

Golden Leaf Holdings Ltd. Reports Q2 2016 Unaudited Interim Financial Results and Brand Sales Update

TORONTO, ONTARIO--(Marketwired – August 30, 2016) – Golden Leaf Holdings Ltd. ("GLH" or the "Company") (CSE:GLH), a leading cannabis oil solutions company built around recognized brands, today announced its Q2 2016 unaudited interim financial results for the period ended June 30, 2016 and an update on overall brand sales in Oregon and Washington.

Don Robinson, Chief Executive Officer of GLH commented, "Overall financial performance of brand sales in Oregon and Washington is encouraging given that we've overcome a variety of challenges in the last 6 months including regulatory challenges, cash flow hurdles and building top professional management. GLH experienced lower than anticipated revenue in Q2 2016 versus Q2 2015 due to evolving regulations, which resulted in sales mix changes."

"GLH's strategic trim supply agreement program focused on contracting with farmers to obtain low cost supply of high quality flower and trim will play a key role in addressing production obstacles and supporting the Company's value-added manufacturing business model. Plants grown in connection with the program are scheduled for harvest in Q4 2016. Access to this trim and flower is expected to provide significant financial benefits including lower cost of goods and much higher gross margins," stated Mr. Robinson.

Brand Sales Update

The combined 6 month revenues through June 30, 2016 or Q2 2016 for the respective brands of the Company and strategic partner BMF Washington ("BMF") are US\$7,359,795. These substantial numbers demonstrate the traction and success that the brands have achieved respectively in Oregon and Washington. New product introductions and strong merchandising drove brand awareness and sales.

GLH's brand relaunch of Golden and the new product Private Stash received positive consumer response and strong sell through in dispensaries. For the 6 months ended June 30, 2016, the Company recognized revenues of US\$5,084,991. BMF continued to gain market penetration month after month in Washington with new product innovation and a focused sales strategy. These activities resulted in revenues of US\$2,274,804 for the 6 months ended June 30, 2016.

Financial Update

Q2 2016 Unaudited Interim Financial Results

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

- The Company's revenue for the quarter ended June 30, 2016 was approximately US\$2,608,303 as compared to US\$2,476,688 in Q1 2016, an increase of 5% compared to Q1 2016 as dispensary sales saw improvements.
- The revenues generated for the quarter ended June 30, 2016 were approximately US\$2,608,303, compared to US\$2,957,670 in the same period in 2015. This is a decrease of 12% from the quarter ended June 30, 2015 attributed largely to changes in channel sales, regulatory impact and implications from cash flow restraints as the Company was unable to invest in inventory necessary to fill oil and flower demand.
- The Company's revenues for the six months ended June 30, 2016 were US\$5,084,991, a significant increase of 19% over the comparable period of US\$4,276,871 in 2015 as GLH was still ramping up operations in the early part of 2015.
- Gross margin for the second quarter of 2016 amounted to approximately 14%, compared to a gross margin of approximately 18% for the second quarter of 2015. Working capital constraints drove low production (and corresponding inefficiencies), and low inventory levels required GLH to deplete older, low quality oils at very low margins to maintain market presence. The Company also invested in plant "starts" used to supply the contract growers which GLH has contracted (for harvesting in Q4 2016).
- GLH gross margins were 20% during the six months ended June 30, 2016, similar to the 21% in the comparable period in 2015. Inefficiencies plagued both periods, as working capital related throughput issues in 2016 put pressure on margins and early 2015 saw the effect of immature operations.
- Total operating expenses for the second quarter of 2016 amounted to approximately US\$2,578,452, compared to approximately US\$3,940,345 for the second quarter of 2015. This represents a significant reduction of 35% versus the operating expenses in Q2 2015. Total operating expenses declined by 18% in Q2 2016 (US\$2,578,452) compared to Q1 2016 (US\$3,143,814) and by 41% versus Q4 2015 (US\$4,354,889). This reflects the Company's continued focus on cost reduction and containment.
- As a subset of total operating expenses, general and administrative expenses saw a reduction in Q2 2016 of \$US91,403 compared to Q1 2016 as GLH saw expenses scale back as it tightened spending and moved away from a period of high costs resulting from the RTO and its subsequent public listing. In addition, the Company saw a decline in general

and administrative expenses of \$US838,151 in Q2 2016 as compared to Q4 2015, a 29% reduction.

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.

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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.