

Interim Condensed Consolidated Financial Statements of

GOLDEN LEAF HOLDINGS LTD.

As at and for the three and six months ended June 30, 2019 (Unaudited)

GOLDEN LEAF HOLDINGS LTD.

Interim Condensed Consolidated Financial Statements
(Expressed in U.S. Dollars, unless otherwise stated)
As at and for the three and six months ended June 30, 2019

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Notice of No Auditor Review of Condensed Interim Financial Statements

In accordance with National Instrument 51-102, the Company discloses that its external auditors have not reviewed the accompanying interim condensed consolidated financial statements of Golden Leaf Holdings Ltd. as at and for the three and six months ended June 30, 2019 and the notes to interim condensed consolidated financial statements.

GOLDEN LEAF HOLDINGS LTD.

Interim Condensed Consolidated Statement of Financial Position (Unaudited)

As at June 30, 2019 and December 31, 2018

(Expressed in U.S. dollars)

		June 30, 2019	December 31, 2018
ASSETS			
CURRENT			
Cash		\$ 5,249,820	\$ 12,275,372
Accounts receivable	Note 6	476,468	624,453
Other receivables		484,961	297,737
Income tax recoverable		686,600	686,600
Sales tax recoverable		562,833	661,319
Biological assets	Note 7	187,503	74,148
Inventory	Note 7	3,570,523	3,416,906
Prepaid expenses and deposits		1,311,512	1,962,033
Assets held for sale		-	35,274
Total current assets		\$ 12,530,220	\$ 20,033,842
Property, plant and equipment	Note 8	11,067,700	6,188,835
Intangible assets	Note 9	21,626,213	21,782,949
Goodwill		25,471,399	25,471,399
Total assets		\$ 70,695,532	\$ 73,477,025
LIABILITIES			
CURRENT			
Accounts payable and accrued liabilities		\$ 790,342	\$ 2,624,967
Interest payable		752,660	92,554
Income taxes payable		69,534	106,808
Sales tax payable		109,600	231,675
Current portion of long-term debt	Note 11	1,235,033	25,492
Current portion of convertible debentures carried at fair value	Note 10	9,059,430	8,888,946
Warrant liability	Note 12	7,115	369,343
Total current liabilities		\$ 12,023,714	\$ 12,339,785
Long term debt	Note 11	4,262,902	46,229
Note payable	Note 10	312,118	312,118
Convertible debentures carried at fair value	Note 10	5,155,515	4,996,811
Consideration payable	Note 11	9,295,374	8,956,809
Warrant liability	Note 12	16,603	236,138
Total liabilities		\$ 31,066,226	\$ 26,887,890
SHAREHOLDERS' EQUITY			
Share capital	Note 13	\$ 138,689,168	\$ 138,511,038
Warrant reserve	Note 14	3,771,816	4,052,164
Share option reserve	Note 15	4,638,151	4,777,929
Contributed surplus		59,940	59,940
Accumulated other comprehensive loss		(1,107,975)	(125,930)
Deficit		(106,421,794)	(100,686,006)
Total shareholders' equity		39,629,306	46,589,135
Total liabilities and shareholders' equity		\$ 70,695,532	\$ 73,477,025

Going concern (Note 2)
Subsequent events (Note 21)

See accompanying notes to these consolidated financial statements.

Approved on behalf of the Board:
(Signed) "Alex Winch", Director
(Signed) "Karl R. Miller, Jr.", Director

GOLDEN LEAF HOLDINGS LTD.

Interim Condensed Consolidated Statements of Operations and Comprehensive Gain (Loss) (Unaudited)

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

(Expressed in U.S. dollars)

		For the three months ended June 30,		For the six months ended June 30,	
		2019	2018	2019	2018
Revenues					
Product sales	Note 20	\$ 4,296,971	\$ 3,671,738	\$ 8,373,578	\$ 6,854,727
Consulting revenue	Note 20	12,393	9,898	218,634	27,176
Total Revenue		\$ 4,309,364	\$ 3,681,636	\$ 8,592,212	\$ 6,881,903
Expenses					
Inventory expensed to cost of sales	Note 7, 20	2,364,479	3,029,795	4,882,634	5,754,508
Production costs	Note 20	108,451	113,753	247,187	411,227
Gross margin, excluding fair value items		1,836,434	538,088	3,462,391	716,168
Fair value changes in biological assets included in inventory sold	Note 7, 20	235,833	10,518	397,356	129,648
(Gain) Loss on changes in fair value of biological assets	Note 7, 20	(104,242)	(412,360)	(407,681)	(706,257)
Gross profit		\$ 1,704,843	\$ 939,930	\$ 3,472,716	\$ 1,292,777
Expenses					
General and administration		2,926,629	3,270,258	5,926,090	6,066,052
Share based compensation	Note 15	(82,216)	567,969	329,710	1,643,421
Sales and marketing		377,933	440,751	1,008,895	824,052
Depreciation and amortization	Note 8, 9	735,883	358,516	1,442,029	703,795
Total expenses		\$ 3,958,229	\$ 4,637,494	\$ 8,706,724	\$ 9,237,320
Loss before items noted below		\$ (2,253,386)	\$ (3,697,564)	\$ (5,234,008)	\$ (7,944,543)
Interest expense		761,819	266,317	1,503,481	915,575
Transaction costs		2,114	-	8,222	471,900
Loss on disposal of assets	Note 8	109,856	5,000	92,911	5,000
Other income (loss)		234,762	36,723	93,565	(122,403)
Gain on change in fair value of warrant liabilities	Note 12	(82,101)	(4,415,480)	(581,763)	(10,627,702)
(Gain) loss on change in fair value of convertible debentures	Note 10	155,446	(2,841,987)	119,277	(9,970,603)
Gain (loss) before income taxes		(3,435,282)	3,251,863	(6,469,701)	11,383,690
Current income tax expense		4,300	8,434	15,924	8,434
Net gain (loss)		\$ (3,439,582)	\$ 3,243,429	\$ (6,485,625)	\$ 11,375,256
Other comprehensive loss					
Items that will be reclassified subsequently to profit or loss:					
Cumulative translation adjustment		89,831	34,146	982,045	53,263
Comprehensive gain (loss)		\$ (3,529,413)	\$ 3,209,283	\$ (7,467,670)	\$ 11,321,993
Basic and diluted gain (loss) per share		\$ (0.01)	\$ 0.01	\$ (0.01)	\$ 0.02
Weighted average number of common shares outstanding		589,243,324	575,776,971	589,191,834	555,451,438

See accompanying notes to these consolidated financial statements.

GOLDEN LEAF HOLDINGS LTD.

Interim Condensed Consolidated Statements of Changes in Shareholders' Equity (Unaudited)

For the six months ended June 30, 2019 and 2018

(Expressed in U.S. dollars)

	Share Capital	Warrant Reserve	Stock options reserve	Contributed surplus	Accumulated other comprehensive loss	Deficit	Total
Balance, January 1, 2018	\$ 108,552,681	\$ 5,083,561	\$ 1,087,640	\$ 59,940	\$ 9,828	\$ (97,047,515)	\$ 17,746,135
Issuance of common shares	17,033,148	-	-	-	-	-	17,033,148
Share-based compensation	-	-	1,643,421	-	-	-	1,643,421
Issuance of warrants and broker units	-	426,367	-	-	-	-	426,367
Expiry of warrants and stock options	-	-	(630,521)	-	-	630,521	-
Exercise of warrants and options for common shares	12,416,403	(1,431,808)	-	-	-	-	10,984,595
Net loss and comprehensive loss for the year	-	-	-	-	(53,263)	11,375,256	11,321,993
Balance at June 30, 2018	\$ 138,002,232	\$ 4,078,120	\$ 2,100,540	\$ 59,940	\$ (43,435)	\$ (85,041,738)	\$ 59,155,659
	Share Capital	Warrant Reserve	Stock options reserve	Contributed surplus	Accumulated other comprehensive loss	Deficit	Total
Balance, January 1, 2019	\$ 138,511,038	4,052,164	\$ 4,777,929	\$ 59,940	\$ (125,930)	\$ (100,686,006)	\$ 46,589,135
Issuance of common shares (Note 13)	178,130	-	-	-	-	-	178,130
Share-based compensation (Note 15)	-	-	329,711	-	-	-	329,711
Expiry of warrants and stock options (Note 14, 15)	-	(280,348)	(469,489)	-	-	749,837	-
Net loss and comprehensive loss for the year	-	-	-	-	(982,045)	(6,485,625)	(7,467,670)
Balance at June 30, 2019	\$ 138,689,168	\$ 3,771,816	\$ 4,638,151	\$ 59,940	\$ (1,107,975)	\$ (106,421,794)	\$ 39,629,306

See accompanying notes to consolidated financial statements.

GOLDEN LEAF HOLDINGS LTD.

Interim Condensed Consolidated Statements of Cash Flows (Unaudited)

For the six months ended June 30, 2019 and 2018

(Expressed in U.S. dollars)

	For the six months ended June 30,	
	2019	2018
Cash provide by (used in):		
Operating activities:		
Net gain (loss)	\$ (6,485,625)	\$ 11,375,255
Depreciation of property, plant and equipment	Note 8 1,313,576	703,795
Amortization of intangible assets	156,736	151,290
Loss on disposal of assets	Note 8 92,911	5,000
Interest expense	1,503,481	915,575
Income tax paid	-	(324,620)
Income tax expense	15,924	8,420
Bad debt expense	93,927	140,545
Share based compensation	Note 15 329,710	1,643,421
Gain on fair value adjustment to warrants liability	Note 12 (581,763)	(10,627,702)
(Gain) loss on fair value adjustment to debt	119,277	(10,198,949)
Transaction costs	8,222	471,900
Gain on fair value of biological assets	Note 7 (407,681)	(692,165)
Reserve for obsolete inventory	Note 7 82,909	388,586
Other non-cash transactions	(1,366,490)	(329,983)
Changes in working capital items		
Accounts receivable	Note 6 54,058	(33,718)
Other receivables	(187,224)	(136,233)
Sales tax recoverable	98,486	(106,617)
Accounts payable and accrued liabilities	(1,834,625)	(983,729)
Sales tax payable	(122,075)	-
Biological assets	Note 7 294,326	380,117
Inventory	Note 7 (236,526)	(825,258)
Prepaid expenses and deposits	650,521	(265,505)
Cash used in operating activities	\$ (6,407,945)	\$ (8,340,575)
INVESTING ACTIVITIES		
Purchase of property, plant and equipment	Note 8 (674,781)	(823,561)
Proceeds from disposal of property plant and equipment	35,274	-
Payment of deposits and retainers	-	(372,239)
Payment of accrued transaction costs	-	(536,896)
Cash used in investment activities	\$ (639,507)	\$ (1,732,696)
FINANCING ACTIVITIES		
Issuance of common shares	178,130	21,669,001
Payment of share issuance costs	-	(1,021,950)
Repayment of long-term debt	-	(183,264)
Payment of lease liabilities	(156,230)	-
Interest paid	-	(697,000)
Cash provided by financing activities	\$ 21,900	\$ 19,766,787
Increase (decrease) in cash during the period	\$ (7,025,552)	\$ 9,693,516
Cash, beginning of period	12,275,372	6,009,447
Cash, end of period	\$ 5,249,820	\$ 15,702,963

See accompanying notes to these consolidated financial statements

GOLDEN LEAF HOLDINGS LTD.

Notes to the Interim Condensed Consolidated Financial Statements (Unaudited)
(Expressed in U.S. dollars, unless otherwise stated)
As at and for the three and six months ended June 30, 2019

1. Incorporation and operations

Golden Leaf Holdings Ltd. ("Golden Leaf" or the "Company") is a publicly traded corporation, incorporated in Canada, operating primarily in the Oregon, Nevada, and Canadian markets. The Company's shares are listed on the CSE under the trading symbol "GLH" as well as the OTCQB under the trading symbol "GLDFF".

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

2. Going concern

Golden Leaf has been incurring operating losses and cash flow deficits since its inception, as it attempts to create an infrastructure to capitalize on the opportunity for value creation that is emerging from the gradual relaxing of prohibitions on the cannabis industry in the United States and the legalization of cannabis in Canada. As at June 30, 2019, the Company had an accumulated deficit of \$106,421,794 (December 31, 2018: \$100,686,006). The Company's revenues have not yet risen to levels materially capable of covering the costs related to the infrastructure investment (both capital and operating). As such, the Company has been depleting its capital as it simultaneously navigates regulatory evolution and uncertainty, awaits the imminent changes in other United States jurisdictions that will fuel market expansion, and continues to make necessary investments.

As of June 30, 2019, the Company's cash balances were \$5,249,820. Although the Company has been successful in raising funds to date, there can be no assurance that adequate or sufficient funding will be available in the future or available under acceptable terms. As well, there can be no assurance that the Company will be able to generate sufficient cash flows from operations.

These circumstances indicate the existence of material uncertainty that casts substantial doubt as to the Company's ability to meet its business plans and its obligations as they become due, and accordingly, the appropriateness of the use of the accounting principles applicable to a going concern. The accompanying unaudited interim condensed consolidated financial statements for the three and six months ended June 30, 2019 ("interim financial statements") have been prepared on a going concern basis that assumes the Company will be able to continue to realize its assets and discharge its liabilities in the normal course of business in the foreseeable future and does not reflect the adjustments to assets and liabilities that would be necessary if it were unable to obtain adequate financing. Such adjustments could be material. If the Company is unable to raise funds and execute its business plans, it may not be able to continue as a going concern.

3. Statement of compliance

These interim financial statements have been prepared in accordance with IAS 34 *Interim Financial Reporting*, and should be read in conjunction with the Company's last annual consolidated financial statements as at and for the year ended December 31, 2018 ("last annual financial statements"), which were prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). The interim financial statements do not include all of the information required for a complete set of IFRS financial statements. However, selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the Company's financial position and performance since the last annual financial statements.

GOLDEN LEAF HOLDINGS LTD.

Notes to the Interim Condensed Consolidated Financial Statements (Unaudited)
(Expressed in U.S. dollars, unless otherwise stated)
As at and for the three and six months ended June 30, 2019

3. Statement of compliance (continued)

Starting on January 1, 2019, the Company has applied IFRS 16 *Leases* in its financial statements. Changes to significant accounting policies are described in Note 5.

These interim financial statements were approved by the Company's Board of Directors on August 26, 2019.

4. Basis of presentation

Except where specified, the interim financial statements have been prepared in U.S. dollars, which is the Company's presentation and functional currency, on a historical cost basis except for certain financial assets and financial liabilities measured at fair value. Except as described below, the accounting policies applied in these interim financial statements are the same as those applied in the last annual financial statements as at and for the year ended December 31, 2018. The changes in accounting policies are also expected to be reflected in the Company's consolidated financial statements as at and for the year ending December 31, 2019. Certain prior period amounts have been reclassified for consistency with current period presentation.

5. Significant accounting policies

Changes in Accounting Policies - Leases

The Company adopted IFRS 16 *Leases* as of January 1, 2019.

IFRS 16 introduced a single, on-balance sheet accounting model for lessees. As a result, the Company, as a lessee, has recognized right-of-use assets representing its rights to use the underlying assets and leases liabilities representing its obligation to make lease payments. Lessor accounting remains similar to previous accounting policies. The Company did not act as a lessor as at or for the three and six months ended June 30, 2019.

The Company has applied IFRS 16 using the modified retrospective approach, under which the cumulative effect of the initial application, if any, is recognized in retained earnings at January 1, 2019. Accordingly, the comparative information presented for 2018 has not been restated – i.e. it is presented, as previously reported, under International Accounting Standard (“IAS”) 17 and related interpretations. The details of the changes in accounting policies are described below.

Definition of a lease

Previously, the Company determined at contract inception whether an arrangement was or contained a lease under International Financial Reporting Interpretations Committee (“IFRIC”) 4 *Determining Whether an Arrangement contains a Lease*. The Company now assesses whether a contract is or contains a lease based on the new definition of a lease. Under IFRS 16, a contract is, or contains, a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration.

On transition to IFRS 16, the Company elected to apply the practical expedient to grandfather the assessment of which transactions are leases. It applied IFRS 16 only to contracts that were previously identified as leases. Contracts that were not identified as leases under IAS 17 and IFRIC 4 were not reassessed. Therefore, the definition of a lease under IFRS 16 has been applied only to contracts entered into or changed on or after January 1, 2019. At inception or on reassessment of a contract that contains a lease component, the Company allocates the consideration in the contract to each lease and non-lease component on the basis of their relative stand-alone basis. The Company excluded common area maintenance (CAM) and sales-based rent from the lease components as these are considered variable costs under IFRS 16, and accordingly, are expensed as incurred.

GOLDEN LEAF HOLDINGS LTD.

Notes to the Interim Condensed Consolidated Financial Statements (Unaudited)
(Expressed in U.S. dollars, unless otherwise stated)
As at and for the three and six months ended June 30, 2019

5. Significant accounting policies (continued)

Recognition

The Company leases many assets, including properties, vehicles and certain IT equipment. As a lessee, the Company previously classified leases as operating or finance leases based on its assessment of whether the lease transferred substantially all of the risks and rewards of ownership. Under IFRS 16, the Company recognises right-of-use assets and lease liabilities for most leases. Therefore, these leases are recorded on the balance sheet.

However, the Company has elected not to recognise right-of-use assets and lease liabilities for some leases of low-value (e.g. IT equipment). The Company recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

The Company presents right-of-use assets that do not meet the definition of investment property in 'property, plant and equipment', the same line item as it presents underlying assets of the same nature that it owns. Refer to Note 8. At June 30, 2019, the Company did not hold any right-of-use assets that met the definition of investment property.

The Company presents lease liabilities in 'long term debt' in the statement of financial position.

Significant accounting policies

The Company recognises a right-of-use and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, and subsequently at cost less any accumulated depreciation and impairment losses, and adjusted for certain remeasurements of the lease liability. When a right-of-use meets the definition of investment property, it is presented in investment property. The right-of-use asset is initially measured at cost, and subsequently measured at fair value, in accordance with the Company's accounting policies.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate. Generally, the Company uses its incremental borrowing rate as the discount rate.

The lease liability is subsequently increased by the interest cost on the lease liability and decreased by lease payment made. It is measured when there is a change in future lease payments arising from a change in an index or rate, a change in the estimate of the amount expected to be payable under a residual value guarantee, or as appropriate, changes in the assessment of whether a purchase or extension option is reasonably certain to be exercised or a termination option is reasonably certain not to be exercised.

The Company has applied judgment to determine the lease term for some lease contracts in which it is a lessee that include renewal options. The assessment of whether the Company is reasonably certain to exercise such options impacts the lease term, which significantly affects the amount of lease liabilities and right-of-use assets recognized.

Transition

Previously, the Company classified property leases as operating leases under IAS 17. These include retail stores space, production facilities, warehouses, cannabis grows, and offices. The leases typically run for a period of 3 to 10 years. Some leases include an option to renew the lease for an additional term of 3 to 5 years after the end of a non-cancelable period.

At transition, for leases classified as operating leases under IAS 17, lease liabilities were measured at the present value of the remaining lease payments and discounted at the Company's incremental borrowing rate as at January 1, 2019. Right-of-use assets were measured at amounts equal to the respective lease liabilities, adjusted by the amounts of any prepaid or accrued lease payments.

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Notes to the Interim Condensed Consolidated Financial Statements (Unaudited)
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5. Significant accounting policies (continued)

The Company used the following practical expedients when applying IFRS 16 to leases previously classified as operating leases under IAS 17.

- Applied the exemption not to recognize right-of-use assets and liabilities for leases with less than 12 months of lease term.
- Excluded initial direct costs from measuring the right-of-use asset at the date of initial application.
- Used hindsight when determining the lease term if the contract contains options to extend or terminate the lease.

The Company leases a number of vehicles. These leases were classified as finance leases under IAS 17. For these finance leases, the carrying amount of the right-of-use asset and the lease liability at January 1, 2019 were determined at the carrying amount of the lease asset and lease liability under IAS 17 immediately before that date.

Impact of transition

On transition to IFRS 16, the Company recognized additional right-of-use assets equal to additional lease liabilities. The impact on transition is summarized below.

	January 1, 2019
Right-of-use assets presented in property, plant and equipment	\$ 4,236,692
Lease liabilities	4,236,692

When measuring lease liabilities for leases that were classified as operating leases, the Company discounted lease payments using its incremental borrowing rate at January 1, 2019. The weighted-average rate applied is 11%.

	January 1, 2019
Operating lease commitment at December 31, 2018 as disclosed in the Company's consolidated financial statements	5,369,073
Discounted using the incremental borrowing rate at January 1, 2019	2,982,440
Finance lease liabilities recognized as at December 31, 2018	183,275
- Recognition exemption for leases with less than 12 months of lease term at transition	(85,418)
- Extension options reasonable certain to be exercised	1,156,395
Lease liabilities recognized at January 1, 2019	4,236,692

Impacts for the period

As a result of initially applying IFRS 16, in relation to the leases that were previously classified as operating leases, the Company recognized \$3,901,525 of right of use assets and \$4,040,616 of lease liabilities as at June 30, 2019.

Also, in relation to those leases under IFRS 16, the Company has recognized depreciation and interest costs, instead of operating lease expense. During the three and six months ended June 30, 2019, the Company recognized \$194,631 and \$380,890 of depreciation charges and \$155,810 and \$299,443 of interest costs from these leases, respectively.

GOLDEN LEAF HOLDINGS LTD.

Notes to the Interim Condensed Consolidated Financial Statements (Unaudited)
(Expressed in U.S. dollars, unless otherwise stated)
As at and for the three and six months ended June 30, 2019

6. Accounts receivable

	June 30, 2019	December 31, 2018
Accounts Receivable	\$ 598,060	\$ 718,668
Allowance for doubtful accounts	(121,592)	(94,215)
	\$ 476,468	\$ 624,453

7. Biological assets and inventory

The Company's biological assets consist of cannabis plants that are cultivated at the Company's grow facilities. The valuation of biological assets is based on a market approach where fair value at the point of harvest is estimated based on the selling price less any costs to sell up to the point of harvest.

For biological assets that are still growing, the fair value ascribed to them is a percentage of the fair value at point of harvest, based on where the plants are in their grow cycle. As at June 30, 2019, on average, the biological assets were approximately 48% complete relative to the next expected harvest date.

Production costs are marijuana cultivation costs including post-harvest costs and consist of labor, electricity, water, propane, testing fees, supplies, tools and materials, and depreciation of equipment and leasehold improvements and other related costs.

In determining the fair value of biological assets, management is required to make several estimates with respect to significant unobservable inputs, including the expected yields for the cannabis plants, listed selling price of dry cannabis, the stage of plant growth at which point of harvest is determined, wastage and costs to sell. Estimated yield per plant varies by strain and is obtained through historical growing results or grower estimate if historical results are not available. The Company used an assumed yield of 58.37 grams per plant in the valuation of biological assets at June 30, 2019. The listed selling price of dry cannabis varies by strain and is obtained through listed selling prices or estimated selling prices if historical results are not available. The Company used an assumed price of \$3.05 per gram in valuation of biological assets at June 30, 2019. Fair value at the point of harvest is estimated based on the selling price less any costs to sell at harvest. For the three and six months ended June 30, 2019, costs to sell were nil as the biological assets were not sold to retail customers.

The following significant unobservable inputs, all of which are classified as level 3 on the fair value hierarchy, were key inputs used by management in determining the fair value of biological assets:

- Selling price per gram – calculated as the weighted average selling price for all strains of cannabis sold by the Company, which is expected to approximate future selling prices. As at June 30, 2019, these prices represented the ultimate selling prices to wholesale buyers.
- Stage of growth – represents the weighted average number of weeks out of the 16-week growing cycle that biological assets have reached as of the measurement date.
- Yield by plant – represents the expected number of grams of finished cannabis inventory which are expected to be obtained from each harvested cannabis plant.
- Wastage – represents the weighted average percentage of biological assets which are expected to be destroyed due to failure to mature into cannabis plants that can be harvested.

GOLDEN LEAF HOLDINGS LTD.

Notes to the Interim Condensed Consolidated Financial Statements (Unaudited)
 (Expressed in U.S. dollars, unless otherwise stated)
 As at and for the three and six months ended June 30, 2019

7. Biological assets and inventory (continued)

The following table quantifies averages for each significant unobservable input, and also provides the impact a 10% increase/decrease in each input would have on the fair value of biological assets:

	June 30, 2019	10% change as at June 30, 2019
Selling price per gram	\$3.05	\$ 13,094
Stage of growth	8 weeks	\$ -
Yield by plant	58.37 grams	\$ 13,094
Wastage	5%	\$ -

The Company accretes fair value according to stage of growth. The plants in flowering cycle are ascribed higher value than plants in propagation and vegetative stages of growth as follows:

Plant stage	Value ascribed	Stage of growth
Propagation	Nominal	2 - 4 weeks
Vegetative	25%	3 - 8 weeks
Flowering <50%	50%	8 - 12 weeks
Flowering >50%	100%	11 - ≥ 16 weeks

During the three months ended June 30, 2019 and 2018, the Company recognized \$104,242 and \$412,360, respectively, of gain on the change in fair market value of biological assets reflecting the increased value relating to the growth and harvest of the flower from cannabis plants. During the six months ended June 30, 2019 and 2018, the Company recognized \$407,681 and \$706,257, respectively, of gain on the change in fair market value of biological assets.

This gain was calculated using a periodic change in value based on plant count and estimated value of the various products from the plants.

Inventory consists of cannabis flower, concentrated products such as oils and edibles, packaging, trim, and paraphernalia. Inventory costs are costs incurred to bring inventory to the condition and location of sale and include labor, packaging, transportation, depreciation of equipment, and other related costs.

During the three months ended June 30, 2019 and 2018, \$100,278 and \$84,621 of depreciation was allocated to inventory. During the six months ended June 30, 2019 and 2018, \$215,248 and \$168,954 of depreciation was allocated to inventory. Any costs incurred to bring inventory to the condition and location of sale are included in cost. Inventory expensed to cost of sales for the three months ended June 30, 2019 and 2018 was \$2,364,479 and \$3,029,795, respectively. Inventory expensed to cost of sales for the six months ended June 30, 2019 and 2018 was \$4,882,634 and \$5,754,508, respectively.

The Company's inventory at June 30, 2019 and December 31, 2018 consisted of:

	Biological assets	Inventory
Raw materials	\$ -	\$ 875,108
Work-in-process	74,148	1,099,840
Finished goods	-	1,441,958
Balance, December 31, 2018	\$ 74,148	\$ 3,416,906
Raw materials	-	815,603
Work-in-process	187,503	947,529
Finished goods	-	1,807,391
Balance, June 30, 2019	\$ 187,503	\$ 3,570,523

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7. Biological assets and inventory (continued)

At June 30, 2019 and December 31, 2018, the Company also recorded a general reserve for excess and obsolete inventory in the amount of \$82,909 and \$150,586, respectively.

The Company's biological assets at June 30, 2019 were:

Balance, January 1, 2019	\$	74,148
Gain on fair value of biological assets		407,681
Increase in biological assets due to capitalized costs		79,068
Transfer to finished goods		(373,394)
Balance, June 30, 2019	\$	187,503

8. Property, plant and equipment

	Buildings and improvements	Land	Production equipment	Leasehold improvements	Computer Equipment	Furniture and Fixtures	Vehicles	Total
Cost								
Balance, January 1, 2019	\$ 1,043,846	\$ 273,442	\$ 2,256,281	\$ 4,653,026	\$ 405,992	\$ 997,947	\$ 258,112	\$ 9,888,646
Additions	5,599,879	-	450,150	122,623	915	9,152	102,633	6,285,352
Dispositions	-	-	-	-	-	-	(124,467)	(124,467)
Balance, June 30, 2019	\$ 6,643,725	\$ 273,442	\$ 2,706,431	\$ 4,775,649	\$ 406,907	\$ 1,007,099	\$ 236,278	\$ 16,049,531
Accumulated Amortization								
Balance, January 1, 2019	\$ (194,353)	\$ -	\$ (1,036,415)	\$ (1,560,685)	\$ (169,113)	\$ (581,736)	\$ (157,509)	\$ (3,699,811)
Expense	(454,706)	-	(258,827)	(404,368)	(55,451)	(98,867)	(41,357)	(1,313,576)
Dispositions	-	-	-	-	-	-	31,556	31,556
Balance, June 30, 2019	\$ (649,059)	\$ -	\$ (1,295,242)	\$ (1,965,053)	\$ (224,564)	\$ (680,603)	\$ (167,310)	\$ (4,981,831)
Carrying amount								
At December 31, 2018	\$ 849,493	\$ 273,442	\$ 1,219,866	\$ 3,092,341	\$ 236,879	\$ 416,211	\$ 100,603	\$ 6,188,835
At June 30, 2019	\$ 5,994,666	\$ 273,442	\$ 1,411,189	\$ 2,810,596	\$ 182,343	\$ 326,496	\$ 68,968	\$ 11,067,700

Total depreciation expense for the three months ended June 30, 2019 and 2018 was \$ 684,535 and \$434,161, respectively. Total depreciation expense for the six months ended June 30, 2019 and 2018 was \$1,313,576 and \$703,795, respectively.

9. Intangible assets

	Licenses	Customer relationships	Brands	Total
Cost				
Balance, January 1, 2019	\$ 10,966,911	\$ 1,512,896	\$ 9,581,746	\$ 22,061,553
Additions	-	-	-	-
Balance, June 30, 2019	\$ 10,966,911	\$ 1,512,896	\$ 9,581,746	\$ 22,061,553
Accumulated Amortization				
Balance, January 1, 2019	\$ -	\$ (278,604)	\$ -	\$ (278,604)
Expense	-	(156,736)	-	(156,736)
Balance, June 30, 2019	\$ -	\$ (435,340)	\$ -	\$ (435,340)
Carrying amount				
At December 31, 2018	\$ 10,966,911	\$ 1,234,292	\$ 9,581,746	\$ 21,782,949
At June 30, 2019	\$ 10,966,911	\$ 1,077,556	\$ 9,581,746	\$ 21,626,213

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10. Convertible debt and notes payable

	June 30, 2019	December 31, 2018
Current portion of convertible debentures carried at fair value	\$ 9,059,430	\$ 8,888,946
Mortgage note payable	312,118	312,118
Convertible debentures carried at fair value	5,155,515	4,996,811
Carrying amount of convertible notes at end of period	\$ 14,527,063	\$ 14,197,875

The Company has elected to account for the convertible debentures at fair value through profit and loss on initial recognition and as of the date of extinguishment for those convertible debentures noted. A loss of \$119,277 and a gain of \$9,970,603 was recorded through change in fair value of convertible debentures on the statement of operations for the six months ended June 30, 2019 and 2018. For the three and six months ended June 30, 2019, no debentures were converted.

Note payable was at \$312,118 as at June 30, 2019 and December 31, 2018, respectively, and carries an annual interest rate of 10%.

11. Long-term debt and consideration payable

	June 30, 2019	December 31, 2018
Long term debt	\$ 5,497,935	\$ 71,721
Less: current portion	(1,235,033)	(25,492)
Carrying amount of long-term debt	\$ 4,262,902	\$ 46,229

Long term debt consists of lease liabilities related to leases for properties and vehicles. Refer to Notes 5 and 19.

Consideration payable was at \$9,295,374 and \$8,956,809 as at June 30, 2019 and December 31, 2018, respectively. The Company recognized \$171,721 and \$338,565 in accretion expense for the three and six months ended June 30, 2019, respectively.

12. Warrant liability

	Number of warrants issued	Amount
Balance, January 1, 2019	151,835,763	\$ 605,481
Warrants expired	(49,382,701)	-
Change in fair market value	-	(581,763)
Balance, June 30, 2019	102,453,062	\$ 23,718

Per IAS 9, the warrants are measured at fair value at each reporting date. For the six months ended June 30, 2019 and 2018, a gain of \$581,763 and \$10,627,702 was recorded in the statement of operations, respectively, due to significant changes in the Company's common share price.

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12. Warrant liability (continued)

The Black-Scholes option pricing model was used at the date of measurement with the following assumptions:

	June 30, 2019	December, 31 2018
Expected life	0.3 - 1.5 years	0.5 - 1.9 years
Risk-free interest rate	1.51%	1.90%
Dividend yield	0.00%	0.00%
Foreign exchange rate	0.7636	0.7337
Expected volatility	68% - 75%	68% - 83%

Volatility was calculated by using the Company's historical volatility. The expected life in years represents the period of time that the warrants granted are expected to be outstanding. The risk-free rate is based on zero coupon Canada government bonds with a remaining term equal to the expected life of the warrants.

13. Share capital

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

The following table reflects the continuity of share capital from January 1, 2019 to June 30, 2019:

	Number of Shares	Amount
Balance, January 1, 2019	589,140,903	\$ 138,511,038
Shares issued - interest paid in kind	3,106,770	178,130
Balance, June 30, 2019	592,247,673	\$ 138,689,168

14. Warrant reserve

	Number of warrants issued	Amount
Balance, December 31, 2018	20,924,916	\$ 4,052,164
Warrants expired	(5,908,487)	\$ (280,348)
Balance, June 30, 2019	15,016,429	\$ 3,771,816

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

	June 30, 2019	December, 31 2018
Expected life	0.3 - 1.5 years	.3 - 1.9 years
Risk-free interest rate	0.57% - 1.79%	0.57% - 1.79%
Dividend yield	0.00%	0.00%
Foreign exchange rate	0.7701 - 0.8134	0.7701 - 0.8134
Expected volatility	70% - 88%	70% - 88%

Volatility was calculated by using the Company's historical volatility and the historical volatility of other companies that the Company considers comparable that have trading and volatility history prior to the

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14. Warrant reserve (continued)

Company becoming public. The expected life in years represents the period of time that the warrants granted are expected to be outstanding. The risk-free rate is based on zero coupon Canada government bonds with a remaining term equal to the expected life of the warrants.

15. Stock option plan

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

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

Total number of options at January 1, 2019	49,528,066
Options granted at \$0.075 Canadian dollars	1,700,000
Options granted at \$0.115 Canadian dollars	3,500,000
Options granted at \$0.14 Canadian dollars	6,800,000
Options expired	(16,512,492)
Total number of options at June 30, 2019	45,015,574
Number of exercisable options issued in Canadian dollars	26,457,343
Number of exercisable options issued in U.S. dollars	100,000
Weighted average exercise price of options at June 30, 2019 in U.S. dollars	\$ 0.19

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

	June 30, 2019	December, 31 2018
Expected life	3 years	3 years
Risk-free interest rate	0.57% - 2.11%	0.57% - 2.11%
Dividend yield	0.00%	0.00%
Expected volatility	70% - 89%	70% - 89%
Expected forfeiture rate	0.00%	0.00%

During the six months ended June 30, 2019 and 2018, \$329,710 and \$1,643,421 was included in stock compensation expense in the statement of operations. During the three months ended June 30, 2019 and 2018, a reversal of \$82,216 and an expense of \$567,969 were included in stock compensation expense in the statement of operations.

On January 31, 2019 and February 4, 2019, the Company issued 6,300,000 and 500,000 stock options to employees with an exercise price of C\$0.14. On June 17, 2019, the Company issued 1,700,000 stock options to employees with an exercise price of C\$0.075. On May 9, 2019, the Company issued 3,500,000 stock options to directors with an exercise price of C\$0.115.

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16. Related party transactions

Key management of the Company are its Board of Directors and certain members of executive management. Key management personnel remuneration for the three and six months ended June 30, 2019 and 2018 includes the following expenses:

	For the three months ended June 30,		For the six months ended June 30,	
	2019	2018	2019	2018
Salaries, commissions, bonuses and benefits	\$ 236,807	\$ 269,723	\$ 659,237	\$ 539,884
Termination benefits	124,537	-	124,537	-
Stock Compensation, including warrants and shares	108,391	551,200	262,793	932,245
	\$ 469,735	\$ 820,923	\$ 1,046,567	\$ 1,472,129

Karyn Barsa, former CFO, was awarded 500,000 stock options with an exercise price of C\$0.14 on February 4, 2019. These options, if unexercised, will expire in September 2019.

In June 2019, Jeff Yapp, COO, was awarded 1,700,000 stock options with an exercise price of C\$0.075.

In May 2019, Larry Martin, Director, was awarded 3,500,000 stock options with an exercise price of C\$0.115.

Consideration payable with face value of \$9,527,350, related to the Chalice Farms acquisition, is owed to William Simpson, former CEO, Michael Genovese, COO, and Gary Zipfel, Director.

The Company leases both its corporate headquarters in Portland and its grow facility outside of Portland from CPPOR LLC ("CPP"), of which Gary Zipfel, Director, is the sole member. During the six months ended June 30, 2019 and 2018, the Company paid total rents of \$248,981 and nil, respectively, for these properties. In 2018, in an effort to support the Company, CPP entered into a rent abatement agreement with the Company for the grow facility under construction for the entire 2018 year. Rent payments for the grow facility resumed upon completion of construction in January 2019.

17. Capital management

The Company defines capital that it manages as its shareholders' equity, long-term debt and warrant liability. The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to pursue the development of its business and to maintain a flexible capital structure that optimizes the costs of capital at an acceptable risk. As of June 30, 2019 and December 31, 2018, total managed capital was \$43,908,811 and \$46,871,502, respectively.

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

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

18. Legal matters

The Company and its wholly-owned subsidiary Greenpoint Real Estate, LLC, an Oregon limited liability company, 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. On February 1, 2019, subsequent to December 31, 2018 balance sheet date, the parties settled the case. The settlement did

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18. Legal matters (continued)

not have a material impact on the Company's financial statements and the amount was accrued in full in the 2018 financial statements.

Greenpoint Real Estate LLC, a wholly-owned subsidiary of the Company, was sublessee of certain real property located at 19630 S. McCord Rd., Oregon City, Oregon. On August 30, 2018, Greenpoint as plaintiff filed a complaint against the owner of the property, Dan Berge, as defendant, in Clackamas County Circuit Court, captioned Greenpoint Real Estate LLC, and Alex Wall v. Dan Berge, Case No. 18CV38386. On September 18, 2018, the court entered a preliminary injunction against Berge. The parties signed a Settlement and Release Agreement on May 14, 2019.

19. Financial instruments and risk management

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

(a) Fair value

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

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.

December 31, 2018	Category	Level 1 \$	Level 2 \$	Level 3 \$	Total \$
Financial Liabilities					
Warrant liability	FVTPL	-	-	605,481	605,481
Convertible debentures	FVTPL	-	-	13,885,757	13,885,757
June 30, 2019	Category	Level 1 \$	Level 2 \$	Level 3 \$	Total \$
Financial Liabilities					
Warrant liability	FVTPL	-	-	23,718	23,718
Convertible debentures	FVTPL	-	-	14,214,945	14,214,945

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

The convertible debentures were valued using a binominal option pricing model to estimate the value of the combined convertible instrument. The most significant assumption used in this valuation was the expected volatility of the Company's shares which was estimated at 71% and 85% weighted average at June 30, 2019 and December 31, 2018, respectively.

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

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19. Financial instruments and risk management (continued)

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

(b) Credit risk

The carrying amounts of cash and accounts receivable on the consolidated statement of financial position represent the Company's maximum credit exposure at June 30, 2019 and December 31, 2018.

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

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

The Company does not have significant exposure to any individual customer and has estimated bad debts of \$184,739 and \$235,665 at June 30, 2019 and December 31, 2018, respectively.

(c) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company is not subject to any interest rate volatility as its long-term debt instruments and convertible notes are carried at a fixed interest rate throughout their term.

(d) Liquidity risk

The Company's objective is to have sufficient liquidity to meet its liabilities when due. The Company monitors its cash balances and cash flows generated from operations to meet its requirements. To ensure the Company has sufficient liquidity to meet its obligations, the Company intends to issue common shares and debt in the future. The following table summarizes the Company's contractual maturity for its financial liabilities, including both principal and interest payments:

	Carrying amount	Contractual cash flows	Under 1 year	1-3 years	3-5 years	More than 5 years
As at March 31, 2019						
Trade and other payables	\$ 863,320	\$ 863,320	\$ 863,320	\$ -	\$ -	\$ -
Lease liabilities	5,424,624	7,721,029	1,122,622	2,107,042	1,910,383	2,580,982
Other loans and borrowings	385,429	499,713	62,586	93,798	343,329	-
Convertible debt	14,214,945	6,214,561	-	6,214,561	-	-
Total	\$ 20,888,318	\$ 15,298,623	\$ 2,048,528	\$ 8,415,401	\$ 2,253,712	\$ 2,580,982

The Company anticipates issuing common shares to settle the convertible debentures that mature on November 2, 2019 (the face value is \$9.9M).

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19. Financial instruments and risk management (continued)

(e) Foreign exchange risk

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

The following is an analysis of U.S. dollar equivalent of financial assets and liabilities that are denominated in Canadian dollars at June 30, 2019:

Financial Assets	
Cash	\$ 1,532,230
Trade and other receivables	122,125
	<hr/>
	\$ 1,654,355
Financial Liabilities	
Trade and other payables	208,716
Convertible debt	14,214,945
	<hr/>
	\$ 14,423,661

20. Segment Information

The Company defines its major operating segments as Oregon wholesale, Oregon retail, Nevada wholesale, Canada cultivation and Canada consulting operations. Due to the jurisdictional cannabis compliance issues ever-present in the industry, each operation is by nature an operational segment. The Oregon wholesale and retail operations share supply chain components and cannot be discretely separated beyond gross margin; however, they have disparate revenue and margin metrics and thus will be presented as such. The Nevada wholesale operations are geographically and jurisdictionally distinct and are reviewed based on gross margin performance. The Canadian companies, although under common management, are different business models and thus are reviewed by management independently based on revenues and gross margin.

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20. Segment Information (continued)

	For the three months ended												Consolidated	
	Oregon Retail		Oregon Wholesale		Nevada Wholesale		Canada Cultivation		Canada Consulting		Other			
	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
Product sales	\$ 2,770,799	\$ 2,638,272	\$ 706,422	\$ 481,375	\$ 453,985	\$ 363,764	\$ 224,903	\$ -	\$ 140,862	\$ 188,327	\$ -	\$ -	\$ 4,296,971	\$ 3,671,738
Consulting revenue	8,288	-	-	-	-	-	-	-	4,105	9,898	-	-	12,393	9,898
Total Revenue	\$ 2,779,087	\$ 2,638,272	\$ 706,422	\$ 481,375	\$ 453,985	\$ 363,764	\$ 224,903	\$ -	\$ 144,967	\$ 198,225	\$ -	\$ -	\$ 4,309,364	\$ 3,681,636
Inventory expensed to cost of sales	1,457,422	2,074,834	564,086	862,493	350,127	92,468	7,156	-	-	-	-	-	2,364,479	3,029,795
Production costs	-	-	106,868	111,277	1,583	2,476	-	-	-	-	-	-	108,451	113,753
Gross margin, excluding fair value items	\$ 1,321,665	\$ 563,438	\$ 35,468	\$ (492,395)	\$ 102,275	\$ 268,820	\$ 232,059	\$ -	\$ 144,967	\$ 198,225	\$ -	\$ -	\$ 1,836,434	\$ 538,088
Fair value changes in biological assets included in inventory sold	-	-	-	-	-	10,518	235,833	-	-	-	-	-	235,833	10,518
(Gain) Loss on changes in fair value of biological assets	-	-	-	-	-	(25,469)	(104,242)	(386,891)	-	-	-	-	(104,242)	(412,360)
Gross profit (loss)	\$ 1,321,665	\$ 563,438	\$ 35,468	\$ (492,395)	\$ 102,275	\$ 283,771	\$ 100,468	\$ 386,891	\$ 144,967	\$ 198,225	\$ -	\$ -	\$ 1,704,843	\$ 939,930

	For the six months ended												Consolidated	
	Oregon Retail		Oregon Wholesale		Nevada Wholesale		Canada Cultivation		Canada Consulting		Other			
	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
Product sales	\$ 5,431,405	\$ 4,580,259	\$ 1,518,185	\$ 1,020,512	\$ 710,150	\$ 748,437	\$ 419,100	\$ -	\$ 294,738	\$ 489,268	\$ -	\$ 16,251	\$ 8,373,578	\$ 6,854,727
Consulting revenue	16,159	-	-	-	-	-	-	-	8,287	27,176	194,188	-	218,634	27,176
Total Revenue	\$ 5,447,564	\$ 4,580,259	\$ 1,518,185	\$ 1,020,512	\$ 710,150	\$ 748,437	\$ 419,100	\$ -	\$ 303,025	\$ 516,444	\$ 194,188	\$ 16,251	\$ 8,592,212	\$ 6,881,903
Inventory expensed to cost of sales	2,940,462	3,212,955	1,229,879	1,737,347	566,160	433,335	146,133	-	-	1,176	-	369,695	4,882,634	5,754,508
Production costs	-	-	234,217	225,494	12,970	21,331	-	63,162	-	-	-	101,240	247,187	411,227
Gross margin, excluding fair value items	\$ 2,507,102	\$ 1,367,304	\$ 54,089	\$ (942,329)	\$ 131,020	\$ 293,771	\$ 272,967	\$ (63,162)	\$ 303,025	\$ 515,268	\$ 194,188	\$ (454,684)	\$ 3,462,391	\$ 716,168
Fair value changes in biological assets included in inventory sold	-	-	-	-	-	10,518	397,356	119,130	-	-	-	-	397,356	129,648
(Gain) Loss on changes in fair value of biological assets	-	-	-	-	-	(9,920)	(407,681)	(696,337)	-	-	-	-	(407,681)	(706,257)
Gross profit (loss)	\$ 2,507,102	\$ 1,367,304	\$ 54,089	\$ (942,329)	\$ 131,020	\$ 293,173	\$ 283,292	\$ 514,045	\$ 303,025	\$ 515,268	\$ 194,188	\$ (454,684)	\$ 3,472,716	\$ 1,292,777

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20. Segment Information (continued)

	Oregon Retail	Oregon Wholesale	Nevada Wholesale	Canada Cultivation	Canada Consulting	Other	Consolidated
As at December 31, 2018							
Assets	\$ 3,393,895	\$ 12,546,890	\$ 7,998,464	\$ 2,307,980	\$ 383,832	\$ 46,845,964	\$ 73,477,025
Liabilities	\$ 149,428	\$ 907,952	\$ 4,838	\$ 468,404	\$ 163,757	\$ 25,193,511	\$ 26,887,890
As at June 30, 2019							
Assets	\$ 5,917,349	\$ 15,295,592	\$ 9,535,671	\$ 2,299,588	\$ 524,707	\$ 37,122,625	\$ 70,695,532
Liabilities	\$ 2,325,766	\$ 3,303,416	\$ 240,159	\$ 375,092	\$ 166,426	\$ 24,655,367	\$ 31,066,226

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21. Subsequent events

On July 2, 2019, the Company issued 4,848,464 common shares at C\$0.0782 to pay interest on the debentures for a total of C\$379,150.

On August 21, 2019, with greater than 98 percent support, the debenture holders approved the repayment of the principal amount of the convertible debentures of C\$12,961,000 and accrued interest of C\$190,815, via an early conversion on August 23, 2019 at C\$0.06. The Company issued 219,069,556 common shares on August 23 to repay the principal and accrued interest. The original maturity date of these debentures was November 2, 2019.

As of August 26, 2019, common shares issued and outstanding were 816,165,694.

In July 2019, the Company reached an agreement in principle to extend the due date for the \$9,527,350 earn-out payment due to Chalice LLC and its members. This agreement was conditional on early settlement of the convertible debentures. As the debenture holders agreed to accelerate the settlement of the debentures, the agreement to extend the Chalice LLC earn-out payment from November 2, 2019 to May 2, 2022 became effective. The principal amount of the earn-out payment due to Chalice LLC and its members is \$9,527,350, of which \$5,000,000 is payable in cash and \$4,527,350 is payable in the company's common shares.

See Notes 10, 11 and 13.