May 10, 2019

MediPharm Labs Announces Q1 2019 Revenue of $22 Million and Adjusted EBITDA of $4.3 Million

TORONTO, May 10, 2019 (GLOBE NEWSWIRE) -- MediPharm Labs Corp. (TSXV: LABS) (OTCQX: MEDIF) (FSE: MLZ) ("MediPharm Labs" or the "Company") a global leader in specialized, research-driven cannabis extraction, distillation, purification and cannabinoid isolation, is pleased to announce first quarter financial results for the three months ended March 31, 2019. The consolidated financial statements and management's discussion and analysis for the period will be available on SEDAR and on www.medipharmlabs.com.

Key Q1 2019 Financial and Year-to-Date Highlights

- Revenue of $22 million, a 115% increase over Q4 2018, leading the Canadian cannabis extraction-only industry
- Gross Profit of $6.9 million, Gross Margin 31%
- Adjusted EBITDA[(1)] of $4.3 million, a 102% increase over Q4 2018, Adjusted EBITDA[(1)] margin of 20%
- Strong, positive cashflows from operations
- Q1 revenue includes $7.6 million revenue for initial shipment of large private label cannabis oil contract with a large Licensed Producer
- Acquired more than 5,000 kg (or 5 million grams) of dried cannabis in last 2 weeks of Q1 from multiple Licensed Producers to fulfill robust demand for private label offerings
- Continued significant capital investment, further increasing scale of operations to enhance efficiencies through automation, increase throughput capacity and new equipment for diversified product lines including distillates, vapeables, softgel caps and bottled cannabis oil
- Received over $7 million in cash proceeds from warrant exercises subsequent to March 31, 2019

"As a differentiated cannabis company, we achieved strong first quarter results and set the pace for continued robust growth, marking our position among top-tier Canadian cannabis companies," said Patrick McCutcheon, Chief Executive Officer, MediPharm Labs. "Our revenue and adjusted EBITDA performance, which more than doubled to $22 million and $4.3 million in our first full quarter of operations, illustrates the value of our specialized focus and ability to execute as the Canadian market's leading extraction experts and providers of high-quality cannabinoid-based derivative formulations at scale. It also demonstrates our ability to convert revenue into positive operating cash flow – a key milestone achieved less than five months after receiving our sales licence."

"Our very strong start to the year included signing our fifth, 3-year tolling agreement, with TerrAscend Corp., and completing two new private label supply agreements in the quarter, raising the total potential value of our private label sales agreements to in excess of $85 million over a 15-month period from December 2018. This strong sales momentum continued well into the second quarter, with several new agreements in process and a healthy pipeline beyond those."

"In anticipation of expanded legalization in the fall of 2019, we are advancing our distillate and white label solutions platforms to enhance our position for vapeables, edibles and topicals as we expect our addressable market and consumer demand to significantly increase. Our white label offering will be an enduring advantage and attractive solution for LP's, direct-to-consumer brands and CPG companies, which we expect will also accelerate our growth in the months and years ahead."

Key Operational and Year-to-Date 2019 Highlights

- Executed multiple private label sales agreements with potential sales value in excess of $85-million over 15-month period from December 2018, with a robust pipeline of additional private label sales opportunities
- Signed first international private label sale agreement with AusCann Group Holdings Ltd. for export of cannabis oil from Canada to Australia for chronic pain medicines
- Continued expansion of white label solutions platform, as planned, to offer formulation, manufacturing and distribution services, in addition to active ingredients, for cannabis oil input products including for vapeables,

edibles, beverages and topicals; expected to drive future margin expansion
- Appointed renowned medical expert and pharmaceutical researcher, Dr. Paul Tam, to the Board of Directors and Audit Committee
- Appointed Braden Fenske, former Group Product Director, Global Strategic Marketing for Biosense Webster Inc., a Johnson & Johnson Company, to newly created Chief Strategy Officer position to advance corporate strategy, global growth and strategic partnerships
- Assembled diverse team of globally renowned experts to form our Science Advisory Committee

Near Term Catalysts

1. New agreements in process
2. Large volume purchases of dried cannabis
3. Canadian legalization of vapeables and edibles in fall 2019 creates another significant addressable market for cannabis derivatives
4. On track to increase annual throughput capacity from 150,000 kg to 250,000 kg during 2019
5. First oil shipment to AusCann Group Holdings in Australia from Canadian extraction-only company
6. Advancing international growth strategy - significant progress on construction of MediPharm Labs Australia state-of-the-art cannabis extraction facility with licensing expected H2/19
7. Continued progress toward European Union GMP certification to address EU market demand
8. Identification and evaluation of additional jurisdictions for continued global expansion opportunities in Europe, Latin America, the Caribbean and Africa

First Quarter 2019 Key Financial Measures

	Three-months ended	
	March 31, 2019 $'000s	**December 31, 2018 $'000s**
Revenue	21,950	10,198
Gross profit	6,862	3,967
Gross margin %	31%	39%
Net loss	(573)	(3,542)
Adjusted EBITDA[(1)]	4,310	2,129
Adjusted EBITDA margin %	20%	21%

Ongoing Strategic Initiatives

1. **Forge Additional Domestic and International Sales and Supply Agreements:** Utilizing a first-mover and proprietary advantages, the Company is focused on procuring cost efficient, bulk dried cannabis supply, increasing wholesale private label cannabis concentrate (crude resin and distillate) production and value-added products, services and tolling to win new business domestically and internationally.

2. **Expand White-Label Solutions Platform Including Formulation, Processing and Distribution Services:** Expected legalization of vapeables, edibles, beverages and topicals in October 2019 is also expected to expand the Company's addressable market for cannabis derivatives and act as a catalyst to encourage a broad array of direct-to-consumer brands and non-cannabis consumer packaged goods companies to seek partners like MediPharm Labs for active ingredients as well as formulation, processing and distribution.

3. **Increase cGMP-built Production Capacity:** The Company is on track with the installation and commissioning of 2 additional primary extraction lines at its Barrie facility that are expected to increase annual processing capacity to 250,000 kg over a total of 7 extraction lines. Utilizing cGMP methodology, multiple extraction lines provide flexibility to dedicate to specific customer batches and significantly enhance productivity. Flexibility over multiple extraction lines will be transformative, providing a continued competitive advantage in the cannabis market.

4. **Achieve European Union GMP Certification at Barrie Facility:** Expect to achieve certification in the H2 2019 enabling the Company to serve substantial European demand.

5. **Complete First International Facility in Australia:** Australian centre of excellence is expected to be

commissioned in H2 2019, pending licensing, and will act as hub to access Asia-Pacific regions. The facility is designed to produce to cGMP standards with an annual extraction capacity of approximately 75,000 kg of dried cannabis. The Australia region is expected to provide a strong backdrop for cultivation given the favorable growing conditions where the Company is seeking to procure locally sourced lower-cost supply inputs for production.

6. **Expand Secondary Extraction Capabilities:** Advancing industrial-scale distillation and commercial chromatography capabilities to produce active pharmaceutical ingredients that require cannabinoid purity of at least 99.9%. Development is underway for specialized, proprietary chromatography processing with trials expected to commence H2 2019.

7. **M&A and Joint Venture Opportunities:** The Company has established a robust pipeline of opportunities to replicate its unique business model in other jurisdictions and evaluating complementary acquisitions to further enhance and accelerate growth.

First Quarter 2019 Financial Results Summary

	Three-month periods ended March 31	
	2019	**2018**
	$'000s	**$'000s**
Revenue from contracts with customers	21,950	-
Cost of sales	(15,088)	-
Gross profit	**6,862**	**-**
General administrative expenses	(2,128)	(394)
Marketing and selling expenses	(907)	(11)
Share-based compensation expense	(3,972)	(758)
Other operating expenses	(7)	(105)
Operating loss	**(152)**	**(1,268)**
Finance income	5	-
Finance expense	(178)	(81)
Loss before taxation	**(325)**	**(1,349)**
Taxation expense	(248)	-
Net loss for the period	**(573)**	**(1,349)**

(1) Adjusted EBITDA is not a recognized performance measure under IFRS, does not have a standardized meaning and therefore may not be comparable to similar measures presented by other issuers. Adjusted EBITDA is included as a supplemental disclosure because Management believes that such measurement provides a better assessment of the Company's operations on a continuing basis by eliminating certain non-cash charges and charges or gains that are nonrecurring. Adjusted EBITDA is defined as net loss excluding interest, taxes, depreciation and amortization, and share-based compensation. Adjusted EBITDA has limitations as an analytical tool as it does not include depreciation and amortization expense, interest income and expense, taxes, share-based compensation and transaction fees. Because of these limitations, Adjusted EBITDA should not be considered as the sole measure of the Company's performance and should not be considered in isolation from, or as a substitute for, analysis of the Company's results as reported under IFRS. The most directly comparable measure to Adjusted EBITDA calculated in accordance with IFRS is operating income (loss). The above is a reconciliation of the Company's operating loss to Adjusted EBITDA. See "Reconciliation of non-IFRS measures" in the Company's Management's Discussion and Analysis for the period ended March 31, 2019 for additional information.

About MediPharm Labs Corp.

Founded in 2015, MediPharm Labs has the distinction of being the first company in Canada to become a licensed producer for cannabis oil production under the ACMPR without first receiving a cannabis cultivation license. This expert focus on cannabis concentrates from being built to cGMP (current Good Manufacturing Practices) and ISO standard-built clean rooms and critical environments laboratory, allows MediPharm Labs to produce purified, pharmaceutical-like cannabis oil and concentrates for advanced derivative products. MediPharm Labs has invested in an expert, research-driven team, state-of-the-art technology, downstream extraction methodologies and purpose-built facilities to deliver pure, safe and precisely-dosed cannabis products to patients and consumers. MediPharm Labs' private label program is a high margin business for the Company, whereby it opportunistically procures dry cannabis flower and trim from its numerous product supply partners, to produce cannabis oil concentrate products for resale globally on a private label basis.

Through its subsidiary, MediPharm Labs Australia Pty. Ltd., MediPharm Labs has also completed its application process with the federal Office of Drug Control to extract and import medical cannabis products in Australia.

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CAUTIONARY NOTE REGARDING FORWARD-LOOKING INFORMATION:

This news release contains "forward-looking information" and "forward-looking statements" (collectively, "forward-looking statements") within the meaning of the applicable Canadian securities legislation. All statements, other than statements of historical fact, are forward-looking statements and are based on expectations, estimates and projections as at the date of this news release. Any statement that involves discussions with respect to predictions, expectations, beliefs, plans, projections, objectives, assumptions, future events or performance (often but not always using phrases such as "expects", or "does not expect", "is expected", "anticipates" or "does not anticipate", "plans", "budget", "scheduled", "forecasts", "estimates", "believes" or "intends" or variations of such words and phrases or stating that certain actions, events or results "may" or "could", "would", "might" or "will" be taken to occur or be achieved) are not statements of historical fact and may be forward-looking statements. In this news release, forward-looking statements relate to, among other things, expectations for revenue generation from existing contracts, expanding product offerings and legalization of same, development of R&D and IP, signing new sales and supply agreements, expanding white-label solutions platform, increasing production capacity, exportation to Australia, expanding merger and acquisition and international growth pipeline, expanding secondary extraction capabilities, cGMP certification and the completion of Australian facility and establishment and licensing of operations in Australia. Forward-looking statements are necessarily based upon a number of estimates and assumptions that, while considered reasonable, are subject to known and unknown risks, uncertainties, and other factors which may cause the actual results and future events to differ materially from those expressed or implied by such forward-looking statements. Such factors include, but are not limited to: general business, economic, competitive, political and social uncertainties; the inability of MediPharm Labs to obtain adequate financing; and the delay or failure to receive regulatory approvals. There can be no assurance that such statements 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 the forward-looking statements and information contained in this news release. Except as required by law, MediPharm Labs assumes no obligation to update the forward-looking statements of beliefs, opinions, projections, or other factors, should they change.

Source: MediPharm Labs Corp.