Interim Condensed Consolidated Financial Statements of

GOLDEN LEAF HOLDINGS LTD.

As at and for the three and nine months ended September 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 nine months ended September 30, 2019

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 nine months ended September 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 September 30, 2019 and December 31, 2018
(Expressed in U.S. dollars)

			September 30, 2019		December 31, 2018
ASSETS					
CURRENT					
Cash		$	3,815,208	$	12,275,372
Accounts receivable	Note 6		465,821		624,453
Other receivables			483,594		297,737
Income tax recoverable			686,600		686,600
Sales tax recoverable			636,946		661,319
Biological assets	Note 7		157,509		74,148
Inventory	Note 7		3,948,961		3,416,906
Prepaid expenses and deposits			914,114		1,962,033
Assets held for sale			-		35,274
Total current assets		$	11,108,753	$	20,033,842
Property, plant and equipment	Note 8		10,354,392		6,188,835
Intangible assets	Note 9		21,613,323		21,782,949
Goodw ill			25,471,399		25,471,399
Total assets		$	68,547,867	$	73,477,025
LIABILITIES					
CURRENT					
Accounts payable and accrued liabilities		$	1,519,708	$	2,624,967
Interest payable			685,496		92,554
Income taxes payable			69,539		106,808
Sales tax payable			133,041		231,675
Current portion of long-term debt	Note 11		814,559		25,492
Current portion of convertible debentures carried at fair value	Note 10		-		8,888,946
Warrant liability	Note 12		104		369,343
Total current liabilities		$	3,222,447	$	12,339,785
Long term debt	Note 11	$	4,344,472		46,229
Note payable	Note 10		312,118		312,118
Convertible debentures carried at fair value	Note 10		4,980,000		4,996,811
Consideration payable	Note 11		9,157,667		8,956,809
Warrant liability	Note 12		243		236,138
Total liabilities		$	22,016,947	$	26,887,890
SHAREHOLDERS' EQUITY					
Share capital	Note 13	$	148,735,032	$	138,511,038
Warrant reserve	Note 14		3,705,261		4,052,164
Share option reserve	Note 15		4,580,749		4,777,929
Contributed surplus			59,940		59,940
Accumulated other comprehensive loss			(1,317,999)		(125,930)
Deficit			(109,232,063)		(100,686,006)
Total shareholders' equity			46,530,920		46,589,135
Total liabilities and shareholders' equity		$	68,547,867	$	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 (Loss) Gain (Unaudited)
For the three and nine months ended September 30, 2019 and 2018
(Expressed in U.S. dollars)

		For the three months ended September 30,		For the nine months ended September 30,	
		2019	2018	2019	2018
Revenues					
Product sales	Note 20	$ 4,471,510	$ 5,104,251	$ 12,845,088	$ 11,958,978
Consulting revenue	Note 20	13,632	8,662	232,266	35,838
Total Revenue		$ 4,485,142	$ 5,112,913	$ 13,077,354	$ 11,994,816
Inventory expensed to cost of sales	Note 7, 20	2,775,054	3,825,330	7,657,688	9,579,838
Production costs	Note 20	121,785	476,512	368,972	887,739
Gross margin, excluding fair value items		1,588,303	811,071	5,050,694	1,527,239
Fair value changes in biological assets included in inventory sold	Note 7, 20	-	(91,672)	397,356	37,976
(Gain) Loss on changes in fair value of biological assets	Note 7, 20	(28,773)	458,542	(436,454)	(247,715)
Gross profit		$ 1,617,076	$ 444,201	$ 5,089,792	$ 1,736,978
Expenses					
General and administration		2,931,595	3,182,236	8,857,685	9,248,288
Share based compensation	Note 15	155,936	539,758	485,646	2,183,179
Sales and marketing		448,569	557,500	1,457,464	1,381,552
Depreciation and amortization	Note 8, 9	669,219	376,977	2,111,248	1,080,772
Total expenses		$ 4,205,319	$ 4,656,471	$ 12,912,043	$ 13,893,791
Loss before items noted below		$ (2,588,243)	$ (4,212,270)	$ (7,822,251)	$ (12,156,813)
Interest expense (income)		560,860	(31,280)	2,064,341	884,295
Transaction costs		612	454,292	8,834	926,192
Loss on disposal of assets	Note 8	4,330	-	97,241	5,000
Other (loss) income		(79,517)	(12,410)	14,048	(134,813)
Gain on debt modification	Note 11	(312,083)	-	(312,083)	-
(Gain) loss on change in fair value of warrant liabilities	Note 12	(23,371)	1,372,824	(605,134)	(9,254,878)
Loss (gain) on change in fair value of convertible debentures	Note 10	351,088	(506,686)	470,365	(10,477,289)
(Loss) income before income taxes		(3,090,162)	(5,489,010)	(9,559,863)	5,894,680
Current income tax expense		-	3,842	15,924	12,276
Net (loss) income		$ (3,090,162)	$ (5,492,852)	$ (9,575,787)	$ 5,882,404
Other comprehensive loss					
Items that will be reclassified subsequently to profit or loss:					
Cumulative translation adjustment		210,023	(7,475)	1,192,068	45,788
Comprehensive (loss) gain		$ (3,300,185)	$ (5,485,377)	$ (10,767,855)	$ 5,836,616
Basic and diluted (loss) gain per share		$ (0.00)	$ (0.01)	$ (0.02)	$ 0.01
Weighted average number of common shares outstanding		685,518,103	580,321,291	621,050,033	563,832,540

See accompanying notes to these consolidated financial statements.

GOLDEN LEAF HOLDINGS LTD.

Interim Condensed Consolidated Statements of Changes in Shareholders' Equity (Unaudited)
For the nine months ended September 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	17,170,388	-	-	-	-	-	17,170,388
Share-based compensation (Note 15)	109,928	-	2,153,744	-	-	-	2,263,672
Exercise of warrants and options for common shares	12,416,403	(1,431,808)	-	-	-	-	10,984,595
Issuance of warrants and broker units	-	426,367	-	-	-	-	426,367
Expiry of warrants and stock options	-	-	(123,719)	-	-	123,719	-
Net (loss) gain and comprehensive loss for the period	-	-	-	-	(45,788)	5,882,404	5,836,616
Balance at September 30, 2018	$ 138,249,400	$ 4,078,120	$ 3,117,665	$ 59,940	$ (35,960)	$ (91,041,392)	$ 54,427,773

	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)	10,223,994	-	-	-	-	-	10,223,994
Share-based compensation (Note 15)	-	-	485,647	-	-	-	485,647
Expiry of warrants and stock options (Note 14, 15)	-	(346,903)	(682,827)	-	-	1,029,730	-
Net loss and comprehensive loss for the year	-	-	-	-	(1,192,069)	(9,575,787)	(10,767,856)
Balance at September 30, 2019	$ 148,735,032	$ 3,705,261	$ 4,580,749	$ 59,940	$ (1,317,999)	$ (109,232,063)	$ 46,530,920

See accompanying notes to these consolidated financial statements.

GOLDEN LEAF HOLDINGS LTD.

Interim Condensed Consolidated Statements of Cash Flows (Unaudited)
For the nine months ended September 30, 2019 and 2018
(Expressed in U.S. dollars)

		For the nine months ended September 30,			
			2019		2018
Cash provided by (used in):					
Operating activities:					
Net (loss) income		$	(9,575,787)	$	5,882,404
Depreciation of property, plant and equipment	Note 8		1,881,622		859,969
Amortization of intangible assets			229,626		220,803
Loss on disposal of assets	Note 8		97,241		5,000
Interest expense			2,064,341		884,295
Income tax paid			-		(324,620)
Income tax expense			15,924		69,676
Bad debt expense			94,893		141,325
Share-based compensation	Note 15		485,646		2,153,744
Gain on debt modification			(312,083)		-
Gain on fair value adjustment to w arrants liability	Note 12		(605,134)		(9,254,878)
Loss (gain) on fair value adjustment to debt			470,365		(10,705,635)
Transaction costs			8,834		926,192
Gain on fair value of biological assets	Note 7		(436,454)		(247,715)
Reserve for obsolete inventory	Note 7		87,025		192,100
Other non-cash transactions			(1,226,649)		(393,625)
Changes in working capital items					
Accounts receivable	Note 6		63,739		(970,091)
Other receivables			(185,857)		(198,674)
Sales tax recoverable			24,373		(151,067)
Accounts payable and accrued liabilities			(1,105,259)		(278,804)
Sales tax payable			(98,634)		-
Biological assets	Note 7		353,093		120,282
Inventory	Note 7		(619,080)		229,266
Prepaid expenses and deposits			1,047,919		(203,022)
Cash used in operating activities		$	(7,240,296)	$	(11,043,075)
INVESTING ACTITIVES					
Purchase of property, plant and equipment	Note 8		(842,658)		(1,052,332)
Purchase of brands	Note 9		(60,000)		-
Proceeds from disposal of property plant and equipment			35,274		-
Payment of deposits and retainers			-		(1,268,039)
Payment of accrued transaction costs			-		(38,413)
Cash used in investment activities		$	(867,384)	$	(2,358,784)
FINANCING ACTIVITIES					
Issuance of common shares			-		21,669,001
Payment of share issuance costs			-		(1,021,949)
Repayment of long-term debt			-		(194,126)
Payment of lease liabilities			(352,484)		-
Interest paid			-		(718,841)
Cash (used) provided by financing activities		$	(352,484)	$	19,734,085
(Decrease) increase in cash during the period		$	(8,460,164)	$	6,332,226
Cash, beginning of period			12,275,372		6,009,447
Cash, end of period		**$**	**3,815,208**	**$**	**12,341,673**

See accompanying notes to these consolidated financial statements

1. Incorporation and operations

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

The Company is in the business of producing and distributing cannabis oil and flower products within 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 Marihuana 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 September 30, 2019, the Company had an accumulated deficit of $109,232,063 (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 September 30, 2019, the Company's cash balances were $3,815,208. 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 nine months ended September 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.

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 November 25, 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 nine months ended September 30, 2019.

The Company has applied IFRS 16 using the cumulative catch-up method, 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.

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 September 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.

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

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 $3,511,645 of right of use assets and $4,095,539 of lease liabilities as at September 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 nine months ended September 30, 2019, the Company recognized $128,461 and $509,351 of depreciation charges and $90,976 and $390,418 of interest costs from these leases, respectively.

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

6. Accounts receivable

	September 30, 2019	December 31, 2018
Accounts Receivable	$ 568,204	$ 718,668
Allowance for doubtful accounts	(102,383)	(94,215)
	$ 465,821	$ 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 September 30, 2019, on average, the biological assets were approximately 22% 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 September 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 $3.00 per gram in the valuation of biological assets at September 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 nine months ended September 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 September 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.

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

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:

	September 30, 2019	10% change as at September 30, 2019	
Selling price per gram	$3.00	$	5,184
Stage of growth	4 weeks	$	-
Yield by plant	58.37 grams	$	10,422
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 September 30, 2019 and 2018, the Company recognized a gain of $28,773 and a loss of $458,542, respectively, on the change in fair market value of biological assets reflecting the change in value relating to the growth and harvest of the flower from cannabis plants. During the nine months ended September 30, 2019 and 2018, the Company recognized a gain of $436,454 and $247,715, respectively, 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 September 30, 2019 and 2018, $100,763 and 95,121 of depreciation was allocated to inventory, respectively. During the nine months ended September 30, 2019 and 2018, $316,011 and $264,075 of depreciation was allocated to inventory, respectively. 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 September 30, 2019 and 2018 was $2,775,054 and $3,825,330, respectively. Inventory expensed to cost of sales for the nine months ended September 30, 2019 and 2018 was $7,657,688 and $9,579,838, respectively.

The Company’s inventory at September 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		-		667,220
Work-in-process		157,509		1,196,870
Finished goods		-		2,084,871
Balance, September 30, 2019	$	157,509	$	3,948,961

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

7. Biological assets and inventory (continued)

At September 30, 2019 and December 31, 2018, the Company also recorded a general reserve for excess and obsolete inventory in the amount of $87,025 and $150,586, respectively.

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

Balance, January 1, 2019	$	74,148
Gain on fair value of biological assets		436,454
Increase in biological assets due to capitalized costs		79,950
Transfer to finished goods		(433,043)
Balance, September 30, 2019	$	157,509

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	5,433,478	-	481,103	127,887	5,171	19,202	73,249	6,140,090
Dispositions	-	-	-	-	-	-	(124,467)	(124,467)
Balance, September 30, 2019	$ 6,477,324	$ 273,442	$ 2,737,384	$ 4,780,913	$ 411,163	$ 1,017,149	$ 206,894	$ 15,904,269
Accumulated Amortization								
Balance, January 1, 2019	$ (194,353)	$ -	$ (1,036,415)	$ (1,560,685)	$ (169,113)	$ (581,736)	$ (157,509)	$ (3,699,811)
Expense	(635,747)	-	(389,514)	(596,765)	(83,730)	(145,712)	(30,153)	(1,881,622)
Dispositions	-	-	-	-	-	-	31,556	31,556
Balance, September 30, 2019	$ (830,100)	$ -	$ (1,425,929)	$ (2,157,450)	$ (252,843)	$ (727,448)	$ (156,106)	$ (5,549,877)
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 September 30, 2019	$ 5,647,224	$ 273,442	$ 1,311,455	$ 2,623,463	$ 158,320	$ 289,701	$ 50,788	$ 10,354,392

Total depreciation expense for the three months ended September 30, 2019 and 2018 was $568,046 and $420,249, respectively. Total depreciation expense for the nine months ended September 30, 2019 and 2018 was $1,881,622 and $1,124,044, respectively. Included in depreciation expense was $128,461 and $509,351 related to depreciation of leased assets for the three and nine months ending September 30, 2019, respectively. See Note 5.

9. Intangible assets

	License	Customer relationships	Brands	Total
	Licenses	**Customer relationships**	**Brands**	**Total**
Cost				
Balance, January 1, 2019	$ 10,966,911	$ 1,512,896	$ 9,581,746	$ 22,061,553
Additions	-	-	60,000	60,000
Balance, September 30, 2019	$ 10,966,911	$ 1,512,896	$ 9,641,746	$ 22,121,553
Accumulated Amortization				
Balance, January 1, 2019	$ -	$ (278,604)	$ -	$ (278,604)
Expense	-	(229,626)	-	(229,626)
Balance, September 30, 2019	$ -	$ (508,230)	$ -	$ (508,230)
Net book value				
At September 30, 2019	$ 10,966,911	$ 1,004,666	$ 9,641,746	$ 21,613,323

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

10. Convertible debt and notes payable

		September 30, 2019		December 31, 2018
Current portion of convertible debentures carried at fair value	$	-	$	8,888,946
Mortgage note payable		312,118		312,118
Convertible debentures carried at fair value		4,980,000		4,996,811
Carrying amount of convertible notes at end of period	$	5,292,118	$	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 $351,088 and a gain of $506,686 was recorded through change in fair value of convertible debentures on the statement of operations for the three months ended September 30, 2019 and 2018. A loss of $470,365 and a gain of $10,477,289 was recorded for the nine months ended September 30, 2019 and 2018.

In August 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 per share. The Company issued 219,069,556 common shares to repay the convertible debt principal and accrued interest. The original maturity date of these debentures was November 2, 2019. As of the effective date of the conversion, the Company derecognized the convertible debt liability at its carrying value, and recorded share capital issued of $9,610,296. Refer to Note 13.

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

11. Long-term debt and consideration payable

		September 30, 2019		December 31, 2018
Long term debt	$	5,159,031	$	71,721
Consideration payable		9,157,667		8,956,809
Less: current portion		(814,559)	$	(25,492)
Carrying amount of long-term debt	$	13,502,139	$	9,003,038

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

Consideration payable was at $9,157,667 and $8,956,809 as at September 30, 2019 and December 31, 2018, respectively, and consists of earn-out payments in connection with the Chalice Farms acquisition. The Company recognized $174,376 and $520,043 in accretion expense for the three and nine months ended September 30, 2019, respectively.

Consideration payable with a face value of $9,527,350 is required to be made to previous Chalice Farms owners, payable by November 2, 2019. This debt is split between a cash payment of $5,000,000 and the balance of $4,527,350 payable in the common stock of the Company.

In August 2019, the Company reached an agreement to extend the due date for the $9,527,350 consideration payable due to former Chalice Farms owners. This agreement was conditional on early

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

11. Long-term debt and consideration payable (continued)

settlement of the convertible debentures – See Note 10. This modified the term of earn-out payments to be paid in full on May 2, 2022 and changed the annual interest rate from 0% to 6%. Monthly interest cash payments, annual interest stock payments, and contingent tax interest payments, totaling 6%, are due to the members under the revised agreement.

The Company accounted for this agreement restructuring as a debt modification in accordance with IFRS 9 *Financial Instruments*. Comparing the adjusted present value of the new cash flows to the carrying value prior to modification, the company recorded a gain on debt modification of $312,083.

12. Warrant liability

	Number of warrants issued		Amount
Balance, January 1, 2019	151,835,763	$	605,481
Warrants expired	(51,286,701)		-
Change in fair market value	-		(605,134)
Balance, September 30, 2019	100,549,062	$	347

Per IAS 9, the warrants are measured at fair value at each reporting date. For the three months ended September 30, 2019 and 2018, a gain of $23,371 and a loss of $1,372,824 was recorded in the statement of operations, respectively. For the nine months ended September 30, 2019 and 2018, a gain of $605,134 and $9,254,878 was recorded, respectively, due to significant changes in the Company's common share price.

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

	September 30, 2019	December, 31 2018
Expected life	0.2 - 1.2 years	0.5 - 1.9 years
Risk-free interest rate	1.59%	1.90%
Dividend yield	0.00%	0.00%
Foreign exchange rate	0.7553	0.7337
Expected volatility	69% - 73%	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.

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

13. Share capital

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

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

	Number of Shares		Amount
Balance, January 1, 2019	589,140,903	$	138,511,038
Shares issued - debenture conversion	216,016,664	$	9,610,296
Shares issued - interest paid-in-kind	11,008,126		613,698
Balance, September 30, 2019	816,165,693	$	148,735,032

14. Warrant reserve

	Number of warrants issued		Amount
Balance, January 1, 2019	20,924,916	$	4,052,164
Warrants expired	(6,508,487)	$	(346,903)
Balance, September 30, 2019	14,416,429	$	3,705,261

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

	September 30, 2019	**December, 31 2018**
Expected life	0.2 - 1.2 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% - 88.4%	70% - 88.4%

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 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 over 3 years with a 1-year cliff vesting 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 $0.06 Canadian dollars		29,190,000
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		(22,156,957)
Total number of options at September 30, 2019		68,561,109
Number of exercisable options issued in Canadian dollars		30,940,698
Number of exercisable options issued in U.S. dollars		100,000
Weighted average exercise price of options at September 30, 2019 in U.S. dollars	$	0.13

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

	September 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 three months ended September 30, 2019 and 2018, $155,936 and $539,758, respectively, was included in share-based compensation expense in the statement of operations. For the nine months ended September 30, 2019 and 2018, $485,646 and $2,183,179, respectively, was included in share-based compensation expense.

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 per share. On June 17, 2019, the Company issued 1,700,000 stock options to employees with an exercise price of C$0.075 per share. On May 9, 2019, the Company issued 3,500,000 stock options to directors with an exercise price of C$0.115 per share. In August 2019, the Company issued 29,190,000 options to employees and directors with an exercise price of C$0.06 per share.

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

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 nine months ended September 30, 2019 and 2018 includes the following expenses:

	For the three months ended September 30,				For the nine months ended September 30,			
	2019		2018		2019		2018	
Salaries, commissions, bonuses and benefits	$	461,680	$	280,125	$	1,120,917	$	820,009
Termination benefits		-		-		124,537		-
Stock compensation, including w arrants and shares		268,772		-		531,565		932,245
	$	730,452	$	280,125	$	1,777,019	$	1,752,254

In addition, the Company issued the following stock options to executive management and directors:

Date	Title	Shares	Exercise Price ($C)	
May 2019	Director	3,500,000	$	0.115
June 2019	CEO	1,700,000	$	0.075
August 2019	Executive Chairman	3,000,000	$	0.06
August 2019	CEO	3,000,000	$	0.06
August 2019	CFO	500,000	$	0.06
August 2019	Other key employees	9,500,000	$	0.06
August 2019	Directors	10,190,000	$	0.06

The Company also granted 11,500,000 stock options to now former officers and directors of the Company. Of these grants, 4,250,000 stock options were vested and expired unexercised during the nine months ended September 30, 2019.

Consideration payable with face value of $9,527,350, related to the Chalice Farms acquisition, is owed to the former CEO, former COO, and former Director. The Company leases both its corporate headquarters in Portland and its grow facility outside of Portland from CPPOR LLC ("CPP"), of which the former Director is the sole member. During the nine months ended September 30, 2019 and 2018, the Company paid total rents of $263,470 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.

In September 2019, as part of their new roles, both Mr. Jeff Yapp, CEO, and Mr. John Varghese, Executive Chairman, each subscribed to 26,861,622 restricted common shares at C$0.06 per share, on a non-brokered basis, for a total of 53,723,244 common shares. The issuance of these shares will be assisted through an interest-bearing loan to the executives, which includes a limited recourse pledge of such shares to secure the loans. As of September 30, 2019, these shares have not been issued. The arrangement will be accounted for as stock-based compensation in accordance with IFRS 2 *Share-based Payments*.

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 September 30, 2019 and December 31, 2018, total managed capital was $46,561,117 and $46,871,502, respectively.

17. Capital management (continued)

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 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.

As of November 25, 2019, the Company was not a party to any litigation and management was not aware of any pending or threatened legal claims.

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.

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

19. Financial instruments and risk management (continued)

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

September 30, 2019	Category	Level 1 $	Level 2 $	Level 3 $	Total $
Financial Liabilities					
Warrant liability	FVTPL	-	-	347	347
Convertible debentures	FVTPL	-	-	4,980,000	4,980,000

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 81% and 85% weighted average at September 30, 2019 and December 31, 2018, respectively.

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

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

(b) Credit risk

The carrying amounts of cash and accounts receivable on the consolidated statement of financial position represent the Company's maximum credit exposure at September 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 $102,383 and $94,215 at September 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.

19. Financial instruments and risk management (continued)

(d) Liquidity risk

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

	Carrying amount	Contractual cash flows	Under 1 year	1-3 years	3-5 years	More than 5 years
As at September 30, 2019						
Trade and other payables	$ 1,591,873	$ 1,591,873	$ 1,591,873	$ -	$ -	$ -
Lease liabilities	5,085,719	7,184,024	1,014,670	1,954,370	1,851,537	2,363,447
Other loans and borrowings	385,430	499,713	62,586	93,798	343,329	-
Convertible debt	4,980,000	6,147,228	-	6,147,228	-	-
Consideration payable	4,160,494	5,805,479	-	5,805,479	-	-
Total	$ 16,203,516	$ 21,228,317	$ 2,669,129	$ 14,000,875	$ 2,194,866	$ 2,363,447

(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 September 30, 2019:

Financial Assets	
Cash	$ 980,188
Trade and other receivables	108,436
	$ 1,088,624
Financial Liabilities	
Trade and other payables	376,829
Convertible debt	4,980,000
	$ 5,356,829

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.

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

20. Segment Information (continued)

For the three months ended September 30,	Oregon Retail		Oregon Wholesale		Nevada Wholesale		Canada Cultivation		Canada Consulting		Other		Consolidated	
	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
Product sales	$ 2,855,444	$ 2,904,939	$ 1,201,821	$ 889,806	$ 285,030	$ 435,724	$ -	$ 618,885	$ 129,215	$ 230,969	$ -	$ 23,928	$ 4,471,510	$ 5,104,251
Consulting revenue	9,914	-	-	-	-	-	-	-	3,718	8,662	-	-	13,632	8,662
Total Revenue	$ 2,865,358	$ 2,904,939	$ 1,201,821	$ 889,806	$ 285,030	$ 435,724	$ -	$ 618,885	$ 132,933	$ 239,631	$ -	$ 23,928	$ 4,485,142	$ 5,112,913
Inventory expensed to cost of sales	1,547,895	1,951,726	1,007,578	1,407,448	219,581	466,156	-	-	-	-	-	-	2,775,054	3,825,330
Production costs	-	-	121,636	135,428	149	-	-	341,084	-	-	-	-	121,785	476,512
Gross margin, excluding fair value items	$ 1,317,463	$ 953,213	$ 72,607	$ (653,070)	$ 65,300	$ (30,432)	$ -	$ 277,801	$ 132,933	$ 239,631	$ -	$ 23,928	$ 1,588,303	$ 811,071
Fair value changes in biological assets included in inventory sold	-	-	-	-	-	(91,672)	-	-	-	-	-	-	- -	91,672
(Gain) Loss on changes in fair value of biological assets	-	-	-	-	-	24,640	(28,773)	433,902	-	-	-	-	(28,773)	458,542
Gross profit (loss)	$ 1,317,463	$ 953,213	$ 72,607	$ (653,070)	$ 65,300	$ 36,600	$ 28,773	$ (156,101)	$ 132,933	$ 239,631	$ -	$ 23,928	$ 1,617,076	$ 444,201

For the nine months ended September 30,	Oregon Retail		Oregon Wholesale		Nevada Wholesale		Canada Cultivation		Canada Consulting		Other		Consolidated	
	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
Product sales	$ 7,767,383	$ 7,115,378	$ 3,239,472	$ 2,278,971	$ 995,180	$ 1,184,161	$ 419,100	$ 618,885	$ 423,953	$ 737,655	$ -	$ 23,928	$ 12,845,088	$ 11,958,978
Consulting revenue	26,073	-	-	-	-	-	-	-	12,005	35,838	194,188	-	232,266	35,838
Total Revenue	$ 7,793,456	$ 7,115,378	$ 3,239,472	$ 2,278,971	$ 995,180	$ 1,184,161	$ 419,100	$ 618,885	$ 435,958	$ 773,493	$ 194,188	$ 23,928	$ 13,077,354	$ 11,994,816
Inventory expensed to cost of sales	4,488,357	5,164,680	2,237,457	3,561,847	785,741	852,920	146,133	391	-	-	-	-	7,657,688	9,579,838
Production costs	-	-	355,853	367,888	13,119	14,366	-	505,485	-	-	-	-	368,972	887,739
Gross margin, excluding fair value items	$ 3,305,099	$ 1,950,698	$ 646,162	$ (1,650,764)	$ 196,320	$ 316,875	$ 272,967	$ 113,009	$ 435,958	$ 773,493	$ 194,188	$ 23,928	$ 5,050,694	$ 1,527,239
Fair value changes in biological assets included in inventory sold	-	-	-	-	-	37,976	397,356	-	-	-	-	-	397,356	37,976
(Gain) Loss on changes in fair value of biological assets	-	-	-	-	-	(100,470)	(436,454)	(147,245)	-	-	-	-	(436,454)	(247,715)
Gross profit (loss)	$ 3,305,099	$ 1,950,698	$ 646,162	$ (1,650,764)	$ 196,320	$ 379,369	$ 312,065	$ 260,254	$ 435,958	$ 773,493	$ 194,188	$ 23,928	$ 5,089,792	$ 1,736,978

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

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 September 30, 2019							
Assets	$ 5,370,747	$ 14,313,927	$ 9,503,205	$ 2,222,521	$ 455,502	$ 36,681,965	$ 68,547,867
Liabilities	$ 2,144,688	$ 3,301,816	$ 181,159	$ 472,534	$ 150,215	$ 15,766,535	$ 22,016,947