

Golden Leaf Holdings Reports Fiscal Third Quarter 2019 Results

TORONTO, Nov. 25, 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 third quarter ended September 30, 2019, and a general business update.

Recent Business and Financial Highlights (USD, unless otherwise stated)

- Year-to-date revenues of \$13.1M are up 9% compared to the same period of \$12.0M in 2018.
- Revenues of \$4.5M for the third quarter of 2019 increased from the second quarter of 2019 and compared favorably with the third quarter of 2018 (excluding one-time product sale in Canada of \$0.6M in Q3 2018).
- Material improvement in gross profit to 36% of revenue in Q3 2019, compared with 9% of revenue in Q3 2018.
- Adjusted EBITDA loss decreased dramatically to \$1.8M in Q3 2019 compared with \$2.9M in Q3 2018.
- Overwhelming approval of extraordinary resolutions by debenture holders approving acceleration of maturity date to August 23, 2019 and conversion of all principal in the amount of CDN\$13.0M and accrued interest of CDN\$0.2M into Company stock at a conversion price of CDN\$.06 per share.
- Extension of \$9.5M (\$5M in cash and \$4.5M in stock) Chalice Earn-Out payment to May 22, 2022.
- Significantly strengthened and revamped the senior management team with the following appointments:
 - John Varghese - Executive Chairman
 - Jeffrey Yapp - CEO
 - Stan Grissinger - President
 - Kate Koustareva - Interim Chief Financial Officer
 - Erin Hills - Senior Vice President, Operations
- Expansion into California through launch of cannabis-infused fruit chews with premier co-packer Micro Buddery and distributor C4 Distro & Trading.
- The Company has developed better manufacturing processes with the expectation that this will continue to improve and produce better gross margins.
- Store-on-store sales through the Company's Chalice Farms retail locations have been increasing in Oregon.
- Through our wholesale distribution operations, our products are now available through 229 wholesale customers in Oregon, 20 wholesale customers in Nevada and are sold in 10 dispensaries in California.

Subsequent Events

Launch of Chalice TV

On October 15, 2019, the Company launched Chalice TV, an online media channel with content to educate consumers on all aspects of cannabis, from cultivating practices to health benefits and more.

Expansion of Management Team

On October 21, 2019, Jane Sullivan appointed as Chief People Officer, head of Human Resources.

Launch of Chalice Chews in Nevada

On October 23, 2019, Chalice Farms Chews launched in Nevada, with a partnership with Planet 13, the iconic retailer located just off the Las Vegas strip. The partnership with Planet 13 is part of the Company's process of re-establishing itself in Nevada.

Oregon Court of Appeals Issues Stay of Vaping Ban

On October 4, 2019, Oregon Governor Kate Brown issued an executive order implementing a six-month ban on both flavored nicotine and cannabis vape products. On November 14, 2019, the Oregon Court of Appeals entered a six-month stay on enforcement of Governor Brown's ban on the sale of flavored nicotine and cannabis vape products. This allows the Company to continue selling its vape products until further action by the Court, or expiration of the stay.

The Company expects to launch a nationwide U.S. CBD line of products in 2020.

Fiscal Third Quarter Ended September 30, 2019 Financial Results

For the nine months ended September 30, 2019, the company had revenues of \$13.1M, which was 9% better than revenue for the third quarter ended September 30, 2018.

Revenues of \$4.5M for the third quarter of 2019 increased from the second quarter of 2019 and compared favorably with the third quarter of 2018 (excluding one-time product sale in Canada of \$0.6M in Q3 2018). During Q3 2018, the Company had an unusually large one-time product sale in Canada of \$0.6M attributable to harvests built-up during 2018 sold under a wholesale contract as soon as the Company obtained respective licenses from Health Canada in September 2018. There have been no harvest sales in Canada during 2019 attributable to ending of the long-term wholesale contract and wholesale market oversupply.

Gross profit was \$1.6M or 36% of total revenue for Q3 2019, compared with \$0.4M or 9% of total revenue in Q3 2018. Gross profit improvement in Q3 2019 over prior year period is slightly lower compared with the gross profit of 40% and 41% of quarterly revenues in Q2 2019 and Q1 2019.

“The strong gross margin run-rate in the first nine months of 2019 is primarily due to significant cost reductions and utilization of improved inventory controls and processes,” said Jeff Yapp, CEO. “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 \$4.2M for Q3 2019 compared with \$4.6M for Q3 2018. The Company has been able to increase year-to-date revenues while maintaining its cost structure. The company will continue to focus on cost controls during the fourth quarter and fiscal 2020.

Adjusted EBITDA loss dramatically decreased to \$1.8M for Q3 2019, compared with a loss of \$2.9M for Q3 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 nine months ended September 30, 2019 (the “MD&A”).

Net loss for Q3 2019 was \$3.2M or \$0.0 per share, compared with a net loss of \$5.5M or \$0.01 per share for Q3 2018, a quarter-over-quarter improvement of \$2.4M.

As of September 30, 2019, the Company had approximately \$3.8M in cash, compared with \$12.3M at December 31, 2018. The Company continues to reduce its cash burn on a monthly basis and expects to turn EBITDA positive during the second half of 2020 further reflecting the improvements on both top line and cost controls.

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

The Company will host a conference call for investors to discuss the third - quarter results on Tuesday, November 26 at 12:00 PM ET. Please visit [click here to register](#) and stream the call, or use the following phone numbers:

Toll Free: 1-877-423-9813
Toll/International: 1-201-689-8573

A replay of the call will be available at 3:00 PM ET on November 26 and will be accessible until Tuesday December 10, 2019. For access to replay:

Toll Free: 1-844-512-2921
Toll/International: 1-412-317-6671
Replay Pin Number: 13696902
Replay Expiry: Tuesday December 10, 2019, 11:59 PM ET

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.

Company:

Kate Koustareva
Interim CFO
Golden Leaf Holdings Ltd.
ir@goldenxtrx.com

Investor Relations:

John Varghese
Executive Chairman
416-706-2312

Media Relations:

Anne Donohoe / Nick Opich
KCSA Strategic Communications
adonohoe@kcsa.com / nopich@kcsa.com
212-896-1265 / 212-896-1206

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 September 30, 2019 and December 31, 2018

(Expressed in U.S. dollars)

	September 30, 2019	December 31, 2018
ASSETS		
CURRENT		
Cash	\$ 3,815,208	\$ 12,275,372
Accounts receivable	465,821	624,453
Other receivables	483,594	297,737
Income tax recoverable	686,600	686,600
Sales tax recoverable	636,946	661,319
Biological assets	157,509	74,148
Inventory	3,948,961	3,416,906
Prepaid expenses and deposits	914,114	1,962,033
Assets held for sale	-	35,274
Total current assets	\$ 11,108,753	\$ 20,033,842
Property, plant and equipment	10,354,392	6,188,835
Intangible assets	21,613,323	21,782,949
Goodwill	25,471,399	25,471,399
Total assets	\$ 68,547,867	\$ 73,477,025
LIABILITIES		
CURRENT		
Accounts payable and accrued liabilities	\$ 1,519,708	\$ 2,624,967
Interest payable	685,496	92,554
Income taxes payable	69,539	106,808
Sales tax payable	133,041	231,675
Current portion of long-term debt	814,559	25,492
Current portion of convertible debentures carried at fair value	-	8,888,946
Warrant liability	104	369,343
Total current liabilities	\$ 3,222,447	\$ 12,339,785
Long term debt	\$ 4,344,472	46,229
Note payable	312,118	312,118
Convertible debentures carried at fair value	4,980,000	4,996,811
Consideration payable	9,157,667	8,956,809
Warrant liability	243	236,138
Total liabilities	\$ 22,016,947	\$ 26,887,890

SHAREHOLDERS' EQUITY

Share capital	\$	148,735,032	\$	138,511,038
Warrant reserve		3,705,261		4,052,164
Share option reserve		4,580,749		4,777,929
Contributed surplus		59,940		59,940
Accumulated other comprehensive loss		(1,317,999)		(125,930)
Deficit		(109,232,063)		(100,686,006)
Total shareholders' equity		46,530,920		46,589,135
Total liabilities and shareholders' equity	\$	68,547,867	\$	73,477,025

GOLDEN LEAF HOLDINGS LTD.

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

For the three and nine months ended September 30, 2019 and 2018

(Expressed in U.S. dollars)

	For the three months ended September 30,		For the nine months ended September 30,	
	2019	2018	2019	2018
Revenues				
Product sales	\$ 4,471,510	\$ 5,104,251	\$ 12,845,088	\$ 11,958,978
Consulting revenue	13,632	8,662	232,266	35,838
Total Revenue	\$ 4,485,142	\$ 5,112,913	\$ 13,077,354	\$ 11,994,816
Inventory expensed to cost of sales	2,775,054	3,825,330	7,657,688	9,579,838
Production costs	121,785	476,512	368,972	887,739
Gross margin, excluding fair value items	1,588,303	811,071	5,050,694	1,527,239
Fair value changes in biological assets included in inventory sold	-	(91,672)	397,356	37,976
(Gain) loss on changes in fair value of biological assets	(28,773)	458,542	(436,454)	(247,715)
Gross profit	\$ 1,617,076	\$ 444,201	\$ 5,089,792	\$ 1,736,978
Expenses				
General and administration	2,931,595	3,182,236	8,857,685	9,248,288
Share based compensation	155,936	539,758	485,646	2,183,179
Sales and marketing	448,569	557,500	1,457,464	1,381,552
Depreciation and amortization	669,219	376,977	2,111,248	1,080,772
Total expenses	\$ 4,205,319	\$ 4,656,471	\$ 12,912,043	\$ 13,893,791
Loss before items noted below	\$ (2,588,243)	\$ (4,212,270)	\$ (7,822,251)	\$ (12,156,813)
Interest expense (income)	560,860	(31,280)	2,064,341	884,295
Transaction costs	612	454,292	8,834	926,192
Loss on disposal of assets	4,330	-	97,241	5,000
Other (loss) income	(79,517)	(12,410)	14,048	(134,813)
Gain on debt modification	(312,083)	-	(312,083)	-
(Gain) loss on change in fair value of warrant liabilities	(23,371)	1,372,824	(605,134)	(9,254,878)
Loss (gain) on change in fair value of convertible debentures	351,088	(506,686)	470,365	(10,477,289)
(Loss) income before income taxes	(3,090,162)	(5,489,010)	(9,559,863)	5,894,680
Current income tax expense	-	3,842	15,924	12,276
Net (loss) income	\$ (3,090,162)	\$ (5,492,852)	\$ (9,575,787)	\$ 5,882,404

Other comprehensive loss

Items that will be reclassified subsequently

to profit or loss:				
Cumulative translation adjustment	210,023	(7,475)	1,192,068	45,788
Comprehensive (loss) gain	\$ (3,300,185)	\$ (5,485,377)	\$ (10,767,855)	\$ 5,836,616
Basic and diluted (loss) gain per share	\$ (0.00)	\$ (0.01)	\$ (0.02)	\$ 0.01
Weighted average number of common shares outstanding	685,518,103	580,321,291	621,050,033	563,832,540