CubicFarm Systems Corp. issues second quarter financial results

Vancouver, BC – (AccessWire – February 24, 2020) – **CubicFarm® Systems Corp.** (**TSXV:CUB**) (“CubicFarms” or the “Company”) today reported its financial and operating results for the three months ended December 31, 2019. All figures are in Canadian dollars unless otherwise stated.

Key financial highlights in fiscal Q2 2020

- Revenue for the three months ended December 31, 2019 was $320,140, and gross margin was 35%.

- Total operating and general administrative expenses was $1,604,165, compared to $641,895 for the same period in the previous year.

- The Company incurred research expenses in the amount of $421,192 for further automation of its fresh produce systems, ability to grow new crops in the systems and further transformation of these crops through juicing. These costs include salaries, materials, parts and consumables related to research activities. Research costs for the three months in the previous year were $1,489,480.

- Net loss and comprehensive loss for the three months ended December 31, 2019 were $1,989,433, compared to $2,339,301 for the three months ended December 31, 2018.

- System sales orders that are pending installation is approximately USD$6.2 million. Revenue from machines is dependent on the completion of the sales and delivery process – consisting of the signing of the purchase agreement, deposit payments, manufacture of machines, customer’s site preparation, shipping and installation of the system.

Operational highlights in fiscal 2020

- On July 9, 2019, CubicFarms common shares commenced trading on the TSX Venture Exchange as a Tier One issuer under the symbol “CUB”.

- On July 11, 2019, the Company announced a signed agreement for a large-scale commercial CubicFarms system in the Calgary, Alberta area and received $412,764 in June 2019 from the customer as a deposit. The agreement and deposit cover the Calgary region where this customer will be the exclusive CubicFarms licensee. The system’s plan includes 20 CubicFarms patented growing machines, two patented germination machines, and a proprietary supporting irrigation system. The total sales agreement is valued at approximately US$3.2 million and the Company expects to complete the installation of the system by the end of March 2020.

- On September 24, 2019, the Company appointed Rodrigo Santana as its interim Chief Financial Officer (CFO). Supported by the CubicFarms finance team, Mr. Santana will also continue performing his role as Chief Operating Officer (COO). Mr. Santana is very experienced in the dual role of COO and CFO, as he held both positions in his previous employment at Sacré-Davey Engineering.

- On October 8, 2019, the Company announced that it finalized an agreement for the sale of a large-scale CubicFarms system in Montana, USA and received an initial deposit of $332,356 in October 2019 from the customer. This was the Company’s second sale of a large-scale system in the US. The system’s plan includes 18 CubicFarms patented growing machines, two patented germination machines, and a proprietary supporting irrigation system. The total sales agreement is approximately US$3 million, representing the second-largest sale agreement to date. The Company expects to complete the installation of the system by the end of March 2020.

- On October 28, 2019, the Company announced that ZenCube, its vertical-farming machine for growing hemp and cannabis, is fully operational at a showcase and R&D facility in Langley, Canada.

- On November 6, 2019, the Company announced that it has entered into a global Reseller Agreement with Groviv, a leader in the science and technology of controlled-environment agriculture. Groviv, a division of Nu Skin Enterprises – a minority investor in CubicFarms – will lead global sales for CubicFarms and has appointed Joe Huston, its Vice President of Business Development to direct the effort. Mr. Huston has extensive retail sales and distribution experience, working with brands such as Walmart, Kroger and Costco.

- On December 11, 2019, the Company announced that it has entered into a binding purchase agreement effective December 10, 2019 to acquire HydroGreen, Inc. (“HydroGreen”). HydroGreen is a manufacturer of fully-automated hydroponic growing systems that produce live, green livestock feed, prioritizing animal health and performance. HydroGreen's unique process sprouts grains, such as barley and wheat, in a controlled environment with minimal use of land, labour and water. The system performs all growing functions including seeding, watering, lighting, harvesting, and re-seeding – all with the push of a button – to deliver nutritious livestock feed without the typical investment in fertilizer, chemicals, fuel, field equipment and transportation. CubicFarms also signed an authorized reseller agreement with Artex Feed Solutions to market and sell the HydroGreen systems. Artex Feed Solutions is a joint venture company which is 25% owned by CubicFarms and 75% owned by Artex Barn Solutions, a leader in agricultural supplies for over 40 years.

- On December 23, 2019, the Company announced the appointment of Jeff Booth as a member of its Board of Directors. Mr. Booth has more than 25 years of experience as an entrepreneur, responsible for growing innovative online marketplace BuildDirect.com to over $120 million in annual revenues.

- On January 3, 2020, the Company announced that, further to its December 11, 2019 announcement, it has completed the acquisition of HydroGreen.

- On January 8, 2020, the Company announced the appointment of Dino Accili as its Chief Revenue Officer to oversee all revenue generation aspects of the business. He has an extensive background in the hydroponic and horticulture supply industries, along with senior executive-level experience in manufacturing and distribution in various industrial environments.

- On January 13, 2020, the Company announced the appointment of Sana Talebi as Lead R&D (Produce). Mr. Talebi will lead the company's produce R&D program to research new crops that will perform well in CubicFarms' fresh produce system, and optimize current growing for continued incremental performance improvements.

- On January 22, 2020, the Company announced that at the Annual General Meeting of shareholders of the Company held in Vancouver, British Columbia, Canada on January 22, 2020, David Dinesen, Jeffrey D. Booth, John de Jonge, John Hoekstra, Leo Benne, Michael McCarthy, Christian Ericson and Daniel Burns were re-elected directors of the Company. The shareholders also reappointed MNP LLP as its auditors for the ensuing year and authorized directors to fix their remuneration.

- On January 23, 2020, the Company announced the appointment of Jeff Booth as Chairman of its Board of Directors.

- On January 30, 2020, the Company announced that it has increased its shareholding in Artex Feed Solutions from 25% to 50%.

CubicFarms CEO Dave Dinesen commented: “The events of the previous quarter will serve to set up CubicFarms for continued growth. We closed our acquisition of HydroGreen Inc. and integration is well underway as we work diligently with our reseller Artex Feed Solutions to boost sales of our nutritious livestock feed systems.

“We have made strides in expanding the market for our fresh produce systems by commercializing our systems’ propagation capabilities through a standalone propagation machine and high-density crop machine, that can be marketed and sold to farmers, greenhouse growers, nurseries and the flower industry. Each propagation machine can germinate approximately 100,000 plants, taking them from seed to seeding at a nearly 100% success rate, with several other high-value features. Our high-density broadcast seeding crop machine is configured with nearly double the number of trays to accommodate high-value, low-light, broadcast seeded crops such as microgreens, arugula, cilantro and radish. We expect that customer satisfaction from these relatively affordable machines will lead to sales of our larger systems.”

CubicFarms’ second quarter financial statements and management's discussion and analysis will be issued and filed on SEDAR at www.sedar.com on February 24, 2020 and will be available on the same day on CubicFarms’ website at https://cubicfarms.com/investors/.

About CubicFarm® Systems Corp.

CubicFarm Systems Corp. (“CubicFarms”) is a technology company that is developing and deploying technology to feed a changing world. Its proprietary technologies enable farmers around the world to grow high-quality, predictable crop yields. CubicFarms has two distinct technologies that address two distinct markets. The first technology is its patented CubicFarm™ System, which contains patented technology for growing leafy greens and other crops. Using its unique, undulating-path growing system, the Company addresses the main challenges within the indoor farming industry by significantly reducing the need for physical labour and energy, and maximizing yield per cubic foot. CubicFarms leverages its patented technology by operating its own R&D facility in Pitt Meadows, British Columbia, selling the System to farmers, licensing its technology and providing industry-leading vertical farming expertise to its customers.

The second technology is CubicFarms’ HydroGreen System for growing nutritious livestock feed. This system utilizes a unique process to sprout grains, such as barley and wheat, in a controlled environment with minimal use of land, labour and water. The HydroGreen System is fully automated and performs all growing functions including seeding, watering, lighting, harvesting, and re-seeding – all with the push of a button – to deliver nutritious livestock feed without the typical investment in fertilizer, chemicals, fuel, field equipment and transportation. The HydroGreen System not only provides superior nutritious feed to benefit the animal, but also enables significant environmental benefits to the farm.

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Cautionary statement on forward-looking information

This news release contains certain "forward-looking information" as such term is defined under applicable Canadian securities laws. All statements, other than statements of historical fact, that address activities, events or developments that the Company believes, expects or anticipates will or may occur in the future (including, without limitation, statements relating to the anticipated growth and development of the Company's business) constitute forward-looking information. This forward-looking information reflects the current expectations or beliefs of the Company based on information currently available to the Company as well as certain assumptions including, without limitation, related to the development of its business and demand for its products). Forward-looking information is subject to a number of significant risks and uncertainties and other factors that may cause the actual results of the Company to differ materially from those discussed in the forward-looking information, and even if such actual results are realized or substantially realized, there can be no assurance that they will have the expected consequences to, or effects on the Company. Reference is also made to the risk factors disclosed under the heading "Risk factors" in the Company's Annual Information Form for the year ended June 30, 2019 which has been filed on SEDAR and is available under the Company's profile at www.sedar.com.

There can be no assurance that forward-looking statements will prove to be accurate as actual outcomes and results may differ materially from those expressed in these forward-looking statements. Readers, therefore, should not place undue reliance on any such forward-looking statements. Further, these forward-looking statements are made as of the date of this news release and, except as expressly required by applicable law, the Company assumes no obligation to publicly update or revise any forward-looking statement, whether as a result of new information, future events or otherwise.

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