



Golden Leaf Reports Fiscal First Quarter 2018 Results

TORONTO, May 30, 2018 -- Golden Leaf Holdings Ltd. ("Golden Leaf" or the "Company") (CSE:GLH) (OTCQB:GLDFF), a leading cannabis oil solutions company and dispensary operator built around recognized brands, today announced financial results for the fiscal first quarter ended March 31, 2018, and a general business update.

Recent Business and Financial Highlights

- Secured gross proceeds of \$17.5 CAD million in 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](#)
- Revenues of \$3.2 million for Q1 2018, compared with \$2.3 million for Q1 2017
- [Appointed Craig Eastwood as Chief Financial Officer](#)

Subsequent Events:

- Opened Chalice Farms dispensary, located in Happy Valley, Oregon
- Signed letter of intent to acquire cannabis operation in Northern California
- Signed letter of intent to acquire two large cannabis cultivation facilities, one in Northern Nevada and another in Northern California
- Hired Ryan Purdy as Vice President of Operations
- Appointed Rick Miller to Board of Directors

Mr. William Simpson, Chief Executive Officer of Golden Leaf Holdings, commented, "We saw year-over-year revenue growth of 42% for the first quarter of 2018, primarily driven by our addition of retail dispensaries through the acquisition of Chalice Farms, which closed in July 2017. Subsequent to quarter-end, we opened our seventh overall retail dispensary, and sixth Chalice Farms location, located in Happy Valley, Oregon, which has exceeded our expectations and is already our second highest selling Chalice location after just a few weeks since opening. Our retail operations are a key component of our growth strategy and we are pleased to see our increased brand recognition among customers further entrench our position as a leading retailer in Oregon. We will continue to strategically invest in our retail strategy, adding stores in optimal locations."

"The hiring of Craig Eastwood as our CFO and the securing of a significant capital investment early in the first quarter of 2018 have been instrumental in fortifying the financial management side of the business, which underpins our growth initiatives. These growth initiatives include, among others, establishing select cultivation capabilities in our current and target markets, building a retail presence in high-growth markets including Nevada and California, and launching a franchise model to bring the Chalice Farms experience to new locations in Canada and the U.S.'s west coast. In Canada, we have positioned Golden Leaf to participate in the legal adult-use market this Fall, commencing cultivation in the first quarter and subsequently completing the grow cycle for our first two harvests. The harvest is already pre-sold, contingent upon the Company receiving a sales license."

"Golden Leaf is making great strides building out an infrastructure that will enable the Company to operate as a vertically integrated company that operates across the cannabis sector supply chain, from seed to sale. We expect to take advantage of value-creating acquisition and expansion opportunities, leveraging our strong human capital to execute on our growth strategy. We are pleased with the progress we have made laying the foundation for our entry into new geographies, across both our retail and cultivation operations, and look forward to continuing to drive revenue growth throughout 2018," concluded Mr. Simpson.

Q1 2018 Business Overview

- **Oregon:**
The Company's retail revenues included the first full quarter of sales from the new Chalice Farms dispensary on the popular Willamette River waterfront area of downtown Portland.
Following the opening of a new Chalice Farms dispensary in Happy Valley subsequent to the quarter-end, the Company now has seven retail dispensaries in operation, six of which operate under the Chalice Farms brand.
The Company's Portland production facility is substantially complete, and license approval is expected by mid-2018. In addition, the commissioning of its cultivation facility in Bald Peak is expected in the second half of 2018.
The Company launched its new Fruit Chews edible line in Oregon in March 2018 to strong demand, and plans to continue to ramp up production 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. Golden Leaf products are currently selling in 30-40 retail 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 "lift and shift" high demand product lines such as its Fruit Chews product into Nevada by the middle of 2018. The Company plans to open retail dispensaries in Nevada and has reached

agreement on one facility, and is in negotiations on several others, all contingent on it receiving retail licenses.

- **Canada:** In January 2018, Golden Leaf's Medical Marijuana Group (MMG) subsidiary commenced grow facility operations in preparation for the launch of retail operations in Canada. MMG completed the grow cycle for its first two harvests 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.

In January 2018, the Company closed the acquisition of Medical Marijuana Group Consulting (MMC), a medical marijuana consulting company that secures high-value medical marijuana patients and educates and refers them to Licensed Producers for their product. As of the end of the first quarter, MMGC had acquired 3,500 medical patients, up from approximately 2,500 at the end of 2017.

- **Franchise model:** In March 2018, Golden Leaf formed the Chalice Farms Franchise model and signed a letter of intent to enter into collaboration with BlackShire Capital to drive the growth of the Chalice Farms retail footprint, initially in Canada, and subsequently in the western U.S. The Company has completed all of the required franchise disclosure documents in Canada, and continues to negotiate with BlackShire, with a goal of reaching a definitive agreement.
- **New management:** In January 2018, Craig Eastwood joined the team as Chief Financial Officer. Subsequent to the end of the first quarter, the Company hired Ryan Purdy as VP of Operations to lead overall supply-chain strategy and execution.

Fiscal First Quarter Ended March 31, 2018 Financial Results

For the quarter ended March 31, 2018 ("Q1 2018"), net revenue was \$3.2 million USD as compared to \$2.3 million USD for the same three-month period in 2017 ("Q1 2017"). The 42% 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 and a challenging wholesale market in Oregon.

Gross profit was \$353,000 USD, or 11% of net revenue, for Q1 2018, compared with \$238,000 USD, or 11% of net revenue, in Q1 2017. Q1 2018 gross margins included a one-time charge of \$377,000 USD comprised of a write-off of obsolete packaging inventory and an increase to the reserve for excess and obsolete inventory. Wholesale product margins experienced ongoing headwinds from the delayed approval of the Portland production facility license, requiring the Company to purchase oil from a third party at higher cost.

Operating expenses were \$4.6 million USD for Q1 2018, compared with \$2.2 million USD in Q1 2017, which is attributable to higher corporate expense following the acquisition of Chalice Farms in mid-2017, and higher share-based compensation expense.

Net income for Q1 2018 was \$8.1 million USD, or \$0.02 USD per share gain, compared with a net loss of \$2.3 million USD, or \$0.02 USD per share loss, for Q1 2017. Results for the 2018 period benefited from non-operating income of \$12.4 million USD related to favorable changes in the fair value of warrant and debt liabilities.

As of March 31, 2018, the Company had approximately \$22.1 million USD in cash, compared with \$6.0 million USD at December 31, 2017. During the quarter Golden Leaf received approximately \$17.5 million CAD from a private placement bought deal basis in January 2018.

As a result of the bought deal financing completed in January 2018, the number of common shares outstanding as of March 31, 2018 was 568,724,061.

Investor Conference Call

GLH's management, led by William Simpson, Chief Executive Officer, will hold a conference call at 4:30 PM ET today, Wednesday, May 30, 2018, to report its financial results for the first quarter ended March 31, 2018.

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

Program Title: Golden Leaf Holdings First Quarter 2018 Financial Results Call

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

International: (201) 689-8573

Participants must request the Golden Leaf Holdings Call.

A live audio webcast will be available online on Golden Leaf's website at goldenleafholdings.com, where it will be archived for one year.

An audio replay of the conference call will be available through midnight June 13, 2018 by dialing +1 (844) 512-2921 from the U.S. or Canada, or +1 (412) 317-6671 from international locations, Conference ID: 13680064.

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

About Golden Leaf Holdings

Golden Leaf Holdings Ltd., a Canadian company with operations in multiple jurisdictions including Oregon, Nevada and Canada, 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 cultivates, extracts, 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 goldenleafholdings.com to learn more.

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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 operations, the establishment of, and the future scope and scale of, the Chalice Farms retail system, the level of funding needed to establish the Chalice Farms franchise model, that the Chalice Farms franchise model will be successful and generate positive cash flows, 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, difficulties of establishing a successful franchise model 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 press 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 Operations and Comprehensive Gain (Loss) (Unaudited)

For the three months ended March 31, 2018 and 2017

(Expressed in U.S. dollars)

	For the three months ended March 31,	
	2018	2017
Revenues		
	\$	\$
Product sales	3,200,267	2,259,094
	\$	\$
Total Revenue	3,200,267	2,259,094
Inventory expensed to cost of sales	2,843,843	1,838,687

Production costs	297,474	182,008
Gain on changes in fair value of biological assets	(293,897)	-
	\$	\$
Cost of sales expense	2,847,420	2,020,695
	\$	\$
Gross profit	352,847	238,399
Expenses		
General and administration	2,795,794	1,598,273
Share based compensation	1,075,452	161,348
Professional fees paid with equity instruments	-	54,420
Sales and marketing	383,301	278,923
Depreciation and amortization	345,279	62,175
	\$	\$
Total expenses	4,599,826	2,155,139
	\$	\$
Loss before undernoted items	(4,246,979)	(1,916,740)
Interest expense	649,258	545,021
Transaction costs	471,900	-
Impairment of financing lease receivable	-	27,422
Other loss	(159,126)	925
Gain on change in fair value of warrant liability	(6,212,222)	(155,685)
Gain on change in fair value of liabilities	(7,128,616)	(44,693)
	\$	\$
Net Gain (Loss)	8,131,827	(2,289,730)
Other comprehensive loss		
Cumulative translation adjustment	19,117	-
	\$	\$
Comprehensive Gain (Loss)	8,112,710	(2,289,730)
	\$	\$
Basic and diluted gain (loss) per share	0.02	(0.02)
Weighted average number of common shares outstanding	534,900,058	118,346,097

GOLDEN LEAF HOLDINGS LTD.

Interim Condensed Consolidated Statement of Financial Position (Unaudited)

As of March 31, 2018 and December 31, 2017

(Expressed in U.S. dollars)

	March 31, 2018	December 31, 2017
ASSETS		
CURRENT	\$	\$

Cash	22,139,316	6,009,447
Accounts receivable	438,384	377,746
Income tax recoverable	432,000	432,000
Sales tax recoverable	507,325	442,832
Biological assets	263,990	90,627
Inventory	3,877,717	3,623,255
Prepaid expenses and deposits	445,980	348,176
Assets held for sale	305,274	305,274
	\$	\$
Total current assets	28,409,986	11,629,357
Property, plant and equipment	6,027,037	5,956,910
Intangible assets	26,151,471	26,227,116
Goodwill	31,971,398	31,971,398
	\$	\$
Total assets	92,559,892	75,784,781
LIABILITIES		
CURRENT		
	\$	\$
Accounts payable and accrued liabilities	2,880,507	2,867,735
Interest payable	360,804	48,524
Current portion of long-term debt	49,457	131,610
Current portion of convertible debentures		
carried at fair value	228,346	271,245
Note payable	382,667	389,916
Derivative liability	78,148	61,044
	\$	\$
Total current liabilities	3,979,929	3,770,074
Long term debt	72,417	80,381
Convertible debentures carried at fair value	16,876,331	30,360,225
Consideration payable	9,527,350	9,527,350
Warrant liability	8,821,778	14,300,616
	\$	\$
Total liabilities	39,277,805	58,038,646
SHAREHOLDERS' EQUITY		
	\$	\$
Share capital	135,905,669	108,552,681
Warrant reserve	4,078,120	5,083,561

Share option reserve	2,163,335	1,087,640
Contributed surplus	59,940	59,940
Accumulated other comprehensive loss	(9,289)	9,828
Deficit	(88,915,688)	(97,047,515)
	\$	\$
Total shareholders' equity	53,282,087	17,746,135
	\$	\$
Total liabilities and shareholders' equity	92,559,892	75,784,781