



TRULIEVE CANNABIS CORP.

**UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL
STATEMENTS**

**FOR THE THREE and NINE MONTHS ENDED SEPTEMBER 30,
2020 AND 2019**

TRULIEVE CANNABIS CORP.

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

| | <u>September 30, 2020</u> | <u>December 31, 2019</u> |
|---|-------------------------------|------------------------------|
| ASSETS | | |
| Current Assets: | | |
| Cash and Cash Equivalents | \$ 193,377,890 | \$ 91,812,821 |
| Inventories | 205,273,639 | 204,472,470 |
| Biological Assets | 34,761,640 | 66,718,321 |
| Prepaid Expenses and Other Current Assets | <u>13,272,135</u> | <u>6,871,683</u> |
| Total Current Assets | 446,685,304 | 369,875,295 |
| Property and Equipment, Net | 303,447,306 | 189,248,416 |
| Intangible Assets, Net | 21,990,967 | 23,504,446 |
| Goodwill | 7,315,885 | 7,315,885 |
| Other Assets | <u>6,738,984</u> | <u>948,644</u> |
| TOTAL ASSETS | <u>\$ 786,178,446</u> | <u>\$ 590,892,686</u> |
| LIABILITIES | | |
| LIABILITIES | | |
| Current Liabilities: | | |
| Accounts Payable and Accrued Liabilities | \$ 32,777,734 | \$ 24,307,928 |
| Income Tax Payable | 14,034,279 | 12,241,333 |
| Deferred Revenue | 4,611,304 | 2,403,836 |
| Notes Payable - Current Portion | 2,000,000 | 2,000,000 |
| Notes Payable - Related Party - Current Portion | 12,045,229 | 923,728 |
| Warrant Liability | 22,673,898 | 9,891,666 |
| Lease Liability - Current Portion | <u>6,978,816</u> | <u>4,968,476</u> |
| Total Current Liabilities | 95,121,260 | 56,736,967 |
| Long-Term Liabilities: | | |
| Notes Payable | 4,000,000 | 4,000,000 |
| Notes Payable - Related Party | - | 11,979,246 |
| Lease Liability | 124,057,358 | 66,031,123 |
| Finance Liability, net | 116,435,331 | 114,341,837 |
| Deferred Tax Liability | <u>42,011,309</u> | <u>55,446,351</u> |
| TOTAL LIABILITIES | 381,625,258 | 308,535,524 |
| SHAREHOLDERS' EQUITY | | |
| Share Capital | 157,246,667 | 62,559,815 |
| Contributed Surplus | 17,227,306 | 15,019,564 |
| Accumulated Earnings | <u>230,079,215</u> | <u>204,777,783</u> |
| TOTAL SHAREHOLDERS' EQUITY | <u>404,553,188</u> | <u>282,357,162</u> |
| TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY | <u>\$ 786,178,446</u> | <u>\$ 590,892,686</u> |

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

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

| | <u>Three Months Ended September 30,</u> | | <u>Nine Months Ended September 30,</u> | |
|---|---|----------------------|--|-----------------------|
| | <u>2020</u> | <u>2019</u> | <u>2020</u> | <u>2019</u> |
| Revenues, Net of Discounts | \$136,274,321 | \$ 70,730,359 | \$ 353,095,707 | \$ 173,126,436 |
| Production Expenses and Cost of Goods From Third Party Suppliers | <u>34,099,341</u> | <u>26,715,460</u> | <u>92,705,434</u> | <u>61,664,906</u> |
| Revenues less Production Expenses and Cost of Goods From Third Party Suppliers | 102,174,980 | 44,014,899 | 260,390,273 | 111,461,530 |
| Fair Value Adjustment on Inventory Sold | (106,057,135) | (22,935,473) | (281,678,328) | (75,293,257) |
| Fair Value Adjustment on Growth of Biological Assets | <u>89,269,962</u> | <u>89,055,337</u> | <u>243,675,100</u> | <u>217,866,779</u> |
| Revenues less Production Expenses and Cost of Goods From Third Party Suppliers and Fair Value Adjustments | <u>85,387,807</u> | <u>110,134,763</u> | <u>222,387,045</u> | <u>254,035,052</u> |
| Expenses: | | | | |
| General and Administrative | 8,501,463 | 3,243,380 | 22,696,163 | 8,779,164 |
| Sales and Marketing | 29,446,303 | 14,720,608 | 76,602,417 | 35,871,075 |
| Depreciation and Amortization | <u>4,014,927</u> | <u>2,665,269</u> | <u>11,037,367</u> | <u>5,965,996</u> |
| Total Expenses | <u>41,962,693</u> | <u>20,629,257</u> | <u>110,335,947</u> | <u>50,616,235</u> |
| Income From Operations | <u>43,425,114</u> | <u>89,505,506</u> | <u>112,051,098</u> | <u>203,418,817</u> |
| Other Income (Expense): | | | | |
| Interest Expense, Net | (6,421,266) | (3,887,542) | (20,106,676) | (7,023,567) |
| Other Income (Expense), Net | <u>(10,692,142)</u> | <u>5,140,985</u> | <u>(10,756,823)</u> | <u>5,146,222</u> |
| Total Other Income (Expense) | <u>(17,113,408)</u> | <u>1,253,443</u> | <u>(30,863,499)</u> | <u>(1,877,345)</u> |
| Income Before Provision for Income Taxes | <u>26,311,706</u> | <u>90,758,949</u> | <u>81,187,599</u> | <u>201,541,472</u> |
| Provision For Income Taxes | <u>21,569,329</u> | <u>30,487,678</u> | <u>55,886,167</u> | <u>69,039,142</u> |
| Net Income | <u>\$ 4,742,377</u> | <u>\$ 60,271,271</u> | <u>\$ 25,301,432</u> | <u>\$ 132,502,330</u> |
| Basic Net Income per Common Share | <u>\$ 0.04</u> | <u>\$ 0.55</u> | <u>\$ 0.23</u> | <u>\$ 1.20</u> |
| Diluted Net Income per Common Share | <u>\$ 0.04</u> | <u>\$ 0.55</u> | <u>\$ 0.22</u> | <u>\$ 1.20</u> |
| Weighted average number of common shares used in computing net income per common share: | | | | |
| Basic | <u>112,039,640</u> | <u>110,213,649</u> | <u>111,824,816</u> | <u>110,159,627</u> |
| Diluted | <u>117,949,224</u> | <u>110,213,649</u> | <u>115,998,643</u> | <u>110,159,627</u> |

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

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

| | <u>Super Voting Shares</u> | <u>Voting Shares</u> | <u>Subordinate Voting Shares</u> | <u>Common Shares</u> | <u>Share Capital</u> | <u>Contributed Surplus</u> | <u>Accumulated Earnings (Deficit)</u> | <u>Total</u> |
|--|--------------------------------|--------------------------|--------------------------------------|--------------------------|--------------------------|--------------------------------|---|----------------------|
| Balance, December 31, 2018 | 85,246,600 | 13,750,451 | 11,135,117 | 110,132,168 | \$ 60,976,944 | \$15,628,304 | \$ 27,613,883 | \$ 104,219,131 |
| Additional Contribution from the Issuance of Below Market Interest Debt | - | - | - | - | 10,092 | - | - | 10,092 |
| IFRS 16 Implementation | - | - | - | - | - | - | (868,863) | (868,863) |
| Conversion of Super and Multiple to Subordinate Voting Shares | (17,433,300) | (7,039,742) | 24,473,042 | - | - | - | - | - |
| Shares Issued for Cash - Warrant Exercise | - | - | 214,178 | 214,178 | 1,572,779 | (608,740) | - | 964,039 |
| Net Income | - | - | - | - | - | - | 132,502,330 | 132,502,330 |
| Balance, September 30, 2019 | <u>67,813,300</u> | <u>6,710,709</u> | <u>35,822,337</u> | <u>110,346,346</u> | <u>\$ 62,559,815</u> | <u>\$15,019,564</u> | <u>\$ 159,247,350</u> | <u>\$236,826,729</u> |
| Balance, January 1, 2020 | 67,813,300 | 6,661,374 | 35,871,672 | 110,346,346 | 62,559,815 | 15,019,564 | 204,777,783 | 282,357,162 |
| Share-based Compensation | - | - | - | - | - | 2,207,742 | - | 2,207,742 |
| Shares Issued for Cash - Warrant Exercise | - | - | 2,723,411 | 2,723,411 | 11,458,782 | - | - | 11,458,782 |
| Exercise of Stock Options | - | - | 9,180 | 9,180 | - | - | - | - |
| Issuance of Shares Private Placement, Net of Issuance Costs | - | - | 4,715,000 | 4,715,000 | 83,228,070 | - | - | 83,228,070 |
| Conversion of Super and Multiple to Subordinate Shares | (9,630,800) | (5,184,415) | 14,815,215 | - | - | - | - | - |
| Net Income | - | - | - | - | - | - | 25,301,432 | 25,301,432 |
| Balance, September 30, 2020 | <u>58,182,500</u> | <u>1,476,959</u> | <u>58,134,478</u> | <u>117,793,937</u> | <u>\$157,246,667</u> | <u>\$17,227,306</u> | <u>\$ 230,079,215</u> | <u>\$404,553,188</u> |

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

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

| | Nine Months Ended September 30, | |
|--|--|----------------------|
| | 2020 | 2019 |
| CASH FLOW FROM OPERATING ACTIVITIES | | |
| Net Income | \$ 25,301,432 | \$ 132,502,330 |
| Adjustments to Reconcile Net Income to Net Cash Provided by Operating Activities: | | |
| Depreciation and Amortization | 20,344,077 | 10,378,447 |
| Non-Cash Interest Expense | 2,142,348 | 1,018,199 |
| Loss from Sale of Property and Equipment | 63,237 | 10,771 |
| Share-Based Compensation | 2,207,742 | - |
| (Gain) Loss on Revaluation of Warrant Liability | 12,782,232 | (4,904,651) |
| Deferred Tax (Recovery) Expense | (13,435,042) | 35,346,614 |
| Changes in Operating Assets and Liabilities: | - | |
| Inventories | (801,169) | (119,995,046) |
| Biological Assets | 31,956,681 | (32,783,960) |
| Prepaid Expenses and Other Current Assets | (6,400,452) | (2,420,468) |
| Other Assets | (5,790,340) | 28,911 |
| Accounts Payable and Accrued Liabilities | 1,302,952 | 3,523,918 |
| Income Tax Payable | 1,792,946 | (6,610,948) |
| Deferred Revenue | 2,207,468 | 175,975 |
| NET CASH PROVIDED BY OPERATING ACTIVITIES | 73,674,112 | 16,270,092 |
| CASH FLOW FROM INVESTING ACTIVITIES | | |
| Purchases of Property and Equipment | (61,585,853) | (55,304,457) |
| Proceeds from Sale of Property and Equipment | 15,503 | 3,529,010 |
| Cash Paid for Acquisitions, Net of Cash Acquired | - | (19,898,400) |
| NET CASH USED IN INVESTING ACTIVITIES | (61,570,350) | (71,673,847) |
| CASH FLOW FROM FINANCING ACTIVITIES | | |
| Payments on Notes Payable - Related Party | (906,599) | (1,133,219) |
| Payments on Lease Liability | (4,318,946) | (3,321,690) |
| Proceeds from Exercise of Warrants | 11,458,782 | 964,039 |
| Proceeds from Issuance of Shares Offering | 83,228,070 | - |
| Proceeds from Debt Financing, Net Discounts and Accrued Interest | - | 65,482,906 |
| NET CASH PROVIDED BY FINANCING ACTIVITIES | 89,461,307 | 61,992,036 |
| NET INCREASE IN CASH AND CASH EQUIVALENTS | 101,565,069 | 6,588,281 |
| CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD | 91,812,821 | 24,430,108 |
| CASH AND CASH EQUIVALENTS, END OF PERIOD | \$ 193,377,890 | \$ 31,018,389 |
| SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION | | |
| CASH PAID DURING THE PERIOD FOR | | |
| Interest | \$ 15,525,129 | \$ 1,894,965 |
| Taxes | \$ 70,995,800 | \$ 29,700,000 |

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

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

| | Nine Months Ended September 30, | |
|--|--|---------------|
| | 2020 | 2019 |
| OTHER NONCASH INVESTING AND FINANCING ACTIVITIES | | |
| Purchase of Property and Equipment Financed with Notes Payable - Related Party | \$ - | \$ 257,337 |
| Purchase of Property and Equipment Financed with Accounts Payable | \$ 7,166,854 | \$ 2,965,215 |
| Property and Equipment Acquired via Leases | \$ 64,355,520 | \$ 25,038,312 |
| Debt Discount Related to Below Market Interest Debt | \$ - | \$ 10,092 |

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

**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (UNAUDITED)
AS AT AND FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2020 AND 2019****1. NATURE OF OPERATIONS**

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

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

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

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

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

These unaudited condensed consolidated interim financial statements were approved by the Board of Directors and authorized for issue by the Board of Directors on November 17, 2020.

(b) Basis of Measurement

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

(c) Functional Currency

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**(d) Basis of Consolidation**

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**(e) Significant Accounting Judgments, Estimates, and Assumptions**

The preparation of these unaudited condensed consolidated interim financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to these unaudited condensed consolidated interim financial statements have been set out in the audited consolidated financial statements for the years ended December 31, 2019 and 2018.

(f) Recently Adopted Accounting Pronouncements*Amendments to IFRS, Classification of Liabilities as Current or Non-current (Amendments to IAS 1)*

On January 23, 2020, the IASB issued Classification of Liabilities as Current or Non-current (Amendments to IAS 1) providing a more general approach to the classification of liabilities under IAS 1 based on the contractual arrangements in place at the reporting date. The amendments were originally effective for annual reporting periods beginning on or after January 1, 2022, however, their effective date has been delayed to 1 January 2023. The Company is assessing the impact of the amendment on the unaudited condensed consolidated interim financial statements.

Amendments to IFRS, amendments to IFRS 3 regarding the definition of a business

On October 22, 2018, The IASB has issued 'Definition of a Business (Amendments to IFRS 3)' aimed at resolving the difficulties that arise when an entity determines whether it has acquired a business or a group of assets. The amendments are effective for business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1st, 2020. The adoption of IAS 3 did not have a material impact on the unaudited condensed consolidated interim financial statements.

The amendments in Definition of a Business (Amendments to IFRS 3) are changes to Appendix A Defined terms, the application guidance, and the illustrative examples of IFRS 3 only.

- clarify that to be considered a business, an acquired set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs;
- narrow the definitions of a business and of outputs by focusing on goods and services provided to customers and by removing the reference to an ability to reduce costs;
- add guidance and illustrative examples to help entities assess whether a substantive process has been acquired;
- remove the assessment of whether market participants are capable of replacing any missing inputs or processes and continuing to produce outputs;
- and add an optional concentration test that permits a simplified assessment of whether an acquired set of activities and assets is not a business.

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

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

| | September 30, 2020 | December 31, 2019 |
|-----------------|-----------------------|----------------------|
| Cannabis plants | <u>\$ 34,761,640</u> | <u>\$ 66,718,321</u> |

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

| | |
|---|----------------------|
| Balance at December 31, 2018 | \$ 29,636,269 |
| Net increase in fair value less costs to sell due to biological transformation for indoor flower | 277,981,960 |
| Net increase in fair value less costs to sell due to biological transformation for outdoor flower | 56,245,844 |
| Transferred to inventory upon harvest | <u>(297,145,752)</u> |
| Balance at December 31, 2019 | \$ 66,718,321 |
| Net increase in fair value less costs to sell due to biological transformation for indoor flower | 230,787,872 |
| Net increase in fair value less costs to sell due to biological transformation for outdoor flower | 12,887,228 |
| Transferred to inventory upon harvest | <u>(275,631,781)</u> |
| Balance at September 30, 2020 | <u>\$ 34,761,640</u> |

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

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

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

The cannabis plant model utilizes the following significant assumptions:

| Assumption | September 30, 2020 | | December 31, 2019 | |
|---|--------------------------|---------------------|--------------------------|---------------------|
| | Range | Average | Range | Average |
| (i) Weighted average of expected loss of plants until harvest (a) | 0-45% | 10% | 0-74% | 26% |
| (ii) Expected yields for cannabis plants (average grams per plant) | 77 - 239 grams per plant | 194 grams per plant | 55 - 250 grams per plant | 146 grams per plant |
| (iii) Expected number of growing days | 119 - 133 | 126 | 119 - 133 | 126 |
| (iv) Weighted average number of growing days completed as a percentage of total growing days as at period end | N/A | 46% | N/A | 48% |
| (v) Estimated selling price (per gram) (b) | N/A | \$8.25 | N/A | \$10.33 |
| (vi) After harvest cost to complete and sell (per gram) | \$1.19 - \$2.11 | \$1.65 | \$1.07 - \$2.34 | \$1.71 |
| (vii) Reasonable margin \$ on after harvest costs to complete and sell (per gram) | \$1.56 - \$2.16 | \$1.86 | \$1.85 - \$2.10 | \$1.98 |

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

(b) The estimated selling price (per gram) for September 30, 2020 and December 31, 2019 represent the average sales price for the Company's various strains sold as medical products.

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

The following table presents the effect of 10% positive change and 10% negative change on the fair valuation of cannabis plants biological assets as at September 30, 2020 and December 31, 2019.

| Assumption | 10% change as at September 30, 2020 \$ | 10% change as at December 31, 2019 \$ |
|---|--|---------------------------------------|
| Weighted average of expected loss of plants until harvest | 3,475,524 | 6,671,832 |
| Expected yields for cannabis plants | 3,475,524 | 6,671,832 |
| Expected number of growing days | 3,475,524 | 6,671,832 |
| Estimated selling price | 4,411,727 | 8,240,341 |
| After harvest cost to complete and sell | 1,125,903 | 1,866,961 |
| Reasonable margin on after harvest costs to complete and sell | 1,165,131 | 2,328,282 |

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

The Company estimates the harvest yields for medical cannabis at various stages of growth. As of September 30, 2020, it was expected that the Company's cannabis plants of 8,287,397 effective grams currently undergoing transformation is expected to yield a total of 31,382,543 grams at maturity and 13,524,148 effective grams of cannabis plants undergoing transformation on December 31, 2019 will yield at maturity 28,195,319 grams.

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

Inventories comprised the following items:

| | September 30, 2020 | December 31, 2019 |
|------------------------------|-----------------------|-----------------------|
| Packaging and miscellaneous | 7,191,942 | 8,132,079 |
| Work in Process | 170,540,067 | 166,982,954 |
| Finished Goods - Unmedicated | 3,547,984 | 5,263,005 |
| Finished Goods - Medicated | 23,993,646 | 24,094,432 |
| Total Inventories | <u>\$ 205,273,639</u> | <u>\$ 204,472,470</u> |

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

| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|---|----------------------------------|----------------------|---------------------------------|----------------------|
| | 2020 | 2019 | 2020 | 2019 |
| Grow Costs Incurred | \$ 16,082,792 | \$ 15,205,762 | \$ 47,713,446 | \$ 37,617,230 |
| Processing Costs and Purchased Goods for Inventory Sold | 18,016,549 | 11,509,698 | 44,991,988 | 24,047,676 |
| Total (1) | <u>\$ 34,099,341</u> | <u>\$ 26,715,460</u> | <u>\$ 92,705,434</u> | <u>\$ 61,664,906</u> |

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

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

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

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

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

| | Land | Buildings & Improvements | Construction in Progress | Furniture & Equipment | Vehicles | Total |
|--|--------------|--------------------------|--------------------------|-----------------------|--------------|----------------|
| <u>Cost</u> | | | | | | |
| At December 31, 2018 | \$ 2,321,871 | \$ 36,046,643 | \$ 17,283,266 | \$ 17,094,634 | \$ 1,663,279 | \$ 74,409,693 |
| Additions | 2,157,569 | 27,710,983 | 37,689,276 | 14,006,123 | 116,947 | 81,680,898 |
| Additions right-of-use assets | - | 44,674,202 | - | 274,523 | 3,151,580 | 48,100,305 |
| Transfers | - | 16,061,713 | (17,014,933) | 953,221 | - | 1 |
| Disposals | (762,992) | (2,621) | (19,226,060) | (12,547) | (73,379) | (20,077,599) |
| IFRS 16 Implementation | - | 26,509,651 | - | 265,556 | 994,244 | 27,769,451 |
| At December 31, 2019 | 3,716,448 | 151,000,571 | 18,731,549 | 32,581,510 | 5,852,671 | 211,882,749 |
| Additions | - | 4,801,327 | 55,669,207 | 8,219,017 | 63,157 | 68,752,708 |
| Additions right-of-use assets | - | 60,301,101 | - | 165,124 | 3,889,295 | 64,355,520 |
| Disposals | - | 336,007 | (3,221,239) | 2,885,232 | (123,243) | (123,243) |
| At September 30, 2020 | 3,716,448 | 216,439,006 | 71,179,517 | 43,850,883 | 9,681,880 | 344,867,734 |
| <u>Accumulated Depreciation</u> | | | | | | |
| At December 31, 2018 | \$ - | \$ 1,976,619 | \$ - | \$ 1,303,219 | \$ 339,967 | \$ 3,619,805 |
| Additions | - | 6,938,937 | - | 2,595,631 | 62,211 | 9,596,779 |
| Additions right-of-use assets | - | 4,679,461 | - | 91,397 | 1,327,897 | 6,098,755 |
| Disposals | - | - | - | (849) | (56,086) | (56,935) |
| IFRS 16 Implementation | - | 3,111,938 | - | 37,576 | 226,414 | 3,375,928 |
| At December 31, 2019 | - | 16,706,955 | - | 4,026,974 | 1,900,403 | 22,634,332 |
| Additions | - | 6,567,522 | - | 3,692,131 | 77,259 | 10,336,912 |
| Additions right-of-use assets | - | 6,359,644 | - | 114,917 | 2,019,125 | 8,493,686 |
| Disposals | - | - | - | - | (44,502) | (44,502) |
| At September 30, 2020 | - | 29,634,121 | - | 7,834,022 | 3,952,285 | 41,420,428 |
| <u>Net book value</u> | | | | | | |
| At December 31, 2018 | \$ 2,321,871 | \$ 34,070,024 | \$ 17,283,266 | \$ 15,791,415 | \$ 1,323,312 | \$ 70,789,888 |
| At December 31, 2019 | \$ 3,716,448 | \$ 134,293,616 | \$ 18,731,549 | \$ 28,554,536 | \$ 3,952,268 | \$ 189,248,417 |
| At September 30, 2020 | \$ 3,716,448 | \$ 186,804,885 | \$ 71,179,517 | \$ 36,016,861 | \$ 5,729,595 | \$ 303,447,306 |

For the three months ended September 30, 2020 and 2019, the Company recorded depreciation expense of \$3,424,224 and \$1,749,109 respectively, as part of Production Expenses and Cost of Goods from Third Party Suppliers. The Company recorded additional depreciation expense for the three months ended September 30, 2020 and 2019, of \$3,554,995 and \$978,444 respectively, as part of operating expenses.

For the nine months ended September 30, 2020 and 2019 depreciation expense of \$9,306,710 and \$4,412,451 respectively, as part of Production Expenses and Cost of Goods from Third Party Suppliers. The Company recorded additional depreciation expense for the nine months ended September 30, 2020 and 2019, of \$9,523,888 and \$3,827,011 respectively, as part of operating expenses.

For the three and nine months ended September 30, 2020, the Company recorded capitalized interest of \$1,276,362 and \$2,089,897 respectively. The Company did not capitalize any interest for the three and nine months ended September 30, 2019.

J.T. Burnette, the spouse of Kim Rivers, the Chief Executive Officer and Chair of the Board of Directors of the Corporation, is a minority owner of a company (the "Supplier") that provides construction and related services to the Company. The Supplier is responsible for the construction of the Company's cultivation and processing facilities, and provides labor, materials and equipment on a cost-plus basis. For the nine months ended September 30, 2020 and the year ended December 31, 2019, property and equipment purchases from J.T. Burnette consisting of construction related serviced, totaled \$64,971,483

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and \$46,381,878 respectively. As of September 30, 2020, and December 31, 2019, \$8,683,655 and \$6,463,125 was included in accounts payable. The use of the Supplier was reviewed and approved by the independent members of the Company's board of directors, and all invoices are reviewed by the office of the Company's general counsel.

5. INTANGIBLE ASSETS

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

| | Dispensary | | Customer | | Total |
|--|---------------|------------|--------------|-------------|---------------|
| | Licenses | Trademarks | Relationship | Non-Compete | |
| <u>Cost</u> | | | | | |
| At December 31, 2018 | \$ 9,533,416 | \$ 10,444 | \$ - | \$ - | \$ 9,543,860 |
| Additions from acquisitions | 14,300,000 | 320,841 | 1,000,000 | 35,000 | \$ 15,655,841 |
| At December 31, 2019 | 23,833,416 | 331,285 | 1,000,000 | 35,000 | 25,199,701 |
| At September 30, 2020 | 23,833,416 | 331,285 | 1,000,000 | 35,000 | 25,199,701 |
| <u>Accumulated Amortization</u> | | | | | |
| At December 31, 2018 | \$ 145,772 | \$ 1,741 | \$ - | \$ - | \$ 147,513 |
| Amortization | 1,225,006 | 195,861 | 116,667 | 10,208 | 1,547,742 |
| At December 31, 2019 | 1,370,778 | 197,602 | 116,667 | 10,208 | 1,695,255 |
| Amortization | 1,216,671 | 133,683 | 150,000 | 13,125 | 1,513,479 |
| At September 30, 2020 | 2,587,449 | 331,285 | 266,667 | 23,333 | 3,208,734 |
| <u>Net book value</u> | | | | | |
| At December 31, 2018 | \$ 9,387,644 | \$ 8,703 | \$ - | \$ - | \$ 9,396,347 |
| At December 31, 2019 | \$ 22,462,638 | \$ 133,683 | \$ 883,333 | \$ 24,792 | \$ 23,504,446 |
| At September 30, 2020 | \$ 21,245,967 | \$ - | \$ 733,333 | \$ 11,667 | \$ 21,990,967 |

Amortization expense for the three months ended September 30, 2020 and 2019 was \$459,932 and \$555,438 respectively. Amortization expense for the nine months ended September 30, 2020 and 2019 was \$1,513,479 and \$1,007,599 respectively.

6. NOTES PAYABLE RELATED PARTY

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

| | September 30, 2020 | December 31, 2019 |
|--|-----------------------|----------------------|
| Notes payable due to related parties, with varying interest rates between 8% to 12% annually, with varying maturity dates. | \$ 12,045,789 | \$ 12,952,389 |
| Less debt discount | (560) | (49,415) |
| Less current portion | (12,045,229) | (923,728) |
| | <u>\$ -</u> | <u>\$ 11,979,246</u> |

The related party notes payable will mature in May 2021.

7. DEBT

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

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

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

The June Notes will accrete from their carrying value on June 18, 2019 of \$60,987,544 to \$70,000,000 at maturity in 5 years using an effective interest rate of 13.32%. For the three months ended September 30, 2020 and 2019 the Company recognized accretion expense of \$375,630 and \$545,782, respectively. For the nine months ended September 30, 2020 and 2019 the Company recognized accretion expense of \$1,083,272 and \$602,892 respectively.

The June Warrants were re-valued at \$11,000,208 at September 30, 2020 using the Black Scholes option pricing model and the following assumptions: Share price: C\$24.80; Exercise Price: C\$17.25; Expected Life: 1.72 years; Annualized Volatility: 49.95%; Dividend yield: 0%; Discount Rate: .13%; C\$ Exchange Rate: 1.33. For the three months ended September 30, 2020 the Company recognized a loss of \$5,705,711. For the nine months ended September 30, 2020 the company recognized a loss of \$6,201,281 and has been recognized and is included in Other Income (Expense), Net.

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

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

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7. DEBT (CONTINUED)

Dividend yield: 0%; Discount Rate: 1.92%; C\$ Exchange Rate: 1.32.

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

The November Notes will accrete from their carrying value on November 7, 2019 of \$54,722,688 to \$60,000,000 at maturity in 4.6 years using an effective interest rate of 13.43%. For the three and nine months ended September 30, 2020 the Company recorded accretion expense of \$330,180 and \$1,007,671 respectively.

The November Warrants were re-valued at \$11,673,691 at September 30, 2020 using the Black Scholes option pricing model and the following assumptions: Share price: C\$24.80; Exercise Price: C\$17.25; Expected Life: 1.72 years; Annualized Volatility: 49.95%; Dividend yield: 0%; Discount Rate: .13%; C\$ Exchange Rate: 1.33. For the three months ended September 30, 2020 the Company recognized a loss of \$6,055,040. For the nine months ended September 30, 2020 the company recognized a loss of \$6,580,951 which has been recognized and included in Other Income (Expense), Net.

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

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

| | September 30, 2020 | December 31, 2019 |
|--------------------------------|-----------------------|-----------------------|
| Principal Amount | \$ 130,000,000 | \$ 130,000,000 |
| Less unamortized debt discount | (13,564,669) | (15,658,163) |
| | <u>\$ 116,435,331</u> | <u>\$ 114,341,837</u> |

8. LEASES

The Company's lease liability consisted of the following:

| | |
|---|-----------------------|
| Balance at December 31, 2019 | \$ 70,999,600 |
| Additions | 64,355,520 |
| Lease & interest payments, accretion, and accrued interest, net | (4,318,946) |
| Lease Liability at September 30, 2020 | <u>\$ 131,036,174</u> |
| Lease liability - current portion | \$ 6,978,816 |
| Lease liability | \$ 124,057,358 |
| Lease Liability at September 30, 2020 | <u>\$ 131,036,174</u> |

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8. LEASES (CONTINUED)

The Company has lease liabilities for leases related to real estate used for dispensaries, production plants, and corporate offices. Other leased assets include passenger vehicles and trucks and equipment.

The weighted average discount rate for the nine months ended September 30, 2020 was between 10% to 11%.

9. SHARE CAPITAL

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

| | <u>Shares Issued and Outstanding September 30, 2020</u> | |
|--|---|----------------------|
| | <u>Number of Shares</u> | <u>Voting Shares</u> |
| Subordinate Voting Shares | 58,134,478 | 58,134,478 |
| Multiple Voting Shares (100 Votes per Multiple Voting Share) | 14,770 | 1,476,959 |
| Super Voting Shares (200 Votes per Super Voting Shares) | 581,825 | <u>58,182,500</u> |
| | | <u>117,793,937</u> |

During the year ended December 31, 2018, the Company issued 8,784,872 warrants to certain employees and directors for past services provided. For additional information regarding the warrants refer to the *Share Capital footnote* in the audited consolidated financial statements for the year ended December 31, 2019. As of September 30, 2020, 2,723,411 warrants were exercised for proceeds of \$11,458,782. See below table for the outstanding warrants as of September 30, 2020:

| | <u>Warrants Issued and Outstanding</u> |
|---|--|
| Warrants Outstanding as of January 1, 2020 | 8,784,872 |
| Warrants Exercised | <u>2,723,411</u> |
| Warrants Outstanding as of September 30, 2020 | <u>6,061,461</u> |

10. SHARE-BASED COMPENSATION

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

In determining the amount of share-based compensation related to options issued during the nine months ended September 30, 2020, the Company used the Black-Scholes pricing model to establish the fair value of the options granted with the following assumptions:

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10. SHARE-BASED COMPENSATION (CONTINUED)

| | <u>Nine Months Ended September 30, 2020</u> | |
|-----------------------------------|---|--------|
| Fair Value at Grant Date | \$ | 3.23 |
| Stock Price at Grant Date | \$ | 11.70 |
| Exercise Price at Grant Date | \$ | 11.70 |
| Expected Life in Years | | 1.92 |
| Expected Volatility | | 49.29% |
| Expected Annual Rate of Dividends | | 0% |
| Risk Free Annual Interest Rate | | 1.32% |

The Company did not issue any stock options during the three months ended September 30, 2020.

The expected volatility was estimated by using the historical volatility of other companies that the Company considers comparable that have trading and volatility history prior to the Company becoming public. The expected life in years represents the period of time that options granted are expected to be outstanding. The risk-free rate was based on the United States 2-year bond yield rate at the time of grant of the award. Expected annual rate of dividends is based on the fact that the Company has never paid cash dividends and does not expect to pay any cash dividends in the foreseeable future.

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

For the three months ended September 30, 2020, the Company recorded share-based compensation in the amount of \$523,215. This is recognized as \$48,359 in production expenses and cost of goods from third party suppliers, \$378,137 in general and administrative, and \$96,719 in sales and marketing.

For the nine months ended September 30, 2020, the Company recorded share-based compensation in the amount of \$2,207,742. This is recognized as \$194,566 in production expenses and costs of goods from third party suppliers, \$1,624,043 in general and administrative, and \$389,134 in sales and marketing.

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

| | <u>Options 2020</u> | <u>Weighted average exercise price 2020</u> |
|---------------------------------------|-------------------------|---|
| Outstanding as of January 1 | - | - |
| Granted | 1,252,403 | 11.70 |
| Forfeited | (122,624) | 11.52 |
| Outstanding as of September 30 | 1,129,779 | \$ 11.71 |
| Exercisable as of September 30 | 282,370 | \$ 11.59 |

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11. EARNINGS PER SHARE

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

| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|--|----------------------------------|--------------------|---------------------------------|--------------------|
| | 2020 | 2019 | 2020 | 2019 |
| Net Income | \$ 4,742,377 | \$ 60,271,271 | \$ 25,301,432 | \$ 132,502,330 |
| Weighted average number of common shares outstanding | 112,039,640 | 110,213,649 | 111,824,816 | 110,159,627 |
| Dilutive effect of warrants outstanding | 5,909,584 | - | 4,173,827 | - |
| Diluted weighted average number of common shares outstanding | <u>117,949,224</u> | <u>110,213,649</u> | <u>115,998,643</u> | <u>110,159,627</u> |
| Basic earnings per share | \$ 0.04 | \$ 0.55 | \$ 0.23 | \$ 1.20 |
| Diluted earnings per share | \$ 0.04 | \$ 0.55 | \$ 0.22 | \$ 1.20 |

12. PROSPECTUS OFFERING

On September 21, 2020, the Company concluded the offer and sale of 4,715,000 Subordinate Voting Shares pursuant to an agreement with Canaccord Genuity Corp. (the “Underwriter”) at a price of \$18.56 per share. After paying the Underwriter a commission of approximately \$4.1 million, the Company received aggregate consideration of approximately \$83.2 million. Net proceeds from the Offering are expected to be used primarily to fund Trulieve’s business development and for general working capital purposes. The Company has made the required filings to list the Offered Securities on the Canadian Securities Exchange. The issuance cost of the prospectus offering was \$147,278 as of September 30, 2020.

13. INCOME TAXES

The components of the income tax provision include:

| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|----------|----------------------------------|----------------------|---------------------------------|----------------------|
| | 2020 | 2019 | 2020 | 2019 |
| Current | \$ 27,239,100 | \$ 12,316,781 | \$ 69,321,210 | \$ 32,485,245 |
| Deferred | (5,669,771) | 18,170,897 | (13,435,043) | 36,553,897 |
| | <u>\$ 21,569,329</u> | <u>\$ 30,487,678</u> | <u>\$ 55,886,167</u> | <u>\$ 69,039,142</u> |

14. RELATED PARTIES
Related party transactions

The Company had raised funds by issuing notes to various related parties including directors, officers, and shareholders and the balance at September 30, 2020 and December 31, 2019 was \$12,045,789 and \$12,952,389 respectively, as discussed in “Notes Payable Related Party footnote”.

J.T. Burnette, the spouse of Kim Rivers, the Chief Executive Officer and Chair of the Board of Directors of the Corporation, is a minority owner of a company (the “Supplier”) that provides construction and related services to the Company. The Supplier is responsible for the construction of the Company’s cultivation and processing facilities, and provides labor, materials and equipment on a cost-plus basis.

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For the nine months ended September 30, 2020 and the year ended December 31, 2019, property and equipment purchases totaled \$64,971,483 and \$46,381,878, respectively. As of September 30, 2020, and December 31, 2019, \$8,683,655 and \$6,463,125 was included in accounts payable, respectively, as discussed in “*Property and Equipment footnote*”. The use of the Supplier was reviewed and approved by the independent members of the Company’s board of directors, and all invoices are reviewed by the office of the Company’s general counsel.

The Company has many leases from various real estate holding companies that are managed by various related parties including Benjamin Atkins, a former director and current shareholder of the Company, and the Supplier. As of September 30, 2020, and under IFRS 16, the Company had \$15,671,432 in right-of-use assets in Property and Equipment and \$17,933,997 in Net and Lease Liability managed by related parties. Of the \$17,933,997 in Net Lease Liability, \$1,928,505 is included in Lease Liability – Current. See “*Property and Equipment footnote*” and “*Leases footnote*” for further information.

15. CONTINGENCIES**(a) Operating Licenses**

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

(b) Claims and Litigation

From time to time, the Company may be involved in litigation relating to claims arising out of operations in the normal course of business. Except as disclosed below, at September 30, 2020, there were no pending or threatened lawsuits that could reasonably be expected to have a material effect on the results of the Company’s consolidated statements of operations. There are also no proceedings in which any of the Company’s directors, officers or affiliates is an adverse party or has a material interest adverse to the Company’s interest.

As disclosed in the annual audited financial statements for the year ended December 31, 2019, a securities class-action complaint, *In re Trulieve Cannabis Corp. Securities Litigation*, No. 1:19-cv-07289, was filed against the Company and is still ongoing. The Company filed a motion to dismiss the case on September 11, 2020. The Company believes that the suit is immaterial and that the claims are without merit and intends to vigorously defend against them.

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

The Company’s financial instruments consist of cash and cash equivalents, accounts payable and accrued liabilities, warrant liability, notes payable (both to third parties and related parties) and finance liability. Excluding the warrant liability classified at FVTPL, the carrying values of these financial instruments approximate their fair values at September 30, 2020 and December 31, 2019 due to their short-term nature

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16. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (CONTINUED)

or because the effective interest rate applied to the balance approximates the market rate.

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

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

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

There have been no transfers between hierarchy levels during the nine months ended September 30, 2020 or the year ended December 31, 2019.

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

| | Fair Value Through Profit or Loss | Amortized Cost | Total |
|--|--|---------------------------|----------------|
| Financial Assets: | | | |
| Cash and Cash Equivalents | \$ - | \$ 193,377,890 | \$ 193,377,890 |
| Financial Liabilities: | | | |
| Accounts Payable and Accrued Liabilities | - | 32,777,734 | 32,777,734 |
| Notes Payable | - | 6,000,000 | 6,000,000 |
| Notes Payable - Related Party | - | 12,045,229 | 12,045,229 |
| Finance Liability | - | 116,435,331 | 116,435,331 |
| Lease Liability | - | 131,036,174 | 131,036,174 |
| Warrant Liability | \$ 22,673,898 | \$ - | \$ 22,673,898 |

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

| | Fair Value Through Profit or Loss | Amortized Cost | Total |
|--|--|---------------------------|---------------|
| Financial Assets: | | | |
| Cash and Cash Equivalents | \$ - | \$ 91,812,821 | \$ 91,812,821 |
| Financial Liabilities: | | | |
| Accounts Payable and Accrued Liabilities | - | 24,307,928 | 24,307,928 |
| Notes Payable | - | 6,000,000 | 6,000,000 |
| Notes Payable - Related Party | - | 12,902,974 | 12,902,974 |
| Finance Liability | - | 114,341,837 | 114,341,837 |
| Lease Liability | - | 70,999,599 | 70,999,599 |
| Warrant Liability | \$ 9,891,666 | \$ - | \$ 9,891,666 |

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

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they become due. The Company manages its liquidity risk by reviewing on an ongoing basis its capital requirements.

(c) Credit Risk

Management does not believe that the Company has credit risk, as the Company's revenue is generated exclusively through cash transactions. The Company deals almost entirely with on demand sales and does not enter into any wholesale agreements, therefore does not have trade accounts receivable.

(d) Market Risk*(i) Interest Rate Risk*

Interest rate risk is the risk that the fair value or the future cash flows of a financial instrument will fluctuate as a result of changes in market interest rates. The Company's interest-bearing loans and borrowings are all at fixed interest rates. The Company considers interest rate risk to be immaterial. The Company values the debt warrants using interest rates, any change in the rates will have a material impact on the fair value of the warrants.

(ii) Concentration Risk

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

(iii) Price Risk

Price risk is the risk of variability in fair value due to movements in equity or market prices. The Company has exposure to the U.S. dollar and Canadian dollar from warrant derivatives. The Company is mainly exposed to a 10% change in the U.S. dollar against the Canadian dollar which could result in an immaterial impact to net income.

(e) Banking risk

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

16. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (CONTINUED)**(f) COVID-19 Pandemic**

The Company's business could be materially and adversely affected by the outbreak of a widespread epidemic or pandemic or other public health crisis, including arising from the novel strain of the coronavirus known as "COVID-19". This has resulted in significant economic uncertainty and consequently, it is difficult to reliably measure the potential impact of this uncertainty on our future financial results. Possible future impacts resulting from local or statewide ordinances to help curb the spread of COVID-19 could include limitations on the number of customers in retail stores due to social distancing requirements or forced store closures which forces sales through delivery services.

17. SUBSEQUENT EVENTS

The Company has evaluated subsequent events through November 17, 2020, which is the date these unaudited condensed consolidated interim financial statements were approved by the Board of Directors.

On September 16, 2020, the Company entered into definitive agreements pursuant to which Trulieve has agreed to acquire cultivator and producer PurePenn LLC and Pioneer Leasing & Consulting LLC (collectively "PurePenn") as well as dispensary operator Keystone Relief Centers LLC, doing business as Solevo Wellness ("Solevo"). Trulieve has agreed to acquire PurePenn for an upfront payment of \$46 million, comprised of \$27 million in Trulieve subordinate voting shares ("Trulieve Shares") and \$19 million in cash, plus a potential earn-out payment of up to approximately \$60 million in Trulieve Shares based on the achievement of certain agreed EBITDA milestones. Trulieve has agreed to acquire Solevo for an upfront purchase price of US\$20 million, comprised of \$10 million in cash and \$10 million in Trulieve Shares, plus a potential earn-out payment of up to approximately \$15 million in Trulieve Shares based on the achievement of certain agreed EBITDA milestones. The Transactions closed on November 12, 2020. Each acquisition is an arm's length transaction and neither involve a finder's fee. The acquisitions will result in a change of control for both PurePenn and Solevo.