

With a Seed to Sale model, Golden Leaf Holdings Ltd. is Cultivating, Extracting, Distilling and Manufacturing Edible Oil Products distributed and Sold through the Chalice Farms branded Retail Store



William Simpson
Chief Executive Officer

Golden Leaf Holdings Ltd.
(CSE: GLH) (OTCQB: GLDFF)
<http://goldenleafholdings.com/>

Contact:
Golden Leaf Holdings
503-384-2141
info@goldenleafholdings.com

Interview conducted by:
Lynn Fosse, Senior Editor
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CEOCFO: Mr. Simpson, what is the focus at Golden Leaf Holdings today?

Mr. Simpson: Our goal is to take our vertically integrated model that we have built in Oregon successfully, and expand it nationally and internationally.

CEOCFO: What is the model?

Mr. Simpson: Our model is “seed to sale.” We have been cultivating, extracting, distilling and manufacturing edible oil. We have an entire edible line. One of our leading edible products is the first wholesome fruit chew that is vegan, with zero artificial flavor or color. We distribute and sell through the Chalice Farms branded retail store. We are doing that now in Oregon. At the end of 2017, we received our cultivation license in Canada, began cultivation in January of this year and expect to receive our sales license there around mid-year. We have cultivation and extraction licenses and operations in Nevada. We are also under a letter of intent to acquire cultivation, extraction, and retail licenses in California, and are operating under a retail master services agreement, as we move towards a definitive agreement in the U.S.’s largest cannabis market. Our goal is to be vertically integrated in all markets.

“Our goal is to be a household brand. In a decade when people think of cannabis, I believe they are going to know Chalice Farms. It is not small undertaking, but when we have an amazing team and I know we have the work ethic. We just have to take it one day at time, do it the best we can that day and do it again tomorrow.”- William Simpson

CEOCFO: How do you stay ahead of the changing regulations, both in the various segments of the industry, different locations themselves, and the up and coming places?

Mr. Simpson: My background is really well-suited for staying ahead of the regulatory landscape. I started a couple of the political associations that helped with all the rule creation around cannabis. I started the Northwest Producer Processor and Retail Association in Washington state and then also helped found the Oregon Cannabis Association in Oregon. Those have been great learning experiences for me to work within the political and regulatory environment. I helped the Liquor Control Commission in Oregon write all the rules as a state. I am still on their advisory board. That has been a very valuable resource to understand how to deal with those regulations because they are different with different time, place and manner, first city, first county, first state, first province. We’ve also built a very robust team of people including

lobbyists that are working with local counties, municipalities, cities. We have associations in all the markets that we are in and we have a team of compliance specialists that are always looking at the new and upcoming markets. They look at how the rules are going to play out, what is or is not allowed. That is their whole life. All they do is stay on top of that.

CEOCFO: *What parts of the chain have the biggest challenges that you are able to overcome because of your experience?*

Mr. Simpson: The most challenging aspect of our business is expanding the brand into other jurisdictions. I would say retail is probably the most difficult aspect to do that with because everywhere you go, there are different distance requirements, different open hours requirements, different applications sets that require different things. In Oregon, when you take all different counties and cities, everywhere you go, you have to have a different land use compatibility statement. The zoning and occupancy for each one of those, depending on the jurisdiction, is completely different. You are going to learn a role set for the city of Portland and then if you go to open a store in Clackamas, you have to relearn everything. Then you go to a different state and their requirements and applications are completely different again. There is one market that we recently went into that required anyone who is a part of the ownership of the company or has direct or indirect operational control to have ten years of tax returns. You look at another market and they do not care about your tax returns, they just want to see money in the bank and proof of funds, making sure it did not come from an illegal source. On top of that, in some jurisdictions, the rules can change almost on a weekly or monthly basis. Mid-game, the goal posts can change to the left or right or extend further or become shorter. You have to be really nimble and have a really good team that is on top of it. The process is very disciplined, and you wake up every day, work really hard with long hours.

CEOCFO: *Why should someone want a Golden Leaf product? What is different about what you have developed?*

Mr. Simpson: We have taken a very craft approach to everything that we have. From the product that we either purchase from another farm or grow ourselves, we have very high standards. As a company, we have value sets that we live by. Our purpose statement as a company is 'enhancing lives through cannabis'. That goes all the way down the value chain. For instance, I do not believe we are enhancing a life if we pollute any type of material, whether it is a plant, edible or oil, with some kind of fungicide, pesticide or inorganic nutrient. We vet the vendors that we work with and institute those standards within our practice. The only inputs that go into our plants are organic. The only thing that we use as insecticide is beneficial insects. We do not spray any chemicals. The farms that are non-Chalice that we work with to buy input for our other ingredients like our oils and distillates, we have to make sure that they are living by those same sustainability and organic practices, or we will not work with them. We take our team of cultivators who understand this process very well and go and interview their teams, look at their practices, their operating procedures, what they use, their input, and then they get an approval level. The next stage for that to go into an oil or edible product, or onto our shelf as a whole dried flower, requires our quality control analysis to appraise the product. We know that it has grown sustainably, it is clean, the company is using those good earth friendly practices, but then that harvest needs to meet a very high standard for us to intake it, take it to that next level, and extract that product. Then when you take it another step further into our edible line, we chose the high path with our food products. We decided on wholesome, very high-end food. We buy non-GMO, fair trade, organic ingredients. We get small batch chocolate. As with our fruit chews, all ingredients are vegan. There is zero artificial flavor or color, and they taste mind-blowingly good. We use real fruit puree. This is a stance that I wanted to take because, as a human being who is fortunately not sick, I still try to eat wholesome, organic food to stay healthy. If you are sick and you are using these edibles to treat an ailment and make you feel more comfortable, the last thing you want to put in your body is red dye 47 or high fructose corn syrup. There could be a very good chance those are some of the reasons you have the ailment you are dealing with now. That is something I think people can get behind, that when they buy one of our products, they know it is wholesome, clean and uses only organic inputs. You cannot say cannabis is organic because it is federally illegal, but everything around it is organic.

CEOCFO: *Does the market understand in general or are they becoming more aware of the difference in quality?*

Mr. Simpson: They are becoming more aware but there still needs to be a lot more education. We take it upon ourselves with our customers to really educate them. When you come into a Chalice Farms store, the sales associate that works with you is on some level like a cannabis sommelier, which is our goal. We train our associates to be well educated on the source plant and its genetics, how it was grown, extracted, how it was made into an oil or edible, so that we can educate our consumer base. I think as cannabis becomes more mature as a marketplace, the consumer will become more educated too. You look at wine forty years ago such as pinot noir, and people did not understand a lot of the different clones but now you go to Oregon and look at all the different pinot noir and talk to about it and people are a lot more educated. They understand the climate, the clone genetic, the type of actual vending they did, seedless or skinless, but this did not happen overnight. It took that industry educating and educating year after year. As a company, we set that bar high, so that our competitors in the market have to meet or exceed that bar as well because we believe that doing that will

make this industry a better place in total. It is not going to be about “stoners.” It is going to be a high level of cultivation, plant, product, edible and the perception will change. It will be something that is prestigious and beautiful.

CEO CFO: *Where do franchises come into play for you?*

Mr. Simpson: At the end of March, we launched this initiative through signing a letter of intent to collaborate with BlackShire Capital. We have completed all of the required franchise disclosure documents in Canada, are working to complete the documents for the US, and continue to negotiate with BlackShire, with a goal of reaching a definitive agreement. Our goal is to become a very consumer-accepted brand retail experience at Chalice Farms and expand that brand as fast as possible because right now there is somewhat of a land grab going on in this industry. We do not want to lose the opportunity to put the Chalice Farms mark in the different markets that we find are key to changing the face of the of this industry on a global scale. We determined that we could only have so much in terms of resources as a single company, but if we offered this as a franchise opportunity, we would have a lot of other groups that have interest and strong business sets, time sets and skill sets. With our standard operating procedures and our franchise disclosures and all of our documents, we are confident that we will be able to recreate these experiences at a rapid pace. The goal of our BlackShire collaboration is to open thirty to forty locations in Canada and the U.S. west coast, including Nevada, over the next couple of years.

CEO CFO: *When you are doing an investor presentation, what resonates most and what do people miss that they should pay attention to?*

Mr. Simpson: The biggest thing I see right now in this industry is like the “sizzle and steak” analogy. There is a lot of sizzle and excitement because cannabis is likely going to represent the next big wave, the next dot com, the next real estate, finance moment, and it there is a lot of opportunity. However, it is easy to get caught up in the flash. What a lot of people do not look at enough is the true acumen behind the companies. Like anything in life, if you have the best idea with the wrong people, it will fail. You really have to look at the team within the company if you are an investor. You have to come out and look at the company. People get caught up with looking at a stock and the buzz around it, and that is just sizzle on a steak. At the end of the day, once the sizzle is gone, there is going to be a little over cooked piece of meat underneath it. You have to find the one that has the big, fat rib eye—the real substance. There are a few companies out there that are really doing a good job and building true infrastructure that is going to be around in two decades and will be a household brand name. I believe Chalice will be one of those. We are working on foundation. We are not right now as sexy to the world as some of these other ones, because we are investing in foundation, which does not translate to a lot of revenue over the near-term. But when you look at us, as a long-term business (this is not a day trading program, this is building and industry), we are building a solid foundation where we are vertically integrated, and do not have the need to work with any outside companies to be successful in long-term. As companies like ours build that foundation and disciplined operations around it, those are going to be the ones that will be an unstoppable force. There is a lot of the “flash in the pan” stuff happening, and it is easy for investors to get caught up in it when they see stocks soaring, but are those still going to be around in five years? You cannot sustain losses. You see some of these market caps out there, and they are over a billion dollars, while losing millions of true net on a monthly basis. Where is the shareholder return in that equation? It has to turn at some point, and by the time those big market caps turn around, I do not see the return being there. Investors need to look closely at the true fabric behind the scenes with such companies.

CEO CFO: *How do you spend your time as CEO of Golden Leaf Holdings?*

Mr. Simpson: I start my day at five-thirty AM. I run. I come back to my house and make my little girl breakfast every morning and then I get on email to start the day. I usually have ten or fifteen phone calls scheduled, some of which are PR or IR related, and some deal directly with investors. Our team has a strategic plan in place, which lays out initiatives to be implemented over one, two and three-year periods. I hold my senior leadership teams accountable to those initiatives. We have weekly meetings at a B-level and senior leadership levels. I work with various institutional family offices. I work with the IR teams to ensure that we get our messaging out. I look for potential accretive growth opportunities and for deals on a daily basis that can expand our footprint. That is basically what I lose sleep over. At the end of the day when I finally get home, I spend a little time with my wife and then when she goes to bed I open my computer back up and continue working to achieve our mission. Our goal is to be a household brand. In a decade when people think of cannabis, I believe they are going to know Chalice Farms. It is not small undertaking, but when we have an amazing team and I know we have the work ethic. We just have to take it one day at time, do it the best we can that day and do it again tomorrow.