

## Business is Budding for Golden Leaf Holdings

### Company Reports Record Fiscal Second Quarter 2020

TORONTO, Aug. 18, 2020 -- Golden Leaf Holdings Ltd. (CSE:GLH) (OTCQB:GLDFF) ("Golden Leaf" or the "Company"), a premier consumer-driven cannabis company specializing in retail, production, processing, wholesale, and distribution, today announced financial results for the second quarter ended June 30, 2020. All financial results are stated in US dollars, unless otherwise noted.

"Management believes that GLH is substantially undervalued compared to its peers. We have demonstrated the ability to achieve significant growth while navigating the COVID-19 crisis, and its impact on the market as well as our partners in each jurisdiction," stated Jeff Yapp, Chief Executive Officer of GLH.

The Company focused on growing sales in Oregon, a tactical decision made to offset unexpected shut-down related losses in Nevada, and slower than expected growth in its other markets.

"We brought a laser focus to the areas that we believed provided the greatest opportunity for growth," continued Yapp. "And we did it everywhere. The team's disciplined approach to the Company's front lines helped us drive innovation, maximize results, and further distinguish us from the competition, despite challenges facing the world and the industry. We believe we are turning the corner and can comfortably put past missteps behind us. GLH remains laser-focused on operational excellence."

#### Q2 Financial Highlights:

- Record quarterly revenues from continuing operations of \$5.5M, an increase of 40% compared to the second quarter of 2019 and 16% greater than the first quarter of 2020. This increase was led by record second quarter Chalice Farms retail revenues of \$3.7M.
- Retail growth was driven by an increase in total tickets of 16% and average ticket size of 16% compared to the second quarter of 2019.
- Record year to date revenues from continuing operations of \$10.2M, an increase of 40% compared to the first half of 2019, driven by Chalice Farms retail revenues and Oregon wholesale revenues.
- Same store sales growth in the Chalice Farms network of 34% versus the three months ended June 30, 2019 and 25% for the six months ended June 30, 2020.
- Oregon wholesale revenues up 96% year over year driven by improved supply chain and forecasting resulting in stabilization of inventory levels.
- Lowest quarterly cash used in operations in Company history of \$137,000.
- Adjusted EBITDA loss (non-IFRS) was \$0.7M for the three months ended June 30, 2020, off \$0.1M sequentially due primarily to the shortfall in third party toll processing revenues. Adjusted EBITDA is a non-IFRS measure, which the Company considers important in assessing operations. For a reconciliation of Adjusted EBITDA (non-IFRS) to income (loss) before income taxes, please see below.
- Adjusted EBITDA loss (non-IFRS) was \$1.4M for the six months ended June 30, 2020, an improvement of \$2.5M or 64% compared to the six months ended June 30, 2019 driven by operational efficiencies, increased revenues and reduced G&A expenses and savings related to headcount. Adjusted EBITDA is a non-IFRS measure, which the Company considers important in assessing operations. For a reconciliation of Adjusted EBITDA (non-IFRS) to income (loss) before income taxes, please see below.
- Gross profit before fair value items was \$1.5M, flat compared to the same period a year ago and down compared to the first quarter due to the unexpected shutdown and related losses in Nevada as well as the shortfall in third party toll processing revenues in Oregon and the reversal of an audit related adjustment in the first quarter of 2020.
- Gross profit margin excluding fair value items of \$(0.2)M and adjusted for extraordinary circumstances in Nevada \$(0.2) and the write-off of inventory deposits in California \$(0.1) was \$1.8M (non-IFRS), equal to a gross margin rate (after these adjustments) of 33% which is favorable versus the average gross profit margin rate during Fiscal 2019 and only slightly off from 37% in the first quarter 2020, due to the shortfall of third-party revenues as mentioned previously.
- Lowered operating expenses to \$3.1M, a reduction of \$0.7M compared to the same quarter of 2019 and \$0.2M compared to the first quarter of 2020. Year to date for the six months ended June 30, 2020 operating expenses are down 22% compared to the same period of 2019.
- In early July, the Company obtained approval from its debenture holders to pay all interest in shares, allowing for continued cash preservation as the Company continues the pursuit of becoming cash flow positive operationally.
- The Company has sufficient cash on hand to meet its short-term obligations and has strong support from all stakeholders to continue to navigate this period of extraordinary growth, while contemplating various non-dilutive capital opportunities to invest further in the Company's established retail network.

"The Company continues to drive top line growth out of Oregon, while gaining momentum in California and Washington. Discipline, rationalizing head count, optimizing inventory and scrutinizing payables turnover will continue to fuel our growth" further added Yapp.

#### Preliminary July Financial Results

Record revenues continued in July 2020. The Company produced preliminary unaudited estimated revenues of \$2.0M at an estimated gross margin of 33%, led by Chalice Farms retail revenues of \$1.4M and Oregon wholesale revenues of \$0.5M.

“The Company’s Crawl, Walk, Run strategy helped us build the momentum needed for a great Q1 and Q2,” said Yapp. “Delivery, online ordering and driving innovation in customer experience has led to really solid growth in retail. We are maximizing service to our customers with new products, education and humanity. Our teams have shown up for our customers and continue to perform above our expectations.”

As of June 30, 2020, the Company offers, directly and through its partners, over 145 SKUs across 23 product lines all under Chalice brands, in four jurisdictions: Oregon, California, Nevada and Washington.

### **Disclaimer Regarding Preliminary Financial Information**

The financial information presented in this news release for July 2020 is based on preliminary, unaudited financial statements prepared by management. Accordingly, such financial information may be subject to change. Such financial information is qualified in its entirety with reference to the Company’s unaudited financial statements for the third quarter ended September 30, 2020, which will be filed on SEDAR ([www.sedar.com](http://www.sedar.com)) in November 2020. While the Company does not expect there to be any material changes to the July 2020 financial information presented in this news release, to the extent that it is inconsistent with the information contained in the Company’s unaudited financial statements for the third quarter ended September 30, 2020, the financial information contained in this news release shall be deemed to be modified or superseded by the Company’s unaudited financial statements. The making of a modifying or superseding statement shall not be deemed an admission for any purposes that the modified or superseded statement, when made, constituted a misrepresentation for purposes of applicable securities laws.

### **Investor Conference Call**

#### ***Golden Leaf Holdings – 2020 Second 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 Tuesday, August 18, 2020 at 5:00pm ET, to report its financial results for Q2 ended June 30, 2020. Please [click here to register](#) and stream the call, or use the following phone numbers:

**Toll Free:** 1-877-407-0784

**Toll/International:** 1-201-689-8560

**Conference ID:** 13707968

A live audio webcast will be available online on the Company’s website at [www.goldenleafholdings.com](http://www.goldenleafholdings.com) where it will be archived for one year.

An audio replay of the conference call will be available through midnight Tuesday, September 1, 2020 by dialing 1-844-512-2921 from the US or Canada, or 1-412-317-6671 from international locations. The conference ID is: 13707968.

### **Q2 2020 Virtual Webinar**

GLH will host a Virtual Webinar for shareholders providing a corporate update and a summary of the second quarter. The webinar will be on Wednesday August 19<sup>th</sup>, at 5:00pm ET. Participants are asked to join approximately 10 minutes before the start of the Webinar. See below for the link to the live webinar.

Register for the Webinar by visiting the following link: [Q2 2020 Virtual Webinar](#)

### **Webcast Replay**

A replay will be available approximately one hour after the Webinar ends by following the registration link: [Q2 2020 Virtual Webinar Replay](#)

### **[About Golden Leaf Holdings:](#)**

Golden Leaf Holdings is a premier 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](http://glhmonthly.com) for regular updates.

### **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 cultivation, 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, 2020 and December 31, 2019

(Expressed in U.S. dollars)

		June 30, 2020	December 31, 2019
<b>ASSETS</b>			
<b>CURRENT</b>			
Cash		\$ 1,143,787	\$ 3,531,202
Accounts receivable	Note 5	212,036	167,178
	Note 5		
Other receivables	and 11	1,005,984	447,901
Income tax recoverable		-	74,034
Sales tax recoverable		327,168	271,866
Biological assets	Note 7	233,508	88,078
Inventory	Note 7	2,989,032	2,965,304
Prepaid expenses and deposits		432,301	325,329
<b>Total current assets</b>		<b>6,343,816</b>	<b>7,870,892</b>
Property, plant and equipment	Note 8	2,831,237	3,723,489
Notes receivable	Note 6	919,488	919,488
Right-of-use assets, net	Note 9	4,089,643	4,333,064
Intangible assets	Note 10	10,737,423	10,737,423
Goodwill	Note 10	4,056,172	4,056,172
<b>Total assets</b>		<b>28,977,779</b>	<b>31,640,528</b>
<b>LIABILITIES</b>			
<b>CURRENT</b>			
Accounts payable and accrued liabilities		2,547,900	1,564,982
Interest payable		456,372	125,900
Income taxes payable		616,975	-
Deferred income tax payable		248,852	248,852
Sales tax payable		209,527	187,520
Current portion of long-term debt	Note 12	99,894	82,404
Notes payable	Note 11	208,817	-
Lease liability	Note 12	887,070	843,238
<b>Total current liabilities</b>		<b>5,275,407</b>	<b>3,052,896</b>
Long term debt	Note 12	-	29,952

Long term lease liability	Note 12	4,084,551	4,090,806
Convertible debentures carried at fair value	Note 11	4,653,136	4,706,141
Consideration payable - cash portion	Note 12	4,517,477	4,218,866
Consideration payable - equity portion	Note 12	4,854,132	4,940,667
<b>Total liabilities</b>		<b>23,384,703</b>	<b>21,039,328</b>
<b>SHAREHOLDERS' EQUITY</b>			
Share capital	Note 13	147,926,008	147,763,499
Warrant reserve	Note 14	1,554,929	1,980,217
Share option reserve	Note 15	3,843,938	4,181,350
Contributed surplus		59,940	59,940
Deficit		(147,791,739)	(143,383,806)
<b>Total shareholders' equity</b>		<b>5,593,076</b>	<b>10,601,200</b>
<b>Total liabilities and shareholders' equity</b>		<b>\$ 28,977,779</b>	<b>\$ 31,640,528</b>

### **GOLDEN LEAF HOLDINGS LTD.**

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

For the three and six months ended June 30, 2020 and 2019

(Expressed in U.S. dollars)

		For the three months ended June 30,		For the six months ended June 30,	
		2020	2019	2020	2019
Revenues					
Product sales	Note 20	\$ 5,312,655	\$ 3,931,536	9,552,237	\$ 7,660,495
Royalty and other revenue	Note 20	204,078	8,286	634,800	210,356
<b>Total Revenue</b>		<b>5,516,733</b>	<b>3,939,822</b>	<b>10,187,037</b>	<b>7,870,851</b>
Inventory expensed to cost of sales	Note 7, 20	4,041,207	2,465,737	7,005,399	4,981,167
Gross margin, excluding fair value items		1,475,526	1,474,085	3,181,638	2,889,684
Fair value changes in biological assets included in inventory sold	Note 7, 20	(34,358)	-	(34,358)	-
Loss on changes in fair value of biological assets	Note 7, 20	216,870	-	196,156	-
<b>Gross profit</b>		<b>1,293,014</b>	<b>1,474,085</b>	<b>3,019,840</b>	<b>2,889,684</b>
Expenses:					
General and administration		2,190,871	2,867,526	4,499,030	5,744,595
Share based compensation	Note 15	93,697	(82,216)	223,276	329,710
Sales and marketing		539,028	377,427	1,074,054	1,006,112
Depreciation and amortization	Note 8, 9	230,278	560,571	535,738	1,076,501
<b>Total expenses</b>		<b>3,053,874</b>	<b>3,723,308</b>	<b>6,332,098</b>	<b>8,156,918</b>
<b>Loss before items noted below</b>		<b>(1,760,860)</b>	<b>(2,249,223)</b>	<b>(3,312,258)</b>	<b>(5,267,234)</b>
Interest expense		547,743	753,308	1,098,844	1,484,309
Transaction costs		41,051	2,114	41,051	8,222

Loss on disposal of assets	Note 8	310,017	109,856	317,839	92,911
Other (income) loss		(9,781)	124,240	(38,220)	(16,957)
Gain on change in fair value of warrant liabilities		-	(82,101)	-	(581,763)
Loss on change in fair value of convertible debentures	Note 11	-	155,446	-	119,277
Loss before income taxes		(2,649,890)	(3,312,086)	(4,731,772)	(6,373,233)
Current income tax expense		304,932	4,300	663,216	15,924
Net loss from continuing operations		(2,954,822)	(3,316,386)	(5,394,988)	(6,389,157)
Loss from discontinued operations		-	(123,195)	-	(96,469)
Net loss		(2,954,822)	(3,439,582)	(5,394,988)	(6,485,625)
Other comprehensive loss					
Items that will be reclassified subsequently to profit or loss:					
Cumulative translation adjustment		-	89,831	-	982,045
Comprehensive loss		\$ (2,954,822)	\$ (3,529,413)	\$ (5,394,988)	\$ (7,467,670)
Basic and diluted loss per share from continuing operations		\$ (0.00)	\$ (0.01)	\$ (0.01)	\$ (0.01)
Basic and diluted loss per share from discontinued operations		\$ -	\$ (0.00)	\$ -	\$ (0.00)
Weighted average number of common shares outstanding		861,790,774	575,776,971	860,840,418	555,451,438

Adjusted EBITDA	For the three months ended		For the six months ended	
	June 30, 2020	June 30, 2019	June 30, 2020	June 30, 2019
	Loss before income taxes	\$(2,649,890)	\$(3,312,086)	\$(4,731,772)
Adjustments:				
Net impact, fair value of biological assets	182,512	-	161,798	-
Depreciation and amortization	503,044	560,571	1,071,389	1,076,501
Fair value changes on debt and equity instruments	-	73,345	-	(462,486)
Share based compensation	93,697	(82,216)	223,276	329,710
Interest expense, net	547,743	753,308	1,098,844	1,484,309
Transaction costs	41,051	2,114	41,051	8,222
Start-up costs <sup>(1)</sup>	-	-	119,196	-
Extraordinary losses <sup>(2)</sup>	236,000	-	236,000	-
Impairments and other	(9,781)	124,240	86,780	(16,957)
Loss on disposal	310,017	109,856	317,839	92,911
Adjusted EBITDA	\$ (745,607)	\$(1,770,868)	\$(1,375,599)	\$(3,861,023)

(1) Write-off of significant start up costs related to the Company's California business

(2) Losses experienced in Nevada due to unexpected shut down and facility abandonment due to COVID-19