

Golden Leaf Reports Fiscal Second Quarter 2019 Results

TORONTO, Aug. 26, 2019 -- Golden Leaf Holdings Ltd. ("Golden Leaf" or the "Company") (CSE:GLH) (OTCQB:GLDFF), a pioneer cannabis oil solutions company and dispensary operator built around recognized brands, today announced financial results for the fiscal second quarter ended June 30, 2019, and a general business update.

Recent Business and Financial Highlights

- Sales increased 17% over the second quarter in prior year.
- Material improvement in Gross profit to 40% in Q2 2019, compared with 26% in Q2 2018, while experiencing growth in revenue.
- Adjusted EBITDA loss decreased dramatically to US\$1.5M in Q2 2019 compared with US\$3.2M in Q2 2018.
- Acquired the Standard Processing and Medical Sales Licenses from Health Canada.
- Retained a recruiting firm to lead search for new CEO and CFO.

Subsequent Events

An agreement to manufacture Chalice fruit chews in California

In July 2019, the Company entered into a License Agreement with The Micro Buddery, Inc. to manufacture Chalice Farms branded cannabis fruit chews in the state of California. The License Agreement is subject to regulatory approval from the California Bureau of Cannabis Control. This is the Company's first foray into the California cannabis market.

Debt Restructuring Contingent Agreement and Debenture Holders Meeting

In July 2019, the Company reached an agreement in principle to extend the due date for the \$9,527,350 earn-out payment due to Chalice LLC and its members, related to the acquisition of certain assets and a subsidiary of Chalice on July 7, 2017. The agreement provides for the consideration payable due date to be extended to May 2, 2022, but is not effective until the holders of the debentures that mature on November 2, 2019 vote to approve certain extraordinary resolutions, including the early conversion of the debentures.

The Company reached an agreement to extend the due date for the \$9,527,350 earn-out payment due to Chalice LLC and its members to May 2, 2022. On August 21, 2019, the debenture holders approved the repayment of the principal amount of the debentures of C\$12,961,000 and accrued interest of \$190,815 via an early conversion on August 23, 2019 at C\$0.06. The original maturity of these debentures and Chalice earn-out due date was November 2, 2019. Following such debt restructuring and early conversion of the debentures, the Company has sufficient liquidity to meet its current obligations when due and to execute its strategic initiatives.

Fiscal Second Quarter Ended June 30, 2019 Financial Results

For the second quarter ended June 30, 2019 ("Q2 2019"), total revenue was US\$4.3 million as compared to US\$3.7 million for the same three-month period in 2018 ("Q2 2018"). The 17% quarter-over-quarter increase is largely attributable to strong wholesale revenue streams in Oregon and flower sales from our Canadian operations.

Gross profit was US\$1.7 million or 40% of total revenue for Q2 2019, compared with US\$0.9 million or 26% of total revenue in Q2 2018. Gross profit improvement in Q2 2019 over prior year period is consistent with the gross profit of 41% of quarterly revenues in Q1 2019.

"The strong gross margin run-rate in the first six months of 2019 is primarily due to significant cost reductions and utilization of improved inventory controls and processes," said John Varghese, Interim CEO, Golden Leaf Holdings. "Our increased focus on operational excellence and building out our executive team is starting to show results that we believe are sustainable for growth in the coming quarters."

Operating expenses were US\$4.0 million for Q2 2019 compared with US\$4.6 million for Q2 2018. Q2 2019 operating expenses included \$0.3M in wages and benefits related to headcount reductions and severance.

Adjusted EBITDA loss dramatically decreased to US\$1.5 million for Q2 2019, compared with a loss of US\$3.5 million for Q2 2018. Adjusted EBITDA is defined by the Company as earnings before interest, taxes, depreciation and amortization, non-cash compensation expenses, one-time transaction fees and other non-cash charges that include impairments. The Company considers Adjusted EBITDA an important operational measure for the business. For a reconciliation of Adjusted EBITDA to income (loss) before income taxes, please see the Company's management discussion and analysis for the three and six months ended June 30, 2019 (the "MD&A").

Net loss for Q2 2019 was US\$3.4 million or US\$0.01 per share, compared with a net gain of US\$3.2 million or US\$0.01 per share for Q2 2018. Net income for Q1 2018 benefited from favorable changes in the fair value of warrant and debt liabilities of US\$7.3 million, compared with an unfavorable change of \$0.1M for Q2 2019. Changes in the fair value of warrant and debt liabilities and other non-cash items are excluded in the Adjusted EBITDA non-GAAP measurement.

As of June 30, 2019, the Company had approximately US\$5.2 million in cash, compared with US\$12.3 million at December 31, 2018.

The Company's interim condensed consolidated financial statements for the three and six months ended June 30, 2019, the related notes and MD&A for the three and six months ended June 30, 2019 will be filed on SEDAR and available for review later today.

The Company's recent investment presentation was filed on SEDAR on August 13, 2019.

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 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. These risks include but are not limited to general business, economic and competitive uncertainties, regulatory risks, market risks, risks inherent in manufacturing and retail operations such as unforeseen costs and production shutdowns, difficulties in maintaining brand loyalty, 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 Financial Position (Unaudited)

As at June 30, 2019 and December 31, 2018

(Expressed in U.S. dollars)

	June 30, 2019	December 31, 2018
ASSETS		
CURRENT		
Cash	\$ 5,249,820	\$ 12,275,372
Accounts receivable	476,468	624,453

Other receivables	484,961	297,737
Income tax recoverable	686,600	686,600
Sales tax recoverable	562,833	661,319
Biological assets	187,503	74,148
Inventory	3,570,523	3,416,906
Prepaid expenses and deposits	1,311,512	1,962,033
Assets held for sale	-	35,274
Total current assets	\$ 12,530,220	\$ 20,033,842

Property, plant and equipment	11,067,700	6,188,835
Intangible assets	21,626,213	21,782,949
Goodwill	25,471,399	25,471,399
Total assets	\$ 70,695,532	\$ 73,477,025

LIABILITIES

CURRENT

Accounts payable and accrued liabilities	\$ 790,342	\$ 2,624,967
Interest payable	752,660	92,554
Income taxes payable	69,534	106,808
Sales tax payable	109,600	231,675
Current portion of long-term debt	1,235,033	25,492
Current portion of convertible debentures carried at fair value	9,059,430	8,888,946
Warrant liability	7,115	369,343
Total current liabilities	\$ 12,023,714	\$ 12,339,785

Long term debt	4,262,902	46,229
Note payable	312,118	312,118
Convertible debentures carried at fair value	5,155,515	4,996,811
Consideration payable	9,295,374	8,956,809
Warrant liability	16,603	236,138
Total liabilities	\$ 31,066,226	\$ 26,887,890

SHAREHOLDERS' EQUITY

Share capital	\$ 138,689,168	\$ 138,511,038
Warrant reserve	3,771,816	4,052,164
Share option reserve	4,638,151	4,777,929
Contributed surplus	59,940	59,940
Accumulated other comprehensive loss	(1,107,975)	(125,930)
Deficit	(106,421,794)	(100,686,006)
Total shareholders' equity	39,629,306	46,589,135
Total liabilities and shareholders' equity	\$ 70,695,532	\$ 73,477,025

GOLDEN LEAF HOLDINGS LTD.

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

For the three and six months ended June 30, 2019 and

2018

(Expressed in U.S. dollars)

	For the three months ended June 30,		For the six months ended June 30,	
	2019	2018	2019	2018
Revenues				
Product sales	\$ 4,296,971	\$ 3,671,738	\$ 8,373,578	\$ 6,854,727
Consulting revenue	12,393	9,898	218,634	27,176
Total Revenue	\$ 4,309,364	\$ 3,681,636	\$ 8,592,212	\$ 6,881,903
Inventory expensed to cost of sales	2,364,479	3,029,795	4,882,634	5,754,508
Production costs	108,451	113,753	247,187	411,227
Gross margin, excluding fair value items	1,836,434	538,088	3,462,391	716,168

Fair value changes in biological assets included in inventory sold	235,833	10,518	397,356	129,648
(Gain) Loss on changes in fair value of biological assets	(104,242)	(412,360)	(407,681)	(706,257)
Gross profit	\$ 1,704,843	\$ 939,930	\$ 3,472,716	\$ 1,292,777
Expenses				
General and administration	2,926,629	3,270,258	5,926,090	6,066,052
Share based compensation	(82,216)	567,969	329,710	1,643,421
Sales and marketing	377,933	440,751	1,008,895	824,052
Depreciation and amortization	735,883	358,516	1,442,029	703,795
Total expenses	\$ 3,958,229	\$ 4,637,494	\$ 8,706,724	\$ 9,237,320
Loss before items noted below	\$ (2,253,386)	\$ (3,697,564)	\$ (5,234,008)	\$ (7,944,543)
Interest expense	761,819	266,317	1,503,481	915,575
Transaction costs	2,114	-	8,222	471,900
Loss on disposal of assets	109,856	5,000	92,911	5,000
Other income (loss)	234,762	36,723	93,565	(122,403)
Gain on change in fair value of warrant liabilities	(82,101)	(4,415,480)	(581,763)	(10,627,702)
(Gain) loss on change in fair value of convertible debentures	155,446	(2,841,987)	119,277	(9,970,603)
Gain (loss) before income taxes	(3,435,282)	3,251,863	(6,469,701)	11,383,690
Current income tax expense	4,300	8,434	15,924	8,434
Net gain (loss)	\$ (3,439,582)	\$ 3,243,429	\$ (6,485,625)	\$ 11,375,256
Other comprehensive loss				
Items that will be reclassified subsequently to profit or loss:				
Cumulative translation adjustment	89,831	34,146	982,045	53,263
Comprehensive gain (loss)	\$ (3,529,413)	\$ 3,209,283	\$ (7,467,670)	\$ 11,321,993
Basic and diluted gain (loss) per share	\$ (0.01)	\$ 0.01	\$ (0.01)	\$ 0.02
Weighted average number of common shares outstanding	589,243,324	575,776,971	589,191,834	555,451,438