



## Golden Leaf Reports Second Quarter 2017 Results

TORONTO, ONTARIO – August 29, 2017-- Golden Leaf Holdings Ltd. ("GLH" or the "Company") (CSE:GLH) (OTCQB:GLDFF), a leading cannabis oil solutions company built around recognized brands, today announced its unaudited financial results for the second quarter ended June 30, 2017 ("Q2 2017") and a general business update.

### Recent Business Highlights

- Mr. William Simpson, founder and CEO of Chalice Farms, named Chief Executive Officer of Golden Leaf Holdings in July 2017
- Acquisition of Chalice Farms closed in July 2017, expanding Golden Leaf's presence in the retail market for adult-use and medical cannabis in Portland, Oregon
- Acquisition of a cultivation license and an extraction license in Nevada from NevWa, LLC (doing business as Grassroots), through a wholly-owned subsidiary of the Company, closed in June 2017
- Entered into definitive agreement in connection with the acquisition of Medical Marihuana Group Corporation ("MMGC") and Medical Marihuana Group Consulting Ltd. in June 2017, paving the way for Golden Leaf to provide cannabis products to the Canadian market with expected adult-use legalization in 2018
- Gary Yeoman named Chairman of the Board of Directors in June 2017

**Mr. Gary Yeoman, Chairman of the Board of Directors, commented,** "Since joining Golden Leaf's Board as Chairman in June of this year, the Company has undergone a major transformation upon the closing and advancement of multiple strategic acquisitions, and is now at an important stage in its development. Through the recent acquisition of Chalice Farms, the Company has hastened its penetration into the retail cannabis market and also welcomed Chalice's founder and CEO, William Simpson, as the CEO of Golden Leaf Holdings in July this year. Today, Golden Leaf is in the early-stages of implementing a comprehensive new growth strategy to establish a solid operational and financial platform from which to drive sales of its industry-leading cannabis brands for medical and adult-use. Driven by principles of transparency and accountability, we look forward to building an efficient, sustainable business and to maximizing value for shareholders."

**Mr. William Simpson, Chief Executive Officer of Golden Leaf Holdings, commented,** "I am excited to lead Golden Leaf in this new direction at a time when the cannabis industry is seeing strong momentum, particularly in our key target states of Oregon and Nevada. To kick start our strategic plan, we undertook a comprehensive review of the business to identify opportunities to streamline costs. Already, we have made reductions to the work force and have made progress toward consolidating all corporate and commercial operations to Portland, Oregon. These steps are expected to improve our cost structure, while maintaining capacity to support our core expansion strategy.

"It is a key corporate objective for Golden Leaf to establish a greater retail presence, driven by the acquisition of Chalice Farms. We expect this will deliver higher operating margins for the Company, as well as form a proven, retail-focused operating blueprint to successfully broaden Golden Leaf's market share and to capitalize on the substantial growth opportunity that lies before us.

"In addition to broadening our retail footprint, our immediate priority is to build inventory to re-establish our proprietary brands on store shelves in both Nevada and Oregon, and to move past recent supply disruptions experienced in 2016, which have carried over into 2017, and impacted our top-line results during the second quarter. Looking ahead, we will continue to implement initiatives to reverse the decline in sales and remedy the unsustainable cost structure which have impacted the Company's recent financial results. We are also committed to strengthening the Company's balance sheet, and are working with an industry-leading bank to support these efforts," concluded Mr. Simpson.



## Business Overview

- Following a comprehensive review of business operations, new management implemented several initiatives to streamline the Company's cost structure and improve efficiencies, while preserving the Company's capacity to drive its key expansion initiatives forward.
- **Oregon:** The Company is consolidating its headquarters to the Chalice Farms compound in the Portland, Oregon area, including the construction of a processing facility which is expected to be completed by the end of the year. This is expected to provide numerous synergies and efficiencies, including savings on building leases and support and maintenance costs. As a result of the acquisition of Chalice Farms in July, 2017, the Company now has five retail dispensaries in operation, with an additional three under construction, two of which Golden Leaf expects to have opened by the first quarter of 2018.
- **Nevada:** Golden Leaf has secured state cultivation and production/extraction licenses in Nevada and is in the process of applying for the requisite City licenses. The Company expects to commence sales of its high quality, proprietary cannabis brands to dispensaries in Nevada before the end of 2017.
- **Canada:** The Company is in the early stages of expanding sales of its branded oils, edibles and flowers into the Canadian marketplace, through its definitive agreement to acquire MMGC, which had filed an application with Health Canada for a cultivation license. Upon the receipt of this license, Golden Leaf expects to close the acquisition by the end of the third quarter, begin grow facility operations shortly thereafter, and prepare to launch retail operations in Canada in the second quarter of 2018.

## Second Quarter Ended June 30, 2017 Financial Results

For the quarter ended June 30, 2017, net revenue was \$2.1 million as compared to \$2.5 million for the same three-month period in 2016. The 2016 period included \$160,000 in non-recurring royalty revenue. The 9% year-over-year decline in product sales was largely attributable to supply constraints of key products across the Company's portfolio.

Gross profit totaled \$402,000, or 19.2% of net revenue for the second quarter of 2017, compared with 8.8% of net revenue in the same period of 2016, and 10.6% of net revenue in the first quarter of 2017. Year-over year, gross margin benefitted from better utilization of production staff and consistent margins across product categories. Improvement in gross margin on a sequential basis was attributable to the sell-through of product that was produced by third-party processors in Q1 and expensed during that period.

Operating expenses for the second quarter of 2017 were \$3.0 million compared with \$2.5 million in the same period of 2016. The increase was largely attributable to higher legal expenses related to the Company's M&A activities during the second quarter, as well as a write down of improvements abandoned at the Eugene facility. The Company has identified opportunities to streamline the business, which resulted in a reduction in the workforce subsequent to the quarter end, which is expected to have a positive impact on reported payroll expense in the third quarter of 2017.

Adjusted EBITDA loss was \$2.3 million for the second quarter of 2017, essentially flat compared with an adjusted EBITDA loss of \$2.2 million in the same period in 2016. Higher M&A related legal costs during the second quarter of 2017 offset higher margins that resulted from sell through of inventory produced in prior periods, and an enhanced product mix.

On a sequential basis, adjusted EBITDA loss increased by \$400,000 in the second quarter of 2017, due primarily to higher legal costs incurred during the second quarter.

Net loss for the second quarter of 2017 was \$1.7 million, or \$0.01 per share, compared with 1.1million, also a \$0.01 per share loss, for the same period in 2016. As a result of the recent acquisitions and



financing transactions, the current number of shares outstanding for the company is 468 million on a fully diluted basis.

As of June 30, 2017, the Company had approximately \$96,000 in cash, compared with \$3.9 million at December 31, 2016. Subsequent to the end of the second quarter, the Company received \$3.4 million of excess proceeds of the recent subscription costs of previously committed acquisitions. The Company used these proceeds towards the payment of outstanding accounts payable, inventory purchasing and regular corporate burn.

In August 2017, Golden Leaf entered into a private placement transaction with Canaccord Genuity, from which it expects to raise up to C\$10 million, as well as C\$2 million in bridge loan financing.

### **Investor Conference Call**

Golden Leaf's management, led by Mr. William Simpson, Chief Executive Officer, will hold a conference call at 4:30 PM ET today, Tuesday, August 29, 2017, to review its financial results for the quarter ended June 30, 2017.

The dial-in information for the conference call is as follows:

Program Title: Golden Leaf Holdings Second Quarter 2017 Earnings Call  
Canada & U.S.: +1 (877) 423-9813  
International: +1 (201) 689-8573  
Participants must request the Golden Leaf Call.

Mr. William Simpson will be answering shareholder questions at the end of the call. Should you have questions during or prior to the conference call please send an email to [GLH@kcsa.com](mailto:GLH@kcsa.com) with Golden Leaf Question in the subject line. Mr. Simpson will answer as many questions as time will allow.

A live audio webcast will be available online on Golden Leaf's website at [www.goldenleafholdings.com](http://www.goldenleafholdings.com), where it will be archived for one year.

An audio replay of the conference call will be available through midnight September 12, 2017 by dialing +1 (844) 512-2921 from the U.S. or Canada, or +1 (412)-317-6671 from international locations, Conference ID: 13669265.

To be added to the Golden Leaf email distribution list, please email [GLH@kcsa.com](mailto:GLH@kcsa.com) with "Golden Leaf" in the subject line.

### **About Golden Leaf Holdings:**

Golden Leaf Holdings Ltd., based in Portland, Oregon, is one of the largest cannabis oil and solution providers in North America, and a leading cannabis products company built around recognized brands. Golden Leaf leverages a strong management team with cannabis and food industry experience to complement its expertise in extracting, refining and selling cannabis oil.

For further information, please contact:

### **Investor Relations:**

Phil Carlson / Steve Silver  
KCSA Strategic Communications  
212-896-1233 / 212-896-1220  
[GLH@kcsa.com](mailto:GLH@kcsa.com)



William Simpson  
Chief Executive Officer  
Golden Leaf Holdings  
503-477-7626  
[William@chalicefarms.com](mailto:William@chalicefarms.com)

### **Non-GAAP Disclosure**

Adjusted EBITDA is defined as earnings before interest, taxes, depreciation, amortization, less all non-cash equity compensation expenses, including impairments, one-time transaction fees and all other non-cash items. Adjusted EBITDA is a non-GAAP financial measure which does not have any standardized meaning prescribed by the Company's GAAP and is therefore unlikely to be comparable to similar measures presented by other issuers. It should not be considered in isolation as a substitute for measures of performance prepared in accordance with the Company's GAAP. Please refer to the Company's management's discussion and analysis for the year ended December 31, 2016 for further information on the Company's use of Adjusted EBITDA and a reconciliation of Adjusted EBITDA to net earnings.

### **Cautionary Note Regarding Forward-Looking Information**

This press release contains "forward-looking information" within the meaning of applicable securities legislation. Forward-looking information includes, but is not limited to, statements with respect to the Company's future business operation, expectations of gross sales, the opinions or beliefs of management and future business goals, statements regarding the timing and completion of the proposed Acquisitions and the Offering, the use of the net proceeds of the Offering, the satisfaction of the Escrow Release Condition and management's expectations with respect to the Offering and the Acquisitions. Generally, forward looking information can be identified by the use of forward-looking terminology such as "plans", "expects" or "does not expect", "is expected", "budget", "scheduled", "estimates", "forecasts", "intends", "anticipates" or "does not anticipate", or "believes", or variations of such words and phrases or state that certain actions, events or results "may", "could", "would", "might" or "will be taken", "occur" or "be achieved". Forward-looking information is subject to known and unknown risks, uncertainties and other factors that may cause the actual results, level of activity, performance or achievements of the Company to be materially different from those expressed or implied by such forward looking information, including but not limited to general business, economic and competitive uncertainties, regulatory risks including risks related to the expected timing of the Company's participation in the Adult Use market, market risks, risks inherent in manufacturing operations and other risks of the cannabis industry. Although the Company has attempted to identify important factors that could cause actual results to differ materially from those contained in forward-looking information, there may be other factors that cause results not to be as anticipated, estimated or intended. There can be no assurance that such information will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. Accordingly, readers should not place undue reliance on forward looking information. Forward-looking information is provided herein for the purpose of presenting information about management's current expectations relating to the future and readers are cautioned that such information may not be appropriate for other purpose. The Company does not undertake to update any forward-looking information, except in accordance with applicable securities laws. This Release does not constitute an offer of securities for sale in the United States, and such securities may not be offered or sold in the United States absent registration or an exemption from registration or an exemption from registration.



# GOLDEN LEAF HOLDINGS LTD.

Interim Condensed Consolidated Statement of Financial Position (Unaudited)

As at June 30, 2017 and December 31,

2016

(Expressed in U.S. dollars)

	June 30, 2017	December 31, 2016
<b>ASSETS</b>		
<b>CURRENT</b>		
Cash	\$ 96,309	\$ 3,940,463
Accounts receivable	35,581	97,538
Current portion of financing lease receivable	31,562	44,328
Other receivables	-	369,937
Income tax receivable	375,000	575,000
Sales tax recoverable	296,874	192,112
Goodwill	134,015	-
Biological assets	77,667	-
Inventory	1,769,942	942,450
Prepaid expenses and deposits	30,378	402,451
Assets held for sale	2,156,000	2,156,000
<b>Total current assets</b>	<b>\$ 5,003,328</b>	<b>\$ 8,720,279</b>
Financing lease receivable	346,150	388,228
Available for sale purchase option	4,670,000	4,670,000
Property, plant and equipment	2,273,627	1,713,285
Intangible assets	10,743,900	9,350,000
<b>Total assets</b>	<b>\$ 23,037,005</b>	<b>\$ 24,841,792</b>
<b>LIABILITIES</b>		
<b>CURRENT</b>		
Accounts payable and accrued liabilities	\$ 3,010,384	\$ 1,626,443
Interest payable	476,308	188,200
Current portion of long-term debt	1,494,770	1,489,172
Current portion of convertible debentures		
carried at fair value	10,331,436	10,315,555
Related party note payable	1,000,000	1,500,000
Warrant liability	178,035	416,414
<b>Total current liabilities</b>	<b>\$ 16,490,933</b>	<b>\$ 15,535,784</b>
Long term debt	85,197	109,905
Convertible debentures carried at fair value	-	12,132,000
<b>Total liabilities</b>	<b>\$ 16,576,130</b>	<b>\$ 27,777,689</b>
Share capital	\$ 47,428,491	\$ 34,282,314
Warrant reserve	3,441,958	3,501,409
Share option reserve	1,265,758	993,211
Shares to be issued	309,917	267,701
Contributed surplus	59,940	59,940
Accumulated other comprehensive loss	(530,000)	(530,000)
Deficit	(45,515,189)	(41,510,472)
<b>Total shareholders' equity</b>	<b>6,460,875</b>	<b>(2,935,897)</b>
<b>Total liabilities and shareholders' equity</b>	<b>\$ 23,037,005</b>	<b>\$ 24,841,792</b>



# GOLDEN LEAF HOLDINGS LTD.

Interim Condensed Consolidated Statement of Operations and Comprehensive Loss (Unaudited)

For the three and six month periods ended June 30, 2017 and June 30, 2016 (as restated)

(Expressed in U.S. dollars)

	For the three months ended		For the six months ended	
	June 30, 2017	June 30, 2016 (as restated)	June 30, 2017	June 30, 2016 (as restated)
<b>Revenues</b>				
Product sales	\$ 2,089,393	\$ 2,298,303	\$ 4,348,487	\$ 4,614,991
Royalties	-	160,000	-	160,000
<b>Total Revenue</b>	<b>\$ 2,089,393</b>	<b>\$ 2,458,303</b>	<b>\$ 4,348,487</b>	<b>\$ 4,774,991</b>
Inventory expensed to cost of sales	1,530,212	2,247,494	3,368,899	3,798,304
Production costs	157,057	239,521	339,065	531,155
Gain on changes in fair value of biological assets	-	(246,012)	-	(274,220)
<b>Cost of sales expense</b>	<b>\$ 1,687,269</b>	<b>\$ 2,241,003</b>	<b>\$ 3,707,964</b>	<b>\$ 4,055,239</b>
<b>Gross profit</b>	<b>\$ 402,124</b>	<b>\$ 217,300</b>	<b>\$ 640,523</b>	<b>\$ 719,752</b>
<b>Expenses</b>				
General and administration	2,058,257	1,980,128	3,656,530	5,155,956
Share based compensation	215,221	215,662	376,569	415,389
Professional fees paid with equity instruments	113,071	-	167,491	-
Sales and marketing	287,289	307,535	566,212	610,405
Depreciation and amortization	71,128	72,661	133,303	92,613
Loss on disposal of assets	294,200	-	294,200	-
<b>Total expenses</b>	<b>\$ 3,039,166</b>	<b>\$ 2,534,466</b>	<b>\$ 5,194,305</b>	<b>\$ 6,274,363</b>
<b>Loss before undernoted items</b>	<b>\$ (2,637,042)</b>	<b>\$ (2,317,166)</b>	<b>\$ (4,553,782)</b>	<b>\$ (5,322,675)</b>
Interest expense	312,411	698,109	857,432	868,722
Impairment of financing lease receivable	27,422	81,060	54,844	81,060
Other (income) loss	161,903	(3,187)	162,828	(13,676)
Gain on change in fair value of warrant liability	(82,694)	(2,014,719)	(238,379)	(4,829,165)
Gain on change in fair value of liabilities	(1,541,097)	-	(1,585,790)	-
<b>Loss before income taxes</b>	<b>\$ (1,514,987)</b>	<b>\$ (1,078,429)</b>	<b>\$ (3,804,717)</b>	<b>\$ (1,429,616)</b>
Current income tax expense	200,000	6,374	200,000	27,357
<b>Net Loss</b>	<b>\$ (1,714,987)</b>	<b>\$ (1,084,803)</b>	<b>\$ (4,004,717)</b>	<b>\$ (1,456,973)</b>
<b>Comprehensive Loss</b>	<b>\$ (1,714,987)</b>	<b>\$ (1,084,803)</b>	<b>\$ (4,004,717)</b>	<b>\$ (1,456,973)</b>
<b>Basic and diluted loss per share</b>	<b>\$ (0.01)</b>	<b>\$ (0.01)</b>	<b>\$ (0.03)</b>	<b>\$ (0.01)</b>
Weighted average number of common shares outstanding	143,604,908	95,248,704	131,045,274	82,112,479



<b>Adjusted EBITDA</b>		
	For the three months ended June, 2017	
	2017	2016
	\$	\$
Revenue	2,089,393	2,458,303
Cost of sales expense	1,687,269	2,241,003
Gross profit	\$ 402,124	\$ 217,300
Total operational expenses	3,039,166	2,534,466
Less Non-cash expenses of depreciation and amortization	71,128	72,661
Less loss on disposal	294,200	-
Adjusted total operational expenses	\$ 2,673,838	\$ 2,461,805
Adjusted EBITDA operational Loss	\$ 2,271,714	\$ 2,244,505