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MPX International Announces Second Quarter 2020 Financial Results

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TORONTO, July 10, 2020 (GLOBE NEWSWIRE) -- **MPX International Corporation** ("**MPX International**", "**MPXI**" or the "**Corporation**") (CSE:MPXI; OTCQX:MPXOF) today reports financial results for its second quarter, the three and six month period ended March 31, 2020. All figures are presented in Canadian dollars unless otherwise indicated.

The Corporation is focused on developing and operating assets across the global cannabis industry with an emphasis on cultivating, manufacturing and marketing products which include cannabinoids as their primary active ingredient.

Recent Highlights:

- On July 2, 2020, the Corporation announced that it had successfully closed the first tranche of its previously announced non-brokered private placement offering (the "**Offering**") of units (the "**Units**") of the Corporation. The closing of the first tranche of the Offering resulted in the issuance of 3,348 Units at a price of US$1,000.00 (C$1,360) for aggregate gross proceeds of US$3,348,000 (C$4,553,280). Each Unit consists of one 12% secured convertible debenture of the Corporation (a "**Debenture**") in the principal amount of US$1,000.00 (C$1,360) and 7,000 common share purchase warrants. The Corporation intends to use the proceeds from the Offering to fund product and facility development in Switzerland and retail expansion in Canada as well as for working capital and other general corporate purposes.

- On July 6, 2020, the Corporation announced that its wholly-owned subsidiary, Spartan Wellness Corporation ("**Spartan**"), has entered into a services agreement dated July 1, 2020 (the "**Services Agreement**") with Medical Cannabis by Shoppers Drug Mart Inc., a subsidiary of Shoppers Drug Mart. The Services Agreement calls for Spartan to utilize its network of volunteers and professionals to perform clinical services for Shopper Drug Mart patients which will include prescribing cannabinoid combination and strength, delivery methods and general education about cannabis use as well as conducting follow-up medical appointments to monitor efficacy and patient well-being.

In Canada, the Corporation is transitioning its principal business model away from cultivation to one of intermediation between buyers and sellers, accessing or facilitating the sale of cannabis products from third party License Holder's (a "**License Holder**" or "**LH**") and arranging or facilitating sales to medical cannabis consumers domestically or, increasingly, to international buyers. This strategy reduces or eliminates the need for large capital investment, while generating fees and margins with equivalent net returns to those generally available from seed-to-sale operations. The Corporation is currently involved in late-stage negotiations to facilitate several export opportunities to Europe and Australia, through its fully licenced and wholly-owned subsidiary, MPX Australia Pty Ltd.

Domestically, Spartan and the Medical Cannabis Learning Network (the "**MCLN**") are currently working with a combined 13 License Holders to educate and market cannabinoid-based medicines to Canadian patients. As well, MPXI is anticipating the addition of several additional LH's to the platform over the next several weeks. The Corporation generates transactional and/or hourly-based consulting fees from LH's for sales generated over the network on behalf of the LH's. The Spartan/MCLN platform acts as both a telemedicine medium providing patient access to medical practitioners for advice and cannabis prescriptions and as a sales platform for License Holders. The MCLN operates in much the same manner as Amazon or Shopify by providing on-line sales facilitation between consumers and suppliers.

While Canveda Inc. ("**Canveda**"), a wholly-owned subsidiary of the Corporation and License Holder, will continue to operate its 12,000 sq. ft. cultivation facility (the "**Canveda Facility**") in Peterborough, Ontario, MPXI has shelved plans for any acquisition or expansion of additional cultivation in Canada and will market its estimated 1,200 kg of annual production through its Spartan and MCLN channels as well as to various provincial cannabis distribution agencies.

The MCLN and its integration with the Spartan platform will play a significant role in our growth in Canada this coming year. Spartan is a leading medical cannabis clinic dedicated to assisting Veterans of the Canadian Armed Forces, RCMP and other First Responders since 2017. Spartan has also expanded its services to helping Canadians seeking medical cannabis education, prescriptions, and advice on a wide selection of reputable Health Canada approved product offerings at its premier virtual clinic. Spartan prides itself on its 3 key measures for aligning clients with reputable suppliers: customer services, product availability, and product quality. Spartan attributes its continued growth to its 4 Pillars of Success: (1) Honesty; (2) Integrity; (3) Respect; and (4) Giving Back to the Community.

Over 40 countries, including 24 in Europe, have legalized cannabis in some form and medicinal use is by far the primary focus of legalization. Success in the medical cannabis marketplace is largely determined by the number of patients being served and the MCLN is a leading edge "patient acquisition" technology which can be adapted for use in many countries.

MPXI continues to explore opportunities to enter the retail (dispensary) arena in Canada and expand in Switzerland and the United Kingdom. With the opening of the first "beleaf" branded outlet in Central London in December 2019 and the first "HolyWeed" branded locations in Geneva in January 2020. The Corporation intends to continue the creation and expansion of a retail footprint for its products in Canada, Europe and elsewhere.

In Switzerland, a harvest of approximately 90,000 kilograms of high-CBD, organic "cannabis-light" biomass offers the Corporation the ability to process substantial amounts of CBD distillate, isolate and smokable product for sale into the global market throughout the coming months. MPXI has entered into a lease for a facility in the Geneva area and while delayed by the advent of the COVID-19 Pandemic, it is currently being converted into a mid-scale extraction and processing facility which is expected to commence operations later in 2020.

With the ultimate goal of creating a global supply chain of low-cost biomass, efficiently-scaled production of GMP quality cannabinoid products for sale into high-value markets, the Corporation will also continue to develop its projects in Malta, Australia and South Africa. While again plagued with COVID-19 induced delays, the Corporation continues to expect each of these projects to commence operations during the early part of the 2021 calendar year.

The business interruption created by the global shutdowns and travel restrictions has had a negative impact on the progress of the multiple domestic and international projects initiated by the Corporation in late 2019 and early 2020. Unlike most other cannabis ventures, virtually all of MPXI's operations were still in the pre-revenue stage when the virus emerged. As a result, the Corporation embarked on plan of cost containment, including wage reductions, the cancellation of several consulting arrangements, the delay of construction of facilities in Switzerland and South Africa and the abandonment of selected infrastructure projects in Canada and Australia. MPXI will extend many of these cost-saving initiatives in the post-COVID period and, combined with concentrating on the development of revenues in Canada, Switzerland, and elsewhere, the Corporation continues its drive towards becoming EBITDA positive.

Finally, the Corporation continues to investigate other international expansion opportunities that can provide lower-cost cultivation, new genetics, innovative production technologies and, most importantly, new markets for its products.

Financial Overview

The key financial measures indicated below were used by management in evaluating and assessing the performance of MPXI's business for the fiscal second quarter of 2020. A more detailed discussion of these and other metrics, as well as operational events, can be found in the Corporation's Financial Statements and Management Discussion & Analysis ("**MD&A**") filed on www.sedar.com.

Net Revenue

For the three months ended March 31, 2020, MPXI reported net revenue of $798,516, up 29.5% from $616,309 for the three months ended December 31, 2019 and up 276% from $212,201 for the three months ended March 31, 2019. Revenue was mainly driven by sales in Spartan, Canveda, and HolyWorld SA ("**HolyWeed**").

For the six months ended March 31, 2020, MPXI reported net revenue of $1,414,825, up 202% from $468,773 for the six months ended March 31, 2019. Revenue was mainly driven by sales in Spartan, Canveda, and HolyWeed.

Gross Profit

Gross profit for the three months ended March 31, 2020, before adjustment for the unrealized gain in the fair value of biological assets was $613,103 which represents a gross margin of 77.3%. Gross profit after adjustment for the unrealized gain in the fair value of biological assets was $993,296 calculated at 125.2% of sales. The unrealized gain in fair value of biological assets relates to cannabis plants at the Canveda Facility and in Switzerland.

Gross profit for the three months ended December 31, 2019, before adjustment for the unrealized gain in the fair value of biological assets was $551,605, which represents a gross margin of 88.2%. Gross profit after adjustment for the unrealized gain in the fair value of biological assets was $1,416,848 calculated at 226.5% of sales. The unrealized gain in fair value of biological assets relates to cannabis plants at the Canveda Facility.

Gross profit for the three months ended March 31, 2019, before adjustment for the unrealized gain in the fair value of biological assets, was $203,832, which represents a gross margin of 96.1%. Gross profit after adjustment for the unrealized gain in the fair value of biological assets was $267,992 calculated at 126.3% of sales. The unrealized gain in fair value of biological assets relates to cannabis plants at the Canveda Facility.

Gross profit for the six months ended March 31, 2020, before adjustment for the unrealized gain in the fair value of biological assets was $1,164,708 which represents a gross margin of 82.1%. Gross profit after adjustment for the unrealized gain in the fair value of biological assets was $2,410,144 calculated at 169.9% of sales. The unrealized gain in fair value of biological assets relates to cannabis plants at the Canveda Facility and in Switzerland.

Gross profit for the six months ended March 31, 2019, before adjustment for the unrealized gain in the fair value of biological assets was $443,153, which represents a gross margin of 94.5%. Gross profit after adjustment for the unrealized gain in the fair value of biological assets was $793,057 calculated at 169.2% of sales. The unrealized gain in fair value of biological assets relates to cannabis plants at the Canveda Facility.

Operating Expenses

General and administrative expenses decreased to $3,372,799 for the three months ended March 31, 2020, a reduction of 12.6% or $490,582 as compared to $3,863,381 for the three months ended December 31, 2019. The decrease in general and administrative expenses was primarily due to cost saving measures introduced by the Corporation in salaries, consulting fees and office and general expenses during the three months ended March 31, 2020.

General and administrative expenses were $3,372,799 for the three months ended March 31, 2020 as compared to $1,916,284 for the three months ended March 31, 2019.

General and administrative expenses were $7,236,180 for the six months ended March 31, 2020 as compared to $2,731,358 for the six months ended March 31, 2019.

Overall, the increase in general and administrative for the six months ended March 31, 2020, as compared to the six months ended March 31, 2019, was primarily due to increases in salaries and benefits, consulting fees and office and general expenses relating to acquisitions during the period and the Corporation’s continued growth.

Professional fees decreased to $444,216 for the three months ended March 31, 2020, a reduction of 47.4% or $400,835 as compared to $845,051 for the three months ended December 31, 2019 as a result of cost saving measures introduced by the Corporation during the three months ended March 31, 2020.

Professional fees increased to $444,216 for the three months ended March 31, 2020 as compared to $435,292 for the three months ended March 31, 2019.

Professional fees increased to $1,289,267 for the six months ended March 31, 2020 as compared to $752,822 for the six months ended March 31, 2019.

This increase in professional fees for the six months ended March 31, 2020 as compared to the six months ended March 31, 2019 is mainly due to the change in volume and complexity of accounting and legal services required by the Corporation driven by acquisitions and growth. These fees include expenses related to audit, advisory, legal work, government and investor relations, consulting and costs associated with the board of directors.

As part of the Corporation's incentive stock option plan, the Corporation recognized $30,130 of share-based compensation for the three months ended March 31, 2020 as compared to $40,712 for the three months ended December 31, 2019 and $1,034,694 for the three months ended March 31, 2019.

As part of the Corporation's incentive stock option plan, the Corporation recognized $70,302 of share-based compensation for the six months ended March 31, 2020 as compared to $1,230,376 for the six months ended March 31, 2019.

The Corporation granted stock options to employees, consultants, directors and officers of the Corporation under the Corporation's stock option plan on February 26, 2019, May 29, 2019, September 19, 2019, and February 11, 2020.

Amortization and depreciation expenses increased to $2,398,799 for the six months ended March 31, 2020 as compared to $368,657 for the six months ended March 31, 2019. The increase in amortization and depreciation relates primarily to the amortization of MCLN licence commencing in December 2019, and the additional amortization from the adoption of IFRS 16 during the six months ended March 31, 2020.

Other income and expenses

Other income was $1,146,898 for the three months ended March 31, 2020 as compared to other income of $85,707 for the three months ended December 31, 2019 and other expenses of $194,451 for the three months ended March 31, 2019.

Other income was $1,232,605 for the six months ended March 31, 2020 as compared to other expenses of $778,334 for the six months ended March 31, 2019.

Net Loss After Tax

Net loss after tax was $2,528,169 for the three months ended March 31, 2020 as compared to a loss of $4,456,065 for the three months ended December 31, 2019 and a loss of $3,600,923 for the three months ended March 31, 2019.

Net loss after tax was $6,984,234 for the six months ended March 31, 2020 as compared to a loss of $5,079,768 for the three months ended March 31, 2019.

Adjusted EBITDA

Adjusted EBITDA was a loss of $3,503,492 for the three months ended March 31, 2020, a 22% or $1,010,444 improvement as compared to a loss of $4,513,936 for the three months ended December 31, 2019. Prior year was a loss of $2,012,973 for the three months ended March 31, 2019.

Adjusted EBITDA was a loss of $8,017,428 for the six months ended March 31, 2020 as compared to a loss of $2,962,767 for the six months ended March 31, 2019.

About MPX International Corporation

MPX International Corporation is a multinational diversified cannabis company focused on developing and operating assets across the global cannabis industry with an emphasis on cultivating, manufacturing and marketing products which include cannabinoids as their primary active ingredient.

Cautionary Statement Regarding Forward-Looking Information

This news release includes certain "forward-looking statements" under applicable Canadian securities legislation that are not historical facts. Forward-looking statements involve risks, uncertainties, and other factors that could cause actual results, performance, prospects, and opportunities to differ materially from those expressed or implied by such forward-looking statements. Forward-looking statements in this news release include, but are not limited to, MPX International's objectives and intentions. Forward-looking statements are necessarily based on a number of estimates and assumptions that, while considered reasonable, are subject to known and unknown risks, uncertainties and other factors which may cause 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 and social uncertainties; litigation, legislative, environmental and other judicial, regulatory, political and competitive developments; delay or failure to receive board, shareholder or regulatory approvals; those additional risks set out in MPX International's public documents filed on SEDAR at www.sedar.com, including its audited annual consolidated financial statements for the financial years ended September 30, 2019 and 2018 and the corresponding annual management's discussion and analysis; and other matters discussed in this news release. Although MPX International believes that the assumptions and factors used in preparing the forward-looking statements are reasonable, undue reliance should not be placed on these statements, which only apply as of the date of this news release, and no assurance can be given that such events will occur in the disclosed time frames or at all. Except where required by law, MPX International disclaims any intention or obligation to update or revise any forward-looking statement, whether as a result of new information, future events, or otherwise.

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