



Golden Leaf Reports Fiscal Second Quarter 2018 Results

Reported Record Quarterly Revenue of US\$3.7 million

TORONTO, Aug. 29, 2018 -- Golden Leaf Holdings Ltd. ("Golden Leaf" or the "Company") (CSE:GLH) (OTCQB:GLDFF), a cannabis company with cultivation, production and retail operations built around recognized brands, today announced financial results for the fiscal second quarter ended June 30, 2018, and a general business update.

Recent Business and Financial Highlights

- Record quarterly revenues of US\$3.7 million for Q2 2018, compared to US\$2.1 million for Q2 2017
- Opened Chalice Farms dispensary, located in Happy Valley, Oregon
- Signed letter of intent to acquire cannabis dispensary 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 and to serve as its Chair
- Announced election of John Varghese and Michael Crooke to the Board of Directors

Subsequent Events:

- Announced definitive agreement to acquire "Sweet 16" license in Northern California
- Announced definitive agreement to acquire Tahoe Hydroponics Company and 11T Corp
- Introduced several cannabis concentrate product lines available in Nevada
- Received license approval from City of Portland and State of Oregon for extraction facility
- Harvested its first crops from Medical Marijuana Group ("MMG"), its Canadian subsidiary, with yields that were 30% greater than originally forecasted

Mr. William Simpson, Chief Executive Officer of Golden Leaf Holdings, commented, "We posted strong year-over-year revenue growth of 76% for the second quarter of 2018 to reach record revenues of US\$3.7 million, primarily driven by the acquisition of our Chalice Farms retail operations, when compared to the second quarter of 2017. Adjusted EBITDA for the second quarter of 2018 was a loss of US\$3.2M, primarily driven by transaction costs and corporate expenses. During the quarter, we opened our sixth Chalice Farms location in Happy Valley, Oregon, which is now our second highest-grossing Chalice Farms location. In addition to retail operations, revenues from the Company's medical consulting division, as well as its Nevada wholesale operations and sales of our new Fruit Chews line in Oregon, continued to support our top line growth.

"We are strategically increasing our cultivation, wholesale and retail capabilities within our current and target markets to support the growing demand of the industry. With the impending legalization in Canada and the recent announcements to expand our presence in Nevada and enter the California market, we are focused on revenue growth and the responsible management of operating expenses on a per-share basis. Combining these efforts, our goal is to be cash-flow positive by the second half of 2019. Our work to build strong brands in key markets is central to the expansion of Golden Leaf, built on vertical integration where it is economically and operationally rational," concluded Mr. Simpson.

Q2 2018 Business Overview

- **Oregon:** Golden Leaf has state extraction and post-processing facilities and licenses to support its production of edibles and extracts products. In addition, it operates 7 licensed retail stores, 6 of which operate under the Chalice Farms brand. Its branded products are sold to both 3rd party retail stores on a wholesale basis, as well as directly through its 7 licensed retail stores. Currently, popular brands and products from other manufacturers are also procured and sold through the Company's 7 licensed retail stores.

In the second quarter, the Company officially opened its new Chalice Farms dispensary in Happy Valley, its 7th store in Oregon.

Subsequent to the quarter, the Company's Portland production facility received licensing approval from the Oregon Liquor Control Commission. Immediately after receiving the license, the Company initiated operation of the extraction equipment. Additionally, the commissioning of the Company's cultivation facility in Bald Peak is expected before the end of calendar year 2018.

During the second quarter of 2018, the Company continued to ramp production of its new Fruit Chews edible line in Oregon, which launched in the first quarter.

- **Nevada:** Golden Leaf has state cultivation and production/extraction licenses to support its production of edibles and extracts products. It sells its branded products through 3rd party retail stores on a wholesale basis, which are currently available in 30-40 retail stores across Nevada. The delivery of those products is facilitated by a distributor in Reno, Nevada.

Through its wholly-owned subsidiary, Greenpoint Nevada, the Company introduced several cannabis concentrate product lines in the Nevada market throughout the second quarter, including Golden Tinctures offered in Orange, Cherry, Mint and Strawberry flavors, Golden Private Stash distillate vape cartridges, and its Golden CBD product lines.

On August 10, 2018, the Company signed a definitive agreement to acquire the assets of Tahoe Hydroponics Company and 11T Corp. (collectively "Tahoe"), following the signing of an LOI in May. With a fully-built ~21,600 ft² facility in Carson City already producing ~4,000 pounds per annum, Tahoe brings material cultivation capacity to Golden Leaf's Nevada operations.

The Company also plans to open retail dispensaries in Nevada and is in negotiations on several opportunities, all contingent on it receiving retail licenses.

The consideration for the acquisition of the assets of Tahoe consists of:

- In respect of the assets of Tahoe Hydroponics, a cash payment of US\$8.5 million plus that number of common shares of the Company such that on closing, the vendors of the assets of Tahoe Hydroponics will hold 25% of the outstanding common shares of the Company (less the shares to be issued to the vendors of the 11T assets as described below) plus a number of common shares of the Company equal to US\$1.35 million, using the 20-day volume weighted average price of the common shares determined for the 20 days immediately prior to the closing.
- In respect of the assets of 11T, a number of common shares of the Company equal to US\$5 million using the 20-day volume weighted average price of the common shares determined for the 20 days immediately prior to the closing.
- **California:** Upon closing of the definitive agreements signed on August 13th, 2018 and August 17th, 2018, the Company will have a ~28,800 ft² cultivation facility in Sacramento, which is currently under development; and a combined cultivation, production and retail facility in San Jose. The aforementioned definitive agreements are expected to provide an immediate foothold in the state of California. The Sacramento cultivation facility is anticipated to be operational in Q1 2019.
 - The consideration for the San Jose license and certain associated assets of the seller, including cash, inventory, equipment and contractual rights, is US\$7,146,582, consisting of US\$1,250,000 in cash at closing plus a number of common shares of the Company equal to US\$500,000, using the 30-day volume weighted average price of the common shares determined for the 30 days immediately prior to the closing, plus US\$5,396,582 in cash earn-out consideration to be paid over time based upon the net wholesale and net retail revenues generated.
- **Canada:** The Company's subsidiary, Medical Marijuana Group (MMG), has a cultivation license from Health Canada. The Company's subsidiary Medical Marijuana Group Consulting (MMGC), is a medical marijuana consulting company that secures high-value medical marijuana patients and educates and refers them to Licensed Producers for their product.

In early July, MMG harvested its first crops at its state-of-the-art grow facility in Ontario. The harvested crops, which had yields that were 30% greater than originally forecasted, mirrored yields from Canada's premier cannabis companies. MMG has secured buyers to take delivery of the finished product once the Company receives its final sales license.

As of the end of the second quarter, MMGC had approximately 4,600 medical patients.

- **New management:** In May, Ryan Purdy joined the team as Vice President of Operations to lead overall supply chain strategy and execution, including vendor selection, production planning, procurement and logistics.

In July, the Company announced the election of John Varghese and Michael Croke to the Board of Directors, effective June 29, 2018. John Varghese is now the chair of the Compensation Committee and also joined the Audit and Disclosure Committees. Michael Croke joined the Nominating and Corporate Governance Committees.

Fiscal Second Quarter Ended June 30, 2018 Financial Results

For the quarter ended June 30, 2018 ("Q2 2018"), net revenue was US\$3.7 million as compared to US\$2.1 million for the same three-month period in 2017 ("Q2 2017"). The 76% year-over-year increase largely reflects the addition of the Chalice Farms retail revenue stream, the addition of the Company's medical consulting revenues and the Company's Nevada wholesale operations, offset slightly by declines in wholesale revenues in Oregon.

Gross profit was US\$940,000 or 26% of net revenue, for Q2 2018, compared with US\$402,000 or 19% of net revenue in Q2 2017. Q2 2018 gross margins increased primarily due to the addition of gains on fair market value of biological assets from the Company's cultivation subsidiary.

Operating expenses were US\$4.6 million USD for Q2 2018, compared with US\$2.7 million in Q2 2017, which is largely attributable to the addition of the Chalice Farms retail business which was acquired in July 2017, and higher corporate costs.

Adjusted EBITDA loss was US\$3.2 million for Q2 2018, compared with a loss of US\$1.9 million for Q2 2017, primarily as a result of increased transaction costs and corporate expenses within G&A. Adjusted EBITDA is defined by the Company as earnings before taxes, depreciation and amortization, less certain non-cash equity compensation expenses, including impairments, one-time transaction fees and all other non-cash items. The Company considers Adjusted EBITDA an important operational measure for the business.

Net income for Q2 2018 was US\$3.2 million or US\$0.01 per share, compared with a net loss of US\$1.7 million or \$0.01 per share loss, for Q2 2017. Net income for Q2 2018 benefited from non-operating income of US\$7.3 million related to favorable changes in the fair value of warrant and debt liabilities.

As of June 30, 2018, the Company had approximately US\$22.6 million in current assets, compared with US\$11.6 million in current assets at December 31, 2017. The increase is largely because of the bought deal financing which was completed on January 31, 2018, in addition to proceeds from warrant exercises. Total assets increased to US\$86.7 million at June 30, 2018, compared to US\$75.8 million at December 31, 2017, also due primarily to the bought deal financing completed in January.

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, August 29, 2018, to report its financial results for the second quarter ended June 30, 2018.

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

Program Title: Golden Leaf Holdings Second 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 September 12, 2018 by dialing +1 (844) 512-2921 from the U.S. or Canada, or +1 (412) 317-6671 from international locations, Conference ID: 13682739.

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. is a Canadian company operating in multiple jurisdictions, including Oregon, Nevada and Canada, with cultivation, production and retail operations built around recognized brands. Golden Leaf distributes its products through its branded Chalice Farms retail dispensaries, as well as through third party dispensaries. Golden Leaf's cannabis retail operations and products are designed with the customer in mind, focused on superlative in-store experience and quality products. Visit <http://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 operation, expectations of gross sales, the opinions or beliefs of management and future business goals, statements regarding the timing for opening of the Company's sixth Chalice Farms dispensary. 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.

GOLDEN LEAF HOLDINGS LTD.

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

For the three and six months ended June 30, 2018 and 2017

(Expressed in U.S. dollars)

	For the three months ended June 30,		For the six months ended June 30,	
	2018	2017	2018	2017
Revenues				
Product sales	\$ 3,671,738	\$ 2,089,393	\$ 6,854,727	\$ 4,348,487
Consulting revenue	9,898	-	27,176	-
Total Revenue	\$ 3,681,636	\$ 2,089,393	\$ 6,881,903	\$ 4,348,487
Inventory expensed to cost of sales	3,029,795	1,530,212	5,754,508	3,368,899
Production costs	113,753	157,057	411,227	339,065
Gross margin before the undernoted	538,088	402,124	716,168	640,523
Fair value changes in biological assets included				
in inventory sold and other inventory charges	10,518	-	129,648	-
Gain on changes in fair value of biological assets	Note 7 (412,360)	-	(706,257)	-
Gross profit	\$ 939,930	\$ 402,124	\$ 1,292,777	\$ 640,523
Expenses				
General and administration	3,270,258	2,058,257	6,066,052	3,656,530
Share based compensation	Note 15 567,969	215,221	1,643,421	376,569
Professional fees paid with equity instruments	-	113,071	-	167,491
Sales and marketing	440,751	287,289	824,052	566,212
Depreciation and amortization	Note 8, 9 358,516	71,128	703,795	133,303
Total expenses	\$ 4,637,494	\$ 2,744,966	\$ 9,237,320	\$ 4,900,105
Loss before undernoted items	\$ (3,697,564)	\$ (2,342,842)	\$ (7,944,543)	\$ (4,259,582)
Interest expense	266,317	312,411	915,575	857,432
Transaction costs	-	-	471,900	-
Loss on disposal of assets	5,000	294,200	5,000	294,200
Impairment of financing lease receivable	-	27,422	-	54,844
Other loss	36,723	161,903	(122,403)	162,828
Gain on change in fair value of warrant liability	Note 12 (4,415,480)	(82,694)	(10,627,702)	(238,379)
Gain on change in fair value of liabilities	Note 10 (2,841,987)	(1,541,097)	(9,970,603)	(1,585,790)
Gain (loss) before income taxes	\$ 3,251,863	\$ (1,514,987)	\$ 11,383,690	\$ (3,804,717)
Current income tax expense	8,434	200,000	8,434	200,000
Net Gain (Loss)	\$ 3,243,429	\$ (1,714,987)	\$ 11,375,256	\$ (4,004,717)
Other comprehensive loss				
Cumulative translation adjustment	\$ 34,146	-	\$ 53,263	-

Comprehensive Gain (Loss)	\$ 3,209,283	\$ (1,714,987)	\$ 11,321,993	\$ (4,004,717)
Basic and diluted gain (loss) per share	\$ 0.01	\$ (0.01)	\$ 0.02	-0.03
Weighted average number of common shares outstanding	575,776,971	143,604,908	555,451,438	131,045,274

GOLDEN LEAF HOLDINGS LTD.

Interim Condensed Consolidated Statement of Financial Position (Unaudited)

As at June 30, 2018 and December 31, 2017

(Expressed in U.S. dollars)

		June 30, 2018	December 31, 2017
ASSETS			
CURRENT			
Cash		\$ 15,702,963	\$ 6,009,447
Accounts receivable	Note 6	270,919	377,746
Other receivables		136,234	-
Income tax recoverable		748,200	432,000
Sales tax recoverable		549,449	442,832
Biological assets	Note 7	402,675	90,627
Inventory	Note 7	4,059,927	3,623,255
Prepaid expenses and deposits		720,415	348,176
Assets held for sale		35,274	305,274
Total current assets		\$ 22,626,056	\$ 11,629,357
Property, plant and equipment	Note 8	6,071,676	5,956,910
Intangible assets	Note 9	26,075,826	26,227,116
Goodwill		31,971,398	31,971,398
Total assets		\$ 86,744,956	\$ 75,784,781
LIABILITIES			
CURRENT			
Accounts payable and accrued liabilities		\$ 1,127,110	\$ 2,867,735
Interest payable		1,594	48,524
Current portion of long-term debt	Note 11	40,371	131,610
Current portion of convertible debentures carried at fair value	Note 10	-	271,245
Derivative liability		92,178	61,044
Total current liabilities		\$ 1,261,253	\$ 3,380,158
Long term debt	Note 11	64,455	80,381
Note payable	Note 10	313,816	389,916
Convertible debentures carried at fair value	Note 10	12,016,126	30,360,225
Consideration payable		9,527,350	9,527,350
Warrant liability	Note 12	4,406,297	14,300,616
Total liabilities		\$ 27,589,297	\$ 58,038,646
SHAREHOLDERS' EQUITY			
Share capital	Note 13	\$ 138,002,232	\$ 108,552,681
Warrant reserve	Note 14	4,078,120	5,083,561
Share option reserve	Note 15	2,100,540	1,087,640
Contributed surplus		59,940	59,940
Accumulated other comprehensive loss		-43,435	9,828
Deficit		-85,041,738	-97,047,515

Total shareholders' equity	\$ 59,155,659	\$ 17,746,135
Total liabilities and shareholders' equity	\$ 86,744,956	\$ 75,784,781

Adjusted EBITDA				
	For the three months ended June 30,		For the six months ended June 30,	
	2018	2017	2018	2017
Income (loss) before income taxes	3,251,863	(1,514,987)	11,383,690	(3,804,717)
Adjustments:				
Net impact, fair value of biological assets	(401,842)	-	(576,609)	-
Depreciation and amortization	358,516	71,128	703,795	133,303
Fair value changes on debt and equity instruments	(7,257,467)	(1,623,791)	(20,598,305)	(1,824,169)
Share based compensation	567,969	328,292	1,643,421	544,060
Interest expense, net	266,317	312,411	915,575	857,432
Transaction costs	-	-	471,900	-
Impairments and other	36,723	189,325	(122,403)	217,672
Loss on disposal	5,000	294,200	5,000	294,200
Adjusted EBITDA operational Gain (Loss)	\$ (3,172,921)	\$ (1,943,422)	\$ (6,173,936)	\$ (3,582,219)

Adjusted EBITDA Disclaimer: Adjusted EBITDA is defined by the Company as earnings before interest, taxes, depreciation, amortization, less certain non-cash compensation expenses, including impairments, one-time transaction fees and all other noncash items. Adjusted EBITDA is a non-GAAP financial measure which does not have any standardized meaning prescribed by IFRS and is therefore unlikely to be comparable to similar measures presented by other issuers. The Company considers this Adjusted EBITDA an important figure to show the true day to day operational picture of the business. It should not be considered in isolation as a substitute for measures of performance prepared in accordance with the IFRS.