Columbia Care Inc.

Financial Statements

For the three and six months ended June 30, 2019 and June 30, 2018

(Expressed in US dollars)

COLUMBIA CARE INC.
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(in thousands)
(expressed in US dollars)

	Note	June 30, 2019	December 29, 2018
Assets			
Current assets:			
Cash		$ 125,310	$ 46,241
Accounts receivable		2,857	904
Subscription receivable		-	42,764
Inventory	*6*	60,366	62,157
Biological assets	*7*	4,648	4,698
Prepaid expenses and other current assets		9,825	3,358
Total current assets		203,006	160,122
Property and equipment	*11*	70,350	39,794
Right of use assets	*17*	35,869	-
Restricted cash	*9*	10,026	11,026
Long-term deposits	*9*	5,789	4,259
Intangible assets	*19*	16,235	16,235
Other non-current assets	*9*	11,343	2,491
Total assets		$ 352,618	$ 233,927
Liabilities and Shareholders' Equity			
Current liabilities:			
Accounts payable		$ 9,063	$ 4,028
Accrued expenses		4,429	3,256
Interest payable		-	47
Payroll liabilities		3,493	2,722
Current portion of lease liability	*17*	5,192	-
Current portion of long-term debt	*8*	100	4,277
Other current liabilities	*9, 12*	465	979
Total current liabilities		22,742	15,309
Deferred taxes		4,074	4,362
Deferred compensation	*15*	13,547	9,805
Long-term lease liability	*17*	32,242	-
Other long-term liabilities	*12*	157	762
Total liabilities		72,762	30,238
Equity:			
Shareholders' equity		279,267	202,752
Non-controlling interest	*22*	589	937
Total equity		279,856	203,689
Total liabilities and equity		$ 352,618	$ 233,927

Operations of the Company and going concern (Note 1)
Commitments and contingencies (Note 17)

COLUMBIA CARE INC.
CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS
(in thousands, except for share and per share amounts)
(expressed in US dollars)

		Three Months Ended		Six Months Ended	
	Note	**June 30, 2019**	**June 30, 2018**	**June 30, 2019**	**June 30, 2018**
Revenues, net		$ 19,297	$ 9,571	$ 32,167	$ 18,420
Production costs		(13,868)	(4,196)	(22,337)	(9,632)
Gross profit before fair value adjustments		5,429	5,375	9,830	8,788
Fair value adjustments:					
Change in fair value of biological assets included in inventory sold	*7*	(11,373)	(14,498)	(23,229)	(26,239)
Unrealized gain on changes in fair value of biological assets and inventory	*7*	11,178	14,313	16,430	23,858
Total fair value adjustments		(195)	(185)	(6,799)	(2,381)
Gross margin		5,234	5,190	3,031	6,407
Operating expenses:					
Selling, general and administrative		21,041	7,906	38,734	14,569
Share-based compensation		7,157	(180)	11,389	2,608
Listing fee expense		11,071	-	11,071	-
Total operating expenses		(39,269)	(7,726)	(61,194)	(17,177)
Loss from operations		(34,035)	(2,536)	(58,163)	(10,770)
Other expense:					
Interest expense, net		(378)	(846)	(825)	(1,565)
Other income (expense), net		1,049	(331)	1,107	(356)
Total other income (expense)		671	(1,177)	282	(1,921)
Loss before provision for income taxes		(33,364)	(3,713)	(57,881)	(12,691)
Provision for income tax expense		(354)	(517)	(969)	(1,236)
Net loss and comprehensive loss		(33,718)	(4,230)	(58,850)	(13,927)
Net loss attributable to non-controlling interests	*22*	(76)	(206)	(348)	(467)
Net loss attributable to shareholders		$ (33,642)	$ (4,024)	$ (58,502)	$ (13,460)
Weighted-average number of shares used in earnings per share - basic and diluted		210,339,867	161,230,378	203,353,542	159,983,159
Earnings attributable to shares (basic and diluted)		$ (0.16)	$ (0.02)	$ (0.29)	$ (0.08)

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

COLUMBIA CARE INC.

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
(in thousands)
(expressed in US dollars)

	Share Capital			Treasury Shares				Total Columbia Care Inc. Shareholders' Equity	Non-Controlling Interest (Note 22)	Total Shareholders' Equity
	Units	Shares	Amount	Shares	Amount	Reserves	Deficit			
Balance as of December 30, 2017	**12,230,853**	**-**	**$ 81,954**	**-**	**$ -**	**$ 13,643**	**$ (27,645)**	**$ 67,952**	**$ (3,431)**	**$ 64,521**
Private placements	179,106	-	14,874	-	-	-	-	14,874	-	14,874
Debt conversion and settlement	83,345	-	5,807	-	-	-	-	5,807	-	5,807
Warrants exercised	12,820	-	541	-	-	(541)	-	-	-	-
Acquisition of Mission Bay	-	-	-	-	-	-	(2,361)	(2,361)	361	(2,000)
Equity-based compensation	-	-	-	-	-	504	-	504	-	504
Equity component of convertible debt	-	-	515	-	-	-	-	515	-	515
Net loss	-	-	-	-	-	-	(13,460)	(13,460)	(467)	(13,927)
Balance as of June 30, 2018	**12,506,124**	**-**	**$ 103,691**	**-**	**$ -**	**$ 13,606**	**$ (43,466)**	**$ 73,831**	**$ (3,537)**	**$ 70,294**
Balance as of December 29, 2018	**14,449,736**	**-**	**$ 245,658**	**-**	**$ -**	**$ 25,897**	**$ (68,803)**	**$ 202,752**	**$ 937**	**$ 203,689**
Debt conversion and settlement	27,561	-	2,537	-	-	-	-	2,537	-	2,537
Warrants exercised	159,325	-	-	-	-	2	-	2	-	2
Unit issue costs	2,490	-	-	-	-	-	-	-	-	-
Equity-based compensation	-	-	-	-	-	7,648	-	7,648	-	7,648
Conversion of units and profit interests	(14,639,112)	196,901,118	-	-	-	-	-	-	-	-
Issuance of shares in connection with private placement	-	19,077,096	111,339	-	-	19,925	-	131,264	-	131,264
Share issuance costs	-	-	(5,598)	-	-	-	-	(5,598)	-	(5,598)
Cancellation of shares	-	(40,688)	-	-	-	-	-	-	-	-
Repurchase of shares	-	-	-	124,429	(836)	-	-	(836)	-	(836)
Net loss	-	-	-	-	-	-	(58,502)	(58,502)	(348)	(58,850)
Balance as of June 30, 2019	**-**	**215,937,526**	**$ 353,936**	**124,429**	**$ (836)**	**$ 53,472**	**$ (127,305)**	**$ 279,267**	**$ 589**	**$ 279,856**

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

COLUMBIA CARE INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(in thousands)
(expressed in US dollars)

	Note	Six Months Ended June 30, 2019	Six Months Ended June 30, 2018
Cash flows from operating activities:			
Net loss		$ (58,850)	$ (13,927)
Adjustments to reconcile net loss to net cash provided by (used in) operating activities:			
Depreciation and amortization		6,029	2,148
Equity-based compensation	*15*	7,648	504
Deferred compensation	*15*	3,741	2,104
Change in fair value of derivative liability		-	26
Debt amortization expense		18	416
Listing expense	*5*	11,071	-
Change in fair value of biological assets		6,799	2,381
Deferred taxes		(288)	-
Provision for obsolete inventory		369	-
Changes in operating assets and liabilities			
Accounts receivable		(1,954)	(1,198)
Biological assets		(6,748)	(4,318)
Inventory		1,422	1,222
Prepaid expenses and other current assets		(4,625)	(677)
Other assets		(47,161)	(42)
Accounts payable, accrued expenses and other current liabilities		6,537	(2,259)
Other long-term liabilities		33,698	(495)
Net cash used in operating activities		(42,294)	(14,115)
Cash flows from investing activities:			
Purchases of property and equipment		(28,587)	(4,391)
Purchase of Mission Bay		-	(2,000)
Cash paid for investments		(446)	-
Cash paid for deposits		(4,131)	(42)
Cash received from short-term deposits		1,759	500
Net cash used in investing activities		(31,405)	(5,933)
Cash flows from financing activities:			
Issuance of common shares, net of issuance costs	*5*	114,595	-
Net proceeds from issuance of common units and warrants		42,764	14,874
Net proceeds from issuance of debt		-	6,482
Repurchase of common shares	*13*	(836)	-
Payment of lease liabilities	*17*	(2,062)	-
Exercise of warrants	*14*	2	-
Repayment of debt	*8*	(1,695)	-
Net cash provided by financing activities		152,768	21,356
Net increase in cash		79,069	1,308
Cash at beginning of the period		46,241	13,297
Cash at end of period		$ 125,310	$ 14,605
Supplemental disclosure of cash flow information:			
Cash paid for interest on other obligations		$ 98	$ 797
Cash paid for interest on lease obligations		$ 1,161	$ -
Cash paid for income taxes		$ 1,471	$ 3,201
Supplemental disclosure of non-cash investing and financing activities:			
Non-cash fixed asset additions within accounts payable and accrued expenses		$ 5,110	$ 663
Conversion of convertible debt and accrued interest to equity		$ 2,537	$ 5,807
Equity component of convertible debt		$ -	$ 515

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

1. OPERATIONS OF THE COMPANY

Columbia Care Inc. ("the Company" or "the Parent"), formerly known as Canaccord Genuity Growth Company ("CGGC"), was incorporated under the laws of the Province of Ontario on August 13, 2018. The Company's principal mission is to improve lives through the provision of medicinal cannabis and derivative products to qualified patients and consumers. The head office and principal address of the Company is 745 Fifth Ave. Suite 1701, New York, New York 10151. The Company's registered and records office address is 666 Burrard St #1700, Vancouver, British Columbia V6C 2X8.

On April 26, 2019, the Company completed a reverse takeover ("RTO") transaction and private placement further described in Note 5. Following the transaction, the Company's common shares were listed on the Aequitas NEO exchange under the symbol "CCHW". As of the time of this report, the Company's common shares are also listed on the OTCQX Best Market under the symbol "CCHWF" and on the Frankfurt Stock Exchange under the symbol "3LP".

The Company is currently licensed to operate in 15 jurisdictions in the United States and the European Union.

2. BASIS OF ACCOUNTING

These interim financial statements have been prepared in accordance with International Accounting Standards ("IAS") 34, Interim Financial Reporting, as issued by the International Accounting Standards Board ("IASB") and should be read in conjunction with the Company's last annual consolidated financial statements as of and for the year ended December 29, 2018. They do not include all the information required for a complete set of International Financial Reporting Standards ("IFRS") financial statements. However, selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the Company's financial position and performance since its most recent annual financial statements. The financial statements are presented in U.S. dollars. The Canadian dollar serves as the functional currency of the Parent. The Company's subsidiaries all have the U.S. Dollar as their functional currency.

Subsequent to the issuance of its annual consolidated financial statements as of and for the year ended December 29, 2018, the Company adopted IFRS 16 and IFRIC 23. Changes to significant accounting policies are described in Note 4.

These interim financial statements were authorised for issue by the Company's board of directors on August 5, 2019.

3. SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the Company's interim 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 recognised 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.

The significant judgements made by management in applying the Company's accounting policies and the key sources of estimation uncertainty were the same as those described in the last annual financial statements, except for new significant judgements and key sources of estimation uncertainty related to the application of IFRS 16 and IFRIC 23, which are described in Note 4.

4. CHANGES IN SIGNIFICANT ACCOUNTING POLICIES

Except as described below, the accounting policies applied in these interim financial statements are the same as those applied in the Company's consolidated financial statements as of and for the year ended December 29, 2018.

The changes in accounting policies are also expected to be reflected in the Company's consolidated financial statements as of and for the year ending December 31, 2019.

IFRS 16, Leases

IFRS 16, *Leases* was issued by the IASB in January 2016. It replaced IAS 17, Leases, for reporting periods beginning on or after January 1, 2019. The Company has adopted IFRS 16 retrospectively with the cumulative effect of initially applying the standard recognized at the date of initial application. Accordingly, the Company has not restated comparative information and has instead recognized the cumulative effect of applying IFRS 16 as an adjustment to the opening balance sheet at the date of initial application. The Company applies the standard only to leases which were previously identified as leases under IAS 17 and IFRIC 4 in accordance with the practical expedient allowed under the standard. The Company's lease arrangements are comprised primarily of building and office leases. The adoption of this standard results in almost all leases being recognized on the balance sheet, except for short-term and low-value leases. As at January 1, 2019, the Company recognized lease assets of $35,070, a corresponding lease liability of $35,737, and derecognized deferred rent of $713 and prepaid expenses of $46.

At inception of a contract, the Company assesses whether a contract conveys the right to control the use of an identified asset for a period in exchange for consideration, in which case it is classified as a lease. The Company recognizes a right-of-use asset (lease asset) and a lease liability at the lease commencement date. The asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to restore the underlying asset, less any lease incentives received. The lease asset is subsequently depreciated using the straight-line method from the commencement date to the end of the useful life of the right-of-use asset, considered to be indicated by the lease term. The lease asset is periodically adjusted for certain remeasurements of the lease liability and impairment losses (if any). The lease liability is initially measured at the present value of outstanding lease payments, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate. The lease liability is measured at amortized cost using the effective interest method and is remeasured when there is a change in future lease payments arising from a change in an index or rate or if the Company changes its assessment of whether it will exercise a purchase, extension or termination option. A corresponding adjustment is made to the carrying amount of the right-of-use asset with any excess over the carrying amount of the asset being recognized in profit or loss. The Company has elected not to recognize lease assets and lease liabilities for short-term leases (leases with a term of 12 months or less) and leases of low-value assets. The Company recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

IFRIC 23, Taxes

In June 2017, the IASB issued IFRIC 23, *Uncertainty over Income Tax Treatments*, which aims to reduce diversity in how companies recognize and measure a tax liability or tax asset when there is uncertainty over income tax treatments. The standard 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. The Company adopted IFRIC 23 as of January 1, 2019, with no significant impact to the consolidated interim financial statements on adoption of this IFRS.

(in thousands, except for gram, share and per share amounts)
(expressed in U.S. dollars)

5. REVERSE TAKEOVER TRANSACTION

On November 21, 2018, CGGC entered into a merger agreement with Columbia Care LLC (the "Merger Agreement"). On April 26, 2019, (the "Acquisition Date") the Company completed the merger. Under the terms of the Merger Agreement, CGGC acquired 100% of the issued and outstanding ownership interests of Columbia Care LLC, which was paid via an exchange of common shares or proportionate voting shares in the capital of CGGC. Prior to the merger CGGC consolidated the common shares on a one for three basis and changed its name to Columbia Care Inc. Following the merger, Columbia Care LLC became a single-member partnership, wholly owned by the Company.

While CGGC was the legal acquirer of Columbia Care LLC, the acquisition has been treated as a reverse asset acquisition and therefore, Columbia Care LLC has been identified as the acquirer for accounting purposes. As CGGC does not meet the definition of a business under IFRS, the acquisition is outside the scope of IFRS 3, *Business Combinations*, and it is accounted for as a share-based payment transaction in accordance with IFRS 2, *Share-based Payments* ("IFRS 2"). Under IFRS 2, the transaction was measured at the fair value of the shares deemed to have been issued by Columbia Care LLC in order for the ownership interest in the combined entity to be the same as if the transaction had taken the legal form of Columbia Care LLC acquiring 100% of CGGC. Any difference in the fair value of the shares deemed to have been issued by Columbia Care LLC and the fair value of CGGC's identifiable net assets acquired and liabilities assumed represents the value of the public listing received by Columbia Care LLC. The identifiable assets acquired and liabilities of CGGC assumed by Columbia Care LLC were based on their respective fair values at the Acquisition Date and were paid as follows:

Net assets acquired		
Cash	$	120,193
Consideration paid		
19,077,096 common shares held by CGGC shareholders	$	111,339
5,394,944 warrants held by CGGC shareholders		19,925
	$	131,264
Value attributable to obtaining a listing status	$	11,071

The fair value of the common shares and warrants included in the consideration paid of $131,264 was determined based on the independent valuation of the Company's shares and the percentage ownership of CGGC shareholders, on a diluted basis, on the Acquisition Date. The fair value of the warrants included in the consideration paid of $19,925 were calculated using the Black-Scholes model with the following assumptions:

Expected volatility	70%
Expected life	5.00
Expected dividends	0.00%
Risk-free interest rate	1.52%

Volatility was estimated by using the average historical volatility of comparable companies from a representative peer group of publicly traded cannabis companies. The expected life in years represents the period of time that warrants issued are expected to remain outstanding. The remaining consideration was allocated to common shares.

(in thousands, except for gram, share and per share amounts)
(expressed in U.S. dollars)

6. INVENTORY

Details of the Company's inventory are shown in the table below:

		Capitalized cost		Biological asset fair value adjustment		Carrying amount
Work-in-process - cannabis in cures and final vault	$	3,821	$	16,106	$	19,927
Finished goods - dried cannabis, concentrate and edible products		8,996		33,056		42,052
Accessories and Supplies		178		-		178
Carrying amount, December 29, 2018	**$**	**12,995**	**$**	**49,162**	**$**	**62,157**
Work-in-process - cannabis in cures and final vault	$	3,192	$	11,212	$	14,404
Finished goods - dried cannabis, concentrate and edible products		13,862		31,772		45,634
Accessories and Supplies		328		-		328
Carrying amount, June 30, 2019	**$**	**17,382**	**$**	**42,984**	**$**	**60,366**

Inventories consist of the capitalized inventory costs and transformation of biological assets. The capitalized cost component of inventories represents the amount of cost before any fair value adjustments transferred to inventory through fair value gains recognised on the transformation of biological assets. The biological asset fair value adjustment is exclusive of any cash outlays and represents the non-cash fair value incremental adjustment arising from the transformation of biological assets transferred to inventory as deemed cost. Together, the capitalized cost and the incremental biological asset fair value adjustments comprise the total carrying amount of inventory.

(in thousands, except for gram, share and per share amounts)
(expressed in U.S. dollars)

7. BIOLOGICAL ASSETS

Biological assets consist of actively growing cannabis plants to be harvested as agricultural produce. The changes in the carrying value of the biological assets are shown in the table below:

Carrying amount, December 30, 2017	**$**	**5,453**
Changes in fair value less costs to sell due to biological transformation		71,100
Production costs capitalized		3,330
Transferred to inventories upon harvest		(75,185)
Carrying amount, December 29, 2018	**$**	**4,698**
Changes in fair value less costs to sell due to biological transformation		35,370
Production costs capitalized		2,166
Transferred to inventories upon harvest		(37,586)
Carrying amount, June 30, 2019	**$**	**4,648**

The Company's biological assets consist of unharvested cannabis plants and are presented at their fair values less costs to sell up to the point of harvest. The valuation of these biological assets is obtained using a specific valuation technique where the inputs are based upon unobservable market data (Level 3 in the fair value hierarchy).

The valuation of biological assets is based on a market approach where fair value at the point of harvest is estimated based on future selling prices less the costs to sell at harvest. For in-process biological assets, the estimated fair value at the point of harvest is adjusted based on the plants' stage of growth. Stage of growth is determined by reference to days remaining to harvest over the average growth cycle.

The Company's estimates are subject to changes that could result from volatility of market prices, unanticipated regulatory changes, harvest yields, loss of crops, changes in estimates and other uncontrollable factors that could significantly affect the future fair value of biological assets.

These estimates include the following assumptions and are based on historical information:

i. Selling prices per gram were determined by estimating the Company's average selling price for each respective period. The Company's average selling price for the six months ended June 30, 2019 and the year ended December 29, 2018 was $14.15 and $13.85 per gram, respectively;

ii. The stage of plant growth at which point of harvest is determined. As of June 30, 2019, and December 29, 2018, the biological assets were on average 51% and 48% completed, respectively;

iii. Selling and other fulfillment costs were determined by estimating the Company's average cost per gram, which was $2.22 and $2.27 per gram and equivalent gram of cannabis sold as of June 30, 2019 and December 29, 2018, respectively;

iv. Expected yield per plant varies by strain and is estimated through historical growing results or grower estimate if historical results are not available. The Company's average yield per plant as of June 30, 2019 and December 29, 2018 was 186 grams per plant and 175 grams per plant, respectively.

(in thousands, except for gram, share and per share amounts)
(expressed in U.S. dollars)

Significant unobservable assumptions used in the valuation of biological assets, including the sensitivities on changes in these assumptions and their effect on the fair value of biological assets, are shown in the table below:

Significant inputs $ Assumptions	Range of inputs	Sensitivity	Effect on fair value 6/30/2019		Effect on fair value 12/29/2018	
Selling price per gram	$3.89 to $78.50 per gram*	Increase by $1.00 per gram	$	565	$	399
Stage of Growth	17% to 84%	Increase by 5%	$	432	$	434
Selling and other fulfillment costs	$0.44 to $5.13 per pram	Increase by $1.00 per gram	$	(576)	$	(399)
Expected yield per plant	98.24 to 243.79 grams per plant	Increase by 5 grams per plant	$	131	$	131
Discount rate	7% to 41%	Increase by 5%	$	422	$	(5,740)

*New York State and Florida do not permit dispensaries to sell cannabis flower. Only edibles, tinctures, and solid and semisolid preparations are permitted. The average selling price per gram of $78.48 per gram, selling and other fulfillment costs of $6.41 per gram and expected yield per plant of 214.69 grams per plant reflect the conversion of cannabis plant into concentrated products and the associated selling price and selling and other fulfillment costs of concentrated products.

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

The Company’s estimates and assumptions reflect differences in regulation restrictions applicable to the states in which the Company operates. For states other than New York and Florida, selling prices per gram are calculated upon the Company’s average selling price of dried cannabis that does not involve in any extraction or other processing activities to reflect the value of such products up to the point of harvest. For New York and Florida, where only sales of concentrate products and edible products are permitted, selling prices per gram and yield per plant are calculated based on the Company’s average selling price of concentrate products and dry weight equivalent grams of such products in the fair value calculation.

The Company’s biological assets produced 1,187,378 grams and 743,396 grams of dried cannabis for the three months ended June 30, 2019 and 2018, respectively, and 2,408,107 grams and 1,214,353 grams of dried cannabis for the six months ended June 30, 2019 and 2018, respectively.

(in thousands, except for gram, share and per share amounts)
(expressed in U.S. dollars)

8. CURRENT AND LONG-TERM DEBT

Current and long-term obligations, net of original issuance discount, are shown in the table below:

	June 30, 2019	December 29, 2018
Working capital line	$ -	$ 300
Term debt		
Real Estate debt at 7% interest	-	3,777
Note Payable, non-interest bearing	100	200
Total Term debt	100	3,977
Total debt	$ 100	$ 4,277
Less current portion	(100)	(4,277)
Long term portion	$ -	$ -

Annual maturities of the Company's debts, net of original issuance discount, are shown in the table below:

Year ending	Scheduled Maturities
December 31, 2019	$ 100
Thereafter	-
Total future debt maturities	$ 100

Working Capital Loan

In July 2016, the Company obtained a working capital loan of $950 from various lenders (the "Working Capital Loan"). The Working Capital Loan had a stated interest rate of 10% and a maturity date of July 11, 2019. The Working Capital Loan was unsecured. Interest was paid in cash arrears commencing on July 31, 2018 and on each quarterly anniversary thereafter. The Company was permitted to prepay the loans, in whole or in part, upon not less than three business days prior with written notice.

The Company repaid $650 to various lenders in December 2018. The remaining $300 was paid in January 2019.

Interest expense for the three and six months ended June 30, 2018, was $24 and $48, respectively.

Term Debt

Real Estate Debt

In January 2016, the Company entered into a loan and security agreement (the "Agreement") with various individuals for loans in the aggregate amount of $10,000. The Agreement had a stated interest rate of 7% with a maturity date of January 25, 2019. The aggregate principal amount of the loans per an amendment dated March 31, 2017 was increased from $10,000 to $12,000.

The loans could be prepaid prior to the second anniversary of the closing date with the consent of such lenders. At any time on and following the second anniversary of the closing date, the loans could be prepaid in whole or in part not less than three business days' prior written notice to the lenders. The loans were collateralized by various real estate holdings of the Company.

In connection with the Agreement, the Company issued 11,230 and 31,814 warrants, respectively during the years ended December 30, 2017 and December 31, 2016 at an exercise price of $0.01.

Upon initial recognition, the Company recorded $408 and $677 in 2017 and 2016, respectively, of reserves on the issuance of the warrants with a corresponding reduction to the carrying value of the loan.

Interest expense for the three and six months ended June 30, 2018 was $413 and $206, respectively. No interest expense was incurred during the six months ended June 30, 2019.

Amortization expense for the three months ended June 30, 2019 and 2018, was $0 and $126, respectively, and for the six months ended June 30, 2019 and 2018, was $18 and $248, respectively.

In the fourth quarter of 2018, principal in the amount of $2,755 was converted into 33,427 common units and principal totaling $5,250 was repaid.

In January 2019, principal in the amount of $2,500 and accrued interest in the amount of $37 was converted into 27,561 common units and principal of $1,295 was repaid.

Note Payable - Former Member

On July 6, 2016, Columbia Care Arizona Tempe, LLC, a Delaware limited liability company, purchased a 10% minority interest from a former member, for a $1,000 note, payable as follows: $250 upon the execution of the respective agreement; $150 payable on or before January 1, 2017 (which was paid in 2016) and; $600 payable in twelve equal quarterly payments commencing April 1, 2017 through January 1, 2020. The note is non-interest bearing and is guaranteed by the Company and its managing members.

The note had outstanding principal of $100 and $200 at June 30, 2019 and December 29, 2018, respectively.

The purchase of the non-controlling interest in the amount of $1,000 was recorded in the consolidated changes in members' equity section of these financial statements.

9. CANNASCEND AGREEMENT

On October 25, 2018, the Company, CannAscend Alternative, LLC (“CAA”), and CannAscend Alternative Logan, LLC (“CAA Logan”) entered into a Membership Purchase Option Agreement (the “Option Agreement”). CAA and CAA Logan are both Ohio-based limited liability companies that operate dispensaries (collectively the “Target Companies”). Under the terms of the Option Agreement, the Company purchased an exclusive option to acquire all outstanding membership interests (the “Option”) of the Target Companies during the period commencing on the first anniversary of the date upon which all four of the dispensaries operated by the Target Companies have been issued certificates of operation under the Medical Marijuana Control Program, and expiring on the 30th day following said commencement date (“Option Period”).

The price for the Option Agreement was approximately $4,124 (“Option Deposit”), of which the Company had paid approximately $2,124 in October 2018, and an additional $1,000 (via a transfer of funds from an escrow deposit account) in November 2018, for a total of $3,124 as of December 29, 2018. For the six months ended June 30, 2019, the Company paid an additional $1,000 (via a transfer of funds from an escrow deposit account) for a total of $4,124 as of June 30, 2019. If the Company exercises the Option, the Company will pay a purchase price of $14,150, subject to reduction as provided in the Option Agreement. The Company has recorded the $4,124 and $3,124 of the Option Deposit paid as long-term deposits on the consolidated balance sheet at June 30, 2019 and December 29, 2018, respectively. In addition, the Company determined $600 of the remaining $1,000 Option Deposit meets the definition of a provision and thus has recorded a provision and corresponding other non-current asset on the consolidated balance sheet as of December 29, 2018. This provision was paid during March 2019. As part of the Option Agreement, the Company entered into an escrow agreement with the Target Companies and deposited $12,026 into the escrow account. As of June 30, 2019, and December 29, 2018, the escrow deposit account had a balance of $10,026 and $11,026, respectively, and is recorded as restricted cash on the consolidated statement of financial position.

(in thousands, except for gram, share and per share amounts)
(expressed in U.S. dollars)

On October 25, 2018, as consideration for the Option, the Company made a revolving loan to the Target Companies (the "Revolving Loan"), with the principal amount to not exceed $10,000 (the "Loan Amount"). The Revolving Loan is evidenced by a secured promissory note of the Target Companies (the "Note Receivable"), which bears interest at the rate of 7% per annum and matures upon the occurrence of any of the following: a) providing notice to the borrower of an event of default; b) 36 months after the last advance made by the lender to borrower as provided in the Revolving Loan Agreement, or c) 90 days after the termination of the Option Agreement. As of June 30, 2019, and December 29, 2018, the Company had a balance of $7,970 and $1,758, respectively, in other non-current assets on the consolidated balance sheet related to the balance outstanding from the Target Companies related to the Revolving Loan.

To secure the obligations of the Target Companies to the Company under the Revolving Loan Agreement and the Note Receivable, the Company entered into a Security Agreement dated as of October 25, 2018 (the "Security Agreement"), pursuant to which the Target Companies granted to the Company a first-priority lien on and security interest in all personal property of the Target Companies.

If the Company does not exercise the Option on or prior to the date that is 30 days following the end of the Option Period, the Loan Amount will be payable to the Company in 90 days.

The Option Deposit made by the Company is non-refundable.

10. RELATED PARTY TRANSACTIONS

Key management personnel

Key management personnel include those persons having authority and responsibility for planning, directing and controlling the activities of the Company as a whole. The Company has determined that key management personnel consist of executive and non-executive members of the Company's board of directors and corporate officers and/or companies controlled by those individuals.

Remuneration attributed to key management personnel during the three and six months ended June 30, 2019 and 2018, are summarized in the table below:

	Three Months Ended		**Six Months Ended**	
	June 30, 2019	**June 30, 2018**	**June 30, 2019**	**June 30, 2018**
Salaries and benefits	$ 846	$ 316	$ 1,491	$ 660
Payments to managing owners	173	199	420	399
Equity-based compensation	1,025	(1,891)	2,356	(986)
	$ 2,044	**$ (1,376)**	**$ 4,267**	**$ 73**

The Company also entered into notes payable with related parties and membership loans as described in Note 8.

(in thousands, except for gram, share and per share amounts)
(expressed in U.S. dollars)

11. PROPERTY AND EQUIPMENT

Property and equipment and related depreciation are summarized in the table below:

	June 30, 2019	December 29, 2018
Land and buildings	$ 8,647	$ 8,000
Furniture and fixtures	1,211	995
Equipment	6,905	5,292
Computers and software	616	435
Leasehold improvements	34,355	23,371
Construction in process	32,707	12,650
Total property and equipment, gross	84,441	50,743
Less: Accumulated depreciation	(14,091)	(10,949)
Total property and equipment, net	$ 70,350	$ 39,794

A reconciliation of the beginning and ending balances of property and equipment are summarized in the tables below:

	Land and buildings	Furniture and fixtures	Equipment	Computers and software	Leasehold improvements	Construction in process	Total
Cost							
As of December 29, 2018	$ 8,000	$ 995	$ 5,292	$ 435	$ 23,371	$ 12,650	$ 50,743
Additions	647	157	1,296	181	3,395	28,022	33,698
Transfers	-	59	317	-	7,589	(7,965)	-
Balance of June 30, 2019	$ 8,647	$ 1,211	$ 6,905	$ 616	$ 34,355	$ 32,707	$ 84,441

	Land and buildings	Furniture and fixtures	Equipment	Computers and software	Leasehold improvements	Construction in process	Total
Accumulated depreciation							
As of December 29, 2018	$ (427)	$ (521)	$ (1,798)	$ (164)	$ (8,039)	$ -	$ (10,949)
Depreciation	(77)	(103)	(663)	(63)	(2,236)	-	(3,142)
Transfers	-	-	-	-	-	-	-
Balance of June 30, 2019	$ (504)	$ (624)	$ (2,461)	$ (227)	$ (10,275)	$ -	$ (14,091)

	Land and buildings	Furniture and fixtures	Equipment	Computers and software	Leasehold improvements	Construction in process	Total
Cost							
As of December 30, 2017	$ 7,996	$ 858	$ 2,631	$ 254	$ 15,611	$ 7,691	$ 35,041
Additions	4	259	1,555	164	4,418	10,519	16,919
Disposals	-	(122)	(95)	(3)	(997)	-	(1,217)
Transfers	-	-	1,201	20	4,339	(5,560)	-
Balance of December 29, 2018	$ 8,000	$ 995	$ 5,292	$ 435	$ 23,371	$ 12,650	$ 50,743

	Land and buildings	Furniture and fixtures	Equipment	Computers and software	Leasehold improvements	Construction in process	Total
Accumulated depreciation							
As of December 30, 2017	$ (274)	$ (415)	$ (942)	$ (76)	$ (5,209)	$ -	$ (6,916)
Depreciation	(153)	(216)	(940)	(90)	(3,278)	-	(4,677)
Disposals	-	110	84	2	448	-	644
Transfers	-	-	-	-	-	-	-
Balance of December 29, 2018	$ (427)	$ (521)	$ (1,798)	$ (164)	$ (8,039)	$ -	$ (10,949)

Total depreciation expense for the three months ended June 30, 2019 and 2018, was $1,688 and $1,167, respectively, which included $1,100 and $680 recognised as production costs, respectively, and $588 and $487 recognised as operating expenses in the consolidated statement of operations, respectively. Total depreciation expense for the six months ended June 30, 2019 and 2018, was $3,142 and $2,148, which included $1,940 and $1,206 recognised as production costs, respectively, and $1,202 and $942 recognised as a part of operating expenses in the consolidated statement of operations, respectively.

12. OTHER LIABILITIES

The Company classifies certain liabilities with immaterial balances as other current liabilities and other long-term liabilities. Other current liabilities consist of federal and state income taxes payable, sales tax payable, deferred revenue and other liabilities.

13. SHAREHOLDERS' EQUITY

Pre-RTO transactions

Common Units

Prior to the Acquisition Date, Columbia Care LLC was authorized to issue an unlimited number of common units without par. On the Acquisition Date, Columbia Care LLC had 14,639,112 of issued and outstanding common units and profit interests (15,482,850 on a fully-diluted basis). On the Acquisition Date common units and profit interests were converted into common shares and proportionate voting shares.

During the six months ended June 30, 2018, the Company had the following activity:

- Recorded $515 in equity in connection with the 2018 Convertible Debt arrangement;
- Issued 83,345 common units upon the conversion of principal and accrued interest on convertible debt of $5,807;
- Completed a private placement, issuing an aggregate of 179,106 common units at an average price of $83.05 per unit for aggregate proceeds of $14,874; and
- Warrants were exercised for 12,820 common units at an average per unit price of $0.01 for nominal gross proceeds.

During the six months ended June 30, 2019, the Company had the following activity:

- Issued 27,561 common units upon the conversion of principal and accrued interest on convertible debt of $2,537;
- Issued 2,490 common units as unit issuance costs; and
- Warrants were exercised for 159,325 common units at an average per unit price of $0.01 for $2.

Post-RTO transactions

On April 26, 2019, concurrent with the RTO transaction as described in Note 5, the Company completed a brokered private placement, which after issuance costs of $5,598, resulted in net proceeds of $114,595. The Company converted 14,639,112 outstanding common units and profit interests into 34,563,850 common shares and 1,623,373 proportionate voting shares. In connection with the brokered private placement the Company issued 19,077,096 common shares and the equivalent of 5,394,944 warrants with an exercise price of $10.35 Canadian Dollars exercisable for five years from the date of issuance. Total consideration for this issuance was $131,264 and resulted in a listing expense of $11,071.

(in thousands, except for gram, share and per share amounts)
(expressed in U.S. dollars)

Authorized

Authorized share capital consists of (i) an unlimited number of common shares without par (ii) an unlimited number of proportionate voting shares without par, and (iii) an unlimited number of preferred shares.

The common shares and proportionate voting shares (together, the "Shares") have the same rights and are equal in all respects. The Company treats the Shares as if they were one class.

Conversion Rights and Transfers

Issued and outstanding proportionate voting shares, including fractions thereof, may at any time, subject to certain conditions, at the option of the holder, be converted into common shares at a ratio of 100 common shares per proportionate voting share with fractional proportionate voting shares convertible into common shares at the same ratio. Further, the Board of Directors may determine in the future that it is no longer advisable to maintain the proportionate voting shares as a separate class of shares and may cause all of the issued and outstanding proportionate voting shares to be converted into common shares at a ratio of 100 common shares per proportionate voting share with fractional proportionate voting shares convertible into common shares at the same ratio and the Board of Directors shall not be entitled to issue any more proportionate voting shares thereafter.

The ability to convert proportionate voting shares into common shares is subject to certain conditions in order to maintain the Company's status as a foreign private issuer under U.S. securities laws. Unless otherwise waived by the Company, the right to convert the proportionate voting shares is subject to the condition that the aggregate number of Shares held of record, directly or indirectly, by residents of the United States (as determined in accordance with Rules 3b-4 and 12g3-2(a) under the Securities Exchange Act of 1934, as amended) may not exceed forty percent (40%) of the aggregate number of Shares issued and outstanding after giving effect to such conversions.

Rights

Holders of Shares are entitled to one vote on all matters submitted to a vote of the Company's shareholders. Holders of Shares are entitled to receive dividends, as may be declared by the Company's board of directors. As of June 30, 2019, and December 29, 2018, no cash dividends had been declared or paid.

Treasury Shares

In connection with the RTO, the Company withheld shares that were previously issued to satisfy certain shareholders' U.S. federal income tax requirements and made a payment on their behalf in the amount of $836.

The table below details the changes in Shares outstanding by class:

	Common Shares	Proportionate Voting Shares	Shares Held in Treasury	Preferred Shares
Balance at December 29, 2018	-	-	-	-
Existing unitholders transfer	34,563,850	1,623,373	-	-
Private placement	19,077,096	-	-	-
Share conversion	10,630,500	(106,305)	-	-
Forfeitures	-	(407)	-	-
Repurchase of shares	(124,429)	-	124,429	-
Balance at June 30, 2019	**64,147,017**	**1,516,661**	**124,429**	**-**

(in thousands, except for gram, share and per share amounts)

14. WARRANTS

As of June 30, 2019, outstanding equity-classified warrants to purchase common shares consisted of the following:

Date Exercisable	Number of Shares Issued and Exercisable	Exercise Price (Canadian Dollars)		Expiration
December 6, 2016	3,845,023	$	2.22	December 6, 2019
July 1, 2017	1,152,191	$	5.71	July 1, 2020
May 8, 2018	921,753	$	5.71	May 8, 2021
October 1, 2018	648,783	$	8.12	October 1, 2025
October 1, 2018	4,855,639	$	8.12	October 1, 2020
October 17, 2018	809,272	$	8.12	October 17, 2020
November 7, 2018	2,427,818	$	8.12	November 7, 2020
June 30, 2019	5,394,944	$	10.35	April 26, 2024
	20,055,423			

Warrant activity for each reporting period is summarized in the table below:

	Shares			Units		
	Number of Warrants	Weighted average exercise price (Canadian Dollars)		Number of Warrants	Weighted average exercise price (U.S. Dollars)	
Balance as of December 30, 2017	**-**	**$**	**-**	**664,644**	**$**	**24.43**
Issued	-		-	796,485		72.91
Exercised	-		-	(122,416)		0.01
Expired	-		-	-		-
Balance as of December 29, 2018	**-**	**$**	**-**	**1,338,713**	**$**	**55.50**
Issued	5,394,944		10.35	-		-
Exercised	-		-	(210,858)		22.46
Expired	-		-	-		-
Conversion from units to shares	14,660,479		6.23	(1,127,855)		61.63
Balance as of June 30, 2019	**20,055,423**	**$**	**7.34**	**-**	**$**	**-**

During the six months ended June 30, 2019, 51,140 unit warrants were exercised for 51,140 common units for proceeds of $2, and 159,718 warrants were converted to 108,185 common units in a cashless exercise.

The Company did not record any amounts to reserves for the issuance of warrants related to debt arrangements during the six months ended June 30, 2019 and 2018.

(in thousands, except for gram, share and per share amounts)
(expressed in U.S. dollars)

15. SHARE-BASED PAYMENT ARRANGEMENTS

Omnibus Long-Term Incentive Plan (equity settled)

On April 26, 2019, the Company adopted a long-term incentive plan ("LTIP") to allow for a variety of equity-based awards that provide different types of incentives to be granted to the Company's executive officers, directors, employees and consultants (options, stock appreciation rights ("SARs"), performance share units ("PSUs"), restricted stock units ("RSUs") and deferred share units ("DSUs")). Options, SARs, PSUs, RSUs and DSUs are collectively referred to herein as "Awards". Each Award will represent the right to receive common shares and in the case of SARs, PSUs, RSUs and DSUs, common shares or cash, in each case in accordance with the terms of the LTIP.

Under the terms of the LTIP, the Company's Board of Directors may grant Awards to the Chief Executive Officer and Executive Chairman of the Company and will review and approve the grant of Awards recommended by the Chief Executive Officer to other eligible participants. Participation in the LTIP is voluntary and, if an eligible participant agrees to participate, the grant of Awards will be evidenced by a grant agreement with each such participant. The interest of any participant in any Award is not assignable or transferable, whether voluntary, involuntary, by operation of law or otherwise, other than by will or the laws of descent and distribution.

The maximum number of common shares reserved for issuance, in the aggregate, under our LTIP will be 10% of the aggregate number of common shares (assuming the conversion of all proportionate voting shares to common shares) issued and outstanding from time to time.

Restricted stock units

The Company estimates the fair value of each RSU award on its measurement date using the current market price of the Shares.

A summary of RSU activity for the six months ended June 30, 2019 is presented below:

	Shares	Weighted-Average Grant Date Fair Value
Outstanding at beginning of period	-	$ -
Granted	3,600,021	8.08
Outstanding at end of period	3,600,021	$ 8.08

Equity-based compensation related to RSUs issued was $2,661 for the three and six months ended June 30, 2019.

Performance share units

During the six months ended June 30, 2019, the Company granted total stockholder return awards ("TSR Awards") that include three-year and a five-year market conditions where the performance measurement periods are three and five years. Vesting of the TSR Awards is based on the Company's level of attainment of specified TSR targets relative to the percentage appreciation of the Company's common shares for the respective three-year and five-year periods and is also subject to the continued employment of the grantees.

The fair value of these awards was determined using a Monte Carlo Simulation valuation model with the following weighted average inputs:

(in thousands, except for gram, share and per share amounts)

Expected volatility	70.00%
Expected life	4.15
Expected dividends	0.00%
Risk-free interest rate	1.55%

A summary of PSU activity for the six months ended June 30, 2019 is presented below:

	Shares	Weighted-Average Grant Date Fair Value
Outstanding at beginning of period	-	$ -
Granted	4,962,943	5.68
Outstanding at end of period	4,962,943	$ 5.68

Equity-based compensation related to PSUs issued was $1,292 for the three and six months ended June 30, 2019.

Stock Options

The fair value of each stock option is estimated using the Black-Scholes option pricing model. The weighted average of inputs used in the measurement of the grant date fair value of the stock options for the six months ended June 30, 2019, are summarized in the table below:

Fair value at grant date (Canadian Dollars)	$ 10.90
Strike price at grant date (Canadian Dollars)	$ 10.90
Expected volatility	70.00%
Expected life	6.25
Expected dividends	0.00%
Risk-free interest rate	1.59%

Stock option awards under the LTIP are granted with an exercise price equal to the fair value of the Company's common stock at the date of grant. All option awards have a ten-year contractual term.

A summary of option activity for the six months ended June 30, 2019 is presented below:

	Stock Options	Weighted-Average Exercise Price (Canadian Dollars)	Weighted-Average Remaining Contractual Term (Years)	Aggregate Intrinsic Value
Outstanding at beginning of period	-	$ -		
Granted	55,384	10.90		
Outstanding at end of period	55,384	$ 10.90	9.8	-

Equity-based compensation related to stock options issued was $26 for the three and six months ended June 30, 2019.

Unit programs (equity settled)

In May 2016, the Company adopted the Capital Accumulation Plan ("the CAP Plan"), which provided employees and operating partners with a mechanism to participate in increases in value of the Company.

(in thousands, except for gram, share and per share amounts)
(expressed in U.S. dollars)

Grants of CAP units contained a unit of equity which participates in proceeds from liquidation or sale of the Company beyond a "threshold amount", which is similar to a strike price for a stock option. The Company utilized a third-party expert to determine the equity value of the Company. The threshold amount stated in grants of CAP units was determined by estimating the liquidation value of the Company at the grant date. As a result, holders of vested CAP units could receive value equal to the difference between: (i) the future value of the Company; and (ii) the threshold amount.

The fair value of each CAP unit was estimated using the Black-Scholes option pricing model. The weighted average of inputs used in the measurement of the grant date fair value of the CAP Units for the six months ended June 30, 2018 are summarized in the table below:

Fair value at grant date	$	83.81
Strike price at grant date	$	37.32
Expected volatility		70.00%
Expected life		6.25
Expected dividends		0.00%
Risk-free interest rate		2.82%

The Company did not grant any CAP units during the six months ended June 30, 2019.

As of the Acquisition Date, holders of CAP units received replacement stock-based awards. The CAP units were converted into time-based restricted Shares based on the implicit value of the Company if it was liquidated at the close of business. The value of the replacement stock-based awards was designed to generally preserve the intrinsic value of the replaced awards immediately prior to the merger. Such time-based restricted Shares remain subject to the same continuing restrictions applicable to the original CAP units. The Company did not recognize any incremental expense in connection with the conversion of CAP units to restricted Shares.

The number of units outstanding under the CAP Plan were as follows:

	Six Months Ended June 30, 2019		Year Ended December 29, 2018	
	Units	**Weighted-Average Threshold Amount**	**Units**	**Weighted-Average Threshold Amount**
Outstanding at beginning of period	641,548	$ 51.05	467,668	$ 34.01
Units granted	-	-	258,859	77.92
Units forfeited	(3,336)	67.49	(84,979)	37.63
Units converted to Shares	(638,212)	51.50	-	-
Outstanding at end of period	-	$ -	641,548	$ 51.05

Equity-based compensation expense related to the Company's CAP units and Shares subject to time-based vesting restrictions was $1,348 and $1,116 for the three months ended June 30, 2019 and 2018, respectively, and $3,669 and $2,104 for the six months ended June 30, 2019 and 2018, respectively.

Unit programs (liability settled)

In May 2016, the Company adopted the Income Incentive Plan ("the IIP Plan"), which provides deferred compensation to designated employees and operating partners (the "IIP units").

(in thousands, except for gram, share and per share amounts)
(expressed in U.S. dollars)

IIP units represent a right to receive a payment in the future equal to the lesser of the Company's liquidation value based on the lower of: (i) value on the date on which there is a qualifying sale of the Company or (ii) value on the date that the IIP unit is granted (the "IIP Grant Date").

The initial recognition and measurement of the IIP units were based on the Company's liquidation value per outstanding common unit as of the IIP Grant Date. Until payment of the IIP units, adjustments will be made each reporting period for any changes in the Company's liquidation value, only if the Company's liquidation value is less than its liquidation value on the IIP Grant Date.

The Company generally relied on the analyses performed by third-party experts to determine the value of the Company, in order to arrive at the Company's liquidation values.

The number of units outstanding under the IIP Plan are summarized in the table below:

	Six Months Ended June 30, 2019		Year Ended December 29, 2018	
	Units	**Weighted-Average Liquidation Value**	**Units**	**Weighted-Average Liquidation Value**
Outstanding at beginning of period	629,277	$ 51.29	467,668	$ 34.01
Units granted	-	-	246,588	79.89
Units forfeited	(2,316)	80.31	(84,979)	37.17
Outstanding at end of period	626,961	$ 51.25	629,277	$ 51.29

Deferred compensation expense related to the Company's IIP Units was $1,826 and $1,116 for the three months ended June 30, 2019 and 2018, respectively, and $3,741 and $2,104 for the six months ended June 30, 2019 and 2018, respectively.

At June 30, 2019 and December 29, 2018, the Company recorded liabilities of $13,547 and $9,805, respectively, related to deferred compensation of IIP Units.

(in thousands, except for gram, share and per share amounts)
(expressed in U.S. dollars)

16. EARNINGS PER SHARE

Basic and diluted net loss per share attributable to the Company was calculated as follows:

	Three Months Ended		Six Months Ended	
	June 30, 2019	June 30, 2018	June 30, 2019	June 30, 2018
Numerator:				
Net loss	$ (33,718)	$ (4,230)	$ (58,850)	$ (13,927)
Less: Net loss attributable to non-controlling interest	(76)	(206)	(348)	(467)
Net loss attributable to shareholders	$ (33,642)	$ (4,024)	$ (58,502)	$ (13,460)
Denominator:				
Weighted average shares outstanding - basic and diluted	210,339,867	161,230,378	203,353,542	159,983,159
Loss per share - basic and diluted	$ (0.16)	$ (0.02)	$ (0.29)	$ (0.08)

The Company's potentially dilutive securities, which include warrants to purchase Shares, have been excluded from the computation of diluted net loss per share for the three and six months ended June 30, 2019 and 2018, as the inclusion would have reduced the net loss per share and therefore would have an anti-dilutive effect. Prior periods have been converted into post-merger Shares for comparability.

17. COMMITMENTS AND CONTINGENCIES

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.

Key movements relating to lease balances are presented below:

Carrying amount, January 1, 2019	**$ 35,070**
Additions to leased assets	3,686
Amortization charges	(2,887)
Carrying amount, June 30, 2019	**$ 35,869**

The Company's real estate leases typically have terms of 1–10 years. Some leases for office space include extension options exercisable up to one year before the end of the cancellable lease term. Typically, the option to renew the lease is for an additional period of the same duration after the end of the contract term and are at the option of the Company as lessee. Lease payments are in substance fixed, and the Company had no leases which contained variable lease payments. Most real estate leases include annual escalation clauses with reference to an index or contractual rate.

The Company leases vehicles and equipment with a standard lease term of 4 years. The Company does not purchase or guarantee the value of leased vehicles. In some cases, the Company leases furniture and office equipment with terms of 1–3 years. The Company considers these assets to be of low-value or short-term in nature and therefore no right-of use assets and lease liabilities are recognized for these leases. Expenses recognized relating to short-term leases and leases of low value during the three months ended June 30, 2019 was immaterial.

(in thousands, except for gram, share and per share amounts)
(expressed in U.S. dollars)

The following table summarizes the Company's future undiscounted lease payments as of June 30, 2019.

Period	**Scheduled Payments**
Due in Year 1	$ 7,741
Due in Years 2-5	22,882
Due in 5+ Years	19,326
Total undiscounted lease liability	49,949
Impact of discount	(12,515)
Lease liability at June 30, 2019	37,434
Less current portion of lease liability	(5,192)
Long-term portion	$ 32,242

The above table excludes $13,361 of legally binding minimum lease payments for leases signed but not yet commenced as of June 30, 2019.

The total interest expense on lease liabilities and the total cash outflow for the three months ended June 30, 2019, was $598 and $1,751, respectively. The total interest expense on lease liabilities and the total cash outflow for the six months ended June 30, 2019, was $1,161 and $3,190, respectively.

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 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 indemnifications. 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

Periodically, the Company may be contingently liable with respect to claims incidental to the ordinary course of its operations. In the opinion of management, and based on management's consultation with legal counsel, the ultimate outcome of such matters will not have a materially adverse effect on the Company. Accordingly, no provision has been made in these consolidated financial statements for losses, if any, which might result from the ultimate disposition of these matters should they arise.

(in thousands, except for gram, share and per share amounts)
(expressed in U.S. dollars)

18. FAIR VALUE MEASUREMENTS

Financial Instruments

The Company's financial instruments measured at fair value as of June 30, 2019 and December 29, 2018 include deferred compensation.

The following table summarizes the valuation techniques and key inputs used in the fair value measurement of level 3 financial instruments:

Financial asset/financial liability	**Valuation techniques**	**Significant unobservable inputs**	**Relationship of unobservable inputs to fair value**
Deferred compensation	Market approach	Common Unit value	Increase or decrease in common unit value will result in an increase or decrease in fair value

During the years presented in these financial statements, there were no transfers of amounts between levels.

Financial Risk Management

The carrying value of the Company's financial instruments consisting of cash, accounts receivable, subscription receivable, accounts payable, accrued expenses, interest payable and payroll liabilities approximate fair value due to their short-term nature.

The Company's long-term debt approximates fair value due to the market rate of interest used on initial recognition and the derivative liability and deferred compensation is carried at fair value.

The Company is exposed in varying degrees to a variety of financial instrument related risks. A description of the Company's risk exposures and the impact on the Company's financial instruments is 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 as of June 30, 2019 and December 29, 2018 is the carrying amount of cash, subscription receivable and accounts receivable. The Company provides credit to its customers in the normal course of business and has established credit evaluation and monitoring processes to mitigate credit risk but has limited risk as the majority of its sales are transacted with cash and as such, the Company does not have significant credit risk with respect to its customers. Through the Company's recently introduced Columbia Care National Credit program, the Company provides credit to customers in certain markets in which the Company operates.

The risk exposure is limited to the carrying amounts at the statement of financial position date. The risk to cash deposits is mitigated by holding these instruments with regulated financial institutions. The Company periodically assesses the quality of the credit rating of these financial institutions. Trade accounts receivable credit risk arises from the possibility that principal and/or interest due may become uncollectible. The Company mitigates this risk by managing and monitoring the underlying business relationships. Subscription receivables were collected in full during the six months ended June 30, 2019.

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 estimate cash requirements from operations, capital expenditures and investments and 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 the Company's financial instrument will fluctuate because of changes in market interest rates. The Company's cash deposits bear interest at market rates. The Company's financial debts have fixed rates of interest and therefore expose the Company to a limited interest risk.

Foreign Exchange Risk

The Company does not have any financial instruments denominated in currencies other than the U.S. dollar and as such is not subject to foreign currency risk.

Price Risk

Price risk is the risk of variability in fair value due to movements in equity or market prices. The Company is not subject to significant price risk.

19. INTANGIBLE ASSET

During the year ended December 29, 2018, the Company acquired a 70% interest in a license to cultivate, process and sell cannabis in the State of Florida. The Company paid $11,365 for the sellers' ownership in this license, which consisted of $10,365 in cash and $1,000 of units in the Company. Subsequently, the entire license was contributed into Better-Gro Companies, LLC, a Florida limited liability company, in which the Company holds a 70% interest.

The carrying value of the intangible asset as of June 30, 2019 was $16,235, consisting of the $11,365 purchase price and the non-controlling interest's portion of $4,870. As of June 30, 2019, the Company classified this asset as an indefinite-lived intangible asset and evaluates the asset for impairment on an annual basis or when circumstances indicate possible impairment. No such indications of impairment existed as at June 30, 2019.

20. INCOME TAXES

The Company's statutory income tax rate is 21% effective January 1, 2018 as explained below. The Company's provision for income taxes will differ 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.

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 Federal purposes, 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. Whereas the Company's statutory rate is expected to be 21%, actual rates will differ as a result of the temporary and permanent differences, as well as the limitations placed with respect to Section 280E.

(in thousands, except for gram, share and per share amounts)
(expressed in U.S. dollars)

21. CAPITAL MANAGEMENT

The Company's objectives when managing capital are to ensure that there are adequate capital resources to ensure 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 Company plans to use existing funds, as well as funds from the future sale of products to fund operations and expansion activities.

The capital structure of the Company consists of items included in shareholders' equity. The Company manages its capital structure in consideration of changes in economic conditions and the risk characteristics of the Company's underlying assets.

Capital is comprised of the Company's shareholders' equity. As of June 30, 2019, the Company's shareholders' equity was $279,267. The Company manages its capital structure to maximize its financial flexibility and adjusts it in response to changes in economic conditions and the risk characteristics of the underlying assets and business opportunities. The Company does not presently utilize any quantitative measures to monitor its capital. The Company currently is not subject to externally imposed capital requirements. There were no changes to the Company's capital management during the year.

22. NON-CONTROLLING INTERESTS

The net change in the non-controlling interests of the Company is summarized in the table below:

	Venture Forth	Curative Health	Curative Health Cult.	Columbia Care Arizona-Tempe	Columbia Care Delaware	Columbia Care Puerto Rico	Columbia Care Maryland	Mission Bay	Columbia Care Florida	Columbia Care Eastern Virginia LLC	Total
Balance at December 30, 2017	**$ (2,402)**	**$ (473)**	**$ (531)**	**$ 395**	**$ (59)**	**$ -**	**$ -**	**$ (361)**	**$ -**	**$ -**	**$ (3,431)**
Net income (loss) attributable to NCI	(83)	(236)	(301)	105	35	(49)	(6)	-	(328)	-	(863)
Other adjustments	-	-	-		-	-	-	361	4,870	-	5,231
Balance at December 29, 2018	**$ (2,485)**	**$ (709)**	**$ (832)**	**$ 500**	**$ (24)**	**$ (49)**	**$ (6)**	**$ -**	**$ 4,542**	**$ -**	**$ 937**
Net income (loss) attributable to NCI	(56)	(102)	(175)	57	(29)	(81)	(7)	-	59	(14)	(348)
Balance at June 30, 2019	**$ (2,541)**	**$ (811)**	**$ (1,007)**	**$ 557**	**$ (53)**	**$ (130)**	**$ (13)**	**$ -**	**$ 4,601**	**$ (14)**	**$ 589**