



For Immediate Release

MEDIPHARM LABS REPORTS SECOND QUARTER 2020 RESULTS, STRONG PROGRESS WITH INTERNATIONAL EXPANSION

BARRIE, ONTARIO, August 13, 2020 – MediPharm Labs Corp. (TSX: LABS) (OTCQX: MEDIF) (FSE: MLZ) (“MediPharm Labs” or the “Company”) a global leader in specialized, research-driven pharmaceutical-quality cannabis extraction, distillation and derivative products, today announced its financial results for the three and six months ended June 30, 2020.

“The first half of 2020 was a transformative period in which we substantially strengthened our balance sheet and liquidity, secured new international customer supply agreements and delivered material, sequential improvements in key financial and operating metrics,” said Pat McCutcheon, CEO, MediPharm Labs. “Our strategy to manufacture multiple products for multiple customers in multiple jurisdictions is on track. We are very encouraged with the pace of MediPharm Labs’ transformation from a domestic to a global company.”

“Q2 featured a 25% improvement in revenue and a strong recovery in gross profit and margin from Q1 – without a meaningful change in Canadian recreational cannabis market conditions,” said McCutcheon. “This improvement was achieved on the back of a solid increase in product deliveries, expansion of our vapes and oils SKUs, the launch of our own CBD brands and tight spending controls. At the same time, we accelerated our international growth strategy – successfully commercializing our Australian operations, increasing our total addressable market, winning contracts with customers in growing European and Asia Pacific markets, and developing exciting sales prospects with large pharma and CPG companies.”

Q2 FINANCIAL AND OPERATIONAL SUMMARY

- Cash and equivalents balance at June 30, 2020, was \$27.9 million. On June 8, 2020, the Company successfully completed a private placement for aggregate gross proceeds of \$37.8 million with 50% of such amounts closing into escrow. Subsequent to quarter end, on August 6, 2020, the remaining 50% of the gross proceeds, net of certain fees, was released from escrow to further strengthen the Company’s liquidity.
- Revenue was \$13.9 million, a 25% increase over Q1 2020, due to higher volume of bulk concentrates sold and growing shipments of formulated finished products to provincial distributors throughout Canada.
- Finished formulated product shipments grew to comprise 16% of Q2 2020 revenue, up from 13% in the Q1 2020 and nil in Q4 2019.
- Gross profit was \$2.2 million and gross margin was 16%, compared to (\$10.9 million) in Q1 2020 primarily due to an inventory write down in Q1 2020.
- Net loss before tax was \$3.8 million, compared to a net loss of \$22 million in Q1 2020, despite reduced average selling prices for bulk concentrates.
- Adjusted EBITDA¹ was (\$2.2 million), a 66% improvement over Q1 2020 as a result of an increase in revenue and decrease in headcount and ERP implementation expenses.



Three months ended

	June 30, 2020	March 31, 2020	December 31, 2019	September 30, 2019	June 30, 2019
Revenue	13,918	11,089	32,444	43,386	31,472
Gross profit	2,212	(10,882)	9,987	14,754	11,311
Gross margin %	16%	(98%)	31%	34%	36%
Net (loss)/income before tax	(3,775)	(22,029)	(2,401)	5,395	4,083
Adjusted EBITDA ⁽¹⁾	(2,180)	(5,657)	2,661	10,066	7,700
Adjusted EBITDA margin %	(16%)	(51%)	8%	23%	24%

¹ See Non-IFRS Measures section of this news release

BUSINESS AND STRATEGIC HIGHLIGHTS FOR THE FIRST SIX MONTHS OF 2020

MediPharm Labs is creating footholds in medical, wellness and adult-use markets around the world. The Company has remained steadfastly committed to its goal of becoming a leading global manufacturer of pharma-quality cannabis active pharmaceutical ingredients (API) and formulated products for pharmaceutical, consumer-packaged goods (CPG) and direct to consumer brands. To achieve this, the Company has focused on its strategic priorities:

- **Multiple-Jurisdictions: Building global strength** by legally operating in multiple jurisdictions leveraging its asset-light GMP platform to maintain its competitive advantage
- **Multiple-Products: Transforming from a domestic to global CMO** offering multiple products by providing end-to-end development, production and distribution of bulk API's and finished products to capture greater share of the value chain
- **Multiple Customers: Broadening a global customer base** to meet increased demand in global medical, wellness and adult-use channels
- **Strengthening capabilities and innovation** through maintaining its GMP Certifications, expanding R&D Laboratory and establishing a portfolio of Clinical Trials
- **Corporate governance** strengthened with new independent board members



During the second quarter, MediPharm Labs made strong progress against its strategic priorities as highlighted below:

Building Global Strength (multiple jurisdictions)

- Successfully commercialized MediPharm Labs Australia Pty. Ltd. ("**MediPharm Labs Australia**") in June 2020 with first revenue generated of approximately \$625,000.
- MediPharm Labs Australia entered into 12 customer agreements since January 1, 2020 to supply products in Australia, New Zealand, Germany, UK and Denmark (see examples below).
- Expanded sales pipeline of new prospective customers in Asia Pacific and Latin America and entered advance supply partnership negotiations with a leading pharmaceutical company.

Transforming from a Domestic to Global CMO (multiple products)

- Broadened product categories (including bulk API, formulated CBD and THC tincture bottles, sublingual sprays, vaporizer cartridges, integrated disposable vape pens, and lotions, creams and gel topicals) for medical, wellness and adult-use segments.
- A fourfold increase in Stock Keeping Units (SKUs) to 60 in Q2 from Q1 2020 with many new SKUs in development in Q3.
- Completed large shipment of bulk API and 35,000 units of finished formulated products to MediPharm Labs Australia to meet demand for GMP supply in Australia
- Established a 99%+ CBD Isolate process with first commercial sales in process.
- Expanded range of vape products with unique botanically derived terpene flavour profiles.
- Launched MediPharm Labs own branded line of CBD products and increased breadth of offerings to fill a demand gap in the marketplace for high quality and high potency products.
- Introduced uniquely formulated, high-potency oils for medical and adult use as part of ongoing expansion of its pharma-quality product portfolio. Available nationally at Medical Cannabis by ShoppersTM and to select cannabis retailers and distributors in British Columbia, Alberta, Saskatchewan, Manitoba and Ontario.
 - MediPharm Labs *CBD25 Regular Formula*, formulated with high purity and value pricing
 - MediPharm Labs *CBD50 Plus Formula*, high potency formula
 - MediPharm Labs *CBD25:5 Release Formula*, a high-CBD, low-THC regular strength formulated cannabis oil

Broadening Global Customer Base (multiple customers)

- Secured first European white-label agreement with specialist pharmaceutical company Therismos Limited (Cannaray) to supply a range of cannabis oil products meeting high-quality standards.
- Agreed to supply pharmaceutical-quality, white-label, cannabis oil products to New Zealand's Helius Therapeutics Limited, a biotechnology company.
- Agreed to supply white-label, cannabis oil products to Cannasouth Plant Research New Zealand Limited.



- Agreed to supply white label pharmaceutical-quality cannabis oil products to Burleigh Heads Cannabis Pty Ltd., an Australian wholesaler to medical patients and pharmacies across Australia via the online *CanView* marketplace.
- Agreed to supply formulated cannabis oil products to Beacon Medical Australia Pty. Ltd., a subsidiary of VIVO Cannabis Inc. First shipments completed in Q2.
- Signed a multi-faceted strategic manufacturing agreement with biopharmaceutical company Avicanna Inc. that will leverage MediPharm Labs specialized contract manufacturing capabilities to produce *Rho Phyto*™ medical cannabis products under license for commercial sales through *Medical Cannabis by Shoppers*™ and *Pura Earth*™ Health & Wellness line for adult-use channels.
- Introduced the highly anticipated *Ace Valley Vapes* to consumers and shipped 3 SKUs to several markets across Canada as previously announced under a white-label agreement with AV Cannabis Inc.
- Formed a supply arrangement with Argentia Gold Corporation to bring premium cannabis-infused products to leading retailers in Newfoundland and Labrador, Prince Edward Island, Nova Scotia and New Brunswick. Shipped first products in Q2.
- Commenced filling and packaging services for *COVE*™ and *Spinach*™ adult-used brands under a multi-year manufacturing agreement with Cronos Group Inc.

Strengthening Capabilities and Innovation

- Achieved Therapeutic Goods Administration (“TGA”) GMP certification of and secured a Licence to Manufacture Therapeutic Goods for MediPharm Labs Australia to create a global pharmaceutical-quality supply chain qualified to serve new emerging medical markets internationally.
- Implemented SAP ERP systems at MediPharm Labs’ flagship Canadian facility improving demand planning, procurement efficiencies and to meet qualification requirements set out by large pharmaceutical and consumer packaged goods companies.
- Completed construction of upgraded Quality Control Laboratory for in-house testing of input materials, Work-in-Process and Finished Goods; and completed construction of a dedicated R&D Laboratory in Barrie, Ontario facility to accelerate process optimizations, product innovations and advance medical cannabis science.
- Products were selected by University Health Network and *Medical Cannabis by Shoppers* to participate in ground-breaking study of blockchain technology to track medical cannabis products from seed to sale.

Corporate Governance and Board Independence

- Appointed former Nestlé Canada President and CEO, Shelley Martin, former President of Janssen Inc., Chris Halyk, and Chief Operating Officer of BMO Capital Markets, Chris Taves, to Board of Directors strengthening governance and independence.
- Marufur Raza resigned from the Company’s Board of Directors effective August 12, 2020. He has been replaced as Chair of the Company’s audit committee by Chris Taves.



LOOKING AHEAD

The Company is in the early stages of substantially increasing its addressable global market based on its ability to serve customers from its multi-jurisdictional, GMP-certified and fully licensed manufacturing footprint. While COVID-19 and the slow development of the retail marketplace in Canada makes it difficult to forecast near-term performance, the Company is confident that the maturation of its international growth strategy, diversification of its customer base and increased emphasis on the creation and distribution of finished formulated products for medical and wellness segments will lead to long-term growth and value creation.

To maximize its competitive advantages, and ensure its international transformation continues to gain momentum, the Company will execute on the following near-term priorities:

Diversifying and igniting growth by:

- Developing quality earnings from a wide spectrum of international cannabis markets including medicinal, recreational and wellness with emphasis on Europe, Asia-Pacific and South America.
- Increasing the breadth (number of product formats) and depth (SKUs per product format) of its finished formulated product capabilities so that it can drive sales throughout the Canadian and Australian domestic channels and into other international markets.
- Pursuing European GMP certification.
- Delivering high-quality consumer packaged products under white label agreements with leading LPs, biopharmaceutical and consumer products companies.
- Commercializing the isolation and fractionation of specific cannabinoids previously achieved at R&D scale.
- Broadening medicinal and wellness applications by entering into clinical trials.
- Further broadening its in-house branded product portfolio and capturing consumer market share with new branded products.

Maintaining liquidity and financial strength by:

- Capitalizing on the value of the Company's international supply chain (including procurement sources) and build out of its multi-jurisdictional manufacturing capability to realize cost and production efficiencies.
- Closely managing all expenses through a continuation of cost containment measures implemented in Q1 and Q2.
- Realizing the value of substantial capital investments made over the past three years while deploying new capital judiciously.

The Company's consolidated financial statements and management's discussion and analysis for the three and six months ended June 30, 2020 are available on SEDAR and on www.medipharmlabs.com.



Q2 2020 CONFERENCE CALL AND WEBCAST

The Company will host a conference call and audio webcast on Thursday, August 13, 2020 at 8:30 a.m. eastern time to discuss its results and outlook.

Participants are asked to dial in approximately 10 minutes before the start of the call using one of the following numbers: Toll-free: 1-833-502-0471; International: +1 2367142179.

An audio webcast will be available in the Events section of the MediPharm Labs' Investor Relations website <https://ir.medipharmlabs.com/news-events> or by visiting the following link: <https://event.on24.com/wcc/r/2396284/F4C00F984F456423A382BAA28AAD1997>

Conference Call Webcast Replay

A replay will be available approximately one hour after the call ends by dialing: Toll-free: 1-800-585-8367; International or (416) 621-4642. Conference ID: 7466989.

NON-IFRS MEASURES

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, share-based compensation, non-cash, non-recurring expense and one-time inventory write downs. 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 June 30, 2020 for additional information.

About MediPharm Labs

Founded in 2015, MediPharm Labs specializes in the production of purified, pharmaceutical-quality cannabis oil and concentrates and advanced derivative products utilizing a Good Manufacturing Practices certified facility with ISO standard-built clean rooms. MediPharm Labs has invested in an expert, research driven team, state-of-the-art technology, downstream purification methodologies and purpose-built facilities with five primary extraction lines for delivery of pure, trusted and precision-dosed cannabis products for its customers. Through its wholesale and white label platforms, MediPharm Labs formulates, develops (including through sensory testing), processes, packages and distributes cannabis extracts and advanced cannabinoid-based products to domestic and international markets. As a global leader, MediPharm Labs has completed commercial exports to Australia and fully commercialized its Australian extraction facility increasing the Company's total addressable markets outside of Canada. MediPharm Labs Australia was established in 2017.



For further information, please contact:

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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. 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; the delay or failure to receive regulatory approvals; and other factors discussed in MediPharm Labs’ filings, available on the SEDAR website at www.sedar.com. 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.