

MedReleaf Reports Fourth Quarter and Fiscal Year 2017 Results

Fiscal 2017 Adjusted EBITDA of \$14 million on \$40 million in sales; phase 1 Bradford Facility expansion complete and in production

MARKHAM, ON, June 28, 2017 – MedReleaf Corp. (TSX: LEAF) (“MedReleaf” or the “Company”), Canada’s first and only ISO 9001 and ICH-GMP certified cannabis producer, today announced financial and operating results for the fourth quarter and fiscal year ended March 31, 2017. All amounts expressed are in Canadian dollars unless otherwise noted.

“We doubled revenue in fiscal 2017 and we did it profitably – growing Adjusted EBITDA more than threefold,” said Neil Closner, CEO of MedReleaf. “With the successful completion of our IPO in June we have \$74 million in financing to help fund our strategic growth initiatives including: expanding our capacity more than five times to support up to 35,000 kilograms of production; scaling our domestic business; developing our recreational brand portfolio; and international expansion, which we believe positions MedReleaf well for future growth and profitability.”

Fourth Quarter and Fiscal Year 2017 Financial Summary

CAD\$ (in 000s, except grams sold)	Three Months March 31,		Twelve Months March 31,	
	2017	2016	2017	2016
Sales	10,360	6,862	40,339	19,302
Gross Profit	10,316	4,474	37,939	12,517
Adjusted Product Contribution Margin*	7,398	4,442	30,903	11,928
Adjusted EBITDA*	1,622	1,954	13,851	4,622
Grams sold*	1,167,325	593,400	3,668,104	1,688,800
Adjusted product contribution per gram sold*	\$6.34	\$7.49	\$8.42	\$7.06
Cash cost per gram produced*	\$1.53	\$3.11	\$1.73	\$3.23

*Non-IFRS Measures

Through fiscal 2017, MedReleaf successfully increased production capacity, reduced cash production costs, and launched new cannabis oil products at its production facility in Markham, Ontario (“Markham Facility”), resulting in the following highlights:

Fiscal Year 2017 Highlights

- Sales of \$40.3 million, an increase of 109% from the prior year
- Adjusted Product Contribution Margin of \$30.9 million, an increase of 159% from the prior year
- Adjusted EBITDA of \$13.9 million, an increase of 200% from the prior year
- Sold 3,668.1 kilograms of cannabis products, an increase of 117% from the prior year
- Adjusted product contribution margin per gram sold of \$8.42 compared to \$7.06 in the prior year
- Cash cost per gram produced of \$1.73 compared to \$3.23 in the prior year
- In July 2016, completed the purchase of a 210,596 square foot production facility in Bradford, Ontario (“Bradford Facility”)

- In November 2016, obtained a Health Canada Licence for the production and sale of cannabis extracted oils, and became the first Canadian Licensed Producer to bring cannabis capsules to market

Fiscal 2017 Fourth Quarter Highlights

- Sales of \$10.4 million, an increase of 51% year-over-year
- Adjusted Product Contribution Margin of \$7.4 million, an increase of 67% year-over-year
- Adjusted EBITDA of \$1.6 million, a decline of 17% year-over-year, as a result of increased investment in long-term growth initiatives and \$0.6 million in one-time costs
- Sold 1,167.3 kilograms of cannabis products, an increase of 97% year-over-year
- Adjusted product contribution margin per gram sold of \$6.34 compared to \$7.49 in the prior year period
- Cash cost per gram produced of \$1.53 compared to \$3.11 in the prior year period

Subsequent to the fiscal 2017 year end, MedReleaf completed the first phase of its Bradford Facility construction project, which included drying, trimming, packaging, shipping, storage and grow rooms with an estimated annual production capacity of 2,800 kilograms of cannabis products. In April 2017, MedReleaf received a cultivation licence from Health Canada pursuant to the Access to Cannabis for Medical Purposes Regulations in respect of the Company's Bradford Facility and the Company has commenced production at such facility.

MedReleaf also became the first medical cannabis producer to receive an International Council on Harmonization certification for Good Manufacturing Practices ("ICH-GMP") for Active Pharmaceutical Ingredients. The ICH-GMP certification is a significant milestone supporting the Company's international expansion strategy and R&D initiatives to help the pharmaceutical industry more fully explore the benefits of medical cannabis through clinical trials.

On June 7, 2017, MedReleaf closed its initial public offering and secondary offering for aggregate gross proceeds of \$100.7 million and the Company's common shares commenced trading on the Toronto Stock Exchange under the symbol "LEAF".

Financial Review

Sales

Sales were \$10.4 million for the fourth quarter of fiscal 2017, an increase of 51% from \$6.9 million in the prior year period.

On November 22, 2016, Veteran's Affairs Canada ("VAC") announced a new Reimbursement Policy for Cannabis for Medical Purposes (the "VAC Policy"). The key points of the policy include a maximum reimbursement rate of \$8.50 per gram of dried marijuana or the equivalent amount of fresh marijuana or cannabis oil, and coverage limitations to an amount of three grams per day, subject to a process that potentially allows for the daily limit to be exceeded by individual Veteran patients by way of an exemption request to be submitted to VAC by a medical specialist. The reimbursement limitations became effective immediately and the coverage limitations became effective May 21, 2017.

In response to the pricing changes introduced by the VAC Policy, the Company began to offer price discounts to qualifying Veterans to assist with the non-reimbursable portion of their medication. This resulted in a reduction in average selling price for the fourth quarter of fiscal 2017. Following the VAC Policy change the Company has continued to see strong patient growth in both veterans and non-veterans, as demand for premium cannabis products has sustained average price above the \$8.50 VAC Policy cap.

During the fourth quarter of fiscal 2017, a total of 1,167.3 kilograms of cannabis products were sold at an average selling price of \$8.87 per gram. This represents an increase of 573.9 kilograms sold, or 97% from the prior year period at an average selling price of \$11.56 per gram. On a sequential basis, volume sold increased by 174.1 grams, or 18% from the third quarter fiscal 2017 at an average selling price of \$10.50 per gram.

For the year ended March 31, 2017 and 2016, sales were \$40.3 million and \$19.3 million, respectively. This resulted in a \$21.0 million, or 109%, increase in sales when compared to the prior year.

During the year ended March 31, 2017, 3,668.1 total kilograms of cannabis products were sold at an average selling price of \$11.00 per gram (2016 – 1,688.8 kilograms at an average selling price of \$11.43 per gram). This represents an increase of 1,979.3 kilograms or 117% compared to the prior year.

Sales and volume growth for the year was primarily the result of increased production capacity, patient demand, yield improvements, and the introduction of cannabis oil extracts for sale.

Cash Cost Per Gram Sold (Non-IFRS Measure)

The following are the Company's cash production costs, on a total and per gram sold basis, for the three and twelve months ended March 31, 2017 and 2016, as compared to reported production costs (excluding costs resulting from the fair value of biological assets), which represents cost of sales, in accordance with IFRS:

CAD\$ (in 000s, except grams sold)	Three Months March 31,		Twelve Months March 31,	
	2017	2016	2017	2016
Production costs	2,962	2,420	9,436	7,374
Amortization included in production cost	(426)	(162)	(1,197)	(590)
Recovery of production costs	-	-	-	-
Post production costs	(751)	(413)	(1,896)	(1,335)
Cash production costs	1,785	1,845	6,343	5,449
Equivalent grams sold	1,167,325	593,400	3,668,104	1,688,800
Cash cost per gram sold	\$1.53	\$3.11	\$1.73	\$3.23

Through the course of fiscal 2017, increased production volumes and higher yields resulting in improved efficiencies in labour utilization and allocation of fixed costs have allowed MedReleaf to produce premium, indoor-grown medical cannabis on a comparable cash cost per gram basis to greenhouse peers.

The cash cost per gram sold for the fourth quarter of fiscal 2017 was \$1.53, compared to cash cost per gram sold of \$3.11 in the prior year period. Cash cost per gram sold for the fourth quarter of fiscal 2017 decreased \$1.58 or 51% compared to the prior year period.

The cash cost per gram sold for the years ended March 31, 2017 and 2016 was \$1.73 and \$3.23, respectively. Cash cost per gram sold for the year ended March 31, 2017 decreased \$1.50 or 46% compared to the year ended March 31, 2016.

Adjusted Product Contribution Margin (Non-IFRS Measure)

The following is the Company's Adjusted Product Contribution Margin as compared to the reported gross profit, which includes the gain on changes in fair value of biological assets in accordance with IFRS, for the three and twelve months ended March 31, 2017 and 2016.

CAD\$ (in 000s, except grams sold)	Three Months March 31,		Twelve Months March 31,	
	2017	2016	2017	2016
Gross profit	10,316	4,474	37,939	12,517
Cost of finished harvest inventory sold	7,652	3,960	24,216	9,803
Gain on fair value changes in biological assets	(10,570)	(3,992)	(31,252)	(10,392)
Net gain on fair value measurement of biological assets	(2,918)	(32)	(7,036)	(589)
Adjusted Product Contribution Margin	7,398	4,442	30,903	11,928
Grams sold	1,167,325	593,400	3,668,104	1,688,800
Adjusted product contribution margin, per gram sold	\$6.34	\$7.49	\$8.42	\$7.06

Adjusted Product Contribution Margin for the fourth quarter of fiscal 2017 was \$7.4 million or \$6.34 per gram sold, compared to \$4.4 million or \$7.49 per gram sold for the prior year period.

Adjusted Product Contribution Margin for the year ended March 31, 2017 was \$30.9 million or \$8.42 per gram sold, compared to \$11.9 million or \$7.06 per gram sold the year ended March 31, 2016.

The increase in Adjusted Product Contribution Margin for the quarter and the year was as a result of growth in production capacity and sales throughout the year.

The decline in Adjusted Contribution Margin per gram sold for the fourth quarter of fiscal 2017 compared to the prior year period is a result of the impact of the VAC Policy resulting in lower average selling price per gram, partially offset by lower production costs as reflected in a reduction in the cash cost per gram sold.

Improvements in Adjusted Product Contribution Margin per gram sold for the year are primarily attributable to sales volume increases that allow for better utilization of, and the spread of cost allocations attributable to, labour production and overhead costs.

Adjusted EBITDA (Non-IFRS Measure)

CAD\$ (in 000s)	Three Months		Twelve Months	
	March 31,		March 31,	
	2017	2016	2017	2016
Income (loss) before income taxes	2,891	1,408	15,642	3,371
Adjustments:				
Amortization	588	243	1,692	870
Stock based compensation	604	324	3,053	903
Interest income	(56)	(19)	(75)	(51)
Finance costs	59	30	121	118
Initial public offering related fees	454	-	454	-
Net impact, fair value of				
Biological assets	(2,918)	(32)	(7,036)	(589)
Adjusted EBITDA	1,622	1,954	13,851	4,622

Adjusted EBITDA for the fourth quarter of fiscal 2017 was \$1.6 million, a decrease of \$0.3 million or 17% from \$2.0 million for the prior year period.

The decrease in Adjusted EBITDA in the fourth quarter of fiscal 2017 compared to the prior year period was driven by higher Adjusted Contribution Margin, offset by increased operating expense as the Company invests in long-term growth initiatives, specifically hiring for domestic expansion, creating the recreational brand portfolio, and developing international opportunities.

For the fourth quarter of fiscal 2017, bad debt associated with VAC receivables, accounting adjustments within the Tikun Olam agreement, and severance totaled \$0.6 million. While MedReleaf believes these expenses were extraneous and isolated within the quarter, the Company did not alter for them in the Adjusted EBITDA calculation.

Adjusted EBITDA for the year ended March 31, 2017 was \$13.9 million, an increase of 200% from \$4.6 million for the year ended March 31, 2016. Adjusted EBITDA increased for the year as a result of operational growth in production capacity, patient demand, and sales.

Balance Sheet and Use of Proceeds from Offering

At the end of March 31, 2017, the Company had cash and cash equivalents of \$12.9 million and working capital of \$24.7 million.

On June 7, 2017, the Company closed its initial public offering and secondary offering for aggregate gross proceeds of \$100.7 million, with MedReleaf receiving gross proceeds of approximately \$80.7 million and the selling shareholders receiving proceeds of approximately \$20.0 million. After the deduction of associated

fees and expenses, the Company received net proceeds of approximately \$74.0 million in connection with the initial public offering.

Approximately \$55.0 million of the funds received by the Company in connection with the initial public offering are expected to be allocated to manufacturing capacity expansions at the Markham and Bradford Facilities, as the Company is now fully funded to increase production capacity to up to 35,000 kilograms annually. Approximately \$2.0 million in proceeds are expected to be used for clinical research and product development and the remaining \$17.0 million in proceeds are expected to be used for working capital and general corporate purposes.

Fourth Quarter and Fiscal Year 2017 Conference Call & Webcast

A conference call and webcast to discuss MedReleaf's fourth quarter and fiscal year 2017 results will be held on Wednesday, June 28, 2017 at 8:00 a.m. (ET). The call will be hosted by Neil Closner, Chief Executive Officer, and Igor Gimelshtein, Chief Financial Officer, followed by a question and answer period.

To participate, interested parties are asked to dial (647) 427-7450 or (888) 231-8191 prior to the scheduled start of the call. A replay of the conference call will be available by dialing (855) 859-2056 and using the reference number 41045544. The replay of this call will be available until July 5, 2017.

The Conference Call will also be webcast live at
<http://bit.ly/2rl9jgz>

Financial Statements and Management's Discussion and Analysis

This news release, along with the audited consolidated annual financial statements and the Company's corresponding management's discussion and analysis, are available on the Company's website at www.medreleaf.com and on SEDAR at www.sedar.com.

Non-IFRS Measures

This news release refers to certain non-IFRS financial measures. These measures are not recognized measures under IFRS, do not have a standardized meaning prescribed by IFRS and are therefore unlikely to be comparable to similar measures presented by other companies. Rather, these measures are provided as additional information to complement those IFRS measures by providing additional information regarding the Company's results of operations from management's perspective. Accordingly, non-IFRS measures should not be considered in isolation nor as a substitute for analysis of the Company's financial information reported under IFRS. All non-IFRS measures presented in this news release are reconciled to their closest reported IFRS measure.

(a) Adjusted Product Contribution Margin

Management makes use of an "Adjusted Product Contribution Margin" measure to provide a better representation of performance in the period by excluding non-cash fair value measurements as required by IFRS. The Adjusted Product Contribution Margin used by management is a non-IFRS financial measure that does not have any standardized meaning prescribed by IFRS and may not be comparable to similar measures presented by other companies. Management believes this measure provides useful information as it represents the gross margin for management purposes based on the Company's complete cost to produce inventory sold, exclusive of any fair value measurements as required by IFRS. The metric is calculated by removing all amounts related to biological asset fair value accounting under IFRS including gains on

transformation of biological assets and the cost of finished harvest inventory sold, which represents the fair value measured portion of inventory cost (“fair value cost adjustment”) recognized as cost of goods sold.

(b) Equivalent grams and kilograms

Equivalent gram or kilogram refers to the equivalent number of dried grams or kilograms of cannabis required to produce extracted cannabis in the form of cannabis oil. The Company estimates and converts its cannabis oil inventory to equivalent grams using the combined Tetrahydrocannabinol (“THC”) and Cannabidiol (“CBD”) content in extracted cannabis products. Any reference to grams in this news release includes the combined dried cannabis and equivalent grams of extracted cannabis.

(c) Cash Cost Per Gram Sold

The cash cost per gram sold is used by management to measure the estimated amount of direct production costs, on a per gram sold basis, that are required to produce dried cannabis and cannabis oil. Management uses this measure to track production cost trends and assess the sensitivity and tolerance for pricing changes. Management believes this measure provides useful information by removing non-cash and post production costs and provides a benchmark of the Company against its competitors. This is not a defined term under IFRS. The metric is calculated by: removing from production costs incurred during the period, all non-cash based costs (including amortization and inventory write-downs or impairments) and all post production costs; and dividing such amount by the approximate number of grams of cannabis sold during the period. Post production costs include indirect overhead expenses such as: equipment rentals, payment processing fees, indirect labour expenses, shipping expenses, quality control expenses, and other order fulfillment costs included in production costs.

(d) Adjusted Earnings Before Interest, Tax, Depreciation and Amortization (“Adjusted EBITDA”)

Adjusted EBITDA is used by management as a supplemental measure to review and assess operating performance and trends on a comparable basis. The Company defines Adjusted EBITDA as EBITDA adjusted for the impact of any unrealized expenses or gains, stock based compensation, fair value gains or costs arising from biological assets, expenses related to readying the Company for its initial public offering and other non-recurring costs the Company deems unrelated to current operations.

Adjusted EBITDA does not have a standardized meaning under IFRS and is not a measure of operating income, operating performance or liquidity presented in accordance with IFRS and is subject to important limitations. The Company’s definition of Adjusted EBITDA may not be the same as similarly titled measures used by other companies. The Company believes that Adjusted EBITDA provides a useful tool for assessing the comparability between periods of its ability to generate cash from operations. Adjusted EBITDA is presented in order to provide supplemental information to the Financial Statements included elsewhere in this prospectus, and such information is not meant to replace or supersede IFRS measures.

Cautionary Statement Regarding Forward-Looking Information

This news release contains “forward-looking information” within the meaning of applicable Canadian securities legislation which are statements other than statements of historical fact and which can be identified by the use of forward-looking terminology such as “expect”, “likely”, “may”, “will”, “should”, “intend”, “anticipate”, “potential”, “proposed”, “estimate” and other similar words, including negative and grammatical variations thereof, or statements that certain events or conditions “may”, “would”, “could” or “will” happen, or by discussions of strategy. Statements in this news release containing forward-looking information are based upon the expectations, estimates, projections, assumptions and views of future events of management at the date hereof and that management believes to be reasonable in the circumstances, including those relating to: general economic conditions, the expected timing and cost of expanding the

Company's production capacity, the expected timing of cannabis legalization in Canada, future growth of the Company's business and international opportunities, the development of new products and product formats, the Company's ability to retain key personnel, the Company's ability to continue investing in its infrastructure to support growth, the impact of competition, trends in the Canadian medical cannabis industry and changes in laws, rules and regulations. Statements containing forward-looking information should not be read as guarantees of future events, performance or results, and will not necessarily be accurate indications as to whether, or the times at which, such events, performance or results will occur or be achieved. The forward-looking information contained in this news release is subject to known and unknown risks and uncertainties, including but not limited to those risks and uncertainties described under the heading "Risk Factors" in the Company's annual information form dated June 27, 2017 (which will be available on the Company's SEDAR profile at www.sedar.com), any of which could cause actual results to differ materially from those expressed or implied by the forward-looking information disclosed herein. Accordingly, readers are cautioned not to place undue reliance on such forward-looking information. Statements in this news release containing forward-looking information speak only as of the date on which they are made and MedReleaf does not undertake any obligation to update or revise any forward-looking information, whether as a result of new information, future events or otherwise, except as required by applicable securities laws.

About MedReleaf Corp.

MedReleaf sets The Medical Grade Standard™ for cannabis in Canada and around the world. The first and only ICH-GMP and ISO 9001 certified cannabis producer in North America, MedReleaf is a R&D-driven company dedicated to patient care, scientific innovation, research and advancing the understanding of the therapeutic benefits of cannabis. Sourced from around the world and perfected in one of two state of the art facilities in Ontario, MedReleaf delivers a variety of premium products to patients seeking safe, consistent and effective medical cannabis.

For more information on MedReleaf, its products, research and how the Company is helping patients #livefree, please visit MedReleaf.com or follow @medreleafcanada.

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