) After harvest cost to complete and sell (per gram)	\$1.12 - \$2.00	\$1.57	\$1.07 - \$2.34	\$1.71
(vii) Reasonable margin \$ on after harvest costs to complete and sell (per gram)	\$1.60 - \$2.33	\$1.97	\$1.85 - \$2.10	\$1.98

(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 June 30, 2020 and December 31, 2019 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 June 30, 2020 and December 31, 2019.

Assumption	10% change as at June 30, 2020 \$	10% change as at December 31, 2019 \$
Weighted average of expected loss of plants until harvest	3,327,737	6,671,832
Expected yields for cannabis plants	3,327,737	6,671,832
Expected number of growing days	3,327,737	6,671,832
Estimated selling price	4,124,793	8,240,341
After harvest cost to complete and sell	990,510	1,866,961
Reasonable margin on after harvest costs to complete and sell	1,099,103	2,328,282

**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (UNAUDITED)
AS AT AND FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2020 AND 2019**
3. BIOLOGICAL ASSETS AND INVENTORIES (CONTINUED)

The Company estimates the harvest yields for medical cannabis at various stages of growth. As of June 30, 2020, it was expected that the Company's cannabis plants of 7,520,668 effective grams currently undergoing transformation is expected to yield a total of 25,586,805 grams at maturity and 13,524,148 effective grams of cannabis plants undergoing transformation on December 31, 2019 will yield at maturity 28,195,319 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:

	June 30, 2020	December 31, 2019
Packaging and miscellaneous	6,164,083	8,132,079
Work in Process	184,624,071	166,982,954
Finished Goods - Unmedicated	3,984,523	5,263,005
Finished Goods - Medicated	24,214,103	24,094,432
Total Inventories	\$ 218,986,780	\$ 204,472,470

For the three and six months ended June 30, 2020 and 2019 Production Expenses and Cost of Goods from Third Party Suppliers comprised of:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2020	2019	2020	2019
Grow Costs Incurred	\$ 16,006,219	\$ 12,383,098	\$ 31,630,654	\$ 22,411,468
Processing Costs and Purchased Goods for Inventory Sold	13,670,976	7,978,849	26,975,439	12,537,978
Total (1)	\$ 29,677,195	\$ 20,361,947	\$ 58,606,093	\$ 34,949,446

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

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 costs related to biological assets are recorded within production expenses and cost of goods from third party suppliers.

The Company capitalizes costs incurred after harvest to bring the products to their present location and condition in accordance with IAS 2 Inventories. The cost of inventories includes the fair value 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.

**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (UNAUDITED)
AS AT AND FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2020 AND 2019**
4. PROPERTY AND EQUIPMENT

At June 30, 2020 and December 31, 2019, Property and Equipment consisted of the following:

	Land	Buildings & Improvements	Construction in Progress	Furniture & Equipment	Vehicles	Total
<u>Cost</u>						
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 asset:	-	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
Additions	-	1,732,204	27,130,286	4,033,404	40,196	32,936,091
Additions right-of-use asset:	-	36,838,050	-	90,150	3,776,472	40,704,672
Transfers	-	(1,540,385)	(264,568)	1,804,954	-	-
At June 30, 2020	3,716,448	188,030,440	45,597,267	38,510,017	9,669,339	285,523,511
<u>Accumulated Depreciation</u>						
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 asset:	-	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
Additions	-	4,286,988	-	2,242,663	40,818	6,570,470
Additions right-of-use asset:	-	3,901,844	-	72,174	1,306,891	5,280,909
At June 30, 2020	-	24,895,787	-	6,341,811	3,248,113	34,485,711
<u>Net book value</u>						
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
At June 30, 2020	\$ 3,716,448	\$ 163,134,653	\$ 45,597,267	\$ 32,168,205	\$ 6,421,227	\$ 251,037,800

For the three months ended June 30, 2020 and 2019, the Company recorded depreciation expense of \$3,106,987 and \$1,729,288, respectively, as part of Production Expenses and Cost of Goods from Third Party Suppliers. The Company recorded additional depreciation expense for the three months ended June 30, 2020 and 2019, of \$3,226,745 and \$1,560,175, respectively, as part of operating expenses.

For the six months ended June 30, 2020 and 2019 depreciation expense of \$5,882,486 and \$2,663,342, respectively, as part of Production Expenses and Cost of Goods from Third Party Suppliers. The Company recorded additional depreciation expense for the six months ended June 30, 2020 and 2019, of \$5,968,893 and \$2,848,567, respectively, as part of operating expenses.

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 six months ended June 30, 2020 and the year ended December 31, 2019, property and equipment purchases from J.T. Burnette consisting of construction related serviced, totaled \$35,942,463 and \$46,381,877, respectively. As of June 30, 2020, and December 31, 2019, \$7,416,380 and \$6,463,125 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.

**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (UNAUDITED)
AS AT AND FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2020 AND 2019**
5. INTANGIBLE ASSETS

At June 30, 2020 and December 31, 2019, Intangible assets consisted of the following:

	Dispensary Licenses	Tradename	Trademarks	Customer Relationship	Non-Compete	Total
<u>Cost</u>						
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
At June 30, 2020	22,833,416	1,000,000	331,285	1,000,000	35,000	25,199,701
<u>Accumulated Amortization</u>						
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
Amortization	761,114	50,000	133,683	100,000	8,750	1,053,547
At June 30, 2020	1,931,892	250,000	331,285	216,667	18,958	2,748,802
<u>Net book value</u>						
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
At June 30, 2020	\$ 20,901,524	\$ 750,000	\$ -	\$ 783,333	\$ 16,042	\$ 22,450,899

Amortization expense for the three months ended June 30, 2020 and 2019 was \$513,405 and \$279,715, respectively. Amortization expense for the six months ended June 30, 2020 and 2019 was \$1,053,547 and \$452,161, respectively.

6. NOTES PAYABLE RELATED PARTY

At June 30, 2020 and December 31, 2019, notes payable to related parties consisted of the following:

	June 30, 2020	December 31, 2019
Notes payable due to related parties, with varying interest rates between 8% to 12% annually, with varying maturity dates.	\$ 12,210,537	\$ 12,952,389
Less debt discount	(2,711)	(49,415)
Less current portion	(210,537)	(923,728)
	<u>\$ 11,997,289</u>	<u>\$ 11,979,246</u>

**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (UNAUDITED)
AS AT AND FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2020 AND 2019****7. DEBT**

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 installments, 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”.

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 three months ended June 30, 2020 and 2019 the Company recognized accretion expense of \$359,602 and \$57,110, respectively. For the six months ended June 30, 2020 and 2019 the Company recognized accretion expense of \$707,643 and \$57,110, respectively.

The June Warrants were re-valued at \$5,294,497 at June 30, 2020 using the Black Scholes option pricing model and the following assumptions: Share price: C\$17.00; Exercise Price: C\$17.25; Expected Life: 1.97 years; Annualized Volatility: 51.15%; Dividend yield: 0%; Discount Rate: 1.92%; C\$ Exchange Rate: 1.36. For the three months ended June 30, 2020 the Company recognized a loss of \$2,446,995. For the six months ended June 30, 2020 the company recognized a loss of \$495,570 and has been recognized and is included in Other Income (Expense), 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%;

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7. DEBT (CONTINUED)

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 fair value through profit or loss "FVTPL".

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 three and six months ended June 30, 2020 the Company recorded accretion expense of \$316,011 and \$677,491, respectively.

The November Warrants were re-valued at \$5,618,650 at June 30, 2020 using the Black Scholes option pricing model and the following assumptions: Share price: C\$17.00; Exercise Price: C\$17.25; Expected Life: 1.97 years; Annualized Volatility: 51.15%; Dividend yield: 0%; Discount Rate: 1.92%; C\$ Exchange Rate: 1.36. For the three months ended June 30, 2020 the Company recognized a loss of \$2,596,811. For the six months ended June 30, 2020 the company recognized a loss of \$525,911 which has been recognized and included in Other Income (Expense), Net.

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

At June 30, 2020 and December 31, 2019, the finance liability, net consisted of the following:

	June 30, 2020	December 31, 2019
Principal Amount	\$ 130,000,000	\$ 130,000,000
Less unamortized debt discount	<u>(14,270,480)</u>	<u>(15,658,163)</u>
	<u>\$ 115,729,520</u>	<u>\$ 114,341,837</u>

8. LEASES

The Company's lease liability consisted of the following:

Balance at December 31, 2019	\$ 70,999,599
Additions	40,704,672
Lease & interest payments, accretion, and accrued interest, net	<u>(3,037,651)</u>
ROU Assets at June 30, 2020	\$ 108,666,620
Lease liability - current portion	\$ 6,522,999
Lease liability	\$ 102,143,621
Lease Liability at June 30, 2020	<u>\$ 108,666,620</u>

**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (UNAUDITED)
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8. LEASES (CONTINUED)

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 six months ended June 30, 2020 was between 9% to 10%.

9. SHARE CAPITAL

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

	Shares Issued and Outstanding	
	June 30, 2020	
	Number of	
	Shares	Shares Converted
Subordinate Voting Shares	38,594,983	38,594,983
Multiple Voting Shares	66,614	6,661,374
Super Voting Shares	678,133	67,813,300
		<u>113,069,657</u>

During the year ended December 31, 2018, the Company issued 8,784,872 warrants to certain employees and directors for past services provided. For additional information regarding the warrants refer to *FN 12 - Share Capital* in the audited consolidated financial statements for the year ended December 31, 2019. On May 20, 2020, 2,723,311 warrants were exercised for proceeds of \$11,457,514. See below table for the outstanding warrants as of June 30, 2020:

	<u>Warrants Issued and Outstanding</u>
Warrants Outstanding as of January 1, 2020	8,784,872
Warrants Exercised	<u>2,723,311</u>
Warrants Outstanding as of June 30, 2020	<u>6,061,561</u>

10. SHARE-BASED COMPENSATION

The Company has a Stock Option Plan (the “Plan”) as administered by the Board of Directors. The aggregate number of Subordinate Voting Shares which may be reserved for issue under the Plan shall not exceed 10% of the issued and outstanding number of Subordinate Voting Shares.

In determining the amount of share-based compensation related to options issued during the three and six months ended June 30, 2020, the Company used the Black-Scholes pricing model to establish the fair value of the options granted in both periods with the following assumptions:

**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (UNAUDITED)
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10. SHARE-BASED COMPENSATION (CONTINUED)

	Three Months Ended March 31, 2020	Three Months Ended June 30, 2020
Fair Value at Grant Date	\$ 3.26	\$ 3.11
Stock Price at Grant Date	\$ 11.52	\$ 12.50
Exercise Price at Grant Date	\$ 11.52	\$ 12.50
Expected Life in Years	2.00	1.58
Expected Volatility	49.10%	50.15%
Expected Annual Rate of Dividends	0%	0%
Risk Free Annual Interest Rate	1.58%	1.40%

The expected 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 period of time that options granted are expected to be outstanding. The risk-free rate was based on the United States 2-year bond yield rate at the time of grant of the award. Expected annual rate of dividends is based on the fact that the Company has never paid cash dividends and does not expect to pay any cash dividends in the foreseeable future.

On January 3, 2020, under the Plan, the Board awarded options to purchase shares to directors, officers, and key employees of the Company. In accordance with the Plan's policy, the vesting period for employees is 15% as of the date of issuance, 25% vest on December 31, 2020, and 60% vest on December 31, 2021. For Board of Directors Founder members there is 100% vesting on the date of issuance. For Board of Directors non-founders' members 50% of the options vest on December 31, 2020, and 50% vest on December 31, 2021.

For the three months ended June 30, 2020, the Company recorded share-based compensation in the amount of \$462,306. This is recognized as \$47,835 in production expenses and cost of goods from third party suppliers, \$318,804 in general and administrative, and \$95,667 in sales and marketing.

For the six months ended June 30, 2020, the Company recorded share-based compensation in the amount of \$1,684,529. This is recognized as \$146,208 in production expenses and costs of goods from third party suppliers, \$1,245,906 in general and administrative, and \$292,415 in sales and marketing.

The number and weighted-average exercise prices of options at June 30, 2020 were as follows:

**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (UNAUDITED)
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10. SHARE-BASED COMPENSATION (CONTINUED)

	Number of options 2020	Weighted average exercise price 2020
Oustanding at January 1	-	\$ -
Granted during the three month period	1,027,042	11.52
Oustanding at March 31	1,027,042	11.52
Exerciseable at March 31	272,235	11.52
Granted during the three month period	225,361	12.50
Forfeited during the three month period	104,230	11.52
Oustanding at June 30	1,148,173	11.71
Exerciseable at June 30	291,551	\$ 11.58

11. EARNINGS PER SHARE

The following is a reconciliation for the calculation of basic and diluted earnings per share for the three and six months ended June 30, 2020 and 2019:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2020	2019	2020	2019
Net Income	\$ 6,560,497	\$ 57,528,785	\$ 20,559,055	\$ 72,231,059
Weighted average number of common shares outstanding	111,573,332	110,132,168	110,959,839	110,132,168
Dilutive effect of warrants outstanding	3,733,981	5,545,014	3,508,500	5,415,724
Diluted weighted average number of common shares outstanding	115,307,313	115,677,182	114,468,339	115,547,892
Basic earnings per share	\$ 0.06	\$ 0.52	\$ 0.19	\$ 0.66
Diluted earnings per share	\$ 0.06	\$ 0.50	\$ 0.18	\$ 0.63

For the three and six months ended June 30, 2020, all options outstanding were not included in the computation of diluted earnings per share because the options' exercise prices or assumed proceeds per share were greater than the average market price of our common stock, and therefore, would have an anti-dilutive effect.

**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (UNAUDITED)
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12. INCOME TAXES

The components of the income tax provision include:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2020	2019	2020	2019
Current	\$ 23,648,143	\$ 12,268,464	\$ 42,082,110	\$ 20,168,464
Deferred	(4,483,172)	15,446,000	(7,765,272)	18,383,000
	<u>\$ 19,164,971</u>	<u>\$ 27,714,464</u>	<u>\$ 34,316,838</u>	<u>\$ 38,551,464</u>

13. 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 June 30, 2020 and December 31, 2019 was \$12,210,537 and \$12,952,389, respectively, as discussed in “*Note 6 – 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 six months ended June 30, 2020 and the year ended December 31, 2019, property and equipment purchases totaled \$35,942,463 and \$46,381,877, respectively. As of June 30, 2020, and December 31, 2019, \$7,416,380 and \$6,463,125 was included in accounts payable, respectively, as discussed in “*Note 4 – 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 June 30, 2020, and under IFRS 16, the Company had \$16,819,923 in right-of-use assets in Property and Equipment and \$18,841,736 in Net and Lease Liability. Of the \$18,841,736 in Net Lease Liability, \$1,918,929 is included in Lease Liability – Current. See “*Note 4 – Property and Equipment*” and “*Note 8 – Leases*” for further information.

14. 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.

14. CONTINGENCIES (CONTINUED)**(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 June 30, 2020, 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.

As disclosed in the annual audited financial statements for the year ended December 31, 2019, a securities class-action complaint, *In re Trulieve Cannabis Corp. Securities Litigation*, No. 1:19-cv-07289, was filed against the Company and is still ongoing. This case has been removed from New York to Florida federal court with no other material developments. The Company believes that the suit is immaterial and that the claims are without merit and intends to vigorously defend against them.

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

The Company's financial instruments consist of cash and cash equivalents, 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 June 30, 2020 and December 31, 2019 due to their short-term nature or because the effective interest rate applied to the balance approximates the market rate.

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 six months ended June 30, 2020 or the year ended December 31, 2019.

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15. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (CONTINUED)

The following table summarizes the Company's financial instruments at June 30, 2020:

	<u>Fair Value Through Profit or Loss</u>	<u>Amortized Cost</u>	<u>Total</u>
Financial Assets:			
Cash and Cash Equivalents	\$ -	\$ 150,313,428	\$ 150,313,428
Financial Liabilities:			
Accounts Payable and Accrued Liabilities	\$ -	\$ 21,561,792	\$ 21,561,792
Notes Payable	\$ -	\$ 6,000,000	\$ 6,000,000
Notes Payable - Related Party	\$ -	\$ 12,207,826	\$ 12,207,826
Finance Liability	\$ -	\$ 115,729,520	\$ 115,729,520
Warrant Liability	\$ 10,913,147	\$ -	\$ 10,913,147

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

	<u>Fair Value Through Profit or Loss</u>	<u>Amortized Cost</u>	<u>Total</u>
Financial Assets:			
Cash and Cash Equivalents	\$ -	\$ 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

(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.

(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.

15. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (CONTINUED)**(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 3 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 immaterial impact to net income.

(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.

16. SUBSEQUENT EVENTS

The Company has evaluated subsequent events through August 11, 2020, which is the date these unaudited condensed consolidated interim financial statements were approved by the Board of Directors.