

Golden Leaf Reports Third Quarter 2017 Results

TORONTO, Nov. 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 third quarter ended September 30, 2017 ("Q3 2017") and a general business update.

Recent Business Highlights

- Received city license to sell cannabis in Las Vegas and other key Nevada jurisdictions;
- Secured \$10.8 million USD in a debenture financing to pay off outstanding accounts payable and provide working capital;
- Completed the acquisition of Medical Marijuana Group Corporation ("MMGC"); and
- MMGC received a cultivation license from Health Canada for Ontario grow facility.

Mr. William Simpson, Chief Executive Officer of Golden Leaf Holdings, commented, "Since joining the Company mid-year, the new senior leadership team at Golden Leaf has been executing on its strategy to build an efficient, sustainable business and to build value for its shareholders. Although it has been just a few months, we have made rapid progress, laying the foundation for several exciting accomplishments which the Company announced subsequent to quarter-end.

"Our vision is to drive top - line growth by developing our retail brand across our target markets, starting with Portland, Oregon. To this end, we are constructing three new Chalice Farm retail dispensaries. Construction efforts have progressed faster than expected and we anticipate one new location to be operational before the end of 2017, with a second expected to be up and running in Q1 2018. We are also expanding our product lines, maintaining a focus on innovation, as evidenced by Chalice Farms' recent launch of a new line of seasonal cannabis edibles, including the Pumpkin Spice Truffle, which was named Runner-Up for Best Sweet Edible at the Third Annual Oregon DOPE Cup. Our existing brands also gained traction, with our "Private Stash" in Mango Super Silver Haze by Golden named Best Distillate at DOPE Cup. We strive to continually enhance Golden Leaf's high quality product portfolio as a core part of our future growth initiatives.

"To expand beyond our home market of Oregon, we secured key city licenses that have enabled us to commence selling our proprietary brands wholesale to the adult use market in Nevada. Although at a very early commercial stage, we generated revenues of approximately \$100,000 USD in the third quarter of 2017 from Nevada, and are pleased with this early stage traction. Nevada is one of the leading markets for the cannabis industry, due to its more than 40 million yearly visitors and its sizable domestic market, and we are excited about this opportunity. We also expanded into Canada, by completing the acquisition of MMGC in early November. Following the acquisition, MMGC was granted a cultivation license from Health Canada for its Ontario grow facility, which is expected to allow us to generate sales to the Canada market starting in 2018.

"Finally, our strategy to reduce costs has led to material changes to Golden Leaf's corporate overhead. We significantly reduced our monthly payroll and G&A overhead in the third quarter of 2017 and have identified areas for further overhead reduction in the near-term. By transitioning into a more lean and efficient business, we believe we will be better positioned to focus on our initiatives to support stable and sustainable growth. Subsequent to quarter-end, we completed a financing that yielded proceeds of approximately \$10.8 million USD, which enabled us to retire accounts payable, and to deploy working capital to rebuild inventory that we expect will drive top-line revenue growth. Looking ahead, we believe we now have a solid financial platform to drive growth in the business and leverage the significant growth opportunity ahead of us."

Business Overview

- Following the previously announced comprehensive review of business operations, management continued to implement initiatives to streamline the Company's cost structure and improve efficiencies, while preserving the Company's capacity to drive its key expansion initiatives forward. This has resulted in reduced overhead costs.
- **Oregon:** The Company is consolidating its operations to the Chalice Farms campus in the Portland, Oregon area. The Company has made progress toward securing the required licensing for its production facility in Portland, Oregon and the construction of a processing facility which is expected to be completed by the end of the year. As a result of the acquisition of Chalice Farms and its four retail dispensaries in July 2017, the Company now has five retail dispensaries in operation, with an additional three under construction, one of which Golden Leaf expects to have opened by the end of 2017, and a second expected to open in the first quarter of 2018.
- **Nevada:** Following the previously announced securing of state cultivation and production/extraction licenses in Nevada, the Company was granted business licenses by the city of Henderson and Washoe County, Sparks and Las Vegas, all in the State of Nevada, to sell cannabis to the adult-use markets in these locations. The Company has commenced sales of its high-quality, proprietary cannabis brands to dispensaries throughout the state. The Company also signed an agreement with a distributor in Reno, Nevada, to generate sales.
- **Canada:** The Company closed the acquisition of MMGC in early November, which is expected to enable the Company to expand sales of its branded oils and flowers into the Canadian marketplace. Subsequently, MMGC was granted a cultivation license by Health Canada for its Ontario cannabis grow facility. GLH expects to begin grow facility operations shortly in preparation for the launch of retail operations in Canada in the third quarter of 2018.

Third Quarter Ended September 30, 2017 Financial Results

For the third quarter ended September 30, 2017 ("Q3 2017"), net revenue was \$3.1 million USD as compared to \$2.4 million USD for the same three-month period in 2016 ("Q3 2016"). Q3 2016 included \$240,000 USD in non-recurring royalty revenue. The 29% year-over-year increase largely reflects the contribution from product sales as a result of the acquisition of Chalice Farms in July 2017, more than offsetting supply constraints of key products across the portfolio.

Gross profit was \$731,000 USD, or 23.7% of net revenue, for Q3 2017, compared with 21.3% of net revenue in Q3 2016, and 19.2% of net revenue in the second 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 higher margin associated with retail products sold at acquired dispensaries.

Operating expenses for Q3 2017 were \$4.7 million USD compared with \$2.3 million USD in Q3 2016. The increase was largely attributable to higher wages, consulting costs, legal costs, rents and share-based compensation. The Company identified opportunities to streamline the business and reduce its corporate overhead, which is expected to positively impact future payroll expense.

Adjusted EBITDA loss was \$3.1 million USD for Q3 2017, as compared an Adjusted EBITDA loss of \$1.7 million USD during Q3 2016. This was primarily driven by increases in legal costs, salaries, wages, and rents, which offset higher margins that resulted from sales of inventory produced in prior periods, and an enhanced product mix.

Net loss for Q3 2017 was \$3.2 million USD, or \$0.01 USD per share, compared with \$2.3 million USD, also a \$0.01 USD per share loss, for Q3 2016. As a result of the recent acquisitions and financing transactions, the current number of common shares of the company is 726 million on a fully diluted basis.

As of September 30, 2017, the Company had approximately \$634,000 USD in cash, compared with \$3.9 million USD at December 31, 2016. Subsequent to the end of Q3 2017, Golden Leaf received approximately \$10.8 million USD in net proceeds from a private placement transaction. The Company is using these proceeds for the payment of outstanding accounts payable, inventory purchasing and general corporate purposes.

Investor Conference Call

GLH's management, led by Mr. William Simpson, Chief Executive Officer, will hold a conference call at 4:30 PM ET on Wednesday, November 29, 2017, to report its financial results for the quarter ended September 30, 2017.

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

Program Title: Golden Leaf Holdings Third Quarter 2017 Earnings Call

Canada & U.S.: +1 (877) 423-9813

International: +1 (201) 689-8573

Participants must request the Golden Leaf Call.

Mr. 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 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 the Company's website at www.goldenleafholdings.com, where it will be archived for one year.

An audio replay of the conference call will be available through midnight December 13, 2017 by dialing +1 (844) 512-2921 from the U.S. or Canada, or +1 (412)-317-6671 from international locations, Conference ID: 13673816.

To be added to the Golden Leaf email distribution list, please email GLH@kcsa.com with "Golden Leaf" in the subject line.

About Golden Leaf Holdings:

Golden Leaf Holdings Ltd., a Canadian company with operations 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 Holdings cultivates, extracts and manufactures and distributes its products through its branded Chalice Farm retail dispensaries, as well as through third party dispensaries. Golden Leaf leverages a strong management team with cannabis and food industry experience to complement its expertise in extracting, refining and selling cannabis oil. Visit <http://goldenleafholdings.com/> to learn more.

For further information, please contact:

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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. 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 September 30, 2017 and December 31, 2016

(Expressed in U.S. dollars)

	September 30, 2017	December 31, 2016
	\$	\$
ASSETS		
CURRENT		
Cash	634,209	3,940,463
Accounts receivable	94,107	97,538
Current portion of financing lease receivable	33,854	44,328
Other receivables	-	369,937
Income tax receivable	155,643	575,000
Sales tax recoverable	297,143	192,112
Biological assets	99,000	-
Inventory	3,576,306	942,450
Prepaid expenses and deposits	287,545	402,451
Assets held for sale	-	2,156,000
Total current assets	5,177,807	8,720,279

Financing lease receivable	316,436	388,228
Notes receivable	1,168,859	-
Advance purchase consideration	357,080	-
Available for sale purchase option	4,670,000	4,670,000
Property, plant and equipment	5,897,061	1,713,285
Intangible assets	10,603,715	9,350,000
Goodwill	43,180,760	-
Total assets	71,371,718	24,841,792

LIABILITIES

CURRENT

Accounts payable and accrued liabilities	5,422,668	1,626,443
Interest payable	468,845	188,200
Income taxes payable	-	-
Current portion of long-term debt	40,104	1,489,172
Current portion of convertible debentures carried at fair value	3,464,670	10,315,555
Short-term notes payable	1,489,273	-
Related party note payable	1,000,000	1,500,000
Warrant liability	2,467,230	416,414
Total current liabilities	14,352,790	15,535,784
Long term debt	75,309	109,905
Convertible debentures carried at fair value	-	12,132,000
Contingent consideration	9,489,023	-
Total liabilities	23,917,122	27,777,689

SHAREHOLDERS' EQUITY

Share capital	91,560,019	34,282,314
Warrant reserve	3,558,546	3,501,409
Share option reserve	1,484,204	993,211
Shares to be issued	-	267,701
Contributed surplus	59,940	59,940
Accumulated other comprehensive loss	(530,000)	(530,000)
Deficit	(48,678,113)	(41,510,472)
Total shareholders' equity	47,454,596	(2,935,897)
Total liabilities and shareholders' equity	71,371,718	24,841,792

GOLDEN LEAF HOLDINGS LTD.

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

For the three and nine month periods ended September 30, 2017 and September 30, 2016 (as restated)

(Expressed in U.S. dollars)

	For the three months ended		For the nine months ended	
	September 30, 2017 \$	September 30, 2016 (as restated) \$	September 30, 2017 \$	September 30, 2016 (as restated) \$
Revenues				
Product sales	3,078,891	2,191,596	7,427,378	6,806,587
Royalties	50,000	240,000	50,000	400,000
Total Revenue	3,128,891	2,431,596	7,477,378	7,206,587
Inventory expensed to cost of sales	2,315,490	1,722,668	5,684,389	5,520,972

Production costs	181,213	192,255	520,278	723,410
Gain on changes in fair value of biological assets	(99,000)	-	(99,000)	(274,220)
Cost of sales expense	2,397,703	1,914,923	6,105,667	5,970,162
Gross profit	731,188	516,673	1,371,711	1,236,425
Expenses				
General and administration	3,313,869	1,646,909	6,970,399	5,347,643
Share based compensation	676,018	213,930	1,052,587	629,319
Professional fees paid with equity instruments	116,588	69,499	284,079	668,615
Sales and marketing	319,665	266,417	885,877	718,360
Research and development	-	21,372	-	164,628
Depreciation and amortization	225,922	62,584	359,225	155,197
Loss on disposal of assets	25,500	-	319,700	-
Total expenses	4,677,562	2,280,711	9,871,867	7,683,762
Loss before undernoted items	(3,946,374)	(1,764,038)	(8,500,156)	(6,447,337)
Interest expense	556,427	602,288	1,413,859	1,450,656
Transaction costs	2,365,821	-	2,365,821	753,472
Impairment of financing lease receivable	27,422	81,060	82,266	162,120
Other (income) loss	37,296	113,591	200,124	127,502
Gain on change in fair value of warrant liability	(2,841,983)	(307,665)	(3,080,362)	(5,136,830)
Gain on change in fair value of liabilities	(1,148,020)	-	(2,733,810)	-
Loss before income taxes	(2,943,337)	(2,253,312)	(6,748,054)	(3,804,257)
Current income tax expense	219,587	-	419,587	27,357
Net Loss	(3,162,924)	(2,253,312)	(7,167,641)	(3,831,614)
Comprehensive Loss	(3,162,924)	(2,253,312)	(7,167,641)	(3,831,614)
Basic and diluted loss per share	(0.01)	(0.01)	(0.04)	(0.01)
Weighted average number of common shares outstanding	345,710,474	95,248,704	203,386,663	82,112,479