

Notice to Reader

Golden Leaf Holdings Ltd is amending its Management's Discussion and Analysis ("MD&A") for the three months ended March 31, 2018. The refiling was made at the request of the Ontario Securities Commission ("OSC") to, among other things, provide more prominent and comprehensive disclosures with respect to the Company's marijuana-related activities in the United States.

The revised MD&A is available on SEDAR as refiled on September 7, 2018.

The Company previously filed MD&A for the quarter ended March 31, 2018 on SEDAR on May 30, 2018. The revised MD&A replaces and supersedes the previously filed version. The revisions relate only to MD&A disclosures and no changes were made to the Company's financial statements for the reporting period.

GOLDEN LEAF HOLDINGS LTD.

**13315 Airport Way Suite 700
Portland, OR 97230**

REVISED MANAGEMENT’S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

FOR THE THREE MONTHS ENDED MARCH 31, 2018

Date: September 7, 2018

The following revised MD&A provides management’s overview of the factors that affected financial position, results of operations, and cash flows of Golden Leaf Holdings Ltd (the “Company” or “Golden Leaf”) for the three months ended March 31, 2018 and amends the MD&A for the reporting period previously filed by the Company on May 30, 2018. As required under National Instrument 51-102 - *Continuous Disclosure Obligations*, this revised MD&A was issued to enhance disclosures with respect to the guidance in Staff Notice 51-352 (Revised) *Issuers with U.S. Marijuana-Related Activities* published by the Canadian Securities Administrators on February 8, 2018 (“Staff Notice 51-352”). The revised MD&A should be read in conjunction with the Company’s unaudited interim condensed consolidated financial statements for the three months ended March 31, 2018, as well as the audited consolidated financial statements and related notes for the year ended December 31, 2017.

General

Golden Leaf is a publicly traded corporation, incorporated in Canada, and is traded on the Canadian Securities Exchange under the symbol “GLH” and on the OTCQB under the symbol “GLDFF”. The registered and head office of the Company is located at 82 Richmond Street East, Toronto, Ontario, M5C 1P1 and its principal place of business is located at 13315 NE Airport Way STE 700, Portland, Oregon 97230.

Unless otherwise indicated, all financial information in this MD&A is reported in U.S. dollars, except share amounts. This MD&A provides information for the quarter ended March 31, 2018. The Annual Financial Statements and this MD&A have been reviewed by the Company’s Audit Committee and approved by the Company’s Board of Directors as of May 24, 2018. The Annual Financial Statements were prepared in accordance with International Financial Reporting Standards (“IFRS”) and include the accounts of the Company and its wholly-owned principal subsidiaries as detailed in Note 5 to the U.S. Annual Financial Statements. All inter-company balances and transactions have been eliminated on consolidation. Additional information filed by us with the Canadian Securities Administrators, including quarterly reports, annual reports and annual information forms are available on-line at www.sedar.com and on our website at www.goldenleafholdings.com.

The Company’s critical accounting estimates, significant accounting policies and risk factors have remained substantially unchanged and are still applicable to the Company unless otherwise indicated. All amounts are expressed in U.S dollars unless noted otherwise.

CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

This MD&A contains certain “forward-looking information” within the meaning of Canadian securities legislation (“forward-looking statements”). These forward-looking statements are made as of the date of this MD&A and the Company does not intend, and does not assume any obligation, to update these forward-looking statements, except as required under applicable securities legislation. Certain forward-looking statements in this MD&A include, but are not limited to: assumptions and expectations described in the Company’s critical accounting policies and estimates; the Company’s expectations regarding the adoption and impact of any accounting pronouncements; the Company’s expectations regarding legislation, regulations and licensing related to the cultivation, production and sale of cannabis products by the company’s wholly-owned subsidiaries; the expected number of users of cannabis or the size of cannabis markets in the jurisdictions in which the Company operates or plans to operate; the potential time frame for the passing of legislation to legalize recreational or medical cannabis use in the jurisdictions in which the Company operates or plans to operate, potential form that final legislation will take; the completion of construction of its cultivation facility in Oregon; the completion of facility improvements needed to obtain its extraction license in Oregon; investments and capital expenditures; the ability to enter and participate in international market opportunities; the timing of harvests; the launch of new products and markets; the Company’s expectations with respect to the company’s future financial and operating performance; product sales expectations; production capacity expectations; and the Company’s ability to achieve profitability without further equity or other forms of financing.

The words “believes”, “anticipates”, “expects”, “budget”, “scheduled”, “estimates”, “forecasts”, or “intends”, or a variation (including negative variations) of such words and phrases, or statements that certain actions, events, or results “may”, “could”, “would”, “might”, or “will” be taken, occur or to achieve are all forward-looking statements. Forward-looking statements are based on the reasonable assumptions, estimates, internal and external analysis and opinions of management made in light of its experience and perception of trends, current conditions and expected developments, as well as other factors that management believes to be relevant and reasonable at the date that such statements are made. Forward-looking statements involve known and unknown risks, uncertainties, assumptions and other factors that may cause actual results, performance or achievements of the Company to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements. Such factors include, but are not limited to, the factors discussed in the section entitled “RISKS AND UNCERTAINTIES”. Although the Company has attempted to identify important factors that could cause actions, events or results to differ materially from those described in the forward-looking statements, there may be other factors that cause actions, events, or results to differ from those anticipated, estimated or intended. Forward-looking statements contained herein are made as at the date of the MD&A. There can be no assurance that forward-looking statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements.

RECENT HIGHLIGHTS

Multi-Unit Retail Franchising

On March 27, 2018, the Company announced it had signed a Letter of Intent with BlackShire Capital Corp. (“BlackShire”), a Canadian Private Equity firm focused on the cannabis sector, to launch the Chalice Farms franchise model.

The Company has completed the requirements to file Franchise Disclosure Documents in Canada and the U.S. and is working towards finalizing definitive agreements.

New Product Launch – Fruit Chews

On March 8, 2018, the Company launched a new line of cannabis-infused edible Fruit Chews in Oregon under the “Golden” label. Featuring a combination of premium cannabis oil, real fruit and restorative ingredients, the new vegan fruit chews offers four bold flavors for consumers to choose from. The Company expects to launch this product in Nevada in May 2018.

First Shipment of Genetics Arrives at Cultivation Facility in St. Thomas, Ontario, Canada

On January 25, 2018, the Company announced the arrival the first plants at its advanced indoor cultivation facility in St. Thomas, Ontario. The plants are growing well, and the first harvest is expected in late May 2018.

Golden Leaf Holdings opens new dispensary in downtown Portland, Oregon

On December 14, 2017, the Company opened a new Chalice Farms dispensary in the popular waterfront area of the Willamette River in downtown Portland, Oregon. The location was strategically selected because of proximity to tourism and in hopes of attracting a whole new clientele to the Company’s brand.

Golden Leaf signs letter of intent to acquire California Cannabis operation

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, Golden Leaf would pay \$1.25 million USD in cash upfront and \$500,000 in GLH stock, with additional earn-out payments up to \$8 million USD based on future revenue thresholds.

Golden Leaf Holdings Opens New Chalice Farms Dispensary in Happy Valley, Oregon

On May 1, 2018 the Company announced the opening of it’s long awaited Happy Valley location, which is the seventh dispensary location.

Golden Leaf signs letter of intent to acquire Nevada and California Cannabis Cultivation Facilities

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.

Subsequent Events

Refer to note 24 of the Consolidated Financial Statements.

Overview

Golden Leaf was incorporated on April 12, 2011 as “Longacre Resources Inc.” (“Longacre”) under the *Business Corporations Act* (British Columbia). Golden Leaf Holdings Inc. (“GLHI”) was incorporated pursuant to the provisions of the *Business Corporations Act* (Ontario) (“OBCA”) on April 8, 2014.

On October 6, 2015, Longacre completed a reverse takeover of GLHI (the “RTO”). Pursuant to the RTO, Longacre, 2470251 Ontario Inc. (“Subco”), a wholly-owned subsidiary of Longacre, and GLHI completed a three-cornered amalgamation. Upon completion of the RTO (the “RTO Closing”) common shares of the Company (the “Common Shares”) were issued to former shareholders of GLHI, on a one-for-one basis and the business and shareholders of GLHI became the business and shareholders of the Company. The Company filed Articles of Continuance in Ontario and continued as a corporation governed under the laws of the Province of Ontario under the name “Golden Leaf Holdings Ltd.”

The registered and head office of the Company is located at 82 Richmond Street East, Toronto, Ontario, M5C 1P1 and its principal place of business is located at 13315 NE Airport Way STE 700, Portland, Oregon 97230.

DESCRIPTION OF THE BUSINESS

Golden Leaf is a market leader, offering consumer-conscious retail dispensaries and Cannabis products. The Company has investments in cannabis cultivation, production, and supply chain and sells its products through a combination of its own retail dispensaries, as well as through sales in the wholesale market. It has business operations in Canada, Nevada and Oregon. The Company’s operations include:

Cultivation

The Company has cultivation sites in Canada and Nevada, as well as one near Portland, Oregon which is under construction. Its Canadian cultivation facility is capable of producing approximately 40Lbs of flower per month. Its Nevada cultivation facility is capable of producing approximately 40Lbs of flower per month. Purchases of flower and trim from other growers is necessary in order to supplement the Company’s demand for the companies oil and edibles products in each jurisdiction, and the Company leverages key relationships with high quality cultivators for this purpose.

Production and Supply Chain

The Company has production and supply chain infrastructure in Canada, Nevada and Oregon. Work on the Company’s production facility in Portland is nearing completion, and approval for licensing is expected in July 2018. To support production needs for its oil and edibles products in Oregon, the Company will continue to source oil from third party processors, until licensing approval is granted.

As of March 31, 2018, the Company produces three main types of products: cannabis flower, cannabis oils and cannabis edibles. The Company’s high-end distillate product is branded as Private Stash™ and its oil and edibles products are offered through the Golden™, Proper™, Jackpot™ and Chalice™ brands. The oil for these products is produced by a third party oil processor in bulk and then filled into cartridges,

packaged and distributed by the Company to its wide distribution network.

The Company's branded products are sold in over half of the licensed dispensaries in Oregon, as well as several dispensaries in Nevada. The Company is also preparing to sell selected branded products in Canada in anticipation of recreational legalization in 2018. As the adult-use market grows, the Company expects market share to increase with the growing preference for oils and edibles.

Retail

The Company owns and operates a network of seven retail dispensaries in Oregon, six of which are under the flagship dispensary brand "Chalice Farms" and one branded as "Left Coast Connection".

Product Development and Marketing

The company's Oregon operations include a Product Development and Marketing team which focuses on developing high quality, scalable oil and edible products, supported by consumer-conscious branding that appeals to various market segments. The Company has developed certain proprietary intellectual property (IP) for operating Carbon Dioxide (CO₂) Extraction and the Hydrocarbon Extraction machinery, including best production practices, procedures, and methods. This requires specialized skills in cultivation, extraction and refining. All of the Company's products are independently lab tested and certified for pesticides, contaminants and potency before being packaged and labelled with detailed information about the levels of THC and CBD contained in each product. The Company's oil products are sold under the brand names Golden™, Gold Label Reserve™, Private Stash™, Proper™, and Jackpot™

Specialized Skill & Knowledge

The Company leverages a strong management team with experience in cannabis, consumer packaged goods, as well as experience in large multinationals. Employees include university graduates with degrees in marketing, economics, accounting and business finance. Staff have joined the Company from a variety of industries and corporations such as Nike, Walt Disney, Oracle, Cisco Systems, IBM, Daimler, Organically Grown Produce, Deloitte, Moss Adams, and KinderCare. Golden Leaf is dedicated to partnering with industries, communities and regulators.

Competitive Conditions

The market for flower and oil extraction products is rapidly evolving and many players continue to enter the market. In addition, the market for flower and trim is commoditizing in certain jurisdictions. Some fragmented business intelligence is available; however, the majority of the Company's competitors have been continuing to create downward price pressure as the market sees increasing players in the branded oil space. GPO and other competitors like Select Strains have to rely upon sources of trim from farmers. Consumer demand for high quality distillate oil is strong. The Company's only supplier of this product in Oregon is the primary supplier for many brands within the state and represents a concentration of risk. The Company will be able to mitigate this risk to some extent when its production license in Portland is approved. The Company continues to develop expertise to create products internally with a scalable methodology that focuses on controlling its supply chain and lowering its cost of manufacturing.

Economic Dependence

The Company is not substantially dependent on one single large contract. It serves a broad-based platform of dispensaries in Oregon and Nevada, and has medical consulting revenues in Canada. Equally the

Company is not dependent on any single contract for the purchase of raw materials that could affect the Company in operating its business. The Company does depend heavily on a single supplier to process its trim into distillate oil. There are no reasons to believe this supplier relationship is at risk, and the Company maintains a quality relationship with this supplier.

Employees and Management

At March 31, 2018, the Company had approximately 166 employees after the acquisition of Chalice Farms, Medical Marihuana Group Corporation (“MMGC”), and Medical Marijuana Consulting Corporation, Ltd. (“MMCC”).

As of the date of this report, William Simpson serves as the Company’s CEO, Craig Eastwood serves as the Company’s CFO, and Michael Genovese serves as COO. Phillip Millar serves as President of Medical Marihuana Group Corporation and Medical Marijuana Consulting Corporation, Ltd. in Canada. John Magliana serves at the Company’s General Counsel. Ryan Purdy, VP of Operations, oversees the Company’s Product Development, Production and Supply Chain operations in all jurisdictions. Andrew Marchington, VP of Finance, oversees the finance, treasury and accounting operations of all business units. Erin Hills, VP of Retail operations, oversees the Retail dispensary network. Chris Frye, VP of Nevada Operations, oversees the Company’s Nevada operations.

Foreign Operations

As of March 31, 2018, the Company’s operations are in Canada and the United States.

Principal Markets

As of March 31, 2018, the Company operates in three cannabis jurisdictions: Canadian medical market, and Oregon and Nevada recreational markets. As of March 31, 2018, a substantial portion of the Company’s activities relate to its Oregon operations, as Canada and Nevada’s adult use market is either pending legalization or is in its early growth stages. The Company is licensed to distribute its products to wholesale dispensaries in Oregon and Nevada. In Oregon, over 500 dispensaries are licensed to sell adult-use cannabis to medical patients and adult-use customers. In Nevada there will be a maximum of approximately 132 dispensaries licensed to sell adult-use cannabis to medical and adult-use customers.

Trends, Commitments, Events or Uncertainties

The District of Columbia (“D.C.”) and 29 U.S. states, including the state of Oregon, have legalized cannabis for medical use. Colorado, Washington, Alaska, Oregon, D.C, California, Nevada, Maine, and Massachusetts have also legalized retail-recreational use of cannabis.

The Company intends to expand into other states within the U.S. that have legalized either medicinal or recreational cannabis use. Cannabis and cannabis extracts remain illegal under U.S. federal law and cannabis is listed as a Schedule I substance under the U.S. Controlled Substances Act. However, in 2009 the U.S. federal government adopted guidelines to deprioritize the use of federal resources to prosecute people with serious illnesses or their caregivers who are complying with state medical marijuana laws. In January 2018, the U.S. Attorney General, Jeff Sessions announced the rescission of the “Cole Memorandum” which escalated the need for policy reform at the Federal level. In April 2018, Colorado’s Senator Cory Gardner struck a deal with President Trump agreeing to unblock DOJ nominations in Colorado in exchange for Federal congressional efforts to protect States that have legalized marijuana.

The Rohrabacher-Farr amendment was passed by the U.S. House of Representatives in May 2014 after six failed attempts since 2003. The bill prohibits the Department of Justice, which includes the Drug Enforcement Administration, from using funds to interfere with state medical marijuana laws. The amendment was then included in the federal spending bill passed on December 15, 2014 and marked the first time in history that the United States Congress eased up on the potential federal prosecution of medicinal cannabis cultivators, sellers and patients. The bill works to protect the medical marijuana programs in the 23 states that have legalized marijuana for medical purposes, as well as 11 additional states that have legalized CBD oils, a non-psychoactive ingredient in cannabis which, among other things, has shown to be beneficial in some severe cases of epilepsy.

Marijuana remains a Schedule I substance under U.S. federal law. However, the Treasury Department's *Financial Crimes Enforcement Network* ("**FinCEN**") has issued guidance advising prosecutors of money laundering and other financial crimes not to focus their enforcement efforts on banks that serve marijuana-related businesses (MRB's), so long as that business is legal in the bank's respective state and none of the federal enforcement priorities are being violated (such as keeping marijuana away from children and out of the hands of organized crime). This guidance was published on February 14, 2014 and requires banks providing such services to monitor strict compliance with FinCEN's guidance. This requires investment in monitoring and compliance staff, and large national banks don't appear to want to make such an investment, nor expose themselves to potential risk of prosecution from non-compliant businesses they might serve. FinCEN last reported 368 banks and financial institutions doing business with MRB's. There has been no change in U.S. federal banking laws notwithstanding that 29 states and D.C. have legalized medical marijuana and Colorado, Washington, Alaska, Oregon, D.C, California, Nevada, Maine, and Massachusetts have legalized retail-recreational marijuana use.

The few credit unions who have agreed to work with marijuana businesses are limiting those accounts to no more than 5% of their total deposits to avoid creating a liquidity risk. Since the federal government could change the banking laws as it relates to marijuana businesses at any time and without notice, these credit unions must keep sufficient cash on hand to be able to return the full value of all deposits from marijuana businesses in a single day, while also servicing the needs of their other customers.

To solve the current banking problem, a bill has been tabled in the U.S. Congress to create the *Marijuana Business Access to Banking Act*. If passed, this legislation would grant banks and other financial institutions immunity from federal criminal prosecution for servicing marijuana-related businesses if the underlying marijuana business is in compliance with state law. The legislation would also prohibit the Treasury Department from requiring banks to report a transaction as suspicious solely because it came from a marijuana-related business that operates in compliance with state law. Additionally, the bill would prohibit regulators from terminating a bank's depository insurance because it services marijuana businesses in compliance with state law. This bill has not been passed and there can be no assurance that it will be passed in its current form or at all.

Currently, the Company operates through four banks in Canada and two banks in the United States. The Company maintains close ties and strong relationships with its current bankers and continues to build relationships with other banks and credit unions servicing the marijuana industry.

Although civil in nature, administrative rules in Oregon define the regulatory compliance guidelines, and if violated could potentially have a serious impact on the business. The Company regularly reviews the rules and communicates changes to employees as appropriate.

The Company takes regulatory compliance seriously and recently hired a Director of Compliance to ensure the Company is always monitoring, assessing, and taking a forward-facing position concerning changing state regulations, federal guidance, and banking challenges in all current and future jurisdictions.

There are significant risks associated with Golden Leaf's business, as described above and under the headings "*Principal Markets*" and "*Risk Factors*". Readers are strongly encouraged to carefully read all of the risk factors described herein.

Legal Proceedings

Subsequent to the balance sheet date the Company settled an employment related claim which arose during 2017 by paying \$45,000 of cash which has been accrued for at December 31, 2017.

The Company is currently finalizing a settlement with a former employee for an employment related claim which was made during 2017. The Claim alleges damages of \$376,003, not including penalties or attorney's fees. The Company denies any liability to the employee but expects to settle the claim by transferring to the former employee excess production equipment valued at \$220,000. This amount has been accrued for at December 31, 2017.

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 Wednesday, 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.

Selected Financial Information (US\$)

	For the 3 months ended	
	March 31, 2018	March 31, 2017
Total revenues	3,200,267	2,259,094
Gross profit	352,847	238,399
Total expenses	4,599,826	2,100,719
Comprehensive gain (loss)	8,112,710	(2,235,310)
Basic and diluted loss per share	0.02	(0.02)
Weighted average number of common shares outstanding	534,900,058	118,346,097
	as of period ended	
	March 31, 2018	December 31, 2017
Total Assets	92,559,892	75,784,781
Long-Term Financial Liabilities	21,948,748	35,360,225

Overall Performance

Three-Month Comparison

The Company generated revenues of \$3,200,267 for the three months ended March 31, 2018 compared to \$2,259,094 for the three months ended March 31, 2017. The Company reported a net gain of \$8,112,710 for the three months ended March 31, 2018 compared to a net loss of \$2,235,310 for the three months ended March 31, 2017.

Gross margin increased to \$352,847 for the three months ended March 31, 2018, up from \$238,399 for the three months ended March 31, 2017. The Company spent \$383,301 on sales and marketing (2017: \$278,923), and \$2,795,794 on general & administration (2017: \$1,598,273).

The Company's total assets were \$92.6M on March 31, 2018 (December 31, 2017: \$75.8M). The Company's total liabilities were \$39.3M on March 31, 2018 (December 31, 2017: \$58M). Shareholders' equity after the deficit was \$53.3M on March 31, 2017 (December 31, 2017: \$17.8M).

Commentary

During the first quarter of 2018 the Company completed its bought deal financing resulting in proceeds of C\$17.5M on January 31, 2018, in addition to receiving significant proceeds from warrant exercises, resulting in an ending cash balance of \$22.1M. With an appropriate level of capitalization, the Company turned its sights to strategic capital investment initiatives and optimization of its current operations.

Key initiatives during the first quarter:

- Revenue growth and cost optimization for the Company's 6 retail dispensary locations
- Strategic planning for 2018-2019 corporate initiatives
- Continued branding refreshment initiatives with the Company's third-party marketing firm
- Continued progress on the build out of the Company's Oregon oil processing facility
- Targeting strategic opportunities in existing and new jurisdictions

Revenues in the first quarter ended March 31, 2018 totaled \$3.2M, an increase of \$0.9M compared to the first quarter ended March 31, 2017. The increase in revenue is primarily attributable to the addition of the Chalice farms retail revenue stream, the addition of the Company's medical consulting revenues, and the Company's Nevada wholesale operations, offset by declines in wholesale revenues in Oregon.

Operating expenses were \$4.7M for the first quarter ended March 31, 2018 compared to \$2.2M in the first quarter ended March 31, 2017, largely driven by the addition of a large retail business unit which incurs proportionally more operating expenses than the wholesale business unit which was operating during the first quarter of 2017, as well as a large non-recurring stock compensation expense.

The Company's current assets increased to \$28.4M at March 31, 2018 compared to \$11.6M at December 31, 2017, largely as a result of the bought deal financing which was completed on January 31, 2018 in addition to proceeds from warrant exercises. Total assets increased to \$92.6M at March 31, 2018 compared to \$75.8M at December, 31 2017, also due primarily to the bought deal financing completed in January.

The Company's long-term financial liabilities decreased to \$21.9M at March 31, 2018, compared to \$35.3M at December 31, 2017 due primarily to gains on the fair market value of debt liabilities of convertible debentures.

Quarterly Results (\$)

The Company's revenue growth over the fourth quarter of 2017 is primarily driven by the addition of the medical consulting revenues from the Company's medical consulting subsidiary in Canada to the Company's consolidated results as of January 1, 2018.

Increase in gross margins is primarily attributable to the addition of gains on fair market value of biological assets from the Company's cultivation subsidiary.

Total expenses have increased due primarily to increased wages included in G&A expense.

Profit and Loss	For the three months ended:							
	Jun 2016 restated	Sep 2016 restated	Dec 2016	Mar 2017 restated	Jun 2017 restated	Sep 2017 restated	Dec 2017	Mar 2018
Product sales	2,298,303	2,191,596	434,968	2,259,094	2,089,393	3,078,891	2,983,854	3,200,267
Royalties	160,000	240,000	19,934	-	-	50,000	1,050,066	-
Total Revenue	2,458,303	2,431,596	454,902	2,259,094	2,089,393	3,128,891	4,033,920	3,200,267
Cost of sales expense	2,241,003	1,914,923	1,625,444	2,020,695	1,687,269	2,343,083	3,752,213	2,847,420
Gross profit	217,300	516,673	(1,170,542)	238,399	402,124	785,808	281,707	352,847
Total expenses	2,534,469	2,280,711	3,863,076	2,155,139	2,657,911	4,243,343	2,611,608	4,599,826
Interest expense	424,185	307,179	355,897	545,021	312,411	556,427	135,921	649,258
Accretion interest	273,925	295,109	76,004	-	-	-	-	-
Impairment of BMF related assets	81,060	81,060	81,061	27,422	27,422	27,422	14,900,291	-
Other loss (income)	-	-	256,203	925	161,903	37,296	237,289	(159,126)
(Gain)/Loss on changes in fair value of w warrant liabilities	(1,608,647)	(414,615)	609,143	(155,685)	(82,694)	(2,841,983)	10,794,940	(6,212,222)
(Gain)/Loss on changes in fair value of liabilities	-	-	(4,234,000)	(44,693)	(1,541,097)	(1,148,020)	15,030,070	(7,128,616)
Loss before income taxes	(1,487,692)	(2,401,772)	(17,096,679)	(2,289,730)	(1,133,732)	(2,454,498)	(50,051,152)	8,131,827
Incomes tax expense (benefit)	-	-	74,136	-	-	-	143,230	-
Net income / (loss)	(1,084,807)	(2,622,335)	(17,250,510)	(2,289,730)	(1,133,732)	(2,454,498)	(50,194,382)	8,131,827
Other Comprehensive (Income)/Loss	-	-	530,000	-	-	-	(539,828)	-
Comprehensive Income/(Loss)	(1,084,807)	(2,622,335)	(17,780,510)	(2,289,730)	(1,133,732)	(2,454,498)	(49,654,554)	8,131,827
Basic and diluted earnings / (loss) per share	(0.01)	(0.03)	(0.19)	(0.02)	(0.01)	(0.01)	(0.12)	0.02
Weighted average number of common shares outstanding	95,248,704	95,965,147	98,115,626	118,346,097	143,604,908	345,710,474	435,334,457	534,900,058

Adjusted EBITDA

Adjusted EBITDA	For the three months ended March 31,	
	2018	2017
Revenue	\$ 3,200,267	\$ 2,259,094
Cost of sales expense	2,847,420	2,020,695
Less Inventory adjustments	-	-
Gross profit	\$ 352,847	\$ 238,399
Total operational expenses	4,599,826	2,155,139
Less Non-cash expenses of dep and amort	(345,279)	(62,175)
Less non-recurring stock compensation expense	(1,075,452)	-
Adjusted total operational expenses	\$ 3,179,095	\$ 2,092,964
Adjusted EBITDA operational Loss	\$ 2,826,248	\$ 1,854,565

* Adjusted EBITDA is a non-IFRS financial measure and does not have any standardized meaning prescribed by IFRS and is therefore unlikely to be comparable to similar measures presented by other issuers. See "Non-IFRS Disclosures" below for additional information.

For the three-month period ended March 31, 2018, the Adjusted EBITDA loss increased to \$2.8M as compared to an Adjusted EBITDA loss of \$1.9M during the same period in 2017. This increase is primarily attributable to increased wages expense within G&A.

Non-IFRS Disclosures

Adjusted EBITDA is defined by the Company as earnings before interest, taxes, depreciation, amortization, less certain non-cash equity compensation expenses, including impairments, one-time transaction fees and all other non-cash items. Adjusted EBITDA is a non-GAAP financial measure which does not have any standardized meaning prescribed by IFRS and is therefore unlikely to be comparable to similar measures presented by other issuers. The Company considers this Adjusted EBITDA an important figure to show the true day to day operational picture of the business. It should not be considered in isolation as a substitute for measures of performance prepared in accordance with the IFRS.

Summary of G&A detail

General & Administrative Expense Summary		
	Q1 2018	Q1 2017
Wages and Benefits*	1,336,316	518,271
Consulting	342,279	62,630
Legal	256,819	355,587
Bad Debt	65,833	-
Rents	153,349	46,690
Travel & Entertainment	94,602	52,719
Audit	74,733	18,781
Investor Relations	87,566	40,894
All Other	384,299	502,700
G&A	2,795,794	1,598,272
Professional fees paid with equity instruments	-	54,420
Share-Based Compensation	1,075,452	161,348
G&A Including Other G&A equity instruments and Listing Fees	3,871,246	1,814,040

* Includes certain non-legal employee consultants in wages

Liquidity and Capital Resources

The Company has financed its operations to date through the issuance of common shares and debt.

	March 31, 2018	March 31, 2017
Current assets	28,409,986	6,142,205
Current liabilities	3,979,929	11,274,494
Working capital (deficit)	24,430,057	(5,132,289)
Long-term debt and notes payable	35,297,876	8,683,459
Share capital	135,905,669	40,970,021
Deficit	(88,915,688)	(43,800,202)

The Company has funded its deficit primarily through the issuance of share capital and convertible debt. A portion of the deficit relates to both warrant reserves (\$4.1M) and warrant liabilities (\$8.8M).

The company has lease commitments related to office, production and retail rents as follows:

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

Going Concern

The Company wishes to emphasize the importance of the going concern assumption which can be referenced at note 2 of the Consolidated Financial Statements for the year ended December 31, 2017.

Liquidity, Financing and Capital Resources

Cash used in operations was \$3.7M during the three months ended March 31, 2018 compared to \$2.7M during the three months ended March 31, 2017. Cash provided by financing activities was 20.2M in financing during the three months ended March 31, 2018 compared to cash used in financing activities of .5M of during the three months ended March 31, 2017.

As of March 31, 2018, the Company had \$22.1M of cash on hand. The Company's authorized share capital is an unlimited number of common shares which 568,724,061 common shares were issued and outstanding at March 31, 2018. The Company received C\$17.5M of proceeds from its most recent bought deal financing.

Off-Balance Sheet Arrangements

The Company has no off-balance sheet arrangements that would potentially affect current or future operations or the financial condition of the Company.

Related Party Transactions

Refer to note 18 of the interim condensed consolidated financial statements for the three months ended March 31, 2018.

Future accounting pronouncements

Refer to note 5 of the Condensed Consolidated Financial Statements for the twelve months ended December 31, 2017.

Financial Instruments

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.

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 December 31, 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

The Company recognizes the warrants associated with the initial private placements during the year as financial liabilities designated as Fair Value Through Profit or Loss where changes to fair value based on changes to the inputs are recognized in profit or loss. The estimated fair value of the warrants is categorized within Level 2 of the fair value hierarchy. Refer to note 12 for information regarding the valuation technique and inputs used to determine fair value.

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

(a) Credit risk

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

(b) 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.

(c) 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.

(d) Default Risk

As of the date of this report the Company has convertible debentures of C\$14.1M due on from its latest placement in November 2017. The Company anticipates that all of these debentures will convert within their maturity periods but cannot guarantee it will have sufficient cash reserves to settle these obligations when due given current projections.

Restriction on Additional Indebtedness

The secured convertible debentures issued by the Company in November 2017 restrict the Company and its subsidiaries from incurring or assuming additional indebtedness or creating, assuming or permitting to exist any lien or encumbrance on any assets or property of the Company or its subsidiaries, subject to limited exceptions.

Risks Related to the Company's Business

The following are certain risk factors relating to the business carried on by the Company. The Company will continue to face a number of challenges in the development of its business. Due to the nature of and present stage of the Company's business, the Company may be subject to significant risks. The following is a summary of the principal risk factors affecting the Company.

Operational Risks

The Company will be affected by a number of operational risks and the Company may not be adequately insured for certain risks, including: labour disputes; catastrophic accidents; fires; blockades or other acts of social activism; changes in the regulatory environment; impact of non-compliance with laws and regulations; natural phenomena, such as inclement weather conditions, floods, earthquakes and ground movements. There is no assurance that the foregoing risks and hazards will not result in damage to, or destruction of, the Company's properties, grow facilities and extraction facilities, personal injury or death, environmental damage, adverse impacts on the Company's operation, costs, monetary losses, potential legal liability and adverse governmental action, any of which could have an adverse impact on the Company's future cash flows, earnings and financial condition. Also, the Company may be subject to or affected by liability or sustain loss for certain risks and hazards against which the Company cannot insure or which the Company may elect not to insure because of the cost. This lack of insurance coverage could have an adverse impact on the Company's future cash flows, earnings, results of operations and financial condition.

Risks Specifically Related to the United States Regulatory System

Marijuana is illegal under U.S. federal law and enforcement of relevant laws is a significant risk.

This MD&A involves an entity that is expected to continue to derive a portion of its revenues from the cannabis industry in certain states of the United States, a country in which cannabis remains prohibited by federal law.

Golden Leaf has exposure to U.S. cannabis-related activities through 1) the (compliant licensed) production and sale of its cannabis consumer products to wholesale customers in the State of Oregon and Nevada, 2) the (compliant licensed) operation of retail dispensaries in the State of Oregon, and 3) the (compliant licensed) cultivation of cannabis trim and flower in the State of Nevada. The Company also operates wholly owned subsidiaries engaged in ancillary businesses such as equipment leasing, intellectual property management, employee leasing, and property leasing.

On February 8, 2018 the CSA published Staff Notice 51-352 setting out the CSA's disclosure expectations for specific risks facing issuers with cannabis-related activities in the United States. Staff Notice 51-352 confirms that a disclosure-based approach remains appropriate for issuers with U.S. cannabis related activities. Staff Notice 51-352 includes additional disclosure expectations that apply to all issuers with U.S. cannabis-related activities, including those with direct and indirect involvement in the cultivation and

distribution of cannabis, as well as issuers that provide goods and services to third parties involved in the U.S. cannabis industry. The Company views Staff Notice 51-352 favorably, as it provides increased transparency and greater certainty regarding the views of its exchange and its regulator of existing operations and strategic business plan as well as the Company’s ability to pursue further investment and opportunities in the United States.

The following chart is a summary of the Corporation’s material assets and investments. References to “Direct”, “Indirect” or “Ancillary” classifications of each asset or investment have the meanings ascribed thereto in the Staff Notice 51-352. All of the Corporation’s investments that give the Corporation “Direct”, “Indirect” and “Ancillary” involvement in the U.S. marijuana industry are included in the chart:

Asset Name, Date of Organization	Description	Type of Relationship, Jurisdiction, Classification
Greenpoint Holdings Delaware, Inc. <i>May 2014</i>	Greenpoint Holdings Delaware, Inc. is a holding company which acts as the parent to all US based operating subsidiaries.	<u>Type of Relationship:</u> Greenpoint Holdings Delaware, Inc. is a wholly owned subsidiary of Golden Leaf Holdings, Inc. <u>Jurisdiction:</u> Oregon, California, Nevada <u>Classification:</u> Direct
Greenpoint Oregon Inc. <i>May 2014</i>	Greenpoint Oregon Inc. holds a processor and wholesale licenses. The company’s primary facilities are located in Portland, OR.	<u>Type of relationship:</u> Greenpoint Oregon Inc. is a wholly-owned subsidiary of Greenpoint Holdings Delaware, Inc. <u>Jurisdiction:</u> Oregon <u>Classification:</u> Direct
CFA Retail, LLC <i>January 2016</i>	CFA Retail, LLC is a network of cannabis retail dispensaries located in Oregon operating under “ <i>Chalice Farms</i> ”	<u>Type of relationship:</u> CFA Retail, LLC is a wholly-owned subsidiary of Greenpoint Holdings Delaware, Inc. <u>Jurisdiction:</u> Oregon <u>Classification:</u> Direct
Left Coast Connections, Inc. <i>June 2014</i>	Left Coast Connections, Inc. operates a singular retail dispensary in Portland, OR.	<u>Type of Relationship:</u> Left Coast Connections, Inc. is a wholly owned subsidiary of Greenpoint Holdings Delaware, Inc. <u>Jurisdiction:</u> Oregon <u>Classification:</u> Direct
Greenpoint Nevada, Inc. <i>May 2017</i>	Greenpoint Nevada, Inc. is an indoor high-quality cannabis cultivation, production/manufacturing facility and a wholesale operation. Greenpoint Nevada, Inc. is located in Sparks, Nevada.	<u>Type of relationship:</u> Greenpoint Nevada Inc. is a wholly-owned subsidiary of Greenpoint Holdings Delaware Inc. <u>Jurisdiction:</u> Nevada <u>Classification:</u> Direct

Greenpoint Equipment Leasing (OR) <i>January 2016</i>	Greenpoint Equipment Leasing (OR) is located in Portland, Oregon and will lease equipment to operating subsidiaries in Oregon and Nevada	<u>Type of relationship:</u> Greenpoint Equipment Leasing (OR) is a wholly-owned subsidiary of Greenpoint Holdings Delaware Inc. <u>Jurisdiction:</u> Oregon and Nevada <u>Classification:</u> Ancillary
Greenpoint Real Estate (OR) <i>September 2015</i>	Greenpoint Real Estate (OR) leases real property from landlords and sublets to operating subsidiaries in Oregon and Nevada. The company is located in Portland, Oregon.	<u>Type of relationship:</u> Greenpoint Real Estate (OR) is a wholly-owned subsidiary of Greenpoint Holdings Delaware Inc. <u>Jurisdiction:</u> Oregon and Nevada <u>Classification:</u> Ancillary
Greenpoint Workforce, Inc. <i>June 2017</i>	Greenpoint Workforce, Inc. employs all US employees and leases them back to operating subsidiaries in Oregon, California and Nevada. The company is located in Portland, OR.	<u>Type of relationship:</u> Greenpoint Workforce, Inc. is a wholly-owned subsidiary of Greenpoint Holdings Delaware Inc. <u>Jurisdiction:</u> Oregon, California, Nevada <u>Classification:</u> Ancillary
CF US Franchising, Inc. <i>January 2018</i>	CF US Franchising, Inc. manages franchising activities in the United States and is located in Portland, OR.	<u>Type of relationship:</u> CF US Franchising, Inc. is a wholly-owned subsidiary of Greenpoint Holdings Delaware Inc. <u>Jurisdiction:</u> Oregon, California, Nevada <u>Classification:</u> Ancillary
Simpson Old Productions, LLC	Greenpoint Oregon Inc.'s oil production is reliant on Simpson Old Productions, LLC's license. Simpson Old Productions, LLC is located in Portland, OR.	<u>Type of Relationship:</u> Simpson Old Productions, LLC is a related party of Greenpoint Oregon Inc. The company holds a processing license that is integral to Greenpoint Oregon Inc.'s oil production. <u>Jurisdiction:</u> Oregon <u>Classification:</u> Direct

Through its subsidiaries, Golden Leaf Holdings, Ltd. ('the Company') is licensed by the Oregon Liquor Control Commission (OLCC) to process, distribute, and sell recreational and medicinal cannabis and cannabis products in the State of Oregon. The OLCC has issued the following licenses the Golden Leaf Holdings wholly owned subsidiaries:

Subsidiary	Licenses
Greenpoint Oregon Inc.	Processor: 030-1003213EDB2; 030-100384161D7
Greenpoint Oregon Inc.	Wholesale: 060-1003227DB77; 060-10046405D93
CFA Retail, LLC	Retail: 050-10079928B63; 050-1007989F581; 050-10079902125; 050-10079919CD9; 050-1007988A80E; 050-10025185011

See “*State Level Overview*” below for additional discussion on licenses.

The enforcement of relevant United States laws related to cannabis is a significant risk.

The following table is a summary of Golden Leaf’s balance sheet exposure to U.S. cannabis-related activities as of March 31, 2018:

	Total
Current Assets	5,168,742
Non-current assets	59,159,114
Total assets	64,327,857
Current liabilities	1,255,360
Non-current liabilities	72,419
Total liabilities	1,327,779

Goodwill and intangibles related to the acquisition of U.S. based subsidiaries are included within the non-current assets totals above.

The following represents the portion of certain assets on Golden Leaf’s consolidated balance sheet that pertain to U.S. Cannabis activity as of March 31, 2018:

Inventory: 100%

Property plant & equipment: 83%

Intangible assets and goodwill: 77%

The following is a summary of operating losses from U.S. cannabis-related activities for the three months ended March 31, 2018:

	Total
Revenue	\$ 2,865,796
Cost of sales	2,846,864
Gross margin	18,933
Less operating expenses	(2,519,940)
Net loss	\$ (2,501,007)

Currently, there are 29 states of the United States plus the District of Columbia that have laws and/or regulations that recognize, in one form or another, legitimate medical uses for cannabis and consumer use of cannabis in connection with medical treatment. Many other states are considering similar legislation. Conversely, under the U.S. Controlled Substances Act (the “CSA”), the policies and regulations of the Federal government and its agencies are that cannabis has no medical benefit and a range of activities including cultivation and the personal use of cannabis is prohibited. Unless and until Congress amends the CSA with respect to medical marijuana, as to the timing or scope of any such potential amendments there can be no assurance, there is a significant risk that federal authorities may enforce current federal law, and we may be deemed to be producing, cultivating or dispensing marijuana in violation of federal law or we may be deemed to be facilitating the selling or distribution of drug paraphernalia in violation of federal law with respect to our current or proposed business operations. Active enforcement of the current federal regulatory position on cannabis may thus indirectly and adversely affect the Company’s future cash

flows, earnings, results of operations and financial condition. The risk of strict enforcement of the CSA in light of Congressional activity, judicial holdings and stated federal policy remains uncertain.

Variation in State Regulations

Individual state laws do not always conform to the federal standard or to other states' laws. A number of states have decriminalized marijuana to varying degrees, other states have created exemptions specifically for medical cannabis, and several have both decriminalization and medical laws. Eight states, Colorado, Washington, Oregon, California, Nevada, Massachusetts, Alaska and the District of Columbia, have legalized the recreational use of cannabis. Variations exist among states that have legalized, decriminalized or created medical marijuana exemptions. For example, Alaska and Colorado have limits on the number of marijuana plants that can be home grown. In most states, the cultivation of marijuana for personal use continues to be prohibited except for those states that allow small-scale cultivation by the individual in possession of medical marijuana needing care or that person's caregiver. Active enforcement of state laws that prohibit personal cultivation of marijuana may indirectly and adversely affect the Company's future cash flows, earnings, results of operations and financial condition.

Marijuana remains illegal under US Federal law

Marijuana is a schedule-I controlled substance under the CSA and is illegal under U.S. federal law. Even in those states in which the use of marijuana has been legalized, its use remains a violation of U.S. federal law. Since U.S. federal law criminalizing the use of marijuana pre-empts state laws that legalize its use, strict enforcement of federal law regarding marijuana would likely result in our inability to proceed with our business plan.

Change of Cannabis laws

Local, state and U.S. federal medical marijuana laws and regulations are broad in scope and subject to evolving interpretations, which could require the Company to incur substantial costs associated with compliance or alter certain aspects of its business plan. In addition, violations of these laws, or allegations of such violations, could disrupt certain aspects of the Company's business plan and result in a material adverse effect on certain aspects of its planned operations. In addition, it is possible that regulations may be enacted in the future that will be directly applicable to certain aspects of the Company's businesses. The Company cannot predict the nature of any future laws, regulations, interpretations or applications, nor can it determine what effect additional governmental regulations or administrative policies and procedures, when and if promulgated, could have on the Company's business. The legislative and regulatory environment in the Company's jurisdictions is dynamic and reflects the uncertainty and search for novel solutions in the highly-regulated cannabis industry. There can also be no assurance that local governments will not take regulatory action which may negatively affect the Company's cannabis business. Management expects that the legislative and regulatory environment in the cannabis industry will continue to be dynamic and will require innovative solutions to try to comply with this changing legal landscape in this nascent industry, for the foreseeable future.

Banking

Since the use of marijuana is illegal under U.S. federal law, there is a strong argument that banks cannot accept for deposit funds from businesses involved with the marijuana industry. Consequently, businesses involved in the marijuana industry often have difficulty finding a bank willing to accept their business. The

inability to open bank accounts may make it difficult to operate the Company's medical and recreational marijuana business.

Compliance of United States Operations

Golden Leaf Holdings, via its subsidiaries, is compliant with all applicable licensing tenets and the regulatory framework that is in place in all US states that it operates within. The company is currently licensed to operate as a Processor, Wholesaler, and Retailer in multiple jurisdictions within Oregon, and as a Cultivator and Product Manufacturer at its single site in Nevada. The Company has not experienced any compliance issues or instances of non-compliance on any of the above-mentioned licenses. Further the Company has not been served any notices of non-compliance by any state regulatory body. The Company maintains multiple banking relationships in the State of Oregon, and has recently applied for banking services for its Nevada operations. These relationships provide the Company the ability to safely and lawfully pay for any and all expenses that should arise from the day to day operations of its licenses, including maintaining underlying permits and approvals to keep the licenses compliant. The Company also engages armored car services for cash pickup and management in all jurisdictions, further ensuring monetary compliance and safety.

The Company has a full-time Director of Compliance at its headquarters in Oregon. The Director of Compliance is responsible for monitoring all licensed activities in all jurisdictions and does perform local site visits in order to validate compliance with local statutes. This monitoring includes but is not limited to: seed-to-sale records and accuracy, standard operating procedures, required signage and public health warnings, local permitting and zoning, license approvals and renewals, and all communication with regulatory bodies. The Director of Compliance also conducts random audits of all licensed activities, as well as conducting training, process validation, and problem resolution when compliance questions arise.

Each employee is instructed on the most recent standard operating procedures. All sites have 24-hour video surveillance of every square inch. This footage is maintained for a minimum of 90 days. The Company also utilizes the state mandated seed-to-sale system in all jurisdictions that it operates within. State inspections to date have not resulted in any compliance related issues.

U.S. Enforcement Proceedings

Although the Cole Memorandum has been rescinded, one legislative safeguard for the medical marijuana industry remains in place: Congress has used a rider provision in the FY 2015, 2016 and 2017 Consolidated Appropriations Acts (currently the "Leahy Amendment") to prevent the federal government from using congressionally appropriated funds to enforce federal marijuana laws against regulated medical marijuana actors operating in compliance with state and local law. The Leahy Amendment was included in the FY 2018 budget passed on March 23, 2018, meaning that, the Leahy Amendment is still in effect as of today's date and will remain in effect until September 30, 2018, when FY 2019 begins. Legal professionals have interpreted these bills as being preventative on the federal governments ability to prosecute individuals when those individuals are compliant with state law. However, due to the continued federal prohibition, the courts have observed that if at any time congress chooses to fully fund prosecutorial proceedings in reference to the Controlled Substances Act, any individual or business could be prosecuted for violations of federal law, regardless of compliance with state law.

On January 4, 2018 US Attorney General Jeff Sessions issued a memorandum (the "Sessions Memorandum") that rescinded the Cole Memorandum. The Sessions Memorandum reversed previous

guidance which directed United States Attorneys in reference to cannabis enforcement. In producing this memorandum, Attorney General Sessions pointed to existing principals governing federal prosecution as being sufficient guidance. In general, Attorney General Sessions referred to section 9.27.000 of the United States Attorney's Manual, which requires federal prosecutors deciding which cases to prosecute to consider all relevant variables, including the Attorney General's federal law enforcement priorities, the seriousness of the crime, the deterrent effect of criminal prosecution, and the cumulative impact of particular crimes on the community in question.

The US Attorney for Oregon, Billy Williams responded by saying "I have significant concerns about the state's current regulatory framework and the resources allocated to policing marijuana in Oregon." However, "It would be an inappropriate abdication of my duties to issue any blanket proclamations on our marijuana enforcement strategy in light of federal law." In response to concerns regarding illicit cannabis grown and shipped out of Oregon, US Attorney Williams called a summit of local and state government officials, industry experts, and law enforcement. At this summit in February 2018, Oregon governor Kate Brown proclaimed that Williams had assured members of her administration that "lawful Oregon businesses remain stakeholders in this conversation and not targets of law enforcement."

The US Attorney for Nevada has issued no such proclamation. However, the Attorney General for the State of Nevada assured the industry "Although I opposed the Question 2 ballot initiative proposing the legalization of recreational marijuana in Nevada, I also pledged to defend the measure were it approved by the voters. Since Questions 2's enactment, my office has vigorously defended it against two related lawsuits that threatened to slow or even halt the implementation of the law and has further assisted with the formulation and adoption of regulations to allow dispensaries to commence sales of recreational marijuana within just six months of the law's enactment. My office has expeditiously facilitated the implementation of the law in the face of considerable uncertainty about the status of federal enforcement activity."

The direct effect of rescinding the Cole Memorandum was that federal prosecutors are now free to utilize their own discretion in prosecuting cannabis related crimes regardless of state level legalization measures. The Sessions Memorandum did not however direct prosecutors on how they should assign priority to cannabis activities. As a result, it is ultimately uncertain how US Attorneys will respond. Due to this uncertainty there can be no assurance that the federal government will not move to prosecute cannabis businesses operating within state regulatory frameworks.

The Company has obtained legal services from lawyers with experience in cannabis in all jurisdictions, regarding (a) compliance with applicable state regulatory frameworks and (b) potential exposure and implications arising from U.S. federal law.

Ability to Access Public and Private Capital

The Company has historically, and continues to have, access to capital in Canada in order to support its continuing operations. The Company has had cannabis-related activities in the United States since the listing of the Company's Common Shares on the CSE upon completion of its reverse takeover transaction. In addition, the Company has had success completing private offerings in the past, including the January 2018 private placement which raised C\$17.4 million of capital for the Company, and has an ongoing banking relationship with four banks in Canada. Although the Company has accessed private financing in the past, there is neither a broad nor deep pool of institutional capital that is available to cannabis license holders and license applicants. There can be no assurance that additional financing, if raised privately, will

be available to the Company when needed or on terms which are acceptable. The Company has to date not had to raise any capital through a prospectus financing and such financing may not be available to the Company.

The Company's investments in the United States are subject to applicable anti-money laundering laws and regulations.

The Company is subject to a variety of laws and regulations domestically and in the United States that involve money laundering, financial recordkeeping and proceeds of crime, including the U.S. Currency and Foreign Transactions Reporting Act of 1970 (commonly known as the Bank Secrecy Act), as amended by Title III of the Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism Act of 2001 (USA PATRIOT Act), the Proceeds of Crime (Money Laundering) and Terrorist Financing Act (Canada), as amended and the rules and regulations thereunder, and any related or similar rules, regulations or guidelines, issued, administered or enforced by governmental authorities in the United States and Canada.

In February 2014, the Financial Crimes Enforcement Network (“FinCEN”) of the U.S. Department of the Treasury issued a memorandum providing instructions to banks seeking to provide services to cannabis related businesses (the “FinCEN Memo”). The FinCEN Memo states that in some circumstances, it is permissible for banks to provide services to cannabis-related businesses without risking prosecution for violation of federal money laundering laws. It refers to supplementary guidance that Deputy Attorney General Cole issued to federal prosecutors relating to the prosecution of money laundering offenses predicated on cannabis-related violations of the CSA on the same day. It is unclear at this time whether the current administration will follow the guidelines of the FinCEN Memo.

The Company’s investments, and any proceeds thereof, are considered proceeds of crime since cannabis remains illegal federally in the United States. This restricts the ability of the Company to declare or pay dividends, effect other distributions or subsequently repatriate such funds back to Canada. Furthermore, while the Company has no current intention to declare or pay dividends on its shares in the foreseeable future, the Company may decide or be required to suspend declaring or paying dividends without advance notice and for an indefinite period of time.

Reliance on third-party suppliers, manufacturers and contractors

The Company intends to maintain a full supply chain for the provision of products and services to the regulated cannabis industry. Due to the uncertain regulatory landscape for regulating cannabis in Canada and the United States, the Company’s third-party suppliers, manufacturers and contractors may elect, at any time, to decline or withdraw services necessary for the Company’s operations. Loss of these suppliers, manufacturers and contractors may have a material adverse effect on the Company’s business and operational results.

State level overview

Oregon Summary

Oregon has both medical and adult-use marijuana programs. In 1998, Oregon voters passed a limited noncommercial patient/caregiver medical marijuana law with an inclusive set of qualifying conditions that include chronic pain. In 2013, the legislature passed, and governor signed, House Bill 3460 to create a regulatory structure for existing unlicensed medical marijuana businesses. However, the original

regulations created by the Oregon Health Authority (“OHA”) after the passage of House Bill 3460 were minimal and only regulated storefront dispensaries, leaving cultivators and infused-product manufacturers within the unregulated patient/caregiver system.

On June 30, 2015, Gov. Kate Brown signed House Bill 3400 into law, which improved on the existing regulatory structure for medical marijuana businesses and created a licensing process for cultivators and processors. In November of 2014, Oregon voters passed Measure 91, “Control, Regulation, and Taxation of Marijuana and Industrial Hemp Act”, creating a regulatory system for individuals 21 years of age and older to purchase marijuana for personal use from licensed marijuana businesses.

The Oregon Health Authority licenses and regulates medical marijuana businesses and the Oregon Liquor Control Commission (“OLCC”) licenses and regulates adult-use marijuana businesses. There are six distinct license types available for medical and adult-use businesses: cultivation, manufacturing (“processing”), wholesaling, dispensing, testing and research. Vertical integration between cultivation, processing, and sales is permissible, but not required, for both medical and adult-use.

The law does not impose a limit on the number of licenses and applications are currently being accepted for both medical and adult-use businesses on a rolling basis. Local governments may restrict the number of both medical or adult-use marijuana businesses. Laws passed during the 2016 legislative session removed the two-year residency requirement that existed within House Bill 3400.

Through its subsidiaries, Golden Leaf Holdings, Ltd. (‘the Company’) is licensed by the Oregon Liquor Control Commission (OLCC) to process, distribute, and sell recreational and medicinal cannabis and cannabis products in the State of Oregon. The OLCC has issued the following licenses to the Golden Leaf Holdings wholly owned subsidiaries:

Subsidiary	Licenses
Greenpoint Oregon Inc.	Processor: 030-1003213EDB2; 030-100384161D7
Greenpoint Oregon Inc.	Wholesale: 060-1003227DB77; 060-10046405D93
CFA Retail, LLC	Retail: 050-10079928B63; 050-1007989F581; 050-10079902125; 050-10079919CD9; 050-1007988A80E; 050-10025185011

The Processor licenses carry endorsements that authorize Greenpoint Oregon to procure usable cannabis from OLCC licensed cultivators, or cannabinoid concentrates or extracts from other OLCC licensed processors, and to use that material to produce cannabinoid concentrates, extracts, and edibles. Those products may then be transferred to any OLCC licensed wholesaler for distribution to consumers. At present time license number 030-1003213EDB2 carries an Extraction endorsement and license 030-100384161D7 carries Concentrate and Edible endorsements.

Under the Wholesale licenses, Greenpoint Oregon is allowed to procure usable cannabis from any OLCC licensed Producer, as well as cannabinoid extract, concentrate, or product from any OLCC licensed Processor. The Wholesale license includes authorization to package and label these products for sale to consumers if they are not purchased pre-packaged. This includes the ability to fill cartridges with extract or concentrate procured from any OLCC licensed processor. These licenses are also responsible for submitting any packaging or labels to the OLCC for approval prior to marketing. Lastly, the Wholesale license includes authorization to distribute these products to any OLCC licensed dispensary. The Company utilizes its wholesale licenses for supply chain management of its chain of dispensaries, as well as actively wholesaling to a large portfolio of other OLCC retail licensees.

The Company's Retail licenses afford the Company the ability to sell recreational useable cannabis, extracts, concentrates and products directly to consumers, as well as selling medicinal cannabis and cannabis products to Oregon Medical Marijuana Program (OMMP) patients and their designated primary caregivers. Retail licensed facilities are responsible for compliance with Oregon law regarding customer age, required public safety notices, and educating the public as to Oregon law surrounding cannabis. Customers must be age 21 or over, or be registered with the OMMP as a patient or caregiver.

Regulatory Framework

Oregon Revised Statutes Chapter 475 B (Cannabis Regulation) provides the regulatory framework for both the recreational and medical cannabis industries in Oregon. The OLCC implementation of the recreational cannabis statutes are found in Oregon Administrative Rules Chapter 845, Division 25. The OMMP implementation of the medical cannabis statutes are found in Oregon Administrative Rules Chapter 333, Division 8. Chapter 333, Division 7 provides the packaging, labelling and dosage limits for both programs, and Chapter 333, Division 64 governs the accreditation of laboratories for testing.

Both the OLCC and the OMMP Rules include licensing requirements and materials, as well as criteria for denial or approval of license applications.

Licensing Requirements

Licenses issued by OLCC may be renewed annually so long as the licensee meets the requirements of the law and pays the renewal fee. There is no maximum number of licenses per owner, except for cultivation licenses located at the same address.

Applicants must demonstrate (and license holders must maintain) that: (i) They are registered with the Oregon Secretary of State to do business in Oregon, (ii) They have the operational expertise required by the individual license type, demonstrated by submission of an operation plan, (iii) They have the ability to secure the premises, resources, and personnel necessary to operate the license, (iv) They have the ability to maintain accountability of all cannabis and cannabinoid products and by-products via the state mandated seed-to-sale software to prevent diversion or unlawful access to these materials, (v) They have the financial ability to maintain operations for the duration of the license, (vi) All owners have passed background screening, inclusive of fingerprinting, (vii) That all local land use, zoning, and planning notices have been followed in the development of the licensed site.

Security Requirements

A licensee must maintain a fully operational alarm and video monitoring system at all times. Commercial grade, non-residential door locks are required on every external door. The alarm system must secure all entry points and be equipped with motion detectors and pressure activated panic alarms. The 24-hour video surveillance system must record at a high-resolution format approved by the OLCC and have camera coverage which covers all areas of the facility without any blackout areas. Video footage must be backed-up for a minimum of 30 days in hard-form, with a minimum of 90 days available on request. Additionally, the camera system must have the ability to print still photos.

Dispensaries are the only facilities allowing public access. These facilities must include a waiting area with sufficient space and seating to accommodate customers. This waiting area is separated from the consumer sales area by a locked door that is controlled by an employee within the secured area. All other facilities require signage advising that there is no public entry. Any vendors or contractors that must be on site have to be fully checked in through a visitor log and must be accompanied at all times by an employee.

Transportation and Storage Requirements

Recreational and medicinal cannabis and cannabis products must be stored in a secured, locked room or vault. Vaults that are large enough to allow a person to walk in must have cameras inside so that there is no blind spot. Smaller safes must be bolted to the floor. When products are transferred between licensees, they must first be fully manifested through the state mandated 'seed-to-sale' system. This written manifest must include: (i) departure date and time, (ii) name, address, and license number of the originating licensee, (iii) name, address, and license number of the recipient, (iv) quantity and form of any cannabis or cannabis delivery device being transported, (v) arrival date and time, (vi) delivery vehicle make and model and license plate number; and (vii) name and signature of the employee delivering the product. A copy of this manifest is provided to the receiving licensee for their verification. Upon receiving the transfer, the licensee must immediately verify the shipment versus the manifest and accept it electronically within the 'seed-to-sale' system. This completes the inventory transfer. OLCC licensee's must maintain these records for a minimum of 3 years. During transport, all product is packaged individually by order, and maintained within a locked receptacle within the vehicle. All deliveries must be completed within 24 hours.

Department Inspections

The OLCC conducts announced and unannounced inspections of all licensed facilities to determine compliance with laws and rules. The OLCC will inspect a licensee upon receiving a complaint or notice that the licensee has violated any existing rules. The OLCC will also conduct an annual license renewal inspection at the time of application approval. Inspections can cover all records, personnel, equipment, security, and operational methodologies.

Nevada Summary

Nevada has a medical marijuana program and passed an adult-use legalization through the ballot box in November 2016. In 2000, Nevada voters passed a medical marijuana initiative allowing physicians to recommend cannabis for an inclusive set of qualifying conditions including chronic pain and created a limited non-commercial medical marijuana patient/caregiver system. Senate Bill 374, which passed the legislature and was signed by the Governor in 2013, expanded this program and established a for-profit regulated medical marijuana industry.

The Nevada Division of Public and Behavioural Health licensed medical marijuana establishments up until July 1, 2017 when the state's medical marijuana program merged with adult-use marijuana enforcement under the Nevada Department of Taxation. In 2014, Nevada accepted medical marijuana business applications and a few months later the Division approved 182 cultivation licenses, 118 licenses for the production of edibles and infused products, 17 independent testing laboratories, and 55 medical marijuana dispensary licenses. The number of dispensary licenses was then increased to 66 by legislative action in 2015. The application process is merit-based, competitive, and is currently closed. Residency is

not required to own or invest in a Nevada medical cannabis business. In addition, vertical integration is neither required nor prohibited. Nevada’s medical law includes patient reciprocity, which permits medical patients from other states to purchase marijuana from Nevada dispensaries. Nevada also allows for dispensaries to deliver medical marijuana to patients.

Under Nevada’s adult-use marijuana law, the Department of Taxation licenses marijuana cultivation facilities, product manufacturing facilities, distributors, retail stores and testing facilities. After merging medical and adult-use marijuana regulation and enforcement, the single regulatory agency is now known as the “Marijuana Enforcement Division of the Department of Taxation.” For the first 18 months, applications to the Department for adult-use establishment licenses can only be accepted from existing medical marijuana establishments and existing liquor distributors for the adult-use distribution license. In February 2017, the Nevada Department of Taxation announced plans to issue “early start” recreational marijuana establishment licenses in the summer of 2017. These licenses, beginning on July 1, 2017, allowed marijuana establishments holding both a retail marijuana store and dispensary license to sell their existing medical marijuana inventory as either medical or adult-use marijuana, and expired at the end of the year. Starting July 1, 2017, medical and adult-use marijuana have incurred a 15% excise tax on the first wholesale sale (calculated on the fair market value) and adult-use cannabis have incurred an additional 10% special retail marijuana sales tax in addition to any general state and local sales and use taxes.

On January 16, 2018, the Marijuana Enforcement Division of the Department of Taxation issued final rules governing its adult-use marijuana program, pursuant to which up to sixty-six (66) permanent adult-use marijuana dispensary licenses will be issued. Existing adult-use marijuana licensees under the “early start” regulations must reapply for licensure under the permanent rules in order to continue adult-use sales.

Through its subsidiaries, Golden Leaf Holdings is licensed for Cultivation and Cannabis Product manufacturing in the State of Nevada. Licenses in Nevada are issued by the Nevada Department of Taxation (“DOT”). The DOT has issued 1 Cultivation license and 1 Product Manufacturing License to Greenpoint Nevada, Inc., a wholly owned subsidiary of Golden Leaf Holdings.

The cultivation license allows Greenpoint Nevada to cultivate immature, vegetative, and flowering cannabis plants within our licensed facility. There is no cap to the total canopy size afforded under this license. Cannabis cultivated under this license can be transferred to any DOT Product Manufacturing licensee, or to DOT licensed retailers via a DOT licensed Distributor. The company currently transfers all cannabis cultivated under this license directly to our own DOT processing license.

The Product Manufacturing license allows Greenpoint Nevada to procure usable cannabis from any DOT licensed cultivator, and utilize that material to produce cannabis extracts, concentrates and products. These products may be marketed directly to DOT licensed Retailers, or DOT licensed Distributors. Currently Greenpoint Nevada utilizes cannabis flower from its own Cultivation license as well as others as inputs to its extraction processing operations. The license produces a line of extracts and concentrates. The company employs wholesale professionals which sell these products directly to DOT licensed retailers.

Regulatory Framework

Nevada Revised Statutes Chapter 453D provides a regulatory framework that outlines the function of the DOT Marijuana program. Subsections of this chapter outline licensing and enforcement guidelines which guide the DOT.

Licensing Requirements

Licenses issued by the DOT can be renewed annually so long as the licensee continues to demonstrate compliance with local and state law and pays the renewal fee. The DOT places license caps on all license classifications, which are reassessed annually.

Applicants must demonstrate (and license holders must maintain) that: (i) They are registered with the Nevada Secretary of State to do business in Nevada, (ii) That they have contributed to the advancement of the State of Nevada via regular tax payments, (iii) That they do not have interests in the Casino or Alcohol industries, (iv) They have the operational expertise required by the individual license type, demonstrated by submission of an operation plan, (v) They have the ability to secure the premises, resources, and personnel necessary to operate the license, (vi) They have the ability to maintain accountability of all cannabis and cannabinoid products and by-products via the state mandated seed-to-sale software to prevent diversion or unlawful access to these materials, (vii) They have the financial ability to maintain operations for the duration of the license, (viii) All owners have passed background screening, inclusive of fingerprinting, (ix) That all local land use, zoning, and planning notices have been followed in the development of the licensed site.

Security Requirements

In terms of security requirements, a licensee must maintain a fully operational alarm and video monitoring system at all times. The alarm system must secure all points of ingress and egress and be equipped with motion detectors. The 24-hour video surveillance system must record at a high-resolution format approved by the DOT and have camera coverage which covers all areas of the facility without any blind spots. Video footage must be backed-up for a minimum of 30 days in hard-form.

Cultivation and Product Manufacturing sites are not open to the public. In the case of Greenpoint Nevada, both operations are housed within the same facility. This facility has ample signage advising no public admittance. Any vendor or contractor that needs access to the premises must be fully identified and sign into a vendor log. There is to be no access to non-employees unless there is an employee present.

Transportation and Storage Requirements

Cannabis and cannabis goods must be stored in a lockable safe or vault at any time that employees are not on location. Any storage container that is large enough to allow an employee to walk into it must have cameras placed inside. Goods to be transported to another licensee must be fully manifested via the state mandated seed-to-sale tracking system prior to being transported. Greenpoint Nevada utilizes a DOT licensed distributor as a partner in all shipments.

Department Inspections

The DOT conducts announced and unannounced inspections of all licensed facilities to determine compliance with laws and rules. The DOT will inspect a licensee in the event of a complaint indicating that the licensee has or is actively violating existing statute. The DOT will also inspect at the time of any premises modification, as well as at the time of annual renewal.

The Company's investments in the United States may be subject to heightened scrutiny

For the reasons set forth above, the Company's existing investments in the United States, and any future investments, may become the subject of heightened scrutiny by regulators, stock exchanges and other

authorities in Canada. As a result, the Company may be subject to significant direct and indirect interaction with public officials. There can be no assurance that this heightened scrutiny will not in turn lead to the imposition of certain restrictions on the Company's ability to invest in the United States or any other jurisdiction. See "Risk Factors".

Government policy changes or public opinion may also result in a significant influence over the regulation of the cannabis industry in Canada, the United States or elsewhere. A negative shift in the public's perception of medical cannabis in the United States or any other applicable jurisdiction could affect future legislation or regulation. Among other things, such a shift could cause state jurisdictions to abandon initiatives or proposals to legalize medical cannabis, thereby limiting the number of new state jurisdictions into which the Company could expand. Any inability to fully implement the Company's expansion strategy may have a material adverse effect on the Company's business, financial condition and results of operations. See "Risk Factors".

Further, violations of any federal laws and regulations could result in significant fines, penalties, administrative sanctions, convictions or settlements arising from civil proceedings conducted by either the federal government or private citizens, or criminal charges, including, but not limited to, disgorgement of profits, cessation of business activities or divestiture. This could have a material adverse effect on the Company, including its reputation and ability to conduct business, its holding (directly or indirectly) of medical cannabis licenses in the United States, the listing of its securities on various stock exchanges, its financial position, operating results, profitability or liquidity or the market price of its publicly traded shares. In addition, it is difficult for the Company to estimate the time or resources that would be needed for the investigation of any such matters or its final resolution because, in part, the time and resources that may be needed are dependent on the nature and extent of any information requested by the applicable authorities involved, and such time or resources could be substantial. See "Risk Factors".

The Company's investments operate in a new industry which is highly regulated, highly competitive and evolving rapidly. As such, new risks may emerge, and management may not be able to predict all such risks or be able to predict how such risks may result in actual results differing from the results contained in any forward-looking statements.

The Company's investments incur ongoing costs and obligations related to regulatory compliance. Failure to comply with regulations may result in additional costs for corrective measures, penalties or in restrictions of operations. In addition, changes in regulations, more vigorous enforcement thereof or other unanticipated events could require extensive changes to operations, increased compliance costs or give rise to material liabilities, which could have a material adverse effect on the business, results of operations and financial condition of the Company's investments and, therefore, on the Company's prospective returns. Further, the Company may be subject to a variety of claims and lawsuits. Adverse outcomes in some or all of these claims may result in significant monetary damages or injunctive relief that could adversely affect our ability to conduct our business. Litigation and other claims are subject to inherent uncertainties and management's view of these matters may change in the future. A material adverse impact on our financial statements also could occur for the period in which the effect of an unfavourable final outcome becomes probable and reasonably estimable.

The industry is subject to extensive controls and regulations, which may significantly affect the financial condition of market participants. The marketability of any product may be affected by numerous factors that are beyond the control of the Company's investments and which cannot be predicted, such as changes

to government regulations, including those relating to taxes and other government levies which may be imposed. Changes in government levies, including taxes, could reduce the Company's investments' earnings and could make future capital investments or the Company's investments' operations uneconomic. The industry is also subject to numerous legal challenges, which may significantly affect the financial condition of market participants and which cannot be reliably predicted.

The Company is expected to continue to derive a portion of its revenues from the cannabis industry in certain states of the United States, which industry is illegal under United States federal law. While the Company's business activities are compliant with applicable state and local law, such activities remain illegal under United States federal law. Golden Leaf is involved in the cannabis industry in the United States where local and state laws permit such activities or provide limited defenses to criminal prosecutions. Currently, the Company is indirectly and directly engaged in the manufacture and possession of cannabis in the medical and recreational cannabis marketplace in the United States. The enforcement of relevant laws is a significant risk.

Twenty-nine of the states in the United States have enacted comprehensive legislation to regulate the sale and use of medical cannabis. Notwithstanding the permissive regulatory environment of medical cannabis at the state level, cannabis continues to be categorized as a Schedule 1 controlled substance under the United States Controlled Substances Act of 1970. As such, cannabis-related practices or activities, including without limitation, the cultivation, manufacture, importation, possession, use or distribution of cannabis, are illegal under United States federal law. Strict compliance with state laws with respect to cannabis will neither absolve the Company of liability under United States federal law, nor will it provide a defense to any federal proceeding which may be brought against the Company. Any such proceedings brought against the Company may adversely affect the Company's operations and financial performance.

Because of the conflicting views between state legislatures and the federal government of the United States regarding cannabis, investments in cannabis businesses in the United States are subject to inconsistent legislation, regulation, and enforcement. Unless and until the United States Congress amends the United States Controlled Substances Act with respect to cannabis or the Drug Enforcement Agency reschedules or de-schedules cannabis (and as to the timing or scope of any such potential amendments there can be no assurance), there is a risk that federal authorities may enforce current federal law, which would adversely affect the current and future investments of the Company in the United States. As a result of the tension between state and federal law, there are a number of risks associated with the Company's existing and future investments in the United States.

For the reasons set forth above, the Company's existing interests in the United States cannabis market may become the subject of heightened scrutiny by regulators, stock exchanges, clearing agencies and other authorities in Canada. It has been reported by certain publications in Canada that the Canadian Depository for Securities Limited may implement policies that would see its subsidiary, CDS Clearing and Depository Services Inc. ("CDS"), refuse to settle trades for cannabis issuers that have investments in the United States. CDS is Canada's central securities depository, clearing and settlement hub settling trades in the Canadian equity, fixed income and money markets. The TMX Group, the owner and operator of CDS, subsequently issued a statement on August 17, 2017 reaffirming that there is no CDS ban on the clearing of securities of issuers with cannabis-related activities in the United States, despite media reports to the contrary and that the TMX Group was working with regulators to arrive at a solution that will clarify this matter, which would be communicated at a later time.

On February 8, 2018, following discussions with the Canadian Securities Administrators (“CSA”) and recognized Canadian securities exchanges, the TMX Group announced the signing of a Memorandum of Understanding (“TMX MOU”) with Aequitas NEO Exchange Inc., the CSE, the Toronto Stock Exchange, and the TSX Venture Exchange. The TMX MOU outlines the parties’ understanding of Canada’s regulatory framework applicable to the rules, procedures, and regulatory oversight of the exchanges and CDS as it relates to issuers with cannabis-related activities in the United States. The TMX MOU confirms, with respect to the clearing of listed securities, that CDS relies on the exchanges to review the conduct of listed issuers. As a result, there is no CDS ban on the clearing of securities of issuers with cannabis-related activities in the United States. However, there can be no guarantee that this approach to regulation will continue in the future. If such a ban were to be implemented, it would have a material adverse effect on the ability of holders of Common Shares to make and settle trades. In particular, the Common Shares would become highly illiquid as until an alternative was implemented, investors would have no ability to effect a trade of the Common Shares through the facilities of a stock exchange. The Company has obtained eligibility with the Depository Trust Company (“DTC”) for its Common Share quotation on the OTCQB and such DTC eligibility provides another possible avenue to clear Common Shares in the event of a CDS ban.

The activities of Golden Leaf’s investments are, and will continue to be, subject to evolving regulation by governmental authorities. The Company’s investments are directly or indirectly engaged in the medical and recreational cannabis industry in the United States, where local state law permits such activities, and in the legal medical cannabis industry in Canada, where recreational cannabis is not expected to be legalized until the Cannabis Act comes into force. The legality of the production, extraction, distribution and use of cannabis differs among North American jurisdictions.

Golden Leaf’s investments have been focused in states that have legalized the recreational use of cannabis. Currently, the states of Alaska, California, Colorado, Maine, Massachusetts, Nevada, Oregon, Vermont, Washington and the District of Columbia have legalized recreational use of cannabis. Over half of the U.S. states have enacted legislation to legalize and regulate the sale and use of medical cannabis. However, the U.S. federal government has not enacted similar legislation. As such, the cultivation, manufacture, distribution, sale and use of cannabis remains illegal under U.S. federal law.

Further, on January 4, 2018, U.S. Attorney General Jeff Sessions formally rescinded the standing U.S. Department of Justice federal policy guidance governing enforcement of marijuana laws, as set forth in a series of memos and guidance from 2009-2014, principally the Cole Memorandum. The Cole Memorandum generally directed U.S. Attorneys not to enforce the federal marijuana laws against actors who are compliant with state laws, provided enumerated enforcement priorities were not implicated. The rescission of this memo and other Obama-era prosecutorial guidance did not create a change in federal law as the Cole Memorandums were never legally binding; however, the revocation removed the DOJ’s guidance to U.S. Attorneys that state-regulated cannabis industries substantively in compliance with the Cole Memorandum’s guidelines should not be a prosecutorial priority. The federal government of the United States has always reserved the right to enforce federal law regarding the sale and disbursement of medical or recreational marijuana, even if state law sanctioned such sale and disbursement. Although the rescission of the above memorandums does not necessarily indicate that marijuana industry prosecutions are now affirmatively a priority for the DOJ, there can be no assurance that the federal government will not enforce such laws in the future.

Additionally, there can be no assurance that state laws legalizing and regulating the sale and use of cannabis will not be repealed or overturned, or that local governmental authorities will not limit the

applicability of state laws within their respective jurisdictions. It is also important to note that local and city ordinances may strictly limit and/or restrict the distribution of cannabis in a manner that could make it extremely difficult or impossible to transact business in the cannabis industry. If the federal government begins to enforce federal laws relating to cannabis in states where the sale and use of cannabis is currently legal, or if existing state laws are repealed or curtailed, the Company's investments in such businesses would be materially and adversely affected notwithstanding the fact that the Company is not directly engaged in the sale or distribution of cannabis. Federal actions against any individual or entity engaged in the marijuana industry or a substantial repeal of marijuana related legislation could adversely affect the Company, its business and its investments.

In light of the political and regulatory uncertainty surrounding the treatment of U.S. cannabis-related activities, including the rescission of the Cole Memorandum discussed above, on February 8, 2018 the CSA published Staff Notice 51-352 setting out the CSA's disclosure expectations for specific risks facing issuers with cannabis-related activities in the United States. Staff Notice 51-352 confirms that a disclosure-based approach remains appropriate for issuers with U.S. cannabis-related activities. Staff Notice 51-352 includes additional disclosure expectations that apply to all issuers with U.S. cannabis-related activities, including those with direct and indirect involvement in the cultivation and distribution of cannabis, as well as issuers that provide goods and services to third parties involved in the U.S. cannabis industry. The Company views Staff Notice 51-352 favourably, as it provides increased transparency and greater certainty regarding the views of its exchange and its regulator of existing operations and strategic business plan as well as the Company's ability to pursue further investment and opportunities in the United States.

Golden Leaf's funding of the activities of investments involved in the medical and recreational cannabis industry through loans, royalties or other forms of investment, may be illegal under the applicable federal laws of the United States and other applicable law. There can be no assurances the federal government of the United States or other jurisdictions will not seek to enforce the applicable laws against the Company. The consequences of such enforcement would be materially adverse to the Company and the Company's business and could result in the forfeiture or seizure of all or substantially all of the Company's assets.

The concepts of "medical cannabis" and "retail cannabis" do not exist under United States federal law because the U.S. Controlled Substances Act classifies "marijuana" as a Schedule I drug. Under United States federal law, a Schedule I drug or substance has a high potential for abuse, no accepted medical use in the United States, and a lack of accepted safety for the use of the drug under medical supervision. As such, cannabis-related practices or activities, including without limitation, the manufacture, importation, possession, use or distribution of cannabis remain illegal under United States federal law. Although the Company's activities are compliant with applicable United States state and local law, strict compliance with state and local laws with respect to cannabis may neither absolve the Company of liability under United States federal law, nor may it provide a defence to any federal proceeding which may be brought against the Company. Any such proceedings brought against the Company may adversely affect the Company's operations and financial performance.

Violations of any United States federal laws and regulations could result in significant fines, penalties, administrative sanctions, convictions or settlements arising from civil proceedings conducted by either the United States federal government or private citizens, or criminal charges, including, but not limited to, disgorgement of profits, cessation of business activities or divestiture. This could have a material adverse effect on the Company, including its reputation and ability to conduct business, its holding (directly or

indirectly) of medical cannabis licenses in the United States, the listing of its securities on various stock exchanges, its financial position, operating results, profitability or liquidity or the market price of its publicly traded shares. In addition, it is difficult for the Company to estimate the time or resources that would be needed for the investigation of any such matters or its final resolution because, in part, the time and resources that may be needed are dependent on the nature and extent of any information requested by the applicable authorities involved, and such time or resources could be substantial.

There is still uncertainty surrounding the Trump Administration and Attorney General Jeff Sessions and their influence and policies in opposition to the cannabis industry as a whole. However, in April of 2018 President Trump, as part of an agreement with Colorado Senator Cory Gardner, has publicly committed to respect states rights as it pertains to marijuana laws.

Many factors could cause the Company's actual results, performances and achievements to differ materially from those expressed or implied by the forward-looking statements and forward-looking information, including without limitation, the following risk factors:

- The Company has several investments into businesses that operate in the U.S., where cannabis is federally illegal;
- The activities of the Company are subject to evolving regulation that is subject to changes by governmental authorities in Canada and the U.S.;
- Third parties with which the Company does business, including banks and other financial intermediaries, may perceive that they are exposed to legal and reputational risk because of the Company's cannabis business activities;
- The Company's ability to repatriate returns generated from investments in the U.S. may be limited by anti-money laundering laws;
- Under Section 280E of the Internal Revenue Code, normal business expenses incurred in the business of selling marijuana and its derivatives are not deductible in calculating income tax liability. Therefore, the Company will be precluded from claiming certain deductions otherwise available to non-marijuana businesses. As a result, an otherwise profitable business may in fact operate at a loss after taking into account its income tax expenses. There is no certainty that the Company will not be subject to 280E in the future, and accordingly, there is no certainty that the impact that 280E has on the Company's margins will ever be reduced;
- Federal prohibitions result in marijuana businesses being potentially restricted from accessing the U.S. federal banking system, and the Company and its subsidiaries may have difficulty depositing funds in federally insured and licensed banking institutions. This may lead to further related issues, such as the potential that a bank will freeze the Company's accounts and risks associated with uninsured deposit accounts. There is no certainty that Company will be able to maintain its existing accounts or obtain new accounts in the future; and

Although the TMX MOU confirms that there is currently no CDS ban on the clearing of securities of issuers with cannabis-related activities in the United States, there can be no guarantee that this approach to regulation will continue in the future.

Canadian Regulatory Risks

Achievement of the Company's business objectives is contingent, in part, upon compliance with regulatory requirements enacted by governmental authorities and obtaining all regulatory approvals, where necessary, for the sale of its products. The Company cannot predict the impact of the compliance regime Health Canada is implementing for the Canadian medical or recreational marijuana industry. Similarly, the Company cannot predict the time required to secure all appropriate regulatory approvals for its products, or the extent of testing and documentation that may be required by governmental authorities. The impact of Health Canada's compliance regime, any delays in obtaining, or failure to obtain regulatory approvals may significantly delay or impact the development of markets, products and sales initiatives and could have a material adverse effect on the business, results of operations and financial condition of the Company. The Company will incur ongoing costs and obligations related to regulatory compliance. Failure to comply with regulations may result in additional costs for corrective measures, penalties or in restrictions on the Company's operations. In addition, changes in regulations, more vigorous enforcement thereof or other unanticipated events could require extensive changes to the Company's operations, increased compliance costs or give rise to material liabilities, which could have a material adverse effect on the business, results of operations and financial condition of the Company.

The Company's ability to grow, store and sell medical marijuana in Canada is dependent on its Health Canada licences (the "**Canadian Licenses**"). The Canadian Licenses are subject to ongoing compliance and reporting requirements. Failure to comply with the requirements of the Canadian Licenses or any failure to maintain the Canadian Licenses would have a material adverse impact on the business, financial condition and operating results of the Company. Although management believes the Company will meet the requirements of the ACMPR for future extensions or renewals of the Canadian Licenses, there can be no guarantee that Health Canada will extend or renew these Canadian Licenses or, if extended or renewed, that they will be extended or renewed on the same or similar terms. Should Health Canada not extend or renew the Canadian Licenses or should they renew the Canadian Licenses on different terms, the business, financial condition and results of the operation of the Company would be materially adversely affected.

The laws, regulations and guidelines generally applicable to the cannabis industry domestically and internationally may change in ways currently unforeseen by the Company. The Company's operations are subject to the ACMPR and various other laws, regulations and guidelines relating to the marketing, acquisition, manufacture, packaging/labelling, management, transportation, storage, sale and disposal of medical cannabis, as well as laws and regulations relating to health and safety, the conduct of operations and the protection of the environment. On June 30, 2016, the Federal Government established the Task Force to seek input on the design of a new system to legalize, strictly regulate and restrict access to cannabis. On December 13, 2016, the Task Force published a report outlining its recommendations. On April 13, 2017, the Federal Government released Bill C-45, which proposes the enactment of the Cannabis Act, to regulate the production, distribution and sale of cannabis for unqualified adult use. On November 27, 2017, the House of Commons passed Bill C-45, and on December 20, 2017, the Prime Minister communicated that the Federal Government intends to legalize cannabis in the summer of 2018, despite previous reports of a July 1, 2018 deadline. It is unknown whether these regulatory changes will be implemented. Several recommendations from the Task Force reflected in the Cannabis Act, including, but not limited to, permitting home cultivation, potentially easing barriers to entry into the Canadian recreational cannabis market, and restrictions on advertising and branding, could materially and adversely affect the business, financial condition and results of operations of the Company. On October 3, 2017, the

Parliamentary Standing Committee on Health (the “HESA”) proposed amendments to the Cannabis Act to provide, among other things, that edibles containing cannabis and cannabis concentrates would be added to the classes of cannabis an authorized person may sell. In addition, the HESA’s proposed amendments provide that a framework for sale of edibles and cannabis concentrates would be implemented within a year of the Cannabis Act coming into force. The HESA’s proposed amendments were incorporated into Bill C-45, which was passed by the House of Commons on November 27, 2017. Bill C-45 went before the Senate, and the Senate passed Bill C-45 on June 19, 2018. On June 20, 2018, Prime Minister Trudeau announced that marijuana would be legal by October 17, 2018 but did not disclose the expected date on which the bill would receive Royal Assent. On June 21, 2018, Bill C-45 received Royal Assent. On November 10, 2017, the federal Department of Finance issued legislative and regulatory proposals for the taxation of cannabis. The proposed rules would effectively place cannabis producers within the existing rules that currently apply excise duties on tobacco, wine and spirits producers under the Excise Act, 2001 (Canada), with modifications as applicable. These rules include a new tax licensing regime for cannabis producers, stamping and marking rules, ongoing reporting requirements, and applicable excise duties payable by licensed cannabis producers, in addition to GST/HST. The cannabis excise duty framework is proposed to generally come into force on the date that legal cannabis for non-medical purposes becomes accessible for retail sale under the proposed Cannabis Act, which is intended to be in the summer of 2018. The proposed Cannabis Act is not yet in force, and the regulations to the Cannabis Act have not yet been published. There can be no assurance that the legalization of recreational cannabis by the Federal Government will occur on the terms in the proposed Cannabis Act or at all, and the legislative framework pertaining to the Canadian recreational cannabis market is uncertain. On December 12, 2017, the Ontario government passed the Cannabis Act, 2017 (Ontario), which will regulate the lawful use, sale and distribution of recreational cannabis by the Federal Government’s summer 2018 deadline. It will, among other things:

- create a new provincial retailer, overseen by the LCBO, to manage the distribution of recreational cannabis through stand-alone stores, and an LCBO-controlled online order and distribution service, which together, will comprise the only channels through which consumers in Ontario will be able to legally purchase recreational cannabis;
- set a minimum age of 19 to use, buy, possess and cultivate cannabis in Ontario; and
- ban the use of cannabis in public places, workplaces and motor vehicles in Ontario, as is the case with alcohol.

The governments of Manitoba, Alberta, New Brunswick, Québec and British Columbia have also announced partial regulatory regimes for the distribution and sale of cannabis for recreational purposes in those provinces. There is no guarantee that provincial legislation regulating the distribution and sale of cannabis for recreational purposes will be enacted according to the terms announced by such provinces, or at all, or that any such legislation, if enacted, will create the growth opportunities that the Company currently anticipates.

Marketing Constraints

The development of the Company’s business and operating results may be hindered by applicable restrictions on sales and marketing activities imposed by Health Canada. The regulatory environment in Canada limits the Company’s ability to compete for market share in a manner similar to other industries. If the Company is unable to effectively market its products and compete for market share, or if the costs

of compliance with government legislation and regulation cannot be absorbed through increased selling prices for its products, the Company's sales and operating results could be adversely affected.

Competition

The Canadian Federal Government has put forward proposed legislation, the Cannabis Act, outlining the framework for the legalization of adult use cannabis, as well as laws to address drug-impaired driving, protect public health and safety and prevent youth access to cannabis. The provincial and municipal governments have been given explicit authority by the Federal Government to provide regulations regarding retail and distribution, as well as the ability to alter some of the existing baselines, such as increasing the minimum age for purchase and consumption. The ACMPR will continue to operate in tandem with the recreational regime, and will be re-evaluated within five years of the Cannabis Act coming into force. Licensed Producers will be deemed to be licensed under the Cannabis Act as well.

While it is understood that Licensed Producers will continue to operate under the medical and recreational regimes, until the provinces release their regulations regarding retail and distribution it is still unclear what the landscape of the legalization regime will look like. It is expected that this will have an impact on the operations of the Company. The number of Licensed Producers is set to increase to meet the demand of the recreational market, which could negatively impact the Company's market share and demand for products. The introduction of a recreational model for cannabis production and distribution may impact the medical marijuana market. The impact of this potential development may be negative for the Company and could result in increased levels of competition in its existing medical market and/or the entry of new competitors in the overall cannabis market in which the Company operates. There is potential that the Company will face intense competition from other companies, some of which can be expected to have longer operating histories and more financial resources and manufacturing and marketing experience than the Company. Increased competition by larger and better financed competitors could materially and adversely affect the business, financial condition and results of operations of the Company.

Supply of Trim

The Company does not cultivate sufficient cannabis to supply itself with enough cannabis leaves and small flowers ("**Trim**") to operate its oil extraction business. Currently, the Company acquires Trim from third parties in amounts sufficient to operate its oil extraction business. However, there can be no assurance that there will continue to be a supply of Trim available for the Company to purchase in order to operate its oil extraction business. Additionally, the price of Trim may rise which would increase the Company's cost of goods. If the Company were unable to acquire the Trim required to operate its oil extraction business or if the price of Trim increased it could have a material adverse impact on the business of the Company, its financial condition and results from operations.

Security Risks

The business premises of the Company is a target for theft. While the Company has implemented security measures and continues to monitor and improve its security measures, its cultivation, processing and dispensary facilities could be subject to break-ins, robberies and other breaches in security. If there was a breach in security and the Company fell victim to a robbery or theft, the loss of cannabis plants, cannabis oils, cannabis flowers and cultivation and processing equipment could have a material adverse impact on the business, financial condition and results of operation of the Company.

As the Company's business involves the movement and transfer of cash which is collected from dispensaries and used to purchase Trim or deposited into its bank, there is a risk of theft or robbery during the transport of cash. The Company has engaged a security firm to provide armed guards and security in the transport and movement of large amounts of cash. Sales representatives sometimes transport cash and/or products and each sales representative has a panic button in their vehicle and, if requested, may be escorted by armed guards. While the Company has taken robust steps to prevent theft or robbery of cash during transport, there can be no assurance that there will not be a security breach during the transport and the movement of cash involving the theft of product or cash.

Operation Permits and Authorizations

Although the Company has applied for various recreational marijuana licenses, it may not be able to obtain or maintain the necessary licenses, permits, authorizations or accreditations, or may only be able to do so at great cost, to operate its medical marijuana and recreational business. Failure to comply with or to obtain the necessary licenses, permits, authorizations or accreditations could result in restrictions on the Company's ability to operate the medical and recreational marijuana business, which could have a material adverse effect on the Company's business.

Liability, Enforcement Complaints etc.

The Company's participation in the medical and recreational marijuana industry may lead to litigation, formal or informal complaints, enforcement actions, and inquiries by various federal, state, or local governmental authorities against these subsidiaries. Litigation, complaints, and enforcement actions involving these subsidiaries could consume considerable amounts of financial and other corporate resources, which could have an adverse effect on the Company's future cash flows, earnings, results of operations and financial condition.

Risk Related to the Common Shares of the Company

There can be no assurance that the publicly-traded stock price of the Company will be high enough to create a positive return for investors. Further, there can be no assurance that the stock of the Company will be sufficiently liquid so as to permit investors to sell their position in the Company without adversely affecting the stock price. In such event, the probability of profitable resale of the Company's shares would be diminished.

As well, the continued operation of the Company will be dependent upon its ability to procure additional financing in the short term and to generate operating revenues in the longer term. There can be no assurance that any such financing can be obtained or that revenues can be generated. If the Company is unable to obtain such additional financing or generate such revenues, investors may be unable to sell their shares in the Company and any investment in the Company may be lost.

In connection with the Company's acquisition of Chalice Farms, the Company was required to file a business acquisition report by September 23, 2017. The Company has yet to file this report. Due to this, the Company is in default of Canadian securities laws by the Canadian securities commissions in the provinces where the Company is a reporting issuer, until the Company files the report. This could have an adverse effect on the Company.

Price Volatility of Publicly Traded Securities

In recent years, the securities markets in the United States and Canada have experienced a high level of price and volume volatility, and the market prices of securities of many companies have experienced wide fluctuations in price which have not necessarily been related to the operating performance, underlying asset values or prospects of such companies. There can be no assurance that continuing fluctuations in price will not occur. It may be anticipated that any quoted market for the shares of the Company will be subject to market trends generally, notwithstanding any potential success of the Company in creating revenues, cash flows or earnings. The value of the Company's shares will be affected by such volatility.

The Company's Limited Operating History Makes Evaluating Its Business and Prospects Difficult

The Company has a limited operating history on which to base an evaluation of its business, financial performance and prospects. As such, the Company's business and prospects must be considered in light of the risks, expenses and difficulties frequently encountered by companies in the early stage of development. As the Company is in an early stage and is introducing new products, the Company's revenues may be materially affected by the decisions, including timing decisions, of a relatively consolidated customer base. The Company has had limited experience in addressing the risks, expenses and difficulties frequently encountered by companies in their early stage of development, particularly companies in new and rapidly evolving industries such as the medical and recreational marijuana industries. There can be no assurance that the Company will be successful in addressing these risks, and the failure to do so in any one area could have a material adverse effect on the Company's business, prospects, financial condition and results of operations.

Need for Funds

In the short term, the continued operation of the Company may be dependent upon its ability to procure additional financing. The Company must obtain such financing through a combination of equity and debt financing and there can be no assurance that the Company can raise the required capital it needs to build and expand its current grow and extraction facilities, nor that the capital markets will fund the business of the Company. Without this additional financing, the Company may be unable to achieve positive cash flow and earnings as quickly as anticipated or to meet its obligations as they become due. There can be no certainty that the Company can obtain these funds, in which case any investment in the Company may be lost. The raising of equity funding could also result in dilution of the equity of the Company's shareholders.

Dividends

The Company has not paid dividends to shareholders in the past and does not anticipate paying dividends in the foreseeable future. The Company expects to retain its earnings to finance growth, and where appropriate, to pay down debt.

The Company Has a History of Net Losses, Which Might Occur Again in the Future with No Assurance of Profitability

The Company incurred a net loss for the period from incorporation on April 8, 2014 to December 31, 2017 of US\$97.4M. The Company cannot assure that it can achieve profitability or avoid net losses in the future or that there will not be any earnings or revenue declines for any future quarterly or other periods. The limited operating history makes it difficult to predict future operating results. The Company expects that

its operating expenses will increase as it grows its business, including expending substantial resources for content and product development and marketing. As a result, any decrease or delay in generating revenues could result in material operating losses. In addition, the Company is subject to the risks inherent in the operation of a new business enterprise in an emerging and uncertain business sector, and there can be no assurance that the Company will be able to successfully address these risks.

The Company May be Exposed to Infringement or Misappropriation Claims by Third Parties, Which, if Determined Adversely to the Company, Could Subject the Company to Significant Liabilities and Other Costs

The Company's success may likely depend on its ability to use and develop new extraction technologies, recipes, know-how and new strains of marijuana without infringing the intellectual property rights of third parties. The Company cannot assure that third parties will not assert intellectual property claims against it. The Company is subject to additional risks if entities licensing to it intellectual property do not have adequate rights in any such licensed materials. If third parties assert copyright or patent infringement or violation of other intellectual property rights against the Company, it will be required to defend itself in litigation or administrative proceedings, which can be both costly and time consuming and may significantly divert the efforts and resources of management personnel. An adverse determination in any such litigation or proceedings to which the Company may become a party could subject it to significant liability to third parties, require it to seek licenses from third parties, to pay ongoing royalties or subject the Company to injunctions prohibiting the development and operation of its applications.

The Company May Need to Incur Significant Expenses to Enforce its Proprietary Rights, and if the Company is Unable to Protect Such Rights, its Competitive Position Could be Harmed

The Company regards proprietary methods and processes, domain names, trade names, trade secrets, recipes and other intellectual property as critical to its success. The Company's ability to protect its proprietary rights is critical for the success of its business and its overall financial performance. The Company has taken certain measures to protect its intellectual property rights. However, the Company cannot assure that such measures will be sufficient to protect its proprietary information and intellectual property. Policing unauthorized use of proprietary information and intellectual property is difficult and expensive. Any steps the Company has taken to prevent the misappropriation of its proprietary technology may be inadequate. The validity, enforceability and scope of protection of intellectual property in the medical marijuana industry is uncertain and still evolving. In particular, the laws and enforcement procedures in some developing countries are uncertain and may not protect intellectual property rights in this area to the same extent as do the laws and enforcement procedures in Canada, the United States and other developed countries.

The Company is Dependent Upon its Existing Management, and its Growing and Extraction personnel, and its Business May be Severely Disrupted if it Loses Their Services.

The Company's future success depends substantially on the continued services of its executive officers and its key grow and extraction personnel. If one or more of its executive officers or key personnel were unable or unwilling to continue in their present positions, the Company might not be able to replace them easily or at all. In addition, if any of its executive officers or key employees joins a competitor or forms a competing company, the Company may lose know-how, key professionals and staff members. These executive officers and key employees could compete with and take customers away from the Company.

Available Talent Pool

As the Company grows, it will need to hire additional human resources to continue to develop the business. However, experienced talent in the areas of medical and recreational marijuana research and development, growing marijuana and extraction is difficult to source, and there can be no assurance that the appropriate individuals will be available or affordable to the Company. Without adequate personnel and expertise, the growth of the Company's business may suffer.

Unforeseen Competition

Although the Company has been and is currently a leader in the medical marijuana and extraction industry in the state of Oregon, there can be no assurance that the Company will continue to remain an industry leader. There can be no assurance that significant competition will not enter the marketplace and offer some number of similar products and services or take a similar approach. Such competition could have a significant adverse effect on the growth potential of the Company's business by effectively dividing the existing market for its products.

Potential Future Acquisitions and/or Strategic Alliances May Have an Adverse Effect on the Company's Ability to Manage its Business

As part of the Company's overall business strategy, the Company may pursue select strategic acquisitions to acquire technologies, businesses or assets that are complementary to its business and/or enter into strategic alliances in order to leverage its position in the medical and recreational marijuana and extraction markets. These would include but not be limited to acquisitions to provide additional product offerings, vertical integrations, additional industry expertise, and a stronger industry presence in both existing and new jurisdictions. Future acquisitions may expose it to potential risks, including risks associated with: (a) the integration of new operations, services and personnel; (b) unforeseen or hidden liabilities; (c) the diversion of resources from the Company's existing business and technology; (d) potential inability to generate sufficient revenue to offset new costs; (e) the expenses of acquisitions; or (f) the potential loss of or harm to relationships with both employees and existing users resulting from its integration of new businesses. Any difficulties encountered in the acquisition and strategic alliance process may have an adverse effect on the Company's ability to manage its business. In addition, any proposed acquisitions may be subject to regulatory approval.

Management of Growth

The Company may experience a period of significant growth in the number of personnel that will place a strain upon its management systems and resources. Its future will depend in part on the ability of its officers and other key employees to implement and improve financial and management controls, reporting systems and procedures on a timely basis and to expand, train, motivate and manage the workforce. The Company's current and planned personnel, systems, procedures and controls may be inadequate to support its future operations.

General Economic Trends

A worldwide economic slowdown and tightening of credit in the financial markets may impact the business of the Company's customers, which could have an adverse effect on the Company's business, financial condition, or results of operations. Adverse changes in general economic or political conditions in the United

States or any of the states within the United States and especially the State of Oregon could adversely affect the Company's business, financial condition, or results of operations.

Asset Location and Legal Proceedings

Substantially all of the Company's assets are located outside of Canada and many of its officers and directors are resident outside of Canada and their assets are outside of Canada. Serving process on the directors and officers may prove to be difficult or excessively time consuming. Additionally, it may be difficult to enforce a judgment obtained in Canada against the Company, its subsidiaries and any directors and officers residing outside of Canada.

Market Acceptance

The Company's ability to gain and increase market acceptance of its medical marijuana products depends upon its ability to educate the public, physicians and other healthcare professionals on the benefits of medical marijuana products. Similarly, the Company's ability to gain and increase market acceptance of its recreational marijuana products depends upon its ability to educate the public, promote its products and compare them to other available alternatives. It also requires the Company establish and maintain its brand name and reputation. In order to do so, substantial expenditures on product development, strategic relationships and marketing initiatives may be required. There can be no assurance that these initiatives will be successful and their failure may have an adverse effect on the Company.

Electronic Communication Security Risks

A significant potential vulnerability of electronic communications is the security of transmission of confidential information over public networks. Anyone who is able to circumvent the Company's security measures could misappropriate proprietary information or cause interruptions in its operations. The Company may be required to expend capital and other resources to protect against such security breaches or to alleviate problems caused by such breaches.

Insurance Coverage

The Company will require insurance coverage for a number of risks, including business interruption, environmental matters and contamination, personal injury and property damage. Although the Company believes that the events and amounts of liability covered by its insurance policies will be reasonable, taking into account the risks relevant to its business, and the fact that agreements with users contain limitations of liability, there can be no assurance that such coverage will be available or sufficient to cover claims to which the Company may become subject. If insurance coverage is unavailable or insufficient to cover any such claims, the Company's financial resources, results of operations and prospects could be adversely affected.

Tax Risk

The provisions of Internal Revenue Code section 280E are being applied by the Internal Revenue Service ("IRS") to businesses operating in the medical and recreational marijuana industry. Section 280E provides:

No deduction or credit shall be allowed for any amount paid or incurred during the taxable year in carrying on any trade or business if such trade or business (or the activities which comprise such trade or business) consists of trafficking in controlled substances (within the meaning of schedule I and II of the Controlled Substances Act) which is prohibited by Federal law or the law of any State in which such trade or business

is conducted.

Even though several states have medical and recreational marijuana laws, the IRS is applying section 280E to deny business deductions to businesses involved with medical and recreational marijuana. Businesses operating legally under state law argue that section 280E should not be applied because Congress did not intend the law to apply to businesses that are legal under state law. The IRS asserts that it was the intent of Congress to apply the provision to anyone "trafficking" in a controlled substance, as defined under federal law (as stated in the text of the statute). Thus, section 280E is at the center of the conflict between federal and state laws with respect to medical marijuana which applies to the business conducted by the Company.

Currency Fluctuations

Due to the Company's present operations in the United States, and its intention to continue future operations outside Canada, the Company is expected to be exposed to significant currency fluctuations. Recent events in the global financial markets have been coupled with increased volatility in the currency markets. The majority of the Company's revenue will be earned in US dollars, but a portion of its operating expenses are incurred in Canadian dollars. The Company does not have currency hedging arrangements in place and there is no expectation that the Company will put any currency hedging arrangements in place in the future. Fluctuations in the exchange rate between the US dollar and the Canadian dollar may have a material adverse effect on the Company's business, financial condition and operating results. The Company may, in the future, establish a program to hedge a portion of its foreign currency exposure with the objective of minimizing the impact of adverse foreign currency exchange movements. However, even if the Company develops a hedging program, there can be no assurance that it will effectively mitigate currency risks.

Other MD&A Disclosure Requirements

Information available on SEDAR

As specified by National Instrument 51-102, the Company advises readers of this MD&A that important additional information about the Company is available on the SEDAR website – www.sedar.com.

Disclosure by venture issuer

An analysis of the material components of the Company's general and administrative expenses is disclosed in the financial statements to which this MD&A relates.

Outstanding share data

Common shares issued and outstanding as at March 31, 2018 are described in detail in Note 13 of the Consolidated Financial Statements for March 31, 2018. Shares outstanding as of May 30, 2018 are 576,338,334.