

FORM 51-102F3
Material Change Report

MATERIAL CHANGE REPORT UNDER SECTION 7.1 OF
NATIONAL INSTRUMENT NO. 51-102

Item 1. **Reporting Issuer**

Golden Leaf Holdings Ltd. (the “**Company**”)
82 Richmond Street East
Toronto, Ontario
M5C 1P1

Item 2. **Date of Material Change**

A material change took place on December 31, 2019.

Item 3. **Press Release**

On January 6, 2020, a news release in respect of the material change was disseminated by the Company.

Item 4. **Summary of Material Change**

The Company announced that it had completed the sale on December 31, 2019 to sell its two Canadian subsidiaries, Medical Marihuana Group Corporation (“**MMG**”) and Medical Marijuana Group Consulting Ltd (“**MMC**”) to Sensi Brands Inc (the “**Purchaser**”).

Item 5. **Full Description of Material Change**

The material change is described in the Company's press release attached hereto as Schedule "A", which press release is incorporated by reference herein.

The Company announced that it had completed the sale on December 31, 2019 to sell its two Canadian subsidiaries, MMG and MMC to the Purchaser.

MMG and MMC have been sold for aggregate consideration of C\$3,000,000, plus the assumption of outstanding mortgage debt of C\$400,000. In addition to all the issued and outstanding shares MMG and MMC, the Purchaser will acquire certain amounts receivable by the Company from MMG and MMC. The consideration was composed of \$1,800,000 in cash, \$200,000 in an unsecured loan, and \$1,000,000 in a secured vendor take-back loan. The Purchaser assumed a \$400,000 note issued by MMG and held by an arm’s length lender secured by a first mortgage over the real property of MMG.

Item 6. **Reliance on subsection 7.1(2) of National Instrument 51-102**

The report is not being filed on a confidential basis.

Item 7. **Omitted Information**

No information has been omitted.

Item 8. Executive Officer

Kate Koustareva

Item 9. Date of Report

DATED at Toronto, in the Province of Ontario, this 8th day of January, 2020.

SCHEDULE “A”



Golden Leaf Holdings Announces the Sale of its Canadian Operations While Maintaining the Right to Sell Chalice Farms Products in Canada

TORONTO, Jan. 06, 2020 – Golden Leaf Holdings Ltd. (CSE: GLH) (OTCQB: GLDFF) (“Golden Leaf” or the “Company”), a pioneering cannabis solutions company and dispensary operator built around the recognized brands of Chalice Farms, is pleased to announce that it has sold its two Canadian subsidiaries, Medical Marihuana Group Corporation (“MMG”) and Medical Marijuana Group Consulting Ltd. (“MMC,” and together with MMG, the “Canadian Operations”), to Sensi Brands Inc. (“Sensi Brands” or “Purchaser”), a global cannabis consumer packaged goods company.

The Canadian Operations were sold for aggregate consideration of C\$3,400,000, including the assumption of outstanding mortgage debt of C\$400,000. In addition to all the issued and outstanding shares of MMG and MMC, the Purchaser acquired certain amounts receivable by the Company from MMG and MMC. The consideration was composed of C\$1,800,000 in cash received at closing, C\$200,000 in an unsecured loan, and C\$1,000,000 in a secured vendor take-back loan. The Purchaser assumed a C\$400,000 note issued by MMG and held by an arm’s length lender secured by a first mortgage over the real property of the Canadian Operations. The transaction closed on December 31, 2019.

In parallel, the Board of Directors of MMG has approved a strategic shift whereby management will now pivot and place more focus on what is thought to be more accretive markets in the United States, where existing operations have demonstrated more favorable cash flows. MMG recorded zero sales in the third quarter of 2019 and consumed nearly C\$475,000 of cash during this time. Turning attention to the U.S. aligns with the Company’s “crawl, walk, run” mantra, and will allow the Company to continue to validate its business plan and revenue streams prior to making additional, and more significant, capital investments that generate positive returns.

With the sale of MMG and MMC to Sensi Brands, GLH was able to shore-up its cash position while maintaining the right to sell its Chalice Farms products in Canada upon receipt of Health Canada approvals. As part of the transaction, GLH anticipates entering into a royalty agreement with Sensi Brands to market and distribute its Chalice Farms products to Canada. GLH also expects to enter into a reciprocal royalty agreement with the Purchaser to sell their products in the United States.

“We are excited to acquire MMG and MMC and to enhance their operations,” said Sensi Brands’ CEO Tony Giorgi. “They provide Sensi Brands with a solid platform for executing on our strategy of introducing and developing strong cannabis brands in Canada and international markets.”

“This transaction was a pro-active move that better aligns the Company with the strategy defined by our new leadership team and puts us firmly on a growth trajectory for 2020,” said Golden Leaf Holdings’ CEO Jeff Yapp. “We will continue to focus on growing our brands, launching new products, expanding our geographic footprint in North America while driving towards profitability. By retaining the option to launch Chalice Farms products in Canada, we will be able to apply the proven model that we have executed successfully in California to the key Canadian markets.”

The sale of the Canadian Operations allows the Company to strengthen its balance sheet and focus its resources on its principal markets in the U.S., including Oregon, Nevada and California, as well as the addition of new markets in the coming year. With more than 50 new SKUs launched – and enthusiastically received - during the fourth quarter, the Company management believes that the cash from this sale and available funds on hand will be sufficient to fund the Company’s key ongoing operations and to help it achieve its objectives for fiscal 2020. The transaction will be accounted for in the Company’s Consolidated Financial Statements as of and for the year ended December 31, 2019.

To be added to the distribution list please email ir@goldenxtrx.com with “GLH” in the subject line.

About Golden Leaf Holdings

Golden Leaf Holdings Ltd. is a Canadian company with operations in multiple jurisdictions including Oregon, Nevada and California, with cultivation, production and retail operations built around the recognized brands of Chalice Farms. 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 goldenleafholdings.com to learn more.

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About Sensi Brands Inc.

Sensi Brands Inc. is a global cannabis consumer packaged goods company. Sensi Brands has established an ecosystem of best-in-class cannabis cultivators to supply select cannabis ingredients, which are processed and packaged to support a portfolio of brands for discerning cannabis consumers. Sensi Brands is raising the bar on cannabis branding by bringing together an experienced management team (former leaders at vertically integrated cannabis companies) to build the next leader in the cannabis CPG industry.

Investor Relations:

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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.