



MJardin Group Announces Second Quarter 2019 Financial Results and Conference Call

DENVER and TORONTO, Aug. 29, 2019 -- MJardin Group, Inc. (“**MJardin**” or “the **Company**”) (CSE: MJAR) (OTCQX: MJARF), a leader in premium cannabis production, today announced its financial and operating results for the quarter ending June 30, 2019. All amounts are expressed in Canadian dollars unless otherwise indicated.

- Second quarter revenue of \$7.6 million and YTD revenues of \$17.7 million;
- Successfully implemented cost reductions announced in Q1 with a 47% reduction in SG&A compared to prior quarter;
- Announced acquisition of Carson City Agency Solutions dba as Cannabella (“Cannabella”), a leading Nevada provider of edible and other derivative products;
- Completed first sale at Halifax, Nova Scotia facility “AMI”, and remain ahead of schedule on Phase 1, with Phase 2 expected to come online by the end of the fourth quarter, 2019;
- Completed construction at MJardin’s “GRO” facility in Dunnville, Ontario and submitted Evidence of Readiness for Health Canada approval and issuance of Cultivation and Processing license;
- Continued production of high THC cultivars from the WILL facility with THC content testing between 21.0%-28.0%;
- Production metrics at our AMI and WILL facility continue to produce at approximately 60 grams per square foot.

Subsequent Events

- On July 17, 2019 the Company announced a sale-leaseback transaction with Innovative Industrial Properties, for US\$9.6 million with US\$5.8 million in tenant inducements provided;
- On July 23, 2019 the Company received approval from the State of Nevada for the ownership and license transfer at its Cheyenne cultivation facility from Greenmart of Nevada, LLC;
- On August 28, 2019 the Company announced a Letter of Intent for a sale-leaseback transaction with Peguis First Nation for \$11 million at the site of the Company’s previously announced Warman Road project. Additionally, the Company formalized a Joint Venture with Peguis First Nation on the Warman Road project.

“We continue to diligently build out and provide support to our U.S. and Canadian facilities and expect to have them fully operational by end of fourth quarter,” commented Adrian Montgomery, Chairman and Interim CEO. “We further reduced SG&A and have decreased those costs by 47%. This allows us to focus on and effectively allocate resources to developing our product lines within Health Canada’s upcoming regulations around extraction, edibles and topicals. We continue to invest in these business lines on both sides of the border. Responsible deployment of capital to maximize shareholder value remains our top priority as we grow our operational footprint and become an EBITDA positive company beginning in the first quarter of 2020.”

Second Quarter Financial Summary

	Note	Three months ended		Six months ended	
		June 30, 2019	June 30, 2018	June 30, 2019	June 30, 2018
Revenue		\$ 7,642,923	\$ 5,819,110	\$ 17,656,137	\$ 12,615,371
Direct operating costs		(4,714,005)	(3,394,742)	(11,437,860)	(7,358,932)
Gross margin before the undernoted		2,928,918	2,424,368	6,218,277	5,256,439
Fair value in biological assets included in inventory sold and other inventory charges	5	(177,589)	-	(296,269)	-
Unrealized gain on changes in fair value of biological assets	5	884,809	-	1,769,281	-
Gross margin		3,636,138	2,424,368	7,691,289	5,256,439
Operating expenses					
Depreciation		205,756	17,729	629,246	33,929
Payroll and benefits		2,704,690	840,759	5,856,724	1,942,699
Share based compensation		12,715,432	4,383,709	12,715,432	4,383,709
Sales, general and administrative	16	1,869,221	1,134,001	5,395,279	2,352,681
Bad debts		569,232	-	1,122,030	-

Total Operating expenses		18,064,331	6,376,198	25,718,711	8,713,018
Net (loss) income from operations		(14,428,193)	(3,951,830)	(18,027,422)	(3,456,579)
Loan initiation fees	12	(2,267,792)	-	(2,267,792)	-
Interest expenses		(3,971,564)	(1,258,348)	(8,551,380)	(3,113,606)
Gain on investment in equity accounted investee		237,545	-	13,480	-
Gain on disposition of equity investment	9a	-	-	1,433,706	-
Gain on loans modifications	12(c)	8,076,558	-	8,076,558	-
Other expenses		(354,904)	(26,755)	(335,921)	-
Realized gain (loss) on foreign exchange		31,477	470,544	(61,735)	470,554
Total other income (expenses)		1,751,320	(814,549)	(1,693,084)	(2,643,052)
Net loss before income tax and other comprehensive loss		(12,676,873)	(4,766,379)	(19,720,506)	(6,099,631)
Income tax expenses		(550,885)	-	(1,206,440)	-
Net loss		(13,227,758)	(4,766,379)	(20,926,946)	(6,099,631)
Other comprehensive income (loss):					
Foreign currency translation gain (loss) on consolidation		(2,358,301)	(28,298)	(4,830,092)	508,750
Comprehensive loss		(15,586,059)	(4,794,677)	(25,757,038)	(5,590,881)
Net loss attributable to the owners of the Company		(15,538,983)	(4,794,677)	(25,690,979)	(5,590,881)
Non-controlling interests		(47,076)	-	(66,059)	-
Total comprehensive loss		(15,586,059)	(4,794,677)	(25,757,038)	(5,590,881)
Weighted average units (basic and diluted)	17	76,651,771	41,697,808	76,651,777	41,697,808
Weighted average (loss) per share attributed to the common shareholders of the Company	17	(0.20)	(0.11)	(0.34)	(0.13)

	Three months ended		Six months ended	
	June 30, 2019	June 30, 2018	June 30, 2019	June 30, 2018
EBITDA	(8,499,553)	(3,490,302)	(10,539,880)	(2,952,096)
Adjustments:				
Add: Share based compensation	12,715,432	4,383,709	12,715,432	4,383,709
Deduct: Gain on disposition of equity investment	-	-	(1,433,706)	-
Deduct: Gain on loan modifications	(8,076,558)	-	(8,076,558)	-
Deduct: Foreign exchange loss (gain)	(31,477)	(470,544)	61,735	(470,554)
Add: Loss from equity investment	(237,545)	-	(13,480)	-
Adjusted EBITDA	(4,129,701)	422,863	(7,386,457)	961,059

Non-IFRS Measures

EBITDA, Adjusted EBITDA and Adjusted Net Loss from Operations are non-IFRS measures that the Company uses to assess its operating performance.

EBITDA is defined as [net earnings (loss) before net finance costs, income tax expense (benefit) and depreciation and amortization expense].

Adjusted EBITDA is defined as EBITDA adjusted to exclude: impairment, settlements, stock-based compensation, advisory fees and listing expenses, loss on foreign exchange and loss from equity investments and one-time gains or losses.

Adjusted Net Loss from Operations is defined as operating income (loss) adjusted to exclude share-based compensation.

The Company uses these non-IFRS measures to provide investors and others with supplemental measures of its operating performance. The Company believes these non-IFRS measures are important supplemental measures of operating performance because they eliminate items that have less bearing on the Company's operating performance and thus highlight trends in its core business that may not otherwise be apparent when relying solely on IFRS financial measures. The Company also believes that securities analysts, investors and other interested parties frequently use these non-IFRS measures in the evaluation of issuers, many of which present similar metrics when reporting their results. As other companies may calculate these non-IFRS measures differently than the Company, these metrics may not be comparable to similarly titled measures

reported by other companies.

Revenue

Revenues increased \$1.8 million to \$7.6 million from the same period a year ago, an increase of approximately 31.0%.

MJardin continued the development of the sales of cannabis from its WILL facility, recording \$0.5 million in sales in the first quarter.

The Company's Colorado operations continue to provide consistent revenues, generating \$7.2 million in revenues.

Gross Profit (Loss)

Due to higher revenues, gross profit for the three months ended June 30, 2019 was \$3.6 million compared to \$2.4 million for the prior year, an increase of \$1.2 million or 50%. Included within this gross profit was a fair value adjustment to inventory of \$0.9 million. With a total of two grow rooms completed at WILL, and further expansion underway, and the expected receipt of sale and cultivation licenses at AMI and GRO respectively, the Company expects to generate a steady increase in gross profit as facilities currently under-construction become fully operational.

Expenses

General and administrative expenses as well as payroll increased from the prior year period primarily due to the previously disclosed GrowForce Holdings Ltd. ("Growforce") acquisition. Late in the first quarter, the Company underwent corporate cost-cutting measures which resulted in a 47% decrease in quarter over quarter SG&A. The Company will continue to search for efficiencies for the balance of 2019. Additionally, due to severance and unwinding costs, the impact of cost cutting to corporate payroll and select SG&A items was not fully recognized in the second quarter, the Company expects this reduction to be recognized in payroll expense in the second half of 2019.

Adjusted EBITDA

Adjusted EBITDA loss was \$4.1 million compared to an adjusted EBITDA loss of \$3.2 million for the prior quarter. The decrease was driven primarily by lower sales versus the prior quarter. Adjusted EBITDA is not fully-reflective of cost saving initiatives implemented late in the first quarter of 2019.

Purchase price assessment ("PPA") of merger with GrowForce

On November 30, 2018, the Company merged with GrowForce by issuing common shares of the Company at fair market value based on a 0.48:1 ratio of the common shares of the Company versus the share units of GrowForce. In connection with this, the original PPA did not include approximately \$30 million in share capital and goodwill. Subsequently, in June, 2019 the Company recorded an adjustment to this share for share exchange that resulted in a \$30,722,844 increase to both goodwill and equity.

FY 2019 Outlook

The Company continues to execute on its 2019 business plan with key deliverables for the balance of 2019 and first half of 2020 as follows:

- Full build out completed in 2019 of WILL, GRO and AMI, with substantial completion of the Cheyenne and Warman facilities anticipated by the first half of 2020;
- Construction will also begin on Rama in 2019 with substantial completion expected to occur in 2020;
- 2019 production target of ~2,700 kgs of dried flower (owned production), with an exit 2019 run rate of ~6,500 kgs;
- 2020 production target of ~12,300 kgs of dried flower;
- The business will be EBITDA positive in fiscal year 2020 beginning in the first quarter;
- Successful transfer of licenses at both Cheyenne and Cannabella, and full integration of the businesses to enhance margins and market share;
- Continued pursuit of long term supply agreements to hedge price exposure of Canadian production.

Management Call

The Company will host a conference call today at 10 a.m. ET. Adrian Montgomery, Chairman and Interim CEO, and Pat Witcher, COO will discuss the Company's financial performance for the period ended June 30, 2019.

To access the call, please dial 1-888-254-3590 or 1-323-994-2093. A replay of the conference call will be available from 1:00 pm ET on August 29, 2019, until 11:59 pm ET, September 12, 2019. To access the replay, dial 1-844-512-2921 or 1-412-317-6671, followed by passcode 6287281. An audio only webcast link to the call is also available at the following URL:

<http://public.viavid.com/index.php?id=135285>

About MJardin Group

MJardin is a cannabis management platform with extensive experience in cultivation, processing, distribution and retail. For over 10 years, MJardin has refined cultivation methodologies, developed state of the art facilities and implemented vertical integration for and on behalf of license owners. MJardin is based in Denver, Colorado and Toronto, Canada. For more information, please visit www.mjardin.com

The CSE has not in any way passed upon the merits of and has neither approved nor disapproved the contents of this news release.

This news release does not constitute an offer to sell or a solicitation of an offer to sell any of the securities in the United States. The securities have not been and will not be registered under the United States Securities Act of 1933, as amended (the "U.S. Securities Act") or any state securities laws and may not be offered or sold within the United States or to U.S. Persons unless registered under the U.S. Securities Act and applicable state securities laws or an exemption from such registration is available.

Forward-Looking Information

This news release contains forward-looking information based on current expectations. Statements about, among other things, future developments and the business and operations of MJardin, our production capacity, our production results, trading of MJardin's shares on the OTCQX Best Market, the closing of the Transaction, the receipt of any pending regulatory approvals or licenses, the growth of our global footprint and our intentions to leverage our scale for continued organic growth and to pursue strategic investments are all forward-looking information. These statements should not be read as guarantees of future performance or results. Such statements involve known and unknown risks, uncertainties and other factors that may cause actual results, performance or achievements to be materially different from those implied by such statements. Such factors include, but are not limited to: our ability to identify and pursue growth, financing and other strategic objectives, and the regulatory and economic environments in the jurisdictions we operate or intend to operate or invest in. Although such statements are based on management's reasonable assumptions at the date such statements are made, there can be no assurance that the proposed acquisition will occur and that such forward-looking information will prove to be accurate, as actual results and future events could differ materially from those anticipated in such forward-looking information. Accordingly, readers should not place undue reliance on the forward-looking information. MJardin assumes no responsibility to update or revise forward-looking information to reflect new events or circumstances unless required by applicable law.

INVESTOR CONTACT:

Ali Mahdavi
Capital Markets & Investor Relations
416-962-3300
Ali.mahdavi@MJardin.com

Adrian T. Montgomery
Chairman and Interim CEO
416-268-5411
Adrian.Montgomery@Mjardin.com