

Golden Leaf Holdings Ltd. Announces the Execution of Agreement Implementing Strategic Partnership in the State of Washington and Oregon Operations Update

TORONTO, ONTARIO--(Marketwired – January 21, 2016) – Golden Leaf Holdings Ltd. ("GLH" or the "Company") (CSE:GLH) is pleased to announce the execution of an agreement in Washington State implementing a strategic partnership (the "Washington Agreement"). The Company would also like to provide an update for operations in the State of Oregon including progress in its streamlining plan to increase efficiencies.

Washington State: Strategic Partnership

The Company is pleased to announce the execution of the Washington Agreement and implementation of a strategic partnership with BMF Washington LLC, one of Washington's premier cannabis companies (the "Strategic Partner"). The Washington Agreement includes the acquisition of certain assets and the provision of certain goods and services to the Strategic Partner in furtherance of creating a strategic partnership. The Washington Agreement does not include any assets which require a license from the Washington Liquor and Cannabis Board to use or possess. The Strategic Partner will remain a cannabis licensee in Washington. The strategic partner produces, processes and distributes a range of cannabis oils and flower products in Washington. Under the strategic partnership, GLH and the Strategic Partner will undertake an integration of best practices, brands, and growth initiatives to further drive market share and profits in both the Washington and Oregon markets.

As consideration in connection with the Washington Agreement, the Strategic Partner will be paid a total of \$15 million USD payable within 45 days of the transaction closing date together with the issuance of 300,000 warrants exercisable for a two-year period. Of the \$15 million purchase price, \$3 million USD is payable in cash and \$12 million USD payable in GLH stock. GLH anticipates that this strategic relationship will be highly EBITDA accretive to its current operations upon completion of the integration.

Washington State has an established recreational marijuana market where oil and extracts products are already regulated and available for consumer purchase through licensed retailers. In connection with the Washington Agreement, the parties have begun implementing a strategic relationship and have entered into certain agreements whereby GLH will license propriety intellectual property to the Strategic Partner, provide the Strategic Partner with services and non-cannabis materials, lease equipment and other property, and also lease employees to the Strategic Partner.

"Washington, in addition to being double the size of Oregon, has a more settled regulatory environment. Through this strategic relationship, GLH has aligned itself with an established producer/processor with an experienced management team that currently enjoys a significant market share of what continues to be a very immature and fragmented oil and derivatives market," stated GLH CEO, Don Robinson.

Certain U.S. states, including the state of Washington imposes a residency requirement for licensed operators and their individual owners. As such, in the state of Washington the Company will focus on providing services to the industry rather than directly owning production or retail operations. In connection with the strategic partnership, the Company will not be directly involved in the production or retail operations of the Strategic Partner but rather will provide ancillary services to the Strategic Partner.

Washington Market:

According to a new study by BOTEK Analysis Corporation (“BOTEK”), Washington's State’s total marijuana market is around \$1.3 billion. BOTEK determined that the market looks as follows:

- \$480M medical (37 percent of market)
- \$460M state-licensed recreational stores (35 percent of market)
- \$390M illicit (28 percent of the market).

In December 2015 the state decided to get more licensed marijuana retailers up and running, and aim to increase the number of retail licenses from 222 to a total of 556.

Oregon Regulatory Environment and New Product Launch

The regulatory environment in Oregon is dynamic and constantly evolving. The Company anticipates continued material growth in the short-term year-over-year in the medicinal market and exponential growth will be realized once the recreational regulations are set and implemented, which is expected October 1, 2016. The Company expects sales to increase quarter over quarter.

With an expanding portfolio of branded cannabis products set to launch in the first half of 2016, GLH is well-positioned to continue maximizing short and long term growth potential for both the medicinal and recreational markets.

The Company will accelerate growth in the medicinal marijuana market with the launch of the following new products in the first half of 2016:

- High THC, Solvent-Free Cannabis Oil Vaporizer Cartridges
- High CBD CO2 Hemp Oil Vaporizer Cartridges
- Artisan Edibles by GoldenXTRX
- Manufacturing and distribution of Dixie Elixir and Edibles product lines

Commencing in early 2016, the company is set to launch several new flower-based products focused on the recreational market which include:

- XTRX Farms Marijuana Flower

- XTRX Farms Pre-Rolled Marijuana Joints
- Marijuana Cigarettes

Launching these products enables GLH to participate and capitalize on the growing recreational demand for marijuana flower and capture increased overall market share for cannabis in Oregon.

Robinson stated, “GLH remains very excited about the long-term opportunity in Oregon and is extremely well-positioned to take advantage of the recreational market. We are adjusting our business plan accordingly, ensuring we are in a position to maximize the short and long term growth potential in both the medicinal and recreational markets.”

Operational Update: Oregon

GLH continues to identify efficiencies to reach break even faster by streamlining operations. The Company remains committed to its model of lowest cost production of highest quality products based on economies of scale and the Company’s competitive advantage. Management expects general and administrative costs to decline by more than 25% from Q3 2015 to Q1 2016 as the company significantly reduces expenses, while revenue continues to increase.

“We have tremendous confidence that GLH represents the leading Cannabis model in North America. We believe that continued growth in Oregon, refinements in general and administrative costs, and our strategic relationship in Washington will help accelerate the economic realization,” concluded Robinson.

About Golden Leaf Holdings:

Golden Leaf Holdings is one of the largest cannabis oil and solution providers in North America. It is a leading cannabis products company built around recognized brands providing medical users with a superior value and experience. GLH leverages a strong management team and advanced research techniques, including R&D with its Israeli subsidiary Green Point Science Ltd. to complement its expertise in growing, extracting, refining and selling cannabis oil. As an industry leader committed to transparency and controls, GLH is dedicated to partnering with industries, communities and regulators.

For further information, please contact:

Golden Leaf Holdings Ltd.

John B. Aird

Investor Relations

416.725.6458

jaird@goldenleafholdings.com

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