

Golden Leaf Holdings Ltd. Reports 2015 Audited Financials and Q1 2016 Unaudited Interim Financial Results, and Company Developments

TORONTO, ONTARIO--(Marketwired – June 1, 2016) – Golden Leaf Holdings Ltd. ("GLH" or the "Company") (CSE:GLH), a leading cannabis oil solutions company, today announced its 2015 audited financial and Q1 2016 unaudited interim financial results for the period ending March 31, 2016.

Don Robinson, Chief Executive Officer of GLH commented, "The Company's financial performance is improving and we expect to see positive growth in the remaining quarters of 2016 and into 2017. GLH anticipates being cash flow positive in Q4 2016. We've already made significant strides in Q1 2016 versus Q4 2015, including improved gross margins and a decrease in total expenses. G&A costs have dropped and executive salaries have been trimmed. We've weathered the storm, sales are growing again in Oregon and BMF, our Washington partner, reports increasing revenues. With anticipated regulatory clarity and the business strategy refinements made in the last 6 months, we believe that GLH is now well poised for sustainable success and profitability."

"The Company is encouraged by the onset of the "Early Start Program" in Oregon kicking off on June 2, 2016. The program is what we've been waiting for and allows for the sales of extracts and edibles in Oregon Health Authority ("OHA") regulated medical marijuana dispensaries to recreational users ("Adult Use") until Q4 2016 when the Oregon Liquor Control Commission ("OLCC") implements the full Adult Use program. Subject to compliance with our regulatory requirements and undertakings, the Company expects to leverage its extracting, refining, marketing and sales expertise to participate in this market in the future," continued Mr. Robinson.

"In the last 6 months we faced and overcame a variety of challenges, including regulatory issues that impacted our business model and operations, cash flow hurdles, and building top management talent, while making the transition from a start-up cannabis company operating in uncharted territory to a publicly traded larger company operating in a regulatory environment with much more clarity," stated Mr. Robinson.

"In Washington after working through the quarantine issue, BMF reports that sales have rebounded and are growing again. The quarantined product matter is currently in the hands of the Washington state regulators who have recently amended the pesticide policy in Washington to mimic Oregon's policy of minimum action levels," said Mr. Robinson. "This product has tested clean by Trace Analytics, a licensed third party testing facility in Washington. BMF is waiting for Washington State's agricultural department to finish their testing of identical samples to confirm Trace Analytics results. If and when released, we understand that BMF anticipates that an immediate increase in inventory of roughly US\$1.2MM is expected to be available for sale."

Financial Update

Restatement of Interim Results for 2015

In the course of preparing the financial statements for the Company's December 31, 2015 audit, various accounting issues were identified. The correction of these issues affected the previously issued financial statements for the first three quarters of 2015. Among other things, adjustments were made to amounts reported in respect of the Company's revenues, bad debt expenses, inventory costs, share compensation costs, accrual for litigation and income tax expenses. The total impact of the restated quarters was US\$(2,010,460) or US\$(0.04) per share for the annual period 2015. Restated financial results for the first three quarters of 2015 are included in the Company's MD&A for the financial year ending December 31, 2015 under the heading "Quarterly Results", and an explanation of the adjustments made is included under the heading "Restatement of Interim Results for 2015".

2015 Audited Financial Results

- Total revenues generated for the year ending December 31, 2015 were approximately US\$9.925MM, compared to US\$1.310MM in the same period in 2014. This is an increase of 657% from the year ending December 31, 2014 reflecting the Company's early stage growth trajectory.
- Gross margin for 2015 amounted to approximately 21%, compared to a gross margin of approximately 8% for the year 2014 as GLH scaled its business.
- Total operating expenses for 2015 amounted to approximately US\$14.062MM compared to approximately US\$3.288MM for 2014 as the Company invested in infrastructure and accrued public listing fees.

Q4 2015 Audited Financial Results

Revenues in Q4 2015 were softer than anticipated due to the market temporarily shifting away from oils and edibles to cannabis flower as Oregon's early start of recreational flower sales to adult users began on October 1, 2015. This roll out impacted oil sales as the early start program generated excitement for consumers who were introduced for the first time to flower and seasonal strains.

- Total revenues generated for the quarter ended December 31, 2015 were approximately US\$2.878MM, compared to US\$1.026MM in the same period in 2015. This is an increase of 180% from the quarter ended December 31, 2014 reflecting a continued growth trend.
- Gross margin for the fourth quarter of 2015 amounted to approximately 14%, compared to a gross margin of approximately 16% for the fourth quarter of 2014. The decrease resulted from the cost of the cannabis flower harvest that GLH absorbed in the quarter.
- Total operating expenses for the fourth quarter of 2015 amounted to approximately US\$4.354MM, compared to approximately US\$1.772MM for the fourth quarter of 2014 as it incurred significant expenses around the RTO, public listing and initiatives to continue building up the Company's infrastructure.

Q1 2016 Unaudited Interim Financial Results

The Company faced unexpected challenges in Q1 2016 that negatively impacted financial performance. In January 2016 the oil and edible market remained sluggish as medical dispensaries continued to focus on flower sales to recreational users via the early sales program. Limited working capital in February 2016 hampered GLH's ability to purchase trim required to produce oil, thus hindering overall monthly revenue growth. In March 2016, the essential shutdown of the extraction industry in Oregon by the Oregon Health Authority severely strained the Company's ability to increase sales.

To offset the challenges, GLH pursued other revenue generating opportunities, including introducing a new premium bubble hash product line and renewing a focus on selling flower in the open market. The financial information below has not yet been reviewed by the Company's auditors.

- Total revenues generated for the quarter ended March 31, 2016 were approximately US\$2.477MM, compared to US\$1.319MM in the same period in 2015. This is an increase of 88% from the quarter ended March 31, 2015 attributed to GHL's continued growth trajectory.
- Gross margin for the first quarter of 2016 amounted to approximately 27%, compared to a gross margin of approximately 27% for the first quarter of 2015.

- Gross margin for the fourth quarter of 2015 amounted to approximately 14%, compared to a gross margin of approximately 27% for the first quarter of 2016 due to increased oil extraction yields and improved operational efficiencies.
- Total operating expenses for the first quarter of 2016 amounted to approximately US\$3.144MM, compared to approximately US\$1.471MM for the first quarter of 2015. This represents a significant reduction of 28% versus the operating expenses of US\$4.354MM in Q4 2015.
- General and administrative expenses for the first quarter of 2016 amounted to approximately US\$2.160MM. This represents a significant reduction of 29% versus Q4 2015 as RTO listing costs did not reoccur.

Please refer to the Company's full financials for further details and information.

Company Developments

Through the difficult six months from mid-October 2015 through mid-April 2016, GLH overcame many challenges and it believes it has built a strong foundation for growth through the balance of 2016 and on into the future.

Overcoming Regulatory Challenges

From a regulatory perspective, the last six months for the cannabis industry in Oregon was dynamic and full of challenges. When the initial set of recreational or "Adult Use" rules were published in October 2015, there were residency restrictions, canopy limitations, seemingly arbitrary plant count reductions, and a requirement to keep medical and Adult Use operations separate. These initial rules were very restrictive and nearly crippled the industry. In addition to the regulatory restrictions, counties were choosing to opt out of the Adult Use program, effectively delaying recreational businesses from operating in those counties until the general election in November 2016.

Then in early March another regulator, the Oregon Health Authority narrowly interpreted the Oregon statute and imposed rules that essentially shut down the extraction industry from March 1 to April 15 until a registration process could be established. GLH led the way in working with the Oregon Health Authority to successfully end the temporary halt of cannabis oil extraction of concentrates by producers in Oregon.

Although challenging at the time, this iterative process is typical of a new emerging industry where regulators need to catch up to the industry. The learning curves were steep for both regulators and market participants.

Throughout this six-month period from mid-October 2015 through mid-April 2016, GLH demonstrated leadership in the industry, developed a comprehensive government affairs lobbying program, and worked hard with other industry leaders, as well as with regulators and legislators to address issues as they came up. The 2016 Oregon legislative session was a watershed moment for the industry. The regulatory requirements were streamlined, eliminating residency restrictions, allowing for colocation of medical and Adult Use businesses, and plant count reductions were clarified in a way favorable to GLH. This helped lay a more solid regulatory foundation for the industry to build upon.

The next six months are expected to offer more regulatory clarity than the previous six months. On June 2nd, the current medical dispensaries will be allowed to add extracts and edibles to the list of allowable products able to be sold to Adult Use customers. In October when the Adult Use program will be officially rolled out, there will be a further increase in the market potential. In November, Opt-out elections will be held in Oregon, further clarifying the environment and removing barriers for the industry. Polling conducted for GLH suggests our position will be supported by a substantial majority of voters in Marion County. Upon complying with all regulatory requirements and undertakings, the Company anticipates that it will participate in this market.

The recreational referendums in other states cannot be forgotten. For example, if only California is successful in their legalization efforts in November 2016, it will effectively double the number of U.S. citizens allowed to buy, use and possess recreational cannabis.

Management Team

The Company successfully transitioned from previous leadership and rebuilt management with team members bringing a breadth of operational, finance, marketing and sales experience. Many of the management team members are veteran consumer packaged food professionals providing GLH with consumer packaged foods expertise. A big food consumer goods approach is very relevant to cannabis. The Company is manufacturing food products which are ingested or eaten by people. GLH's manufacturing operations are in the process of being updated to a FDA food manufacturing environment.

Tim Fitzpatrick, Vice President, Operations, is a food industry trained manufacturing leader who is implementing food grade FDA standard operating procedures (SOP) and good manufacturing practices (GMP). Andreas Moppin, Vice-President of Sales, is applying consumer goods selling best practices to cannabis aimed at achieving deep dispensary penetration and advanced merchandising solutions in store for the Company's brands. Bliss Dake, CMO, developed a new

product development strategy and pipeline that includes a new and improved relaunch for the leading Golden brand along with extensive new product introduction and marketing programs for Q2, Q3 and Q4 2016. Brian Gentry, CFO, built a fully functional finance team and department capable of operating in a publicly traded environment with stricter controls and more rigorous procedures.

Strategic Plan Refinements

- GLH listed and became publicly traded starting in October 2015.
- With a focus on value-added manufacturing and food based consumer packaged goods sales and branding, GLH abandoned a vertical integration business model to strategically position itself as an innovative cannabis solutions provider selling branded products to increase revenue streams and capture market share. A consumer goods approach to branding is key as the industry is rapidly becoming a branded business.
- GLH developed a strategy to create a differentiated brand portfolio of products with superior consumer value that leverages core competencies in extraction, refining, automated manufacturing, marketing and selling.
- The Company is still focused on first mover advantage and developing the lowest cost production of the highest quality oils through competitive advantage rooted in economies of scale and intellectual property. Lowest cost is critical as prices will compress and flower will become commoditized. The ability to leverage lowest cost will drive regulated market prices down below black market prices creating a more robust and healthy cannabis market.

Operations

- To obtain cost-savings and efficiencies, GLH closed 3 other manufacturing locations and centralized operations at its Aurora site. The facilities at Aurora have been upgraded and work is scheduled to further update the operation to FDA food grade standards.
- The Company achieved further savings by closing Greenpoint Science, an unproductive and expensive Israeli R&D subsidiary.

Partnerships

- To accelerate growth opportunities and capture additional market share, the Company in January 2016 executed an agreement implementing a strategic partnership with BMF Washington (“BMF”) to expand its brand names into the state. GLH and BMF are sharing and integrating best practices, licensing of brand names and leveraging mutually beneficial growth initiatives to drive market share and profits for both companies in the Washington and Oregon marijuana markets.
- Working closely with BMF, including the sharing of best practices in extraction, refining, marketing and sales is expected to help support continued growth. The Company anticipates that this will generate greater revenues for GLH from the strategic relationship.
- In November 2015, GLH entered into an exclusive licensing agreement with Dixie Brands Inc. to manufacture and distribute Dixie Elixirs and Edibles products in Oregon.

April and May 2016 Revenue, Fundraising and Q4 2016 Cash Flow Positive

- In Oregon, the Company is tracking and expects to generate over US\$1MM in unaudited revenue for the month of May 2016.
- The Company is encouraged by an anticipated increase in month over month BMF sales of 33% from April 2016 (US\$357,000) to May 2016 (US\$475,000) based upon projected unaudited revenue.
- The Company continues to work diligently on increasing revenues while lowering operating expenses and anticipates it will become cash flow positive in Q4 2016. The Company expects that further regulatory clarity, continued sales growth, the relaunch of the Golden brand and new product roll outs, and increased revenues from its partnership with BMF will have a positive impact on the Company’s revenues.
- The Company intends to complete a financing of up to \$2.5MM Cdn of additional convertible debentures, which are expected to be issued on the same terms as the currently issued and outstanding debentures. The participants in the financing are expected to be insiders, among others at the current convertible note price of \$0.67 Cdn.

Conference Call

The company will host a conference call today, Wednesday, June 1, 2016 at 4:45 PM Eastern to discuss its financial results and the 2016 outlook.

The conference call details are as follows.

Dial-in Number: (U.S.)1-877-876-9177, (International) 1-785-424-1666

Conference ID: GLH

Program Title: GLH Investor Call

Participant Automated CID: 37192

Don Robinson, Chief Executive Officer of GLH, will be answering shareholder questions at the end of the call. Mr. Robinson will answer as many questions as time will allow.

For those unable to participate in the live conference call, a replay will be available on the investor relations section of the company's website.

About Golden Leaf Holdings:

Golden Leaf Holdings Ltd. is one of the largest cannabis oil and solution providers in North America. It's a leading cannabis products company in Oregon built around recognized brands. GLH leverages a strong management team with cannabis and food industry experience to complement its expertise in extracting, refining and selling cannabis oil.

For further information, please contact:

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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 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.