

Golden Leaf Holdings Reports Third Quarter 2016 Unaudited Results and Updates on Developments in the Oregon Market

TORONTO, ONTARIO--(Marketwired – November 28, 2016) – Golden Leaf Holdings Ltd. ("GLH" or the "Company") (CSE:GLH) (OTCQB:GLDFF), a leading cannabis oil solutions company built around recognized brands, today announced its unaudited interim financial results for the third quarter ended September 30, 2016. Please [click here](#) to access the Company's quarterly filing on the SEDAR website.

GLH will hold a shareholder update call on Tuesday, November 29th, at 4:30pm ET to discuss the quarterly results. The dial-in numbers for the Q3 2016 financial release and shareholder update are as follows:

Program Title: Golden Leaf Holdings Earnings Call

Canada & U.S.: (866) 952-1906
International: (785) 424-1825

Passcode: 15684

Overview of Third Quarter 2016 Results

Revenues for the third quarter of 2016 were US\$2.5 million, which declined by eleven percent (11%) on a year-over-year basis, but increased by seven percent (7%) for the nine-month period this year compared to 2015. By focusing on expense reduction and improving Company efficiency, operating expenses were reduced by forty-six percent (46%) year-over-year and by 10% versus Q2. As a result, the adjusted EBITDA¹ for the quarter was a loss of US\$1.4 million, versus a loss of US\$1.8 in the second quarter of 2016 and a loss of US\$2.2 in the third quarter of 2015. The company is reporting reduced losses on a lower sales base due to the reduction in operating expenses, which is a measure of increased efficiency.

Don Robinson, Golden Leaf CEO, commented, "During the third quarter of this year, our revenues were impacted by cash constraints, which affected our ability to purchase raw materials and fully utilize our manufacturing capabilities which resulted in limited product supply. However, because we had previously implemented cost-cutting initiatives to reduce our operating expenses, the impact to our bottom line was reduced. With the recently announced CAD\$12 million capital raise, we are well capitalized to move into a period of renewed growth which is anticipated in the new year."

“We are also responding to on the ground changes in the Oregon marketplace as the legal cannabis market matures in the state, from the implementation of more stringent packaging and labeling requirements, to changes in state mandated lab testing. We view these changes in the Oregon marketplace as a natural course of the evolution of state cannabis legalization programs, as was seen in Colorado, Washington state, and even in the Canadian market. While the implementation of these new guidelines is causing some current challenges to product availability, we remain confident that growth in Oregon will resume early in the new year. Our confidence in the Oregon market is also based on the announced change in oversight of the recreational market to the Oregon Liquor Control Commission (OLCC), which has resulted in a decrease in the state sales tax from twenty-five (25%) to seventeen percent (17%) and an increase in customer purchase limits. We believe that these will be fundamental drivers of growth in demand and consumption.”

“With regards to Washington state, the royalty stream from our strategic partner, BMF is unaffected by these developments. Further, it has been confirmed that legislation to allow out of state ownership in Washington will be processed in the next legislative session starting in January 2017. If out of state ownership legislation passes, then GLH would acquire BMF and move towards a consolidated company.”

Factors Affecting Q4 Supply

- *More Stringent Packaging and Labeling Requirements:* On October 1, 2016, the State of Oregon implemented new, more stringent regulations regarding the packaging and labeling of raw cannabis and cannabis products. Following the implementation of these new regulations, many dispensaries and vendors were not ready to comply and had to discard packaging that did not meet the new requirements. As a result, dispensaries closely managed their inventories and purchased less product than normal in both late September and early October to mitigate potential losses from non-compliant packaging.
- *Bottleneck in Oregon Cannabis Laboratory Testing:* On October 1, 2016, the State of Oregon implemented more stringent requirements regarding the testing of raw cannabis and cannabis products to better ensure public health and safety. Many farms in Oregon have reported that their crops have failed to pass the new testing standards, leading their products to be quarantined by regulators, creating supply shortages in the marketplace. As such, GLH and other extractors and processors in Oregon are finding it more difficult to locate and purchase sufficient quantities of lab-tested compliant materials. To add to the testing dilemma, there currently exists only a small number of state-accredited cannabis testing labs in Oregon. Until more laboratories come online, operators in Oregon

will continue to face lengthened turnaround times for testing cannabis products and subsequently a reduced supply of compliant products in the marketplace.

- *Exceptionally Rare Storm Caused Widespread Crop Damage:* On October 14 and 15, 2016, the remnants of Typhoon Songda, one of the largest storms to hit Oregon in the past 70 years, made landfall and caused widespread damage to outdoor-grown crops. GLH's primary contract grow was damaged by the storm. Many plants were blown down by heavy winds, and substantial precipitation caused additional damage and facilitated the proliferation of mold. Overall, approximately forty-percent (40%) of the crop was impacted by the storm, affecting both its quality and quantity. The cost of this crop failure will be contractually borne by our grower partners, not the Company.

The impact of these supply factors on the industry are significant with cannabis dispensaries reporting fifty-percent (50%) reductions in sales versus previous levels. It is expected that GLH revenues will be impacted commensurately. This Q4 revenue reduction in Oregon has already been accounted for in the company's revenue, EBITDA and cash projections. These factors are expected to be short lived. The industry is expected to recover with GLH returning to growth in Q1 2017.

Third Quarter 2016 Unaudited Interim Financial Results

The financial information below has not yet been reviewed by GLH's auditors.

- **Revenues:** Third quarter revenues were US\$2.5 million, representing a decrease of five percent (5%) versus the second quarter ending June 30, 2016, and a year-over-year decrease of eleven percent (11%) as compared to third quarter 2015 revenues. Revenues for the nine months ended September 30, 2016 were US\$7.6 million, an increase of seven percent (7%) as compared to revenues for the nine-month period ended September 2015.
- **Gross Margin:** Gross margin for the third quarter of 2016 was twenty-three percent (23%) as compared to twenty-six percent (26%) for the same period in 2015 reflecting manufacturing underutilization due to cash constraints as previously mentioned. Gross margin during the nine months ending September 30, 2016 decreased to twenty-one percent (21%) from twenty-three percent (23%) for the comparable period in 2015.
- **Operating Expenses:** Total operating expenses for the third quarter of 2016 were US\$2.3 million, a decrease of forty-six percent (46%) as compared to the third

quarter of 2015. Total operating expenses declined by ten percent (10%) in the third quarter 2016 compared to second quarter 2016 and by twenty-six percent (26%) versus the first quarter of 2016.

- Adjusted EBITDA: Adjusted EBITDA¹ for the third quarter of 2016 was a loss of US\$1.4M as compared to a loss of US\$1.8M in the second quarter of 2016, an improvement of twenty-two percent (22%) due to continued operating cost savings. As compared to the third quarter of 2015, where adjusted EBITDA was a loss of US\$2.2M, the Company showed a thirty-six percent (36%) improvement year-over-year.

Notes:

- *1 – Adjusted EBITDA is defined as traditional EBITDA reduced by all non-cash equity compensation expense*

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

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:

Investor Relations - U.S.A.
Harrison Phillips
Viridian Capital Advisors, LLC
212-485-0284
hphillips@viridianca.com

Investor Relations - Canada
Paul Searle
Golden Leaf Holdings Ltd.
778-240-7724
psearle@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 operation, expectations of gross sales, 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 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.