

Golden Leaf Holdings Announces First Cashflow-Positive Quarter and Record Quarterly Revenues

Operational Excellence a key driver of financial results

TORONTO, Nov. 19, 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 third quarter ended September 30, 2020. All financial results are stated in US dollars, unless otherwise noted.

"Rallying off our strong performance in the second quarter, the third quarter reflects the results of continued revenue growth and cost reductions, exceptional vendor management and operational excellence," stated Jeff Yapp, Chief Executive Officer of GLH. "In addition to this being our first cashflow-positive quarter, we have surpassed the total revenue generated in all of fiscal 2019 in just three quarters."

The increase was led by another record quarter of Oregon revenues and heightened contribution from the Company's out-of-state partnerships, primarily in California.

"Starting in the fall of 2019, GLH faced a slew of challenges including the loss of its primary vape line in 2019 during the vape ban," said Yapp. "A widespread global pandemic, the ongoing period of social unrest in Portland and unprecedented wildfire activity in Western Oregon resulted in the temporary closure and evacuation of some of the Company's facilities, as well as the evacuation of a handful of staff members from their homes. This provides even greater context for the performance that the GLH team has achieved throughout the year, now highlighted in this record third quarter performance. Today, I am proud to formally say, we've turned the corner."

Q3 Financial Highlights:

- For the first time in its history, GLH reports positive cash flow from operations of \$0.4M.
- Record quarterly revenues from continuing operations of \$6.2M, an increase of 42% versus the third quarter of 2019 and 11% greater than the second quarter of 2020.
- Adjusted EBITDA loss of \$173,000 for the three months ended September 30, 2020, an improvement of 78% over the prior quarter. 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.
- Record year-to-date revenue of \$16.3M, an increase of 34% compared to the nine months ended September 30, 2019, surpassing total revenue for the entirety of 2019 in only three quarters.
- Adjusted EBITDA loss of \$1.7M for the nine months ended September 30, 2020 compared to \$5.1M for the nine months ended September 30, 2019, a 68% improvement.
- Gross profit before biological asset adjustments of \$2.2M, an improvement of \$0.7M or 47% compared to the prior quarter, and \$0.7M or 49% compared to the 3 months ended September 30, 2019.
- Total operating expenses down 22% compared to the nine months ended September 30, 2019 and 3% compared to the 2nd quarter of 2020, demonstrating continued cost containment while growing revenues. The Company has implemented additional cost savings measures beginning in the fourth quarter of 2020 which should result in incremental cost savings during the fourth quarter with no impact to revenues.
- Same store sales growth increased 26% compared to the third quarter of 2019 and 8% compared to the second quarter of 2020.
- Senior management demonstrated its commitment to the business by taking significant pay-cuts through the end of 2020 to help manage the current cash position.
- Subsequent to the third quarter, the Company announced that it restructured its debt with the founders of Chalice Farms, resulting in a reduction of 50% of the \$5M cash obligation due in May of 2022 through a conversion of such amount into shares at US\$0.06 per share, a premium to market price, and extension of the payment schedule of the remaining \$2.5M over 60 months at a favorable interest rate. This demonstrates the support of our stakeholders and is a vote of confidence in the current management team's successes and paves the way to addressing our debenture obligations in the coming months.
- Building on the momentum of the third quarter, the Company was Adjusted EBITDA positive in the month of October, based on unaudited results.

"We remain resilient and focused on continued channel growth and cost containment. Optimistically, we await future legislative

outcomes that we hope will favor the cannabis industry,” said Yapp.

Disclaimer Regarding Preliminary Financial Information

The financial information presented in this news release for October 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 audited financial statements for the year ended December 31, 2020, which is expected to be filed on SEDAR (www.sedar.com) on or before April 29, 2021. While the Company does not expect there to be any material changes to the October 2020 financial information presented in this news release, to the extent that it is inconsistent with the information contained in the Company's audited financial statements for the year ended October 30, 2020, the financial information contained in this news release shall be deemed to be modified or superseded by the Company's audited 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 Third Quarter Earnings Call + Virtual Webinar

Golden Leaf management, led by Mr. John Varghese, Executive Chairman and Mr. Jeff Yapp, Chief Executive Officer, will hold a conference call on Thursday, November 19, 2020 at 4:15pm ET, to report its financial results for Q3 ended September 30, 2020 following immediately with a Virtual Webinar for a corporate update and a summary of Q3. Please [click here to register](#) and stream the call and the webinar immediately following, or use the following phone numbers:

Toll Free: 1-877-407-0784
Toll/International: 1-201-689-8560
Conference ID: 13711923

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, December 3, 2020 by dialing 1-844-512-2921 from the US or Canada, or 1-412-317-6671 from international locations. The conference ID is: 13711923.

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 for regular updates.

Investor Relations:

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Executive Chairman
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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 cost savings in the fourth quarter of 2020, 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 Statements of Financial Position (Unaudited)

As at September 30, 2020 and December 31, 2019

(Expressed in U.S. dollars)

		September 30, 2020	December 31, 2019
ASSETS			
CURRENT			
Cash		\$ 1,300,954	\$ 3,531,202
Accounts receivable	Note 5	219,004	167,178
Other receivables	Note 5	1,385,246	447,901
Income tax recoverable		-	74,034
Sales tax recoverable		128,074	271,866
Biological assets	Note 7	217,385	88,078
Inventory	Note 7	2,838,888	2,965,304
Prepaid expenses and deposits		376,075	325,329
Total current assets		6,465,626	7,870,892
Property, plant and equipment	Note 8	2,597,773	3,723,489
Notes receivable	Note 6	919,488	919,488
Right-of-use assets, net	Note 9	4,093,035	4,333,064
Intangible assets	Note 10	10,737,423	10,737,423
Goodwill	Note 10	4,056,172	4,056,172
Total assets		28,869,517	31,640,528
LIABILITIES			
CURRENT			
Accounts payable and accrued liabilities		3,129,717	1,564,982
Interest payable		540,860	125,900
Income taxes payable		1,465,353	-
Deferred income tax payable		248,852	248,852
Sales tax payable		449,878	187,520
Current portion of long-term debt	Note 12	108,939	82,404
Notes payable	Note 11	186,910	-
Lease liability	Note 12	852,769	843,238
Total current liabilities		6,983,278	3,052,896
Long term debt	Note 12	56,824	29,952
Long term lease liability	Note 12	4,132,024	4,090,806
Convertible debentures carried at fair value	Note 11	5,218,464	4,706,141
Consideration payable - cash portion	Note 12	4,429,880	4,218,866
Consideration payable - equity portion	Note 12	4,838,780	4,940,667
Total liabilities		25,659,250	21,039,328
SHAREHOLDERS' EQUITY			
Share capital	Note 13	148,222,848	147,763,499
Warrant reserve	Note 14	1,554,929	1,980,217
Share option reserve	Note 15	3,729,441	4,181,350
Contributed surplus		59,940	59,940
Deficit		(150,356,891)	(143,383,806)
Total shareholders' equity		3,210,267	10,601,200
Total liabilities and shareholders' equity		\$ 28,869,517	\$ 31,640,528

GOLDEN LEAF HOLDINGS LTD.

Interim Condensed Consolidated Statements of Operations and Comprehensive Loss

For the three and nine months ended September 30, 2020 and 2019

(Expressed in U.S. dollars)

	For the three months ended September 30,		For the nine months ended September 30,		
	2020	2019	2020	2019	
Revenues					
Product sales	Note 20	\$ 5,765,970	\$ 4,342,000	\$ 15,318,207	\$ 12,002,495
Royalty and other revenue	Note 20	430,086	9,917	1,064,886	220,273
Total Revenue		6,196,056	4,351,917	16,383,093	12,222,768
Inventory expensed to cost of sales	Note 7, 20	4,033,002	2,897,220	11,038,401	7,878,386
Gross margin, excluding fair value items		2,163,054	1,454,697	5,344,692	4,344,382
Fair value changes in biological assets included					
in inventory sold	Note 7, 20	(14,125)	-	(48,483)	-
Loss on changes in fair value of biological assets	Note 7, 20	98,853	-	295,009	-
Gross profit		2,078,326	1,454,697	5,098,166	4,344,382
Expenses:					
General and administration		2,215,291	2,602,470	6,714,321	8,347,065
Share based compensation	Note 15	41,517	155,936	264,793	485,646
Sales and marketing		478,724	446,042	1,552,778	1,452,153
Depreciation and amortization	Note 8, 9	239,751	509,525	775,489	1,586,026
Total expenses		2,975,283	3,713,973	9,307,381	11,870,890
Loss before items noted below		(896,957)	(2,259,276)	(4,209,215)	(7,526,508)
Interest expense (income)		350,265	559,366	1,449,109	2,043,675
Transaction costs		127	125,612	41,178	133,834
Loss on disposal of assets	Note 8	(10,139)	4,330	307,700	97,241
Other loss (income)		70,249	(87,856)	32,029	(104,812)
Gain on debt modification		-	(312,083)	-	(312,083)
Gain on change in fair value of warrant liabilities		-	(23,371)	-	(605,134)
Loss on change in fair value of convertible debentures	Note 11	565,328	351,088	565,328	470,365
Loss before income taxes		(1,872,787)	(2,876,362)	(6,604,559)	(9,249,594)
Current income tax expense		848,379	-	1,511,595	15,924
Net loss from continuing operations		(2,721,166)	(2,876,362)	(8,116,154)	(9,265,518)
Loss from discontinued operations (Note 6)		-	(213,800)	-	(310,269)
Net loss		(2,721,166)	(3,090,162)	(8,116,154)	(9,575,787)
Other comprehensive loss					
Items that will be reclassified subsequently to profit or loss:					
Cumulative translation adjustment		-	210,023	-	1,192,068
Comprehensive loss		\$ (2,721,166)	\$ (3,300,185)	\$ (8,116,154)	\$ (10,767,855)
Basic and diluted loss per share		\$ (0.00)	\$ (0.00)	\$ (0.01)	\$ (0.02)
Weighted average number of common shares outstanding		881,420,646	685,518,103	867,567,723	621,050,033

GOLDEN LEAF HOLDINGS LTD.

Interim Condensed Consolidated Statements of Cash Flows (Unaudited)

For the nine months ended September 30, 2020 and 2019 (Expressed in U.S. dollars)

	For the three months ended
Cash from Operating Activities	September 30, 2020
Cash (used in) provided by:	
Operating activities:	
Net loss	\$ (2,721,166)
Depreciation of property, plant and equipment	290,091
Lease amortization	186,640
Loss on disposal of assets	(10,139)
Interest expense	350,265
Share-based compensation	41,517
Loss on fair value adjustment to debt	565,328
Transaction costs	41,178
Loss on fair value of biological assets	84,728
Reserve for obsolete inventory	52,732
Other non-cash transactions	9,252
Changes in working capital items:	
Accounts receivable	(6,968)
Other receivables	(472,837)
Income tax payable	848,378
Sales tax recoverable	199,094
Accounts payable and accrued liabilities	634,214
Sales tax payable	240,351
Biological assets	(68,605)
Inventory	97,412
Prepaid expenses and deposits	56,226
Cash provided by operating activities	\$ 417,691

Adjusted EBITDA	For the three months ended		For the nine months ended	
	September 30, 2020	September 30, 2019	September 30, 2020	September 30, 2019
Loss before income taxes	\$ (1,872,787)	\$ (2,876,362)	\$ (6,604,559)	\$ (9,249,594)
Adjustments:				
Net impact, fair value of biological assets	84,728	-	246,526	-
Depreciation and amortization	476,733	509,525	1,548,121	1,586,026
Fair value changes on debt and equity instruments	565,328	327,717	565,328	(134,769)
Share based compensation	41,517	155,936	264,793	485,646
Interest expense, net	350,265	559,366	1,449,109	2,043,675
Transaction costs	127	125,612	41,178	133,834
Start-up costs ⁽¹⁾	59,924	-	179,120	-
Extraordinary losses ⁽²⁾	60,093	-	276,883	-
Impairments and other	70,249	(87,856)	32,029	(104,812)
Loss on disposal	(10,139)	4,330	307,700	97,241
Adjusted EBITDA	\$ (173,962)	\$ (1,281,732)	\$ (1,693,772)	\$ (5,142,753)

⁽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