CURALEAF HOLDINGS, INC.

Consolidated Financial Statements
As of and for the Years Ended
December 31, 2018 and 2017

(Expressed in United States Dollars Unless Otherwise Stated)

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Independent Auditor's Report

To the Shareholders of Curaleaf Holdings, Inc.:

Opinion

We have audited the consolidated financial statements of Curaleaf Holdings, Inc. and its subsidiaries (the "Company"), which comprise the consolidated statements of financial position as at December 31, 2018 and December 31, 2017, and the consolidated statements of profits and losses, changes in equity and cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as at December 31, 2018 and December 31, 2017, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audits of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Information

Management is responsible for the other information. The other information comprises Management's Discussion and Analysis.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audits of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audits or otherwise appears to be materially misstated. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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

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

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

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

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

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

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

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

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

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditor's report is Erkin Atakhanov.

PERSONAL FINANCE CONSULTING PROFESSIONAL CORPORATION
CHARTERED PROFESSIONAL ACCOUNTANT

Calgary, Alberta
April 22, 2019

Chartered Professional Accountant
Licensed Public Accountant

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Curaleaf Holdings, Inc.
Consolidated Statements of Financial Position
(in thousands)

	Note	December 31, 2018	December 31, 2017
Assets			
Current assets:			
Cash		$ 266,616	$ 20,975
Accounts receivable		9,402	1,246
Inventory, net	*6*	27,976	12,661
Biological assets	*7*	4,491	1,439
Prepaid expenses and other current assets		4,975	844
Total current assets		313,460	37,165
Deferred tax asset	*16*	2,556	2,051
Notes receivable	*8*	33,811	21,051
Property, plant and equipment, net	*9*	66,969	23,519
Intangible assets, net	*10*	52,925	27,223
Goodwill	*10*	47,267	31,561
Investments	*4*	45,408	3,754
Other assets		7,440	5,278
Total assets		$ 569,836	$ 151,602
Liabilities and Shareholders' Equity			
Current liabilities:			
Accounts payable		$ 3,974	$ 1,720
Income tax payable	*16*	2,730	827
Accrued expenses		15,721	2,246
Current portion of notes payable – related party	*11,20*	2,403	—
Total current liabilities		24,828	4,793
Deferred tax liability	*16*	6,508	3,504
Notes payable	*11*	81,901	1,872
Notes payable – related party, net of current portion	*11, 20*	—	8,322
Non-controlling interest redemption liability	*4, 22*	2,957	28,346
Contingent consideration liability – related party	*4, 20*	18,000	—
Total liabilities		134,194	46,837
Shareholders' equity:			
Share capital		657,525	109,855
Treasury shares		(4,325)	(966)
Reserves		(146,761)	5,404
Accumulated deficit		(65,666)	(8,899)
Total Curaleaf Holdings, Inc. shareholders' equity	*12*	440,773	105,394
Redeemable non-controlling interest	*4, 22*	(2,957)	(28,346)
Non-controlling interest	*4, 22*	(2,174)	27,717
Total shareholders' equity		435,642	104,765
Total liabilities and shareholders' equity		$ 569,836	$ 151,602

Operations of the Company (*Note 1*)
Commitments and Contingencies (*Note 19*)
Subsequent Events (*Note 23*)

Approved and authorized for issue on behalf of the Shareholders on April 22, 2019:

"Joseph F Lusardi" — Chief Executive Officer

"Neil Davidson" . — Chief Financial Officer

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

Curaleaf Holdings, Inc.
Consolidated Statements of Profits and Losses
(in thousands, except for share and per share amounts)

	Note	Year Ended December 31, 2018	Year Ended December 31, 2017
Revenues:			
Retail and wholesale revenues		$ 57,538	$ 9,358
Management fee income		19,519	9,955
Total revenues		77,057	19,313
Cost of goods sold		31,172	7,840
Gross profit before impact of biological assets		45,885	11,473
Realized fair value amounts included in inventory sold		(16,069)	(3,189)
Unrealized fair value gain on growth of biological assets	*7*	16,471	7,313
Gross profit		46,287	15,597
Operating expenses:			
Selling, general and administrative	*15*	65,312	16,385
Share-based compensation	*14*	2,229	2,547
Depreciation and amortization	*9, 10*	7,427	3,210
Total operating expenses		74,968	22,142
Loss from operations		(28,681)	(6,545)
Other income (expense):			
Interest income		4,805	2,990
Interest expense		(7,309)	(1,590)
Gain on sale of subsidiary	*5*	—	772
Gain on bargain purchase, net of tax	*4*	—	138
Loss on change in fair value of convertible note	*4*	(25,100)	—
Other income		51	259
Total other income (expense), net		(27,553)	2,569
Loss before provision for income taxes		(56,234)	(3,976)
Income tax expense	*16*	(5,643)	(1,068)
Net loss and comprehensive loss		(61,877)	(5,044)
Less: Net loss attributable to non-controlling interest		(5,410)	(2,226)
Net loss attributable to Curaleaf Holdings, Inc.		$ (56,467)	$ (2,818)
Loss per share attributable to Curaleaf Holdings, Inc. – basic and diluted		$ (0.14)	$ (0.01)
Weighted average common shares outstanding – basic and diluted		396,498,411	322,834,540

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

Curaleaf Holdings, Inc.
Consolidated Statements of Changes in Equity
(in thousands, except for share amounts)

	Share Capital (Note 12) # of Shares Common	SVS	MVS	Amount	Treasury Shares (Note 12)	Share-Based Reserves (Note 14)	Warrant Reserves (Note 13)	Other Reserves (Note 4)	Total Reserves	Accumulated Deficit	Total Curaleaf Holdings, Inc. Shareholders' Equity	Redeemable Non - Controlling Interest Contingency (Note 4 & 22)	Non-Controlling Interest (Note 4 & 22)	Redeemable Non-Controlling Interest (Note 4 & 22)	Total Shareholders' Equity
Balances as of December 31, 2016	317,872,915	—	—	$ 83,812	$ —	$ 2,488	$ 369	$ —	$ 2,857	$ (6,081)	$ 80,588	$ —	$ —	$ —	$ 80,588
Issuance of shares in connection with acquisitions	8,344,354	—	—	6,099	—	—	—	—	—	—	6,099	—	—	—	6,099
Repurchase of shares	(2,633,971)	—	—	—	(966)	—	—	—	—	—	(966)	—	—	—	(966)
Issuance of shares, net of issuance costs	27,362,110	—	—	19,944	—	—	—	—	—	—	19,944	—	—	—	19,944
Share-based compensation	—	—	—	—	—	2,547	—	—	2,547	—	2,547	—	—	—	2,547
Non-controlling interest in connection with acquisitions	—	—	—	—	—	—	—	—	—	—	—	—	1,507	—	1,507
Redeemable non-controlling interest in connection with acquisitions	—	—	—	—	—	—	—	—	—	—	—	(28,346)	—	28,436	90
Net loss	—	—	—	—	—	—	—	—	—	(2,818)	(2,818)	—	(172)	(2,054)	(5,044)
Balances as of December 31, 2017	350,945,408	—	—	$ 109,855	$ (966)	$ 5,035	$ 369	$ —	$ 5,404	$ (8,899)	$ 105,394	$ (28,346)	$ 1,335	$ 26,382	$ 104,765
Warrants issued with financing agreement - 2021, net of issuance costs	—	—	—	—	—	—	7,251	—	7,251	—	7,251	—	—	—	7,251
Issuance of shares, net of issuance costs	37,641,130	—	—	28,500	—	—	—	—	—	—	28,500	—	—	—	28,500
Repurchase of shares	(4,151,486)	—	—	—	(2,500)	—	—	—	—	—	(2,500)	—	—	—	(2,500)
Exercise of warrants	6,557,235	—	—	7,945	—	—	(7,620)	—	(7,620)	—	325	—	—	—	325
Exercise of stock options	5,527,990	—	—	1,167	—	(563)		—	(563)	—	604	—	—	—	604
Conversion of loan	3,715,038	—	—	32,716	—	—	—	—	—	—	32,716	—	—	—	32,716
Conversion of shares	(400,235,315)	278,064,610	122,170,705	—	—	—	—	—	—	—	—	—	—	—	—
Issuance of shares for purchase of LVI	—	188,646	—	940	—	—	—	—	—	—	940	—	—	—	940
Issuance of shares in connection with private placement, net of issuance costs	—	45,422,167	—	374,132	—	—	—	—	—	—	374,132	—	—	—	374,132
Minority Buyouts	—	11,447,916	—	100,497	—	—	—	(153,459)	(153,459)	(300)	(53,262)	—	(1,335)	(23,146)	(77,743)
Issuance of shares in connection with acquisitions	—	341,737	—	1,767	—	—	—	—	—	—	1,767	—	—	—	1,767
Cancellation of redeemable non-controlling interest	—	—	—	—	—	—	—	—	—	—	—	25,389	—	—	25,389
Repurchase of shares	—	(189,100)	—	—	(859)	—	—	—	—	—	(859)	—	—	—	(859)
Exercise of stock options	—	16,355	—	6	—	(3)	—	—	(3)	—	3	—	—	—	3
Share-based compensation	—	—	—	—	—	2,229	—	—	2,229	—	2,229	—	—	—	2,229
Net loss	—	—	—	—	—	—	—	—	—	(56,467)	(56,467)	—	—	(5,410)	(61,877)
Balances as of December 31, 2018	—	335,292,331	122,170,705	$ 657,525	$ (4,325)	$ 6,698	$ —	$ (153,459)	$ (146,761)	$ (65,666)	$ 440,773	$ (2,957)	$ —	$ (2,174)	$ 435,642

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

Curaleaf Holdings, Inc.
Consolidated Statements of Cash Flows
(in thousands)

	Year Ended December 31, 2018	Year Ended December 31, 2017
Cash flows from operating activities:		
Net loss	$ (61,877)	$ (5,044)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	8,653	3,726
Non-cash expense of business combination	940	—
Share-based compensation	2,229	2,547
Non-cash interest expense	2,247	241
Unrealized gain on changes in fair value of biological assets	(16,471)	(7,313)
Increase in biological asset due to capitalized costs	(11,297)	(3,921)
Gain on bargain purchase, net of tax	—	(138)
Loss on change in fair value of convertible debt	25,100	—
Gain on sale of subsidiary	—	(772)
Gain on convertible note sold	—	(161)
Loss on disposal of property and equipment	172	79
Straight line rent expense	263	—
Deferred taxes	2,499	240
Changes in operating assets and liabilities		
Accounts receivable	(8,142)	(425)
Biological assets	25,361	10,905
Inventory	(13,176)	(7,402)
Prepaid expenses and other current assets	(3,615)	(472)
Other assets	(120)	(590)
Accounts payable	1,334	(197)
Income tax payable	1,903	828
Accrued expenses	10,896	154
Net cash used in operating activities	(33,101)	(7,715)
Cash flows from investing activities:		
Purchases of property and equipment	(45,620)	(10,593)
Proceeds from sale of property and equipment	716	62
Prepayment of acquisition consideration	(43,490)	—
Amounts advanced for notes receivables	(16,198)	(18,341)
Proceeds received from sale of Viridis	—	498
Proceeds received from sale of PhytaTech	—	500
Purchase of licenses	(239)	(147)
Net assets acquired from acquisitions, net of cash acquired	(29,435)	(29,683)
Net cash used in investing activities	(134,266)	(57,704)
Cash flows from financing activities:		
Proceeds from notes payable, net of issuance costs	104,247	1,559
Proceeds from private placement offering, net of issuance costs	375,159	—
Minority buyouts	(66,642)	—
Principal payments on debt	(26,300)	—
Repurchase of common stock	(2,670)	(966)
Exercise of stock options	604	—
Exercise of warrants	110	—
Issuance of common shares, net of issuance costs	28,500	19,944
Net cash provided by financing activities	413,008	20,537
Net change in cash	245,641	(44,882)
Cash at beginning of period	20,975	65,857
Cash at end of period	$ 266,616	$ 20,975
Supplemental disclosure of cash flow information:		
Cash paid for interest	$ 4,897	$ 1,076
Cash paid for income tax	$ 1,241	$ 14
Supplemental disclosure of non-cash investing and financing activities:		
Warrant reserve recognized in connection with unsecured debt	$ 7,251	$ —
Convertible notes issued in connection with acquisitions	$ 7,616	$ —
Conversion of convertible note	$ 32,716	$ —
Contingent consideration in connection with minority buyout	$ 18,000	$ —
Issuance of shares in connection with minority buyouts	$ 100,497	$ —
Notes receivable settled in connection with acquisitions	$ 3,438	$ 13,559
Issuance of shares in connection with acquisitions	$ 1,767	$ 6,099
Note receivable from Evio	$ —	$ (1,000)
Note receivable from Signal Bay	$ —	$ (500)

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

Note 1 – Operations of the company

Curaleaf Holdings, Inc. (the "Company", "Curaleaf", or the "Group"), formerly known as Lead Ventures, Inc. ("LVI"), was incorporated under the laws of British Columbia, Canada on November 13, 2014. Curaleaf operates as a life science company developing full scale cannabis operations, with core competencies in cultivation, manufacturing, dispensing and medical cannabis research.

On October 24, 2018 the Company completed a reverse takeover transaction and private placement further described in Note 3. Following the transaction, the Company's subordinate voting shares ("SVS") were listed on the Canadian Securities Exchange ("CSE") under the symbol "CURA" and on the OTCQX under the symbol "CURLF".

The head office and principal address of the Company is 301 Edgewater Place #405, Wakefield, MA 01880. The Company's registered and records office address is located at Suite 1700-666 Burrard Street, Vancouver, British Columbia, Canada.

Note 2 – Basis of presentation

The accompanying consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and Interpretations of the IFRS Interpretations Committee ("IFRIC") in effect as of and for the year ended December 31, 2018.

These consolidated financial statements were approved and authorized by the Board of Directors of the Company on April 22, 2019

Functional currency

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

Basis of consolidation

Affiliates are entities controlled by the Company. Control exists when the Company has the power, directly and indirectly, to govern the financial and operating policies of an entity and is exposed to the variable returns from its activities. The financial statements of affiliates are included in the consolidated financial statements from the date that control commences until the date that control ceases.

These consolidated financial statements include the accounts of the Company and its affiliates:

Business Name	State of Operations	December 31, 2018 Ownership %	December 31, 2017 Ownership %
CLF AZ, Inc.	AZ	100%	0%
CLF NY, Inc.	NY	100%	100%
Curaleaf KY, Inc.	KY	100%	100%
Curaleaf Massachusetts, Inc.	MA	100%	0%
Curaleaf MD, LLC	MD	100%	100%
Curaleaf Ohio, Inc.	OH	100%	100%
Curaleaf PA, LLC	PA	100%	100%
Curaleaf, Inc.	MA	100%	100%
Focused Investment Partners, LLC	MA	100%	100%

PalliaTech Maine, Inc.	ME	100%	100%
PalliaTech RI, LLC	RI	100%	100%
PalliaTech CT, Inc.	CT	100%	51%
PalliaTech OR, LLC (formerly Groen)	OR	100%	51%
PalliaTech Florida, Inc.	FL	82.5%	58%
CLF MD Processing, LLC	MD	85%	85%
Las Vegas Natural Caregivers, LLC	NV	57%	57%

All significant intercompany balances and transactions were eliminated on consolidation.

Basis of measurement

The consolidated financial statements have been prepared on a historical cost basis except for certain financial instruments and biological assets which were measured at fair value.

Cash and cash equivalents

The Company considers all highly liquid instruments with original maturities at time of purchase of 90 days or less to be cash equivalents.

Restricted cash

Restricted cash balances are those which meet the definition of cash and cash equivalents but are not available for use by the Company. As of December 31, 2018 and 2017, other assets included restricted cash in the amounts of $2,000 and $3,625, respectively, which is related to amounts that are held in escrow with $125 being transferred to a third party on a monthly basis for consulting services. The remaining balance in other assets consists primarily of deposits for certain operating leases.

Inventory

Inventory is stated at lower of cost or net realizable value ("NRV"). NRV is determined as the estimated selling price in the ordinary course of business less estimated costs to sell. Packaging and supplies are initially valued at cost. The Company utilizes the most reliable evidence available to determine if inventory should be written-down below its current carrying value. The direct and indirect costs of inventory initially include the fair value of the biological asset at the time of harvest. They also include subsequent costs such as materials, labor, and depreciation expense on equipment involved in trimming and packaging. All direct and indirect costs related to inventory are capitalized as they are incurred and subsequently recorded within the line item "cost of goods sold" in the consolidated statement of profits and losses at the time the product is sold.

Biological assets

Expenditures incurred on biological assets are measured on initial recognition and at the end of each reporting period at their fair value less costs to sell in accordance with *IAS 41 – Agriculture*. The unrealized gain or loss arising on initial recognition of such biological assets at fair value less costs to sell and the change in fair value less costs to sell of biological assets are included in the consolidated statement of profits and losses for the period in which it arises. While the Company's biological assets are within the scope of *IAS 41*, the direct and indirect costs of production are determined using an approach similar to the capitalize criteria within the scope of *IAS 2 – Inventories*. These production costs incurred during the growing process are capitalized and included in the fair value of biological assets. These direct and indirect costs include but are not limited to labor, utilities, supplies, depreciation on production equipment, and overhead costs such as

rent to the extent it is associated with the growing space. Capitalized costs are subsequently recorded within the line item "cost of goods sold" in the consolidated statement of profits and losses in the period that the related product is sold. As of December 31, 2018 and 2017, the Company recorded biological assets of $4,491 and $1,439, respectively.

Accounts receivable and allowance for doubtful accounts

Accounts receivable consists primarily of trade accounts receivable with wholesale customers which are recorded at the invoiced amount and generally do not bear interest and do not require collateral. Past due balances are determined based on the contractual terms of the arrangements. The Company estimates its allowance for doubtful accounts based on lifetime expected credit losses taking into account historical loss experience and financial factors specific to the debtors and general economic conditions. Account balances are charged off against the allowance after all means of collection have been exhausted and the potential for recovery is considered remote. The Company determined there was no allowance for doubtful accounts required as of December 31, 2018 and 2017.

Notes receivable

Notes receivable are recorded net of any unamortized deferred fees and incremental direct costs. Interest income and amortization of any fees are recorded ratably over the related term of the note. The Company considers these receivables to have similar risk characteristics as its accounts receivable, as they relate to the ongoing business agreements with customers and evaluates them as one collective portfolio segment and class for determining the allowance for doubtful accounts. The Company determined there was no allowance for doubtful accounts required as of December 31, 2018 and 2017.

Property and equipment

Property and equipment are stated at cost, net of accumulated depreciation and impairment losses, if any. Depreciation is calculated on a straight-line basis over the estimated useful life of the asset using the following terms and methods:

	Estimated Useful life
Information technology	5 years
Furniture and fixtures	7 years
Building and improvements	15 to 39 years
Leasehold improvements	Lesser of lease term or 7 to 10 years

The assets' residual values, useful lives and methods of depreciation are reviewed at each financial year-end and adjusted prospectively if appropriate. Construction in progress is measured at cost. Upon completion, construction in progress will be reclassified as building or leasehold improvements depending on the nature of the assets and depreciated over the estimated useful life of the asset.

An item of equipment is derecognized upon disposal or when no future economic benefits are expected from its use. Any gain or loss arising from derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying value of the asset) is included in the consolidated statement of profits and losses in the year the asset is derecognized. *IAS 36 – Impairment of Assets ("IAS 36")* requires that tangible assets be carried at no more than their recoverable amount. To meet this objective, the Company tests all assets that are within this scope for potential impairment exist.

Intangible assets subject to amortization

Intangible assets include intellectual property either owned by the Company or for which the Company has a license. Intangible assets include licenses to cultivate, process and sell cannabis, trade names and non-compete agreements

obtained through business acquisitions. Intangible assets acquired in a business combination are recognized at fair value using generally accepted valuation methods deemed appropriate for the type of intangible asset acquired. Generally, the Company utilizes the discounted cash flow method for valuing licenses, the relief from royalty method for valuing trade names and the with or without cash flow method for valuing non-compete agreements. Intangible assets with finite lives are amortized over their estimated useful lives and reported net of accumulated amortization, separately from goodwill. Amortization is calculated on the straight-line method based on the following estimated useful lives:

Licenses	12-20 years
Trade names	5-15 years
Non-compete agreements	1-2 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. During the years ended December 31, 2018 and 2017, the Company did not recognize any impairment losses. *IAS 36* requires that intangible assets be carried at no more than their recoverable amount. To meet this objective, the Company tests all assets that are within this scope for potential impairment exist.

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. Given the nature of the Company's business, management generally identifies CGUs based on regional areas. The Company has determined that the goodwill recognized in connection with all acquisitions to date belong to the cannabis operations segment.

Goodwill is not subject to amortization and is tested annually for impairment, or more frequently if events or changes in circumstances indicate that it might be impaired in accordance with *IAS 36*. Impairment is determined by assessing if the carrying value of a CGU, including the allocated goodwill, exceeds its recoverable amount determined as the greater of the estimated fair value less costs to sell and the value in use. The Company performs the analysis on a CGU level using a discounted cash flow method. Impairment losses recognized in respect of a CGU are first allocated to the carrying value of goodwill and any excess is allocated to the carrying amount of assets in the CGU. Any goodwill impairment loss is recognized in the consolidated statement of profits and losses in the period in which the impairment is identified. Impairment losses on goodwill are not subsequently reversed.

Debt with warrants and convertible options

The Company issues debt that may have separate warrants, conversion features or no equity-linked attributes which are accounted for as compound or hybrid financial instruments based on its features.

Convertible notes and debt with warrants classified as compound financial instruments are accounted for separately by their components: a financial liability and an equity instrument. The liability component is initially recognized at the fair value of a similar liability that does not have an equity conversion option. The equity component is initially recognized at the difference between the fair value of the compound financial instrument as a whole and the fair value of the liability component. Subsequent to initial recognition, the liability component is measured at amortized cost using the effective interest method. The equity component is not remeasured. No gain or loss is recognized at maturity or early conversion of the debt.

For convertible notes and debt with warrants classified as hybrid financial instruments, the Company elects on an instrument by instrument basis to bifurcate embedded derivatives or fair value of the entire instrument.

Leased assets

A lease of property and equipment is classified as an operating lease whenever the terms of the lease do not transfer substantially all of the risks and rewards of ownership to the lessee. Lease payments are recognized as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which the economic benefits are consumed.

Income taxes

Income tax expense comprises current and deferred tax. It is recognized in the consolidated statement of profits and losses except to the extent that it relates to a business combination, or items recognized directly in equity or in other comprehensive income. Interest and penalties related to income taxes, including uncertain tax treatments, are accounted for under *IAS 37 – Provision, Contingent Liabilities and Contingent Assets*. Current tax comprises the expected tax payable or receivable on the taxable income or loss for the year and any adjustments to the tax payable or receivable with respect to previous years. The amount of current tax payable or receivable is the best estimate of the tax amount expected to be paid or received that reflects uncertainty related to income taxes, if any. It is measured using tax rates enacted or substantively enacted at the reporting date. Current tax also includes any tax arising from dividends. Current tax assets and liabilities are offset only if certain criteria are met.

Deferred tax is recognized with respect to temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognized for:

- temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss;

- temporary differences related to investments in subsidiaries, associates and joint arrangements to the extent that the Company is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future; and

- taxable temporary differences arising on the initial recognition of goodwill.

Deferred tax assets are recognized for unused tax losses, unused tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be used. Future taxable profits are determined based on the reversal of relevant taxable temporary differences. If the amount of taxable temporary differences is insufficient to recognize a deferred tax asset in full, then future taxable profits, adjusted for reversals of existing temporary differences, are considered, based on the business plans for individual subsidiaries in the Company. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized; such reductions are reversed when the probability of future taxable profit improves.

Unrecognized deferred tax assets are reassessed at each reporting date and recognized to the extent that it has become probable that future taxable profits will be available against which they can be used. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date. The measurement of deferred tax reflects the tax consequences that would follow from the manner in which the Company expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities. Deferred tax assets and liabilities are offset only if certain criteria are met.

Revenue recognition

The Company adopted *IFRS 15 – Revenue from Contracts with Customers* on January 1, 2018 using the modified retrospective approach where the cumulative impact of adoption is recognized in retained earnings as of January 1, 2018

and comparatives are not restated. The new standard provides for a single model that applies to all contracts with customers with two types of recognition: at a point in time or over time. Under *IFRS 15* the Company's accounting policy for revenue recognition is as follows: i) identify the contract with the customer; ii) identify the performance obligation(s) in the contract; iii) determine the transaction price; iv) allocate the transaction price to the performance obligation(s); and (v) recognize revenue when (or as) performance obligation(s) are satisfied.

Revenue from the sale of cannabis is recognized at the point in time when control over the goods have been transferred to the customer. The Company transfers control and satisfies its performance obligation upon delivery and acceptance by the customer. Revenue from management services fees are recognized over the term of the arrangement as services are provided. Revenue is presented net of discounts and sales and other related taxes.

Share-based payment arrangements

The Company measures all share-based payment arrangements to employees and directors at the fair value on the date of the grant. The Company uses the Black-Scholes valuation model to determine the grant-date fair value of options and warrants. The inputs into the Black-Scholes valuation model, including the expected term of the instrument, expected volatility, risk-free interest rate and dividend rate are determined by reference to the underlying terms of the instrument, and the Company's experience with similar instruments. In instances where stock options have performance or market conditions, the Company utilizes the Monte Carlo valuation model to simulate the various outcomes that affect the value of the option. The grant-date fair value of equity-settled share-based payment arrangements is generally recognized as an expense, with a corresponding increase in equity, over the vesting period of the awards. The amount recognized as an expense is adjusted to reflect the number of awards for which the related service conditions are expected to be met, such that the amount ultimately recognized is based on the number of awards that meet the related service conditions at the vesting date.

Comprehensive loss

Comprehensive loss includes net loss as well as other changes in the consolidated statement of changes in equity that result from transactions and economic events other than those with shareholders. There was no difference between net loss and comprehensive loss for each of the periods presented in the accompanying consolidated financial statements.

Earnings per share, basic and diluted

The Company presents basic and diluted earnings per share. Basic earnings per share is calculated by dividing the profit or loss attributable to shareholders by the weighted average number of shares outstanding during the period. Diluted earnings per share is determined by adjusting the profit or loss attributable to shareholders and the weighted average number of shares outstanding, for the effects of all dilutive potential shares, which comprise warrants, convertible debt and options issued. Items with an anti-dilutive impact are excluded from the calculation. The number of shares included with respect to options, warrants and similar instruments is computed using the treasury stock method.

Related party transactions

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control. Related parties may be individuals or entities. A transaction is considered to be a related party transaction when there is a transfer of resources or obligations between related parties.

Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument to another entity. Financial assets and financial liabilities are recognized in the consolidated statement of financial position at the time the Company becomes a party to the contractual provisions of the financial instrument.

Initial measurement of financial assets and financial liabilities

Financial assets and liabilities are recognized at fair value upon initial recognition plus any directly attributable transaction costs when not subsequently measured at fair value through profit or loss. Transaction costs are expensed in the period incurred through the consolidated statement of profits and losses.

Subsequent measurement

Measurement in subsequent periods is dependent on the classification of the financial instrument. The Company classifies its financial instruments in the following categories: at Fair Value Through Profit or Loss ("FVTPL"), loans and receivables, held to maturity, available for sale, and other financial liabilities.

Financial assets

The Company adopted *IFRS 9 – Financial Instruments* ("IFRS 9") as of January 1, 2018. *IFRS 9* replaces *IAS 39 – Financial Instruments: Recognition and Measurement* ("IAS 39"). *IFRS 9* utilizes a revised model for recognition and measurement of financial instruments and a single forward-looking "expected loss" impairment model. Most of the requirements in *IAS 39* for classification and measurement of financial liabilities were carried forward in *IFRS 9*. The adoption of *IFRS 9* did not impact the carrying value of any financial assets or financial liabilities on that transition date.

The following is the Company's new accounting policy for financial instruments under *IFRS 9*.

Classification

The Company classifies its financial instruments in the following categories: at FVTPL, at fair value through other comprehensive income (loss) ("FVTOCI") or at amortized cost. The Company determines the classification of financial assets at initial recognition. The classification of debt instruments is driven by the Company's business model for managing the financial assets and their contractual cash flow characteristics. Equity instruments that are held for trading are classified as FVTPL. For other equity instruments, on the day of acquisition the Company can make an irrevocable election (on an instrument-by-instrument basis) to designate them as at FVTOCI. Financial liabilities are measured at amortized cost, unless they are required to be measured at FVTPL (such as instruments held for trading or derivatives) or the Company has opted to measure them at FVTPL.

Measurement

Financial assets at FVTOCI – Elected investments in equity instruments at FVTOCI are initially recognized at fair value plus transaction costs. Subsequently they are measured at fair value, with gains and losses recognized in other comprehensive income (loss).

Financial assets and liabilities at amortized cost – Financial assets and liabilities at amortized cost are initially recognized at fair value plus or minus transaction costs, respectively, and subsequently carried at amortized cost less any impairment.

Financial assets and liabilities at FVTPL – Financial assets and liabilities carried at FVTPL are initially recorded at fair value and transaction costs are expensed in the consolidated statements of profit or loss. Realized and unrealized gains and

losses arising from changes in the fair value of the financial assets and liabilities held at FVTPL are included in the consolidated statements of profit or loss in the period in which they arise. Where management has opted to recognize a financial liability at FVTPL, any changes associated with the Company's own credit risk will be recognized in other comprehensive income (loss).

Impairment of financial assets at amortized cost

The Company recognizes a loss allowance for expected credit losses on financial assets that are measured at amortized cost. At each reporting date, the Company measures the loss allowance for the financial asset at an amount equal to the lifetime expected credit losses if the credit risk on the financial asset has increased significantly since initial recognition. If at the reporting date, the financial asset has not increased significantly since initial recognition, the Company measures the loss allowance for the financial asset at an amount equal to the twelve month expected credit losses. The Company recognizes in the consolidated statements of profit or loss, as an impairment gain or loss, the amount of expected credit losses (or reversal) that is required to adjust the loss allowance at the reporting date to the amount that is required to be recognized.

Derecognition

Financial assets – The Company derecognizes financial assets only when the contractual rights to cash flows from the financial assets expire, or when it transfers the financial assets and substantially all of the associated risks and rewards of ownership to another entity. Gains and losses on derecognition are generally recognized in the consolidated statements of profit or loss. However, gains and losses on derecognition of financial assets classified as FVTOCI remain within accumulated other comprehensive income (loss).

Financial liabilities – The Company derecognizes financial liabilities only when its obligations under the financial liabilities are discharged, cancelled or expired. Generally, the difference between the carrying amount of the financial liability derecognized and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognized in the consolidated statement of profits and losses.

Significant accounting judgments, estimates and assumptions

The preparation of the Company's 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 consolidated financial statements are described below.

Estimated useful lives and depreciation of property and equipment

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

Estimated useful lives and amortization of intangible assets

Amortization of intangible assets is dependent upon estimates of useful lives which are determined through exercise of judgment and 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.

Biological assets

Biological assets are dependent upon estimates of future economic benefits as a result of past events to determine the fair value through an exercise of significant judgment by the Company. In estimating the fair value of an asset or a liability, the Company uses market observable data to the extent it is available. The Company uses the average selling price per gram in the market in which the biological assets are produced to determine fair value. The Company reevaluates market prices on a quarterly basis in order to ensure biological assets are measured at the most relevant fair value.

Business combinations

In a business combination, all identifiable assets, liabilities and contingent liabilities acquired are recorded at their fair values. One of the most significant estimates relates to the determination of the fair value of these assets and liabilities. 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 – Financial Instruments* with the corresponding gain or loss being recognized in the consolidated statement of profits and losses. For any intangible asset identified, depending on the type of intangible asset and the complexity of determining its fair value, an independent valuation expert or management may develop the fair value, using appropriate valuation techniques, which are generally based on a forecast of the total expected future net cash flows. The evaluations are linked closely to the assumptions made by management regarding the future performance of the assets concerned and any changes in the discount rate applied.

Certain fair values may be estimated at the acquisition date pending confirmation or completion of the valuation process. Where provisional values are used in accounting for a business combination, they may be adjusted retrospectively in subsequent periods, not to exceed one year from the acquisition date.

Non-controlling interests

IFRS do not have a specific standard or interpretation for the accounting of commitments to purchase non-controlling interests, mainly with respect to the accounting for the subsequent remeasurement of the carrying amount of the related financial liability. In such circumstances, the Company has to define its own accounting policy in accordance with *IAS 8 – Accounting Policies, Changes in Accounting Estimates and Errors* until the issuance of new standards and interpretations by the IASB or the IFRIC.

Non-controlling interests with redemption features, such as put options, that are not solely within the Company's control are considered redeemable non-controlling interests and are recognized in equity and attributed its share or profits or losses when the risk and rewards of ownership remain with the non-controlling interests.

A financial liability, non-controlling interest contingency, is recognized for the present value of the redemption amount if it is contractually fixed or at estimated fair value if it is not contractually fixed. Upon initial recognition and subsequent remeasurement, a corresponding charge is made directly to an equity reserve.

Non-controlling interest contingency

The Company measures the fair value of its non-controlling interest contingency by estimating the present value of future net cash inflows from earnings associated with the proportionate shares that are subject to sale to the Company pursuant to an exercise event. This estimation is intended to approximate the redemption value of the options as indicated in the applicable agreements. The fair value of the liability is sensitive to changes in projected earnings and thereby, future cash inflows, and the discount rate applied to those future cash inflows, which could have resulted in a higher or lower fair value measurement.

Compound financial instruments

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

Share-based payment arrangements

The Company uses the Black-Scholes valuation model to determine the fair value of options granted to employees and non-employees under share-based payment arrangements, where appropriate. In instances where stock options have performance or market conditions, the Company utilized the Monte Carlo valuation model to simulate the various outcomes that affect the value of the option. In estimating fair value, management is required to make certain assumptions and estimates such as the expected life of units, volatility of the Company's future share price, risk free rates, future dividend yields and estimated forfeitures at the initial grant date. Changes in assumptions used to estimate fair value could result in materially different results.

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 CGU 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.

Recent accounting pronouncements

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.

IFRS 16 – *Leases*

In January 2016, the IASB issued *IFRS 16 – Leases*, which will replace *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 will be effective for the annual period beginning on January 1, 2019. The extent of the impact of adoption of the standard has not yet been determined.

IFRIC 23: Uncertainty over Income Tax Treatments

In June 2017, the IASB issued the *IFRIC 23 – Uncertainty over Income Tax Treatments* which clarifies the accounting for uncertainties in income taxes. The interpretation is to be applied to the determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates, when there is uncertainty over income tax treatments under *IAS 12 – Income Taxes* ("IAS 12"). This interpretation will be effective for the annual period beginning on January 1, 2019. The extent of the impact of application of the interpretation has not yet been determined.

IAS 12: Taxes

In December 2017, the IASB issued *"Annual Improvements to the IFRS Standards 2015-2017 Cycle"*. The amendments clarify that the requirements if *IAS 12 – Taxes* to recognize the income tax consequences of dividends where the transactions or events that generated distributable profits are recognized, apply to all income tax consequences of dividends. This interpretation will be effective for the annual period beginning on January 1, 2019. The extent of the impact of application of the interpretation has not yet been determined.

IAS 1: Presentation of Financial Statements & IAS 8 – Accounting Policies, Changes in Accounting Estimates and Errors

In October 2018, the IASB issued *"Definition of Material"*, an amendment to *IAS 1 – Presentation of Financial Statements* and *IAS 8 – Accounting Policies, Changes in Accounting Estimates and Errors*, to clarify the definition of material and to align the definition used in the Conceptual Framework and the standards themselves. Materiality is defined as "information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity." This amendment will be effective for the annual period on January 1, 2020. Earlier application is permitted. The extent of the impact of application of the interpretation has not yet been determined.

Note 3 – Reverse takeover transaction and private placement

On July 25, 2018, Curaleaf, Inc. entered into an agreement ("Transaction Agreement") with LVI which resulted in a reverse takeover of LVI by the security holders of Curaleaf, Inc. and the listing for trading of the SVS of the issuer resulting from the reverse takeover, Curaleaf Holdings, Inc., on the CSE. Pursuant to the Transaction Agreement, the shareholders of LVI received, upon completion of the reverse takeover, SVS having an aggregate value of C$2,160.

On October 25, 2018, pursuant to the Transaction Agreement and an Agreement and Plan of Transaction among Curaleaf, Inc., the Company (then known as Lead Ventures, Inc.) and Curaleaf Mergers, Inc., completed the combination of their respective businesses (collectively, the "Business Combination"). The Business Combination was structured as a series of transactions, including a Canadian three-cornered amalgamation transaction and a series of U.S. merger and reorganization steps.

Immediately prior to the Business Combination, 1177687 B.C. Ltd. ("Curaleaf FinCo"), a special purpose corporation, completed a brokered and a non-brokered subscription receipt private placement financing at a price of C$11.45 per subscription receipt for aggregate gross proceeds of approximately C$520,000 (the "Private Placement").

As part of the Business Combination, the Company, Curaleaf FinCo and 1177679 B.C. Ltd., a wholly-owned subsidiary of the Company, were parties to a three-cornered amalgamation (the "Amalgamation") pursuant to which the shareholders of Curaleaf FinCo (being the investors in the Private Placement after automatic conversion of their subscription receipts into common shares of Curaleaf FinCo (the "Curaleaf FinCo Shares") received SVS of the Company in exchange for their Curaleaf FinCo Shares. Concurrently with the Amalgamation, Curaleaf MergerCo Inc., a wholly-owned subsidiary of the

Company, merged with and into Curaleaf, Inc., with Curaleaf, Inc. continuing as the surviving corporation and becoming a wholly-owned subsidiary of the Company.

In connection with the Business Combination, Gociter Holdings Ltd., a corporation of which Boris Jordan, the Executive Chairman of Curaleaf Holdings, Inc. is the beneficial owner, made a contribution of 3,734,965 common shares to the Company in exchange for 122,170,705 multiple voting shares ("MVS") of Curaleaf Holdings, Inc., representing 100% of the issued and outstanding MVS as of closing of the Business Combination.

Note 4 – Acquisitions

A summary of acquisitions completed during the years ended December 31, 2018 and 2017 is provided below:

	2018			2017				
Purchase Price Allocation	**Swell**	**CLMA**	**MTR**	**MHC**	**DRH**	**Groen**	**PC**	**HoH**
Assets acquired:								
Cash	$ 436	$ 190	$ 50	$ —	$ 235	$ 907	$ 530	$ 99
Accounts receivable	—	23	—	730	78	30	—	50
Prepaid expenses and other current assets	69	232	—	183	123	—	40	—
Inventory	844	1,188	107	2,013	596	1,674	—	975
Biological assets	125	527	—	—	293	530	—	287
Property and equipment	1,724	1,087	247	4,140	3,530	2,895	37	1,795
Other assets	—	24	234	—	240	—	82	—
Intangible assets :								
Licenses	21,340	5,950	1,835	19,710	4,250	980	1,590	670
Trade name	640	150	—	330	1,040	90	50	70
Non-compete agreements	100	—	—	700	—	—	30	—
Goodwill	6,216	2,747	6,743	13,470	14,302	—	1,748	2,041
Bargain purchase gain	—	—	—	—	—	(289)	—	—
Liabilities assumed	(803)	(1,401)	(305)	(1,276)	(463)	(1,160)	(954)	(195)
Non-controlling interest	—	(7,169)	—	(12,000)	(13,389)	(1,507)	(353)	(2,694)
Consideration Transferred	**$ 30,691**	**$ 3,548**	**$ 8,911**	**$ 28,000**	**$ 10,835**	**$ 4,150**	**$ 2,800**	**$ 3,098**

Certain fair values may be estimated at the acquisition date pending confirmation or completion of the valuation process. Where provisional values are used in accounting for a business combination, they may be adjusted retrospectively in subsequent periods, not to exceed one year from the acquisition date.

Goodwill arising from acquisitions consists largely of the synergies and economies of scale expected from combining the operations of the businesses. These synergies include the elimination of redundant facilities and functions and the use of the Company's existing commercial infrastructure to expand sales.

2018 Acquisitions

Swell Management LLC, an Arizona limited liability company ("Swell")

In April 2018, the Company acquired all of the outstanding membership interests of Swell. Total consideration consisted of cash of $23,055, which included a settlement of Swell's third party debt of $3,776 and the issuance of a convertible promissory note in the amount of $7,636 (the "Swell Note"). The convertible promissory note contained a variable rate to convert into shares of the Company which the Company considered a hybrid instrument. The Company elected to classify the entire convertible promissory note as a financial liability at fair value through profit or loss. In connection with the Business Combination, discussed in Note 3, the Swell Note was converted into 3,715,038 SVS. As a result the Company

determined that the fair value of the Swell Note increased to $32,716 and recorded a loss on the change in the fair value of the convertible note of $25,100.

The results of Swell have been included in the consolidated financial statements since the date of the acquisition. Revenue and net loss of Swell included in the consolidated financial statements from the acquisition date through December 31, 2018 were $10,209 and $1,952, respectively.

For the year ended December 31, 2018, the Company recorded $735 of transaction expenses related to third-party legal, accounting and shareholder representative services incurred in connection with the acquisition. These costs are included in general and administrative expenses in the Company's consolidated statement of profits and losses.

Curaleaf Massachusetts, Inc., a Massachusetts corporation ("CLMA")

In March 2018, the Company acquired a 50% stake, plus one share, in CLMA. Total consideration consisted of $36 in cash and settlement of $3,512 of debt, in accordance with a plan of conversion of CLMA's predecessor, Massachusetts Organic Therapy, Inc. ("MOT") to a for-profit entity. At that time, the Company obtained control over CLMA. PT Mass Holdings, LLC, of which Joseph F. Lusardi, the Company's President and Chief Executive Officer, is a member, acquired the remaining shares of CLMA at the time for consideration of $36.

In August 2018, the Company entered into an agreement with the minority owner to acquire all of PT Mass Holdings, LLC's stake in CLMA for $46,200, of which $28,200 was satisfied by the issuance of 3,212,337 SVS and $18,000 has been recorded as contingent consideration and is expected to be paid in cash upon the achievement of certain milestones. This transaction closed immediately following completion of the Business Combination discussed in Note 3.

The results of CLMA have been included in the consolidated financial statements since the date of the acquisition in March 2018. Revenue and net income of CLMA included in the consolidated financial statements from the acquisition date through December 31, 2018 were $5,963 and $4,305, respectively.

Catalina Hills Botanica Center, LLC, d/b/a Midtown Roots, *an Arizona limited liability company ("MTR")*

In November 2018, the Company acquired Thunderbird III Partners, LLC, a cannabis dispensary operating pursuant to a management services agreement with MTR, a non-profit entity holding a vertical medical marijuana license issued by the Arizona Department of Health Services. Total consideration consisted of $7,000 in cash and $1,911 which was settled through the issuance 341,737 SVS.

The results of MTR have been included in the consolidated financial statements since the date of the acquisition. Revenue and net income of MTR included in the consolidated financial statements from the acquisition date through December 31, 2018 were $406 and $16, respectively.

For the year ended December 31, 2018, the Company recorded $87 of transaction expenses related to third-party legal, accounting and shareholder representative services incurred in connection with the acquisition. These costs are included in general and administrative expenses in the Company's consolidated statement of profits and losses.

2017 Acquisitions

Costa Nursery Farms, LLC, a Florida limited liability company d/b/a Modern Health Concepts ("MHC")

In January 2017, the Company's subsidiary, PalliaTech Florida, LLC ("PT Florida"), acquired 49% voting and 70% economic interest in MHC for consideration of $28,000 paid in cash, and following approval of the Florida Department of

Health, PT Florida's interest in MHC converted into 70% voting and economic interest in MHC. PT Florida is owned 75% by the Company and 25% by third parties (the "Remaining Florida Minority Holders").

In September 2018, the Company entered into an agreement with the minority owner of MHC to acquire such minority owner's remaining interest (equal to 30% of the membership interests) for total consideration of $55,000, $25,000 of which was paid in cash and $30,000 of which was settled through the issuance of 3,417,379 SVS. This transaction closed immediately following completion of the Business Combination discussed in Note 3.

In accordance with its operating agreement, PT Florida was formed to invest up to $50,000 in MHC, including the initial consideration paid by PT Florida to acquire 70% of its membership interests. The operating agreement further provides that PT Florida is to be financed entirely by loans from its members bearing interest at 14% per annum. The Remaining Florida Minority Holders were required to contribute 5% of this debt financing. The members of PT Florida have contributed the full investment amount of $50,000 provided for in the operating agreement. As of December 31, 2018, PT Florida owes approximately $37,923 to the Company, including interest. The loan needs to be repaid before the Remaining Florida Minority Holders receive distributions from PT Florida.

The results of MHC have been included in the consolidated financial statements since the date of acquisition. Revenue and net loss of MHC included in the consolidated financial statements from the acquisition date through December 31, 2017 were $2,704 and ($9,659), respectively.

During the year ended December 31, 2017, the Company recorded $212 of transaction expenses related to travel and third-party legal and accounting services in connection with the acquisition. These costs are included in general and administrative expenses in the Company's consolidated statement of profits and losses.

The non-controlling interest in MHC of $12,000 was calculated using the fair value method of the assets acquired and liabilities assumed. The value used in this determination was the purchase price for the controlling interest. The Company used the fair value method as it believes that the risks and rewards of the acquired entity are shared by the Company and the non-controlling interest. The MHC Agreement contained a put option under which the non-controlling interest could require the Company to redeem its equity interest in MHC. The redemption value was to be determined by mutual agreement or by an outside valuation expert subject to certain parameters that include a "floor" amount of $12,000 and a "ceiling" amount equal to 75% of the excess of the fair market value over $40,000 times the percentage interest held by the non-controlling interest (30% at the acquisition date). The Company had a call option under which it may require the non-controlling interest to sell under the same terms. As a result of the transactions described above there was no direct non-controlling interest in MHC as of December 31, 2018.

The Remaining Florida Minority Holders, through their 25% non-controlling interest in PT Florida, indirectly held a 17.5% non-controlling interest in MHC as of December 31, 2018.

Doubling Road Holdings, LLC, a Delaware limited liability company ("DRH")

In March 2017, the Company's subsidiary, PalliaTech CT acquired 51% of all outstanding membership units in DRH for consideration of $13,935 in cash, of which $10,835 was allocated towards the membership units and the balance was allocated towards working capital of the business.

In October 2018, the Company agreed to acquire from the minority members of DRH (the "DRH Minority Members") their remaining 49% membership interests in DRH (the "DRH Minority Membership Units") in consideration for $40,142 in cash (the "Connecticut Minority Buy-Out") and $41,747 which was settled through the issuance of 4,755,548 SVS. This transaction closed immediately following completion of the Business Combination discussed in Note 3. The number of SVS to be paid to the DRH Minority Members for the DRH Minority Membership Units may be adjusted based upon an independent valuation to be conducted following the completion of the Business Combination. The valuation will first

establish the value of DRH as a percentage of the value of Curaleaf Inc. as at March 8, 2018 (the "Exchange Ratio"), and then convert the Exchange Ratio into a percentage of the fully diluted equity as of the date of the Business Combination, not taking into account shares to be issued in connection with the Private Placement (the "Diluted Share Count"). Upon completion of this valuation, the number of additional SVS to be issued to DRH Minority Members shall be determined based on a prescribed formula, provided that the aggregate number of SVS issued to the DRH Minority Holders shall not exceed an additional 1.96% of the Diluted Share Count representing 8,962,380 SVS.

The results of DRH have been included in the consolidated financial statements since the date of the acquisition. Revenue and net income of DRH included in the consolidated financial statements from the acquisition date through December 31, 2017 were $4,538 and $183, respectively.

During the year ended December 31, 2017, the Company recorded $124 of transaction expenses related to third-party legal, accounting and shareholder representative services incurred in connection with the acquisition. These costs are included in general and administrative expenses in the Company's consolidated statement of profits and losses.
The non-controlling interest of $13,389 was calculated using the fair value method of the assets acquired and liabilities assumed. The value used in this determination was the purchase price for the controlling interest. The Company used the fair value method as it believes that the risks and rewards of the acquired entity was shared by the Company and the non-controlling interest. The DRH purchase agreement contained a put option under which the non-controlling interest could require the Company to redeem its equity interest in DRH. The Company had a call option under which it may require the noncontrolling interest to sell under the same terms. The redemption value is to be determined by mutual agreement or by an outside valuation expert. As a result of the transactions described above there was no non-controlling interest in DRH as of December 31, 2018.

Groen Investment Group, Inc., a Delaware corporation ("Groen")

In June 2017, the Company acquired 50.5% of the outstanding shares of Series B Preferred Stock of Groen. The Series B Preferred Stock was convertible into common stock of Groen representing 50.5% of the total outstanding capital stock of Groen and is entitled to vote on any matter.

Total consideration of $1,537 consisted of a $737 cash and loan forgiveness in the amount of $800. In addition to the purchase price, the total consideration included $2,613 of remaining debt due to the Company.

In October 2018, the Company, taking into account the $2,613 of remaining debt due to the Company, acquired the remaining shares in Groen for $550 which was settled through the issuance of 62,652 SVS. As a result of the transaction, there was no non-controlling interest in Groen as of December 31, 2018.

The fair value of the net assets acquired, including identifiable intangible assets exceeded the purchase price of $4,150. Accordingly, the Company recognized the excess of the fair value of the net assets acquired over purchase price paid of $289 as a gain on bargain purchase. The gain on bargain purchase is included in other income in the consolidated statement of profits and losses. Gain on bargain purchase is calculated as the excess of the fair value of assets acquired and liabilities assumed, net of the non-controlling interest over the consideration paid. As a result of the bargain purchase, the Company recorded an additional $150 of deferred tax liability to offset the tax effect of the gain on the bargain purchase. The Company believes it was able to negotiate a bargain purchase as a result of it access to the liquidity necessary to complete the transaction and the recurring losses of Groen.

The results of Groen have been included in the consolidated financial statements from the acquisition date. Net revenue and net loss of Groen included in the consolidated financial statements from the acquisition date through December 31, 2017 was $1,200 and $1,522, respectively.

During the year ended December 31, 2017, the Company incurred $96 of transaction expenses related to third-party legal, accounting and shareholder representative services in connection with the acquisition. These costs are included in general and administrative expenses in the Company's consolidated statement of profits and losses.

The non-controlling interest of $1,507 was calculated using the fair value method of the assets acquired and liabilities assumed. The value used in this determination was the purchase price for the controlling interest. The Company used the fair value method as it believes that the risks and rewards of the acquired entity are shared by the Company and the non-controlling interests. As a result of the transactions described above there was no non-controlling interest in Groen as of December 31, 2018.

PharmaCulture Corp., a Maryland corporation ("PC")

In June 2017, the Company acquired 85% of the outstanding capital stock in PC. Total consideration consisted of a cash payment in the amount of $2,000 and the settlement of a promissory note of $800.

The results of PC have been included in the Company's consolidated financial statements from the acquisition date. Revenue and net loss of PC included in the consolidated financial statements from the acquisition date through December 31, 2017 were $0 and $397, respectively.

During the year ended December 31, 2017, the Company incurred $409 of transaction expenses related to travel, third-party legal, accounting and shareholder representative services in connection with the acquisition. These costs are included in general and administrative expenses in the Company's consolidated statement of profits and losses.

Non-controlling interest of $353 was calculated using the fair value method of the assets acquired and liabilities assumed. The value used in this determination was the purchase price for the controlling interest. The Company used the fair value method as it believes that the risks and rewards of the acquired entity are shared by the Company and the non-controlling interest. The PC Agreement contains a put option under which the non-controlling interest may require the Company to redeem its equity interest in PC after the fourth-year anniversary of the date of acquisition or at any time prior to certain liquidity events. The Company has a call option under which it may require the non-controlling interest to sell under the same terms. The redemption value is to be determined based on six times EBITDA, as defined. At the election of the Company, the redemption value may be paid either in cash or in shares of the Company at fair value.

Las Vegas Natural Caregivers, L.L.C . a Nevada limited liability company ("HOH")

In August 2017, the Company acquired 57% of HOH from a related party. The purchase price of $3,098 was settled through the issuance of 4,238,365 shares of SVS. The closing of this transaction is subject to regulatory approval.

The results of HOH have been included in the Company's consolidated financial statements from the acquisition date. Revenue and net income of HOH included in the consolidated financial statements from the acquisition date through December 31, 2017 were $947 and $365, respectively.

During the year ended December 31, 2017, the Company incurred $44 of transaction expenses related to third-party legal and accounting services in connection with the acquisition. These costs are included in general and administrative expenses in the Company's consolidated statement of profits and losses.

Non-controlling interest of $2,694 was calculated using the fair value method of the assets acquired and liabilities assumed. The value used in this determination was the purchase price for the controlling interest. The Company used the fair value method as it believes that the risks and rewards of the acquired entity are shared by the Company and the non-controlling interest. The HOH Agreement contains a put option under which the non-controlling interest may require the Company to redeem its equity interest in HOH beginning at the second anniversary of the date of acquisition and ending on the three-

year anniversary. The redemption value is the greater of the HOH fair market value and $6,266 times the percentage interest held by the non-controlling interest (16.05% at the acquisition date). The Company has a call option under which it may require the non-controlling interest to sell under the same terms. The non-controlling interest may elect to receive the redemption amount either in cash or in shares of the Company at fair market value.

The following acquisitions have been signed but have not been completed:

Naturex II, LLC, dba Blackjack Collective, a Nevada limited liability company ("Blackjack")

In October 2017, the Company entered into an agreement to acquire 51.2% of Blackjack by purchasing a 64% interest in VSLV Management, a related party, which owned 80% of Blackjack. The purchase price of $3,001 will be settled through the issuance of 4,105,988 SVS. The Company issued shares of Curaleaf, Inc. into escrow and transferred the shares to members of VSLV Management upon conversion of the shares to SVS and close of the Business Combination. In January 2019, the Company entered into an agreement to acquire an additional 18% of Blackjack from minority owners for a cash consideration of $1,260.

The closing of the transaction is currently pending regulatory approval. As of December 31, 2018, the Company has not obtained control of Blackjack, accordingly, the fair value of the shares transferred is included in investments on the consolidated statement of financial position.

Alternative Therapies Group, Inc, a Massachusetts corporation ("ATG")

In August 2018, the Company entered into an agreement to acquire ATG, a registered marijuana dispensary licensed by the Massachusetts Department of Health, operating a 53,600 square foot cultivation facility in Amesbury, Massachusetts and intends to enter services agreements with up to three ATG dispensaries in Massachusetts. Consideration for ATG is $50,000, $42,500 of which was prepaid in cash in December 2018 in order to solidify the Company's intent to complete the purchase of ATG and was recorded as a non-current asset. The remaining $7,500 is due on the later of December 31, 2019 or the date on which certain milestones are met. The closing of the transaction is subject to certain milestones being met and regulatory approval.

HMS Health LLC, a Maryland limited liability company ("HMS")

In August 2018, the Company entered into an agreement to acquire all of the membership interests of HMS for consideration of $29,000 comprised of $26,000 in cash consideration and a $3,000 capital injection to acquire certain assets used in the business. The Company has also agreed to enter into a management services agreement with MI Health, LCC, a licensed Maryland medical cannabis dispensary, currently owned by the same vendors. MI Health, LLC is under contract to be sold to a third party but will be managed by the Company under the new ownership.

In January 2019, the Company completed the acquisition of HMS. The transaction concluded as $30,000 convertible financing with the owners of HMS, HMS Processing, LLC, HMS Sales, LLC and MI Health LLC (the "HMS/MI Businesses"). Prior to funding, HMS spun off its cannabis processing license and cannabis dispensing license into separate entities. The loans, together with accrued interest, are convertible into equity of each of the HMS/MI Businesses upon receipt of all required state and local regulatory approvals. In addition, the owners of the HMS/MI Businesses will receive additional consideration of $2,000 in SVS at the then-current market price upon completed conversion of the loans.

Eureka Investment Partners, LLC, a Nevada limited liability company ("Eureka")

In February 2019 the Company entered into an agreement to purchase Eureka for $25,500 and to provide Eureka with $5,000 to repay all existing debt and to replenish working capital. The consideration of $25,500 will be paid $5,000 in cash and $20,500 in SVS valued at C$11.45 per SVS. In addition, the sellers may be entitled to additional consideration

if certain financial targets are exceeded. The transaction closed on March 29, 2019 with a total of 2,351,860 in SVS issued by the Company

Acres Cannabis, *a Nevada limited liability company, ("Acres")*

In March 2019 the Company entered into an agreement to purchase Acres for $70,000, with $25,000 to be paid in cash and $45,000 to be paid in SVS. In addition, the sellers may be entitled to additional consideration if certain financial targets are exceeded. The closing of the transaction is currently pending regulatory approval.

Note 5 – Disposal

In July 2017, the Company sold its wholly-owned subsidiary, Viridis Analytics MA, LLC ("Viridis"), a Delaware limited liability company, to Signal Bay, Inc. ("Signal Bay"), a Colorado corporation, for total consideration of $1,000, which consisted of a cash payment of $500 plus the issuance of a promissory note in favor of the Company in the amount of $500. This disposal did not represent a strategic shift of the Company that had or will have a major effect on the Company's operations and financial results. Accordingly, the assets and liabilities of Viridis were not segregated and were presented as continuing operations in the consolidated financial statements. The carrying value of Viridis at the time of disposal was $228 resulting in a pre-tax gain on the sale from the disposition of $772 for the year ended December 31, 2017.

In May 2014 the Company entered into an agreement with PhytaTech Co, LLC ("PhytaTech"), a Colorado limited liability company for a convertible unsecured promissory note receivable in the amount of $1,000. In September 2017 the Company canceled the note and transferred the assets of PhytaTech to EVIO, Inc. ("Evio") in exchange for $500 cash and a secured promissory note issued by Evio with a principal amount of $1,000. The result of the transaction was a pre-tax gain on the sale of the convertible note of $161 for the year ended December 31, 2017.

Note 6 – Inventory

Inventory consist of the following:

	December 31,	
	2018	**2017**
Raw materials:		
Harvested cannabis	$ 16,413	$ 7,465
Harvested trim	807	596
Total raw materials	17,220	8,061
Work-in-process:		
Processing	3,653	2,131
Finished goods:		
Consumables	4,420	383
Flower	332	36
Extracts	2,785	551
Majesty palms	—	1,791
Total finished goods	7,537	2,761
Inventory write-down	(434)	(292)
	$ 27,976	$ 12,661

Note 7 – Biological assets

The following table is a reconciliation of carrying amount of the biological assets:

Balance at December 31, 2016	$ —
Assets obtained in the acquisition of DRH	293
Assets obtained in the acquisition of Groen	530
Assets obtained in the acquisition of HoH	287
Unrealized gain on changes in fair value of biological assets	7,313
Increase in biological asset due to capitalized costs	3,921
Transferred to inventory upon harvest	(10,905)
Balance at December 31, 2017	$ 1,439
Assets obtained in the acquisition of CLMA	527
Assets obtained in the acquisition of Swell	125
Unrealized gain on changes in fair value of biological assets	16,471
Increase in biological asset due to capitalized costs	11,297
Transferred to inventory upon harvest	(25,368)
Balance at December 31, 2018	$ 4,491

Biological assets consisted of actively growing cannabis plants to be harvested as agricultural produce.

The average grow cycle of plants up to the point of harvest is approximately twelve weeks. Plants not in production are valued at the fair market value less costs to sell. Plants in production are plants that are in the flowering stage and are valued at fair value less cost to complete and cost to sell, where fair value represents the Company's selling price per gram of dried cannabis. As of December 31, 2018 and 2017, it was expected that the Company's biological assets would yield 1,526,418 and 585,331 grams of cannabis when harvested, respectively. See Note 21 for the inputs and sensitivity analysis for the fair value of the biological assets.

Note 8 – Notes receivable

Notes receivable consist of the following:

	December 31,	
	2018	2017
Notes receivable Curaleaf NJ, Inc.	$ 32,536	$ 15,980
Notes receivable CLMA	—	2,726
Notes receivable Evio	533	1,043
Notes receivable Signal Bay	—	500
Notes receivable RMC	722	574
Notes receivable from other third parties	20	228
	$ 33,811	$ 21,051

In September 2017, the Company entered into a $1,000 note receivable with Evio in connection with the PhytaTech disposal (See Note 5). The note receivable has an interest rate of 8% per annum with all outstanding interest payable on July 6, 2018. The notes receivable contain certain financial and non-financial covenants. During the years ended December 31, 2018 and 2017, the Company recorded $61 and $43 of interest income, respectively.

In August 2017, the Company entered into a $500 note receivable with Signal Bay in connection with the Viridis disposal (See Note 5). The note receivable was paid off in August 2018.

In October 2016, the Company entered into a $500 note receivable with Remedy Compassion Center, Inc ("RMC"). The note receivable has an interest rate of 12% and interest payments are payable monthly. The principal balance of the loan is payable upon the maturity date of December 31, 2019. The notes receivable carries certain financial and non-financial covenants. During the years ended December 31, 2018 and 2017, the Company recorded $73 and $60 of interest income, respectively.

In January 2016, the Company entered into a $2,500 note receivable with CLMA. During the years ended December 31, 2018 and 2017, the Company recorded $126 and $260 of interest income, respectively. In connection with the acquisition of CLMA (See Note 4) the loans were settled.

In February 2011, the Company entered into a management services agreement which included a $2,500 credit facility, structured as a ten year term loan, with Curaleaf NJ, Inc., an unrelated party. The term loan has an interest rate of 18% and interest payments are payable quarterly or added to the principal balance of the loan if payment is not made. The principal balance of the loan is payable upon the maturity date of December 31, 2021. During the years ended December 31, 2018 and 2017, the Company recorded $4,070 and $2,364 of interest income, respectively. Additionally, the Company provides Curaleaf NJ, Inc. with management services for fees which are added to the note receivable. Revenue from Curaleaf NJ accounted for approximately 18% and 45% of total revenue for the years ended December 31, 2018 and 2017, respectively. In January 2019, the Company entered into an amended and restated conditionally convertible promissory note to increase the term loan up to $70,000 with the same interest rate of 18% and maturity date of December 31, 2021.

The notes receivable are secured by assets or ownership interests in the customers' business. The Company had $533 of notes receivable past due at December 31, 2018, however the full balance was repaid in February 2019. As of December 31, 2017 the Company did not have any past due notes receivable amounts.

Note 9 – Property and equipment

Property and equipment and related accumulated depreciation consist of the following:

	December 31,	
	2018	2017
Land	$ 210	$ 210
Building and improvements	48,060	17,725
Furniture and fixtures	13,486	5,053
Information technology	582	243
Construction in progress	10,119	1,513
Total property and equipment	72,457	24,744
Less: Accumulated depreciation and amortization	(5,488)	(1,225)
Property and equipment, net	$ 66,969	$ 23,519

A reconciliation of the beginning and ending balances of property and equipment and accumulated depreciation is as follows:

	Land	Building and Improvements	Furniture and Fixtures	Information Technology	Construction in Progress	Total
Cost						
As of December 31, 2016	$ 210	$ 1,602	$ 347	$ 76	$ —	$ 2,235
Additions	—	5,471	1,775	236	3,043	10,525
Business acquisitions	—	8,756	2,623	14	1,004	12,397
Disposals	—	(8)	(35)	(78)	—	(121)
Transfers	—	1,904	343	(5)	(2,534)	(292)
As of December 31, 2017	$ 210	$ 17,725	$ 5,053	$ 243	$ 1,513	$ 24,744
Additions	—	15,558	5,788	415	23,958	45,719
Business acquisitions	—	2,442	397	4	215	3,058
Disposals	—	(863)	(111)	(86)	(4)	(1,064)
Transfers	—	13,198	2,359	6	(15,563)	—
Balance as of December 31, 2018	$ 210	$ 48,060	$ 13,486	$ 582	$ 10,119	$ 72,457

	Land	Building and Improvements	Furniture and Fixtures	Information Technology	Construction in Progress	Total
Accumulated depreciation						
As of December 31, 2016	$ —	$ 25	$ 19	$ 1	$ —	$ 45
Depreciation	—	760	480	52	—	1,292
Disposals	—	(1)	(10)	—	—	(11)
Transfers	—	(103)	(27)	29	—	(101)
As of December 31, 2017	$ —	$ 681	$ 462	$ 82	$ —	$ 1,225
Depreciation	—	2,841	1,405	94	—	4,340
Disposals	—	(1)	(7)	(69)	—	(77)
Transfers	—	—	—	—	—	—
Balance as of December 31, 2018	$ —	$ 3,521	$ 1,860	$ 107	$ —	$ 5,488

Total depreciation expense of $4,340 and $1,292 for the years ended December 31, 2018 and 2017, respectively, which includes $1,226 and $537 recognized as cost of goods sold and $3,114 and $755 recognized as a part of operating expenses in the consolidated statement of profits and losses.

There were no impairments recorded against property and equipment during the years ended December 31, 2018 and 2017.

Note 10 – Goodwill and intangible assets

Identifiable intangible assets consist of the following:

	2017				2018		
	Balance at January 1,	Additions from Acquisitions	Year ended Amortization	Balance at December 31,	Additions from Acquisitions	Year ended Amortization	Balance at December 31,
Licenses	$ —	$ 27,347	$ (1,937)	$ 25,410	$ 29,125	$ (3,693)	$ 50,842
Trade names	—	1,580	(133)	1,447	790	(256)	1,981
Non-compete agreements	—	730	(364)	366	100	(364)	102
Total	$ —	$ 29,657	$ (2,434)	$ 27,223	$ 30,015	$ (4,313)	$ 52,925

Amortization of intangible assets was $4,313 and $2,434 for the years ended December 31, 2018 and 2017, respectively.

The Company has determined that the goodwill associated with all acquisitions belong to the cannabis operations segment. There was no goodwill associated with the non-cannabis operations segment for the years ended December 31, 2018 and 2017. The changes in the carrying amount of goodwill for the cannabis operations segment were as follows:

	Balance at December 31, 2016	Additions from 2017 Acquisitions	Balance at December 31, 2017	Additions from 2018 Acquisitions	Balance at December 31, 2018
Acquisition of MHC	$ —	$ 13,470	$ 13,470	$ —	$ 13,470
Acquisition of DRH	—	14,302	14,302	—	14,302
Acquisition of PC	—	1,748	1,748	—	1,748
Acquisition of HoH	—	2,041	2,041	—	2,041
Acquisition of Swell	—	—	—	6,216	6,216
Acquisition of CLMA	—	—	—	2,747	2,747
Acquisition of MTR	—	—	—	6,743	6,743
Total Goodwill	$ —	$ 31,561	$ 31,561	$ 15,706	$ 47,267

There was no goodwill impairment at any CGUs as of December 31, 2018 or 2017.

Note 11 – Notes payable

Notes payable consist of the following:

	December 31, 2018	December 31, 2017
Senior Unsecured Notes – 2019		
Principal amount	$ 2,570	$ 2,570
Unamortized debt discount	(167)	(248)
Net carrying amount	2,403	2,322
Senior Unsecured Notes – 2020	—	6,000
Financing Agreement – 2021		
Principal amount	86,335	—
Unamortized debt discount	(8,023)	—
Net carrying amount	78,312	—
Secured Promissory Notes - 2029	2,654	1,872
Other notes payable	935	—
Total notes payable	$ 84,304	$ 10,194
Current portion of notes payable - related party	2,403	—
Long term notes payable - related party, net of current portion	—	8,322
Long term notes payable	81,901	1,872
Total notes payable	$ 84,304	$ 10,194

Senior Unsecured Notes – 2019

In 2016, the Company entered into promissory notes (the “Senior Unsecured Notes – 2019”) with various related parties (see Note 20) for an aggregate principal amount of $2,570.

The Senior Unsecured Notes – 2019 require interest-only payments at a rate of 14% per annum, payable quarterly, prior to maturity on December 30, 2019. Upon maturity, the Company shall pay all principal and accrued but unpaid interest. At its option, the Company may prepay the notes in full at any time before maturity

In connection with the Senior Unsecured Notes – 2019, the Company issued warrants to purchase 4,609,288 shares of common stock at an exercise price of $0.11 per share. The liability component of the notes was recorded at fair value of $2,201 and the equity component at the residual amount of $369. A debt discount is reflected as a reduction of the carrying value of the long-term debt on the Company’s consolidated statement of financial position and is being amortized to interest expense over the term of the notes using the effective interest method.

The Senior Unsecured Notes – 2019 rank pari passu with respect to payment and are senior to all other indebtedness of the Company. The notes contain customary terms and conditions, representations and warranties, and events of default. In addition, all amounts outstanding may become immediately due upon the consummation of a change of control transaction or the sale of the business, as defined in the agreement.

The Company recognized interest expense under the Senior Unsecured Notes – 2019 of $447 and $452 for the years ended December 31, 2018 and 2017, respectively, including interest expense related to the amortization of the debt discount of $82 and $93.

Senior Unsecured Notes – 2020

In July 2016, the Company entered into promissory notes (the "Senior Unsecured Notes – 2020") with Cetus Investment Limited for a principal amount of $6,000. The Senior Unsecured Notes – 2020 was repaid in full in August 2018.

The Senior Unsecured Notes – 2020 required interest-only payments at a rate of 10% per annum, payable quarterly, prior to maturity on July 29, 2020. The Company recognized interest expense under the Senior Unsecured Notes – 2020 of $398 and $608 for the years ended December 31, 2018 and 2017, respectively.

Financing Agreement – 2021

In August 2018, the Company issued $85,000 of senior secured debt (the "Financing Agreement – 2021"). In connection with this agreement, the Company paid a fee of $1,700 upon the initial funding.

The Financing Agreement – 2021 accrues interest at a rate of 15% per annum, of which 10% is payable in cash quarterly and 5% is payable in kind. Principal and interest are due in full on August 23, 2021. The Financing Agreement – 2021 is secured by a guarantee of each wholly-owned direct and indirect subsidiary of the Company, as well as a pledge of the Company's assets and each such guarantor and contains certain negative covenants, including restrictions on its ability to pay dividends, invest in non-wholly owned entities and to incur non-subordinated debt.

The Financing Agreement – 2021 may be pre-paid in tranches of up to $25,000 or $50,000 upon 90 or 180 days written notice. Any amount prepaid once the outstanding principal falls below $25,000 is subject to a prepayment premium.

In connection with the Financing Agreement – 2021, the Company issued warrants to purchase 3,598,492 shares of common stock for a nominal value. The liability component of the notes was recorded at fair value of $77,556 and the equity component at the residual amount of $7,444. A debt discount is reflected as a reduction of the carrying value of the long-term debt on the Company's consolidated statement of financial position and is being amortized to interest expense over the term of the notes using the effective interest method.

The Company recognized interest expense under the Financing Agreement – 2021 of $5,215 for the year ended December 31, 2018, including interest expense related to the amortization of the debt discount of $1,211.

Secured Promissory Notes – 2029

In January 2017, the Company entered into secured promissory notes (the "Secured Promissory Notes – 2029") with certain individuals for an aggregate principal amount of $1,616.

The Secured Promissory Notes – 2029 accrue interest at a rate of 12% per annum on the first $112 and 14% per annum on the remaining balance. Principal and interest are due in full on May 1, 2029.

The Company recognized interest expense under the Secured Promissory Notes – 2029 of $239 and $219 for the years ended December 31, 2018 and 2017, respectively.

Future maturities

As of December 31, 2018, future principal payments due under Notes Payable were as follows:

Year Ending December 31,	Amount
2019	$ 2,570
2020	—
2021	86,335
2022	—
2023	—
2024 and thereafter	3,589
	$ 92,494

Note 12 – Shareholders' equity

The authorized and issued share capital of the Company is as follows:

Authorized

As of December 31, 2018 the authorized share capital consists of an unlimited number of MVS without par value and an unlimited number of SVS without par value.

Issued

In connection with the reverse takeover transaction discussed in Note 3, each issued and outstanding share of the Company was converted into the right to receive 32.71 of SVS. Prior period share amounts have been adjusted to reflect the conversion. Also, in connection with the reverse takeover transaction, the Company issued 188,646 SVS for the purchase of LVI with an issuance date fair value of $940.

Multiple voting shares – Holders of the MVS are entitled to 15 votes per share and are entitled to notice of and to attend at any meeting of the shareholders, except a meeting of which only holders of another particular class or series of shares of the will have the right to vote. The MVS represent approximately 26.7% of the total issued and outstanding shares and 84.5% of the voting power attached to such outstanding shares. The MVS are convertible into SVS on a one-for-one basis at any time at the option of the holder or upon termination of the MVS structure. The MVS structure will terminate automatically on October 25, 2021. It will also terminate automatically upon the occurrence of the following events: (i) transfer or disposition of the MVS by the Company's Executive Chairman, Boris Jordan, to one or more third parties which are not certain permitted holders as described in the Company's Articles, and (ii) Mr. Jordan or his permitted holders no longer beneficially owning, directly or indirectly and in the aggregate, at least 5% of the issued and outstanding SVS and MVS. As of December 31, 2018, the Company had 122,170,705 MVS issued and outstanding.

Subordinate voting shares – Holders of the SVS are entitled to one vote per share 2018 As of December 31, 2018 the Company had 335,292,331 SVS issued and outstanding.

As of December 31, 2018 and 2017, the Company had reserved 50,848,420 SVS, for the issuance of stock options under the Company's 2018 Long Term Incentive Plan (see Note 14).

Treasury shares

For the year ended December 31, 2018, the Company repurchased an aggregate of 4,340,586 shares for a purchase price between $0.54 and $4.84 per share, or a total of $3,359. For the year ended December 31, 2017, the Company purchased an aggregate of 2,663,971 shares for the purchase price of $0.37 per share, or a total of $966. The amount is reflected as treasury shares in the consolidated statement of financial position.

Note 13 – Warrants

In connection with the Senior Unsecured Notes – 2019, the Company issued to the noteholders warrants to purchase 4,609,288 shares of common stock at an exercise price of $0.1113 per share (see Note 11).

In connection with the Financing Agreement – 2021, the Company issued to the noteholders warrants to purchase 3,598,492 shares of common stock at nominal value. (see Note 11).

In connection with the reverse takeover transaction and private placement described in Note 3 all outstanding warrants were exercised in full immediately prior to the effective time of the merger of the Company with and into LVI. As of December 31, 2018 there were no outstanding warrants to purchase shares. As of December 31, 2017, the Company had accrued a total of 55,054 of exercisable warrants to purchase shares of common stock. As of December 31, 2017, 85,860 warrants remain issued but not exercisable.

Note 14 – Share-based payment arrangements

Stock option programs

The 2011 and 2015 Equity Incentive Plans provide for the grant of incentive stock options, non-statutory stock options, restricted stock awards, restricted stock units, stock appreciation rights and other share-based awards. In connection with the Business Combination, all unexercised stock options of Curaleaf, Inc. issued and outstanding under the 2011 and 2015 Equity Incentive Plans were converted to the option to receive an equivalent substitute option under the 2018 Long Term Incentive Plan (the "LTIP"). The LTIP provides for the grant of incentive stock options, non-statutory stock options, stock appreciation rights, restricted stock and restricted stock units, performance awards, dividend equivalents, and other share-based awards. The number of SVS reserved for issuance under the LTIP is calculated as 10% of the aggregate number of SVS and MVS outstanding on an "as-converted" basis.

Stock option valuation

The fair value of each stock option grant is estimated on the date of grant using the Black-Scholes valuation model, where appropriate. In instances where stock options have performance or market conditions, the Company utilizes the Monte Carlo valuation model to simulate the various outcomes that affect the value of the option.

The weighted average inputs used in the measurement of the grant date fair values of the equity-settled share-based payment plans were as follows:

	December 31,	
	2018	2017
Fair value at grant date	$ 2.85	$ 0.40
Share price at grant date	$ 4.96	$ 0.49
Exercise price	$ 2.99	$ 0.49
Expected volatility	145.8 %	100.6 %
Expected life	6.8 years	7.4 years
Expected dividends	— %	— %
Risk-free interest rate (based on government bonds)	2.68 %	2.16 %

The expected volatility is estimated based on the historical volatility of a publicly traded set of peer companies. The expected life in years represents the period of time that options granted are expected to be outstanding. The expected term of stock options granted to non-employees is equal to the contractual term of the option award. The risk-free interest rate is determined by reference to the U.S. Treasury yield curve in effect at the time of grant of the award for time periods approximately equal to the expected term of the award. Expected dividend yield 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.

During the years ended December 31, 2018 and 2017, the Company recorded share-based compensation in the amount of $2,229 and $2,547, respectively.

Reconciliation of outstanding share options

The number and weighted-average exercise prices of share options under the share option program were as follows:

	Number of Options 2018	Weighted average exercise price 2018	Number of Options 2017	Weighted average exercise price 2017
Outstanding at January 1	34,377,946	$ 0.26	27,018,196	$ 0.19
Forfeited during the year	(2,371,475)	0.48	—	—
Exercised during the year	(5,544,345)	0.10	—	—
Granted during the year	4,807,322	4.76	7,359,750	0.49
Outstanding at December 31	31,269,448	$ 0.94	34,377,946	$ 0.25
Options exercisable at December 31	17,429,398	$ 0.23	18,463,748	$ 0.16

Restricted stock units

In 2018, the Company awarded 166,215 restricted stock units with vesting period of 364 days from issuance. At December 31, 2018 there were 166,215 issued but not vested restricted stock units. At December 31, 2017 there were no outstanding restricted stock units.

Note 15 – Selling, general, and administrative expense

Selling, general, and administrative expenses consist of the following:

	Year Ended December 31,	
	2018	2017
Selling, General, and Administrative Expenses:		
Salaries and benefits	$ 27,773	$ 6,914
Sales and marketing	4,264	1,542
Rent and occupancy	7,944	1,194
Travel	3,131	1,086
Professional fees	12,564	4,334
Miscellaneous office supplies and services	4,662	489
Other	4,974	826
Total Selling, General, and Administrative Expense	$ 65,312	$ 16,385

Note 16 – Income taxes

The tax provision amounts recognized in the consolidated statement of profits and losses were as follows:

	Year Ended December 31,	
	2018	2017
Current year	$ 3,448	$ 828
Provision to return adjustment	(304)	—
Current tax expense	3,144	828
Deferred tax expense		
Origination and reversal of temporary differences	2,368	2,856
Reduction in tax rate	(8)	(672)
Reduction of previously unrecognized tax losses	—	92
Recognition of previously unrecognized (derecognition of previously recognized) deductible temporary differences	139	(2,036)
Deferred tax expense	2,499	240
Provision for income taxes	$ 5,643	$ 1,068

On December 22, 2017, the Tax Cuts and Jobs Act (the “Tax Act”) was signed into U.S. law. The Tax Act includes a number of changes to existing tax law, including, among other things, a permanent reduction in the federal corporate income tax rate from 34% to 21%, effective as of January 1, 2018, as well as limitation of the deduction for net operating losses to 80% of annual taxable income and elimination of net operating loss carrybacks, in each case, for losses arising in taxable years beginning after December 31, 2017 (though any such net operating losses may be carried forward indefinitely). Under the Tax Act, the Company’s deferred tax assets and liabilities were remeasured at the lower federal tax rate, resulting in an income tax benefit of $672 recorded in the year ended December 31, 2018.

The Company’s provision for income taxes differs from applying the U.S. federal income tax rate to income before taxes primarily due to state income taxes, certain stock compensation, warrants accretion, tax credits and miscellaneous permanent differences.

A reconciliation of the U.S. federal statutory income tax rate to the Company's effective income tax rate is as follows:

	Year Ended December 31,			
	2018		2017	
Loss before provision for income taxes	$ (56,234)		$ (3,976)	
Tax using the company's domestic tax rate	$ (8,435)	15.0 %	$ (1,352)	34.0% %
Effect of Tax Rates in Foreign Jurisdictions	(3,371)	6.0 %		
Reduction in tax rate	(8)	0.0 %	(672)	16.9 %
Tax effect of:				
State taxes, net of federal benefit	1,302	(2.3)%	439	(11.0)%
Share-based compensation	458	(0.8)%	507	(12.8)%
Warrant accretion	(136)	0.2 %	287	7.2 %
Non-taxable partnership income	5,271	(9.4)%	—	— %
Non-deductible expenses	10,348	(18.4)%	4,216	(106.1)%
Non-taxable gain	—	— %	(303)	7.6 %
Tax credits	(56)	0.1 %	(64)	1.6 %
Other	131	(0.2)%	(37)	0.9 %
Recognition of previously unrecognized (derecognition of previously recognized) deductible temporary differences	139	(0.2)%	(1,953)	49.1 %
	$ 5,643	(10.0)%	$ 1,068	(26.9)%

Section 280E of the Internal Revenue Code ("IRC") prohibits businesses engaged in the trafficking of Schedule I or Schedule II controlled substances from deducting normal business expenses, such as payroll and rent, from gross income (revenue less cost of goods sold). Section 280E was originally intended to penalize criminal market operators, but because cannabis remains a Schedule I controlled substance for U.S. Federal purposes, the Internal Revenue Service (the "IRS") has subsequently applied Section 280E to state-legal cannabis businesses. Cannabis businesses operating in states that align their tax codes with the IRC are also unable to deduct normal business expenses from their state taxes. The non-deductible expenses shown in the effective rate reconciliation above is comprised primarily of the impact of applying Section 280E to the Company's businesses that are involved in selling cannabis, along with other typical non-deductible expenses such as lobbying expenses.

Changes in the Company's deferred taxes were as follows:

	Net balance at January 1	Recognised in profit or loss	Acquired in business combination	Net	Deferred tax assets	Deferred tax liabilities
As of December 31, 2018						
Depreciation	$ (340)	$ (2,962)	$ —	$ (3,302)	$ —	$ (3,302)
Amortization	(1,029)	(832)	—	(1,861)	—	(1,861)
Accrued & prepaid expenses	(1,038)	583	—	(455)	—	(455)
Share-based compensation	815	302	—	1,117	1,117	—
Inventory	(1,097)	207	—	(890)	—	(890)
Tax loss carryforward	1,236	(333)	—	903	903	—
Tax credit carryforward	—	536	—	536	536	—
Tax assets (liabilities) before set-off	$ (1,453)	$ (2,499)	$ —	$ (3,952)	$ 2,556	$ (6,508)

	Net balance at January 1	Recognized in profit or loss	Acquired in business combination	Net	Deferred tax assets	Deferred tax liabilities
As of December 31, 2017						
Depreciation	$ —	$ (340)	$ —	$ (340)	$ —	$ (340)
Amortization	—	17	(1,046)	(1,029)	—	(1,029)
Accrued & prepaid expenses	(167)	(871)	—	(1,038)	—	(1,038)
Share-based compensation	—	815	—	815	815	—
Inventory	—	(1,097)	—	(1,097)	—	(1,097)
Tax loss carryforward	—	1,236	—	1,236	1,236	—
Tax assets (liabilities) before set-off	$ (167)	$ (240)	$ (1,046)	$ (1,453)	$ 2,051	$ (3,504)

Future realization of the tax benefits of existing temporary differences and net operating loss carryforwards ultimately depends on the existence of sufficient taxable income within the carryforward period. As the Company generally files separate U.S. and state tax returns for each Company within the consolidated group, the Company must evaluate the realization of deferred tax assets separately. As of December 31, 2018, the Company performed an evaluation to determine whether the net deferred tax assets at each filing group could be recognized. The Company considered all available evidence, both positive and negative, which included the results of operations for the current and preceding years. The Company determined that its Curaleaf Ohio and Curaleaf Maryland operations should not recognize their deferred tax assets due to those companies being in cumulative loss positions.

Under Internal Revenue Code Section 382, if a corporation undergoes an "ownership change," the corporation's ability to use its pre-change NOL carryforwards and other pre-change tax attributes to offset its post-change income may be limited. The Company has not completed a study to assess whether an "ownership change" has occurred or whether there have been multiple ownership changes since the Company became a "loss corporation" as defined in Section 382. Future changes in our stock ownership, which may be outside of the Company's control, may trigger an "ownership change." In addition, future equity offerings or acquisitions that have equity as a component of the purchase price could result in an "ownership change." If an "ownership change" has occurred or does occur in the future, utilization of the NOL carryforwards or other tax attributes may be limited, which could potentially result in increased future tax liability to the Company.

Deferred tax assets have not been recognized with respect to the following items, because it is deemed not probable that future taxable profit will be available against which the Company can utilize them.

	December 31, 2018		December 31, 2017	
	Gross amount	Tax amount	Gross amount	Tax amount
Deductible/(taxable) temporary differences	$ (443)	$ (116)	$ (66)	$ (18)
Tax losses	5,708	627	770	193
	$ 5,265	$ 511	$ 704	$ 175

At December 31, 2018 and 2017, the Company had tax loss carryforwards of $3,934 and $5,534, respectively, which begin to expire between 2020 through 2037 and 2020 through 2036, respectively. At December 31, 2018, the Company had a tax loss carryforward of $1,762 which will never expire.

The calculation of the Company's tax liabilities involves dealing with uncertainties in the application of complex tax laws and regulations for both federal taxes and the many states in which the Company operates and conducts business.

The Company files tax returns as prescribed by the tax laws of the jurisdictions in which it operates. In the normal course of business, the Company is subject to examination by federal and state jurisdictions, where applicable. There are currently

no pending tax examinations. The Company's tax years are still open under statute from December 31, 2015 to the present. The resolution of tax matters is not expected to have a material effect on the Company's consolidated financial statements.

Note 17 – Earnings per share

Basic and diluted loss per share attributable to Curaleaf Holdings, Inc. was calculated as follows:

	Year Ended December 31,	
	2018	**2017**
Numerator:		
Net loss and comprehensive loss	$ (61,877)	$ (5,044)
Less: Net loss attributable to redeemable non-controlling interest	(5,410)	(2,226)
Net loss attributable to Curaleaf, Inc. — basic and diluted	$ (56,467)	$ (2,818)
Denominator:		
Weighted average common shares outstanding — basic and diluted	396,498,411	322,834,540
Loss per share — basic and diluted	$ (0.14)	$ (0.01)

The Company's potentially dilutive securities, which include stock options and warrants to purchase shares of stock, have been excluded from the computation of diluted net loss per share as the effect would be to reduce the net loss per share. Therefore, the weighted average number of common shares outstanding used to calculate both basic and diluted net loss per share attributable to shareholders is the same. The Company excluded the following potential shares, presented based on amounts outstanding at each period end, from the computation of diluted loss per share attributable to Curaleaf, Inc. for the periods indicated because including them would have had an anti-dilutive effect:

	Year Ended December 31,	
	2018	**2017**
Options to purchase common stock	31,269,448	34,377,946
Warrants to purchase common stock	—	4,609,288
	31,269,448	38,987,234

In addition to the potentially dilutive securities noted above, as of December 31, 2018, the Company has 4,105,988 shares of stock in an escrow account which will be transferred to members of Blackjack upon the closing of the transaction (See Note 4).

Note 18 – Segment Reporting

The Company operates in two segments: the production and sale of cannabis via retail and wholesale channels ("Cannabis Operations"); and providing professional services including cultivation, processing and retail know-how and back office administration, intellectual property licensing, real estate leasing services and lending facilities to medical and adult-use cannabis licensees under management service agreements ("Non-Cannabis Operations").

	Cannabis	Non-Cannabis	Total
For the year ended December 31, 2018:			
Revenues	$ 55,661	$ 21,396	$ 77,057
Gross profit	24,891	21,396	46,287
Loss from operations	(25,156)	(3,525)	(28,681)
Net loss	(29,820)	(32,057)	(61,877)
As of December 31, 2018:			
Total assets	$ 126,362	$ 480,336	$ 606,698
Total liabilities	13,546	118,673	132,219

	Cannabis	Non-Cannabis	Total
For the year ended December 31, 2017:			
Revenues	$ 7,327	$ 11,986	$ 19,313
Gross profit	5,688	9,909	15,597
Income (Loss) from operations	(8,245)	1,700	(6,545)
Net income (loss)	(10,124)	5,080	(5,044)
As of December 31, 2017:			
Total assets	$ 21,631	$ 127,920	$ 149,551
Total liabilities	34,549	10,237	44,786

Note 19 – Commitments and contingencies

Operating leases

The Company leases its facilities under operating leases that provide for the payment of real estate taxes and other operating costs in addition to normal rent.

At December 31, 2018, approximate future minimum payments due under non-cancelable operating leases were as follows:

Year Ending December 31,	Scheduled Payments
2019	9,196
2020	9,300
2021	9,225
2022	8,731
2023	6,926
2024 and thereafter	15,288
Total future minimum lease payments	$ 58,666

Rent expense, including real estate taxes and other operating costs, amounted to $6,782 and $487 for the years ended December 31, 2018 and 2017. At December 31, 2018 and 2017, the Company had commitments as disclosed in Note 4.

Indemnification agreements

In the ordinary course of business, the Company may provide indemnification of varying scope and terms to vendors, lessors, business partners, and other parties with respect to certain matters including, but not limited to, losses arising out

of breach of such agreements or from intellectual property infringement claims made by third parties. In addition, the Company has entered into indemnification agreements with members of its board of directors and senior management team that will require the Company, among other things, to indemnify them against certain liabilities that may arise by reason of their status or service as directors or officers. The maximum potential amount of future payments the Company could be required to make under these indemnification agreements is, in many cases, unlimited. To date, the Company has not incurred any material costs as a result of such indemnification agreements. The Company does not believe that the outcome of any claims under indemnification arrangements will have a material effect on its financial position, results of operations or cash flows, and it has not accrued any liabilities related to such obligations in its consolidated financial statements.

Legal

The Company is involved in claims or lawsuits that arise in the ordinary course of business. Accruals for claims or lawsuits are provided to the extent that losses are deemed both probable and estimable. Although the ultimate outcome of these claims or lawsuits cannot be ascertained, on the basis of present information and advice received from counsel, it is management's opinion that the disposition or ultimate determination of such claims or lawsuits will not have a material adverse effect on the Company.

Note 20 – Related party transaction

In 2016, the Company entered into a Senior Unsecured Notes – 2019 with minority shareholders. As of December 31, 2018 and 2017 amounts due to minority shareholders were $2,403 and $2,322, respectively (See Note 11). Additionally in 2018, the Company entered into a series of bridge financing transactions with an entity that is controlled by the Company's Executive Chairman, Boris Jordan. As of December 31, 2018, the bridge financing was repaid in full. The Company paid $700 of issuance costs related to the bridge financing.

As of December 31, 2018, the Company had a contingent liability of $18,000 for the purchase of CLMA payable upon the achievement of certain milestones. The liability is payable to PT Mass Holdings, LLC, of which Joseph F. Lusardi, the Company's President and Chief Executive Officer, is a member (See Note 4).

For the years ended December 31, 2018 and 2017, the Company recognized general and administrative fees of $1,652 and $422, respectively, in the consolidated statement of profits and losses, as payment to a director for consulting, legal and business development related services. The Company also recorded $1,500 of offering costs associated with the issuance of shares that were paid to a director for consulting expenses.

Note 21 – Fair value measurements

The Company's financial instruments consist of cash, restricted cash, notes receivable, accounts payable, accrued expenses, long-term debt and redeemable non-controlling contingency. The fair values of cash, restricted cash, notes receivable, accounts payable and accrued expenses approximate their carrying values due to the relatively short-term to maturity. The Company's long-term notes payable carrying value at the effective interest rate approximates fair value.

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 Company's assets measured at fair value on a nonrecurring basis include investments, long-lived assets, indefinite-lived intangible assets and goodwill. The Company reviews the carrying amounts of such assets whenever events or changes in circumstances indicate that the carrying amounts may not be recoverable or at least annually as of December 31, for indefinite-lived intangible assets and goodwill. Any resulting asset impairment would require that the asset be recorded at its fair value. The resulting fair value measurements of the assets are considered to be Level 3 measurements.

There have been no transfers between fair value levels during the year.

	Fair Value Measurements as of December 31, 2018 Using:			
	Level 1	Level 2	Level 3	Total
Assets:				
Biological assets	$ —	$ —	$ 4,491	$ 4,491
	$ —	$ —	$ 4,491	$ 4,491
Liabilities:				
Non-controlling interest contingency and buyout	$ —	$ —	$ 20,957	$ 20,957
	$ —	$ —	$ 20,957	$ 20,957

	Fair Value Measurements as of December 31, 2017 Using:			
	Level 1	Level 2	Level 3	Total
Assets:				
Biological assets	$ —	$ —	$ 1,439	$ 1,439
	$ —	$ —	$ 1,439	$ 1,439
Liabilities:				
Non-controlling interest contingency	$ —	$ —	$ 28,346	$ 28,346
	$ —	$ —	$ 28,346	$ 28,346

Biological assets

The fair value of biological assets is categorized within Level 3 on the fair value hierarchy. The Company measures its biological assets at fair value less costs to sell. This is determined using a model which estimates the expected harvest yield in grams for plants that are actively growing, and then adjusts that amount for the expected selling price per gram in the market in which the biological asset is growing. The estimates used in determining the fair value of biological assets are subject to volatility and several uncontrollable factors, which could significantly affect the fair value of biological assets in future periods. The significant assumptions used in determining the fair value of biological assets include:

- Expected yield by plant – represents the expected number of grams of finished cannabis inventory which are expected to be obtained from each harvested cannabis plant;
- Wastage of plants – represents the weighted average percentage of biological assets which are expected to fail to mature into cannabis plants that can be harvested;
- Duration of the production cycle – represents the weighted average number of weeks out of the 12 week growing cycle that biological assets have reached as of the measurement date;

- Percentage of costs incurred as of this date compared to the total costs expected to be incurred – this is calculated as the cost per gram of harvested cannabis to complete the sale of cannabis plants post harvest, consisting of the cost of direct and indirect materials and labor related to further production, labeling, and packaging;

- Percentage of costs incurred for each stage of plant growth – represents the direct and indirect production costs incurred that are capitalized; and

- Market values – this is calculated as the current market price per gram in the market in which the biological asset is being produced. This is expected to approximate future selling price.

The Company accretes fair value on a straight line basis according to stage of growth. As a result, a cannabis plant that is 50% through its 12 week growing cycle would be ascribed approximately 50% of its harvest date expected fair value. All plants are to be harvested cannabis and as of December 31, 2018 and 2017, on average, were 59% and 57% complete, respectively. An increase or decrease in the estimated sale price would result in a significant change in the fair value of biological assets.

Non-controlling interest contingency and buyout

During 2017 the Company completed various acquisitions (MHC, DRH, HoH and PC) where the non-controlling shareholders were granted an option to sell their shares to the parent entity (a "non-controlling interest put option") and the Company was granted an option to acquire the shares held by the non-controlling interest shareholders ("non-controlling interest purchased call option"). The redemption value in the various arrangements is a variable amount based on fair value or a formula. The Company recognized a non-controlling interest contingency liability as of December 31, 2017 at fair value utilizing the purchase price allocation percentage of each acquisition.

During 2018 the Company agreed to acquire the remaining non-controlling interest in MHC and DRH., therefore voiding the non-controlling interest put options and the non-controlling interest purchased call options from the original agreements. The MHC acquisition consideration was for $25,000 in cash as well as common stock and the DRH acquisition consideration was for $40,142 in cash as well as common stock. Upon each acquisition the Company reversed the non-controlling interest contingency liabilities.

As of December 31, 2018 the Company recognized a non-controlling interest buyout liability in the amount of $20,957, with the offset being recognized in redeemable non-controlling interest buyout as contra equity. An increase or decrease in the weighted average cost of capital ("WACC") would result in a significant change in the fair value of the non-controlling interest contingency.

Financial Risk Management

The Company is exposed in varying degrees to a variety of financial instrument related risks. The Company's risk exposures and the impact on the Company's financial instruments are summarized below:

Credit Risk

Credit risk is the risk of a potential loss to the Company if a customer or third party to a financial instrument fails to meet its contractual obligations. The maximum credit exposure at December 31, 2018 and 2017 is the carrying amount of cash and cash equivalents, accounts receivable and notes receivable. The Company does not have significant credit risk with respect to its customers. All cash and cash equivalents are placed with major U.S. financial institutions.

The Company provides credit to its customers, mostly wholesale and MSA customers, in the normal course of business and has established credit evaluation and monitoring processes to mitigate credit risk.

As of December 31, 2018, future loan receivable receipts were as follows:

Year Ending December 31,	Amount
2019	$ 1,255
2020	—
2021	32,536
2022	—
2023	—
2024 and thereafter	20
	$ 33,811

Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations associated with financial liabilities. The Company manages liquidity risk through the management of its capital structure. The Company's approach to managing liquidity is to ensure that it will have sufficient liquidity to settle obligations and liabilities when due.

Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Cash and cash equivalents bear interest at market rates. The Company's notes receivable and financial debts have fixed rates of interest and therefore expose the Company to interest rate fair value risk.

Capital management

The Company's objectives when managing capital are to ensure that there are adequate capital resources to safeguard the Company's ability to continue as a going concern and maintain adequate levels of funding to support its ongoing operations and development such that it can continue to provide returns to shareholders and benefits for other stakeholders.

The capital structure of the Company consists of items included in shareholders' equity and debt, net of cash and cash equivalents. The Company manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the Company's underlying assets. The Company plans to use existing funds, as well as funds from the future sale of products to fund operations and expansion activities. As of December 31, 2018, the Company was not subject to externally imposed capital requirements.

Note 22 – Non-controlling interest

As of December 31, 2018, the non-controlling interests of the Company for each affiliate before intercompany eliminations were as follows:

	MHC		DRH		Groen		PC		HOH	
	December 31,									
Summarized statements of financial position	**2018**	**2017**	**2018**	**2017**	**2018**	**2017**	**2018**	**2017**	**2018**	**2017**
Percentage of voting equity interests	See Note 4		0%	49%	0%	49%	15%		43%	
Current assets	$ 12,602	$ 4,899	$ —	$ 3,367	$ —	$ 3,833	$ 1,528	$ 15	$ 2,876	$ 1,807
Current liabilities	(9,436)	(5,461)	—	(501)	—	(1,697)	(363)	(7)	(1,305)	(364)
Current net assets (liabilities)	3,166	(562)	—	2,866	—	2,136	1,165	8	1,571	1,443
Non-current assets	55,627	39,323	—	23,466	—	4,138	4,517	3,704	4,825	4,767
Non-current liabilities	(73,826)	(2,816)	—	—	—	(3,576)	(5,128)	(1,756)	(121)	(106)
Non-current net assets (liabilities)	(18,199)	36,507	—	23,466	—	562	(611)	1,948	4,704	4,661
Accumulated NCI	(5,249)	10,242	—	12,902	—	1,336	15	293	3,060	2,944

	MHC		DRH		Groen		PC		HOH	
	Year Ended December 31,									
	2018	**2017**	**2018**	**2017**	**2018**	**2017**	**2018**	**2017**	**2018**	**2017**
Summarized statements of profit and loss										
Revenue	$ 19,081	$ 2,704	$ —	$ 4,538	$ —	$ 1,200	$ 1,257	$ —	$ 3,259	$ 948
Profit (loss) for period	(22,093)	(11,821)	—	183	—	(1,522)	(1,855)	(397)	313	365
Net income (loss) attributable to NCI	**(5,324)**	**(1,757)**	**—**	**(487)**	**—**	**(171)**	**(278)**	**(60)**	**192**	**249**

Note 23 – Subsequent events

The Company has evaluated subsequent events through April 22, 2019, the date the consolidated financial statements were available to be issued.

See Note 4 for a list of acquisitions that were signed after December 31, 2018.