Interim Condensed Consolidated Financial Statements of

GOLDEN LEAF HOLDINGS LTD.

As at and for the three and nine months ended September 30, 2020
(Unaudited)

GOLDEN LEAF HOLDINGS LTD.

Interim Condensed Consolidated Financial Statements
(Expressed in U.S. Dollars, unless otherwise stated)
As at and for the three and nine months ended September 30, 2020

GOLDEN LEAF HOLDINGS LTD.

Interim Condensed Consolidated Statements of Financial Position (Unaudited)
As at September 30, 2020 and December 31, 2019
(Expressed in U.S. dollars)

		September 30, 2020	December 31, 2019
ASSETS			
CURRENT			
Cash		$ 1,300,954	$ 3,531,202
Accounts receivable	Note 5	219,004	167,178
Other receivables	Note 5	1,385,246	447,901
Income tax recoverable		-	74,034
Sales tax recoverable		128,074	271,866
Biological assets	Note 7	217,385	88,078
Inventory	Note 7	2,838,888	2,965,304
Prepaid expenses and deposits		376,075	325,329
Total current assets		6,465,626	7,870,892
Property, plant and equipment	Note 8	2,597,773	3,723,489
Notes receivable	Note 6	919,488	919,488
Right-of-use assets, net	Note 9	4,093,035	4,333,064
Intangible assets	Note 10	10,737,423	10,737,423
Goodw ill	Note 10	4,056,172	4,056,172
Total assets		28,869,517	31,640,528
LIABILITIES			
CURRENT			
Accounts payable and accrued liabilities		3,129,717	1,564,982
Interest payable		540,860	125,900
Income taxes payable		1,465,353	-
Deferred income tax payable		248,852	248,852
Sales tax payable		449,878	187,520
Current portion of long-term debt	Note 12	108,939	82,404
Notes payable	Note 11	186,910	-
Lease liability	Note 12	852,769	843,238
Total current liabilities		6,983,278	3,052,896
Long term debt	Note 12	56,824	29,952
Long term lease liability	Note 12	4,132,024	4,090,806
Convertible debentures carried at fair value	Note 11	5,218,464	4,706,141
Consideration payable - cash portion	Note 12	4,429,880	4,218,866
Consideration payable - equity portion	Note 12	4,838,780	4,940,667
Total liabilities		25,659,250	21,039,328
SHAREHOLDERS' EQUITY			
Share capital	Note 13	148,222,848	147,763,499
Warrant reserve	Note 14	1,554,929	1,980,217
Share option reserve	Note 15	3,729,441	4,181,350
Contributed surplus		59,940	59,940
Deficit		(150,356,891)	(143,383,806)
Total shareholders' equity		3,210,267	10,601,200
Total liabilities and shareholders' equity		$ 28,869,517	$ 31,640,528

Going concern (Note 2)

See accompanying notes to these interim condensed consolidated financial statements.

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

GOLDEN LEAF HOLDINGS LTD.

Interim Condensed Consolidated Statements of Operations and Comprehensive Loss
For the three and nine months ended September 30, 2020 and 2019
(Expressed in U.S. dollars)

		For the three months ended September 30, 2020	For the three months ended September 30, 2019	For the nine months ended September 30, 2020	For the nine months ended September 30, 2019
Revenues					
Product sales	Note 20	$ 5,765,970	$ 4,342,000	$ 15,318,207	$ 12,002,495
Royalty and other revenue	Note 20	430,086	9,917	1,064,886	220,273
Total Revenue		6,196,056	4,351,917	16,383,093	12,222,768
Inventory expensed to cost of sales	Note 7, 20	4,033,002	2,897,220	11,038,401	7,878,386
Gross margin, excluding fair value items		2,163,054	1,454,697	5,344,692	4,344,382
Fair value changes in biological assets included in inventory sold	Note 7, 20	(14,125)	-	(48,483)	-
Loss on changes in fair value of biological assets	Note 7, 20	98,853	-	295,009	-
Gross profit		2,078,326	1,454,697	5,098,166	4,344,382
Expenses:					
General and administration		2,215,291	2,602,470	6,714,321	8,347,065
Share based compensation	Note 15	41,517	155,936	264,793	485,646
Sales and marketing		478,724	446,042	1,552,778	1,452,153
Depreciation and amortization	Note 8, 9	239,751	509,525	775,489	1,586,026
Total expenses		2,975,283	3,713,973	9,307,381	11,870,890
Loss before items noted below		(896,957)	(2,259,276)	(4,209,215)	(7,526,508)
Interest expense (income)		350,265	559,366	1,449,109	2,043,675
Transaction costs		127	125,612	41,178	133,834
Loss on disposal of assets	Note 8	(10,139)	4,330	307,700	97,241
Other loss (income)		70,249	(87,856)	32,029	(104,812)
Gain on debt modification		-	(312,083)	-	(312,083)
Gain on change in fair value of warrant liabilities		-	(23,371)	-	(605,134)
Loss on change in fair value of convertible debentures	Note 11	565,328	351,088	565,328	470,365
Loss before income taxes		(1,872,787)	(2,876,362)	(6,604,559)	(9,249,594)
Current income tax expense		848,379	-	1,511,595	15,924
Net loss from continuing operations		(2,721,166)	(2,876,362)	(8,116,154)	(9,265,518)
Loss from discontinued operations (Note 6)		-	(213,800)	-	(310,269)
Net loss		(2,721,166)	(3,090,162)	(8,116,154)	(9,575,787)
Other comprehensive loss					
Items that will be reclassified subsequently to profit or loss:					
Cumulative translation adjustment		-	210,023	-	1,192,068
Comprehensive loss		$ (2,721,166)	$ (3,300,185)	$ (8,116,154)	$ (10,767,855)
Basic and diluted loss per share		$ (0.00)	$ (0.00)	$ (0.01)	$ (0.02)
Weighted average number of common shares outstanding		881,420,646	685,518,103	867,567,723	621,050,033

See accompanying notes to these interim condensed consolidated financial statements.

GOLDEN LEAF HOLDINGS LTD.

Interim Condensed Consolidated Statements of Changes in Shareholders’ Equity (Unaudited)
For the nine months ended September 30, 2020 and 2019
(Expressed in U.S. dollars)

	Share Capital	Warrant Reserve	Stock options reserve	Contributed surplus	Accumulated other comprehensive loss	Deficit	Total
Balance, January 1, 2019	$ 138,511,038	$ 4,052,164	$ 4,777,929	$ 59,940	$ (125,930)	$ (100,686,006)	$ 46,589,135
Issuance of common shares	10,223,994	-	-	-	-	-	10,223,994
Share-based compensation (Note 15)	-	-	485,647	-	-	-	485,647
Expiry of warrants and stock options	-	(346,903)	(682,827)	-	-	1,029,730	-
Net (loss) gain and comprehensive loss for the period	-	-	-	-	(1,192,069)	(9,575,787)	(10,767,856)
Balance at September 30, 2019	$ 148,735,032	$ 3,705,261	$ 4,580,749	$ 59,940	$ (1,317,999)	$ (109,232,063)	$ 46,530,920

	Share Capital	Warrant Reserve	Stock options reserve	Contributed surplus	Accumulated other comprehensive loss	Deficit	Total
Balance, January 1, 2020	$ 147,763,499	1,980,217	$ 4,181,350	$ 59,940	$ -	$ (143,383,806)	$ 10,601,200
Issuance of common shares (Note 13)	459,349	-	-	-	-	-	459,349
Share-based compensation (Note 15)	-	-	264,793	-	-	-	264,793
Issuance of warrants (Note 14)	-	1,079	-	-	-	-	1,079
Expiry of warrants and stock options (Note 14, 15)	-	(426,367)	(716,702)	-	-	1,143,069	-
Net loss and comprehensive loss for the period	-	-	-	-	-	(8,116,154)	(8,116,154)
Balance at September 30, 2020	$ 148,222,848	$ 1,554,929	$ 3,729,441	$ 59,940	$ -	$ (150,356,891)	$ 3,210,267

See accompanying notes to these interim condensed consolidated financial statements.

GOLDEN LEAF HOLDINGS LTD.

Interim Condensed Consolidated Statements of Cash Flows (Unaudited)
For the nine months ended September 30, 2020 and 2019
(Expressed in U.S. dollars)

		For the nine months ended September 30,	
		2020	2019
Cash (used in) provided by:			
Operating activities:			
Net loss		$ (8,116,154)	$ (9,575,787)
Depreciation of property, plant and equipment	Note 8	984,687	1,403,416
Lease amortization	Note 9	563,433	478,206
Amortization of intangible assets		-	229,626
Loss on disposal of assets	Note 8	307,700	97,241
Interest expense		1,449,109	2,064,341
Income tax expense		-	15,924
Bad debt expense		-	94,893
Share-based compensation	Note 15	264,793	485,646
Gain on debt modification		-	(312,083)
Gain on fair value adjustment to w arrants liability		-	(605,134)
Loss on fair value adjustment to debt		565,328	470,365
Transaction costs		41,178	133,834
Loss (gain) on fair value of biological assets	Note 7	246,526	(436,454)
Reserve for obsolete inventory	Note 7	52,732	87,025
Other non-cash transactions		(153,713)	(1,226,649)
Changes in working capital items			
Accounts receivable	Note 5	(51,826)	63,739
Other receivables		(728,528)	(185,857)
Income tax payable		1,539,387	-
Sales tax recoverable		143,792	24,373
Accounts payable and accrued liabilities		1,523,557	(1,230,259)
Sales tax payable		262,358	(98,634)
Biological assets	Note 7	(375,833)	353,093
Inventory	Note 7	73,684	(619,080)
Prepaid expenses and deposits		(50,746)	1,047,919
Cash used in operating activities		(1,458,536)	(7,240,296)
INVESTING ACTITIVES			
Purchase of property, plant and equipment	Note 8	(121,699)	(842,658)
Purchase of brands	Note 9	-	(60,000)
Proceeds from disposal of property plant and equipment		-	35,274
Cash used in investment activities		(121,699)	(867,384)
FINANCING ACTIVITIES			
Repayment of long-term debt	Note 12	(40,170)	-
Payment of lease liabilities	Note 12	(489,843)	(352,484)
Interest paid		(120,000)	-
Cash used by financing activities		(650,013)	(352,484)
Decrease in cash during the period		(2,230,248)	(8,460,164)
Cash, beginning of period		3,531,202	12,275,372
Cash, end of period		**$ 1,300,954**	**$ 3,815,208**

See accompanying notes to these interim condensed consolidated financial statements

1. Incorporation and operations

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

The Company is in the business of producing and distributing cannabis oil and flower products within Oregon, Nevada, California and Washington adult-use regulated markets, primarily through its main operating subsidiaries, Greenpoint Oregon, Inc., Greenpoint Nevada, Inc., and CFA Retail, LLC. Effective 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").

2. Going concern

Golden Leaf has been incurring operating losses and cash flow deficits since its inception, as it attempts to create an infrastructure to capitalize on the opportunity for value creation that is emerging from the gradual relaxing of prohibitions on the cannabis industry in the United States. As at September 30, 2020, the Company had an accumulated deficit of $150,356,891 (December 31, 2019 - $143,383,806). The Company's revenues have not yet risen to levels materially capable of covering the costs related to the infrastructure investment (both capital and operating). As such, the Company has been depleting its capital as it simultaneously navigates regulatory evolution and uncertainty, awaits the imminent changes in other United States jurisdictions that will fuel market expansion, and continues to make necessary investments.

As at September 30, 2020, the Company's cash balances were $1,300,954. Although the Company has been successful in raising funds to date, there can be no assurance that adequate or sufficient funding will be available in the future or available under acceptable terms. As well, there can be no assurance that the Company will be able to generate sufficient cash flows from operations.

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

The recent outbreak of the coronavirus, also known as "COVID-19", has spread across the globe and is impacting worldwide economic activity. Conditions surrounding the coronavirus continue to rapidly evolve and government authorities have implemented emergency measures to mitigate the spread of the virus. As at the financial statement approval date, the outbreak and the related mitigation measures have had the following impacts on the Company's operations, among others: required compliance with enhanced federal employee benefits regulations, intermittent supply chain disruptions and cash management challenges. The extent to which these events may impact the Company's business activities will depend on future developments, such as the ultimate geographic spread of the disease, the duration of the outbreak, travel restrictions, business disruptions, and the effectiveness of actions taken in the U.S. and other countries to contain and treat the disease. These events are highly uncertain and as such, the Company cannot determine the ultimate financial impacts at this time.

3. Statement of compliance

These interim condensed consolidated financial statements have been prepared in accordance with IAS 34 *Interim Financial Reporting*, and should be read in conjunction with the Company's last annual consolidated financial statements as at and for the year ended December 31, 2019 ("last annual financial statements), which were prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and interpretations of the IFRS Interpretations Committee ("IFRIC"). The interim condensed consolidated financial statements do not include all of the information required for a complete set of IFRS financial statements. However, selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the Company's financial position and performance since the last annual financial statements.

These interim financial statements were approved by the Company's Board of Directors on November 18, 2020.

4. Basis of presentation

Except where specified, the interim condensed consolidated financial statements have been prepared in U.S. dollars, which is the Company's presentation and functional currency, on a historical cost basis except for certain financial assets and financial liabilities measured at fair value. The accounting policies applied in these interim condensed consolidated financial statements are the same as those applied in the last annual financial statements as at and for the year ended December 31, 2019. Certain prior period amounts have been reclassified for consistency with current period presentation (Note 6).

5. Accounts receivable / Other receivables

	September 30, 2020	December 31, 2019
Accounts Receivable	$ 459,139	$ 545,272
Allowance for doubtful accounts	(240,135)	(378,094)
	$ 219,004	$ 167,178

Continuity of allowance for doubtful accounts

	September 30, 2020	December 31, 2019
Beginning balance	$ 378,094	$ 94,215
Increase in provision for doubtful accounts	240,135	367,044
Provision used for write-off of receivables	(378,094)	(83,165)
	$ 240,135	$ 378,094

Other receivables of $1,385,246 (December 31, 2019 - $447,901) primarily includes funds advanced via short-term secured promissory notes to TozMoz, LLC ("TozMoz"), which the Company is in the final stages of acquiring. These notes are secured primarily by the production equipment owned by TozMoz and will offset the cash component of consideration payable upon the close of the transaction.

In addition, other receivables include amounts owed to the Company as a result of contract manufacturer arrangements in California and Washington. These receivables represent sales proceeds collected or collectable by the contract manufacturers related to sales of Golden Leaf products to the Company's designated distributor, less amounts owed to the contract manufacturers for costs incurred in the production process. The Company currently has no reserve against these net receivable balances as the amounts represent sales made in the last two quarters and no collection issues have been experienced to date.

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

The Company's previously announced acquisition of Tozmoz is pending approval from the OLCC, which is contingent upon approval of County occupancy status. Once occupancy status is received the OLCC can proceed with the license transfer. In the interim, the Company continues to work with Tozmoz through a consulting arrangement which allows for recognition of the revenues and expenses of Tozmoz LCC.

6. Discontinued operations

Effective December 2019, the Company completed the sale of its two Canadian subsidiaries, MMG and MMC.

The Canadian Operations were sold for aggregate consideration of C$3,000,000. The consideration was comprised of C$1,800,000 in cash, C$200,000 in an unsecured loan, and C$1,000,000 in a secured vendor take-back loan.

The unsecured loan is interest free for 24 months following the close. The payment schedule is at the discretion of the purchaser with a maturity date of December 2021.

The C$1M vendor take back loan is secured by the MMG property and bears interest at a rate of 5% per annum, repayable as to interest only, monthly over 24 months. The principal amount of the secured loan shall be paid by the end of the loan term, which is December 2021.

The MMG and MMC segments meet the criteria of a discontinued operation under IFRS 5 – *Non-current Assets Held for Sale and Discontinued Operations.* These operating segments were not previously classified as held-for-sale or as a discontinued operation. The comparative Consolidated Statements of Operations and Comprehensive Loss has been restated to show the discontinued operation separately from continuing operations.

Results of discontinued operations:

	For the nine months ended September 30, 2019	
Net sales	$	854,586
Cost of goods sold		109,177
Selling and administrative expenses		706,940
Depreciation and amortization		209,211
Other expense		139,527
Net loss from discontinued operations	$	(310,269)

Cash used in discontinued operations:

	For the nine months ended September 30, 2019	
Net cash used in operating activities	$	90,810
Net cash used in investing activities		(26,581)
Increase in cash during the period		64,229
Cash, beginning of period		412,303
Cash, end of period	$	476,532

MMG and MMC were deconsolidated as at December 31, 2019, as the sale was finalized prior to the 2019 fiscal year-end.

7. Biological assets and inventory

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

For biological assets that are still growing, the fair value ascribed to them is a percentage of the fair value at point of harvest, based on where the plants are in their grow cycle.

In determining the fair value of biological assets, management is required to make several estimates with respect to significant unobservable inputs, including the expected yields for the cannabis plants, listed selling price of dry cannabis, the stage of plant growth at which point of harvest is determined, wastage and costs to sell. Estimated yield per plant varies by strain and is obtained through historical growing results or grower estimate if historical results are not available. The Company used 113.4 grams per plant in the valuation of biological assets at September 30, 2020. (December 31, 2019 – 54.48 grams) The listed selling price of dry cannabis varies by strain and is obtained through listed selling prices or estimated selling prices if historical results are not available. The Company used a price of $2.26 per gram in valuation of biological assets at September 30, 2020. (December 31, 2019 – $1.46 per gram). Fair value at the point of harvest is estimated based on the selling price less any costs to sell at harvest.

For the three and nine months ended September 30, 2020 and 2019, costs to sell were $nil as the biological assets were not sold to wholesale customers.

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

- Selling price per gram – calculated as the weighted average selling price for all strains of cannabis sold by the Company, which is expected to approximate future selling prices. As at September 30, 2020 and December 31, 2019, these prices represented the ultimate selling prices to wholesale buyers.
- Stage of growth – represents the weighted average number of weeks out of the 15-week growing cycle that biological assets have reached as of the measurement date.
- Yield by plant – represents the expected number of grams of finished cannabis inventory which are expected to be obtained from each harvested cannabis plant.
- Wastage – represents the weighted average percentage of biological assets which are expected to be destroyed due to failure to mature into cannabis plants that can be harvested.

During the three months ended September 30, 2020 and 2019, the Company recognized a loss of $98,853 and $nil, respectively, on the change in fair market value of biological assets reflecting the change in value relating to the growth and harvest of the flower from cannabis plants. During the nine months ended September 30, 2020 and 2019, the Company recognized a loss of $295,009 and $nil, respectively, on the change in fair market value of biological assets.

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

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

7. Biological assets and inventory (continued)

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

During the three months ended September 30, 2020 and 2019, $236,981 and $100,763 of depreciation was allocated to inventory. During the nine months ended September 30, 2020 and 2019, $772,631 and $316,011 of depreciation was allocated to inventory. Any costs incurred to bring inventory to the condition and location of sale are included in cost. Inventory expensed to cost of sales for the three months ended September 30, 2020 and 2019 was $4,033,002 and $2,897,220, respectively. Inventory expensed to cost of sales for the nine months ended September 30, 2020 and 2019 was $11,038,401 and $7,878,386, respectively.

The Company's inventory at September 30, 2020 and December 31, 2019 consisted of:

	Biological assets	Inventory
Raw materials	$ -	$ 422,532
Work-in-process	88,078	851,871
Finished goods	-	1,690,901
Balance, December 31, 2019	$ 88,078	$ 2,965,304
Raw materials	-	572,610
Work-in-process	217,385	953,240
Finished goods	-	1,313,039
Balance, September 30, 2020	$ 217,385	$ 2,838,888

At September 30, 2020 and December 31, 2019, the Company also recorded a general reserve for excess and obsolete inventory in the amount of $329,236 and $276,504, respectively.

The Company's biological assets as at September 30, 2020 and December 31, 2019 are comprised of:

Biological Assets	
Balance, January 1, 2019	$ 74,148
Gain on fair value of biological assets	20,715
Increase in biological assets due to capitalized costs	67,363
Transfer to finished goods	(74,148)
Balance, December 31, 2019	$ 88,078
Balance, January 1, 2020	$ 88,078
Loss on fair value of biological assets	(295,009)
Increase in biological assets due to capitalized costs	1,024,954
Transfer to finished goods	(600,638)
Balance, September 30, 2020	$ 217,385

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

8. Property, plant and equipment

The following table reflects the continuity of property, plant and equipment from January 1, 2020 to September 30, 2020:

		Production equipment		Leasehold improvements		Computer Equipment and Software		Furniture and Fixtures		Vehicles		Total
Cost												
Balance, January 1, 2020	$	2,594,761	$	4,562,815	$	311,579	$	991,435	$	141,862	$	8,602,452
Additions		24,089		58,227		25,474		10,062		75,517		193,369
Dispositions		(83,967)		(470,782)		-		(3,778)		-		(558,527)
Balance, September 30, 2020	$	2,513,060	$	4,172,082	$	337,053	$	997,719	$	217,380	$	8,237,294
Accumulated Amortization												
Balance, January 1, 2020	$	(1,503,306)	$	(2,263,650)	$	(212,181)	$	(770,746)	$	(129,080)	$	(4,878,963)
Expense		(348,606)		(466,736)		(45,327)		(110,873)		(13,145)		(984,687)
Dispositions		48,300		174,255		-		1,574		-		224,129
Balance, September 30, 2020	$	(1,803,612)	$	(2,556,131)	$	(257,508)	$	(880,045)	$	(142,225)	$	(5,639,521)
Carrying amount												
At December 31, 2019	$	1,091,455	$	2,299,165	$	99,398	$	220,689	$	12,782	$	3,723,489
At September 30, 2020	$	709,448	$	1,615,951	$	79,545	$	117,674	$	75,155	$	2,597,773

Total depreciation expense, including right-of-use assets for the nine months ended September 30, 2020 and 2019 was $1,548,120 and $1,586,026, respectively.

9. Right-of-use assets

The Company and its subsidiaries have entered into lease agreements for the Company's dispensaries, corporate offices, wholesale warehouses, grow facilities, and vehicles.

The following table reflects the continuity of right-of-use assets from January 1, 2020 to September 30, 2020:

		September 30, 2020		December 31, 2019
Right-of-use asset, beginning balance	$	4,333,064	$	4,278,904
Additions		613,696		738,289
Disposals		(132,843)		-
Lease modifications		(157,449)		-
Amortization		(563,433)		(684,129)
Right-of-use asset, ending balance	$	4,093,035	$	4,333,064

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

10. Intangible assets

The following table reflects the continuity of intangible assets from January 1, 2020 to September 30, 2020:

	Licenses	Brands	Total
Cost			
Balance, January 1, 2020	$ 1,955,677	$ 8,781,746	$ 10,737,423
Balance, September 30, 2020	$ 1,955,677	$ 8,781,746	$ 10,737,423

Goodwill was $4,056,172 as at September 30, 2020 and December 31, 2019. For the year ended December 31, 2019 the Company recognized goodwill impairment losses of $10,800,000 for the Oregon Retail segment related to the Chalice Farms acquisition, $5,541,547 of goodwill and $860,000 of intangibles for the Oregon Wholesale segment related to the Chalice Farms acquisition, and $1,323,900 and $210,371 of goodwill and intangibles, respectively for the Nevada Wholesale segment.

11. Convertible debt and notes payable

	September 30, 2020	December 31, 2019
Notes payable	$ 186,910	$ -
Convertible debentures carried at fair value	5,218,464	4,706,141
Carrying amount of convertible notes at end of period	$ 5,405,374	$ 4,706,141

The Company has issued convertible debentures with a fair value of $5,218,464 as at September 30, 2020 and December 31, 2019. These are classified as long-term debt with a maturity date of November 2021. Interest expense was $452,888 and $1,056,205 for the nine months ended September 30, 2020 and 2019, respectively. Interest for the nine months ended September 30, 2019 included interest on the third tranche of convertible debentures that were converted in August 2019.

The Company has elected to account for the convertible debentures at fair value through profit and loss on initial recognition and as of the date of extinguishment for those convertible debentures noted. A loss of $565,328 and $470,365 was recorded through change in fair value of liabilities on the statement of operations for the nine months ended September 30, 2020 and 2019, respectively. For the nine months ended September 30, 2020, 333,333 debentures were converted for a total value of $53,005.

In connection with its pending acquisition of the assets of Tozmoz, LLC, the Company assumed a short-term secured promissory note, and has concurrently executed a note receivable from Tozmoz, LLC in the same amount, which will be deducted from cash consideration due on the final acquisition closing. The note payable balance was $186,910 as at September 30, 2020 and bears interest at 15% per annum.

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

12. Long-term debt and consideration payable

	September 30, 2020		December 31, 2019	
Long term debt	$	165,763	$	112,356
Consideration payable		9,268,660		9,159,533
Lease liability		4,984,793		4,934,044
Less: current portion		(961,708)		(925,642)
Carrying amount of long-term debt	$	13,457,508	$	13,280,291

Long-term debt consists of consideration payable, leases and vehicle loans.

Consideration payable was at $9,268,660 and $9,159,533 as at September 30, 2020 and December 31, 2019, respectively. The Company recognized $252,809 and $338,357 in interest and accretion expense for the nine months ended September 30, 2020 and 2019, respectively.

Consideration payable represents earn-out payments to three former owners of Chalice Farms, as part of the consideration in the July 2017 acquisition. In August 2019, the Company reached an agreement to extend the due date for the $9,527,350, principal amount, consideration payable due to former Chalice Farms owners. This agreement was conditional on early settlement of the convertible debentures.

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 Golden Leaf 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 restructuration 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 restructuration 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 ending December 31, 2019.

Lease liabilities were $4,984,793 and $4,934,044 as at September 30, 2020 and December 31, 2019. These balances include $852,769 and $843,238 of short-term lease liabilities as at September 30, 2020 and December 31, 2019, respectively.

Other long-term liabilities include vehicle loans of $165,763 and $112,356 as at September 30, 2020 and December 31, 2019, respectively. Included in these balances were short-term liabilities of $108,939 and $82,204 as at September 30, 2020 and December 31, 2019, respectively.

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

13. Share capital

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

The following table reflects the continuity of share capital from January 1, 2020 to September 30, 2020:

	Number of Shares	Amount
Balance, January 1, 2020	854,384,638	$ 147,763,499
Shares issued	28,645,648	459,349
Balance, September 30, 2020	883,030,286	$ 148,222,848

The Company issued 7,157,052 shares in the first quarter of fiscal 2020 related to payment of interest on its consideration payable (Note 12). The Company issued 333,333 shares in the second quarter of fiscal 2020 related to the conversion of debentures (Note 11). The Company issued 21,155,263 shares in the third quarter of fiscal 2020 related to payment of interest on its debentures accrued through June 30, 2020.

14. Warrant reserve

	Number of warrants issued	Amount
Balance, January 1, 2020	4,611,667	$ 1,980,217
Warrants issued	250,000	1,079
Warrants expired	(2,338,800)	(426,367)
Balance, September 30, 2020	2,522,867	$ 1,554,929

The warrants were valued based on the fair value of services received unless the fair value of services received cannot be reliably measured, in which case the warrants are valued at fair value based on the Black-Scholes option pricing model at the date of measurement. The Company issued 250,000 warrants to purchase common shares exercisable at USD $0.04 per unit in conjunction with the note payable assumed (Note 11). The warrants outstanding have expiry dates ranging between November 2020 and June 2022 and a weighted average exercise price of $0.71 at September 30, 2020.

15. Stock option plan

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

In accordance with terms of the employee share option plan, the exercise price of the granted options shall be determined at the time the option is granted provided that such price shall not be less than the market price of the Ordinary Shares. The maximum aggregate number of shares to be issued under the plan is not to exceed 10% of the total issued and outstanding shares at the time of the grant. Most options vest evenly over 3 years and have an expiry period of no more than 10 years from the grant date. The remaining life of options outstanding ranges from 2.1 years to 9.9 years.

Total number of options at January 1, 2020		66,226,413
Options granted		20,650,000
Options expired		(8,048,630)
Total number of options at September 30, 2020		78,827,783
Number of exercisable options issued in Canadian dollars		37,311,411
Number of exercisable options issued in U.S. dollars		10,000
Weighted average exercise price of options at September 30, 2020 in U.S. dollars	$	0.11

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

	For the period ended September 30, 2020
Expected life	3 years
Risk-free interest rate	1.97%
Dividend yield	0.00%
Expected volatility	66.1%
Expected forfeiture rate	0.00%

During the three months ended September 30, 2020 and 2019, $41,517 and $155,936, respectively, was included in share-based compensation expense in the statement of operations. During the nine months ended September 30, 2020 and 2019, $264,793 and $485,646 was included in share-based compensation expense in the statement of operations. The Company issued 20,650,000 stock options during the quarter ending September 30, 2020.

In September 2019, as part of their new roles, two executives each subscribed to 26,861,622 restricted common shares at C$0.06 per share, on a non-brokered basis, for a total of 53,723,244 common shares. The issuance of these shares will be assisted through an interest-bearing, five-year loan to the executives, which includes a limited recourse pledge of such shares to secure the loans. Of the total shares, half were immediately vested and the other half vest based on meeting certain Company performance targets. As of September 30, 2020, these shares have not been issued. These shares may be issued in the future upon receipt of the loan payments. The arrangement was accounted for as stock-based compensation in accordance with IFRS 2 - *Share-based Payments*, but are not included as stock options issued and outstanding in the tables above, nor have the shares been issued from treasury.

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

16. Related party transactions

Key management of the Company are its Board of Directors and certain members of executive management. Key management personnel remuneration for the three and nine months ended September 30, 2020 and 2019 includes the following expenses:

	For the three months ended September 30,		For the nine months ended September 30,	
	2020	2019	2020	2019
Salaries, commissions, bonuses and benefits	$ 50,039	$ 461,680	$ 374,411	$ 1,120,917
Consulting fees	98,116	-	452,950	-
Termination benefits	-	-	30,779	124,537
Stock compensation, including warrants and shares	45,941	268,772	265,930	531,565
	$ 194,096	$ 730,452	$ 1,124,071	$ 1,777,019

On September 7, 2020, the Company announced it had appointed Andrew Marchington as Chief Financial Officer, replacing Stanley Grissinger.

Subsequent to the balance sheet date, Stanley Grissinger resigned as President effective November 2, 2020.

17. Capital management

The Company defines capital that it manages as its shareholders' equity, long-term debt and warrant liability. The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to pursue the development of its business and to maintain a flexible capital structure that optimizes the costs of capital at an acceptable risk.

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

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

18. Legal matters

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. Mr. Saladino filed an Answer to the Company's Complaint on May 29, 2020. Mr. Saladino admits or denies each allegation in the Complaint individually. He asserts several affirmative defenses. The Answer does not include any counterclaims against the Company.

The Company filed an Amended Complaint against Mr. Saladino on June 18, 2020 adding claims for approximately $9.3 million, including fraud and deceptive trade practices. On July 27, 2020, Saladino filed a Motion to Dismiss the Company's fraud and deceptive trade practices claims. The Company filed a response to Saladino's Motion to dismiss on August 21, 2020, asking the Court to deny the Motion. The parties are presently waiting to hear if the Magistrate wants oral argument on the Motion, or will issue an order without oral argument.

The parties met for a settlement conference on October 27, 2020. As a result of the settlement meeting, the parties wanted more time to exchange discovery documentation and attempt to settle the case. Pursuant to a stipulated request by the parties, on November 9, 2020, an order staying the case for 45 days was entered by the Magistrate. The outcome of this matter is not currently determinable.

Internal Revenue Service

The previously reported matter with respect to the reporting of royalty payments is being addressed and the Company will file amended Canadian and U.S. tax returns to correct the mistake.

The previously reported matter where the IRS was seeking penalties in excess of $4.6 million has been finalized and a payment of less than $500 was made to the IRS.

Millar Matter

The matter with Mr. Millar was settled in October 2020 with the payment of C$100,00 and the issuance of C$15,000 in common shares at a deemed price of C$.06. The amount was accrued as of September 30, 2020 in the condensed consolidated financial statements.

From time to time the Company may be subject to legal claims in the normal course of business. Where appropriate the Company has made provisions for any potential liabilities related to claims against it. As at September 30, 2020, other than disclosed in the interim condensed consolidated financial statements, the Company is not aware of any other significant legal matters or claims.

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

19. Financial instruments and risk management

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

(a) Fair value

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

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

Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2 – Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly;

Level 3 – Inputs for the asset or liability that are not based on observable market data.

December 31, 2019	Category	Level 1 $	Level 2 $	Level 3 $	Total $
Financial Assets					
Biological assets	FVTPL	-	-	88,078	88,078
Financial Liabilities					
Convertible debentures	FVTPL	-	-	4,706,141	4,706,141

September 30, 2020	Category	Level 1 $	Level 2 $	Level 3 $	Total $
Financial Assets					
Biological assets	FVTPL	-	-	217,385	217,385
Financial Liabilities					
Convertible debentures	FVTPL	-	-	5,218,464	5,218,464

The Company’s finance team performs valuations of financial items for financial reporting, including Level 3 fair values, in consultation with third-party valuation specialists for complex valuations.

Valuation techniques are selected based on the characteristics of each instrument, with the overall objective of maximizing the use of market-based information.

Biological assets are carried at fair value based on assumptions disclosed in Note 7.

The convertible debentures were valued using a binominal option pricing model to estimate the value of the combined convertible instrument. This resulted in a fair value of 86.6% and 75.0% of par value as at September 30, 2020 and December 31, 2019, respectively. The most significant assumption used in the discounted cash flow is the interest rate of 26.3% which takes into account the coupon rate in the bond plus a default credit risk spread.

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

19. Financial instruments and risk management (continued)

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

(b) Credit risk

The carrying amounts of cash and accounts receivable on the consolidated statement of financial position represent the Company's maximum credit exposure as at September 30, 2020 and December 31, 2019.

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

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

The Company does not have significant exposure to any individual customer and has estimated bad debts of $240,135 and $378,094 as at September 30, 2020 and December 31, 2019, respectively.

(c) Interest rate risk

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

(d) Liquidity risk

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

	Carrying amount	Contractual cash flows	Under 1 year	1-3 years	3-5 years	More than 5 years
As at September 30, 2020						
Trade and other payables	$ 5,585,808	$ 5,585,808	$ 5,585,808	$ -	$ -	$ -
Lease liabilities	4,984,793	6,757,325	1,129,782	2,228,447	2,062,883	1,336,212
Other loans and borrowings	352,673	352,673	352,673	-	-	-
Convertible debt	5,218,464	8,958,941	-	8,958,941	-	-
Consideration payable	4,429,880	4,905,770	-	4,905,770	-	-
Total	$ 20,571,618	$ 26,560,517	$ 7,068,263	$ 16,093,158	$ 2,062,883	$ 1,336,212

19. Financial instruments and risk management (continued)

(e) Foreign exchange risk

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

The following is an analysis of U.S. dollar equivalent of financial assets and liabilities that are denominated in Canadian dollars at September 30, 2020:

		September 30, 2020
Cash	$	460,824
Notes receivable		919,488
Total assets	$	1,380,312
Trade and other payables	$	423,321
Convertible debt		5,218,464
Total liabilities	$	5,641,785

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

20. Segment Information

The Company defines its major operating segments as Oregon, Nevada wholesale, and Other operations, which includes Corporate and contract manufacturing arrangements in California and Washington. Due to the jurisdictional cannabis compliance issues ever-present in the industry, each operation is by nature an operational segment. The Oregon segment is comprised of wholesale and retail operations which share supply chain components and cannot be discretely separated. The Nevada wholesale operations are geographically and jurisdictionally distinct and are reviewed based on gross margin performance.

	Oregon		Nevada Wholesale		Other		Consolidated	
For the nine months ended September 30	**2020**	**2019**	**2020**	**2019**	**2020**	**2019**	**2020**	**2019**
Product sales	$ 14,173,425	$ 11,007,315	$ 515,478	$ 995,180	$ 629,304	$ -	$ 15,318,207	$ 12,002,495
Royalties and other revenue	842,523	26,085	-	-	222,363	194,188	1,064,886	220,273
Total Revenue	15,015,948	11,033,400	515,478	995,180	851,667	194,188	16,383,093	12,222,768
Inventory expensed to cost of sales	9,498,073	7,079,526	771,740	798,860	768,588	-	11,038,401	7,878,386
Gross margin, excluding fair value items	5,517,875	3,953,874	(256,262)	196,320	83,079	194,188	5,344,692	4,344,382
Fair value changes in biological assets included in inventory sold	(48,483)	-	-	-	-	-	(48,483)	-
Loss on changes in fair value of biological assets	295,009	-	-	-	-	-	295,009	-
Gross profit (loss)	$ 5,271,349	$ 3,953,874	$ (256,262)	$ 196,320	$ 83,079	$ 194,188	$ 5,098,166	$ 4,344,382

	Oregon		Nevada Wholesale		Other		Consolidated	
For the three months ended September 30	**2020**	**2019**	**2020**	**2019**	**2020**	**2019**	**2020**	**2019**
Product sales	$ 5,255,237	$ 4,056,970	$ 131,429	$ 285,030	$ 379,304	$ -	$ 5,765,970	$ 4,342,000
Royalties and other revenue	298,086	9,917	-	-	132,000	-	430,086	9,917
Total Revenue	5,553,323	4,066,887	131,429	285,030	511,304	-	6,196,056	4,351,917
Inventory expensed to cost of sales	3,492,488	2,677,490	242,756	219,730	297,758	-	4,033,002	2,897,220
Gross margin, excluding fair value items	2,060,835	1,389,397	- 111,327	65,300	213,546	-	2,163,054	1,454,697
Fair value changes in biological assets included in inventory sold	(14,125)	-	-	-	-	-	(14,125)	-
Loss on changes in fair value of biological assets	98,853	-	-	-	-	-	98,853	-
Gross profit (loss)	$ 1,976,107	$ 1,389,397	$ (111,327)	$ 65,300	$ 213,546	$ -	$ 2,078,326	$ 1,454,697

	Oregon	Nevada Wholesale	Other	Consolidated
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
As at September 30, 2020				
Assets	$ 10,678,689	$ 480,017	$ 17,710,811	$ 28,869,517
Liabilities	$ 6,507,597	$ 67,253	$ 19,084,400	$ 25,659,250

21. Subsequent Events

On November 18, 2020 the Company announced it has reached an agreement in principle with the former owners of Chalice LLC (“Chalice”) to modify the Chalice Earn-out which results in a reduction of its existing cash obligation of $5,000,000 maturing on May 2, 2022 by 50% as well as structuring the remaining cash obligation of $2,500,000 as an installment plan carrying 6% interest to be paid over 60 months in equal monthly installments of $48,332. The $2,500,000 reduction to the cash obligation is to be immediately converted to 41,666,667 shares. The existing equity component remains unchanged.