

Golden Leaf Holdings Reports Fiscal First Quarter 2019 Results

Toronto, Ontario – May 31, 2019 – Golden Leaf Holdings Ltd. (“Golden Leaf” or the “Company”) (CSE:GLH) (OTCQB:GLDFF), a leading cannabis oil solutions company and dispensary operator built around recognized brands, today announced financial results for the fiscal first quarter ended March 31, 2019, and a general business update.

Strategic Direction

We believe that a trusted, internationally-recognized brand targeting customers new to cannabis products services the coming wave of new users. These new users are expected to seek health and wellness benefits as restrictions on cannabis use relax over the next three years. Building the Chalice Farms brand leverages the Company’s dispensary locations, high-touch customer service approach, and management expertise. Already an established leader in Oregon, Nevada and Canada, the Company intends to expand to California through an innovative approach to consumer-direct sales as well as wholesale sales. The Company intends to achieve national sales of CBD and other non-THC products in 2019 and will search for global opportunities in 2020 and beyond.

Recent Business and Financial Highlights

- Sales increased 34% over the prior year period
- Operating loss improved 28% to US\$3.0 million from US\$4.2 million in the prior year period
- Launched Elysium Fields brand
- Launched Jackpot brand in Oregon
- Achieved over 33% increase in Oregon wholesale account base
- Retained Renmark Financial to support investor relations
- Reduced headcount by 19% and initiated other efficiency measures
- Appointed Larry Martin to the Board of Directors
- Appointed Karyn Barsa as Chief Financial Officer

Subsequent Events:

- Appointed Karyn Barsa as Chief Executive Officer
- Appointed Robert Gordon as Director, Human Resources

Ms. Karyn Barsa, Chief Executive Officer of Golden Leaf Holdings, commented, “We saw year-over-year revenue growth of 34% for the first quarter of 2019. We are pleased with the successful launch of two new brands in our Oregon and Nevada markets, Elysium Fields and Jackpot, showing strong customer support and trust.”

“The appointment of Larry Martin to the Board of Directors is another indication of faith in our future. Larry’s unique background and experience as a successful CEO and entrepreneur, particularly his years of experience in FDA regulatory matters and involvement in the CBD industry, has already led to important contributions to the Board and Company.”

“During the quarter, we implemented over \$3.7 million in annualized cost reductions and operating efficiencies, while launching new brands. Clearly, we believe that Golden Leaf is positioned to succeed in this marketplace. We have refocused our strategic direction to support our customers and expand our product offerings. I look forward to sharing more about our new direction with our shareholders shortly.”

Fiscal First Quarter Ended March 31, 2019 Financial Results

For the first quarter ended March 31, 2019 (“Q1 2019”), total revenue was US\$4.3 million as compared to US\$3.2 million for the same three-month period in 2018 (“Q1 2018”). The 34% quarter-over-quarter increase is largely attributable to strong revenue streams from the Chalice Farms stores in Oregon and flower sales from our Canadian operations.

Gross profit was US\$1.8 million or 41% of total revenue for Q1 2019, compared with US\$0.4 million or 11% of total revenue in Q1 2018. The strong Q1 2019 gross margin is primarily due to significant cost reductions and utilization of an improved recording process that better matches revenue and cost of sales.

Operating expenses were US\$4.7 million for Q1 2019 compared with US\$4.6 million for Q1 2018. Q1 2019 operating expenses included \$0.2M in wages and benefits related to headcount reductions and severance. Operations at three facilities in Oregon were consolidated to one headquarters location.

During Q1 2019, headcount was reduced by 19% throughout the Company, and the reduction in annualized wages and benefits expense is projected at US\$3.7 million.

Net loss for Q1 2019 was US\$3.0 million or US\$0.01 per share, compared with a net gain of US\$8.1 million or US\$0.02 per share for Q1 2018. Net income for Q1 2018 benefited from favorable changes in the fair value of warrant and debt liabilities of US\$13.3 million, compared with \$0.5M for Q1 2019. Changes in the fair value of warrant and debt liabilities and other non-cash items are excluded in the Adjusted EBITDA non-GAAP measurement.

Adjusted EBITDA loss was US\$2.0 million for Q1 2019, compared with a loss of US\$3.1 million for Q1 2018. 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. 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 Q1 2019 (the "MD&A").

As of March 31, 2019, the Company had approximately US\$8.3 million in cash, compared with US\$12.3 million at December 31, 2018.

The Company's interim condensed consolidated financial statements for Q1 2019, the related notes and Q1 2019 MD&A are filed on SEDAR and are available for review.

About Golden Leaf Holdings

Golden Leaf Holdings Ltd., a Canadian company with operations in multiple jurisdictions including Oregon, Nevada and Canada, is one of the largest cannabis oil and solution providers in North America, and a leading cannabis products company built around recognized brands. Golden Leaf cultivates, extracts, manufactures and distributes its products through its branded Chalice Farm retail dispensaries, as well as through third party dispensaries. Golden Leaf leverages a strong management team with cannabis and food industry experience to complement its expertise in extracting, refining and selling cannabis oil. Visit goldenleafholdings.com to learn more.

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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 establishment of, and the future scope and scale of, the Chalice Farms retail system, the level of funding needed to establish the Chalice Farms franchise model, that the Chalice Farms franchise model will be successful and generate positive cash flows, 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, including but not limited to general business, economic and competitive uncertainties, regulatory risks including risks related to the expected timing of the Company's participation in the adult use market, market risks, risks inherent in manufacturing operations, difficulties of establishing a successful franchise model 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 March 31, 2019 and December 31, 2018

(Expressed in U.S. dollars)

	March 31, 2019	December 31, 2018
ASSETS		
CURRENT		
Cash	\$ 8,288,168	\$ 12,275,372
Accounts receivable	749,066	624,453
Other receivables	212,081	297,737
Income tax recoverable	686,600	686,600
Sales tax recoverable	608,519	661,319
Biological assets	77,113	74,148
Inventory	3,842,026	3,416,906
Prepaid expenses and deposits	1,564,758	1,962,033
Assets held for sale	-	35,274
Total current assets	\$ 16,028,331	\$ 20,033,842
Property, plant and equipment	10,244,641	6,188,835
Intangible assets	21,705,844	21,782,949
Goodwill	25,471,399	25,471,399
Total assets	\$ 73,450,215	\$ 73,477,025
LIABILITIES		
CURRENT		
Accounts payable and accrued liabilities	\$ 2,001,419	\$ 2,624,967
Interest payable	520,119	92,554
Income taxes payable	69,543	106,808
Sales tax payable	58,980	231,675
Current portion of long-term debt	735,573	25,492
Current portion of convertible debentures carried at fair value	8,782,131	8,888,946
Warrant liability	64,550	369,343
Total current liabilities	\$ 12,232,315	\$ 12,339,785
Long term debt	3,501,119	46,229
Note payable	312,118	312,118
Convertible debentures carried at fair value	5,176,936	4,996,811
Consideration payable	9,123,653	8,956,809
Warrant liability	41,270	236,138
Total liabilities	\$ 30,387,411	\$ 26,887,890
SHAREHOLDERS' EQUITY		
Share capital	\$ 138,511,038	\$ 138,511,038
Warrant reserve	4,052,164	4,052,164
Share option reserve	5,132,608	4,777,929
Contributed surplus	59,940	59,940
Accumulated other comprehensive loss	(1,018,144)	(125,930)
Deficit	(103,674,802)	(100,686,006)
Total shareholders' equity	43,062,804	46,589,135
Total liabilities and shareholders' equity	\$ 73,450,215	\$ 73,477,025

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Interim Condensed Consolidated Statements of Operations and Comprehensive Gain (Loss) (Unaudited)
For the three months ended March 31, 2019 and 2018
(Expressed in U.S. dollars)

	For the three months ended March 31,	
	2019	2018
Revenues		
Product sales	\$ 4,076,607	\$ 3,200,267
Consulting revenue	206,241	-
Total Revenue	\$ 4,282,848	\$ 3,200,267
Inventory expensed to cost of sales	2,518,155	2,843,843
Production costs	138,736	297,474
Gross margin, excluding fair value items	1,625,957	58,950
Fair value changes in biological assets included in inventory sold	161,523	-
(Gain) Loss on changes in fair value of biological assets	(303,439)	(293,897)
Gross profit	\$ 1,767,873	\$ 352,847
Expenses		
General and administration	2,999,461	2,795,794
Share based compensation	411,926	1,075,452
Sales and marketing	630,962	383,301
Depreciation and amortization	706,146	345,279
Total expenses	\$ 4,748,495	\$ 4,599,826
Loss before items noted below	\$ (2,980,622)	\$ (4,246,979)
Interest expense	741,662	649,258
Transaction costs	6,108	471,900
Gain on disposal of assets	(16,945)	-
Other income	(141,197)	(159,126)
Gain on change in fair value of warrant liabilities	(499,662)	(6,212,222)
Gain on change in fair value of convertible debentures	(36,169)	(7,128,616)
Gain (loss) before income taxes	(3,034,419)	8,131,827
Current income tax expense	11,624	-
Net gain (loss)	\$ (3,046,043)	\$ 8,131,827
Other comprehensive loss		
Items that will be reclassified subsequently to profit or loss:		
Cumulative translation adjustment	892,214	19,117
Comprehensive gain (loss)	\$ (3,938,257)	\$ 8,112,710
Basic and diluted gain (loss) per share	\$ (0.01)	\$ 0.02
Weighted average number of common shares outstanding	589,140,903	534,900,058