Interim Condensed Consolidated Financial Statements of

GOLDEN LEAF HOLDINGS LTD.

For the three months ended March 31, 2018 (Unaudited)

GOLDEN LEAF HOLDINGS LTD.

Notes to the Interim Condensed Consolidated Financial Statements
(Expressed in U.S. dollars, unless otherwise stated)
For the three months ended March 31, 2018

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 March 31, 2018 and the notes to condensed interim financial statements.

GOLDEN LEAF HOLDINGS LTD.

Interim Condensed Consolidated Statement of Financial Position (Unaudited)
As at March 31, 2018 and December 31, 2017
(Expressed in U.S. dollars)

		March 31, 2018	December 31, 2017
ASSETS			
CURRENT			
Cash		$ 22,139,316	$ 6,009,447
Accounts receivable	Note 6	438,384	377,746
Income tax recoverable		432,000	432,000
Sales tax recoverable		507,325	442,832
Biological assets	Note 7	263,990	90,627
Inventory	Note 7	3,877,717	3,623,255
Prepaid expenses and deposits		445,980	348,176
Assets held for sale		305,274	305,274
Total current assets		$ 28,409,986	$ 11,629,357
Property, plant and equipment	Note 8	6,027,037	5,956,910
Intangible assets	Note 9	26,151,471	26,227,116
Goodwill		31,971,398	31,971,398
Total assets		$ 92,559,892	$ 75,784,781
LIABILITIES			
CURRENT			
Accounts payable and accrued liabilities		$ 2,880,507	$ 2,867,735
Interest payable		360,804	48,524
Current portion of long-term debt	Note 11	49,457	131,610
Current portion of convertible debentures carried at fair value	Note 10	228,346	271,245
Note payable	Note 10	382,667	389,916
Derivative liability		78,148	61,044
Total current liabilities		$ 3,979,929	$ 3,770,074
Long term debt	Note 11	72,417	80,381
Convertible debentures carried at fair value	Note 10	16,876,331	30,360,225
Consideration payable		9,527,350	9,527,350
Warrant liability	Note 12	8,821,778	14,300,616
Total liabilities		$ 39,277,805	$ 58,038,646
SHAREHOLDERS' EQUITY			
Share capital	Note 13	$ 135,905,669	$ 108,552,681
Warrant reserve	Note 14	4,078,120	5,083,561
Share option reserve	Note 15	2,163,335	1,087,640
Contributed surplus		59,940	59,940
Accumulated other comprehensive loss		(9,289)	9,828
Deficit		(88,915,688)	(97,047,515)
Total shareholders' equity		$ 53,282,087	$ 17,746,135
Total liabilities and shareholders' equity		$ 92,559,892	$ 75,784,781

Going Concern (Note 2)
Commitments (Note 16)
Segmented Information (Note 22)
Subsequent events (Note 24)
See accompanying notes to consolidated financial statements.

/s/ Alex Winch, Director
/s/ Michael Cohl, Director

GOLDEN LEAF HOLDINGS LTD.

Interim Condensed Consolidated Statement of Operations and Comprehensive Gain (Loss) (Unaudited)
For the three months ended March 31, 2018 and 2017
(Expressed in U.S. dollars)

		For the three months ended March 31,	
		2018	2017
Revenues			
Product sales		$ 3,200,267	$ 2,259,094
Total Revenue		$ 3,200,267	$ 2,259,094
Inventory expensed to cost of sales		2,843,843	1,838,687
Production costs		297,474	182,008
Gain on changes in fair value of biological assets	Note 7	(293,897)	-
Cost of sales expense		$ 2,847,420	$ 2,020,695
Gross profit		$ 352,847	$ 238,399
Expenses			
General and administration		2,795,794	1,598,273
Share based compensation	Note 15	1,075,452	161,348
Professional fees paid with equity instruments		-	54,420
Sales and marketing		383,301	278,923
Depreciation and amortization	Note 8, 9	345,279	62,175
Total expenses		$ 4,599,826	$ 2,155,139
Loss before undernoted items		$ (4,246,979)	$ (1,916,740)
Interest expense		649,258	545,021
Transaction costs		471,900	-
Impairment of financing lease receivable		-	27,422
Other loss		(159,126)	925
Gain on change in fair value of warrant liability	Note 12	(6,212,222)	(155,685)
Gain on change in fair value of liabilities	Note 10	(7,128,616)	(44,693)
Net Gain (Loss)		$ 8,131,827	$ (2,289,730)
Other comprehensive loss			
Cumulative translation adjustment		19,117	-
Comprehensive Gain (Loss)		$ 8,112,710	$ (2,289,730)
Basic and diluted gain (loss) per share		$ 0.02	$ (0.02)
Weighted average number of common shares outstanding		534,900,058	118,346,097

See accompanying notes consolidated financial statements.

GOLDEN LEAF HOLDINGS LTD.

Interim Condensed Consolidated Statement of Changes in Shareholders' Equity (Unaudited)
For the three months ended March 31, 2018 and the year ended December 31, 2017
(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, 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 13)	72,901,778	-	-	(267,701)	-	-	-	72,634,077
Issuance of w arrants and broker units (note 12, 14)	-	2,109,487	-	-	-	-	-	2,109,487
Exercise of w arrants and options for common shares	798,781	(302,539)	(264,930)	-	-	-	-	231,312
Issuance of share-based compensation (note 15)	569,808	-	669,862	-	-	-	-	1,239,670
Expiry of w arrants and stock options	-	(224,796)	(310,503)	-	-	-	535,299	-
Net loss and comprehensive loss for the year	-	-	-	-	-	539,828	(56,072,342)	(55,532,514)
Balance at December 31, 2017	$ 108,552,681	$ 5,083,561	$ 1,087,640	$ -	$ 59,940	$ 9,828	$ (97,047,515)	$ 17,746,135

	Share Capital	Warrant Reserve	Stock options reserve	Shares to be issued	Contributed surplus	Accumulated other comprehensive loss	Deficit	Total
Balance, January 1, 2018	$ 108,552,681	$ 5,083,561	$ 1,087,640	$ -	$ 59,940	$ 9,828	$ (97,047,515)	$ 17,746,135
Issuance of common shares (note 13)	14,766,632	-	-	-	-	-	-	14,766,632
Issuance of w arrants and broker units (note 14)	-	426,367	-	-	-	-	-	426,367
Exercise of w arrants and options for common shares (notes 14, 15)	12,586,356	(1,431,808)	-	-	-	-	-	11,154,548
Issuance of share-based compensation (note 15)	-	-	1,075,695	-	-	-	-	1,075,695
Net loss and comprehensive loss for the period	-	-	-	-	-	(19,117)	8,131,827	8,112,710
Balance at March, 31, 2018	$ 135,905,669	$ 4,078,120	$ 2,163,335	$ -	$ 59,940	$ (9,289)	$ (88,915,688)	$ 53,282,087

See accompanying notes to consolidated financial statements.

GOLDEN LEAF HOLDINGS LTD.

Interim Consolidated Statement of Cash Flows (Unaudited)
For the three month periods ending March 31, 2018 and 2017
(Expressed in U.S. dollars)

		For the three months ended March 31, 2018	2017
Cash provide by (used in):			
Operating activities:			
Net Gain (Loss)		$ 8,131,827	$ (2,289,730)
Depreciation of property, plant and equipment	Note 8	269,634	35,664
Amortizaton of intangible assets		75,645	
Interest expense		649,258	442,139
Bad debt expense		65,833	-
Share based compensation	Note 15	1,075,695	161,348
Professional fees paid with equity instruments		-	54,420
(Gain)/loss on fair value adjustment to warrants liability	Note 12	(6,212,222)	(155,685)
(Gain)/loss on fair value adjustment to debt	Note 10	(7,128,616)	-
Gain on fair value of biological assets	Note 7	(293,897)	-
Reserve for obsolete inventory	Note 7	366,951	
Impairment of finance lease receivable		-	27,421
Other non-cash transactions		(394,491)	44,407
Changes in working capital items			
Accounts receivable	Note 6	(126,471)	7,552
Sales tax recoverable		(64,493)	(46,413)
Accounts payable and accrued liabilities		12,772	(93,306)
Biological assets	Note 7	120,534	-
Inventory	Note 7	(621,413)	(888,329)
Cash used in operating activities		$ (3,626,252)	$ (2,700,512)
INVESTING ACTITIVES			
Deposits on property, plant and equipment	Note 8	-	(10,000)
Purchase of property, plant and equipment	Note 8	(339,761)	-
Payment of deposits and retainers		(97,804)	(315,286)
Cash used in investment activities		$ (437,565)	$ (325,286)
FINANCING ACTIVITIES			
Issuance of common shares	Note 13	$ 21,669,001	$ 51,305
Payment of share issuance costs	Note 13	$ (1,021,950)	-
Repayment of long-term debt		$ (97,366)	(9,555)
Interest paid		$ (312,280)	-
Repayment of related party loan		-	(500,000)
Cash provided by financing activities		$ 20,237,405	$ (458,250)
Increase/(Decrease) in cash during the period		$ 16,173,588	$ (3,484,048)
Cash, beginning of period		6,009,447	3,940,463
Cash, end of period		**$ 22,183,035**	**$ 456,415**
Interest paid during the period		$ 312,280	$ 400,303
Taxes paid during the period		$ 324,620	$ -

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, Nevada, and Canadian markets. The company's shares are listed on the CSE under the trading symbol "GLH", as well as the OTCQB under the trading symbol "GLDFF".

The Company is in the business of producing and distributing cannabis oil and flower products within the Oregon and Nevada adult-use regulated market as well as the Canadian medical market, primarily through its main operating subsidiaries, Greenpoint Oregon, Inc., Greenpoint Nevada, Inc., and CFA Retail, LLC, Medical Marijuana Group Corporation and Medical Marijuana Group Consulting Ltd.

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 of cannabis in the United States on the cannabis industry. The Company's revenues have not yet risen 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 March 31, 2018, the Company's cash balances were $22,139,316. On January 31, 2018 the Company received gross proceeds of C$17,554,050 from a bought deal private placement transaction, in addition to significant warrant exercise activity which has further bolstered the Company's cash position.

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 three-month period ended March 31, 2018 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, 2017. The interim condensed consolidated financial statements should be read in conjunction with the December 31, 2017 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 except for certain financial assets and financial liabilities measured at fair value. The accounting policies set out below have been applied to all accounting periods. Certain prior period amounts have been reclassified for consistency with current period presentation. These reclassifications had no effect on the reported results of operations.

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, 2017.

Changes in Accounting Policies – Financial Instruments

The Company adopted all of the requirements of IFRS 9 Financial Instruments ("IFRS 9") as of January 1, 2018. IFRS 9 replaces IAS 39 Financial Instruments: Recognition and Measurement ("IAS 39"). IFRS 9 utilizes a revised model for recognition and measurement of financial instruments and a single, forward-looking "expected loss" impairment model. Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward in IFRS 9, so the Company's accounting policy with respect to financial liabilities is unchanged. As a result of the adoption of IFRS 9, management has changed its accounting policy for financial assets retrospectively, for assets that continued to be recognized at the date of initial application. The change did not impact the carrying value of any financial assets or financial liabilities on the transition date.

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

(i) Classification

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

The Company completed a detailed assessment of its financial assets and liabilities as at January 1, 2018. The following table shows the original classification under IAS 39 and the new classification under IFRS 9:

Financial asset / liabilities	Original classification IAS 39	New classification IFRS 9
Cash	Amortized cost	Amortized cost
Account receivable	Amortized cost	Amortized cost
Account payable and accrued liabilities	Amortized cost	Amortized cost
Interest payable	Amortized cost	Amortized cost
Long-term debt	Amortized cost	Amortized cost
Convertible debentures	FVTPL	FVTPL
Related party notes payable	Amortized cost	Amortized cost
Warrants liability	FVTPL	FVTPL
Derivative liability	FVTPL	FVTPL

5. Significant accounting policies (continued)

The Company did not restate prior periods as it recognized the effects of retrospective application to shareholders' equity at the beginning of the 2018 annual reporting period, which also includes the date of initial application. The adoption of IFRS 9 resulted in no impact to the opening accumulated deficit nor to the opening balance of accumulated comprehensive income on January 1, 2018.

(ii) Measurement

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

Financial assets and liabilities at FVTPL. Financial assets and liabilities carried at FVTPL are initially recorded at fair value and transaction costs are expensed in the consolidated statements of net (loss) income. Realized and unrealized gains and losses arising from changes in the fair value of the financial assets and liabilities held at FVTPL are included in the consolidated statements of net (loss) income in the period in which they arise.

(iii) Impairment of financial assets at amortized cost

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

(iv) Derecognition

Financial assets. The Company derecognizes financial assets only when the contractual rights to cash flows from the financial assets expire, or when it transfers the financial assets and substantially all of the associated risks and rewards of ownership to another entity. Gains and losses on derecognition are generally recognized in the consolidated statements of net (loss) income.

Changes in Accounting Policies – Revenue from Contracts with Customers

The company adopted all requirements of IFRS 15 Revenue from Contracts with Customers ("IFRS 15") as of January 1, 2018. IFRS 15 utilizes a methodical framework for entities to follow to recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods and services. The change did not impact the cumulated revenue recognized or the related assets and liabilities on the transition date.

The company has assessed the impact from this new standard. Under IFRS 15, revenue from the sale of cannabis would be recognized at the point in time when control over goods has been transferred to the customer. The Company transfers control and satisfies its performance obligation upon delivery and acceptance by the customer, which is consistent with the Company's previous revenue recognition policy under IAS 18.

Based on the Company's assessment, the adoption of this new standard does not have a material impact on its consolidated financial statements.

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

6. Accounts receivable

	March 31, 2018	December 31, 2017
Accounts Receivable	$ 504,217	$ 377,746
Allowance for doubtful accounts	(65,833)	-
	$ 438,384	$ 377,746

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. During the 3-month period ended March 31, 2018 and 2017, the Company expensed production costs of $133,128 and $182,008, respectively.

During the 3-month period ended March 31, 2018 and 2017 the Company recognized $293,897 and $0, respectively, of gain on the change in fair market value of biological assets reflecting the increased value relating to the growth and harvest of the flower from cannabis plants. This gain was calculated using a periodic change in value based on plant count and estimated value of the various products from the plants.

Inventory consists of cannabis flower, concentrated products such as oils and edibles, packaging, trim, and paraphernalia. During the 3-month period ended March 31, 2018 and 2017, $84,333 and $84,837, respectively, of depreciation was allocated to inventory and expensed as cost of sales. 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	$ -	$ 451,767
Work-in-process	90,627	1,274,542
Finished goods	-	1,896,946
Balance, December 31, 2017	$ 90,627	$ 3,623,255
Raw materials	-	1,062,997
Work-in-process	263,990	493,390
Finished goods	-	2,491,795
Balance, March 31, 2018	$ 263,990	$ 3,877,717

During the 3-month period ended March 31, 2018, the Company expensed $196,456 of packaging materials to Inventory expenses to cost of sales which are slated to be destroyed due to obsolescence after the balance sheet date. The Company also recorded a general reserve for excess and obsolete inventory in the amount of $170,465.

The Company's biological assets at March 31, 2018 is comprised of:

Balance, December 31, 2017	$ 90,627
Gain/(Loss) on fair value of Biological assets	293,897
Transfer to Finished goods	(120,534)
Balance, March 31, 2018	$ 263,990

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

8. Property, plant and equipment

	Buildings and improvements	Land	Production equipment	Leasehold improvements	Computer Equipment	Furniture and Fixtures	Vehicles	Total
Cost								
Balance, Dec 31, 2017	$ 867,351	$ 290,404	$ 1,835,863	$ 3,736,610	$ 235,778	$ 938,496	$ 222,112	$ 8,126,614
Additions	128,432	-	51,327	206,715	26,207	11,406	-	424,087
Dispositions	-	-	-	-	-	-	-	-
Balance, March 31, 2018	$ 995,783	$ 290,404	$ 1,887,190	$ 3,943,325	$ 261,985	$ 949,902	$ 222,112	$ 8,550,701
Accumulated Amortization								
Balance, Dec 31, 2017	$ -	$ -	$ (609,494)	$ (920,057)	$ (109,279)	$ (423,093)	$ (107,781)	$ (2,169,704)
Expense	(49,050)	-	(89,931)	(140,042)	(15,773)	(48,058)	(11,106)	(353,960)
Dispositions	-	-	-	-	-	-	-	-
Balance, March 31, 2018	$ (49,050)	$ -	$ (699,425)	$ (1,060,099)	$ (125,052)	$ (471,151)	$ (118,887)	$ (2,523,664)
Carrying amount								
Balance, Dec 31, 2017	$ 867,351	$ 290,404	$ 1,226,369	$ 2,816,553	$ 126,499	$ 515,403	$ 114,331	$ 5,956,910
Balance, Mach 31, 2018	$ 946,733	$ 290,404	$ 1,187,765	$ 2,883,226	$ 136,933	$ 478,751	$ 103,225	$ 6,027,037

Total depreciation expense for the three months ended March 31, 2018 and 2017, was $353,967 and $147,012, respectively. Of the total expense, $84,333 and $84,837 was allocated to inventory during the three months ended March 31, 2018 and 2017, respectively.

9. Intangible Assets

	Balance at January 1, 2018	Additions	Disposals / adjustments	Balance at March 31, 2018
Cost				
License	$ 11,414,220	$ -	$ -	$ 11,414,220
Customer Relationships	1,512,896	-	-	1,512,896
Brands	13,300,000	-	-	13,300,000
Total	$ 26,227,116	$ -	$ -	$ 26,227,116
Accumulated Amortization				
License	$ -	$ -	$ -	$ -
Customer Relationships	-	(75,645)	-	(75,645)
Brands	-	.	-	-
Total	$ -	$ (75,645)	$ -	$ (75,645)
Net book value	$ 26,227,116	$ (75,645)	$ -	$ 26,151,471

10. Convertible debt and notes payable

	March 31, 2018	December 31, 2017
Current portion of convertible debentures carried at fair value	$ 228,346	$ 271,245
MMG mortgage note payable	382,667	389,916
Convertible debentures carried at fair value	16,876,331	30,360,225
Carrying amount of convertible notes at end of period	$ 17,487,344	$ 31,021,386

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. A gain of $7,145,706 has been recorded through change in fair value of liabilities on the Consolidated Statement of Operations and Comprehensive Gain (Loss) for the period ended March 31, 2018.

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

10. Convertible debt and notes payable (continued)

For the year ended December 31, 2017, $18.14 million debentures were converted. For the period ended March 31, 2018, $4.69 million debentures have been converted.

11. Long-term debt

		March 31, 2018		December 31, 2017
Long term debt	$	121,874	$	211,991
Less: current portion		(49,457)		(131,610)
Carrying amount of long-term debt	$	72,417	$	80,381

Long term debt consists of vehicle loans and a note payable for a packaging machine. Vehicle loans of $193,884 are secured by the Company's vehicles, due in June 2021 and repayable in monthly blended installments of $3,548. The packaging machine loan of $18,107 is secured by the machine, due in June of 2018, and repayable in monthly installments of $3,018.

12. Warrants liability

	Units		Amount
Balance, December 31, 2017	117,765,944	$	14,300,616
Warrants issued	38,980,000	$	3,810,975
Warrants exercised	(18,450,662)		(3,077,591)
Change in fair market value			(6,212,222)
Balance, March 31, 2018	138,295,282	$	8,821,778

In conjunction with the Company's bought deal unit financing which closed in January 2018, the Company issued 38,980,000 warrants exercisable for 24 months from the date of closing at a price of C$0.55.

Per IFRS 9, the warrants issued under these placements meet the definition of a derivative and must be measured at fair value at each reporting date. The warrants were valued at $8,821,778 at March 31, 2018 and $14,300,616 at December 31, 2017. For the three months ended March 31, 2018, a gain of $6,212,222 was recorded in the statement of operations due to significant changes in the market price of the common shares. The Black-Scholes option pricing model was used at the date of measurement with the following assumptions:

	March 31, 2018	December 31, 2017
Expected life	1.3 - 1.7 years	1.7 - 1.9 years
Risk-free interest rate	1.79%	0.84%
Dividend yield	0.00%	0.00%
Foreign exchange rate	0.7747	0.7701
Expected volatility	70.00%	70.00%

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 that the warrants 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)

13. 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 at the Company's shareholders' meetings.

The following table reflects the continuity of share capital from December 31, 2017 to March 31, 2018:

	Number of Shares	Amount
Balance, December 31, 2017	477,000,336	$ 108,552,681
Shares issued - conversion of debentures (i)	21,844,906	5,627,720
Shares issued - warrant exercises (ii)	30,098,819	12,586,356
Shares issued - private placement financing (iii)	38,980,000	9,028,092
Shares issued - payment of accrued commissions (iv)	800,000	110,820
Balance, March 31, 2018	568,724,061	$ 135,905,669

(i) During the first quarter 2018, 21,844,906 shares were issued in respect of conversion of convertible debentures.
(ii) The Company issued 30,098,819 shares upon exercise of warrants and compensation options.
(iii) During the first quarter 2018, 38,980,000 shares were issued in conjunction with the bought deal private placement unit offering resulting in gross proceeds of C$17,541,000; C$4,702,743 of these proceeds were allocated to warrant liabilities (Note 12). The Company paid share issuance costs of C$1,263,779 for this transaction.
(iv) The Company issued 800,000 shares as payment for accrued commissions payable.

14. Warrant reserve

	Number of warrants issued	Exercise price	Amount
Balance, December 31, 2017	29,274,531		$ 5,083,561
Warrants issued (i)	2,278,800	CDN $0.45	$ 426,367
Warrants issued (ii)	5,425,995	CDN $0.37	-
Exercise of compensation options (iii)	(10,851,990)		(1,402,433)
Exercise of warrants (iv)	(796,167)		(29,375)

(i) The Company issued 2,278,800 warrants as compensation options at C$0.45 as part of the bought deal private placement offering.
(ii) The Company issued 5,425,995 warrants at C$0.37 upon exercise of compensation options.
(iii) During the first quarter 2018, 10,851,990 compensation option warrants were exercised.
(iv) During the first quarter 2018, 796,167 warrants were exercised.

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:

	March 31, 2018	**December 31, 2017**
Expected life	1.3 - 1.7 years	1.7 - 1.9 years
Risk-free interest rate	1.79%	0.84%
Dividend yield	0.00%	0.00%
Foreign exchange rate	0.7747	0.7701
Expected volatility	70.00%	70.00%

14. Warrant reserve (continued)

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.

15. 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, 2017		22,057,223
Options granted at $0.39 Canadian dollars		23,550,000
Total number of options at March 31, 2018		45,607,223
Number of exercisable options issued in Canadian dollars		13,937,365
Number of exercisable options issued in U.S. dollars		1,114,840
Weighted average exercise price of options at March 31, 2018 in USD	$	0.15

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

	March 31, 2018	**December 31, 2017**
Expected life	3 years	3 years
Risk-free interest rate	0.00%- 1.66%	0.00%- 1.59%
Dividend yield	0.00%	0.00%
Expected volatility	70.00%	70.00%
Expected forfeiture rate	0.00%	0.00%

During the three months ended March 31, 2018 and 2017, $1,075,452 and $161,348, respectively, was included in stock compensation expense in the consolidated statement of operations.

On January 24, 2018, the Company issued 23,550,000 stock options to employees and consultants with an exercise price of C$0.39.

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

16. Commitments

The Company and its subsidiaries have entered into operating lease agreements for the Company's dispensaries, corporate offices, wholesale warehouses, and grow facilities. Future lease payments amount to $5,996,887:

2018	$	1,102,958
2019		1,461,940
2020		1,159,590
2021		873,150
2022		347,515
Thereafter		1,051,734
	$	5,996,887

17. Bought Deal

On January 31, 2018, the Company announced the closing of its bought deal private placement of 39,980,000 units at a price per unit of C$0.45 for gross proceeds of C$17,541,000. The Company recorded C$1,263,779 of share issuance costs in relation to this transaction and issued 38,980,000 broker units consisting of one common share and one common share purchase warrant to its advisors for services in conjunction with the deal. Each unit consists of one common share and one common share purchase warrant. Each warrant entitles the holder thereof to acquire one common share at a price of C$0.55 for a period of 24 months from the closing of the offering.

18. 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 three months ended March 31, includes the following expenses:

		2018		2017
Salaries, commissions, bonuses and benefits	$	270,161	$	157,627
Stock Compensation, including w arrants and shares, for officers and directors		381,045		45,738
	$	651,206	$	203,365

The Company leases both its corporate headquarters in Portland and its grow facility outside of Portland, which is currently under construction, from CPPOR LLC ("CPP"), of which Gary Zipfel, Director, is the sole member. To support the Company, CPP entered into a rent abatement agreement with the Company for the entirety of 2018. Rent payments will resume in 2019.

19. Capital management

The Company defines capital that it manages as its shareholders' equity, long-term debt, convertible 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.

19. Capital management (continued)

The Company manages the capital structure and adjusts it considering 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.

To facilitate the management of its capital requirements, the Company prepares annual expenditure budgets that are updated as necessary depending on various factors, including successful capital deployment and general industry conditions. These budgets are approved by the Company's Board of Directors.

20. Legal Matters

The Company and its wholly-owned subsidiary Greenpoint Real Estate, LLC, an Oregon limited liability company (collectively, the "Defendants"), were sued in the Circuit Court of the State of Oregon in Lane County on November 7, 2017 by the plaintiff, 3590 West 3rd Owner, LLC, an Oregon limited liability company ("Plaintiff"). The claims made by Plaintiff arise out of a lease between the parties and are breach of contract, foreclosure of landlord's lien and foreclosure of security interest. The amount of damages claimed are $3,210,327, plus interest and certain other fees and costs. The Defendants deny all of the claims made and are preparing an Answer to file in response to the Plaintiff's Complaint against the Defendant's. The parties participated in a judicial settlement conference on March 14, 2018 in Portland, Oregon, for the purpose of attempting to reach a mutually agreeable settlement to resolve this matter. This attempt to settle was unsuccessful and Plaintiff filed an Amended Complaint on April 17, 2018. The Company filed an Amended Answer on May 1, 2018. The Company assesses the likelihood of a potential lawsuit as neither remote nor probable, and therefore has not recorded a provision for this loss at March 31, 2018.

21. Financial instruments and risk management

The Company, as part of its operations, carries several 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.

The carrying value of long-term debt approximates fair value upon initial recognition. At March 31, 2018, 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.

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

21. Financial instruments and risk management (continued)

March 31, 2018	Category	Level 1 $	Level 2 $	Level 3 $	Total $
Financial Assets					
Available for sale purchase option	FVTPL	-	-	$ -	$ -
Financial Liabilities					
Warrant liability	FVTPL	-	-	8,821,778	8,821,778
Convertible debentures	FVTPL	-	-	17,104,677	17,104,677

December 31, 2017	Category	Level 1 $	Level 2 $	Level 3 $	Total $
Financial Assets					
Available for sale purchase option	FVTPL	-	-	$ -	$ -
Financial Liabilities					
Warrant liability	FVTPL	-	-	14,300,616	14,300,616
Convertible debentures	FVTPL	-	-	30,631,470	30,631,470

The Group'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 convertible debentures were valued using a binominal option pricing model to estimate the value of the combined convertible instrument. The most significant assumption used in this valuation is the expected volatility of the Company's shares which has been estimated at 70%.

Refer to Note 12 for further information on valuation of warrant liability.

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 consolidated statement of financial position represent the Company's maximum credit exposure at March 31, 2018.

The Company's principal financial assets are cash held at a highly rated financial institution and accounts receivable, which are subject to credit risk.

The Company's credit risk is primarily attributable to its accounts receivables. The amounts disclosed in the consolidated statement of financial position are net of allowance for doubtful accounts, estimated by the management of the Company based on its assessment of the current economic environment.

The Company does not have significant exposure to any individual customer and has estimated bad debts of $0 at both March 31, 2018 and December 31, 2017.

(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 and convertible notes are carried at a fixed interest rate throughout their term.

21. Financial instruments and risk management (continued)

(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. The following table summarizes the Company's contractual maturity for its financial liabilities, including both principal and interest payments:

	Carrying amount	Contractual cash flows	Under 1 year	1-3 years	3-5 years	More than 5 years
As at March 31, 2018						
Trade and other payables	$ 3,241,311	$ 3,241,311	$ 3,241,311	$ -	$ -	$ -
Loans and other borrowings	504,541	504,541	611,013	72,417	-	-
Convertible debt	17,104,677	17,104,677	228,346	16,876,331	-	-
Total	$ 20,850,529	$ 20,850,529	$ 4,080,670	$ 16,948,748	$ -	$ -

(e) Foreign exchange risk

Foreign currency exchange risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because they are denominated in currencies that differ from the respective functional currencies. The Company has financial assets and liabilities denominated in Canadian dollars. The Company does not hedge its exposure to fluctuations in foreign exchange rates.

The following is an analysis of U.S. dollar equivalent of financial assets and liabilities that are denominated in Canadian dollars at March 31, 2018:

Financial Assets	
Cash	$ 21,347,456
Trade and other receivables	321,739
	$ 21,669,195
Financial Liabilities	
Trade and other payables	$ 309,284
Loans and other borrowings	379,273
Convertible debt	17,104,677
	$ 17,793,234

22. Segmented Information

The Company defines its major operating segments as Oregon wholesale, Oregon retail, Nevada wholesale, Canada cultivation and Canada Consulting. 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 are reviewed based on gross margin performance. The Canadian companies, although under common management, are different business models and thus are reviewed by management independently based on revenues and gross margin.

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

22. Segmented Information (continued)

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 managements agreed upon allocation of costs beyond gross margin.

Q1 2018	Oregon Retail	Oregon Wholesale	Nevada Wholesale	Canada Cultivation	Canada Consulting	Other unallocated	Consolidated
Total Revenue	$ 1,941,987	$ 539,137	$ 384,673	$ -	$ 318,219	$ 16,251	$ 3,200,267
Cost of sales expense	1,138,121	989,071	274,173	(145,186)	1,176	590,065	2,847,420
Gross Margin	$ 803,866	$ (449,934)	$ 110,500	$ 145,186	$ 317,043	$ (573,814)	$ 352,847
Assets	$ 4,147,196	$ 9,584,586	$ 3,732,750	$ 1,859,490	$ 397,296	$ 72,838,574	$ 92,559,892
Liabilities	$ 398,407	$ 668,843	$ 176,522	$ 242,449	$ 219,492	$ 37,572,092	$ 39,277,805

23. Proposed transactions

On March 27, 2018, the Company announced the signing of a letter of intent to acquire a California cannabis operation. Under the terms of the LOI, the Company would pay $1.25 million USD in cash and $500,000 in GLH stock upfront, with additional earn-out payments up to $8 million USD based on future revenue thresholds.

On March 27, 2018, the Company announced the signing of a letter of intent with BlackShire Capital Corp., a Canadian Private Equity firm, to launch the Chalice Farms franchise model.

On May 17, 2018 the Company announced the signing of a letter of intent to acquire two large cannabis cultivation facilities and their associated licenses, one in Northern Nevada and another in Northern California, that are owned by the same operators. Under the terms of the LOI, Golden Leaf would pay US$8.5 million in cash at closing, plus an as of yet undetermined number of shares that equals 25% of the pro forma post acquisition total issued and outstanding shares of common stock of GLH on the closing date.

24. Subsequent events

On April 24, 2018, the Company announced the signing of a letter of intent to acquire a cannabis dispensary currently in operation in Northern California. Under the terms of the LOI, the Company would pay $1.25 million in cash upfront and $500,000 in GLH stock, with additional earn-out payments up to $8 million based on future revenue thresholds.

On April 25, 2018 the Company announced the appointment of Rick Miller to its board of directors.

On May 1, 2018 the Company announced the opening of it's Happy Valley location, which is the seventh dispensary location

As discussed in Note 23, on May 17, 2018 the Company announced the signing of a letter of intent to acquire two large cannabis cultivation facilities and their associated licenses in California.

Subsequent to the balance sheet date, 1,599,000 of debentures have been converted into 7,614,283 shares.