Interim Condensed Consolidated Financial Statements of

GOLDEN LEAF HOLDINGS LTD.

For the three and nine month periods ended September 30, 2017 (Unaudited)

GOLDEN LEAF HOLDINGS LTD.

Interim Condensed Consolidated Financial Statements (Unaudited)
(Expressed in U.S. Dollars)
For the three and nine month periods ended September 30, 2017

Notice of No Auditor Review of Condensed Interim Financial Statements

In accordance with National Instrument 51-102, the Company discloses that its external auditors have not reviewed the accompanying condensed interim financial statements of Golden Leaf Holdings Ltd. as of September 30, 2017 and the notes to condensed interim financial statements.

GOLDEN LEAF HOLDINGS LTD.

Interim Condensed Consolidated Statement of Financial Position (Unaudited)
As at September 30, 2017 and December 31, 2016
(Expressed in U.S. dollars)

		September 30, 2017	December 31, 2016
ASSETS			
CURRENT			
Cash		$ 634,209	$ 3,940,463
Accounts receivable	Note 6	94,107	97,538
Current portion of financing lease receivable		33,854	44,328
Other receivables		-	369,937
Income tax receivable		155,643	575,000
Sales tax recoverable		297,143	192,112
Biological assets	Note 7	99,000	-
Inventory	Note 7	3,576,306	942,450
Prepaid expenses and deposits		287,545	402,451
Assets held for sale		-	2,156,000
Total current assets		$ 5,177,807	$ 8,720,279
Financing lease receivable		316,436	388,228
Notes receivable	Note 10	1,168,859	-
Advance purchase consideration	Note 10	357,080	-
Available for sale purchase option		4,670,000	4,670,000
Property, plant and equipment	Note 8	5,897,061	1,713,285
Intangible assets	Note 9	10,603,715	9,350,000
Goodw ill	Note 20	43,180,760	-
Total assets		$ 71,371,718	$ 24,841,792
LIABILITIES			
CURRENT			
Accounts payable and accrued liabilities		$ 5,422,668	$ 1,626,443
Interest payable		468,845	188,200
Income taxes payable		-	-
Current portion of long-term debt	Note 13	40,104	1,489,172
Current portion of convertible debentures carried at fair value	Note 11	3,464,670	10,315,555
Short-term notes payable	Note 12	1,489,273	-
Related party note payable	Note 19	1,000,000	1,500,000
Warrant liability	Note 14	2,467,230	416,414
Total current liabilities		$ 14,352,790	$ 15,535,784
Long term debt	Note 13	75,309	109,905
Convertible debentures carried at fair value	Note 11	-	12,132,000
Contingent consideration	Note 20	9,489,023	-
Total liabilities		$ 23,917,122	$ 27,777,689
SHAREHOLDERS' EQUITY			
Share capital	Note 15	$ 91,560,019	$ 34,282,314
Warrant reserve	Note 16	3,558,546	3,501,409
Share option reserve	Note 17	1,484,204	993,211
Shares to be issued		-	267,701
Contributed surplus		59,940	59,940
Accumulated other comprehensive loss		(530,000)	(530,000)
Deficit		(48,678,113)	(41,510,472)
Total shareholders' equity		47,454,596	(2,935,897)
Total liabilities and shareholders' equity		$ 71,371,718	$ 24,841,792

Going Concern (note 2)
Commitments (note 18)
Subsequent Events (notes 26)
See accompanying notes to consolidated financial statements.

Alex Winch, Director Michael Cohl, Director

GOLDEN LEAF HOLDINGS LTD.

Interim Condensed Consolidated Statement of Operations and Comprehensive Loss (Unaudited)
For the three and nine month periods ended September 30, 2017 and September 30, 2016 (as restated)
(Expressed in U.S. dollars)

		For the three months ended		For the nine months ended	
		September 30, 2017	September 30, 2016 (as restated)	September 30, 2017	September 30, 2016 (as restated)
Revenues					
Product sales		$ 3,078,891	$ 2,191,596	$ 7,427,378	$ 6,806,587
Royalties		50,000	240,000	50,000	400,000
Total Revenue		$ 3,128,891	$ 2,431,596	$ 7,477,378	$ 7,206,587
Inventory expensed to cost of sales		2,315,490	1,722,668	5,684,389	5,520,972
Production costs		181,213	192,255	520,278	723,410
Gain on changes in fair value of biological assets		(99,000)	-	(99,000)	(274,220)
Cost of sales expense		$ 2,397,703	$ 1,914,923	$ 6,105,667	$ 5,970,162
Gross profit		$ 731,188	$ 516,673	$ 1,371,711	$ 1,236,425
Expenses					
General and administration		3,313,869	1,646,909	6,970,399	5,347,643
Share based compensation	Note 17	676,018	213,930	1,052,587	629,319
Professional fees paid with equity instruments		116,588	69,499	284,079	668,615
Sales and marketing		319,665	266,417	885,877	718,360
Research and development		-	21,372	-	164,628
Depreciation and amortization	Note 8	225,922	62,584	359,225	155,197
Loss on disposal of assets		25,500	-	319,700	-
Total expenses		$ 4,677,562	$ 2,280,711	$ 9,871,867	$ 7,683,762
Loss before undernoted items		$ (3,946,374)	$ (1,764,038)	$ (8,500,156)	$ (6,447,337)
Interest expense		556,427	602,288	1,413,859	1,450,656
Transaction costs		2,365,821	-	2,365,821	753,472
Impairment of financing lease receivable		27,422	81,060	82,266	162,120
Other (income) loss		37,296	113,591	200,124	127,502
Gain on change in fair value of warrant liability	Note 14	(2,841,983)	(307,665)	(3,080,362)	(5,136,830)
Gain on change in fair value of liabilities		(1,148,020)	-	(2,733,810)	-
Loss before income taxes		$ (2,943,337)	$ (2,253,312)	$ (6,748,054)	$ (3,804,257)
Current income tax expense		219,587	-	419,587	27,357
Net Loss		$ (3,162,924)	$ (2,253,312)	$ (7,167,641)	$ (3,831,614)
Comprehensive Loss		$ (3,162,924)	$ (2,253,312)	$ (7,167,641)	$ (3,831,614)
Basic and diluted loss per share		$ (0.01)	$ (0.01)	$ (0.04)	$ (0.01)
Weighted average number of common shares outstanding		345,710,474	95,248,704	203,386,663	82,112,479

See accompanying notes consolidated financial statements.

GOLDEN LEAF HOLDINGS LTD.

Interim Condensed Consolidated Statement of Changes in Shareholders' Equity (Unaudited)
For the nine months ended September 30, 2017 and the year ended December 31, 2016 (as restated)
(Expressed in U.S. dollars)

	Share Capital	Warrant Reserve	Stock options reserve	Shares to be issued	Contributed surplus	Accumulated other comprehensive loss	Deficit	Total
Balance, January 1, 2016	$ 15,481,051	$ 2,968,655	$ 319,091	$ 123,526	$ 59,940	$ -	$ (20,657,748)	$ (1,705,485)
Issuance of common shares (note 15)	17,326,699	-	-	-	-	-	-	17,326,699
Issuance of warrants and broker units (note 16)	-	1,245,753	-	-	-	-	-	1,245,753
Exercise of warrants and options for common shares	1,279,934	(330,218)	(5,342)	-	-	-	-	944,374
Issuance of share-based compensation (note 17)	194,630	-	773,774	-	-	-		968,404
Shares cancellation and misc. contributed surplus	-	(382,781)	(94,312)	-	-	-	477,093	-
Net loss and comprehensive loss for the period	-	-	-	-	-	(530,000)	(21,329,817)	(21,859,817)
Shares to be issued	-	-	-	144,175	-	-	-	144,175
Balance at December 31, 2016	$ 34,282,314	$ 3,501,409	$ 993,211	$ 267,701	$ 59,940	$ (530,000)	$ (41,510,472)	$ (2,935,897)

	Share Capital	Warrant Reserve	Stock options reserve	Shares to be issued	Contributed surplus	Accumulated other comprehensive loss	Deficit	Total
Balance, January 1, 2017	34,282,314	3,501,409	993,211	267,701	59,940	(530,000)	(41,510,472)	$ (2,935,897)
Issuance of common shares (note 15)	56,431,800	-	-	(267,701)	-	-	-	56,164,099
Issuance of warrants and broker units (note 16)	-	199,077	-	-	-	-	-	199,077
Exercise of warrants and options for common shares	276,097	(141,940)	(20,600)	-	-	-	-	113,557
Issuance of share-based compensation (note 17)	569,808	-	511,593	-	-	-	-	1,081,401
Expiry of warrants and stock options	-	-	-	-	-	-	-	-
Net loss and comprehensive loss for the period	-	-	-	-	-	-	(7,167,641)	(7,167,641)
Shares to be issued	-	-	-	-	-	-	-	-
Balance at September 30, 2017	$ 91,560,019	$ 3,558,546	$ 1,484,204	$ -	$ 59,940	$ (530,000)	$ (48,678,113)	$ 47,454,596

See accompanying notes to consolidated financial statements.

GOLDEN LEAF HOLDINGS LTD.

Interim Consolidated Statement of Cash Flows (Unaudited)
For the nine month periods ending September 30, 2017 and September 30, 2016 (as restated)
(Expressed in U.S. dollars)

		2017	2016 (as restated)
Cash provide by (used in):			
Operating activities:			
Net Loss		(7,167,641)	(3,826,183)
Depreciation of property, plant and equipment	Note 8	211,957	194,307
Amortization of intangible assets		-	31,668.00
Loss on disposal of assets		319,700	-
Interest expense		1,413,859	1,313,434
Income taxes paid		-	(956,000)
Income tax expense		419,357	658,422
Bad debt expense		0	252,318
Share based compensation	Note 17	676,018	629,319
Professional fees paid w ith equity instruments		116,588	668,615.00
(Gain)/loss on fair value adjustment to w arrants liability	Note 14	(3,080,362)	(4,761,220)
(Gain/loss on fair value adjustment to debt liability		(1,148,020)	-
Transaction cost		2,365,821	-
Gain on fair value of biological assets	Note 7	(99,000)	274,220
Impairment of finance lease receivable		82,266	-
Other non-cash transactions		(82,333)	746,827
Changes in w orking capital items			
Accounts receivable	Note 6	3,431	(642,652)
Other receivabales		369,937	0
Sales tax recoverable		(105,031)	(82,688)
Accounts payable and accrued liabilities		2,394,124	20,881
Biological assets	Note 7	-	63,050
Inventory	Note 7	(1,698,365)	554,477
Prepaid expenses and deposits		-	130,185
Cash used in operating activities		(5,007,694)	(4,731,020)
INVESTING ACTITIVES			
Deposits on property, plant and equipment	Note 8	(357,080)	-
Purchase of property, plant and equipment	Note 8	(1,548,929)	(176,155)
Proceeds from disposal of property plant and equipment	Note 8	706,932	-
Investment in MMGC	Note 10	(1,168,859)	-
Payment of deposits and retainers		-	-
Purchases of intangible assets		0	(1,590,000)
Net cash outflow on acquisition of subsidiaries	Note 20	(21,750,000)	-
Cash used in investment activities		(24,117,936)	(1,766,155)
FINANCING ACTIVITIES			
Issuance of common shares	Note 15	26,956,972	378,497
Issuance of convertible notes payable		-	6,440,502
Repayment of convertible notes		(603,000)	-
Repayment of long-term debt		(34,596)	-
Proceeds from related party loan	Note 19	-	290,000
Repayment of related party loan	Note 19	(500,000)	(90,000)
Cash provided by financing activities		25,819,376	7,018,999
Increase/(Decrease) in cash during the period		(3,306,254)	521,824
Cash, beginning of period		3,940,463	263,695
Cash, end of period		**634,209**	**785,519**
Interest paid during the period		185,813	275,558
Taxes paid during the period		-	-

See accompanying notes to these consolidated financial statements

1. Incorporation and operations

Golden Leaf Holdings Ltd. ("Golden Leaf" or the "Company") is a publicly traded corporation, incorporated in Canada, operating primarily in the Oregon market. The Company's shares are listed on the CSE, under the trading symbol "GLH."

The Company is in the business of producing and distributing cannabis oil and flower products within Oregon's adult-use regulated market, primarily through its main operating subsidiaries, Greenpoint Oregon, Inc., Left Coast Connection, Inc. and CFA Retail, LLC.

On June 2, 2017 the Company completed the previously announced purchase of the assets of NevWa, LLC. The assets of this operation now exist as Greenpoint Nevada, Inc. a wholly owned subsidiary of Greenpoint Holdings Delaware, Inc.

On July 12, 2017, the Company completed the previously announced acquisition of Chalice Farms, comprised of the membership interest purchase of CFA Retail, LLC and the purchase of the assets of CFA Productions, LLC.

2. Going concern

Golden Leaf has been incurring operating losses and cash flow deficits since its inception, as it attempts to create an infrastructure to capitalize on the opportunity for value creation that is emerging from the gradual relaxing of prohibitions in the United States on the cannabis industry. The Company's revenues have not yet been able to rise to levels materially capable of covering the costs related to the infrastructure investment (both capital and operating). As such, the Company has been depleting its invested capital as it simultaneously navigates regulatory evolution and uncertainty, awaits the imminent changes in other jurisdictions that will fuel market expansion, and continues to make necessary investments.

As of September 30, 2017 the Company's cash balances were $634,209 however on November 2, 2017 the Company received net proceeds of $10,774,921 from the previously announced secured debenture financing.

Although the Company has been successful in raising funds to date, there can be no assurance that adequate or sufficient funding will be available in the future or available under terms acceptable to us or that the Company will be able to generate sufficient cash flow from operations.

These circumstances indicate the existence of material uncertainty that casts substantial doubt as to our ability to meet our business plan and our obligations as they come due, and accordingly the appropriateness of the use of the accounting principles applicable to a going concern. The accompanying consolidated financial statements have been prepared on a going concern basis that assumes we will be able to continue to realize our assets and discharge our liabilities in the normal course of business, and do not reflect the adjustments to assets and liabilities that would be necessary if we were unable to obtain adequate financing. Such adjustments could be material. If we are unable to raise funds and execute our business plan, we may not be able to continue as a going concern.

3. Statement of compliance

These interim condensed consolidated financial statements for the nine months ended September 30, 2017 have been prepared in accordance with IAS 34, 'Interim Financial Reporting' and in accordance with the accounting policies adopted in the Company's most recent annual financial statements for the year ended December 31, 2016. The interim condensed consolidated financial statements should be read in conjunction with the December 31, 2016 financial statements, which have been prepared in accordance with International Financial Reporting Standards ("IFRS").

4. Basis of presentation

Except where specified, the consolidated financial statements have been prepared in U.S. dollars, which is the Company's presentation currency, on a historical cost basis. The accounting policies set out below have been applied to all accounting periods.

5. Significant accounting policies

The accounting policies applied in these interim condensed consolidated financial statements are the same as those applied in the Company's Consolidated Financial Statements for the year ended December 31, 2016.

6. Accounts receivable

	September 30, 2017	December 31, 2016
Accounts Receivable	$ 136,104	$ 468,563
Allowance for doubtful accounts	(41,997)	(371,025)
	$ 94,107	$ 97,538

(Expressed in U.S. dollars, unless otherwise stated)

7. Biological assets and inventory

The Company's biological assets consist of cannabis plants that are cultivated at the Company's own grow facilities. The Company measures its biological assets at fair value less costs to sell up to the point of harvest, which becomes the basis for the cost of finished goods inventories after harvest. Any production costs incurred during the growth cycle of the plants is expensed as incurred.

Inventory consists of harvested cannabis flower and concentrated products such as oils and edibles.

Any costs incurred to bring inventory to the condition and location of sale are included in cost. The following provides a summary of the various costs incurred in key stages of production:

	Biological assets	Inventory
Raw materials	-	$ 245,557
Work-in-process	-	240,822
Finished goods	-	456,071
Balance, December 31, 2016	$ -	$ 942,450
Raw materials	-	$ 811,451
Work-in-process	$ 99,000	713,417
Finished goods	-	2,051,438
Balance, September 30, 2017	$ 99,000	$ 3,576,306

8. Property, plant and equipment

	Production equipment	Leasehold improvements	Computer Equipment	Furniture and Fixtures	Vehicles	Total
Cost						
Balance, Dec 31, 2016	$ 1,698,854	$ 454,900	$ 140,352	$ 140,389	$ 188,546	$ 2,623,041
Additions	629,375	645,574	19,437	(29,917)	-	1,264,469
Dispositions	-	(294,357)	-	-	-	(294,357)
Chalice acquisition	620,195	3,319,971	54,421	811,271	33,566	4,839,424
Balance, Sept 30, 2017	$ 2,948,424	$ 4,126,088	$ 214,210	$ 921,743	$ 222,112	$ 8,432,577
Accumulated Amortization						
Balance, Dec 31, 2016	$ (631,466)	$ (104,493)	$ (76,528)	$ (39,032)	$ (58,237)	$ (909,756)
Expense	(357,114)	(169,505)	(39,632)	(19,587)	(28,282)	(614,120)
Dispositions	-	12,535	-	-	-	12,535
Chalice acquisition	(164,020)	(517,537)	(16,704)	(315,757)	(10,157)	(1,024,175)
Balance, Sept 30, 2017	$ (1,152,600)	$ (779,000)	$ (132,864)	$ (374,376)	$ (96,676)	$ (2,535,516)
Carrying amount						
Balance, Dec 31, 2016	$ 1,067,388	$ 350,407	$ 63,824	$ 101,357	$ 130,309	$ 1,713,285
Balance, Sept 30, 2017	$ 1,795,824	$ 3,347,088	$ 81,346	$ 547,367	$ 125,436	$ 5,897,061

Total depreciation expense for the nine months ended September 30, 2017 and 2016, was $331,960 and $501,629, respectively. Of the total expense, $106,038 and $346,431 was allocated to inventory during the nine months ended September 30, 2017 and 2016, respectively.

The Company recorded a loss on disposal of $294,357 related to the abandonment of improvements made to its Eugene facility after the decision was made to consolidate operations in Portland.

(Expressed in U.S. dollars, unless otherwise stated)

9. Intangible Assets

	Brands	Nevada licenses	Total
Cost			
Balance, December 31, 2016	$ 9,350,000	-	$ 9,350,000
Additions	-	$ 1,393,900	1,393,900
Disposals/adjustments	-	(140,185)	(140,185)
Balance at September 30, 2017	$ 9,350,000	$ 1,253,715	$ 10,603,715
Accumulated Amortization			
Balance, December 31, 2016	-	-	-
Expense	-	-	-
Dispositions	-	-	-
Balance at September 30, 2017	$ -	$ -	$ -
Net book value, September 30, 2017	$ 9,350,000	$ 1,253,715	$ 10,603,715

The Company completed its acquisition of assets of NevWa, LLC during the second quarter of 2017, of which $1,393,900 was added as the value of the acquired cannabis license.

10. MMGC Promissory Note

In conjunction with the closing of the private placement of subscription receipts on July 12, 2017, the Company placed a note receivable in the amount of C$2,062,080 with Medical Marijuana Group Corporation (“MMGC”). The note carries interest of 1% and is due six months following the earlier of (i) June 30, 2018, or (ii) the date of non-closure of the MMGC acquisition, which was contingent upon MMGC’s receipt of its cultivation license.

This promissory note has been deemed off market and therefore has been assessed for fair value and recorded as such, with the remainder being recorded to a deferred purchase asset. Subsequent to the balance sheet date, this note was rolled into the purchase price of MMGC when the transaction was completed.

11. Convertible debt and notes payable

	September 30, 2017	December 31, 2016
Current portion of convertible debentures carried at fair value	$ 3,464,670	$ 10,315,555
Convertible debentures carried at fair value	-	12,132,000
Related party note payable	1,000,000	1,500,000
Carrying amount of convertible notes at end of period	$ 4,464,670	$ 23,947,555

The Company has elected to account for the convertible debentures at fair value through profit and loss on initial recognition and as of the date of extinguishment for those convertible debentures noted.

For the year ended December 31, 2016, $1.92 million debentures were converted. For the period ended September 30, 2017, $5.44 million debentures have been converted.

On or around September 5, 2017, the convertible debentures placed during the spring and summer of 2016 which were due in September 2017 (“September Debentures”) totaling C$4,526,000 were repriced to C$0.21 and converted immediately into 15,747,542 common shares. C$256,000 debentures chose not to convert and were settled in cash.

(Expressed in U.S. dollars, unless otherwise stated)

12. Bridge Loan

On September 5, 2017 the Company secured a C$2M bridge loan in the form of demand promissory notes ("Notes").

In conjunction with the issuance of the Notes the Company issued 1,904,000 warrants. Each warrant has an expiry of two years from the date of issuance and have an exercise price of $0.21 per common share.

The warrants were valued at $110,206. Per IAS 39, the warrants issued meet the definition of a liability and must be measured at fair value at each reporting date.

Subsequent to the balance sheet date on November 2, 2017, these Notes were rolled into the secured convertible debentures which have been previously announced.

13. Long-term debt

		September 30, 2017		December 31, 2016
Long term debt	$	115,413	$	1,599,077
Less: current portion		(40,104)		(1,489,172)
Carrying amount of long-term debt	$	75,309	$	109,905

Long term debt consists of vehicle loans and a note payable secured by the real property listed in assets held for sale. Vehicle loans of $155,517 are secured by the Company's vehicles, due in June 2021 and repayable in monthly blended installments of $3,184.

14. Warrants liability

		Amount
Balance, December 31, 2016	$	416,414
Warrants issued		5,131,180
Change in fair market value		(3,080,364)
Balance, September 30, 2017	$	2,467,230

During 2014, the Company issued 13,722,250 warrants in conjunction with private placements. The warrants have an expiry period of 3 years from date of issuance and an exercise price of C$0.50 Canadian dollars per common share. 1,545,000 have been exercised to date. These will expire November of 2017.

During the three months ended September 30, 2017 in conjunction with the close of its private placement the Company issued 67,410,714 warrants with an exercise price of C$0.37 and an expiry period of 2 years from the date of issuance.

On September 2, 2017, the Company issued 1,904,000 warrants in conjunction with the placement of its Bridge Loan. These warrants have an expiry period of 2 years with an exercise price of C$0.21.

The Company issued 300,000 warrants in conjunction with the conversion of debentures connected to the sale of its Aurora property.

(Expressed in U.S. dollars, unless otherwise stated)

14. Warrants liability (continued)

The warrants were valued at $2,467,230 at September 30, 2017 and $416,414 at December 31, 2016. Per IAS 39, the warrants issued under these placements meet the definition of a derivative and must be measured at fair value at each reporting date. For the nine months ended September 30, 2017, a gain of $2,985,631 was recorded in the statement of operations due to significant changes in the market price of the common shares. For the nine months ended September 30, 2016, a gain of $5,136,830 was recorded in the statement of operations due to significant changes in the private placement round undertaken in the period. The Black-Scholes option pricing model was used at the date of measurement with the following assumptions:

	September 30, 2017	**September 30, 2016**
Expected life	0.2 to 2 years	1.2 to 1.4 years
Risk-free interest rate	0.62%	0.62%
Dividend yield	0%	0%
Foreign exchange rate	0.7702	0.7212
Expected volatility	70%	70%

Volatility was calculated by using the historical volatility of other companies that the Company considers comparable that have trading and volatility history prior to the Company becoming public. The expected life in years represents the period of time that the options granted are expected to be outstanding. The risk free rate is based on zero coupon Canada government bonds with a remaining term equal to the expected life of the options.

(Expressed in U.S. dollars, unless otherwise stated)

15. Share capital

Share capital consists of one class of fully paid Ordinary Shares, with no par value. The Company is authorized to issue an unlimited number of Ordinary Shares. All shares are equally eligible to receive dividends and repayment of capital and represent one vote and the Company's shareholders' meetings.

The following table reflects the continuity of share capital from December 31, 2016 to September 30, 2017:

	Number of Shares	Amount
Balance, December 31, 2016	109,349,415	$ 34,282,314
Shares issued - conversion of debentures (i)	33,629,808	10,530,106
Shares issued - debenture interest (ii)	2,316,790	428,002
Shares issued - services rendered (iii)	783,906	218,919
Shares issued - w arrant exercises (iv)	1,253,000	212,928
Shares issued - option exercises (v)	257,500	59,117
Shares issued - legal settlement (vi)	745,104	164,600
Shares issued - private placement (vii)	8,928,571	545,321
Shares issued - private placement (vii)	125,892,857	21,521,098
Shares issued - severance (viii)	2,000,000	569,808
Shares issued - conversion of debentures (ix)	26,052,752	5,537,925
Shares issued - debenture interest (x)	551,386	201,478
Shares issued - acquisition of Chalice Farms (xi)	83,418,687	17,284,352
Shares issued - exercise of stock options	18,055	4,052
Balance, September 30, 2017	395,197,831	$ 91,560,019

(i) During the first two quarters of 2017, 33,629,808 shares were issued in respect of conversion of convertible debentures.

(ii) During the first two quarters in 2017, 2,316,790 shares were issued to settle debenture interest.

(iii) During the first and second quarters of 2017, the Company issued 783,906 shares in lieu of amounts owed to organizations for services rendered. The shares reflected a value of $218,919.

(iv) The Company issued 1,253,000 shares upon exercise of warrants.

(v) The Company issued 257,500 shares upon exercise of employee stock options.

(vi) The Company issued 745,104 shares to settle a legal dispute.

(vii) The Company issued 8,928,571 shares as part of a private placement.

(viii) The Company issued 2,000,000 shares to a former employee as severance

(ix) The Company issued 26,052,752 shares in consideration for the conversion of debentures

(x) The Company issued 551,386 shares as payment in kind for interest

(xi) The Company issued 83,418,687 to the vendors of Chalice farms as partial consideration

(Expressed in U.S. dollars, unless otherwise stated)

16. Warrant reserve

	Number of warrants issued	Exercise price	Amount
Balance, December 31, 2016	17,341,904		$3,501,409
Warrants issued - consulting (i)	504,318	USD $0.30	80,435
Warrants issued - interest (ii)	20,000	CDN $0.42	2,054
Warrants exercised (iii)	(853,000)	CDN $0.02	(141,940)
Warrants issued - consulting (iv)	650,000	CDN $0.28	116,589
Balance, September 30, 2017	17,013,222		$3,558,546

(i) The Company issued 504,318 warrants to advisors for services at $0.30.
(ii) The Company issued 20,000 warrants to a Director in lieu of interest at C$0.42.
(iii) During the first and second quarters of 2017, 853,000 warrants were exercised at C$0.02.
(iv) The Company issued 650,000 warrants to advisors for services at $0.28.

The warrants were valued based on the fair value of services received unless the fair value of services received cannot be reliably measured, in which case the warrants are valued at fair value based on the Black-Scholes option pricing model at the date of measurement with the following assumptions:

	September 30, 2017	**December 31, 2016**
Expected life	3-5 years	3-5 years
Risk-free interest rate	0.57% - 1.44%	0.57% - 1.44%
Dividend yield	0%	0%
Expected volatility	70%	70%

Volatility was calculated by using the historical volatility of other companies that the Company considers comparable that have trading and volatility history prior to the Company becoming public. The expected life in years represents the period of time that the options granted are expected to be outstanding. The risk free rate is based on zero coupon Canada government bonds with a remaining term equal to the expected life of the options.

17. Stock option plan

On January 1, 2015, the Company's Board of Directors approved a Directors, Management, Employees and Consultants Stock Option Plan to provide an incentive to its directors, executives and employees.

In accordance with terms of the employee share option plan, the exercise price of the granted options shall be determined at the time the option is granted provided that such price shall be not less than the market price of the Ordinary Shares. The total number of shares to be issued under the plan is not to exceed 10% of the total issued and outstanding shares. The options vest evenly over 3 years and have an expiry period of no more than 10 years from the grant date.

Total number of options at December 31, 2016		7,432,778
Options exercised in Q1 2017		(257,500)
Options expired in Q2 2017		(150,000)
Options exercised in Q3 2017		(18,055)
Options expired in Q3 2017		(106,945)
Total number of options at September 30, 2017		6,900,278
Number of exercisable options issued in Canadian dollars		2,270,417
Number of exercisable options issued in U.S. dollars		1,770,833
Weighted average exercise price of options at September 30, 2017 in USD	$	0.69

The options were valued based on the Black-Scholes option pricing model at the date of measurement with the following assumptions:

	September 30, 2017	**December 31, 2016**
Expected life	3 years	3 years
Risk-free interest rate	0.57% to 1.06%	0.57% to 1.06%
Dividend yield	0%	0%
Expected volatility	70%	70%

During the nine months ended September 30, 2017 and 2016, $1,052,587 and $629,319, was included in stock compensation expense in the consolidated statement of operations, respectively.

18. Commitments

The Company and its subsidiaries have entered into operating lease agreements for the Company's dispensary and wholesale distribution center. Future payments for all leases amount to $5,702,189:

2017	$	311,165
2018		1,226,701
2019		1,179,512
2020		877,162
2021		708,400
Thereafter		1,399,249
	$	5,702,189

(Expressed in U.S. dollars, unless otherwise stated)

19. Related party transactions

Key management of the Company are its Board of Directors and certain members of executive management. Key management personnel remuneration for the nine months ended September 30, 2017 includes the following expenses:

	2017	2016
Salaries, commissions, bonuses and benefits	$ 586,707	$ 191,250
Consulting fees paid to officers of the Company	-	53,750
Stock Compensation, including w arrants and shares, for officers and directors	660,896	71,103
	$ 1,247,603	$ 316,103

The Company is engaged in a licensing and leasing arrangement with BMF Washington, LLC (“BMF”) in connection with the assets purchased in January 2016. BMF is 100% owned by Peter Saladino, Director.

Don Robinson, CEO (former) provided a personal guarantee of the $1.5 million promissory note between GLH and Peter Saladino – Director. During January 2017, a payment of $500,000 was paid on the note. At the balance sheet date, the Company has accrued interest of $287,152 on this note. In addition, Peter Saladino advanced $100,000 towards the purchase of NevWa, LLC, an obligation which is recorded in accounts payable and accrued liabilities. Subsequent to the balance sheet date, the Company entered into an agreement with BMF Washington, LLC. The agreement calls for an offset of royalties and equipment leasing fees in the amount of $1.31M due from BMF Washington LLC against a note payable due from GLH to BMF Washington. The Company also settled $743k of amounts due to BMF and Peter Saladino in connection with support of previously closed acquisitions and financings which are recorded in accounts payable and accrued liabilities at the balance sheet date.

The Company leases three facilities which are owned by Officers and Directors. The Company leases its headquarters and Airport Way dispensary facility in Portland from Gary Zipfel, Director, for $16,000 per month. The Company also leases its greenhouse space which is currently under construction from Gary Zipfel, Director, for $13,416 per month. During the period, the Company shut down its grow facility which had previously been sub-leased for $5,500 per month from its CEO, William Simpson.

During the quarter, Directors Peter Saladino, Michael Cohl, and former CEO and Director, Don Robinson, converted debentures into shares.

During the quarter, Directors Gary Yeoman and Gary Zipfel participated in the bridge financing referenced in note 12 purchasing C$50,000 and C$750,000 worth of debentures, respectively. Subsequent to the balance sheet date these notes were rolled into the debentures which closed on November 2, 2017.

Gary Yeoman, Director, is a vendor of MMGC, the entity which is counterparty to the note receivable and future acquisition by the Company. This acquisition was closed on October 27, 2017 as referenced in Note 25.

To facilitate the closure of the convertible debentures which closed on November 2, 2017, the vendors of Chalice Farms, Director Gary Zipfel, CEO William Simpson, and COO Michael Genovese, agreed to extend the payment date of the earn out attached the Chalice acquisition for two years from the date of closure of these debentures.

(Expressed in U.S. dollars, unless otherwise stated)

20. Acquisition of Chalice Farms

On July 12, 2017 the Company acquired the operations of Chalice Farms, comprised of the assets of CFA Productions, LLC and 100% of the membership interest of CFA Retail, LLC (Collectively, “Chalice Farms”) for total consideration of $36,534,352, paid as $19,250,000 cash and 17,284,352 in stock of the Company. This acquisition is being accounted for using the acquisition method, in accordance with IFRS 3 – Business combinations, with the assets and liabilities acquired recorded at their fair values at the acquisition date.

The Company is required to allocate the purchase price to tangible and identifiable intangible assets acquired and liabilities assumed based on their fair values. The excess of the purchase price over those fair values of the net assets acquired is recorded as goodwill. The purchase price and the preliminary allocation of the purchase price is as follows:

Cash	$	-
Inventory		1,317,443
Deposits		200,770
Property, plant and equipment		3,166,504
Intangible assets		-
Goodwill		42,281,580
Accounts payable and accrued liabilities		(942,922)
Net assets acquired	$	46,023,375
Consideration paid in cash	$	19,250,000
Consideration paid in shares		17,284,352
Contingent consideration		9,489,023
Total consideration	$	46,023,375

If this acquisition had been in effect at January 1, 2017, revenues would have been 3.3M higher and net income materially unchanged. The purchase price allocation relating to this acquisition is not yet finalized and the allocation of the price to the various assets acquired is subject to change.

Goodwill arose on the acquisition of Chalice Farms because the consideration paid for the combination effectively included amounts in relation to the benefit of expected synergies, revenue growth and future market development in the Oregon adult-use cannabis market, which is still nascent and growing. These benefits are not recognized separately from goodwill because they do not meet the recognition criteria for identifiable intangible assets.

In addition to cash and share consideration, these agreements contain an earn out provision which entitles the vendors to 1.25x the 2017 Revenues of Chalice Farms and Chalice branded products, as determined by the company’s 2017 audited financial statements. This payment is due on the earlier of November 2, 2019, or a liquidity event of $25M or greater.

21. Sale of Aurora property and repayment of secured convertible debentures

On September 25, 2017, the Company sold its interest in the Aurora Property. In 2015, the Company had issued secured convertible debentures (“Debentures”) in connection with the purchase of the Aurora Property.

The Company repaid the Debentures pursuant to the terms of a repayment agreement dated September 25, 2017. The repayment was in the form of a cash amount of $488k and 9,104,955 shares valued at $1,321,851 on the date of repayment (“Repayment”). There was no gain or loss recognized upon repayment of Debentures as they were measured at fair value on the date of derecognition.

Pursuant to the terms of the repayment agreement the Company is required to make further payments to the Debenture holders if within 12 months of the repayment date the shares received as part of the Repayment are sold for gross proceeds less than the amount that would have been received if the Repayment had been in cash. Per IAS 39, this feature meets the definition of a derivative and must be measured at fair value at the reporting date.

In conjunction with the repayment the Company issued 100,000 warrants. Each warrant has an expiry of two years from the date of issuance and have an exercise price of $0.28 per common share.

In conjunction with the repayment the Company issued a further 200,000 warrants. Each warrant has an expiry of two years from the date of issuance and have an exercise price of $0.21 per common share.

Per IAS 39, the warrants issued meet the definition of a liability and must be measured at fair value at each reporting date.

22. Capital management

The Company defines capital that it manages as its shareholders’ equity, long-term debt and warrant liability. The Company’s objectives when managing capital are to safeguard the Company’s ability to continue as a going concern in order to pursue the development of its business and to maintain a flexible capital structure which optimizes the costs of capital at an acceptable risk. As of September 30, 2017, total managed capital was $55,875,769. Total managed capital at December 31, 2016 was $9,306,008.

The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Company may issue shares, acquire debt, or acquire or dispose of assets.

23. Financial instruments and risk management

The Company, as part of its operations, carries a number of financial instruments. It is management's opinion that the Company is not exposed to significant interest, currency, credit, liquidity or other price risks arising from these financial instruments except as otherwise disclosed.

(a) Fair value

The carrying amounts of cash, accounts receivable, accounts payable, and accrued liabilities approximate their fair values because of the short-term maturities of these financial instruments.

(Expressed in U.S. dollars, unless otherwise stated)

23. Financial instruments and risk management (continued)

The carrying value of long-term debt approximates fair value upon initial recognition. At September 30, 2017, its carrying value approximates fair value based on current market rates for similar instruments.

The following classifies financial assets and liabilities that are recognized on the balance sheet at fair value in a hierarchy that is based on significance of the inputs used in making the measurements. The levels in the hierarchy are as follows:

Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2 – Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly

Level 3 – Inputs for the asset or liability that are not based on observable market data

September 30, 2017	Category	Level 1 $	Level 2 $	Level 3 $	Total $
Financial Assets					
Available for sale purchase option	FVTPL	-	-	$ 4,670,000	$ 4,670,000
Financial Liabilities					
Warrant liability	FVTPL	-	-	2,467,230	2,467,230
Convertible debentures	FVTPL	-	-	3,464,670	3,464,670

The Company's finance team performs valuations of financial items for financial reporting, including Level 3 fair values, in consultation with third party valuation specialists for complex valuations. Valuation techniques are selected based on the characteristics of each instrument, with the overall objective of maximizing the use of market-based information.

The Company's risk exposures and the impact on the Company's financial instruments are summarized below:

(b) Credit risk

The carrying amounts of cash and accounts receivable on the interim consolidated state of financial position represent the Company's maximum credit exposure at September 30, 2017.

The Company's principal financial assets are cash held at a highly rated financial institution.

The Company does not have significant exposure to any individual customer and has estimated bad debts of $41,997 and $501,109 at September 30, 2017 and, 2016, respectively.

(c) 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. The Company is not subject to any interest rate volatility as its long-term debt instruments are carried at a fixed interest rate throughout their term.

(d) Liquidity risk

The Company's objective is to have sufficient liquidity to meet its liabilities when due. The Company monitors its cash balances and cash flows generated from operations to meet its requirements. To ensure the Company has sufficient liquidity to meet its obligations, the Company intends to issue common shares and debt in the future.

(Expressed in U.S. dollars, unless otherwise stated)

24. Segmented Information

The Company defines its major operating segments as Oregon wholesale and Oregon retail. Due to the jurisdictional cannabis compliance issues ever-present in the industry, each state operation is by nature an operational segment. The Oregon wholesale and retail operations share supply chain components and cannot be discretely separated beyond gross margin, however, they have disparate revenue and margin metrics and thus will be presented as such. The Nevada wholesale operations are geographically and jurisdictionally distinct and will be reported separately in the future however due to the materiality of Nevada operations to date they will be included in other for these purposes.

Key decision makers primarily review revenue, cost of sales expense and gross margin as the primary indicators of segment performance. The Oregon wholesale operation has historically been the major focus on the Company's management activities, however the addition of Retail and Nevada has further broadened the scope of management's activities. As these management activities continue to coalesce, the segment information will expand based on management's agreed upon allocation of costs beyond gross margin.

	Retail	Wholesale	Other	Consolidated
Total Revenue	1,948,058	1,040,154	140,679	3,128,891
Cost of sales expense	1,128,820	1,265,666	3,218	2,397,703
Gross Margin	819,238	(225,512)	137,461	731,188

25. Proposed transactions

The Company has proposed transactions as disclosed below, which have been approved by the Board of Directors. All other transactions are fully disclosed in the audited financial statements for the twelve months ended December 31, 2016.

On March 16, 2017, the Company announced the signing of a binding letter of intent to acquire the assets and business of JuJu Joints. Pursuant to the Transaction, JJ 206, LLC ("JuJu Co") will receive cash consideration of $2.25 million and, subject to adjustment in certain circumstances, an aggregate of $2.25 million of common shares of GLH on the closing date of the Transaction. Subsequent to the balance sheet date, the Company has decided not to complete this acquisition.

26. Subsequent events

On November 2, 2017 the Company closed its previously announced private placement of secured convertible debenture units ("November Debentures"). This transaction resulted in C$20.7M of additional debentures including C$15M of gross cash proceeds, C$2M from issuing debentures to settle the Bridge Loan, $C.4M of debentures issued to pay commissions, C$1.6M of debentures issued to settle outstanding commissions related to previous acquisitions, and C$1.8M of debentures issued to settle and extend a portion of the debentures due in April 2018.

Subsequent to the balance sheet date, in connection with the closure of the November Debentures, the Company waived the cultivation license contingency and closed the MMGC Acquisition for C$10M by issuing 35,714,285 common shares to the vendors of MMGC. In addition the Company retains a contingent acquisition right for MMCC consideration of up to $5M of common shares of GLH in the event that certain gross sales targets of GLH branded products are met within 18 months commencing on the later of providing funds to MMGC as described below or the execution and delivery of a license agreement with respect to the creation and use of GLH Branded Products and trademarks by MMGC. On October 27, 2017, MMGC received its cultivation license.