



**GREEN THUMB INDUSTRIES INC. (formerly  
Bayswater Uranium Corporation)**

**UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL  
STATEMENTS FOR THE THREE AND SIX MONTHS ENDED JUNE 30,  
2019 AND 2018**

*(Expressed in United States Dollars)*

**Notice of No Auditor Review of Interim Condensed Financial Statements**

In accordance with National Instrument 51-102, the Company discloses that its external auditors have not reviewed the accompanying interim condensed consolidated financial statements.

**Green Thumb Industries Inc. (formerly Bayswater Uranium Corporation)**  
**Unaudited Interim Condensed Consolidated Statements of Financial Position**  
(Amounts Expressed in United States Dollars)

	<b>June 30, 2019</b>	<b>December 31, 2018</b>
	<i>(Unaudited)</i>	<i>(Unaudited)</i>
<b>ASSETS</b>		
Current Assets:		
Cash and Cash Equivalents	\$ 135,759,426	\$ 145,986,072
Accounts Receivable	8,249,715	4,574,404
Inventories	29,765,377	11,371,868
Biological Assets	11,476,761	6,321,215
Notes Receivable	-	3,500,000
Prepaid Expenses and Other Current Assets	3,924,901	2,642,481
<b>Total Current Assets</b>	<b>189,176,180</b>	<b>174,396,040</b>
Property and Equipment, Net	117,582,922	65,324,080
Right of Use Assets	24,502,946	-
Investments	32,904,734	40,933,283
Investment in Associate	-	5,850,000
Notes Receivable	5,428,542	7,424,727
Intangible Assets, Net	329,869,194	91,565,678
Goodwill	368,781,363	29,324,360
Deposits and Other Assets	2,087,169	2,184,417
<b>TOTAL ASSETS</b>	<b>\$ 1,070,333,050</b>	<b>\$ 417,002,585</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
<b>LIABILITIES</b>		
Current Liabilities:		
Accounts Payable	\$ 24,180,531	\$ 8,928,528
Accrued Liabilities	14,092,607	7,046,029
Current Portion of Notes Payable	179,978	1,480,660
Liability for Acquisition of Noncontrolling Interest	-	25,420,009
Contingent Consideration Payable	53,789,314	-
Derivative Liability	-	4,238,701
Acquisition Liabilities	2,937,798	-
Income Tax Payable	385,299	505,585
<b>Total Current Liabilities</b>	<b>95,565,527</b>	<b>47,619,512</b>
Long-Term Liabilities:		
Deferred Rent	-	280,127
Lease Liabilities	26,818,701	-
Notes Payable, Net of Current Portion	96,131,006	5,733,797
Contingent Consideration Payable	9,809,396	9,035,250
Acquisition Liabilities	16,783,416	-
Deferred Income Taxes	3,852,000	5,454,000
<b>TOTAL LIABILITIES</b>	<b>248,960,046</b>	<b>68,122,686</b>
Share Capital	927,748,327	402,667,548
Shares to be Issued	-	27,773,234
Contributed Surplus	27,093,714	15,131,145
Accumulated Deficit	(133,176,382)	(100,189,487)
Equity of Green Thumb Industries Inc.	821,665,659	345,382,440
Non-controlling Interests	(292,655)	3,497,459
<b>TOTAL EQUITY</b>	<b>821,373,004</b>	<b>348,879,899</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>	<b>\$ 1,070,333,050</b>	<b>\$ 417,002,585</b>

Approved and authorized by the Board of Directors on DATE:

\_\_\_\_\_  
Chief Executive Officer

\_\_\_\_\_  
Chief Financial Officer

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

**Green Thumb Industries Inc. (formerly Bayswater Uranium Corporation)**  
**Unaudited Interim Condensed Consolidated Statements of Operations and Comprehensive Loss**  
*(Amounts Expressed in United States Dollars)*

	<b>Three Months Ended</b>		<b>Six Months Ended</b>	
	<b>June 30,</b>		<b>June 30,</b>	
	<b>2019</b>	<b>2018</b>	<b>2019</b>	<b>2018</b>
	<i>(Unaudited)</i>	<i>(Unaudited)</i>	<i>(Unaudited)</i>	<i>(Unaudited)</i>
Revenues, net of discounts	\$ 44,726,777	\$ 13,624,658	\$ 72,639,940	\$ 24,550,556
Cost of Goods Sold, net	<u>(21,488,647)</u>	<u>(7,337,040)</u>	<u>(36,300,136)</u>	<u>(13,550,003)</u>
Gross Profit before Biological Asset Adjustment	<u>23,238,130</u>	<u>6,287,618</u>	<u>36,339,804</u>	<u>11,000,553</u>
Net Effect of Changes in Fair Value of Biological Assets	<u>(684,085)</u>	<u>584,764</u>	<u>(425,607)</u>	<u>735,809</u>
Gross Profit	<u>22,554,045</u>	<u>6,872,382</u>	<u>35,914,197</u>	<u>11,736,362</u>
<b>Expenses:</b>				
General and Administrative	24,932,060	11,251,399	47,523,395	17,103,295
Sales and Marketing	1,525,877	354,292	2,214,170	524,405
Depreciation and Amortization	<u>6,011,800</u>	<u>522,550</u>	<u>9,287,715</u>	<u>756,179</u>
<b>Total Expenses</b>	<u>32,469,737</u>	<u>12,128,241</u>	<u>59,025,280</u>	<u>18,383,879</u>
<b>Loss From Operations</b>	<u>(9,915,692)</u>	<u>(5,255,859)</u>	<u>(23,111,083)</u>	<u>(6,647,517)</u>
<b>Other Income (Expense):</b>				
Other Income (Expense), net	(6,640,546)	34,612,194	(1,383,893)	34,845,538
Interest Income	535,894	378,082	892,724	978,082
Interest Expense	<u>(6,183,054)</u>	<u>(466,668)</u>	<u>(7,126,932)</u>	<u>(837,773)</u>
<b>Total Other Income (Expense)</b>	<u>(12,287,706)</u>	<u>34,523,608</u>	<u>(7,618,101)</u>	<u>34,985,847</u>
<b>Income (Loss) Before Provision for Income Taxes And Non-Controlling Interest</b>	<u>(22,203,398)</u>	<u>29,267,749</u>	<u>(30,729,184)</u>	<u>28,338,330</u>
<b>Provision For Income Taxes</b>	<u>(177,333)</u>	<u>4,253,000</u>	<u>1,129,667</u>	<u>4,288,000</u>
<b>Net Income (Loss) and Comprehensive Income (Loss) Before Non-Controlling Interest</b>	(22,026,065)	25,014,749	(31,858,851)	24,050,330
<b>Net Income and Comprehensive Income Attributable To Non-Controlling Interest</b>	<u>216,946</u>	<u>24,621,861</u>	<u>75,947</u>	<u>25,238,411</u>
<b>Net Income (Loss) and Comprehensive Income (Loss) Attributable To Green Thumb Industries Inc.</b>	<u>\$ (22,243,011)</u>	<u>\$ 392,888</u>	<u>\$ (31,934,798)</u>	<u>\$ (1,188,081)</u>
<b>Net Income (Loss) per share - diluted</b>	\$ (0.12)	\$ 0.00	\$ (0.18)	\$ (0.01)
<b>Weighted average number of shares outstanding - diluted</b>	187,830,565	139,471,034	179,427,857	139,471,034

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

**Green Thumb Industries Inc. (formerly Bayswater Uranium Corporation)**  
**Unaudited Interim Condensed Consolidated Statements of Changes in Shareholders' Equity**  
*(Amounts Expressed in United States Dollars)*

	<u>Share Capital</u>	<u>Shares to Be Issued</u>	<u>Contributed Surplus</u>	<u>Accumulated Earnings (Deficit)</u>	<u>Non-Controlling Interest</u>	<u>Total</u>
<b>Balance, January 1, 2018</b>	\$ 62,002,496	\$ -	\$ -	\$ -	\$ 3,366,350	\$ 65,368,846
Contributions from shareholders	49,039,965	-	-	-	17,020,006	66,059,971
Deferred tax liability from reorganization	(614,000)	-	-	-	-	(614,000)
Conversion of notes payable into share capital	-	-	-	-	8,325,000	8,325,000
Issuance of options as settlement of services provided	(906,366)	-	906,366	-	-	-
Reverse takeover	3,002,634	-	-	-	-	3,002,634
Issuance of shares upon reverse takeover	65,082,283	-	-	-	-	65,082,283
Reverse takeover transaction costs	(4,014,585)	-	-	-	-	(4,014,585)
Interest on convertible note payable	434,000	-	-	-	-	434,000
Stock based compensation	-	-	27,240	-	-	27,240
Distributions to shareholders	(1,792,640)	-	-	-	(15,521,657)	(17,314,297)
Net income (loss)	-	-	-	(1,188,081)	25,238,411	24,050,330
<b>Balance, June 30, 2018</b>	<u>\$ 172,233,787</u>	<u>\$ -</u>	<u>\$ 933,606</u>	<u>\$ (1,188,081)</u>	<u>\$ 38,428,110</u>	<u>\$ 210,407,422</u>
<b>Balance, January 1, 2019</b>	\$ 401,030,069	\$ 27,773,234	\$ 16,768,624	\$ (100,189,487)	\$ 3,497,459	\$ 348,879,899
Adoption of IFRS16, <i>Leases</i>	-	-	-	(1,052,097)	-	(1,052,097)
Noncontrolling interests adjustment for change in ownership	27,773,234	(27,773,234)	4,200,382	-	-	4,200,382
Contributions from limited liability company unit holders	-	-	-	-	1,750,000	1,750,000
Issuance of shares under business combinations and investments	473,876,177	-	(18,022,854)	-	-	455,853,323
Issuance of shares for redemption of noncontrolling interests	25,068,847	-	-	-	-	25,068,847
Stock based compensation	-	-	12,812,905	-	-	12,812,905
Warrants issued for note payable	-	-	11,334,657	-	-	11,334,657
Distributions to limited liability company unit holders	-	-	-	-	(5,616,061)	(5,616,061)
Net income (loss)	-	-	-	(31,934,798)	75,947	(31,858,851)
<b>Balance, June 30, 2019</b>	<u>\$ 927,748,327</u>	<u>\$ -</u>	<u>\$ 27,093,714</u>	<u>\$ (133,176,382)</u>	<u>\$ (292,655)</u>	<u>\$ 821,373,004</u>

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

**Green Thumb Industries Inc. (formerly Bayswater Uranium Corporation)**  
**Unaudited Interim Condensed Consolidated Statements of Cash Flows**  
*(Amounts Expressed in United States Dollars)*

	<b>Six Months Ended</b>	
	<b>June 30,</b>	
	<b>2019</b>	<b>2018</b>
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>		
Net loss attributable to Green Thumb Industries Inc.	\$ (31,934,798)	\$ (1,188,081)
Net income (loss) attributable to non-controlling interest	75,947	25,238,411
Adjustments to reconcile net income (loss) to net cash used in operating activities:		
Depreciation and amortization	11,096,805	946,983
Loss from investment in associate	56,423	-
Loss on disposal of property and equipment	-	47,033
Deferred rent	-	(4,336)
Deferred income taxes	(3,415,000)	3,071,000
Share based compensation	12,812,905	27,240
Increase in fair value of warrants	-	(34,557,680)
Increase in fair value of investments	(310,674)	-
Increase in fair value of convertible note receivable	1,996,185	-
Equity conversion and listing expense	-	4,009,622
Changes in value of liabilities related to put option and purchase of noncontrolling interests	(389,481)	-
Interest on contingent consideration payable and acquisition liabilities	2,175,957	-
Interest on convertible note payable	-	434,000
Amortization of debt discount	1,189,346	-
Changes in operating assets and liabilities:		
Accounts receivable	(542,879)	(1,410,630)
Biological assets	425,607	(104,142)
Inventory	(7,812,950)	(3,564,381)
Prepaid expenses and other current assets	(770,793)	(1,379,228)
Deposits and other assets	752,414	(6,643,672)
Accounts payable	14,205,312	614,925
Accrued liabilities	(5,216,874)	1,828,279
Income tax payable	(540,286)	(16,510)
<b>NET CASH USED IN OPERATING ACTIVITIES</b>	<b>(6,146,834)</b>	<b>(12,651,167)</b>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>		
Investments in debentures	-	(24,500,000)
Repayment of debenture investments	3,000,000	20,000,000
Purchases of property and equipment	(36,839,428)	(8,969,668)
Advances to related parties	-	(3,101,009)
Repayments from related parties	-	575,000
Consolidation of controlled entities	68,668	-
Business and intangible asset acquisitions, net of cash received	(64,900,384)	(49,999)
<b>NET CASH USED IN INVESTING ACTIVITIES</b>	<b>(98,671,144)</b>	<b>(16,045,676)</b>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>		
Contributions from limited liability company unit holders	1,750,000	132,948,504
Distributions to limited liability company unit holders	(5,616,061)	(17,314,297)
Reverse takeover financing costs	-	(4,014,585)
Principal payments of lease liabilities	(784,445)	-
Proceeds from issuance of notes payable, net of issuance costs	106,631,772	825,000
Issuance of warrants	11,334,657	-
Principal repayments of notes payable	(18,724,591)	(662,959)
<b>NET CASH PROVIDED BY FINANCING ACTIVITIES</b>	<b>94,591,332</b>	<b>111,781,663</b>
<b>NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>(10,226,646)</b>	<b>83,084,820</b>
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD</b>	<b>145,986,072</b>	<b>29,565,497</b>
<b>CASH AND CASH EQUIVALENTS, END OF PERIOD</b>	<b>\$ 135,759,426</b>	<b>\$ 112,650,317</b>

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

**Green Thumb Industries Inc. (formerly Bayswater Uranium Corporation)**  
**Unaudited Interim Condensed Consolidated Statements of Cash Flows**  
*(Amounts Expressed in United States Dollars)*

	<b>Six Months Ended June 30,</b>	
	<b>2019</b>	<b>2018</b>
<b>SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION</b>		
Interest paid	\$ 1,955,015	\$ 421,576
<b>OTHER NONCASH INVESTING AND FINANCING ACTIVITIES</b>		
Purchase of property and equipment with cancellation of note receivable	\$ -	\$ 605,000
Deferred tax liability from reorganization	\$ -	\$ 614,000
Conversion of notes payable into equity	\$ -	\$ 8,325,000
Compensation options issued for reverse takeover services	\$ -	\$ 906,366
Accrued capital expenditures	\$ 3,100,000	\$ -
Net liability upon adoption of IFRS16, <i>Leases</i>	\$ (1,052,097)	\$ -
Exercise of put option	\$ 4,200,382	\$ -
Issuance of shares under business combinations	\$ 457,076,584	\$ -
Acquisitions		
Inventory	\$ 10,419,475	
Biological assets	5,581,153	
Accounts receivable	2,117,412	
Prepaid expenses	492,571	
Property and equipment	14,834,418	
Investments	-	
Right of use assets	2,126,013	
Identifiable intangible assets	245,385,000	
Goodwill	339,372,003	
Deposits and other assets	655,166	
Liabilities assumed	(11,759,527)	
Contingent liabilities	(52,864,000)	
Equity interests issued	(457,076,584)	
Conversion of note receivable previously issued	(14,632,800)	
Acquisition liability	(17,936,916)	
Deferred income taxes	(1,813,000)	
	<u>\$ 64,900,384</u>	

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

**GREEN THUMB INDUSTRIES INC. (formerly Bayswater Uranium Corporation)**  
**Notes to the Unaudited Interim Condensed Consolidated Financial Statements**  
**For the Three and Six Months Ended June 30, 2019 and 2018**

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**1. NATURE OF OPERATIONS**

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Green Thumb Industries Inc. (the “Company” or “GTI”) is a vertically integrated cannabis operator that focuses on limited-licensed markets in the United States. As a vertically integrated provider it owns or has executed definitive acquisition agreements for cultivation, processing, and retail licenses across twelve State markets (Illinois, Maryland, Massachusetts, Nevada, Ohio, Pennsylvania, Florida, New Jersey, Connecticut, Colorado, California, and New York). The Company is fully licensed in its State markets and has acquired its various State licenses through competitive application processes and / or via purchase.

In addition to the States listed above, the Company also conducts pre-licensing activities in several other markets. In these markets, the Company has either applied for licenses, or plans on applying for licenses, but does not currently own any cultivation, production or retail licenses. The Company also provides management services and solutions to state licensed cannabis cultivators and dispensaries.

On June 12, 2018, the Company completed a reverse takeover transaction (“RTO”) further described in Note 3. Following the RTO, the Company is listed on the Canadian Securities Exchange (the “CSE”) under ticker symbol “GTII” and on the OTCQX, part of the OTC Markets Group, under the ticker “GTBIF”.

The Company’s registered office is located at 885 West Georgia Street, Suite 2200, Vancouver, British Columbia, V6C 3E8, Canada. The Company’s U.S. headquarters are at 325 W. Huron St., Chicago, IL 60654.

**2. SIGNIFICANT ACCOUNTING POLICIES**

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**(a) Basis of Preparation and Statement**

The unaudited interim condensed consolidated financial statements for the three and six months ended June 30, 2019 and 2018, have been prepared in accordance with International Accounting Standard (“IAS”) 34, Interim Financial Reporting. The accounting policies adopted in the preparation of the unaudited interim condensed consolidated financial statements are consistent with those followed in the preparation of the Company’s audited annual consolidated financial statements for the year ended December 31, 2018, except for the adoption of new standards effective as of January 1, 2019. The Company applied, as of January 1, 2019, International Financial Reporting Standard (“IFRS”) 16, *Leases*.

The unaudited interim condensed consolidated financial statements do not conform in all respects to the requirements of IFRS as issued by the International Accounting Standards Board (“IASB”) for annual financial statements. Accordingly, these unaudited interim condensed consolidated financial statements should be read in conjunction with the December 31, 2018 audited consolidated financial statements and notes.

These unaudited interim condensed consolidated financial statements were approved and authorized for issue by the Board of Directors of the Company on August 28, 2019.

**(b) Basis of Measurement**

These unaudited interim condensed consolidated financial statements have been prepared on the going concern basis, under the historical cost convention, except for certain financial instruments and biological assets that are measured at fair value as described herein.

**(c) Functional and Presentation Currency**

The Company’s functional currency, as determined by management, is the United States (“U.S.”) dollar. These unaudited interim condensed consolidated financial statements are presented in U.S. dollars.

**GREEN THUMB INDUSTRIES INC. (formerly Bayswater Uranium Corporation)**  
**Notes to the Unaudited Interim Condensed Consolidated Financial Statements**  
**For the Three and Six Months Ended June 30, 2019 and 2018**

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**2. SIGNIFICANT ACCOUNTING POLICIES** *(Continued)*

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**(d) Basis of Consolidation**

The unaudited interim condensed consolidated financial statements for the three and six months ended June 30, 2019 include the accounts of the Company, its wholly-owned subsidiaries, its partially-owned subsidiaries, and those controlled by the Company by virtue of agreements, on a consolidated basis after elimination of intercompany transactions and balances.

Control exists when the Company has power over an investee, when the Company is exposed, or has rights, to variable returns from the investee, and when the Company has the ability to affect those returns through its power over the investee. The financial statements of entities controlled by the Company by virtue of agreements are fully consolidated from the date that control commences and deconsolidated from the date control ceases.

On January 1, 2018, the members of GTI-Clinic Illinois Holdings, LLC (representing GTI's Illinois operations and ownership) and RCP23, LLC (representing GTI's non-Illinois operations that included Nevada, Pennsylvania, Massachusetts, and Maryland ownership) closed on a restructuring, which combined all of GTI's operational and ownership structure within VCP23, LLC. Prior to January 1, 2018, these businesses were managed and controlled by GTI senior management. Subsequent to January 1, 2018, VCP23, LLC was controlled by the members of GTI-Clinic Illinois Holdings, LLC and RCP23, LLC.

On June 12, 2018, the Company completed a reverse takeover transaction with Bayswater Uranium Corporation (Bayswater). The Transaction was structured as a series of transactions, including a Canadian three-cornered amalgamation transaction and a series of U.S. reorganization steps as explained further in Note 3.

The following are the Company's wholly-owned subsidiaries that are included in these unaudited interim condensed consolidated financial statements as of and for the six months ended June 30, 2019:

<b>Subsidiaries</b>	<b>Jurisdiction</b>	<b>Interest</b>
GTI23, Inc.	Delaware	100%
VCP23, LLC	Delaware	100%
GTI Core, LLC	Delaware	100%

The following are VCP23, LLC's and GTI Core, LLC's wholly-owned subsidiaries and entities over which the Company has control, that are included in these unaudited interim condensed consolidated financial statements as of June 30, 2019:

**GREEN THUMB INDUSTRIES INC. (formerly Bayswater Uranium Corporation)**  
**Notes to the Unaudited Interim Condensed Consolidated Financial Statements**  
**For the Three and Six Months Ended June 30, 2019 and 2018**

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**2. SIGNIFICANT ACCOUNTING POLICIES** *(Continued)*

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**(d) Basis of Consolidation**

<b>Subsidiaries</b>	<b>Ownership</b>	<b>Jurisdiction</b>	<b>Purpose</b>
JB17, LLC	100%	Maryland	Management company
GTI-Clinic Illinois Holdings, LLC	100%	Illinois	License holder
RISE Holdings, Inc.	100%	Massachusetts	License holder
GTI Maryland, LLC	100%	Maryland	License holder
Ohio Investors 2017, LLC	100%	Ohio	License holder
GTI Nevada, LLC	100%	Nevada	License holder
GTI Pennsylvania, LLC	100%	Pennsylvania	License holder
KSGNF, LLC	100%	Florida	License holder
GTI New Jersey, LLC	67%	New Jersey	License holder
KW Ventures Holdings, LLC	100%	Pennsylvania	License holder
Chesapeake Alternatives, LLC	0%	Maryland	License holder
Meshow, LLC	0%	Maryland	License holder
Advanced Grow Labs, LLC	100%	Connecticut	License holder
Integral Associates, LLC	100%	Nevada	License holder
Integral Associates CA, LLC	100%	California	License holder
For Success Holding Company	100%	California	Intellectual property
VCP IP Holdings, LLC	100%	Delaware	Intellectual property
Vision Management Services, LLC	100%	Delaware	Management company
TWD18, LLC	100%	Delaware	Investment company
VCP Real Estate Holdings, LLC	100%	Delaware	Real estate holding company

**(e) Investment in Associates**

Associates are all entities over which the Company has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method and are initially recognized at cost. Unrealized gains on transactions between the Company and its associates are eliminated to the extent of the Company's interest in the associates. Accounting policies of associates have been adjusted where necessary to ensure consistency with the policies adopted by the Company. Dilution gains and losses arising in investments in associates are recognized in the unaudited interim condensed consolidated statements of operations and comprehensive loss.

The Company assesses annually whether there is any objective evidence that its interest in associates is impaired. If impaired, the carrying value of the Company's share of the underlying assets of associates is written down to its estimated recoverable amount (being the higher of fair value less costs of disposal or value in use) and charged to the unaudited interim condensed consolidated statement of loss and comprehensive loss. If the financial statements of an associate are prepared on a date different from that used by the Company, adjustments are made for the effects of significant transactions or events that occur between that date and the date of these unaudited interim condensed consolidated financial statements.

**(f) Non-controlling Interests**

Non-controlling interests ("NCI") represent equity interests owned by outside parties. NCI may be initially measured at fair value or at the NCI's proportionate share of the recognized amounts of the acquiree's identifiable net assets. The choice of measurement is made on a transaction by transaction basis. The share of net assets attributable to NCI are presented as a component of equity. Their share of net income or loss and comprehensive income or loss is recognized directly in equity. Total comprehensive income or loss of subsidiaries is attributed to the shareholders of the Company and to the NCI, even if this results in the NCI having a deficit balance.

**GREEN THUMB INDUSTRIES INC. (formerly Bayswater Uranium Corporation)**  
**Notes to the Unaudited Interim Condensed Consolidated Financial Statements**  
**For the Three and Six Months Ended June 30, 2019 and 2018**

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**2. SIGNIFICANT ACCOUNTING POLICIES** *(Continued)*

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**(g) Cash and Cash Equivalents**

Cash and cash equivalents include cash deposits in financial institutions, other deposits that are readily convertible into cash, with original maturities of three months or less, and cash held at retail locations.

**(h) Accounts Receivable and Expected Credit Loss**

Accounts receivable are recorded at the invoiced amount and do not bear interest. Expected credit loss reflects the Company's estimate of amounts in its existing accounts receivable that may not be collected due to customer claims or customer inability or unwillingness to pay. Collectability of trade receivables is reviewed on an ongoing basis. The expected credit loss is determined based on a combination of factors, including the Company's risk assessment regarding the credit worthiness of its customers, historical collection experience and length of time the receivables are past due. Account balances are charged off against the allowance when the Company believes it is probable the receivable will not be recovered.

**(i) Inventories**

Inventories of purchased finished goods and packing materials are initially valued at cost and subsequently at the lower of cost and net realizable value. Inventories of harvested cannabis are transferred from biological assets at their fair value less costs to sell and complete at harvest which becomes the deemed cost. Any subsequent post-harvest costs are capitalized to inventory to the extent that the cost is less than net realizable value. Net realizable value is determined as the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale. Cost is determined using the weighted average cost basis. Products for resale and supplies and consumables are valued at lower of cost and net realizable value. The Company reviews inventory for obsolete, redundant and slow-moving goods and any such inventories are written down to net realizable value.

**(j) Biological Assets**

The Company measures biological assets consisting of medical and adult-use cannabis plants at fair value less costs to sell and complete up to the point of harvest, which becomes the basis for the cost of internally produced harvested cannabis and finished goods inventories after harvest. These costs are then recorded with cost of goods sold in the unaudited interim condensed consolidated statement of operations and comprehensive loss in the period when the related product is sold. Unrealized gains or losses arising from changes in fair value less cost to sell during the period are included in the results of operations.

Production costs related to biological assets are expensed. They include the direct cost of seeds and growing materials as well as other indirect costs such as utilities and supplies used in the growing process. Indirect labor for individuals involved in the growing and quality control process is also included, as well as depreciation on production equipment and overhead costs such as rent to the extent it is associated with the growing space. Unrealized fair value gains/losses on growth of biological assets are recorded in a separate line on the face of the income statements.

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 less cost to sell 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.

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**2. SIGNIFICANT ACCOUNTING POLICIES** *(Continued)*

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**(k) Property and Equipment**

Property and equipment is stated at cost, including capitalized borrowing costs, net of accumulated depreciation and impairment losses, if any. Expenditures that materially increase the life of the assets are capitalized. Ordinary repairs and maintenance are expensed as incurred. Depreciation is calculated on a straight-line basis over the estimated useful life of the asset using the following terms and methods:

Land	Not Depreciated
Buildings and Improvements	39 Years
Furniture and Fixtures	5 – 7 Years
Computer Equipment and Software	5 Years
Leasehold Improvements	Remaining Life of Lease
Manufacturing Equipment	5 - 7 Years
Assets Under Construction	Not Depreciated

The assets' residual values, useful lives and methods of depreciation are reviewed at each financial year-end and adjusted prospectively if appropriate. An item of equipment is derecognized upon disposal or when no future economic benefits are expected from its use. Any gain or loss arising on de-recognition of the asset (calculated as the difference between the net disposal proceeds and the carrying value of the asset) is included in operations in the year the asset is derecognized.

**(l) Convertible Notes Receivable and Investments in Equity**

Convertible notes investments and investments in equity of private companies are classified as financial assets at fair value through profit or loss. Upon initial recognition, the investment is recognized at fair value with directly attributable transaction costs expensed as incurred. Subsequent changes in fair value are recognized in profit or loss.

**(m) Intangible Assets**

Intangible assets are recorded at cost less accumulated amortization and impairment losses, if any. Intangible assets acquired in a business combination are measured at fair value at the acquisition date. Amortization of definite life intangibles is provided on a straight-line basis over their estimated useful lives, which do not exceed the contractual period, if any, over the following terms:

Licenses and Permits	15 years
Tradenames	5 - 15 years
Customer Relationships	5 - 15 years
Non-competition Agreements	2 - 5 years

The estimated useful lives, residual values, and amortization methods are reviewed at each year end, and any changes in estimates are accounted for prospectively.

**(n) Goodwill**

Goodwill represents the excess of the purchase price paid for the acquisition of an entity over the fair value of the net tangible and intangible assets acquired. Goodwill is allocated to the cash generating unit ("CGU") or CGUs which are expected to benefit from the synergies of the combination.

Goodwill is not subject to amortization and is tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired.

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**2. SIGNIFICANT ACCOUNTING POLICIES** *(Continued)*

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**(n) Goodwill** *(Continued)*

Goodwill represents the excess of the purchase price paid for the acquisition of an entity over the fair value of the net tangible and intangible assets acquired. Goodwill is allocated to the cash generating unit (“CGU”) or CGUs which are expected to benefit from the synergies of the combination.

Goodwill is not subject to amortization and is tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired.

**(o) Leased Assets**

At inception of a contract, the Company assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Company assess whether:

- The contract involves the use of an identified asset.
- The Company has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and
- The Company has the right to direct the use of the asset.

This policy is applied to contracts entered into, or changed, on or after January 1, 2019.

At inception or on reassessment of a contract that contains a lease component, the Company allocates the consideration in the contract to each lease component on the basis of their relative stand-alone prices. However, for the leases of land and buildings in which it is a lessee, the Company has elected not to separate non-lease components and account for the lease and non-lease components as a single lease component.

The Company recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful lives of the right-of-use assets are determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company’s incremental borrowing rate. Generally, the Company uses its incremental borrowing rate as the discount rate.

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**2. SIGNIFICANT ACCOUNTING POLICIES** *(Continued)*

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**(o) Leased Assets** *(Continued)*

Lease payments included in the measurement of the lease liability comprise the following:

- Fixed payments, including in-substance fixed payments;
- 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 under a residual value guarantee; and
- The exercise price under a purchase option that the Company is reasonably certain to exercise, lease payments in an optional renewal period if the Company is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Company is reasonably certain not to terminate early.

The lease liability is measured at amortized cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Company's estimate of the amount expected to be payable under a residual value guarantee, or if the Company changes its assessment of whether it will exercise a purchase, extension, or termination option.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Company has elected not to recognize right-of-use assets and lease liabilities for short-term leases of machinery that have a lease term of 12 months or less and leases of low-value assets, including IT equipment. The Company recognizes the lease payments associated with the leases as an expense on a straight-line basis over the lease term.

**(p) Convertible Promissory Note Payable**

At December 31, 2017, the Company had a convertible promissory note. The convertible promissory note was considered to contain an embedded derivative relating to the conversion feature. The conversion feature was measured at fair value upon initial recognition using the Black-Scholes valuation model and was separated from the debt component of the note. The debt component of the note was measured at residual value upon initial recognition. Subsequent to initial recognition, the embedded derivative component was re-measured at fair value at each reporting date while the debt component was accreted to the face value of the note using the effective interest rate through periodic charges to finance expense over the term of the note.

**(q) Income Taxes**

Income tax expense consisting of current and deferred tax expense is recognized in the unaudited interim condensed consolidated statements of operations based on the expected tax payable on the taxable income for the period, using tax rates enacted or substantively enacted at year-end.

Deferred tax assets and liabilities and the related deferred income tax expense or recovery, if any, are recognized for deferred tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using the enacted or substantively enacted tax rates expected to apply when the asset is realized or the liabilities settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that substantive enactment occurs.

As discussed further in Note 12, the Company is subject to the limitations of IRC Section 280E.

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**2. SIGNIFICANT ACCOUNTING POLICIES** *(Continued)*

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**(r) Revenue Recognition**

Revenue is recognized by the Company in accordance with IFRS 15, *Revenue from Contracts with Customers*. Through application of the standard, the Company recognizes revenue to depict the transfer of promised goods or services to the customer in an amount that reflects the consideration to which the Company expects to be entitled in exchange for those goods or services.

In order to recognize revenue under IFRS 15, the Company applies the following five (5) steps:

- Identify a customer along with a corresponding contract;
- Identify the performance obligation(s) in the contract to transfer goods or provide distinct services to a customer;
- Determine the transaction price the Company expects to be entitled to in exchange for transferring promised goods or services to a customer;
- Allocate the transaction price to the performance obligation(s) in the contract;
- Recognize revenue when or as the Company satisfies the performance obligation(s).

Under IFRS 15, revenues from the sale of cannabis are generally recognized at a point in time when control over the goods have been transferred to the customer. Payment is typically due upon transferring the goods to the customer or within a specified time period permitted under the Company's credit policy.

Revenue is recognized upon the satisfaction of the performance obligation. The Company satisfies its performance obligation and transfers control upon delivery and acceptance by the customer.

Based on the Company's assessment, the adoption of this new standard had no impact on the amounts recognized in its unaudited interim condensed consolidated financial statements.

**(s) Share-Based Payments**

The Company operates equity settled share-based remuneration plans for its eligible directors, officers, employees and consultants. All goods and services received in exchange for the grant of any share-based payments are measured at their fair value unless the fair value cannot be estimated reliably. If the Company cannot estimate reliably the fair value of the goods and services received, the Company shall measure their value indirectly by reference to the fair value of the equity instruments granted. For transactions with employees and others providing similar services, the Company measures the fair value of the services by reference to the fair value of the equity instruments granted.

Equity settled share-based payments under share-based payments plans are ultimately recognized as an expense in profit or loss with a corresponding credit to reserve for share-based payments, in equity.

If vesting periods or other vesting conditions apply, the expense is allocated over the vesting period, based on the best available estimate of the number of share options expected to vest. Non-market vesting conditions are included in the assumptions about the number of options that are expected to become exercisable. Estimates are subsequently revised if there is any indication that the number of share options expected to vest differs from the previous estimate. Any cumulative adjustment prior to vesting is recognized in the current period. No adjustment is made to any expense recognized in prior period if share options ultimately exercised are different to that estimated on vesting.

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**2. SIGNIFICANT ACCOUNTING POLICIES** *(Continued)*

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**(t) Financial Instruments**

*Financial Assets*

*Recognition and Initial Measurement*

The Company recognizes financial assets when it becomes party to the contractual provisions of the instrument. Financial assets are measured initially at their fair value plus, in the case of financial assets not subsequently measured at fair value through profit or loss, transaction costs that are directly attributable to their acquisition. Transaction costs attributable to the acquisition of financial assets subsequently measured at fair value through profit or loss are expensed in profit or loss when incurred.

*Classification and Subsequent Measurement*

On initial recognition, financial assets are classified as subsequently measured at amortized cost, fair value through other comprehensive income (“FVOCI”) or fair value through profit or loss (“FVTPL”). The Company determines the classification of its financial assets, together with any embedded derivatives, based on the business model for managing the financial assets and their contractual cash flow characteristics.

Financial assets are classified as follows:

- Amortized cost - Assets that are held for collection of contractual cash flows where those cash flows are solely payments of principal and interest are measured at amortized cost. Interest revenue is calculated using the effective interest method and gains or losses arising from impairment, foreign exchange and derecognition are recognized in profit or loss. Financial assets measured at amortized cost are comprised of trade receivables.
- Fair value through other comprehensive income - Assets that are held for collection of contractual cash flows and for selling the financial assets, and for which the contractual cash flows are solely payments of principal and interest, are measured at fair value through other comprehensive income. Interest income calculated using the effective interest method and gains or losses arising from impairment and foreign exchange are recognized in profit or loss. All other changes in the carrying amount of the financial assets are recognized in other comprehensive income. Upon derecognition, the cumulative gain or loss previously recognized in other comprehensive income is reclassified to profit or loss. The Company does not hold any financial assets measured at fair value through other comprehensive income.
- Mandatorily at fair value through profit or loss - Assets that do not meet the criteria to be measured at amortized cost, or fair value through other comprehensive income, are measured at fair value through profit or loss. All interest income and changes in the financial assets’ carrying amount are recognized in profit or loss. Financial assets mandatorily measured at fair value through profit or loss are comprised of cash and cash equivalents.
- Designated at fair value through profit or loss – On initial recognition, the Company may irrevocably designate a financial asset to be measured at fair value through profit or loss in order to eliminate or significantly reduce an accounting mismatch that would otherwise arise from measuring assets or liabilities, or recognizing the gains and losses on them, on different bases. All interest income and changes in the financial assets’ carrying amount are recognized in profit or loss. The Company does not hold any financial assets designated to be measured at fair value through profit or loss.

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**2. SIGNIFICANT ACCOUNTING POLICIES** *(Continued)*

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(t) **Financial Instruments** (Continued)

*Financial Assets* (Continued)

The Company measures all equity investments at fair value. Changes in fair value are recorded in profit or loss.

*Business model assessment*

The Company assesses the objective of its business model for holding a financial asset at a level of aggregation which best reflects the way the business is managed and information is provided to management. Information considered in this assessment includes stated policies and objectives.

*Contractual cash flow assessment*

The cash flows of financial assets are assessed as to whether they are solely payments of principal and interest on the basis of their contractual terms. For this purpose, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money, the credit risk associated with the principal amount outstanding, and other basic lending risks and costs. In performing this assessment, the Company considers factors that would alter the timing and amount of cash flows such as prepayment and extension features, terms that might limit the Company's claim to cash flows, and any features that modify consideration for the time value of money.

*Impairment*

The Company recognizes a loss allowance for the expected credit losses associated with its financial assets, other than financial assets measured at fair value through profit or loss. Expected credit losses are measured to reflect a probability-weighted amount, the time value of money, and reasonable and supportable information regarding past events, current conditions and forecasts of future economic conditions.

The Company applies the simplified approach for trade receivables. Using the simplified approach, the Company records a loss allowance equal to the expected credit losses resulting from all possible default events over the assets' contractual lifetime.

The Company assesses whether a financial asset is credit-impaired at the reporting date. Regular indicators that a financial instrument is credit-impaired include significant financial difficulties as evidenced through borrowing patterns or observed balances in other accounts and breaches of borrowing contracts such as default events or breaches of borrowing covenants. For financial assets assessed as credit-impaired at the reporting date, the Company continues to recognize a loss allowance equal to lifetime expected credit losses.

For financial assets measured at amortized cost, loss allowances for expected credit losses are presented in the statement of financial position as a deduction from the gross carrying amount of the financial asset.

Financial assets are written off when the Company has no reasonable expectations of recovering all or any portion thereof.

*Derecognition of Financial Assets*

The Company derecognizes a financial asset when its contractual rights to the cash flows from the financial asset expire.

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**2. SIGNIFICANT ACCOUNTING POLICIES** *(Continued)*

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**(t) Financial Instruments** (Continued)

*Financial Liabilities* (Continued)

*Recognition and Initial Measurement*

The Company recognizes a financial liability when it becomes party to the contractual provisions of the instrument. At initial recognition, the Company measures financial liabilities at their fair value plus transaction costs that are directly attributable to their issuance, with the exception of financial liabilities subsequently measured at fair value through profit or loss for which transaction costs are immediately recorded in profit or loss.

Where an instrument contains both a liability and equity component, these components are recognized separately based on the substance of the instrument, with the liability component measured initially at fair value and the equity component assigned the residual amount.

*Classification and subsequent measurement*

Subsequent to initial recognition, all financial liabilities are measured at amortized cost using the effective interest rate method. Interest, gains and losses relating to a financial liability are recognized in profit or loss.

	<u>Classification and Measurement</u>
Cash and Cash Equivalents	FVTPL
Accounts Receivable	Amortized cost
Notes Receivable	Amortized cost/FVTPL
Investments	FVTPL
Accounts Payable and Accrued Liabilities	Amortized cost
Liability for Redemption of Noncontrolling Interest	FVTPL
Derivative Liability	FVTPL
Notes Payable	Amortized cost
Contingent Consideration Payable	FVTPL
Acquisition Liability	FVTPL

*Derecognition of financial liabilities*

The Company derecognizes a financial liability only when its contractual obligations are discharged, cancelled or expire.

**(u) Provisions and Contingent Liabilities**

Provisions, where applicable, are recognized in other liabilities when the Company has a present legal or constructive obligation as a result of past events, it is more likely than not that an outflow of resources will be required to settle the obligation, and the amount can be reliably estimated. Provisions are measured at management's best estimate of the expenditure required to settle the obligation at the end of the reporting period and are discounted to present value where the effect is material. The Company performs evaluations to identify onerous contracts and, where applicable, records provisions for such contracts.

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**2. SIGNIFICANT ACCOUNTING POLICIES** *(Continued)*

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**(v) Share Capital**

Common shares are classified as equity. Incremental costs directly attributable to the issuance of shares are recognized as a deduction from equity. The proceeds from the exercise of stock options or warrants together with amounts previously recorded in reserves over the vesting periods are recorded as share capital. Income tax relating to transaction costs of an equity transaction is accounted for in accordance with IAS 12.

**(w) Loss per Share**

Basic loss per share is calculated by dividing the net loss attributable to shareholders by the weighted average number of common shares outstanding during each of the years presented. Contingently issuable shares (including shares held in escrow) are not considered outstanding common shares and consequently are not included in the loss per share calculations.

Diluted loss per share is calculated by adjusting the weighted average number of common shares outstanding to assume conversion of all dilutive potential common shares. The Company has two categories of dilutive potential common shares: restricted stock units and stock options. In order to determine diluted loss per share, it is assumed that any proceeds from the exercise of dilutive stock options would be used to repurchase common shares at the average market price during the period. The diluted loss per share calculation excludes any potential conversion of stock options and convertible debt that would increase earnings per share or decrease loss per share.

**(x) Business Combinations**

Business combinations are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value at the date of acquisition. Acquisition related transaction costs are expensed as incurred. Identifiable assets and liabilities, including intangible assets, of acquired businesses are recorded at their fair value at the date of acquisition. When the Company acquires control of a business, any previously held equity interest also is remeasured to fair value. The excess of the purchase consideration and any previously held equity interest over the fair value of identifiable net assets acquired is goodwill. If the fair value of identifiable net assets acquired exceeds the purchase consideration and any previously held equity interest, the difference is recognized in the unaudited interim condensed consolidated statements of operations and comprehensive loss immediately as a gain or loss on acquisition.

Contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured at subsequent reporting dates in accordance with IFRS 9, or IAS 37 Provisions, *Contingent Liabilities and Contingent Assets*, as appropriate, with the corresponding gain or loss being recognized in profit or loss.

**(y) Foreign Currency**

Monetary assets and liabilities denominated in currencies other than functional currencies are translated into functional currencies at the rate of exchange in effect at the statement of financial position date. Non-monetary assets and liabilities are translated at the historical rates. Revenues and expenses are translated at the transaction date exchange rate. Foreign currency gains and losses resulting from translation are reflected in net comprehensive loss for the period.

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**2. SIGNIFICANT ACCOUNTING POLICIES** *(Continued)*

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**(z) Impairment of Non-Financial Assets**

The carrying amount of the Company's non-financial assets is reviewed at each financial reporting date to determine whether there is any indication of impairment. If such indication exists, the recoverable amount of the asset is estimated to determine the extent of the impairment loss. An impairment loss is recognized when the carrying amount of an asset or its Cash Generating Unit ("CGU") exceeds its recoverable amount.

The recoverable amount of an asset or CGU is the greater of its fair value less cost to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects the current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is only reversed if there is an indication that the impairment loss may no longer exist and there has been a change in the estimates used to determine the recoverable amount, however, not to an amount higher than the carrying amount that would have been determined had no impairment loss been recognized in previous years.

**(aa) Significant Accounting Judgments, Estimates and Assumptions**

The preparation of the Company's unaudited interim condensed consolidated financial statements requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, and revenue and expenses. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

Significant judgments, estimates and assumptions that have the most significant effect on the amounts recognized in the unaudited interim condensed consolidated financial statements are described below.

*(i) Estimated Useful Lives and Depreciation of Property and Equipment (Also see Note 2(k))*

Depreciation of property and equipment is dependent upon estimates of useful lives which are determined through the exercise of judgment. The assessment of any impairment of these assets is dependent upon estimates of recoverable amounts that take into account factors such as economic and market conditions and the useful lives of assets.

*(ii) Estimated Useful Lives and Amortization of Intangible Assets (Also see Note 2(m))*

Amortization of intangible assets is recorded on a straight-line basis over their estimated useful lives, which do not exceed the contractual period, if any. Intangible assets that have indefinite useful lives are not subject to amortization and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired.

*(iii) Business Combinations*

Classification of an acquisition as a business combination or an asset acquisition depends on whether the assets acquired constitute a business, which can be a complex judgment. Whether an acquisition is classified as a business combination or asset acquisition can have a significant impact on the entries made on and after acquisition.

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**2. SIGNIFICANT ACCOUNTING POLICIES** *(Continued)*

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**(aa) Significant Accounting Judgments, Estimates and Assumptions** *(Continued)*

*(iii) Business Combinations* *(Continued)*

In determining the fair value of all identifiable assets, liabilities and contingent liabilities acquired, the most significant estimates relate to contingent consideration and intangible assets. Management exercises judgement in estimating the probability and timing of when earn-outs are expected to be achieved which is used as the basis for estimating fair value. For any intangible asset identified, depending on the type of intangible asset and the complexity of determining its fair value, an independent valuation expert or management may develop the fair value, using appropriate valuation techniques, which are generally based on a forecast of the total expected future net cash flows. The evaluations are linked closely to the assumptions made by management regarding the future performance of these assets and any changes in the discount rate applied.

*(iv) Inventories*

The net realizable value of inventories represents the estimated selling price for inventories in the ordinary course of business, less all estimated costs of completion and costs necessary to make the sale. The determination of net realizable value requires significant judgment, including consideration of factors such as shrinkage, the aging of and future demand for inventory, expected future selling price the Company expects to realize by selling the inventory, and the contractual arrangements with customers. Reserves for excess and obsolete inventory are based upon quantities on hand, projected volumes from demand forecasts and net realizable value. The estimates are judgmental in nature and are made at a point in time, using available information, expected business plans, and expected market conditions. As a result, the actual amount received on sale could differ from the estimated value of inventory. Periodic reviews are performed on the inventory balance. The impact of changes in inventory reserves is reflected in cost of goods sold.

*(v) Biological Assets* *(Also see Note 5)*

Management is required to make estimates in calculating the fair value of biological assets and harvested cannabis inventory. These estimates include a number of assumptions, such as estimating the stages of growth of the cannabis, harvested costs, sales price and expected yields.

*(vi) Investments in Private Holdings*

Investments include private company investments which are classified as FVTPL and carried at fair value based on the value of the Company's interests in the private companies determined from financial information provided by management of the companies, which may include operating results, subsequent rounds of financing and other appropriate information. Any change in fair value is recognized on the unaudited interim condensed consolidated statement of operations and comprehensive loss.

*(vii) Goodwill Impairment*

Goodwill is tested for impairment annually and whenever events or changes in circumstances indicate that the carrying amount of goodwill has been impaired. In order to determine if the value of goodwill has been impaired, the cash-generating unit to which goodwill has been allocated must be valued using present value techniques. When applying this valuation technique, the Company relies on a number of factors, including historical results, business plans, forecasts and market data. Changes in the conditions for these judgments and estimates can significantly affect the assessed value of goodwill.

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**2. SIGNIFICANT ACCOUNTING POLICIES** *(Continued)*

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**(aa) Significant Accounting Judgments, Estimates and Assumptions** *(Continued)*

*(viii) Determination of Cash-Generating Units*

The Company's assets are aggregated into cash-generating units ("CGU's"). CGU's are based on an assessment of the unit's ability to generate independent cash inflows. The determination of these CGU's was based on management's judgment in regard several factors such as shared infrastructure, geographical proximity, and exposure to market risk and materiality.

*(ix) Consolidation*

Judgment is applied in assessing whether the Company exercises control and has significant influence over entities in which the Company directly or indirectly owns an interest. The Company has control when it has the power over the subsidiary, has exposure or rights to variable returns, and has the ability to use its power to affect the returns. Significant influence is defined as the power to participate in the financial and operating decisions of the subsidiaries. Where the Company is determined to have control, these entities are consolidated. Additionally, judgment is applied in determining the effective date on which control was obtained.

*(x) Expected Credit Loss*

Management determines the expected credit loss by evaluating individual receivable balances and considering accounts and other receivable financial condition and current economic conditions. Accounts receivable and financial assets recorded in other receivables are written off when deemed uncollectible. Recoveries of accounts receivable previously written off are recorded as income when received. All receivables are expected to be collected within one year of the statement of financial position date.

*(xi) Share-Based Payments*

Valuation of stock-based compensation and warrants requires management to make estimates regarding the inputs for option pricing models, such as the expected life of the option, the volatility of the Company's stock price, the vesting period of the option and the risk-free interest rate are used. Actual results could differ from those estimates. The estimates are considered for each new grant of stock options or warrants.

*(xii) Fair Value of Financial Instruments*

The individual fair values attributed to the different components of a financing transaction, derivative financial instruments, are determined using valuation techniques. The Company uses judgment to select the methods used to make certain assumptions and in performing the fair value calculations in order to determine (a) the values attributed to each component of a transaction at the time of their issuance; (b) the fair value measurements for certain instruments that require subsequent measurement at fair value on a recurring basis; and (c) for disclosing the fair value of financial instruments subsequently carried at amortized cost. These valuation estimates could be significantly different because of the use of judgment and the inherent uncertainty in estimating the fair value of these instruments that are not quoted in an active market.

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**2. SIGNIFICANT ACCOUNTING POLICIES** *(Continued)*

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**(bb) Adoption of New and Revised Standards and Interpretations**

The following IFRS standards have been recently issued by the IASB. The Company is assessing the impact of these new standards on future consolidated financial statements. Pronouncements that are not applicable or where it has been determined do not have a significant impact to the Company have been excluded herein.

*(i) IFRS 7, Financial Instruments: Disclosure*

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

*(ii) IFRS 9, Financial Instruments*

In July 2014, the IASB issued the final version of IFRS 9, *Financial Instruments*, which reflects all phases of the financial instruments project and replaces IAS 39, *Financial Instruments: Recognition and Measurement*, and all previous versions of IFRS 9. The standard introduces new requirements for classification and measurement, impairment, and hedge accounting. IFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early application permitted. There was no significant impact on the Company's unaudited interim condensed consolidated financial statements as a result of this adoption.

*(iii) IFRS 15, Revenue from Contracts with Customers*

The IASB replaced IAS 18, *Revenue*, in its entirety with IFRS 15, *Revenue from Contracts with Customers*. The standard contains a single model that applies to contracts with customers and two approaches to recognizing revenue: at a point in time or over time. The model features a contract-based five-step analysis of transactions to determine whether, how much and when revenue is recognized. New estimates and judgmental thresholds have been introduced, which may affect the amount and/or timing of revenue recognized. IFRS 15 is effective for annual periods beginning on or after January 1, 2018, with early application permitted. There was no significant impact on the Company's unaudited interim condensed consolidated financial statements as a result of this adoption.

*(iv) IFRS 2, Share-Based Payments*

In June 2016, the IASB issued final amendments to this standard. IFRS 2 clarifies the classification and measurement of share-based payments transactions. These amendments deal with variations in the final settlement arrangements including: (a) accounting for cash settled share-based payment transactions that include a performance condition; (b) classification of share-based payment transactions with net settlement features; and (c) accounting for modifications of share-based payment transactions from cash settled to equity. IFRS 2 amendments are effective for annual periods beginning on or after January 1, 2018, with early adoption permitted. The Company has assessed this standard and will account for share-based payments on this basis as they occur. There was no significant impact on the unaudited interim condensed consolidated financial statements as a result of this adoption.

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**2. SIGNIFICANT ACCOUNTING POLICIES** *(Continued)*

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*(v) IFRS 16, Leases*

In January 2016, the IASB issued IFRS 16, *Leases*, which replaced IAS 17, *Leases*. This standard introduces a single lessee accounting model and requires a lessee to recognize assets and liabilities for all leases with a term of more than twelve months unless the underlying asset is of low value. A lessee is required to recognize a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. The standard was effective for annual periods beginning on or after January 1, 2019.

The Company has applied this standard on a modified retrospective basis, where the cumulative effect of initially applying the standard is recognized as an adjustment to the opening balance of retained earnings and comparative balances are not restated.

On transition to IFRS 16, the Company elected to apply the practical expedient to grandfather the assessment of which transactions are leases and apply IFRS 16 only to contracts that were previously identified as leases. Contracts that were not identified as leases under IAS 17 were not reassessed for whether a lease exists. The Company elected to not recognize right-of-use assets and lease liabilities for leases that have a lease term of 12 months or less and for leases of low-value assets. The Company also accounts for leases for which the lease term ends within 12 months of the date of initial application as short-term leases.

**3. REVERSE TAKEOVER TRANSACTION**

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In April 2018, the Company raised approximately \$65.1 million in subscription receipts, gross of approximately \$4.0 million in transaction costs. The subscription receipts were for the potential purchase of shares in GTI Finco Inc. (“GTI Finco”) and were held in an escrow account until the reverse takeover transaction.

At a meeting of shareholders on June 11, 2018, the Company’s shareholders approved a resolution to restructure the Company’s share capital to, among other things, re-designate its existing common shares as subordinate voting shares (“Subordinate Voting Shares”) and create a class of multiple voting shares (“Multiple Voting Shares”) and super voting shares (“Super Voting Shares”).

On June 12, 2018, Green Thumb Industries Inc., 1165318 B.C. Ltd. (a wholly-owned subsidiary of Bayswater) (“Subco”), VCP23, LLC (“VCP”), GTI23, Inc. (“GTI23”) and GTI Finco entered into a Business Combination Agreement whereby the Corporation, Subco, VCP, GTI23 and GTI Finco combined their respective businesses (the “Transaction”). The Transaction was structured as a series of transactions, including a Canadian three-cornered amalgamation transaction and a series of U.S. reorganization steps. The subscription receipts of GTI Finco were then released from escrow.

In connection with the Transaction completed on June 12, 2018, the Corporation changed its name from “Bayswater Uranium Corporation” to “Green Thumb Industries Inc.” and consolidated its existing common shares on the basis of one Subordinate Voting Share for each 368 existing common shares of the Corporation. Such share consolidation has been reflected retrospectively in these unaudited interim condensed consolidated financial statements.

The Corporation, Subco and GTI Finco were parties to a three-cornered amalgamation (“Amalgamation”) whereby GTI Finco shareholders received Subordinate Voting Shares of the Corporation on a one-for-one basis and members of VCP contributed their membership interests to GTI23 for shares of GTI23 and then contributed their shares of GTI23 to GTI in exchange for Super Voting Shares and Multiple Voting Shares of GTI.

The acquired net assets of Bayswater were nil, and all value was attributed to the acquirer (GTI).

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**4. INVENTORIES**

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The Company's inventories include the following at June 30, 2019 and December 31, 2018:

	June 30, 2019	December 31, 2018
	<u>                    </u>	<u>                    </u>
Raw Material		
Harvested Cannabis	\$ 1,276,611	\$ 527,456
Packaging and Miscellaneous	<u>5,108,754</u>	<u>2,511,769</u>
Total Raw Material	6,385,365	3,039,225
Work in Process	12,046,393	4,038,787
Finished Goods	<u>11,333,619</u>	<u>4,293,856</u>
<b>Total Inventories</b>	<u>\$ 29,765,377</u>	<u>\$ 11,371,868</u>

**5. BIOLOGICAL ASSETS**

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Biological assets consist of cannabis plants. For the six months ended June 30, 2019 and year ended December 31, 2018, the changes in the carrying value of biological assets are shown below:

	Six Months Ended June 30, 2019	Year Ended December 31, 2018
	<u>                    </u>	<u>                    </u>
Biological assets, beginning balance	\$ 6,321,215	\$ 2,117,131
Changes in fair value less costs to sell due to biological transformation	14,007,061	14,040,688
Acquisitions from business combinations	5,581,153	-
Transferred to inventory upon harvest	<u>(14,432,668)</u>	<u>(9,836,604)</u>
Net change	5,155,546	4,204,084
Biological assets, ending balance	<u>\$ 11,476,761</u>	<u>\$ 6,321,215</u>

The Company values its biological assets at the end of each reporting period at fair value less costs to sell and complete. This is determined using a valuation model to estimate the expected harvest yield per plant applied to the estimated price per gram less processing and selling costs. This model also considers the progress in the plant life cycle.

Management has made the following estimates in this valuation model:

- The average number of weeks in the growing cycle is 17 weeks from propagation to harvest;
- The average harvest yield of whole flower is 136 grams per plant;
- The average selling price of whole flower is \$7.53 per gram;
- Processing costs include drying and curing, testing and packaging, and post-harvest overhead allocation, estimated to be \$1.69 per gram: and
- Selling costs include shipping, order fulfillment, and labelling, estimated to be \$0.53 per unit.

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**5. BIOLOGICAL ASSETS** *(Continued)*

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The estimates of growing cycle, harvest yield, and costs per gram are based on the Company's historical results. The estimate of the selling price per gram is based on the Company's historical sales in addition to the Company's expected sales price going forward.

Management has quantified the sensitivity of the inputs, and determined the following:

- Selling price per gram - a decrease in the selling price per gram by 5% would result in the biological asset value decreasing by \$356,018 (2018 - \$317,750).
- Harvest yield per plant - a decrease in the harvest yield per plant of 5% would result in the biological asset value decreasing by \$573,838 (2018 - \$316,060).
- Average days to grow – an increase in the average days to grow by 5% would result in the biological asset value decreasing by \$521,891 (2018 - \$301,010).
- Processing costs per gram – an increase in the cost per gram by 5% would result in the biological asset value decreasing by \$284,115 (2018 - \$54,986).

These inputs are level 3 on the fair value hierarchy, and are subject to volatility and several uncontrollable factors, which could significantly affect the fair value of biological assets in future periods.

As of June 30, 2019, the biological assets were on average, 44% complete (December 2018 – 42%) based on the number of days remaining to harvest, and the estimated fair value less costs to sell of dry cannabis was \$5.66 per gram.

As of June 30, 2019, it is expected that the Company's biological assets will ultimately yield approximately 7,282 kg of cannabis (December 2018 – 2,840kg).

**6. NOTES RECEIVABLE**

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*Notes Receivable Classified at Amortized Cost*

On October 22, 2018, the Company issued a line of credit to an entity, allowing for maximum borrowings of \$1,000,000, of which \$500,000 was drawn as of December 31, 2018. The note had a term of one year and bore interest at a rate of 8%. During February 2019, the Company acquired the entity, and the note receivable was cancelled as a portion of the consideration paid to acquire the entity.

On October 31, 2018, the Company issued a \$3,000,000 promissory note to an unrelated third party. The note had a term of one year and bears interest at a rate of 8%. The note was repaid in full in June 2019.

At each reporting date, the Company applies its judgment to evaluate the collectability of the notes receivable and makes a provision based on the assessed amount of expected credit loss. This judgment is based on parameters such as interest rates, specific country risk factors, and creditworthiness of the creditor. The Company has not experienced an increase in credit risk since the initial recognition of the notes receivable.

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**6. NOTES RECEIVABLE (Continued)**

*Notes Receivable Classified at FVTPL*

On October 16, 2018, the Company executed a promissory note to an unrelated third party. The value of the note is variable in nature as the note is secured by an investment vehicle. The initial fair value upon execution of the note was \$11,630,867. The fair value as of June 30, 2019 and December 31, 2018 was \$5,428,542 and \$7,424,727, respectively, resulting in an adjustment to fair value of \$(6,105,979) and \$(1,996,185) during the three and six months ended June 30, 2019, respectively, which is recorded in other income (expense) on the unaudited interim condensed consolidated statement of operations and comprehensive loss. The note receivable does not meet the solely payment of principal and interest test, as the repayment terms are based on variable conditions that are dependent on the value of the underlying publicly traded security of the investee. As such, the note receivable is categorized as a financial instrument measured at FVTPL. Repayment of the note is due within ten days of exercise of the underlying security, at which time it will bear interest at the lowest applicable federal rate. The principal amount due is based on the actual value of the underlying security at the time of exercise. The Company used the Black Scholes option pricing model to estimate the fair value of the note receivable.

**7. PROPERTY AND EQUIPMENT**

At June 30, 2019 and December 31, 2018, property and equipment consist of:

	Land	Buildings and Improvements	Furniture and Fixtures	Computer Equipment and Software	Leasehold Improvements	Production and Processing Equipment	Assets Under Construction	Total
<u>Cost</u>								
As at December 31, 2018	\$ 2,243,085	\$ 20,861,988	\$ 2,328,847	\$ 2,093,205	\$ 18,435,893	\$ 6,579,446	\$ 16,664,958	\$ 69,207,422
Transfers	892,056	5,038,569	21,530	77,122	2,670,275	576,553	(9,276,105)	-
Additions	205,000	10,558,352	569,436	1,161,657	3,393,596	2,339,488	21,815,489	40,043,018
Additions from acquisition:	-	-	96,480	128,521	9,863,430	4,363,141	382,846	14,834,418
Disposals	-	-	-	-	-	-	-	-
As at June 30, 2019	\$ 3,340,141	\$ 36,458,909	\$ 3,016,293	\$ 3,460,505	\$ 34,363,194	\$ 13,858,628	\$ 29,587,188	\$ 124,084,858
<u>Accumulated Depreciation</u>								
As at December 31, 2018	\$ -	\$ 1,351,230	\$ 489,956	\$ 249,423	\$ 1,007,998	\$ 784,735	\$ -	\$ 3,883,342
Depreciation	-	415,046	190,592	237,795	1,006,727	768,434	-	2,618,594
Disposals	-	-	-	-	-	-	-	-
As at June 30, 2019	\$ -	\$ 1,766,276	\$ 680,548	\$ 487,218	\$ 2,014,725	\$ 1,553,169	\$ -	\$ 6,501,936
Net book value								
As at December 31, 2018	\$ 2,243,085	\$ 19,510,758	\$ 1,838,891	\$ 1,843,782	\$ 17,427,895	\$ 5,794,711	\$ 16,664,958	\$ 65,324,080
As at June 30, 2019	\$ 3,340,141	\$ 34,692,633	\$ 2,335,745	\$ 2,973,287	\$ 32,348,469	\$ 12,305,459	\$ 29,587,188	\$ 117,582,922

Assets under construction represent construction in progress related to both cultivation and dispensary facilities not yet completed or otherwise not ready for use.

Depreciation expense for the three and six months ended June 30, 2019 totaled \$1,567,268 and \$2,618,594, respectively, of which \$1,159,993 and \$1,809,090, respectively, is included in cost of goods sold. For the three and six months ended June 30, 2018, depreciation expense totaled \$559,118 and \$859,863 respectively, of which \$117,090 and \$227,766, respectively, is included in cost of goods sold.

**8. ACQUISITIONS**

During the six months ended June 30, 2019, the Company closed on certain acquisitions. The Company has determined that these acquisitions are business combinations under IFRS 3, *Business Combinations*. They are accounted for by applying the acquisition method, whereby the assets acquired and the liabilities assumed are recorded at their fair values with any excess of the aggregate consideration over the fair values of the identifiable net assets allocated to goodwill. Operating results have been included in these unaudited interim condensed consolidated financial statements from the date of the acquisition. Any goodwill recognized is attributed based on CGUs.

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**8. ACQUISITIONS** *(Continued)*

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The following table summarizes the consideration for the acquisitions:

Cash Paid	\$ 67,557,500
Shares of the Company Issued	457,076,584
Conversion of Previous Notes Receivable	14,632,800
Acquisition Liability	17,936,916
Contingent Consideration	<u>52,864,000</u>
<b>Total Consideration</b>	<b><u><u>\$610,067,800</u></u></b>

The following table summarizes the provisional accounting estimates of the acquisitions:

Cash	\$ 2,657,116
Non-biological Inventory	10,419,475
Biological Assets	5,581,153
Accounts Receivable	2,117,412
Prepaid Expenses	492,571
Property and Equipment	14,834,418
Right-of-Use Assets	2,126,013
Deposits and Other Assets	655,166
Intangible Assets:	
Licenses and Permits	158,920,000
Tradename	20,930,000
Customer Relationships	62,970,000
Non-competition Agreements	2,565,000
Liabilities Assumed	<u>(13,572,527)</u>
Total Identifiable Net Assets	270,695,797
Goodwill	<u>339,372,003</u>
<b>Net Assets</b>	<b><u><u>\$610,067,800</u></u></b>

The Company also incurred approximately \$599,000 of acquisition related costs which were expensed in the current period.

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**9. INTANGIBLE ASSETS**

At June 30, 2019 and December 30, 2018, intangible assets consisted of the following:

	Licenses and Permits	Tradename	Customer Relationships	Non-competition Agreements	Total
<u>Cost</u>					
As at December 31, 2018	\$ 92,905,213	\$ 360,000	\$ 820,000	\$ 20,480	\$ 94,105,693
Additions from acquisitions	<u>158,835,000</u>	<u>20,930,000</u>	<u>62,970,000</u>	<u>2,565,000</u>	<u>245,300,000</u>
As at June 30, 2019	\$ 251,740,213	\$ 21,290,000	\$ 63,790,000	\$ 2,585,480	\$ 339,405,693
<u>Accumulated Amortization</u>					
As at December 31, 2018	\$ 2,322,715	\$ -	\$ 204,500	\$ 12,800	\$ 2,540,015
Amortization	<u>4,854,197</u>	<u>526,333</u>	<u>1,347,667</u>	<u>268,287</u>	<u>6,996,484</u>
As at June 30, 2019	\$ 7,176,912	\$ 526,333	\$ 1,552,167	\$ 281,087	\$ 9,536,499
<u>Net Carrying Amount</u>					
As at December 31, 2018	\$ 90,582,498	\$ 360,000	\$ 615,500	\$ 7,680	\$ 91,565,678
As at June 30, 2019	\$ 244,563,301	\$ 20,763,667	\$ 62,237,833	\$ 2,304,393	\$ 329,869,194

**10. NOTES PAYABLE**

At June 30, 2019 and December 31, 2018, notes payable consisted of the following:

	June 30, 2019	December 31, 2018
Promissory note dated October 2, 2017, in the original amount of \$2,500,000 issued to accredited investors, which matures October 1, 2022; monthly payments of \$55,611 including interest at 12.0% per annum.	\$ -	\$ 2,007,256
Promissory note dated October 2, 2017, in the original amount of \$5,000,000 issued to accredited investors, which matures October 1, 2022; monthly payments of \$112,490 including interest at 12.5% per annum.	-	4,084,885
In connection with an acquisition completed in 2017, the Company is required to make quarterly charitable contributions of \$50,000 through October 2024. The net present value of these required payments has been recorded as a liability with an interest rate of 2.17%.	989,866	1,122,316
Private placement debt dated May 22, 2019, in the original amount of \$105,466,429, which matures May 22, 2022. The debt was issued at a discount, the carrying value of which is \$10,145,311 at June 30, 2019, and bears interest of 12.0% per annum.	<u>95,321,118</u>	<u>-</u>
Total Notes Payable	96,310,984	7,214,457
Less: Current Portion of Notes Payable	<u>(179,978)</u>	<u>(1,480,660)</u>
<b>Notes Payable, Net of Current Portion</b>	<b><u>\$ 96,131,006</u></b>	<b><u>\$ 5,733,797</u></b>

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**10. NOTES PAYABLE** *(Continued)*

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**(a) Bridge Financing**

On April 12, 2019, the Company completed a private placement of \$12,500,000 in six-month senior secured promissory notes (the “Bridge Notes”). These Notes included Warrants to purchase 218,964 Subordinate Voting Shares at an exercise price of CAD \$22.90, which can be exercised 42 months after the closing.

On April 12, 2019, the Company valued the Warrants to equity using the Black-Scholes model, with inputs as volatility of 62.4%, dividend yield of 0.0% and risk-free rate of 1.64%. The fair value of the Warrants was estimated to be \$1,291,189 with the residual amount of \$11,208,811 allocated to the debt.

On May 22, 2019, the Company repaid the full principal amount and accrued interest of \$12,645,833 for the Bridge Notes. The Company recognized \$1,391,189 in accretion expense on settlement of the repayment during the quarter.

**(b) Private Placement Financing**

On May 22, 2019, the Company completed a private placement of \$105,466,429 in three-year senior secured promissory notes and extinguished the \$12,500,000 of Bridge Notes issued on April 12, 2019 and the promissory notes dated October 2, 2017 in the original amounts of \$2,500,000 and \$5,000,000. The Company has the right to draw an additional \$44,533,571 at any time within 180 days of closing. The Company also has the sole discretion to extend the financing an additional twelve months. The notes accrue interest at an annual rate of 12.0%, payable on a quarterly basis commencing June 30, 2019. As of June 30, 2019, the Company recognized \$1,371,064 in interest expense associated with the promissory notes along with \$328,862 in accretion expense.

As part of the transactions, the purchasers of the promissory notes also received warrants to purchase 1,822,771 Subordinate Voting Shares at an exercise price of CAD \$19.39, which can be exercised 60 months after the closing of the transaction. Upon issuance, the Company classified the Warrants as equity and measured the fair value of the warrants to be \$10,043,468 with the residual amount of \$95,422,961, allocated to debt. The Black-Scholes model was used to derive the fair value of the warrants which required various inputs including management’s estimate of volatility of 62.4%, dividend yield of 0.0% and risk-free rate of 1.62%.

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**11. GENERAL AND ADMINISTRATIVE**

For the three and six months ended June 30, 2019 and 2018, general and administrative expenses comprised:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2019	2018	2019	2018
Salaries & Benefits	\$ 10,139,689	\$ 4,013,656	\$ 19,737,762	\$ 7,346,003
Stock Based Compensation	6,339,443	27,240	12,812,905	27,240
Professional Fees	4,409,922	2,591,373	7,997,480	3,612,232
Other	1,255,861	371,687	2,098,047	700,080
Travel	766,166	285,582	1,467,790	539,176
Computer, Telephone, and Internet	508,847	32,371	906,647	43,077
Office Equipment and Supplies	365,937	149,280	599,537	285,929
Insurance	304,776	227,937	497,650	275,681
Licenses & Permits	251,675	93,236	439,700	187,586
Bank fees	225,241	21,076	356,637	61,196
Charitable Donations	143,364	44,612	332,421	55,262
Rent	140,306	330,666	140,306	796,702
Utilities	80,833	60,049	136,513	170,497
Listing Fees	-	3,002,634	-	3,002,634
<b>Total General and Administrative Expenses</b>	<b>\$ 24,932,060</b>	<b>\$ 11,251,399</b>	<b>\$ 47,523,395</b>	<b>\$ 17,103,295</b>

**12. INCOME TAXES**

For the three and six months ended June 30, 2019 and 2018, income taxes expense consisted of:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2019	2018	2019	2018
Current:				
Federal	\$ 2,360,667	\$ 614,000	\$ 3,873,667	\$ 1,097,000
State	476,000	99,000	671,000	120,000
Total Current	2,836,667	713,000	4,544,667	1,217,000
Deferred:				
Federal	\$ (2,677,000)	\$ 2,565,000	\$ (3,109,000)	\$ 2,125,000
State	(337,000)	975,000	(306,000)	946,000
Total Deferred	(3,014,000)	3,540,000	(3,415,000)	3,071,000
<b>Total</b>	<b>\$ (177,333)</b>	<b>\$ 4,253,000</b>	<b>\$ 1,129,667</b>	<b>\$ 4,288,000</b>

Taxable income is computed for GTI Core, LLC and its respective LLC ownership interests up through the RTO date of June 12, 2018 and for all GTI companies and subsidiaries from this date forward. Effective with the Company's reverse takeover transaction on June 12, 2018, all GTI companies and subsidiaries have elected to be taxed as "C" corporations.

Taxes paid during the six months ended June 30, 2019 and 2018 were \$5,445,729 and \$1,253,510, respectively.

Green Thumb Industries Inc. is based in Canada, but maintains all of its operations in the United States. Due to this inverted entity structure, the Company is subject to both US and Canadian taxation.

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**12. INCOME TAXES** *(Continued)*

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On January 1, 2018, the Company, through a tax-free transfer under IRC Section 351, transferred ownership in GTI-Clinic Illinois Holdings, LLC (taxed as a partnership) to GTI Core, LLC (taxed as a "C" corporation). As a result of the transaction, the Company now accounts for income taxes in accordance with IAS 12 - Income Taxes, under which deferred tax assets and liabilities are recognized based upon anticipated future tax consequences attributable to differences between financial statement carrying values of assets and liabilities and the respective tax bases. As a result of the transaction, the tax basis of the Company decreased resulting in the recognition of a deferred tax liability of \$614,000 with a corresponding increase to income tax expense. The liability pertains to the difference in reporting biological assets for financial statement and income tax reporting purposes.

At June 30, 2019 and December 31, 2018, the components of deferred tax assets and liabilities were as follows:

	June 30, 2019	December 31, 2018
	<u>                    </u>	<u>                    </u>
Deferred Tax Assets		
Net Operating Losses	\$ 3,058,000	\$ 1,046,000
Share-based Compensation	<u>1,741,000</u>	<u>1,118,000</u>
Total Deferred Tax Assets	<u>4,799,000</u>	<u>2,164,000</u>
Deferred Tax Liabilities		
Biological Assets	\$ (3,083,000)	\$ (1,643,000)
Fair Value Adjustments	<u>(5,568,000)</u>	<u>(5,975,000)</u>
Total Deferred Tax Liabilities	<u>(8,651,000)</u>	<u>(7,618,000)</u>
<b>Net Deferred Tax Liabilities</b>	<u><u>\$ (3,852,000)</u></u>	<u><u>\$ (5,454,000)</u></u>

As the Company operates in the cannabis industry, it is subject to the limitations of IRC Section 280E under which the Company is only allowed to deduct expenses directly related to sales of product. This results in permanent differences between ordinary and necessary business expenses deemed non-allowable under IRC Section 280E. Therefore, the effective tax rate can be highly variable and may not necessarily correlate with pre-tax income or loss. The Company has not identified any uncertain tax positions as of June 30, 2019 or December 31, 2018.

**13. INVESTMENTS**

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On January 17, 2018, GTI entered into a Debenture Purchase Agreement with iAnthus Capital Holdings, Inc. whereby GTI loaned \$20 million to iAnthus for the purchase of a Florida medical cannabis business. As part of the Debenture Purchase Agreement, GTI received (i) an Unsecured Debenture with a principal amount of \$20 million accruing interest at the rate of 15% per annum, and (ii) a Warrant Certificate providing GTI with 10,040,000 iAnthus warrants at a price of \$1.9928 per common share. The Unsecured Debenture had a maturity of 12 months but had certain early repayment provisions in the event of subsequent capital offerings made by iAnthus. On May 16, 2018 iAnthus completed a capital raise and subsequently repaid the outstanding principal of \$20,000,000 and accrued interest of \$978,082 on the Unsecured Debenture.

During 2018, the Company measured the outstanding Warrants using the Black-Scholes valuation model with a volatility of 71.5%, dividend yield 0% and risk-free rate of 1.93. During October 2018, the Warrants were distributed to the investors of the subsidiary holding the Warrants. During October 2018, the warrants attributable to the noncontrolling members, or 70% of the warrants, were distributed to those members. The 30% of the warrants attributable to the Company were exchanged for the variable note receivable described in Note 6.

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**13. INVESTMENTS (Continued)**

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The Company participated in various fundraises of other cannabis companies. The investments include convertible notes with terms to maturity ranging from 1 to 2 years that carry simple interest and convert into common shares at pre-defined numbers of units. The fair value of these investments is \$21,824,000 at June 30, 2019.

The Company also made direct equity investments during 2018. The fair value of these investments is \$11,080,734 at June 30, 2019.

All of these investments are measured at fair value for financial reporting purposes. As these convertible notes (as described above) and equity investments are not traded in an active market, their fair values are estimated by using market data. Any resulting change in fair value is reflected on the unaudited interim condensed consolidated statement of operations and comprehensive loss under the classification Other (Income) Expense.

	Convertible Notes Receivable	Equity	Total
Balance as at December 31, 2018	\$ 30,336,000	\$ 10,597,283	\$ 40,933,283
Fair value adjustments	-	483,451	483,451
Applied to consideration in business combination	<u>(8,512,000)</u>	<u>-</u>	<u>(8,512,000)</u>
<b>Balance as at June 30, 2019</b>	<b><u>\$ 21,824,000</u></b>	<b><u>\$ 11,080,734</u></b>	<b><u>\$ 32,904,734</u></b>

**14. INVESTMENT IN ASSOCIATE**

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The Company's investments in associates are as follows:

<u>Investment in associates</u>	<u>Jurisdiction</u>	<u>Interest</u>
MC Brands, LLC	Colorado	25%

During 2018, the Company acquired a 25% interest in MC Brands, LLC, a Colorado based intellectual property business that licenses its edibles and extracts brand and product formulation to various cannabis operators. In June 2019, the Company acquired the remaining ownership interests of MC Brands, LLC.

**15. SHARE CAPITAL**

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**(a) Authorized**

**(i) Subordinate Voting Shares**

The holders of the Subordinate Voting shares are entitled to receive dividends which may be declared from time to time, and are entitled to one vote per share at shareholder meetings of the Company. All Subordinate Voting shares are ranked equally with regard to the Company's residual assets. The Company is authorized to issue an unlimited number of no par value Subordinate Voting shares.

**(ii) Multiple Voting Shares**

Each Multiple Voting share is exchangeable for 100 Subordinate Voting shares. The Company has 498,273 issued and outstanding multiple voting shares, which convert into 49,827,300 subordinate voting shares. The Company is authorized to issue an unlimited number of Multiple Voting shares.

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**15. SHARE CAPITAL (Continued)**

**(a) Authorized (Continued)**

**(iii) Super Voting Shares**

Each Super Voting share is exchangeable for 100 Subordinate Voting shares. The Company has 409,764 issued and outstanding Super Voting shares which converts into 40,976,400 subordinate voting shares. The Company is authorized to issue an unlimited number of super voting shares.

**(b) Issued and Outstanding**

A reconciliation of the beginning and ending amounts of the issued and outstanding shares by class is as follows:

	Outstanding					Vested				
	Subordinate Voting Shares	Multiple Voting Shares	Super Voting Shares	Stock Options	Restricted Stock Units	Subordinate Voting Shares	Multiple Voting Shares	Super Voting Shares	Stock Options	Restricted Stock Units
As at December 31, 2018	43,920,131	677,230	424,513	1,677,192	1,589,000	43,920,131	677,230	424,513	131,192	-
Issued in connection with business combinations	39,549,734	-	-	-	-	39,549,734	-	-	-	-
Change in ownership of non-controlling interests	-	31,000	-	-	-	-	31,000	-	-	-
Issuance of shares for redemption of noncontrolling interests	3,751,293	-	-	-	-	3,751,293	-	-	-	-
Stock options and RSU's issued to employees and consultants	-	-	-	2,959,735	1,089,051	-	-	-	-	-
Stock options and RSU's forfeited	-	-	-	(457,000)	(54,000)	-	-	-	-	-
RSU's vested	-	-	-	-	(912,950)	-	-	-	78,000	912,950
Stock options exercised	-	-	-	-	-	-	-	-	-	-
Exchange of shares	22,470,600	(209,957)	(14,749)	-	-	22,470,600	(209,957)	(14,749)	-	-
As at June 30, 2019	<u>109,691,758</u>	<u>498,273</u>	<u>409,764</u>	<u>4,179,927</u>	<u>1,711,101</u>	<u>109,691,758</u>	<u>498,273</u>	<u>409,764</u>	<u>209,192</u>	<u>912,950</u>

**(c) Private Placement of Shares in Connection with Reverse Takeover**

In contemplation of its reverse takeover (RTO) transaction, the Company issued \$45,000,000 in convertible notes payable to various investors. The original maturity of the convertible notes payable was three years from the funding date of April 30, 2018, and the notes bore simple interest at a rate of 8% per year. At June 12, 2018, the carrying value of the convertible notes payable, including accrued interest, was \$15,245,960 and the fair value assigned to the conversion feature of the notes was \$28,894,566. The Black Scholes options pricing model assumptions used in calculating the fair value include a risk free rate of 2.04%, volatility of 100%, an expected term of 60 days, and a share price of \$6.00. The fair value adjustment related to the conversion feature was \$1,981,358, and is included in other income on the consolidated statement of operations and comprehensive loss. An increase in the share price and volatility assumptions of 5% would result in an increase in the fair value estimate of approximately \$3,700,000, and a decrease in the share price and volatility assumptions of 5% would result in a decrease in the fair value estimate of approximately \$3,694,000. Upon the RTO transaction, the convertible notes payable were converted into 122,442 Multiple Voting shares and 2,211 Super Voting shares, carrying a total value of \$44,140,526.

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**15. SHARE CAPITAL** *(Continued)*

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**(c) Private Placement of Shares in Connection with Reverse Takeover** *(Continued)*

On April 25, 2018, Subscription Receipts were sold at a price of CAD \$7.75 per Subscription Receipt, for gross proceeds of \$64,075,295 less issuance costs of \$4,014,585. The Subscription Receipts were for the potential purchase of shares in GTI FinCo Inc. and were to be held in an escrow account until the reverse takeover transaction were to occur. Upon the RTO transaction, simultaneously with the issuance of shares of the Company to the holders of the Subscription Receipts, the funds held in the escrow account were released to the Company, and the shares converted into 10,744,995 Subordinate Voting shares of the Company. Also upon the RTO transaction, 4,550 Multiple Voting shares, which are convertible into 455,000 Subordinate Voting shares, were issued for gross proceeds of \$2,730,000. Last, in connection with the private placement, the Company issued 285,000 options to consultants as compensation for the services provided. The options provided the recipients the right to purchase Subordinate Voting shares at an exercise price of CAD \$7.75 per share. The options vested immediately and had a contractual life of two years. The value of the options was \$906,366 under the Black-Scholes option pricing model. The total of the gross Subscription Receipts and Multiple Voting shares issued, less the direct costs of the Subscription Receipts and the value assigned to the options, resulted in an increase of \$61,884,344 to share capital.

As discussed in Note 3, the RTO transaction was executed on June 12, 2018. Pursuant to the RTO transaction, Bayswater Uranium Corporation's existing 185,186,988 common shares were converted into 500,439 Subordinate Voting shares of the Company. The value assigned to these shares was \$3,002,634, which was based on a per-share price of \$6.00 (US Dollars) on the RTO date. Also pursuant to the RTO transaction, 130,435,783 Common Units and 119,266,258 Preferred Units of VCP23, LLC were converted into 431,198 Super Voting shares and 644,083 Multiple Voting shares, respectively, of the Company.

**(d) Fundraise Transactions**

On August 2, 2018, the Company closed on a brokered fundraise transaction (the "First Offering") for 7,300,000 Subordinate Voting shares, at a price of CAD \$11.00 per share, for gross proceeds of \$61,726,497. Financing costs related to the First Offering totaled \$3,133,722.

On October 17, 2018, the Company closed on a brokered fundraise transaction (the "Second Offering") for 5,083,000 Subordinate Voting shares, at a price of CAD \$20.00 per share, for gross proceeds of \$78,562,596. Financing costs related to the Second Offering totaled \$3,479,116.

**(e) Changes in Ownership and Noncontrolling Interests**

On June 12, 2018, the Company acquired all of the noncontrolling interests in JB17, LLC. The consideration paid was \$700,000 and the issuance of 59,900 Multiple Voting shares, which were convertible into 5,990,000 Subordinate Voting shares, at a value of \$6.00 per Subordinate Voting share-equivalent. This resulted in an increase to share capital of \$35,940,000, and a decrease to contributed surplus of \$33,662,548 after the reclassification of the noncontrolling interest carrying balance upon the issuance date.

In December 2018, the Company issued the reciprocal put and call options discussed in Note 16 to the noncontrolling interest holders of GTI Pennsylvania, LLC. As The noncontrolling interests were acquired by the Company subsequent to year-end, in January 2019. As it was determined that the Company had effective control over GTI Pennsylvania, LLC as of the put and call option date, an increase to shares to be issued was reflected in the statement of equity of \$27,773,234, representing the fair value of the shares to be issued upon the subsequent acquisition date, along with a corresponding decrease to contributed surplus of \$30,663,670 and the removal of the existing noncontrolling interest carrying balance as of December 31, 2018.

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**15. SHARE CAPITAL** *(Continued)*

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**(e) Changes in Ownership and Noncontrolling Interests** (Continued)

In December 2018, the Company acquired the noncontrolling interests of GTI Nevada, LLC, in exchange for shares of the Company. The shares are to be issued in six tranches, the first of which was delivered in December 2018. The removal of the noncontrolling interests carrying balance, as well as the recording of the liability to issue the shares, was resulted in a decrease to contributed surplus of \$25,917,883. The balance of the remaining liability at December 31, 2018 is \$25,420,009, and is recorded in liability for acquisition of noncontrolling interest on the consolidated statement of financial position.

The total effect of the above three transactions on contributed surplus was a reduction of \$90,244,101, which was presented as a reduction to accumulated deficit on the consolidated statement of changes in shareholders' equity.

**(f) Stock Based Compensation**

In June 2018, the Company established the GTII Stock and Incentive Plan (the "Plan"). The maximum number of shares issued under the Plan shall not exceed 10% of the issued and outstanding shares. Equity incentives granted generally vest over one to three years, and typically have a life of ten years. Option grants are determined by the Compensation Committee of the Board with the option price set at no less than 100% of the fair market value of a share on the date of grant. The continuity of stock options is as follows:

	Number	Weighted Average Exercise Price (CAD)	Weighted Average Contractual Life
Balance as at December 31, 2018	1,677,192	13.23	8.72
Granted	2,959,735	17.91	
Expired	(457,000)	13.54	
Balance as at June 30, 2019	4,179,927	15.66	7.18

The Company used the Black-Scholes option pricing model to estimate the fair value of the options at the grant date using the following ranges of assumptions:

Risk-free interest rate	1.86% - 2.33%
Expected dividend yield	0%
Expected volatility	100%
Expected option life	2 - 10 years

As the Company became publicly traded in June 2018, sufficient historical trading information was not available to determine an expected volatility rate. The volatility rate was based on comparable companies within the same industry.

During the six months ended June 30, 2019 the Company granted 1,089,051 restricted stock units, to employees and directors, vesting over one to three years. During the six months ended June 30, 2019, 54,000 of the restricted stock units were forfeited and 912,950 vested. Such units will be equity settled.

The stock-based compensation expense was \$4,127,285 for the stock options and \$8,685,620 for restricted stock units for the six months ended June 30, 2019.

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**16. NONCONTROLLING INTERESTS PUT AND CALL OPTIONS**

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The Company has entered into agreements with certain of its noncontrolling interests whereby the agreements contain a put option, which provides the holder with the right to require the Company to purchase their retained interest for deemed fair market value at the time the put is exercised. The Company has also negotiated reciprocal call options, which would require the same non-controlling interests to sell their retained interest to the Company for deemed fair market value at the time the call is exercised. These symmetrical put and call options are exercisable anytime after January 2, 2019.

The net liability recognized in connection with these put and call options has been estimated using the Black Scholes options pricing model. The assumptions used in the calculating the fair value include a risk free rate of 2.44%, volatility of 100%, an expected term of 30 days, and a share price of \$8.07. Upon initial recognition, the Company recorded a derivative liability of \$7,078,792. For the year ended December 31, 2018, the Company recorded a gain of \$2,869,342 on revaluation of the derivative liability. The value of the derivative at December 31, 2018 was \$4,238,701 and was recorded as a derivative liability on the consolidated statement of financial position. The options were exercised on January 7, 2019.

**17. OTHER INCOME**

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For the three and six months ended June 30, 2019 and 2018, other income comprised:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2019	2018	2019	2018
Fair value adjustments on equity investments	\$ (110,071)	\$ -	\$ 483,451	\$ -
Fair value adjustment on put and call options	-	-	38,319	-
Fair value adjustments on derivative liability	-	-	409,847	-
Fair value adjustments on variable note receivable	(6,105,979)	34,557,680	(1,996,185)	34,557,680
Fair value adjustment on convertible note receivable upon acquisition	(843,000)	-	(843,000)	-
Fair value adjustment on investment in associate upon acquisition	670,223	-	670,223	-
Other	(251,719)	54,514	(146,548)	287,858
<b>Total Other Income (Expense)</b>	<b>\$ (6,640,546)</b>	<b>\$ 34,612,194</b>	<b>\$ (1,383,893)</b>	<b>\$ 34,845,538</b>

**18. COMMITMENTS AND CONTINGENCIES**

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**(a) Contingencies**

The Company's operations are subject to a variety of local and state regulation. Failure to comply with one or more of those regulations could result in fines, restrictions on its operations, or losses of permits that could result in the Company ceasing operations in that specific state or local jurisdiction. While management of the Company believes that the Company is in compliance with applicable local and state regulations at June 30, 2019, medical cannabis regulations continue to evolve and are subject to differing interpretations. As a result, the Company may be subject to regulatory fines, penalties, or restrictions in the future.

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**18. COMMITMENTS AND CONTINGENCIES**

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**(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. At June 30, 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 unaudited interim condensed consolidated 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.

**(c) Construction Commitments**

As of June 30, 2019, the Company held approximately \$9,549,000 of open commitments to contractors on work being performed.

**19. SUBSEQUENT EVENTS**

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The Company has evaluated subsequent events through August 28, 2019, which is the date these unaudited interim condensed consolidated financial statements were issued.

**(a) Acquisition of Fiorello Pharmaceuticals, Inc.**

On August 23, 2019, the Company closed on a transaction to acquire New York-based Fiorello Pharmaceuticals, Inc. The consideration paid includes \$46,000,000 of cash and 1,700,000 of the Company's Subordinate Voting Shares. The acquisition includes the license and assets for one cultivation, one processing, and four retail facilities in New York.

The initial accounting for this acquisition, which would qualify as a business combination, was incomplete at the time of issuing the financial statements.