

# Golden Leaf Reports Fiscal Year 2017 Results

TORONTO, April 30, 2018 -- 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 fiscal year ended December 31, 2017, and a general business update.

## 2017 Business and Financial Highlights

- Completed acquisition of Chalice Farms, Medical Marijuana Group and NevWa Operating Licenses
- [Secured cultivation license from Health Canada for state-of-the-art St. Thomas, Ontario grow facility](#); received first shipment of genetics shortly thereafter
- [Opened new dispensary in downtown Portland, Oregon](#)
- [Acquired Medical Marijuana Group Consulting Ltd](#)
- Shareholders' equity of \$17.7 million as of December 31, 2017, compared with \$(2.9) million as of December 31, 2016
- Revenues of \$11.5 million for FY 2017, compared with \$7.7 million for FY 2016

## Subsequent Events

- Secured retail license in anticipation of the opening of the sixth Chalice Farms dispensary in Happy Valley, Oregon.
- [Appointed Craig Eastwood as Chief Financial Officer](#)
- Secured gross proceeds of \$17.5 CAD million on a private placement in January 2018
- [Launched Fruit Chews edibles in Oregon](#) to strong demand
- [Signed letter of intent with BlackShire Capital to launch Chalice Farms franchise model](#)
- Signed letter of intent to acquire Northern California cannabis operation, representing potential entry into the largest U.S. cannabis market

Mr. William Simpson, Chief Executive Officer of Golden Leaf Holdings, commented on the year's achievements, "In 2017, Golden Leaf's management team and strategy underwent significant changes. In the first half of 2017, the Company embarked on a multi-acquisition strategy to diversify beyond its wholesale-focused footprint in the Portland, Oregon market. In particular, we acquired Chalice Farms to expand our retail exposure in Portland, the MMC and MMG companies to provide entry into Canada and purchased cultivation, extraction and sales licenses in Nevada.

"Over the second half of the year, we accomplished a great deal, completing and integrating these acquisitions, identifying and implementing cost reductions across the business, hiring key personnel to help stabilize operations and position the Company to advance on key strategic initiatives. While I am proud of our collective efforts to lay the groundwork for future growth, we also faced several headwinds, including changes to city codes in Portland that delayed the receipt of our Portland processing license, from which we anticipate deriving higher margins on internally produced oils, and, most noticeably, severe capital constraints. As a result of the bought deal completed in January of 2018, as well as the extensive progress we have made securing cannabis licensing in our core - target markets, we believe we are now positioned to achieve meaningful and sustainable growth."

"Golden Leaf is now focused on building our infrastructure responsibly and investing both organically and through accretive acquisitions to capitalize on the opportunities ahead of us. We are pleased to be moving forward on several major fronts, including expanding the Chalice Farms retail footprint in Oregon, introducing our new franchise model in Canada and the U.S., becoming a commercial entity in Canada, and most recently, announcing our planned entry into California, the U.S.'s largest cannabis market. Furthermore, we expect expanded production potential capacity to enable us to roll out new wholesale products in all of these core markets. We remain confident in the opportunities that lie before us and in our ability to execute on our growth strategy."

## 2017 Business Overview

- **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 extraction license for its production facility in Portland, Oregon and the construction of a processing/ cultivation facility which is expected to be completed by the middle of 2018. As a result of the successful acquisition and integration of the Chalice Farms dispensary chain, together with the opening of a new Chalice Farms-branded dispensary in December 2017, the Company now has six retail dispensaries in operation, with an additional location in Happy Valley, Oregon, that Golden Leaf expects to open in the second quarter of 2018. The Company launched its new Fruit Chews edible line in March, 2018 and plans to ramp up production in Oregon throughout the remainder of 2018.
- **Nevada:** The Company has state cultivation and production/extraction licenses in Nevada, and currently cultivates unique strains of Chalice-branded products. After securing the requisite business licenses, the Company commenced sales of its high-quality, proprietary cannabis brands to dispensaries throughout the state in the third quarter of 2017. GLH's products are currently selling in 30-40 stores across Nevada. The Company also has an agreement with a distributor in Reno, Nevada, to generate sales. As its production capabilities increase, the Company plans to roll out new product lines in Nevada throughout 2018. The Company also plans to open a retail dispensary in Nevada,

- contingent upon receiving a retail sales license.
- **Canada:** In November, MMG was granted a cultivation license by Health Canada for its Ontario cannabis grow facility in St. Thomas, Ontario. In January, MMG commenced grow facility operations in preparation for the launch of retail operations in Canada. The Company anticipates its first harvest in May 2018 and has arranged to sell the produced flower upon the receipt of its sales license in Canada, which is expected in June 2018. The Company closed the acquisition of Medical Marijuana Group Consulting Ltd. (MMC) in January 2018, a medical marijuana consulting company that secures high-value medical marijuana patients and educates and refers them to Licensed Producers for their product. To date, the relationship with MMC has generated the acquisition of approximately 3,500 active patients.
  - **Franchise model:** In March 2018, Golden Leaf formed the Chalice Farms Franchise model, and signed a letter of intent to enter into a collaboration with BlackShire Capital to drive the growth of the Chalice Farms retail footprint, initially in Canada, and subsequently in the U.S.
  - **New management:** In June 2017, Gary Yeoman was named Chairman of the Board of Directors. Following the acquisition of Chalice Farms in Oregon in July 2017, William Simpson was appointed Chief Executive Officer. In January 2018, Craig Eastwood joined the team as Chief Financial Officer. The Company has also hired a Director of Compliance to help it navigate the complex regulatory environment.

### **Fiscal Year Ended December 31, 2017 Financial Results**

For the year ended December 31, 2017 ("FY 2017"), net revenue was \$11.5 million USD as compared to \$7.7 million USD for the same twelve-month period in 2016 ("FY 2016"). The 50% 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 \$1.7 million USD, or 15% of net revenue, for FY 2017, compared with 1% of net revenue in FY 2016. Year-over year, gross margin benefitted from better utilization of production staff, consistent margins across product categories and the sale of retail products sold at acquired dispensaries.

Operating expenses were at \$11.7 million USD for FY 2017, compared with \$11.5 million in FY 2016. The Company identified opportunities to streamline the business and reduce its corporate overhead, which is expected to positively impact future payroll expense.

Other non-operating expenses were \$46 million USD for the year ended December 31, 2017, compared to \$9.9 million USD for the year ended December 31, 2016. The increase in non-operating expenses is due to higher transaction costs associated with acquisitions, a significant impairment of the assets acquired from BMF Washington, and losses on changes in fair value of warrant and debt liabilities.

Net loss for FY 2017 was \$56.1 million USD, or \$0.21 USD per share loss, compared with a net loss of \$21.3 million USD, or \$0.23 USD per share loss, for FY 2016. As a result of the recent acquisitions and financing transactions, the current number of common shares outstanding is 576,338,334.

As of December 31, 2017, the Company had approximately \$6.0 million USD in cash, compared with \$3.9 million USD at December 31, 2016. Subsequent to the end of FY 2017, Golden Leaf received approximately \$17.5 million CAD from a private placement bought deal basis in January 2018.

### **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 today, Monday April 30, 2018, to report its financial results for the year ended December 31, 2017.

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

Program Title: Golden Leaf Holdings Fiscal 2017 Earnings Call

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

International: +1 (201) 689-8573

Participants must request the Golden Leaf Call.

A live audio webcast will be available online on the Company'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 May 14, 2018 by dialing +1 (844) 512-2921 from the U.S. or Canada, or +1 (412) 317-6671 from international locations, Conference ID: 13679015.

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., 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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**Cautionary Note Regarding Forward-Looking Information**

*Disclaimer: 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 impact of expanded production capacity, the completion of the Company's processing/cultivation facility by the middle of 2018, the expected opening of a dispensary in Happy Valley, Oregon in the second quarter of 2018, plans to ramp up production throughout the remainder of 2018, rolling out new product lines in Nevada in 2018, opening a dispensary in Nevada, a first harvest at MMG in May 2018 and receipt of sales licence by MMG in June 2018 are all forward looking information, subject to the risks noted herein. 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.**

Consolidated Statements of Operations and Comprehensive Loss  
 For the years ended December 31, 2017 and December 31, 2016  
 (Expressed in U.S. dollars)

	2017	2016
Revenues		
Product sales	\$10,411,232	\$7,241,554
Royalties	1,100,066	419,934
<b>Total Revenue</b>	<b>\$11,511,298</b>	<b>\$7,661,488</b>
Inventory expensed to cost of sales	9,535,602	6,962,331
Production costs	465,658	909,409
Gain on changes in fair value of biological assets	(198,000)	(276,135)
<b>Cost of sales expense</b>	<b>\$9,803,260</b>	<b>\$7,595,605</b>
<b>Gross profit</b>	<b>\$1,708,038</b>	<b>\$65,883</b>

Expenses		
General and administration	8,610,318	7,009,610
Share based compensation	1,239,670	1,026,504
Professional fees paid with equity instruments	80,436	668,615
Sales and marketing	1,114,628	892,436
Research and development	-	185,136
Depreciation and amortization	572,695	208,922
Impairment of long-lived assets	50,254	1,555,612
<b>Total expenses</b>	<b>\$11,668,001</b>	<b>\$11,546,835</b>
<b>Loss before undernoted items</b>	<b>\$(9,959,963)</b>	<b>\$(11,480,952)</b>
Interest expense	1,549,780	1,216,586
Transaction costs	8,518,490	4,712,218
Loss on extinguishment	-	11,215,118
Accretion interest expense	-	665,772
Loss on disposal of assets	470,071	-
Impairment of financing lease receivable	432,557	243,181
Impairment of intangible asset	9,350,000	-
Impairment of purchase option	5,200,000	-
Other loss	437,413	256,203
(Gain)Loss on change in fair value of warrant liabilities	7,714,578	(4,152,077)
(Gain)Loss on change in fair value of liabilities	12,296,260	(4,234,000)
Loss before income taxes	(55,929,112)	(21,403,953)
Current income tax expense	143,230	(74,136)
<b>Net Loss</b>	<b>\$(56,072,342)</b>	<b>\$(21,329,817)</b>
Other comprehensive loss		
Reversal of unrealized loss on available for sale purchase option, net of tax for impairment	\$530,000	\$ -
Items that will be reclassified subsequently to profit or loss:		
Unrealized loss on available for sale purchase option, net of tax	-	(530,000)
Cumulative translation adjustment	9,828	-
<b>Comprehensive Loss</b>	<b>\$(55,532,514)</b>	<b>\$(21,859,817)</b>
<b>Basic and diluted loss per share</b>	<b>\$(0.21)</b>	<b>\$(0.23)</b>
<b>Weighted average number of common shares outstanding</b>	<b>262,011,877</b>	<b>91,207,720</b>

## **GOLDEN LEAF HOLDINGS LTD.**

Consolidated Statements of Financial Position

As at December 31, 2017 and December 31, 2016

(Expressed in U.S. dollars)

	December 31, 2017	December 31, 2016
<b>ASSETS</b>		
<b>CURRENT</b>		
Cash	\$6,009,447	\$3,940,463
Accounts receivable	377,746	97,538
Current portion of financing lease receivable	-	44,328
Other receivables	-	369,937
Income tax recoverable	432,000	575,000
Sales tax recoverable	442,832	192,112
Biological assets	90,627	-

Inventory	3,623,255	942,450
Prepaid expenses and deposits	348,176	402,451
Assets held for sale	305,274	2,156,000
<b>Total current assets</b>	<b>\$11,629,357</b>	<b>\$8,720,279</b>

Financing lease receivable	-	388,228
Available for sale purchase option	-	4,670,000
Property, plant and equipment	5,956,910	1,713,285
Intangible assets	26,227,116	9,350,000
Goodwill	31,971,398	-
<b>Total assets</b>	<b>\$75,784,781</b>	<b>\$24,841,792</b>

#### LIABILITIES

##### **CURRENT**

Accounts payable and accrued liabilities	\$2,867,735	\$1,626,443
Interest payable	48,524	188,200
Current portion of long-term debt	131,610	1,489,172
Current portion of convertible debentures carried at fair value	271,245	10,315,555
Related party notes payable	389,916	1,500,000
Derivative liability	61,044	-
<b>Total current liabilities</b>	<b>\$3,770,074</b>	<b>\$15,119,370</b>

Long term debt	80,381	109,905
Convertible debentures carried at fair value	30,360,225	12,132,000
Consideration payable	9,527,350	-
Warrant liability	14,300,616	416,414
<b>Total liabilities</b>	<b>\$58,038,646</b>	<b>\$27,777,689</b>

#### SHAREHOLDERS' EQUITY

Share capital	\$108,552,681	\$34,282,314
Warrant reserve	5,083,561	3,501,409
Share option reserve	1,087,640	993,211
Shares to be issued	-	267,701
Contributed surplus	59,940	59,940
Accumulated other comprehensive loss	9,828	(530,000)
Deficit	(97,047,515)	(41,510,472)
<b>Total shareholders' equity</b>	<b>17,746,135</b>	<b>(2,935,897)</b>
<b>Total liabilities and shareholders' equity</b>	<b>\$75,784,781</b>	<b>\$24,841,792</b>