GOLDEN LEAF

Golden Leaf Reports Record Annual Revenue of US$15.7 million for 2019 Fiscal Year

Cost control, operational efficiency, retail expertise and new focused leadership recognized as critical success factors driving Company growth

TORONTO, May 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, today announced financial results for the fourth quarter and fiscal year ended December 31, 2019. All figures in USD unless otherwise noted.

Jeff Yapp, Chief Executive Officer of Golden Leaf stated, "The potential revenue impact resulting from the Vape ban in the fall of 2019 was a turning point for the Company. By harnessing the new team's agility, product and market ingenuity, we were able to quickly pivot, recover and demonstrate market leadership in Oregon."

2019 Financial Highlights:

- Total revenue from continuing operations of US$15.8 million for FY 2019, a 7% year-over-year increase compared to US$14.7 million for FY 2018.
- Gross profit of US$4.3M at 27% margin, compared to US$0.9M at a 6% margin in 2018. This increase is the result of facility consolidations, headcount rationalization, and internal manufacturing of distillate raw material inputs.
- Adjusted EBITDA[1] loss of US$8.8M in 2019 compared to US$14.4M in 2018.
- Disposed of money losing Canadian Operations for proceeds of C$3.0 million, reducing a continued drain on our cash balances.
- Q4 revenues of US$3.5M were a decrease from previous quarter, but attributed to impacts related to the vaping crisis in late 2019. Sales have recovered during the first quarter of 2020 to US $4.7M as previously announced on April 20, 2020.

2019 Accomplishments:

- Dramatically strengthened the management team with the hire of Jeff Yapp as CEO. Yapp has since built a world-class management team with a unique combination of Cannabis and Retail experience.
- Restructured the balance sheet resulting in conversion of debt to equity and extension of Chalice debt obligations to May 2022.
- The operating mantra of Crawl; Walk; Run was instituted and applied in a disciplined manner, resulting in a reduction of cash burn by nearly 50% from fiscal 2018.
- Pivoted product innovation and introduced new revenue streams, while reducing dependency on Vaping products, to recover from the revenue impact of Vape bans.
- Supply chain discipline in purchasing, inventory management and production established.
- Sourced and developed five new partnerships and arrangements for 2020 growth. The Company's more than two dozen introductory SKU's were sold in 31 dispensaries in California as of December 31, 2019.
- Successfully divested from unprofitable business lines. On December 31, 2019, the Company sold its two Canadian subsidiaries, Medical Marihuana Group Corporation ("MMG") and Medical Marijuana Group Consulting Ltd. ("MMC,").
- Laid the foundation for new revenue streams requiring minimal capital investment such as the third-party toll-processing business through Tozmoz LLC ("Tozmoz"), which has gained momentum during the first quarter of 2020, generating in excess of US$0.4M in incremental revenues with zero working capital outlays.
- On October 11, 2019, executed an asset purchase agreement for Tozmoz) and concurrently executed a consulting agreement with Tozmoz whereby Tozmoz provides all extraction and packaging needs for the Company's Oregon business and allows the Company to realize the revenues and cash flows of its third party revenue streams in exchange for working capital support. This arrangement has allowed for increased scale and efficiencies in distillate production and access to a full range of extraction and refinement capabilities which positions us as a leader in the Oregon extraction business. The Company expects to close this acquisition in the 2nd quarter of 2020.
- Successfully introduced several new products and flavors of the Chalice Farms fruit chews and blasts including new Chalice Chocolate blasts and Elysium Fields live resin vaporizer cartridges. The Company now has over 200 SKU's across 5 brands across the Vape, Edibles and Flower categories across all jurisdictions.
- Completed provisioning of the Company's cultivation facility in Oregon with the inaugural harvest occurring in first quarter 2020.

Subsequent Events:

- On April 20, 2020, the Company announced record unaudited revenues of US$4.7 million in Q1 of fiscal 2020, with estimated gross margins of 40%. This represents a 34.3% increase from Q4 of fiscal 2019 while overcoming challenges posed by COVID-19.
- On February 3, 2020, the Company announced its pending acquisition of the assets of Tozmoz, LLC.
- Launched a new monthly newsletter and update portal: https://www.glhmonthly.com/

"This was a transitional year with many management changes, all of which resulted in a more disciplined approach to growth," explained Yapp. “In 2019, we laid the groundwork for achieving positive cash flow; that goal is within immediate sight. The culture, commitment and resiliency of the Company’s current leadership team is driving revenue and gross margin growth, all despite a ban on vaping products in late 2019 and amidst a current global pandemic crisis.”

Fiscal Year 2019 Financial Results

For the year ended December 31, 2019 (“FY 2019”), total revenue from continuing operations was US$15.8 million as compared to US$14.6 million for the same twelve-month period in 2018 (“FY 2018”). The 7% year-over-year increase largely reflects improvements in the Oregon retail business.

Gross profit was US$4.3 million, or 27% of total revenue for FY 2019, compared with US$0.9 million or 6% of total revenue in FY 2017. FY 2019 gross margin increased largely due to cost control measures implemented early in the year, including facility consolidation and headcount reduction in operational areas. In addition, the Company nearly eliminated its reliance on costly third-party oil procurement needs during FY 2019.

Operating expenses were US$16.6 million for FY 2019, compared with US$21.6 million in FY 2018 an improvement of US$5 million, or 23%, driven largely by decreases in share-based compensation and general and administrative expenses. Cash-based operating expenses of US$13.1 million in 2019 were 93% of total revenue, compared with US$15.3 million in 2018 or 104% of total revenue. The reduction in operating expenses was due primarily to decreased salaries, wages and share-based compensations from a lower corporate headcount.

Adjusted EBITDA loss was US$8.8 million for FY 2019, compared with a loss of US$14.5 million for FY 2018. This measure is primarily driven by the increase in gross profit and the reduction in cash-based operating expenses. 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 FY 2019 (the “MD&A”).

Net loss from continuing operations for FY 2019 was US$32.6 million compared to US$4.3 million for FY 2018. FY 2018 experienced significant non-cash gains related to financial instruments and FY 2019 experienced non-cash impairment losses of US$18.7 million in goodwill and intangibles, mostly related to the acquisition of Chalice Farms. These impairment losses are largely a result of the relative consideration paid by prior management compared to current valuations, rather than an indication of ongoing performance issues.

The Company wishes to underscore that its retail business is performing better than ever.

“For years, we’ve been providing wellness-inspired cannabis products that feed the market’s growing demand for healthy, vegan, gluten-free, organic and locally-sourced oils, extracts and ingredients,” continued Yapp. “While others play catch-up, we are optimizing and improving our commitment to deliver the highest quality cannabis product and experience.”

The Company reported a loss on discontinued operations of US$13.8 million related to the sale of its Canadian subsidiaries effective December 31, 2019.

The Company’s annual financial statements for FY 2019 and related MD&A have been filed on SEDAR and are available for review.

[1]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, and excluding fair value changes related to biological assets.

Investor Conference Call

Golden Leaf management, led by Mr. John Varghese, Executive Chairman and Mr. Jeff Yapp, Chief Executive Officer, will hold a conference call on Thursday May 7th, 2020 at 5:00pm ET, to report its financial results for the year ended December 31, 2019.

Dial-in information for the conference call is as follows:

Program Title: Golden Leaf Holdings – Fourth Quarter 2019 Financial Results Conference Call
Toll Free: 1-877-407-0784
Toll/International: 1-201-689-8560

A live audio webcast will be available online on the Company’s website at www.goldenleafholdings.com where it will be archived for one year.

An audio replay of the conference call will be available through midnight May 21st, 2020 by dialing 1-844-512-2921 from the US or Canada, or 1-412-317-6671 from international locations. The conference ID: 13703561.

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.

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.

Neither the Canadian Securities Exchange nor its Regulation Services Provider have reviewed or accept responsibility for the adequacy or accuracy of this release.

GOLDEN LEAF HOLDINGS LTD.
Consolidated Statements of Financial Position
As at December 31, 2019 and 2018
(Expressed in U.S. dollars)

			2019		2018
ASSETS					
CURRENT					
Cash		$	3,531,202	$	12,275,372
Accounts receivable, net	Note 8		167,178		624,453
Other receivables	Note 8		447,901		297,737
Income tax recoverable	Note 26		-		686,600
Sales tax recoverable			271,866		661,319
Biological assets	Note 9		88,078		74,148
Inventory	Note 9		2,965,304		3,416,906
Prepaid expenses and deposits			325,329		1,962,033
Assets held for sale	Note 10		-		35,274
Total current assets			7,796,858		20,033,842
Property, plant and equipment, net	Note 10		3,723,489		6,188,835
Notes receivable	Note 7		919,488		-
Right-of-use assets, net	Notes 5 and 19		4,333,064		-
Intangible assets, net	Note 11		10,737,423		21,782,949
Goodwill	Note 11		4,056,172		25,471,399
Total assets		$	31,566,494	$	73,477,025

LIABILITIES

CURRENT			
Accounts payable and accrued liabilities		$ 1,564,982	$ 2,624,967
Interest payable		125,900	92,554
Income taxes payable	Note 26	(74,034)	106,808
Deferred income tax payable	Note 26	248,852	-
Sales tax payable		187,520	231,675
Current portion of long-term debt	Note 13	82,404	25,492
Lease liability	Notes 5, 13 and 19	843,238	-
Current portion of convertible debentures carried at fair value	Note 12	-	8,888,946
Warrant liability	Note 14	-	369,343
Total current liabilities		2,978,862	12,339,785
Long term debt	Note 13	29,952	46,229
Note payable	Note 12	-	312,118
Long term lease liability	Notes 5, 13 and 19	4,090,806	-
Convertible debentures carried at fair value	Note 12	4,706,141	4,996,811
Consideration payable - cash portion	Note 13 and 21	4,218,866	4,502,013
Consideration payable - equity portion	Note 13 and 21	4,940,667	4,454,796
Warrant liability	Note 14	-	236,138
Total liabilities		20,965,294	26,887,890
SHAREHOLDERS' EQUITY			
Share capital	Note 15	147,763,499	138,511,038
Warrant reserve	Note 16	1,980,217	4,052,164
Share option reserve	Note 17	4,181,350	4,777,929
Contributed surplus		59,940	59,940
Accumulated other comprehensive loss		-	(125,930)
Deficit		(143,383,806)	(100,686,006)
Total shareholders' equity		10,601,200	46,589,135
Total liabilities and shareholders' equity		$ 31,566,494	$ 73,477,025

GOLDEN LEAF HOLDINGS LTD.

Consolidated Statements of Operations and Comprehensive Loss

For the years ended December 31, 2019 and 2018

(Expressed in U.S. dollars)

		2019	2018
Revenues			
Product sales	Note 25	$ 15,649,539	$ 14,634,969
Consulting revenue	Note 25	105,068	62,817
Total Revenue		15,754,607	14,697,786
Inventory expensed to cost of sales	Notes 9, 25	10,996,815	13,286,359
Production costs	Note 25	461,039	502,540
Gross margin, excluding fair value items		4,296,753	908,887
Fair value changes in biological assets included in inventory sold	Notes 9, 25	-	37,976
(Gain) Loss on changes in fair value of biological assets	Notes 9, 25	(20,715)	(67,173)
Gross profit		4,317,468	938,084
Expenses			
General and administration		11,019,327	13,194,231
Share based compensation	Note 17	1,014,915	4,616,448
Sales and marketing		2,039,744	2,137,459
Depreciation and amortization	Note 5, 10	2,502,844	1,613,510

Total expenses			16,576,830		21,561,649
Loss before items noted below			(12,259,362)		(20,623,565)
Interest expense	Notes 5, 12, 13		2,712,092		2,182,985
Transaction costs	Note 20		279,402		1,686,425
Loss on disposal of assets	Note 10		73,218		5,000
Other (income) loss			74,246		(2,598,631)
Impairment loss	Note 11		18,735,818		9,930,589
Gain on change in fair value of warrant liabilities	Note 14		(605,481)		(14,993,991)
Gain on debt modification or extinguishment	Notes 12, 13		(2,290,163)		-
Gain on change in fair value of derivative liabilities			-		(61,044)
Loss (gain) on change in fair value of convertible debentures	Note 12		565,580		(12,582,178)
Loss before income taxes			(31,804,074)		(4,192,720)
Current income tax expense	Note 26		812,461		82,811
Net loss from continuing operations		$	(32,616,535)	$	(4,275,531)
Loss from discontinued operations	Note 7		(13,764,706)		(294,811)
Net loss		$	(46,381,241)	$	(4,570,342)
Other comprehensive loss					
Items that will be reclassified subsequently to profit or loss:					
Cumulative translation adjustment			125,930		(135,758)
Comprehensive loss		$	(46,255,311)	$	(4,706,100)
Basic and diluted loss per share from continuing operations	Note 18	$	(0.05)	$	(0.01)
Basic and diluted loss per share from discontinued operations	Note 18	$	(0.02)	$	(0.00)
Weighted average number of common shares outstanding	Note 18		671,893,137		568,877,327

Adjusted EBITDA

		For the year ended December 31,		
		2019		2018
Loss before income taxes		(31,804,074)		(4,192,720)
Adjustments:				
Net impact, fair value of biological assets		(20,715)		(29,197)
Depreciation and amortization		2,502,844		1,613,510
Fair value changes on debt and equity instruments		(2,330,064)		(27,637,213)
Share based compensation		1,014,915		4,616,448
Interest expense, net		2,712,092		2,182,985
Transaction costs		279,402		1,686,425
Impairments and other		18,810,064		7,331,958
Loss on disposal of assets		73,218		5,000
Adjusted EBITDA	$	(8,762,318)	$	(14,422,803)

Adjusted EBITDA Disclaimer: Adjusted EBITDA is defined by the Company as earnings before interest, taxes, depreciation, amortization, non-cash compensation expenses, one-time transaction costs and other non-cash charges that include impairments. 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.