

GOLDEN LEAF HOLDINGS LTD.

13315 NE Airport Way STE 700
Portland, Oregon 97230

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

FOR THE THREE MONTHS ENDED MARCH 31, 2020

Date: May 21, 2020

GENERAL

Golden Leaf Holdings Ltd ("Golden Leaf" or the "Company") is a publicly traded corporation, incorporated in Ontario that is traded on the Canadian Securities Exchange under the symbol "GLH" and on the OTCQB under the symbol "GLDFF". The registered office of the Company is located at 82 Richmond Street East, Toronto, Ontario, M5C 1P1, and its principal U.S. corporate office is located at 13315 NE Airport Way STE 700, Portland, Oregon 97230.

Unless otherwise indicated, all financial information in this Management's Discussion and Analysis ("MD&A") is reported in United States dollars, except share amounts. This MD&A was prepared with reference to National Instrument 51-102 – *Continuous Disclosure Obligations of the Canadian Securities Administrators*. This MD&A provides information for the three months ended March 31, 2020 and up to and including May 21, 2020. This MD&A should be read in conjunction with the Company's unaudited interim condensed consolidated financial statements for the three months ended March 31, 2020, together with the related notes, as well as the audited consolidated financial statements for the years ended December 31, 2019 and 2018, together with the related notes (the "Consolidated Financial Statements").

The Consolidated Financial Statements and this MD&A have been reviewed by the Company's Audit Committee and were approved by the Company's Board of Directors on May 20, 2020. The Consolidated Financial Statements were prepared in accordance with International Financial Reporting Standards ("IFRS") and include the accounts of the Company and its wholly-owned subsidiaries as detailed in Note 5 to the Consolidated Financial Statements. All inter-company balances and transactions have been eliminated on consolidation. Additional information filed by us with the Canadian Securities Administrators, including quarterly reports is available online at www.sedar.com and on our website at www.goldenleafholdings.com.

The Company's critical accounting estimates and significant accounting policies are disclosed in the notes to the audited Consolidated Financial Statements.

CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

This MD&A contains “forward-looking information” within the meaning of Canadian securities legislation (“forward-looking statements”). These forward-looking statements are made as of the date of this MD&A and the Company does not intend, and does not assume any obligation, to update these forward-looking statements, except as required under applicable securities legislation. Certain forward-looking statements in this MD&A include, but are not limited to: statements regarding increasing market share; the Company’s expectations regarding legislation, regulations and licensing related to the cultivation, production and sale of cannabis products by the Company’s wholly-owned subsidiaries; investments and capital expenditures; the timing of harvests; the launch of new products and markets; the Company’s expectations with respect to the company’s future financial and operating performance; product sales expectations; production capacity expectations; and the Company’s ability to achieve profitability without further equity or other forms of financing.

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

DESCRIPTION OF THE BUSINESS

Overview

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

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

Golden Leaf is a pioneer United States operator of consumer-conscious retail dispensaries and a producer and supplier of cannabis products. The Company has subsidiaries involved in cultivation, production, and supply chain, and sells its products through a combination of its own retail dispensaries as well as in the wholesale market. It has business operations in Oregon, Nevada, and California. The Company’s operations include cultivation, production, supply chain, wholesale and retail.

On December 31, 2019, the Company sold its two Canadian subsidiaries, Medical Marihuana Group Corporation (“MMG”) and Medical Marijuana Group Consulting Ltd. (“MMC,” and together with MMG, the “Canadian Operations”), to Sensi Brands Inc. (“Sensi Brands”), a global cannabis consumer packaged goods company.

Retail

The Company owns and operates a network of seven retail dispensaries in Oregon, six of which operate under the flagship dispensary brand “Chalice Farms” and one of which is branded as “Left Coast Connections.” All seven stores are located within the Portland Metro Area. Chalice has established itself as a trusted and premium brand for health and wellness, as well as for recreational enjoyment. The Company is focused on expanding its retail segment of business and perfecting its Chalice Farms store model that is replicable across different markets. Golden Leaf is dedicated to enhancing customer experience and optionality that results in high customer retention and repeat customers.

Production, Supply Chain and Wholesale

The Company produces a variety of branded products through its owned production facilities and through manufacturing agreements in other states. Among its top selling items are the Company's Private Stash™ distillate vaporizer cartridges and high dosage single serve Fruit Chew Blast product under both the Golden™ and Chalice™ brands. The Company has also recently launched a line of full spectrum ethanol extract products under the "RXO" brand name and a Live Resin and Distillate vaporizer cartridge under the brand name "Elysium Fields." The Company's branded products are sold in licensed dispensaries throughout Oregon, as well as in several dispensaries in Nevada and California.

Cultivation

The Company operates a 10,000 square foot facility in Oregon which produced its first harvest in early 2020 and is in the process of being optimized as of the date of this report. The Company expects this facility will be able to supply a large portion of its flower needs through its retail stores which will provide enhanced margin to its Oregon business. The Company will also sell flower on the Oregon wholesale market and contribute residual biomass from the grow to its extraction operations as available.

Product Development and Marketing

The Company's product development and marketing team focuses on developing high quality, scalable oil and edible products, supported by consumer-conscious branding that appeals to various market segments. The team has developed proprietary manufacturing processes for new products, such as Golden Fruit Chews, and has additional new products in the production pipeline. In June 2019, the Company launched the "Blast Fruit Chew": a single unit, 50mg THC edible with 10 servings. The Blast Chew was novel to the Oregon market. It is competitively priced and is a popular product in the Company's Fruit Chew product line. In December 2019 the Company released its 50mg THC milk chocolate and mocha chocolate blast edibles: a high quality, cost-effective chocolate option in the cannabis market; infused with beneficial fats, like MCT coconut oil. The Company's manufactured oil products are sold under the brand names Chalice Golden™, Private Stash™, Elysium Fields™ and Jackpot™. All of the Company's products are independently lab-tested and certified for pesticides, contaminants and potency before being packaged and labelled with detailed information about the levels of THC and CBD contained in each product.

Competitive Conditions

The market for cannabis products is rapidly evolving. In addition, the market for flower and trim is commoditizing in all of the Company's jurisdictions. As the market sees an increasing number of players in the branded-oil space, the majority of the Company's competitors have been continuing to reduce prices, creating downward price pressure on the Company.

The Company and its competitors must rely upon sources of trim from licensed cannabis producers but the Company will begin to supplement its third party procurement with internally produced trim during 2020. Consumer preference is evolving and focused on more sophisticated products, such as high-quality oils and edibles. The Company is able to meet this consumer demand for its extracted product through its extraction licenses and facilities in Oregon and third-party processors.

United States federal regulations provide that cannabis and cannabis products are federally illegal to possess and may not cross state lines. Thus, in states which have enacted their own cannabis legislation permitting consumption even though this continues to be a violation of federal law, all cannabis consumed in a state must be cultivated and produced in that same state. In Oregon, low barriers for entering the cannabis industry have created oversupply. The Company attempts to protect itself from adverse impact of cannabis price contraction in Oregon through its vertically integrated business model, organic growth, product differentiation based on quality and brands, and presence in Nevada and California.

Economic Dependence

The Company is not substantially dependent on any single contract. It serves a broad-based platform of dispensaries in Oregon and Nevada. The Company is not dependent on any single contract for the purchase of raw materials that could affect the Company's operations.

The Company derives a significant portion of its revenues from its retail business in Oregon. Currently the Company's retail operations have been deemed an essential business and have maintained consistent operations, even experiencing sales growth during March as residents prepared for an expected shelter in place order from the state government. The Company expects that this will continue but there is no guarantee that it will. If the Company were forced to close its retail stores and rely on delivery only it could suffer a significant shortfall in revenues and cashflows for a period of time.

Foreign Operations

Due to the sale of the Canadian Operations at the end of 2019 the Company operates solely in the United States as of the date of this report.

Principal Markets

The Company actively operates in medical and recreational cannabis markets in Oregon and Nevada, and indirectly participated in the California and Washington markets through product manufacturing and distribution arrangements.

In Oregon, the Company is licensed for cultivation, processing, wholesale distribution and retail. The Company operates seven retail dispensaries in Oregon. The Company also operates as a consultant to Tozmoz, LLC to offer toll processing and white label services in the Oregon market.

In Nevada, the Company owns a license for processing and manufacturing. As of April 30, 2020 the Company vacated its facility in Sparks and has entered into a product and manufacturing agreement with a Company in Reno from which it will produce and distribute its Chalice chews, Elysium Fields Live Resin products and RXO full spectrum ethanol extract products.

In California the Company currently works with two manufacturing partners and two storage and distribution partners to manufacture and distribute its Chalice Chews and Elysium Fields products. The Company, through its manufacturing partner, has also begun production of its RXO full spectrum oils which will be launched through its distribution partner during the 2nd quarter of 2020.

In Washington state, the Company has entered into royalty, equipment leasing and consulting contracts with a Washington state licensed processing and distribution company to manufacture and distribute the RSO Go™ product line of full spectrum ethanol extracted shatter, vaporizer cartridges and tankers. The same partner has also entered into a manufacturing and distribution relationship with the Company's Oregon wholesale and manufacturing subsidiary, Greenpoint Oregon, Inc. allowing for sales and distribution of its branded products throughout the Oregon market.

Legal Proceedings

Internal Revenue Service

The Internal Revenue Service ("IRS") audited the 2016 and 2017 federal income tax returns of the Company's wholly-owned subsidiary, Greenpoint Holdings Delaware, Inc. ("GPHD"). The IRS focused on two issues that needed to be resolved:

- 1) The first issue involved the reporting of royalty income on the Company's Canadian tax return instead of on the U.S. federal return of GPHD, which files a consolidated return for the Company's U.S. operations. The assets which were the subject of the royalty payments were owned by a U.S. subsidiary of the Company (GL Management, Inc., a Nevada corporation) and the entity using those assets and paying the royalty fees was also a U.S. entity (BMF Washington, LLC, an unrelated entity). The Company is in the process of filing amended returns in Canada and the U.S. to correct the mistake.
- 2) The second issue related to an IRS Form 8594 filing with respect to a series of 2017 business transactions. The Form 8594 listed the incorrect EIN of one of the parties to the transaction. Because a similar error had occurred with respect to a Form 8594 filed in a prior year, the IRS is proposing to assess a penalty under Internal Revenue Code Section 6271(e) for "intentional disregard" of an information reporting requirement. This penalty is the greater of \$500 or 10% of the aggregate amount of items required to be reported correctly, which amounts to a proposed

penalty in excess of \$4.6 million. The Company maintains that the error was inadvertent and resulted from confusion among multiple business entities having similar names. The Company sent a response letter to the IRS in January 2020. The Company's position is that the facts and circumstances of the law: (1) did not support assessment of the intentional disregard penalty under Code Section 6721(e); and (2) supported application of the reasonable cause exception under Code Section 6724(a), such that no Code Section 6721 penalties should be assessed. This matter has not yet been resolved and the Company has not received any communication from the IRS since sending the response letter. The Company continues to vigorously contest the IRS's proposed penalty assessment.

BMF Washington, LLC and Peter Saladino

The Company filed a lawsuit against BMF Washington LLC ("BMF") and Peter Saladino ("Saladino") on January 21, 2020, in Multnomah County (Oregon) Circuit Court, Case No. 20CV03528, seeking to recover \$6,916,580 in damages. The Company asserted two claims for breach of contract, arising out of the parties' equipment leasing and intellectual property licensing agreements, seeking damages of \$676,580 and \$2,080,000, respectively, with alternative claims against both BMF and Saladino (collectively, the "Defendants") for unjust enrichment related to their improper use of the Company's equipment and intellectual property. The Company is also asserting claims against the Defendants for misappropriation of trade secrets under Oregon and Washington law, seeking additional damages of \$4,160,000. A receiver was appointed to marshal the assets of BMF and liquidate them to pay the creditors of BMF. Consequently, the Company's claims against BMF are in the process of being dismissed without prejudice and a Proof of Claim is being sent to the receiver, in an attempt to obtain payment of the damages related to the claims alleged against BMF by the Company. The claims against Mr. Saladino were removed to the Federal Court for the Western District of Washington and a Magistrate has been appointed to manage and hear the case.

COVID-19

On March 12, 2020, the World Health Organization ("WHO") declared a global pandemic as a result of the spread of a virus known as COVID-19. The impacts on global commerce are expected to be far reaching. This has limited the Company's workforce from travelling to its various state specific jurisdictions. This will likely impact demand for the Company's products in the near term and will also likely impact the Company's supply chains. It may also impact expected credit losses on trade receivables and may cause staff shortages and increased government regulations or interventions, which may negatively impact the financial condition or results of the Company. The Company has taken effective steps to ensure frequent sanitization, social distancing, and abstention from duty for employees with illnesses.

As of the date of this report, the Company has experienced minimal disruptions in staffing and none of the Company's facilities have been forced to close. In Oregon, certain counties have been approved by the State to open, however, the Company's primary operational area is in the tri-county region surrounding Portland which are the most densely populated areas of the state and will be delayed further in the process of opening. However, the Company experienced significant retail revenue growth during March despite this crisis and this growth was sustained during the month of April. Overall demand in Oregon has been consistent through the date of this report and the Company expects that, without further restrictions from the government, its Oregon business will experience only a temporary increase in headcount cost to comply with federally mandated leave policies.

As of the date of this report, retail dispensary storefronts in Nevada have been allowed to open, however most retailers are significantly limiting traffic and are strongly encouraging curbside pickup or delivery for all sales. Despite these developments, however, upwards of 75% of Nevada's cannabis revenue derives from tourism and this has impacted the Company's Nevada business, especially in Las Vegas. Before COVID-19 the Company was already planning to transition its Nevada operations to a third-party manufacturing partner in the Reno area. This crisis expedited the Company's plans to lay off much of its Nevada workforce and pause production until the Nevada market conditions improve for its wholesale business.

SELECTED FINANCIAL INFORMATION

(US\$, except share amounts)

	For the three months ended	
	March 31, 2020	March 31, 2019
Total revenues	\$ 4,670,304	\$ 3,931,029
Gross profit	1,726,826	1,437,484
Total expenses	3,278,224	4,446,291
Operating loss	(1,551,398)	(3,008,807)
Comprehensive loss	(2,439,430)	(3,938,257)
Basic and diluted loss per share	\$ (0.00)	\$ (0.01)
Weighted average number of common shares outstanding	859,890,063	534,900,058
	as of	
	March 31, 2020	December 31, 2019
Total assets	\$ 30,518,841	\$ 31,640,528
Long-term financial liabilities	\$ 18,106,498	\$ 17,986,432

OVERALL PERFORMANCE

The Company generated revenues from continuing operations of \$4.7M for the three months ended March 31, 2020 compared to \$3.9M for the three months ended March 31, 2019, an increase of 21% quarter-over-quarter. The increase in revenue is primarily due to increased revenue streams from the Chalice Farms stores and Oregon Wholesale.

For the quarter ended March 31, 2020, gross profit was \$1.7M or 37% of revenue, compared with \$1.4M, or 37% of revenue, for the quarter ended March 31, 2019. This increase is attributable to higher revenues, cost containment initiatives, and decreased reliance on third-party manufacturing. The Company's first harvest took place in February 2020 and has begun to be sold through the Company's retail stores as of the date of this report.

During the first quarter of 2020, the Company expended \$0.5M on sales and marketing expenses (Q1 2019: \$0.6M), and \$2.0M on general and administration expenses (Q1 2019: \$2.8M). The Company has been able to increase revenues while reducing its cost structure. The Company will continue to focus on cost controls during fiscal 2020.

During the three months ended March 31, 2020, the Company's net operating loss from continuing operations was \$2.4M compared with \$3.1M for the three months ended March 31, 2019. This improvement is driven primarily by increased gross profit and decreased operating expenses.

The Company reported a comprehensive loss of \$2.4M or \$0.00 per basic and diluted share for the three months ended March 31, 2020 compared to a comprehensive loss of \$3.9M or \$0.01 per basic and diluted share for the same period the prior year.

The Company's management initiated significant efficiency measures intended to improve the financial performance of the Company, including reductions in headcount and reductions in compensation and other expenses. These measures were implemented to lower costs, improve cash flows and otherwise increase operational efficiency, with the objective of increasing shareholder value over the long term.

The Company's total assets were \$30.5M on March 31, 2020 (December 31, 2019: \$31.6M). The Company's long-term financial liabilities were \$18.1M on March 31, 2020 (December 31, 2019: \$18.0M).

Shareholders' equity after the deficit was \$8.4M on March 31, 2020 (December 31, 2019: \$10.6M).

Quarterly Results (US\$, except share amounts)

Profit and Loss	Jun 2018	Sep 2018	Dec 2018	Mar 2019	Jun 2019	Sep 2019	Dec 2019	March 2020
Product sales	3,480,837	4,186,613	4,101,723	3,922,722	3,931,355	4,345,907	3,449,555	4,239,582
Consulting Revenue	-	62,817	-	7,872	8,137	9,015	80,044	430,722
Total Revenue	3,480,837	4,249,430	4,101,723	3,930,594	3,939,492	4,354,922	3,529,599	4,670,304
Cost of sales expense	3,128,598	3,849,400	3,904,213	2,502,879	2,481,111	2,895,950	3,557,199	2,943,478
Gross profit (loss)	352,239	400,030	197,510	1,427,715	1,458,381	1,458,972	(27,600)	1,726,826
Total expenses	4,123,069	4,899,252	8,247,814	4,438,067	3,718,726	3,841,197	4,578,840	3,278,224
Interest expense (income), net	254,720	(36,106)	1,325,440	726,936	757,150	559,361	668,645	551,101
Transaction costs	8,045	(8,231)	1,258,430	6,108	2,114	612	270,568	-
Loss on extinguishment	-	-	-	-	109,856	-	-	-
Loss (gain) on disposal of assets	5,000	-	-	(16,945)	-	(4,024)	94,187	7,822
Loss on impairment	-	-	9,930,589	-	-	-	18,735,818	-
Other loss (income)	40,216	(8,632)	(2,471,088)	(129,591)	170,679	(4,684)	37,842	(28,438)
Gain on debt modification	-	-	-	-	-	(312,083)	-	-
Gain on debt extinguishment	-	-	-	-	-	(1,978,080)	-	-
(Gain) loss on changes in fair value of warrant liability	(4,415,480)	1,372,824	(5,739,113)	(500,053)	(82,101)	(23,371)	44	-
(Gain) loss on change in fair value of liabilities	(2,841,987)	(506,686)	(2,165,933)	(36,169)	155,446	351,088	95,215	-
Income (loss) before income taxes	3,178,656	(5,312,391)	(10,188,629)	(3,060,638)	(3,263,633)	(971,044)	(24,508,759)	(2,081,883)
Incomes tax expense	-	-	82,811	11,624	4,300	-	796,537	358,283
Net income (loss) from continuing operations	3,178,656	(5,312,391)	(10,271,440)	(3,072,262)	(3,267,933)	(971,044)	(25,305,296)	(2,440,166)
Net income (loss) from discontinued operations	170,844	(285,970)	(307,272)	26,727	(123,195)	(213,800)	(13,454,438)	-
Net income (loss)	3,349,500	(5,598,361)	(10,578,712)	(3,045,535)	(3,391,128)	(1,184,844)	(38,759,734)	(2,440,166)
Other comprehensive income (loss)	34,146	(7,475)	(181,547)	-	-	-	125,930	-
Comprehensive gain (loss)	3,383,646	(5,605,836)	(10,760,259)	(3,045,535)	(3,391,128)	(1,184,844)	(38,633,804)	(2,440,166)
Basic and diluted gain (loss) per share	0.01	(0.01)	(0.02)	(0.01)	(0.01)	(0.00)	(0.05)	(0.00)
Weighted average number of common shares outstanding	575,776,971	580,321,291	583,847,178	589,140,903	589,243,324	685,518,103	816,581,116	859,890,063

Discussion of Operating Segments

For the three months ended March 31, 2020	Nevada			Consolidated
	Oregon	Wholesale	Other	
Product sales	\$ 3,940,110	\$ 299,472	\$ -	\$ 4,239,582
Consulting revenue	430,722	-	-	430,722
Total Revenue	\$ 4,370,832	\$ 299,472	\$ -	\$ 4,670,304
Inventory expensed to cost of sales	2,404,977	293,251	265,964	2,964,192
Gross margin, excluding fair value items	\$ 1,965,855	\$ 6,221	\$ (265,964)	\$ 1,706,112
(Gain) Loss on changes in fair value of biological assets	(20,714)	-	-	(20,714)
Gross profit (loss)	\$ 1,986,569	\$ 6,221	\$ (265,964)	\$ 1,726,826

As at March 31, 2020

Assets	\$ 10,746,330	\$ 1,326,926	\$ 18,445,585	30,518,841
Liabilities	\$ 5,197,884	\$ 206,417	\$ 16,714,424	22,118,725

For the three months ended March 31, 2019	Nevada			Consolidated
	Oregon	Wholesale	Other	
Product sales	\$ 3,472,793	\$ 256,165	-	\$ 3,728,959
Consulting revenue	7,883	-	194,188	202,071
Total Revenue	\$ 3,480,676	\$ 256,165	\$ 194,188	\$ 3,931,029
Inventory expensed to cost of sales	2,148,936	216,033	-	2,364,968
Production costs	128,577	-	-	128,577
Gross profit	\$ 1,203,163	\$ 40,133	\$ 194,188	\$ 1,437,484

As at December 31, 2019

Assets	\$ 10,746,330	\$ 1,326,926	\$ 19,567,272	\$ 31,640,528
Liabilities	\$ 5,197,884	\$ 206,417	\$ 15,635,027	\$ 21,039,328

Beginning with the fourth quarter and annual reporting for 2019 management has chosen to combine its Oregon wholesale and retail business segments into one segment for Oregon due to the increasing vertical nature and complexity of the Oregon business unit created by the addition of its cultivation facility and third-party processing business lines.

Oregon Operations

For the first quarter of 2020 the Company reported total Oregon revenues of \$4.4M compared to \$3.5M in 2019, an increase of \$0.9M or 26% driven by improvements in both the retail and wholesale business. The segment reported gross profit of \$2.0M or 45%, compared to \$1.2M or 35% in the first quarter of 2019, for an increase of \$0.8M or 451% compared to the prior year. These gains are a result of increased operational focus and discipline including facility consolidation, labor force optimization and manufacturing efficiencies in its production facilities.

Due to the vaping crisis of late 2019 the company dedicated significant time and management attention to increasing edibles capacity, revamping its product offerings to items which are likely to draw less regulatory scrutiny in the future, and improving the retail experience. These efforts have begun to yield improved financial outcomes.

Nevada Wholesale

For the first quarter of 2020, Nevada Wholesale revenues remained relatively flat at \$0.3M compared to \$0.3M for the first quarter last year.

Adjusted EBITDA

Adjusted EBITDA		
For the three months ended		
	March 31, 2020	March 31, 2019
Loss before income taxes	(2,081,147)	(3,051,943)
Adjustments:		
Net impact, fair value of biological assets	(20,714)	-
Depreciation and amortization	568,345	630,849
Fair value changes on debt and equity instruments	-	(535,831)
Share based compensation	129,579	411,926
Interest expense, net	551,101	731,001
Transaction costs	-	6,108
Impairments and other	(29,174)	(141,197)
Loss on disposal	7,822	(16,945)
Adjusted EBITDA loss	\$ (874,188)	\$ (1,966,032)

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

For Q1 2020, Adjusted EBITDA loss was \$0.9M, compared with \$2.0M for Q1 2019. This improvement was primarily due to effective cost containment initiatives and efficiencies in the current year largely driven by decreased general and administrative expenditures and increased gross profit.

Non-IFRS Measure

Adjusted EBITDA is a supplemental, non-GAAP financial measure. EBITDA is defined by the Company as earnings before interest, income taxes, depreciation and amortization. Adjusted EBITDA, as presented, additionally excludes impairment charges, all other non-cash items and one-time transaction fees. Management believes providing Adjusted EBITDA is useful to investors’ understanding and assessment of the Company’s ongoing continuing operations and prospects for the future and it is used by the financial community to evaluate the market value of companies considered to be in similar businesses. Since Adjusted EBITDA is not a measure of performance calculated in accordance with IFRS, it should not be considered in isolation of, or as a substitute for, measures of performance prepared in accordance with IFRS. Adjusted EBITDA, as calculated and reconciled in the table above, may not be comparable to similarly titled measures employed by other companies. In addition, Adjusted EBITDA is not necessarily a measure of our ability to fund our cash needs.

Strategic Direction

Management believes that a trusted, internationally-recognized brand targeting customers new to cannabis products services the coming wave of new users. These new users are expected to seek health and wellness benefits as restrictions on legal cannabis use relax over the next three years. Building the Chalice Farms brand leverages the Company's dispensary locations, wholesale distribution network, high-touch customer service approach, and management expertise.

The Company's key priorities to achieve for fiscal year 2020 include:

- Launch new products;
- Develop new markets;
- Create operations efficiencies;
- Executional excellence; and
- Industry leading team.

Liquidity and Capital Resources

Cash used in operations during the three months ended March 31, 2020 was \$1.8M compared to \$3.5M used during the quarter ended March 31, 2019. Cash used in investing activities during the quarter ended March 31, 2020 was \$0.1M compared to \$0.5M of cash used during the quarter ended March 31, 2019. Cash used in financing activities was \$0.1 in the first quarter of 2020 compared to \$nil in the first quarter of 2019.

As of March 31, 2020, the Company had \$1.5M of cash on hand.

Chalice Earn-out

In August 2019, the Company reached an agreement to extend the due date for the \$9,527,350 earn-out payment due to former Chalice LLC owners. This agreement was conditional on early settlement of the debentures described above. As the debenture holders agreed to accelerate the settlement of the convertible 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 former Chalice owners 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.

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%. The agreement calls for monthly cash interest payments of \$20,000 which are first credited toward accrued interest, then Minimum Cash Payment, then to the Stock Earn-out Payment, until paid in full. An additional payment of accrued interest will be made in GLH stock on December 31 of each calendar year in the amount of any unpaid accrued interest on the outstanding balance of the earn-out payments. The number of shares issued will be calculated based on the 30-day volume weighted average price ending on December 31 of each year for which a stock payment of accrued interest is payable. The effect of this modification at restructuring date was less than 10% of the carrying value of the debt prior to the modification. Due to this fact, the Company accounted for the restructuring of debt as a debt modification in accordance with IFRS 9 Financial Instruments and recognized a gain on debt modification of \$312,083 for the year ended December 31, 2019.

The Company is focused on tight management of liquid assets on hand, optimization of its current operations and strategic capital investment initiatives. As mentioned above, the Company's management has instilled stringent efficiency measures to reduce general and administrative expenses and to improve the Company's performance cross-board. Additionally, in order to better its inventory-to-sales ratio, the Company manages its inventory turns at the SKU level and is implementing new processes throughout the supply chain.

The Company has funded its deficit primarily through the issuance of share capital and convertible debt. A portion of the deficit relates to warrant reserves totaling \$2.0M at March 31, 2020.

The table below highlights the Company's key liquidity and capital resources information:

	March 31, 2020	December 31, 2019
Current assets	\$ 6,992,793	\$ 7,796,858
Current liabilities	4,012,227	2,978,862
Working capital	2,980,566	4,817,996
Long-term debt and notes payable*	8,922,013	13,045,765
Share capital	147,873,002	147,763,499
Deficit	(145,168,686)	(143,383,806)

* includes non-operational impact of recording lease liability in accordance with IFRS 16 implementation on January 1, 2019.

The Company's schedule of contractual cash flows is as below:

	Carrying amount	Contractual cash flows	Under 1 year	1-3 years	3-5 years	More than 5 years
As at March 31, 2020						
Trade and other payables	\$ 2,440,254	\$ 2,440,254	\$ 2,440,254	\$ -	\$ -	\$ -
Lease liabilities	5,106,797	7,508,178	1,170,260	2,341,574	2,186,483	1,809,861
Other loans and borrowings	106,125	106,125	76,173	29,952	-	-
Convertible debt	4,706,141	7,531,967	-	7,531,967	-	-
Consideration payable	9,184,485	10,982,166	-	10,982,166	-	-
Total	\$ 21,543,802	\$ 28,568,690	\$ 3,686,687	\$ 20,885,659	\$ 2,186,483	\$ 1,809,861

Going Concern

The Company wishes to emphasize the importance of the going concern assumption, which can be referenced in Note 2 of the Consolidated Financial Statements.

Off-Balance Sheet Arrangements

The Company's wholly owned Oregon subsidiary Greenpoint Oregon, Inc. is operating under a consulting agreement with Tozmoz, LLC ("Tozmoz") whereby in exchange for full working capital support, the Company realizes the revenues and expenses of Tozmoz and performs the majority of the Company's oil processing in Oregon. The Company does not have legal control of Tozmoz and therefore has not consolidated Tozmoz into its financial statements. Upon receipt of final regulatory approval

from the Oregon Liquor Control Commissions the Company plans to close its asset purchase agreement with Tozmoz and will begin to fully consolidate the operations of Tozmoz.

One component of this agreement is to provide working capital to Tozmoz, including but not limited to funding any losses incurred by Tozmoz. The scope of losses that may be covered by the Company under this agreement is undefined and could rise to a level that is material if a significant loss event were to occur. There is no assurance the Company can avoid the financial responsibility for a significant loss related to Tozmoz.

In addition, Tozmoz is a material input to the Company's Oregon business as of March 31, 2020 and the date of this report and a disruption to this business could have a material impact on the Company's business in Oregon.

Related Party Transactions

Key management of the Company are its Board of Directors and certain members of executive management. Key management personnel remuneration for the three months ended March 31, 2020 and March 31, 2019 includes the following expenses:

	March 31, 2020	March 31, 2019
Salaries, commissions, bonuses and benefits	\$ 270,911	\$ 422,430
Consulting fees	183,517	-
Termination benefits	30,779	-
Stock compensation, including w warrants and shares	124,184	154,402
	\$ 609,391	\$ 576,832

The Company leases both its corporate headquarters in Portland and its grow facility outside of Portland from CPPOR LLC ("CPP"), of which a former director is the sole member. During the three months ended March 31, 2020 and 2019, the Company paid total rents of \$86,970 and \$188,867, respectively, for these properties. Beginning in April 2019, in an effort to support the Company, CPP entered into a rent abatement agreement for twelve months for additional rent on the Company's corporate headquarters and warehouse facilities in Portland.

Refer to Note 17 of the Interim Condensed Consolidated Financial Statements.

Future Accounting Pronouncements

Refer to Note 5 of the Consolidated Financial Statements.

Financial Instruments

The Company carries a number of financial instruments as part of its operations. 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. Refer to Note 24 of the Consolidated Financial Statements.

Fair value

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

The carrying value of long-term debt approximates fair value upon initial recognition. At March 31, 2020, the carrying value of long-term debt approximates fair value based on current market rates for similar instruments.

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

- Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly
- Level 3 – Inputs for the asset or liability that are not based on observable market data

The Company recognizes warrants associated with private placements as financial liabilities designated as Fair Value Through Profit or Loss, where changes to fair value based on changes to the inputs are recognized in profit or loss. The estimated fair value of the warrants is categorized within Level 2 of the fair value hierarchy. Refer to Note 14 to the Consolidated Financial Statements for information regarding the valuation techniques and inputs used to determine fair value of the warrants.

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

Credit Risk

The Company's principal financial assets are cash held at highly-rated financial institutions and accounts receivable. 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 and the credit worthiness of its customers.

Interest Rate Risk

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

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 may issue common shares and debt in the future.

Default Risk

As of the date of this report the Company has convertible debentures with the face value of C\$8.1M due in November 2021. The Company cannot guarantee it will have sufficient cash reserves to settle these obligations when due.

Biological Assets

The Company's biological assets consist of cannabis plants. Biological assets are valued in accordance with IAS 41 *Agriculture* and are presented at fair value less costs to sell up to the point of harvest, which becomes the basis for the cost of finished goods inventories after harvest. Since actively traded commodity market prices are not available for cannabis plants or dried product, the valuation of these biological assets is obtained using valuation techniques where the inputs are based upon unobservable market data (Level 3). Unrealized fair value changes on growth of biological assets are recorded in a separate line on the Consolidated Statement of Operations.

For more information on biological assets, refer to Note 9 of the Consolidated Financial Statements.

OVERVIEW OF UNITED STATES REGULATION OF CANNABIS

On February 8, 2018 the CSA published a revised staff notice setting out the CSA's disclosure expectations for specific risks facing issuers with cannabis-related activities in the United States ("Staff Notice 51-352"). Staff Notice 51-352 confirms that a disclosure-based approach remains appropriate for issuers with U.S. cannabis-related activities. Staff Notice 51-352 includes additional disclosure expectations that apply to all issuers with U.S. cannabis-related activities, including those with direct and indirect involvement in the cultivation and distribution of cannabis, as well as issuers that provide goods and services to third parties involved in the U.S. cannabis industry. The Company views Staff Notice 51-352 favorably, as it provides increased transparency and greater certainty regarding the views of its exchange and its regulator of existing operations and strategic business plan as well as the Company's ability to pursue further investment and opportunities in the United States.

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

Asset Name, Date of Organization	Description	Type of Relationship, Jurisdiction, Classification
Greenpoint Holdings Delaware, Inc. <i>May 2014</i>	Greenpoint Holdings Delaware, Inc. is a holding company which acts as the parent to all U.S. based operating subsidiaries.	<u>Type of Relationship:</u> Greenpoint Holdings Delaware, Inc. is a wholly owned subsidiary of Golden Leaf Holdings, Inc. <u>Jurisdiction:</u> Oregon, California, Nevada <u>Classification:</u> Direct
Greenpoint Oregon Inc. <i>May 2014</i>	Greenpoint Oregon Inc. holds producer, processor and wholesale licenses. The company’s primary facilities are located in Portland, Oregon.	<u>Type of relationship:</u> Greenpoint Oregon Inc. is a wholly-owned subsidiary of Greenpoint Holdings Delaware, Inc. <u>Jurisdiction:</u> Oregon <u>Classification:</u> Direct
CFA Retail, LLC <i>January 2016</i>	CFA Retail, LLC is a network of cannabis retail dispensaries located in Oregon operating under “Chalice Farms.”	<u>Type of relationship:</u> CFA Retail, LLC is a wholly-owned subsidiary of Greenpoint Holdings Delaware, Inc. <u>Jurisdiction:</u> Oregon <u>Classification:</u> Direct
Greenpoint Nevada, Inc. <i>May 2017</i>	Greenpoint Nevada, Inc. is an indoor high-quality cannabis cultivation, production/manufacturing facility and a wholesale operation. Greenpoint Nevada, Inc. is located in Sparks, Nevada. The Company has vacated this facility as the date of this report and has placed its licenses in permanent hold status.	<u>Type of relationship:</u> Greenpoint Nevada Inc. is a wholly-owned subsidiary of Greenpoint Holdings Delaware Inc. <u>Jurisdiction:</u> Nevada <u>Classification:</u> Direct

Greenpoint Equipment Leasing LLC (Oregon) <i>January 2016</i>	Greenpoint Equipment Leasing (OR) is located in Portland, Oregon and will lease equipment to operating subsidiaries in Oregon and Nevada.	<u>Type of relationship:</u> Greenpoint Equipment Leasing (OR) is a wholly-owned subsidiary of Greenpoint Holdings Delaware Inc. <u>Jurisdiction:</u> Oregon and Nevada <u>Classification:</u> Ancillary
Greenpoint Real Estate LLC (Oregon) <i>September 2015</i>	Greenpoint Real Estate (OR) leases real property from landlords and sublets to operating subsidiaries in Oregon and Nevada. The company is located in Portland, Oregon.	<u>Type of relationship:</u> Greenpoint Real Estate (OR) is a wholly-owned subsidiary of Greenpoint Holdings Delaware Inc. <u>Jurisdiction:</u> Oregon and Nevada <u>Classification:</u> Ancillary
Greenpoint Workforce, Inc. <i>June 2017</i>	Greenpoint Workforce, Inc. employs all US employees and leases them back to operating subsidiaries in Oregon, California and Nevada. The company is located in Portland, Oregon.	<u>Type of relationship:</u> Greenpoint Workforce, Inc. is a wholly-owned subsidiary of Greenpoint Holdings Delaware Inc. <u>Jurisdiction:</u> Oregon, California, Nevada <u>Classification:</u> Ancillary
GL Management Inc. <i>August 2014</i>	GL Management Inc. owns and licenses brands and intellectual property in Nevada. The company is located in Sparks, Nevada.	<u>Type of relationship:</u> GL Management Inc. is a wholly-owned subsidiary of Greenpoint Holdings Delaware Inc. <u>Jurisdiction:</u> Nevada <u>Classification:</u> Ancillary
CF Greenpoint CA, Inc. <i>May 2018</i>	CF Greenpoint CA, Inc. manages all non-retail operations in California. These operations are carried on by the Company's arm's length partners.	<u>Type of relationship:</u> CF Greenpoint CA, Inc. is a wholly-owned subsidiary of Greenpoint Holdings Delaware Inc. <u>Jurisdiction:</u> California <u>Classification:</u> Ancillary

U.S. Federal Regulatory Environment

The cultivation, production, distribution and sale of cannabis and cannabis extracts is illegal under U.S. federal law, and it is listed as a Schedule I substance under the U.S. Controlled Substances Act. A Schedule I drug or substance is deemed to have a high potential for abuse, to have no accepted medical use in the United States, and to lack an acceptable safe use of the drug under medical supervision. The Company believes the U.S. Controlled Substances Act categorization as a Schedule I drug is not reflective of cannabis medicinal properties and numerous related studies support rescheduling. Over the past decade, cannabis policy has been morphing towards legalization and liberalization of cannabis laws.

In 2009, the U.S. federal government's Department of Justice adopted guidelines to deprioritize the use of federal resources to prosecute people with serious illnesses or their caregivers who are complying with state medical marijuana laws.

In September 2018, Congress approved the Medical Cannabis Research Act. This bill requires the Department of Justice and former Attorney General, Jefferson B. Sessions, III, to issue additional

cultivation licenses to grow marijuana for federal research. The bill also clarifies that Department of Veterans Affairs (“VA”) doctors can discuss medical marijuana with their patients and can refer them to participate in scientific studies on the drug's effects.

The District of Columbia (“D.C.”) and 33 U.S. states, including the states of Oregon, Nevada and California, have legalized cannabis for medical use. D.C. and 11 U.S. states, including the states of Oregon, Nevada and California, have also legalized adult recreational use of cannabis.

As discussed above, marijuana remains a Schedule I substance under U.S. federal law. However, the Treasury Department’s Financial Crimes Enforcement Network (“FinCEN”) has issued guidance advising prosecutors of money laundering and other financial crimes not to focus their enforcement efforts on banks that serve marijuana-related businesses (“MRBs”), so long as that business is legal in the bank’s respective state and none of the federal enforcement priorities are being violated (such as keeping marijuana away from children and out of the hands of organized crime). This guidance was published on February 14, 2014 and requires banks providing such services to monitor strict compliance with FinCEN’s guidance. This requires investment in monitoring and compliance staff, and large national banks don’t appear to want to make such an investment, nor expose themselves to potential risk of prosecution from non-compliant businesses they might serve. FinCEN last reported 739 banks and financial institutions doing business with MRB’s.

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

In March 2019, a congressional committee approved the Secure And Fair Enforcement (SAFE) Banking Act. Draft legislation of the SAFE Banking Act received a historic hearing in the House Consumer Protection and Financial Institutions Subcommittee in February 2019, where the National Cannabis Industry Association submitted written testimony along with the personal stories about the burdens and safety concerns created by the current banking situation from nearly 100 cannabis industry professionals. On September 25, 2019 the U.S House of Representatives passed the landmark legislation to reform federal cannabis laws and reduce the public safety risk in communities across the country. H.R. 1595, the SAFE Banking Act of 2019 passed by a vote of 321 to 103. This bill generally prohibits a federal banking regulator from penalizing a depository institution for providing banking services to a legitimate marijuana-related business. The Company believes this progressive banking reform for the U.S. cannabis industry reflects a positive trajectory for marijuana banking reform.

The Marijuana Opportunity Reinvestment and Expungement Act, also known as the MORE Act, is a proposed 2019 United States federal legislation to legalize cannabis and expunge prior cannabis related convictions that was introduced into the Senate on July 23, 2019. This would remove cannabis from the Controlled Substances Act and impose a 5% tax on cannabis and cannabis products manufactured in or imported into the United States. This tax will be collected by the Treasury of the United States to create a trust fund to be known as the Opportunity Trust Fund. The trust funds the Act would create include the Community Reinvestment Grant, which would provide funding for services such as job training, re-entry services and legal aid; the Cannabis Opportunity Grant, which would provide funds to assist small businesses in the cannabis industry; and the Equitable Licensing Grant, which minimizes barriers to gain access to marijuana licensing and employment for those most impacted by the so-called war on drugs. The act would also establish a Cannabis Justice Office within the Department of Justice Office of Justice

Programs, responsible for administering the grants. On November 20, 2019, the MORE Act was passed in the House judiciary committee by a vote of 24 to 10. If it is not claimed by another committee for review, the Act will go onto to a floor vote in the House of Representatives. The Company continues to monitor the MORE Act.

Compliance of United States Operations

Golden Leaf, via its subsidiaries, is compliant with all applicable licensing requirements and the respective U.S. state regulatory frameworks in Oregon and Nevada. The Company is currently licensed to operate as a producer, processor, wholesaler, and retailer in multiple jurisdictions within Oregon, and as a cultivator and product manufacturer in Nevada. The Company has not been served any notices of non-compliance by any state regulatory body. The Company maintains multiple banking relationships in Oregon and Nevada. These relationships provide the Company the ability to safely and lawfully pay for any and all expenses that should arise from the day to day operations of its licenses, including maintaining underlying permits and approvals to keep the licenses compliant. The Company also engages armored car services for cash pickup and management in all jurisdictions, further ensuring monetary compliance and safety. In California, the Company does not itself operate any material business or carry on any regulatory business, nor does it have any investees. The Company receives payments from licensing its brands. The Company believes its manufacturing and distribution partners are in compliance with their respective licenses and with local and state regulatory regimes.

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

Each employee is instructed on the most recent standard operating procedures. All sites where cannabis is cultivated, produced, stored or sold have 24-hour video surveillance at all points of ingress or egress, and in all areas where mature marijuana plants, immature plants, usable marijuana, cannabinoid concentrates, extracts or products may be present on the licensed facility.

The Compliance Department monitors, assesses, and takes a forward-facing position concerning changing state regulations, federal guidance, and banking challenges in all current and future jurisdictions.

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

U.S. Enforcement Proceedings

In January 2018, the former U.S. Attorney General, Jefferson B. Sessions, III, announced the rescission of the “Cole Memorandum” which escalated the need for policy reform at the federal level. The Cole Memorandum generally directed U.S. Attorneys not to enforce the federal marijuana laws against actors who are compliant with state laws, provided enumerated enforcement priorities were not implicated. The rescission of this memo and other Obama-era prosecutorial guidance in January 2018 created a vacuum of guidance for enforcement agencies and the Department of Justice (“DOJ”). Multiple

legislators believe that the rescission of the Cole Memorandum invites an opportunity for Congress to pass more definitive protections for cannabis businesses in states with legal cannabis programs during this Congress. In response, in January 2019, Representative Luis J. Correa introduced the Sensible Enforcement of Cannabis Act of 2019. This legislation would essentially revive the Obama-era marijuana enforcement memo that was rescinded by then U.S. Attorney General Jeff Sessions.

In April 2018, as part of an agreement with Colorado Senator Cory Gardner, President Trump has publicly committed to respect states' rights as it pertains to marijuana laws. Gardner, along with Senator Elizabeth Warren have introduced (and recently reintroduced) the Strengthening the Tenth Amendment Through Entrusting States (STATES) Act to effectuate this agreement. Current Attorney General William Barr has stated publicly that he would prefer this bill to the current situation.

The Rohrabacher-Farr amendment was passed by the U.S. House of Representatives in May 2014. The amendment prohibits the Department of Justice, which includes the Drug Enforcement Administration, from using funds to interfere with activities governed by laws that implement state medical marijuana laws. The amendment was then included in the federal spending bill passed on December 15, 2014 marking the first time in history that the United States Congress eased up on the potential federal prosecution of medicinal cannabis cultivators, sellers and patients. The bill works to protect the medical marijuana programs in the 33 states that have legalized marijuana for medical purposes. On March 23rd, 2018, the current version of the amendment was renewed in the FY 18 Appropriations process and expired on September 30, 2018.

The most important case involving the Rohrabacher-Farr amendment took place in the Federal 9th Circuit Court. In the August 2016 decision of U.S. vs. McIntosh, the court held that the Rohrabacher-Farr Amendment prohibits the federal prosecution of conduct that is allowed by the state's medical cannabis law. In the opinion, Judge Diarmuid F. O'Scannlain wrote: "We therefore conclude that, at a minimum, Section 542 prohibits DOJ from spending funds from relevant appropriations acts for the prosecution of individuals who engaged in conduct permitted by the State Medical Marijuana Laws and who fully complied with such laws." The opinion remanded all of the cases that included in the appellate ruling back to the trial court requiring an evidentiary hearing be held on the issue of whether the alleged conduct violated state law.

Congress has used a rider provision in the FY 2015, 2016 and 2017 Consolidated Appropriations Acts (currently the "Leahy Amendment") to prevent the federal government from using congressionally appropriated funds to enforce federal marijuana laws against regulated medical marijuana actors operating in compliance with state and local law. The Leahy Amendment was included in the FY 2018 budget passed on March 23, 2018, meaning that the Leahy Amendment remained in effect until September 30, 2018, when FY 2019 began. On May 17, 2018, the House Appropriations Committee approved inclusion of the Rohrabacher-Farr amendment in the Commerce, Justice, Science ("CJS") appropriations bill for fiscal year 2019, in a voice vote led by sponsor Rep. David Joyce. The Senate Appropriations Committee followed on June 12 by approving a base CJS appropriations bill with the amendment included. On June 20, 2019, the House voted 267-165 to approve a broader amendment that in addition to protecting state medical cannabis programs also protected recreational. On September 26, 2019, the Senate Appropriations Committee declined to take up the broader amendment but did approve the Rohrabacher-Farr amendment. In December of 2019, the Rohrabacher-Farr amendment was renewed as part of a stopgap spending bill, in effect through September 30, 2020. Legal professionals have interpreted these bills as being preventative on the federal government's ability to prosecute individuals when those individuals are compliant with state law. However, due to the continued federal prohibition, the courts have observed that if at any time congress chooses to fully

fund prosecutorial proceedings in reference to the Controlled Substances Act, any individual or business could be prosecuted for violations of federal law, regardless of compliance with state law.

In March 2017, Congressman Blumenauer and Senator Wyden introduced the three-bill package, Path to Marijuana Reform. The Path to Marijuana Reform includes the bipartisan Small Business Tax Equity Act, which would fix Section 280E of the United States Internal Revenue Code of 1986, as amended (the “Internal Revenue Code”). The package also includes measures to eliminate civil asset forfeiture and federal criminal penalties for businesses complying with state law, reduce barriers to banking, responsibly de-schedule, tax and regulate marijuana.¹ Senator Booker has also introduced the Marijuana Justice Act, which would de-schedule marijuana.

On June 7, 2018, Senator Cory Gardner and Senator Elizabeth Warren introduced the STATES Act in the Senate. Democratic representative Jared Polis introduced a companion bill in the House. The STATES Act would amend the U.S. Controlled Substances Act to conform to the policies of individual states.² As noted above, this bill was re-introduced on April 4th, 2019.

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

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

During September 2019, the press in the U.S. began reporting on a mysterious condition resembling pneumonia, that consumers of nicotine and THC vaping products were experiencing. Vaping product sales are a material source of revenue for the Company. As of January 7, 2020, the CDC announced that 2,602 cases of hospitalized EVALI patients and/or EVALI related deaths were associated with symptoms that could possibly be linked to vaping products. Although there has been no medical or scientific determination as to the cause of the mysterious condition, management believes that the Company’s products do not contain any of the components, including but not limited to Vitamin E Acetate, which are presently implicated as possible sources of the condition. In an abundance of caution, governors of

¹ Wyden, Blumenauer. (2017 March 30). Wyden, Blumenauer announce bipartisan path to marijuana reform. Retrieved from <https://blumenauer.house.gov/media-center/press-releases/wyden-blumenauer-announce-bipartisan-pathmarijuana-reform>.

² Theodore Kupfer. (2018 Feb 7). Marijuana Policy Should Be Left To States. Retrieved from <https://www.nationalreview.com/2018/06/marijuana-policy-should-be-left-to-states/>

certain states in which the Company does business, have begun taking precautionary, short-term actions until any possible link between vaping products and the condition is determined.

On October 4, 2019, Oregon Governor Kate Brown issued an executive order calling for a 180-day ban on sales of all flavored vaping products containing nicotine or THC, effective October 15, 2019. The executive order was expected to last for six months and called for state agencies to develop a plan for warning labels, ingredient disclosures, product safety testing and a campaign to discourage vaping. Through the efforts of an Oregon based Distribution Company, this ban was stayed and on January 16, 2020 the Oregon Health Authority filed an administrative order suspending the rule.

On September 6, 2019, officials with the Southern Nevada Health District issued a joint statement with the Washoe County Health District and Carson City Health and Human Services about the risks of using e-cigarettes and vaping products. As of the date of this report, Nevada has taken no action against the sales of vaping products and continues to monitor the situation.

Notwithstanding the foregoing, there can be no assurance that the federal government will not move to prosecute cannabis businesses operating within state regulatory frameworks. The federal government of the United States has always reserved the right to enforce federal law regarding the sale and disbursement of medical or recreational marijuana, even if state law sanctioned such sale and disbursement. There are significant risks associated with Golden Leaf's business, as described above and under the heading "Risk Factors". Readers are strongly encouraged to carefully read all of the risk factors described herein.

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

Oregon Regulatory Summary

Oregon has both medical and adult-use marijuana programs. In 1998, Oregon voters passed a limited non-commercial patient/caregiver medical marijuana law with an exclusive list of qualifying conditions that include chronic pain. In 2013, the legislature passed, and governor signed, House Bill 3460 to create a regulatory structure for existing unlicensed medical marijuana dispensaries. However, House Bill 3460 only regulated storefront dispensaries, leaving cultivators and infused-product manufacturers within the unregulated patient/caregiver system.

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

The Oregon Health Authority ("OHA") registers "persons responsible for" and regulates medical marijuana businesses and the Oregon Liquor Control Commission ("OLCC") licenses and regulates adult-use marijuana businesses. There are six distinct types of cannabis businesses: cultivation, manufacturing ("processing"), wholesaling (only for adult use), dispensing, testing and research. Vertical integration between cultivation, processing, and sales is permissible, but not required, for both medical and adult-use.

In April 2019, lawmakers voted in favor to freeze marijuana production at the current levels for the next two years. Senate Bill 218 was fully passed, and as of June 1, 2019 the state will not issue any new

production licenses to marijuana growers, but current cultivators will be able to renew regularly. Laws passed during the 2016 legislative session removed the two-year residency requirement that existed within House Bill 3400.

As mentioned, on October 4, 2019, Oregon Governor Kate Brown issued an executive order calling for a 180-day ban on sales of all flavored vaping products, which went into effect on October 15, 2019. The order also called for the OLCC and the OHA to develop plans for consumer warnings, including displays of the health-related risks of vaping. In response to the ban, on October 29, 2019 Herban Industries OR, LLC filed a Motion to Stay Enforcement of the Temporary Rules. On November 14, 2019 the Motion was Granted, resulting in an immediate stay of OAR 845-025-2805. This motion prompted the OLCC to announce on November 15, 2019 that until the judicial review is complete, licensees are not prohibited from processing, transferring, and selling products previously banned under OAR 845-025-2805.

The Producer license carries an endorsement that authorizes Greenpoint Oregon to plant, cultivate, grow, harvest, and dry cannabis at its Bald Peak cultivation facility in Oregon. This allows the Company to utilize cannabis grown under our own license for sale to patients and customers at our retail locations in addition to utilizing the flower to produce extracts and edibles at our other facilities; reducing the need for third-party cannabis suppliers.

The Processor licenses carry endorsements that authorize Greenpoint Oregon to procure usable cannabis from OLCC licensed cultivators, or cannabinoid concentrates or extracts from other OLCC licensed processors, and to use that material to produce cannabinoid concentrates, extracts, and edibles. This license also carries an Industrial Hemp endorsement, which authorizes Greenpoint Oregon to procure Industrial Hemp products from OLCC licensed cultivators for use in Industrial Hemp CBD products. Those products may then be transferred to any OLCC licensed wholesaler for distribution to consumers. In addition to OLCC issued licenses, Greenpoint Oregon recently obtained their Hemp Handler License from the ODA which allows the company to intake Hemp grown by ODA licensed Hemp Growers with the proper certification for processing into CBD products.

Under the Wholesale licenses, Greenpoint Oregon is allowed to procure usable cannabis from any OLCC licensed producer, as well as cannabinoid extract, concentrate, or product from any OLCC licensed processor. The Wholesale license also includes authorization to package and label these products for sale to OLCC licensed retailers. Lastly, the wholesale license includes authorization to distribute these products to any OLCC licensed dispensary. The Company utilizes its wholesale licenses for supply chain management of its chain of dispensaries, as well as actively wholesaling to a large portfolio of other OLCC retail licensees.

The Company's Retail licenses allow the Company to sell recreational useable cannabis, extracts, concentrates and products directly to consumers, as well as selling medicinal cannabis and cannabis products to Oregon Medical Marijuana Program ("OMMP") patients and their designated primary caregivers. All retail licenses have Sales for Medical Purposes and Home Delivery Endorsements. Sale for Medical purposes is utilized at all locations to reduce tax paid by the customer on sales of product to Medical Patients and/or Designated Caregivers on applicable purchases. Home Delivery Endorsement allows for deliveries of recreational and medical cannabis within the legal limits to customers' homes. Retail licensed facilities are responsible for compliance with Oregon law regarding customer age, required public safety notices, and educating the public as to Oregon law surrounding cannabis in store and on Home Deliveries as applicable. Customers must be age 21 or over or be registered with the OMMP as a patient or caregiver.

Retail Delivery and Curb Side Pickup

In March of 2020, the Company launched a Home Delivery program by utilizing the Home Delivery Endorsements on all Oregon Retail licenses. This endorsement allows for deliveries within the city in which the licensee is licensed. In addition to the transportation requirements on wholesale deliveries, there are certain requirements for when product is delivered directly to a patient or customer's home. Home delivery bona fide orders must be received before 8:00pm and deliveries must be completed before 9:00pm and cannot be made before 8:00am. At the time of delivery, the individual performing delivery must check the identification of the individual to whom delivery is being made to determine that it is the same individual who submitted the bona fide order. This includes ensuring that the individual is either 21 years of age or older; or if the individual is age 18-20, that the individual is a current registry identification cardholder.

Marijuana items delivered to an individual's residence must comply with all packaging rules and be placed in a larger delivery receptacle that has a label that reads: "Contains marijuana: Signature of person 21 years of age or older required for delivery." A retailer may not carry or transport at any one time more than a total of \$3000 in retail value worth of marijuana items designated for retail delivery. All marijuana items must be kept in a lock-box securely affixed inside the delivery motor vehicle. A manifest must be created for each delivery or series of deliveries and the individual doing the delivery may not make any unnecessary stops between deliveries or deviate substantially from the manifest route.

In addition to this new delivery system, the OLCC announced on March 22nd 2020 a Temporary Rule to align with the Governor Brown's Executive Stay at Home order to promote social distancing that allows Marijuana Retail Licensees to Provide Curbside Delivery to customers and patients. Curbside deliveries must be made within 150 feet of the licensed premises. All retail stores are currently utilizing curbside pickup in an effort to reduce in store traffic and promote social distancing.

Regulatory Framework

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

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

Licensing Requirements

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

Applicants must demonstrate (and license holders must maintain) that

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

Through its subsidiaries, Golden Leaf is licensed by the OLCC to process, distribute, and sell recreational and medicinal cannabis and cannabis products in the State of Oregon. The OLCC has issued the following licenses to the Golden Leaf Holdings, Inc. wholly-owned subsidiaries:

Subsidiary	Licenses
Greenpoint Oregon Inc.	Producer: 020-10087170927
Greenpoint Oregon Inc.	Processor: 030-1003213EDB2; 030-100384161D7
Greenpoint Oregon Inc.	Wholesale: 060-1003227DB77; 060-10046405D93
CFA Retail, LLC	Retail: 050-10079928B63; 050-1007989F581; 050-10079902125; 050-10079919CD9; 050-1007988A80E; 050-10025185011; 050-10086554F25

Security Requirements

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

Retail stores are the only facilities allowing public access. These facilities include a waiting area with sufficient space and seating to accommodate customers. This waiting area is separated from the consumer sales area by a locked door that is controlled by an employee within the secured area. All

other facilities require signage advising that there is no public entry. Any vendors or contractors that must be on site at any licensed facility have to be fully checked in through a visitor log, wear a badge that identifies them as a visitor, and must be accompanied at all times by an employee.

Transportation and Storage Requirements

Recreational and medicinal cannabis and cannabis products must be stored in a secured, locked room or vault. Vaults that are large enough to allow a person to walk in must have cameras inside so that there is no blind spot. Smaller safes must be bolted to the floor. When products are transferred between licensees, they must first be fully manifested through the state mandated 'seed-to-sale' system.

This written manifest must include

- (i) departure date and time;
- (ii) name, address, and license number of the originating licensee;
- (iii) name, address, and license number of the recipient;
- (iv) quantity and form of any cannabis or cannabis delivery device being transported;
- (v) arrival date and time;
- (vi) delivery vehicle make and model and license plate number; and
- (vii) name and signature of the employee delivering the product.

A copy of this manifest is provided to the receiving licensee for their verification. Upon receiving the transfer, the licensee must immediately verify the shipment versus the manifest and accept it electronically within the 'seed-to-sale' system. This completes the inventory transfer. OLCC licensees must maintain these records for a minimum of 3 years. During transport, all product is packaged individually by order, and maintained within a locked receptacle within the vehicle. Drivers must deliver marijuana items to all destinations and/or return any remaining marijuana items to the origin premises within 24 hours of original departure.

Department Inspections

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

Nevada Regulatory Summary

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

The Nevada Division of Public and Behavioral Health (the "Division") licensed medical marijuana establishments until July 1, 2017 when the state's medical marijuana program merged with adult-use

marijuana enforcement under the Nevada Department of Taxation (“DOT”). Under Nevada’s adult-use marijuana law, the DOT licenses marijuana cultivation facilities, product manufacturing facilities, distributors, retail stores and testing facilities. After merging medical and adult-use marijuana regulation and enforcement, the single regulatory agency is now known as the “Marijuana Enforcement Division of the Department of Taxation.”

In June of 2019 Nevada Governor Steve Sisolak approved Assembly Bill 533 which established a Cannabis Advisory Commission, to which the governor will appoint experts in direct and marijuana-related fields. These individuals will review outstanding issues surrounding inclusion, addiction prevention, training programs, consumption, and other important questions. In that same month, Governor Sisolak approved Assembly Bill 132 making Nevada the first state to ban employers from refusing to hire job applicants who test positive for marijuana during the hiring process. In May of 2019, Governor Sisolak signed into law Senate Bill 32, that increases transparency in the licensing process by releasing certain information about license applicants, as well as methods used to issue licenses.

License applications in Nevada are merit based and competitive. Residency is not required to own or invest in a Nevada medical cannabis business and vertical integration is neither required nor prohibited. Nevada’s medical law includes patient reciprocity, which permits medical patients from other states to purchase marijuana from Nevada dispensaries. Nevada also allows for dispensaries to deliver medical marijuana to patients.

Through its subsidiaries, Golden Leaf is licensed for Cultivation and Cannabis Product manufacturing in the State of Nevada. The DOT has issued both Recreational and Medical Cultivation Licenses and both Recreational and Medical Product Manufacturing Licenses to Greenpoint Nevada, Inc. (“GNI”), a wholly owned subsidiary of Golden Leaf Holdings.

The cultivation licenses, which remain active but are not currently in use, allow GNI to cultivate immature, vegetative, and flowering cannabis plants. There is no cap to the total canopy size afforded under this license. Cannabis cultivated under this license can be transferred to any DOT Product Manufacturing licensee, or to DOT licensed retailers via a DOT licensed distributor.

The Product Manufacturing licenses allow GNI to procure usable cannabis from any DOT licensed cultivator, and utilize that material to produce cannabis extracts, concentrates and products. These products may be marketed directly to DOT licensed retailers, or DOT licensed distributors. The license produces a line of edibles and employs licensed wholesale professionals which sell these products directly to DOT licensed retailers.

On June 28th, 2019, GNI was issued a violation notice from the City of Sparks, Nevada Fire Department requiring all processes using ethanol to cease immediately. The notice was issued due to the lack of permitting surrounding the actual use of ethanol and the lack of approval needed for equipment being used to process the ethanol. This notice forced GNI to stop production of RSO that is used in its vape cartridges, disposable vape pens, and shatter. Prior to the production interruption, in the six months ending June 30, 2019, GNI produced \$281,222 of revenue from the sale of RSO oil in Nevada. In August of 2019 GNI was also issued a violation from the City of Sparks when it was found the building did not have the proper drainage required by a food processing facility. Considering the building being utilized for production requires several maintenance and city corrections, the company has registered with the DOT to have current and new extract and edible product lines produced and packaged at a third-party Processing facility with a Product Manufacturing license in Reno, Nevada. The Company continued to package edibles in the Sparks facility until the Company terminated its tenancy on April 30, 2020.

Regulatory Framework

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

Licensing Requirements

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

Applicants must demonstrate (and license holders must maintain) that:

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

Security Requirements

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

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

Transportation and Storage Requirements

Cannabis and cannabis goods must be stored in a lockable safe or vault at any time that employees are not on location. Any storage container that is large enough to allow an employee to walk into it must

have cameras placed inside. Goods to be transported to another licensee must be fully manifested via the state mandated seed-to-sale tracking system prior to being transported. Greenpoint Nevada utilizes a DOT licensed distributor as a partner in all shipments.

Department Inspections

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

RISK FACTORS

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

Risks Related to the Company's Business

Operational Risks

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

Oversupply in Oregon

The adult-use cannabis market in Oregon is oversupplied which has resulted in a significant decline in the market price for cannabis. Due to U.S. federal regulations, all cannabis cultivated and produced in the state must be consumed in the same state. Thus, at this time, the Company is unable to export cannabis products into other markets where cannabis use is fully legal under all federal and state or provincial laws. Due to these market conditions and current regulatory environment, there is no assurance that the Company would be able to generate sufficient revenue from the sale of adult-use cannabis to result in profitability which could have a material adverse effect on the Company's business, financial condition and results of operations.

The Cannabis Industry and Market are Relatively New and this Industry and Market May Not Continue to Exist or Grow as Anticipated or the Company May Be Ultimately Unable to Succeed in this New Industry and Market

The Company and its subsidiaries are operating their businesses in a relatively new industry and market. In addition to being subject to general business risks and to risks inherent in the nature of an early stage business, a business involving an agricultural product and a regulated consumer product, the Company must build brand awareness in an industry with limits on marketing and make significant investments in its strategy, its production capacity, quality assurance and compliance with regulations. These activities may not promote the Company's brand and products or result in sales as effectively as intended, or at all. This new market and industry into which management is entering will have competitive conditions, consumer tastes, patient requirements and unique circumstances, and spending patterns that differ from existing markets. In addition, there is no assurance that the industry and market in the United States will continue to exist and grow as currently estimated or anticipated or function and evolve in the manner consistent with management's expectations and assumptions. Any event or circumstance that adversely affects the cannabis industry and market could have a material adverse effect on the Company's business, financial conditions and results of operations.

Ability to Access Public and Private Capital

The Company has historically, and continues to have, access to capital in Canada in order to support its continuing operations. In addition, the Company has had success completing private offerings in the past, including the November 2018 private placement of unsecured convertible subordinated debenture units and the January 2018 private placement which raised C\$7.9 million and C\$17.4 million of capital for the Company, respectively. The Company has an ongoing banking relationship with two banks in Canada. Although the Company has accessed private financing in the past, there is neither a broad nor deep pool of institutional capital that is available to cannabis license holders and license applicants. There can be no assurance that additional financing, if raised privately, will be available to the Company when needed or on terms which are acceptable. To date, the Company has not had to raise any capital through a prospectus financing and such financing may not be available to the Company.

Competition from Illegal Dispensaries and the Black Market

The Company also faces competition from illegal dispensaries and the black market that are unlicensed and unregulated, and that are selling cannabis and cannabis products, including products with higher concentrations of active ingredients, and using delivery methods that the Company is prohibited from offering to individuals as they are not currently permitted by law. Various cities have seen an influx in the number of illegal dispensaries or continued operation of such illegal dispensaries despite efforts to shut them down. Any inability or unwillingness of law enforcement authorities to enforce existing laws prohibiting the unlicensed cultivation and sale of cannabis and cannabis-based products could result in

the perpetuation of the black market for cannabis and/or have a material adverse effect on the perception of cannabis use. Any or all these events could have a material adverse effect on the Company's business, financial condition and results of operations.

The Company's Industry is Experiencing Rapid Growth and Consolidation that May Cause the Company to Lose Key Relationships and Intensify Competition

The cannabis industry is undergoing rapid growth and substantial change, which has resulted in an increase in competitors, consolidation and formation of strategic relationships. Acquisitions or other consolidating transactions could harm the Company in several ways, including the loss of strategic partners if they are acquired by or enter into relationships with a competitor, losing customers, revenue and market share or forcing the Company to expend greater resources to meet new or additional competitive threats, all of which could harm the Company's operating results. As competitors enter the market and become increasingly sophisticated, competition in the Company's industry may intensify and place downward pressure on retail prices for its products and services, which could negatively impact its profitability.

Risks Inherent in an Agricultural Business

The Company's business involves the cultivation of the cannabis plant. The cultivation of this plant is subject to agricultural risks related to insects, plant diseases, unstable growing conditions, water and electricity availability and cost, and force majeure events. There can be no assurance that agricultural risks will not have a material adverse effect on the cultivation of its cannabis. The Company may in the future cultivate cannabis plants outdoors, which would also subject it to related agricultural risks.

Reliance on Third-Party Suppliers, Manufacturers and Contractors

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

Environmental and Employee Health and Safety Regulations

Costs and obligations related to ensuring continuous compliance with environmental and safety laws concerning, among other things, emissions and discharges to water, air and land, the handling and disposal of hazardous and non-hazardous materials and wastes, and employee health and safety are inherent in being a producer of agricultural products. Failure to maintain such compliance may result in additional costs for corrective measures, penalties or restrictions on manufacturing operations.

Further, changes in environmental, employee health and safety or other laws, more vigorous enforcement thereof or other unanticipated events could require extensive changes to the Company's operations or give rise to material liabilities, which could have a material adverse effect on the business, results of operations and financial condition of the Company.

Supply of Trim

The Company currently does not cultivate sufficient cannabis to supply itself with enough cannabis leaves and small flowers ("Trim") to operate its oil extraction business. Currently, the Company acquires additional Trim from third parties in amounts sufficient to operate its oil extraction business. However, there can be no assurance that there will continue to be a supply of Trim available for the Company to

purchase in order to operate its oil extraction business. Additionally, the price of Trim may rise which would increase the Company's cost of goods. If the Company were unable to acquire the Trim required to operate its oil extraction business, or if the price of Trim increased, it could have a material adverse impact on the business of the Company, its financial condition and results from operations.

Product Recalls

The Company's products may be subject to recall or return for a variety of reasons, including product defects such as contamination, unintended harmful side effects or interactions with other substances, packaging safety and inadequate or inaccurate labelling disclosure. If any of the Company's products are recalled due to an alleged product defect or for any other reason, the Company could be required to incur the unexpected expense of the recall and any legal proceedings that might arise in connection therewith. The Company may lose a significant amount of sales and may not be able to replace those sales at an acceptable margin or at all. In addition, a product recall may require significant management attention. Although the Company has detailed procedures in place for testing its products, there can be no assurance that any quality, potency or contamination problems will be detected in time to avoid unforeseen product recalls, regulatory action or lawsuits. Additionally, if one of the products produced by the Company were subject to recall, the image of that product and the Company could be harmed. A recall for any of the foregoing reasons could lead to decreased demand for the Company's products and could have a material adverse effect on the results of operations and financial condition of the Company. Additionally, product recalls may lead to increased scrutiny of the Company's operations by regulatory agencies, requiring further management attention and potential legal fees and other expenses.

Product Liability Claims

As a manufacturer of products designed to be ingested by humans, the Company faces an inherent risk of exposure to product liability claims, regulatory action and litigation if its products are alleged to have caused significant loss or injury. In addition, the manufacturing and sale of cannabis and other products involve the risk of injury to consumers due to tampering by unauthorized third parties or product contamination. Previously unknown adverse reactions resulting from human consumption of cannabis products alone or in combination with other medications or substances could occur. The Company may be subject to various product liability claims, including, among others, that the products produced by the Company caused injury or illness, include inadequate instructions for use or include inadequate warnings concerning possible side-effects or interactions with other substances.

A product liability claim or regulatory action against the Company could result in increased costs, could adversely affect the Company's reputation with its clients and consumers generally, and could have a material adverse effect on the results of operations and financial condition of the Company.

Vulnerability to Rising Energy Costs

The Company's medical and recreational cannabis growing operations consume considerable energy, which make the Company vulnerable to rising energy costs. Accordingly, rising or volatile energy costs may adversely impact the business of the Company and its ability to operate profitably.

Reliance on Inputs

The marijuana business is dependent on a number of key inputs and their related costs including raw materials and supplies related to growing operations, as well as electricity, water and other local utilities. Any significant interruption or negative change in the availability or economics of the supply chain for key inputs could materially impact the business, financial condition, results of operations or prospects of the Company. In addition, any restrictions on the ability to secure required supplies or utility services or to do so on commercially acceptable terms could have a materially adverse impact on the business, financial condition and operating results. Some of these inputs may only be available from a single supplier or a limited group of suppliers. If a sole source supplier was to go out of business, the Company might be unable to find a replacement for such source in a timely manner or at all. If a sole source supplier were to be acquired by a competitor, that competitor may elect not to sell to the Company in the future. Any inability to secure required supplies and services or to do so on appropriate terms and/or agreeable terms could have a materially adverse impact on the business, financial condition, results of operations or prospects of the Company.

Transportation Risks

Security of the product during transportation to and from the facility is of the utmost concern. A breach of security during transport or delivery could have a material and adverse effect on the Company's business, financial condition and prospects. Any breach of the security measures during transport or delivery, including any failure to comply with recommendations or requirements of applicable regulators, could also have an impact on the Company's ability to continue operating under its licenses, or the prospect of renewing its licenses or obtaining additional licenses and/or approvals.

Security Risks

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

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

Permits and Authorizations May Be Restricted

The Company has been and may be required to obtain and maintain certain permits, licenses and approvals in the jurisdictions where its products are manufactured and/or sold. Although the Company has obtained various medical and recreational marijuana licenses, there can be no assurance that it will be able to obtain or maintain the necessary licenses, permits, authorizations or accreditations, or may only be able to do so at great cost, to operate its medical marijuana and recreational business. Failure to comply with or to obtain the necessary licenses, permits, authorizations or accreditations could result in restrictions on the Company's ability to operate its medical and recreational marijuana business, which

could have a material adverse effect on the Company's business, financial condition or results of operations.

Competition from Synthetic Products

The pharmaceutical industry may attempt to dominate the cannabis industry, and in particular, legal cannabis, through the development and distribution of synthetic products which emulate the effects and treatment of organic cannabis. If they are successful, the widespread popularity of such synthetic products could change the demand, volume and profitability of the cannabis industry. This could adversely affect the ability of the Company to secure long-term and sustainable profitability and success through the sustainable and profitable operation of the anticipated businesses and investment targets, and could have a material adverse effect on the Company's business, financial condition or results of operations.

Unfavorable Publicity or Consumer Perception

The Company believes the cannabis industry is highly dependent upon consumer perception regarding the safety, efficacy and quality of the cannabis distributed to such consumers. Consumer perception of the Company's products can be significantly influenced by scientific research or findings, regulatory investigations, litigation, media attention and other publicity regarding the consumption of medical and recreational cannabis products. There can be no assurance that future scientific research, findings, regulatory proceedings, litigation, media attention or other research findings or publicity will be favorable to the medical cannabis market or any particular product, or consistent with earlier publicity.

Future research reports, findings, regulatory proceedings, litigation, media attention or other publicity that are perceived as less favorable than, or that question, earlier research reports, findings or publicity could have a material adverse effect on the demand for the Company's products and the business, results of operations and financial condition of the Company. In particular, adverse publicity reports or other media attention regarding the safety, efficacy and quality of medical cannabis in general, or the Company's products specifically, or associating the consumption of medical cannabis with illness or other negative effects or events, could have such a material adverse effect. Such adverse publicity reports or other media attention could arise even if the adverse effects associated with such products resulted from consumers' failure to consume such products appropriately or as directed.

Although the Company believes that it takes care in protecting its image and reputation, the Company does not ultimately have direct control over how it is perceived by others. Reputation loss may result in decreased investor confidence, increased challenges in developing and maintaining community relations and an impediment to the Company's overall ability to advance its business, thereby having a material adverse impact on the financial condition and results of operations of the Company.

Liability and Enforcement Actions

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

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

The Company incurred a net loss for the period from incorporation on April 8, 2014 to March 31, 2020 of US\$145.2M. The Company cannot assure that it can achieve profitability or avoid net losses in the future or that there will not be any earnings or revenue declines for any future quarterly or other periods. The limited operating history makes it difficult to predict future operating results. The Company expects that its operating expenses will increase as it grows its business, including expending substantial resources for content and product development and marketing. As a result, any decrease or delay in generating revenues could result in material operating losses. In addition, the Company is subject to the risks inherent in the operation of a new business enterprise in an emerging and uncertain business sector, and there can be no assurance that the Company will be able to successfully address these risks.

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

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

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

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

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

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

Reliance on and Retention of Qualified Personnel

The success of the Company is dependent upon the ability, expertise, judgment, discretion and good faith of its senior management (collectively, "Key Personnel"). Moreover, the Company's future success depends on its continuing ability to attract, develop, motivate and retain highly qualified and skilled employees. Qualified individuals are in high demand, and the Company may incur significant costs to attract and retain them. The loss of the services of Key Personnel, or an inability to attract other suitably qualified persons when needed, could have a material adverse effect on the Company's ability to execute on its business plan and strategy, and the Company may be unable to find adequate replacements on a timely basis, or at all. While employment agreements are customarily used as a primary method of retaining the services of Key Personnel, these agreements cannot assure the continued services of such employees.

Available Talent Pool

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

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

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

Management of Growth

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

General Economic Trends

Adverse changes in general economic or political conditions in the United States or any of the states within the United States and especially the State of Oregon could adversely affect customers' spending and therefore, the Company's business, financial condition, or results of operations.

Asset Location and Legal Proceedings

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

Electronic Communication Security Risks

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

Insurance Coverage

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

United States Tax Risk

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

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

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

Currency Fluctuations

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

Risks Specifically Related to the United States Regulatory System

Marijuana is illegal under U.S. federal law and enforcement of relevant laws is a significant risk. The Company is expected to continue to derive a significant portion of its revenues from the cannabis industry in certain states of the United States, a country in which the consumption and sale of cannabis remains prohibited by federal law.

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

Unless and until Congress amends the U.S. Controlled Substances Act with respect to medical marijuana, as to the timing or scope of any such potential amendments, there is a significant risk that federal authorities may enforce current federal law, and the Company may be deemed to be producing, cultivating or dispensing marijuana in violation of federal law or the Company may be deemed to be facilitating the selling or distribution of drug paraphernalia in violation of federal law with respect to our current or proposed business operations. Active enforcement of the current federal regulatory position on cannabis may thus indirectly and adversely affect the Company's future cash flows, earnings, results of operations and financial condition.

While the Company's business activities are compliant with applicable state and local law, such activities remain illegal under United States federal law. Golden Leaf is involved in the cannabis industry in the United States where local and state laws permit such activities or provide limited defenses to criminal prosecutions.

As of March 31, 2020, Golden Leaf has exposure to U.S. cannabis-related activities through:

1. the (compliant licensed) production and sale of its cannabis consumer products to wholesale customers in the States of Oregon and Nevada,
2. the (compliant licensed) operation of retail dispensaries in the State of Oregon,
3. the (compliant licensed) cultivation of cannabis trim and flower in the States of Nevada and Oregon, and
4. wholly owned subsidiaries engaged in ancillary businesses, such as equipment leasing, intellectual property management, employee leasing, and property leasing.
5. Distribution and manufacturing relationships with partners in the states of California and Washington

The Enforcement of Relevant United States Laws Related to Cannabis is a Significant Risk

The following table is a summary of Golden Leaf's balance sheet exposure to U.S. cannabis-related activities as of March 31, 2020:

	March 31, 2020
Current Assets	\$ 6,992,793
Non-current assets	23,526,048
Total assets	\$ 30,518,841
Current liabilities	4,012,227
Non-current liabilities	18,186,498
Total liabilities	\$ 22,198,725

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

The following represents the portion of certain assets on the Company's consolidated balance sheet that pertain to U.S. cannabis-related activities as of March 31, 2020:

- Inventory: 100% (March 31, 2019: 85.8%)
- Property plant & equipment: 100% (March 31, 2019: 85.1%)
- Intangible assets and goodwill: 100% (March 31, 2019: 70.9%)

The following is a summary of operating losses from U.S. cannabis-related activities:

	For the three months ended March 31, 2020	% of consolidated total
Revenue	\$ 4,670,304	100%
Cost of sales	2,943,478	100%
Gross profit	1,726,826	100%
Less operating expenses	3,208,974	98%
Net loss	\$ (1,482,148)	96%

There are Risks Related to Variation in State Regulation

Individual state laws do not always conform to the U.S. federal regulations or to other states' laws. A number of states have decriminalized marijuana to varying degrees, other states have created exemptions specifically for medical cannabis, and several have both decriminalization and medical laws. Eleven U.S. states have legalized the recreational use of cannabis. Variations exist among states that have legalized, decriminalized or created medical marijuana exemptions. In most states, the cultivation of marijuana for personal use continues to be prohibited except for those states that allow small-scale cultivation by the individual in possession of medical marijuana needing care or that person's caregiver. Active enforcement of state laws that prohibit personal cultivation of marijuana may indirectly and adversely affect the Company's future cash flows, earnings, results of operations and financial condition.

There are Risks Related to Potential Changes in Cannabis Laws

As described in "*Risks Specifically Related to the United States Regulatory System*" and "*Canadian Regulatory Risks*", the legality of the production, extraction, distribution and use of cannabis differs among jurisdictions. In the United States, the Company's investments have been focused in the states that have legalized the recreational use of cannabis.

The activities of the Company's investments are, and will continue to be, subject to evolving regulation by governmental authorities. Local, state and U.S. federal medical marijuana laws and regulations are broad in scope and subject to evolving interpretations, which could require the Company to incur substantial costs associated with compliance or alter certain aspects of its business plan. Violations of these laws, or allegations of such violations, could disrupt certain aspects of the Company's business plan and result in a material adverse effect on certain aspects of its planned operations. In addition, it is possible that regulations may be enacted in the future that will be directly applicable to certain aspects of the Company's businesses.

The Company cannot predict the nature of any future laws, regulations, interpretations or applications, nor can it determine what effect additional governmental regulations or administrative policies and procedures, when and if promulgated, could have on the Company's business. There can be no assurance that state laws legalizing and regulating the sale and use of cannabis will not be repealed or overturned, or that local governmental authorities will not limit the applicability of state laws within their respective jurisdictions. It is also important to note that local and city ordinances may strictly limit and/or restrict the distribution of cannabis in a manner that could make it extremely difficult or impossible to transact business in the cannabis industry. If the United States federal government begins to enforce federal laws relating to cannabis in states where the sale and use of cannabis is currently legal, or if existing state laws are repealed or curtailed, the Company's investments in such businesses would be materially and adversely affected. Federal actions against any individual or entity engaged in the marijuana industry or a substantial repeal of marijuana related legislation could adversely affect the Company, its business and its investments.

The legislative and regulatory environment in the Company's jurisdictions is dynamic and reflects the uncertainty and search for novel solutions in the highly-regulated cannabis industry. Management expects that the legislative and regulatory environment in the cannabis industry will continue to be dynamic and will require innovative solutions to comply with this changing legal landscape in this nascent industry, for the foreseeable future.

Risks Associated with Travelling Across Borders

News media have reported that United States immigration authorities have increased scrutiny of Canadian citizens who are crossing the United States-Canada border with respect to persons involved in cannabis businesses in the United States. There have been a number of Canadians barred from entering the United States as a result of an investment in or act related to United States cannabis businesses. In some cases, entry has been barred for extended periods of time and lifetime bans have been granted.

The majority of persons travelling across the Canadian and U.S. border do so without incident. Some persons are simply denied entry one time. The U.S. Department of State and the Department of Homeland Security have indicated that the United States has not changed the admission requirements in response to the legalization of recreational cannabis in Canada. Admissibility to the United States may be denied to any person working or 'having involvement in' the marijuana industry according to U.S. Customs and Border Protection. Additionally, legal experts have indicated that if the admission criteria are applied broadly, this may result in a determination that the act of investing in or working or collaborating with a U.S. cannabis company is considered trafficking in a Schedule I controlled substance or aiding, abetting, assisting, conspiring or colluding in the trafficking of a Schedule I controlled substance. Inadmissibility in the United States implies a lifetime ban for entry as such designation is not lifted unless an individual applies for and obtains a waiver.

Directors, officers or employees traveling from Canada to the United States for the benefit of the Company may encounter enhanced scrutiny by United States immigration authorities that may result in the employee not being permitted to enter the United States for a specified period of time. If this happens to directors, officers or employees, this may reduce the Company's ability to manage its business effectively in the United States.

The Company's Investments in the United States are Subject to Applicable Anti-money Laundering Laws and Regulations

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

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

Golden Leaf's Funding of the Activities of Investments Involved in the Recreational Cannabis Industry through Loans, Royalties or other Forms of Investment, may be Illegal under the Applicable Federal Laws of the United States and other Applicable Law. There can be no Assurances the Federal Government of the United States or other Jurisdictions will not Seek to

Enforce the Applicable Laws Against the Company. The Consequences of such Enforcement would be Materially Adverse to the Company and the Company's Business and could Result in the Forfeiture or Seizure of all or Substantially all of the Company's Assets.

The concepts of "medical cannabis" and "retail cannabis" do not exist under United States federal law because the U.S. Controlled Substances Act classifies "marijuana" as a Schedule I drug. As such, cannabis-related practices or activities, including without limitation, the manufacture, importation, possession, use or distribution of cannabis remain illegal under United States federal law. Although the Company's activities are compliant with applicable U.S. state and local law, strict compliance with state and local laws with respect to cannabis may neither absolve the Company of liability under United States federal law, nor may it provide a defense to any federal proceeding which may be brought against the Company. Any such proceedings brought against the Company may adversely affect the Company's operations and financial performance.

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

Many factors could cause the Company's actual results, performances and achievements to differ materially from those expressed or implied by the forward-looking statements and forward-looking information, including without limitation, the following factors, which are discussed in greater detail in the annual information form filed with securities regulators and available on www.sedar.com, which risk factors are incorporated by reference into this document and should be reviewed in detail by all readers:

- The Company has several investments into businesses that operate in the U.S., where cannabis is federally illegal;
- The activities of the Company are subject to evolving regulation that is subject to changes by governmental authorities in Canada and the U.S.;
- Third parties with which the Company does business, including banks and other financial intermediaries, may perceive that they are exposed to legal and reputational risk because of the Company's cannabis business activities;
- The Company's ability to repatriate returns generated from investments in the U.S. may be limited by anti-money laundering laws;
- Under Section 280E of the Internal Revenue Code, normal business expenses incurred in the business of selling marijuana and its derivatives are not deductible in calculating income tax liability. Therefore, the Company will be precluded from claiming certain deductions otherwise

available to non-marijuana businesses. As a result, an otherwise profitable, business may in fact operate at a loss after taking into account its income tax expenses. There is no certainty that the Company will not be subject to 280E in the future, and accordingly, there is no certainty that the impact that 280E has on the Company's margins will ever be reduced;

- Federal prohibitions result in marijuana businesses being potentially restricted from accessing the U.S. federal banking system, and the Company and its subsidiaries may have difficulty depositing funds in federally insured and licensed banking institutions. This may lead to further related issues, such as the potential that a bank will freeze the Company's accounts and risks associated with uninsured deposit accounts. There is no certainty that Company will be able to maintain its existing accounts or obtain new accounts in the future; and although the TMX MOU confirms that there is currently no CDS ban on the clearing of securities of issuers with cannabis-related activities in the United States, there can be no guarantee that this approach to regulation will continue in the future.

Risks of the United States Banking System

Since the use of marijuana is illegal under U.S. federal law, banks have commonly concluded that they cannot accept for deposit funds from businesses involved with the marijuana industry. Consequently, businesses involved in the marijuana industry often have difficulty finding a bank willing to accept their business. The inability to open bank accounts may make it difficult to operate the Company's medical and recreational marijuana business.

The Company's Investments in the United States May Subject the Company to Heightened Scrutiny

The Company's existing investments in the United States, and any future investments, may become the subject of heightened scrutiny by regulators, stock exchanges and other regulatory authorities. As a result, the Company may be subject to significant, potentially costly or time intensive interactions with public officials. There can be no assurance that this heightened scrutiny will not in turn lead to the imposition of certain restrictions on the Company's ability to invest in the United States or any other jurisdiction. See *"Risks Related to the Company's Business."*

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

Further, violations of any United States or Canadian federal laws and regulations could result in significant fines, penalties, administrative sanctions, convictions or settlements arising from civil proceedings conducted by either the federal government or private citizens, or criminal charges, including, but not limited to, disgorgement of profits, cessation of business activities or divestiture. This could have a material adverse effect on the Company, including its reputation and ability to conduct business, its holding (directly or indirectly) of medical and recreational cannabis licenses in the United States, the listing of its securities on stock exchanges, its financial position, operating results, profitability or liquidity or the market price of its publicly traded shares. In addition, it is difficult for the

Company to estimate the time or resources that would be needed for the investigation of any such matters or its final resolution because, in part, the time and resources that may be needed are dependent on the nature and extent of any information requested by the applicable authorities involved, and such time or resources could be substantial. See *“Risks Related to the Company’s Business.”*

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

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

The industry is subject to extensive controls and regulations, which may significantly affect the financial condition of market participants. The marketability of any product may be affected by numerous factors that are beyond the control of the Company’s investments and which cannot be predicted, such as changes to government regulations, including those relating to taxes and other government levies which may be imposed. Changes in government levies, including taxes, could reduce the Company’s investments’ earnings and could make future capital investments or the Company’s investments’ operations uneconomic. The industry is also subject to numerous legal challenges, which may significantly affect the financial condition of market participants and which cannot be reliably predicted.

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

For the reasons set forth above, the Company’s existing interests in the United States cannabis market may become the subject of heightened scrutiny by regulators, stock exchanges, clearing agencies and other authorities in Canada.

It has been reported by certain publications in Canada that the Canadian Depository for Securities Limited may implement policies that would see its subsidiary, Clearing and Depository Services Inc.

("CDS"), refuse to settle trades for cannabis issuers that have investments in the United States. CDS is Canada's central securities depository, clearing and settlement hub settling trades in the Canadian equity, fixed income and money markets. The TMX Group, the owner and operator of CDS, subsequently issued a statement on August 17, 2017 reaffirming that there is no CDS ban on the clearing of securities of issuers with cannabis-related activities in the United States, despite media reports to the contrary and that the TMX Group was working with regulators to arrive at a solution that will clarify this matter, which would be communicated at a later time. On February 8, 2018, following discussions with the CSA and recognized Canadian securities exchanges, the TMX Group announced the signing of a Memorandum of Understanding ("**TMX MOU**") with Aequitas NEO Exchange Inc., the Canadian Securities Exchange ("**CSE**"), the Toronto Stock Exchange, and the TSX Venture Exchange. The TMX MOU outlines the parties' understanding of Canada's regulatory framework applicable to the rules, procedures, and regulatory oversight of the exchanges and CDS as it relates to issuers with cannabis-related activities in the United States. The TMX MOU confirms, with respect to the clearing of listed securities, that CDS relies on the exchanges to review the conduct of listed issuers. As a result, there is no CDS ban on the clearing of securities of issuers with cannabis-related activities in the United States. However, there can be no guarantee that this approach to regulation will continue in the future. If such a ban were to be implemented, it would have a material adverse effect on the ability of holders of Common Shares to make and settle trades. In particular, the Common Shares would become highly illiquid as until an alternative was implemented, investors would have no ability to effect a trade of the Common Shares through the facilities of a stock exchange. The Company has obtained eligibility with the Depository Trust Company ("**DTC**") for its Common Share quotation on the OTCQB and such DTC eligibility provides another possible avenue to clear Common Shares in the event of a CDS ban.

Risk Related to the Common Shares of the Company

No Assurance of Returns

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

As well, the continued operation of the Company may be dependent upon its ability to procure additional financing in the short term and to generate operating revenues in the longer term. There can be no assurance that any such financing can be obtained. If the Company is unable to obtain such additional financing, the Company may not be able to continue to operate its business, investors may be unable to sell their shares in the Company and any investment in the Company may be lost.

Price Volatility of Publicly Traded Securities

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

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

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

Need for Funds

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

The Company Does Not Pay Dividends

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

Other MD&A Disclosure Requirements Information available on SEDAR

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

Outstanding share data

Common shares issued and outstanding as at March 31, 2020 are described in detail in Note 15 of the audited financial statements for year ended December 31, 2019. Shares outstanding as of May 18, 2020 are 861,541,960.