



Golden Leaf Holdings Reports Fiscal First Quarter 2020 Results

Product, business, and retail innovations spur new highs

TORONTO, May 21, 2020 -- Golden Leaf Holdings Ltd. (CSE:GLH) (OTCQB:GLDFF) ("Golden Leaf" or the "Company"), a premiere consumer-driven cannabis company specializing in production, processing, wholesale, distribution and retail, today announced financial results for the first quarter ended March 31, 2020. All financial results are stated in US dollars, unless otherwise noted.

"The health crisis caused by COVID-19 that began during the first quarter of 2020 was one of many challenges the Company overcame this quarter," stated Jeff Yapp, Chief Executive Officer of Golden Leaf. "I am proud of the team's ability to pivot our operations, retail model, and product line, to help re-establish Golden Leaf as a market leader in Oregon and generate record revenues."

Q1 Financial Highlights:

- Record quarterly revenues from continuing operations of \$4.7M, an increase of 21% compared to the first quarter of 2019 and 34% compared to the fourth quarter of 2019. This increase was led by record first quarter Chalice Farms retail revenues of \$3.1M which was driven by an increase in total tickets of 19% compared to the first quarter of 2019 and 7% compared to the fourth quarter of 2019.
- Adjusted EBITDA loss of \$0.9M, an improvement of \$1.1M, or 55%, year-over-year, and an improvement of \$1.3M, or 59%, compared to the 2019 run rate adjusted EBITDA
- Gross profit of \$1.7M was a 21% improvement from gross profit of \$1.4M from same period 2019.
- Lowered operating expenses to \$3.3M, a reduction of \$1.2M, or 26% year over year

"The Company continues to take a more disciplined approach to growth and working capital utilization, resulting in better supply chain control in purchasing, inventory management and production," continued Yapp. "We have extended terms with vendors, dramatically improved warehouse efficiencies and collections, reduced receivables, and cut operating expenses."

Q1 Business Highlights:

- On January 8, 2020, the Company launched a full-spectrum version of the popular Rick Simpson cannabis oil extracts, the RXO product line, utilizing Essential Innovations patented technology.
- As reported on February 3, 2020, the Company announced it had entered into an agreement to acquire Tozmoz, LLC, one of Oregon's premier cannabis extractors. On March 20, 2020, the Company accelerated the launch of home delivery service in preparations for the upcoming concerns of COVID-19 in Oregon. Both Powell and Country Store retail locations offer this service, with more stores coming soon. On March 23, 2020 Governor Kate Brown announced a "Stay Home, Stay Healthy" order closing all non-essential businesses. Being considered essential, our retail stores began practicing social distancing, increased cleaning regiments, and continued to service our customers in a safe and healthy way.
- On March 13, 2020, the Company signed a Product Manufacturing and Distribution Agreement with Sugar Pine (i.e., A New Leaf Production Center, LLC, a Nevada limited liability company) to produce marijuana-infused products for the Company under Nevada law, for sale and distribution in Nevada.
- Beginning March 23, 2020, launched curbside pickup at our retail stores to limit crowds, placing more emphasis on online ordering.

Fiscal First Quarter Ended March 30, 2020 Financial Results

For the three months ended March 31, 2020 ("Q1 2020"), total revenue from continuing operations was \$4.7 million, as compared to \$3.9 million for the same period in 2019 ("Q1 2019"). The 19% year-over-year increase largely reflects improvements in the Oregon retail and wholesale businesses. Gross profit was \$1.7 million, or 37% of total revenue for Q1 2020, compared with \$1.4 million, or 37% of total revenue, in Q1 2019.

Operating expenses were \$3.3 million for Q1 2020, compared with \$4.4 million in Q1 2019, an improvement of \$1.1 million, or 26%. Cash-based operating expenses of \$2.6 million in Q1 2020 were 53% of total revenue, compared with \$3.4 million in Q1 2019, or 87% of total revenue. The reduction in operating expenses was due primarily to decreased salaries, wages, and share-based compensation and more significant than the cost reduction measures that were taken in Q1 2019.

Adjusted EBITDA loss was \$0.9 million for Q1 2020, compared with a loss of \$2.0 million for Q1 2019, a 55% improvement. This measure is primarily driven by the increase in gross profit and the reduction in cash-based operating expenses for the period. The Company considers Adjusted EBITDA an important operational measure for the business. Net loss from continuing operations for Q1 2020 was \$2.5 million, compared to \$3.1 million for Q1 2019, driven primarily by increased gross profit. See the management discussion and analysis for Q1 2020 as filed on SEDAR for a description of Adjusted EBITDA.

As of March 31, 2020, the Company offers, directly and through its partners, over 100 SKUs across 13 product lines in three jurisdictions: Oregon, California, and Nevada.

Investor Conference Call

Golden Leaf Holdings – 2020 First Quarter Earnings 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 21, 2020 at 5:30pm ET, to report its financial results for Q1 ended March 31, 2020. Please [click here to register](#) and stream the call, or use the following phone numbers:

Toll Free: 1-800-458-4148

Toll/International: 1-323-794-2093

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 Thursday, June 4, 2020 by dialing 1-844-512-2921 from the US or Canada, or 1-412-317-6671 from international locations. The conference ID: 5528535.

[About Golden Leaf Holdings](#)

Golden Leaf Holdings is a premiere consumer-driven cannabis company specializing in production, processing, wholesale, distribution and retail, with seven dispensaries in Portland, Oregon. The Company is committed to developing a dynamic portfolio built around the recognized brands of Chalice Farms, with a focus on health and wellness. Markets served include Oregon, California, Nevada and Washington. Visit glhmonthly.com for regular updates.

Investor Relations:

John Varghese
Executive Chairman
Golden Leaf Holdings Ltd.
971-371-2685
ir@goldenleafholdings.com

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 (as that term is defined in the policies of the Exchange) accepts responsibility for the adequacy or accuracy of this release.

GOLDEN LEAF HOLDINGS LTD.

Interim Condensed Consolidated Statement of Financial Position (Unaudited)

As at March 31, 2020 and December 31, 2019

(Expressed in U.S. dollars)

| | | March 31, 2020 | December 31, 2019 |
|---------------------|--------|----------------|-------------------|
| CURRENT | | | |
| Cash | \$ | 1,543,102 | \$ 3,531,202 |
| Accounts receivable | Note 6 | 259,424 | 167,178 |
| Other receivables | Note 6 | 452,273 | 447,901 |

| | | | |
|-------------------------------|--------|------------------|------------------|
| Income tax recoverable | | 6,497 | 74,034 |
| Sales tax recoverable | | 283,331 | 271,866 |
| Biological assets | Note 8 | 183,928 | 88,078 |
| Inventory | Note 8 | 3,705,769 | 2,965,304 |
| Prepaid expenses and deposits | | 558,469 | 325,329 |
| Total current assets | | 6,992,793 | 7,870,892 |

| | | | |
|-------------------------------|---------|-------------------|-------------------|
| Property, plant and equipment | Note 9 | 3,412,671 | 3,723,489 |
| Notes receivable | Note 7 | 919,488 | 919,488 |
| Right-of-use assets, net | Note 10 | 4,400,294 | 4,333,064 |
| Intangible assets | Note 11 | 10,737,423 | 10,737,423 |
| Goodwill | Note 11 | 4,056,172 | 4,056,172 |
| Total assets | | 30,518,841 | 31,640,528 |

LIABILITIES

CURRENT

| | | | |
|--|---------|------------------|------------------|
| Accounts payable and accrued liabilities | | 2,135,555 | 1,564,982 |
| Interest payable | | 304,699 | 125,900 |
| Income taxes payable | | 314,789 | - |
| Deferred income tax payable | | 248,852 | 248,852 |
| Sales tax payable | | 11,282 | 187,520 |
| Current portion of long-term debt | Note 13 | 76,173 | 82,404 |
| Lease liability | Note 13 | 920,877 | 843,238 |
| Total current liabilities | | 4,012,227 | 3,052,896 |

| | | | |
|--|---------|-------------------|-------------------|
| Long term debt | Note 13 | 29,952 | 29,952 |
| Long term lease liability | Note 13 | 4,185,920 | 4,090,806 |
| Convertible debentures carried at fair value | Note 12 | 4,706,141 | 4,706,141 |
| Consideration payable - cash portion | Note 13 | 4,286,978 | 4,218,866 |
| Consideration payable - equity portion | Note 13 | 4,897,507 | 4,940,667 |
| Total liabilities | | 22,118,725 | 21,039,328 |

SHAREHOLDERS' EQUITY

| | | | |
|---|---------|----------------------|----------------------|
| Share capital | Note 14 | 147,873,002 | 147,763,499 |
| Warrant reserve | Note 15 | 1,553,850 | 1,980,217 |
| Share option reserve | Note 16 | 4,082,010 | 4,181,350 |
| Contributed surplus | | 59,940 | 59,940 |
| Deficit | | (145,168,686) | (143,383,806) |
| Total shareholders' equity | | 8,400,116 | 10,601,200 |
| Total liabilities and shareholders' equity | | \$ 30,518,841 | \$ 31,640,528 |

GOLDEN LEAF HOLDINGS LTD.

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

For the three months ended March 31, 2020 and 2019

(Expressed in U.S. dollars)

| | | For the three months ended March 31, | |
|---|------------|--------------------------------------|------------------|
| | | 2020 | 2019 |
| Revenues | | | |
| Product sales | Note 21 | \$ 4,239,582 | \$ 3,728,959 |
| Consulting revenue | Note 21 | 430,722 | 202,070 |
| Total Revenue | | 4,670,304 | 3,931,029 |
| Inventory expensed to cost of sales | Note 8, 21 | 2,964,192 | 2,364,969 |
| Production costs | Note 21 | 0 | 128,577 |
| Gross margin, excluding fair value items | | 1,706,112 | 1,437,484 |

| | | | |
|---|------------|----------------|----------------|
| (Gain) loss on changes in fair value of biological assets | Note 8, 21 | (20,714) | - |
| Gross profit | | 1,726,826 | 1,437,484 |
| Expenses | | | |
| General and administration | | 2,045,274 | 2,774,831 |
| Share based compensation | Note 16 | 129,579 | 411,926 |
| Sales and marketing | | 535,026 | 628,685 |
| Depreciation and amortization | Note 9 | 568,345 | 630,849 |
| Total expenses | | 3,278,224 | 4,446,291 |
| Loss before items noted below | | (1,551,398) | (3,008,807) |
| Interest expense | | 551,101 | 731,001 |
| Transaction costs | | - | 6,108 |
| Loss (gain) on disposal of assets | Note 9 | 7,822 | (16,945) |
| Other income | | (28,438) | (141,197) |
| Gain on change in fair value of warrant liabilities | | - | (499,662) |
| Gain on change in fair value of convertible debentures | Note 12 | - | (36,169) |
| Loss before income taxes | | (2,081,883) | (3,051,943) |
| Current income tax expense | | 358,283 | 11,624 |
| Net loss from continuing operations | | \$ (2,440,166) | \$ (3,063,567) |
| Income from discontinued operations | Note 7 | - | 17,524 |
| Net loss | | \$ (2,440,166) | \$ (3,046,043) |
| Other comprehensive loss | | | |
| Items that will be reclassified subsequently to profit or loss: | | | |
| Cumulative translation adjustment | | - | 892,214 |
| Comprehensive loss | | \$ (2,440,166) | \$ (3,938,257) |
| Basic and diluted loss per share from continuing operations | | \$ (0.00) | \$ (0.01) |
| Basic and diluted loss per share from discontinued operations | | \$ - | \$ 0.00 |
| Weighted average number of common shares outstanding | | 859,890,063 | 534,900,058 |

| Adjusted EBITDA | | |
|---|----------------------------|----------------|
| | For the three months ended | |
| | March 31, 2020 | March 31, 2019 |
| Loss before income taxes | (2,081,883) | (3,051,943) |
| Adjustments: | | |
| Net impact, fair value of biological assets | (20,714) | - |
| Depreciation and amortization | 568,345 | 630,849 |
| Fair value changes on debt and equity instruments | - | (535,831) |
| Share based compensation | 129,579 | 411,926 |
| Interest expense, net | 551,101 | 731,001 |
| Transaction costs | - | 6,108 |
| Impairments and other | (28,438) | (141,197) |
| Loss on disposal | 7,822 | (16,945) |
| Adjusted EBITDA loss | \$ (874,188) | \$ (1,966,032) |