Cansortium Inc. Reports First Quarter 2019 Financial Results; Reaffirms Full Year Outlook

May 30, 2019

MIAMI, May 30, 2019 /PRNewswire/ - Cansortium Inc. (CSE:TIUM.U) ("Cansortium" or the "Company"), a vertically-integrated, global provider of premium-quality medical cannabis, today announced financial results of the first quarter ended March 31, 2019. The Company's unaudited consolidated quarterly financial statements and accompanying notes are available under the Company's profile on SEDAR at www.sedar.com and are also accessible through a link on the Investor Relations section of the Company's website at www.cansortium.com.

Selected First Quarter 2019 Financial Highlights Versus First Quarter 2018 Pro-Forma Results(1)

- Consolidated revenue totaled $5.5 million, a 65% increase from pro-forma revenues of $3.3 million for the first quarter of 2018
- Consolidated net loss totaled $(16.6) million, compared to pro-forma net loss of $(6.5) million for the first quarter of 2018
- Consolidated EBITDA(2) totaled $(9.1) million, compared to pro-forma EBITDA(2) of $(5.6) million for the first quarter of 2018
- Consolidated Adjusted EBITDA(2) totaled $(4.0) million, compared to Adjusted pro-forma EBITDA(2) of $(1.6) million for the first quarter of 2018

Selected Events Subsequent to March 31, 2019

- Raised $27 million through a private placement of convertible debt, using proceeds for continued investment in expanding U.S. operations and working capital
- Launched a new global brand platform – Fluent™ - to replace Knox Medical across all physical and digital operations
- Opened the Company's 10th medical cannabis dispensary in Florida with plans to have a total of 30 Florida locations secured by the end of 2019
- Tripled the Company's Florida cultivation capacity with the addition of 60,000 square feet of cultivation volume in Tampa
- Received a cannabis cultivation, processing and medical sales license from Health Canada, pursuant to the Cannabis Act
- Approved to begin dispensing medical cannabis in dried flower form in Florida

Cansortium's Chief Executive Officer Jose Hidalgo commented, "We are committed to earning the trust of physicians, customers and regulators in every market where we choose to compete. During the first quarter of 2019, we completed a $56 million initial public offering along with a private placement of $10 million of convertible debt. This funding enabled us to strengthen our capital structure and balance sheet, which positioned us to issue $27 million in convertible debt to further support scaling of our cultivation and dispensary platforms.

"We recently launched a new global brand platform – Fluent™ – a name inspired by the fact that we are committed to helping our customers become more fluent about cannabis and its potential health and wellness properties," said Mr. Hidalgo.

Mr. Hidalgo continued, "Since the end of the first quarter, we have tripled our Florida cultivation capacity with the opening of a 60,000 square-foot facility in Tampa, and we are also working to triple our Florida dispensary network from 10 locations today to having 30 locations secured by the end of this year. In early May, we were granted a cultivation, processing and medical sales license by Health Canada, enabling us to activate our strategies to establish the Fluent brand in that important market. As one of only three existing medical cannabis licensees in the state of Texas, the nation's second-most-populous state, our company is well-positioned to capitalize on what is expected to become a larger Texas market. And in Michigan, our in-market partners, after receiving required approvals from various planning commissions, have begun preparing for full cultivation activities and secured pre-qualifications to open and operate up to eight dispensaries in this high-potential market."

Mr. Hidalgo concluded, "We expect 2019 to be a year of expansive growth and we are reaffirming our previous full year outlook. Our team is focused on positioning the Company and the Fluent brand to capitalize on rapidly expanding opportunities in the U.S., while laying important groundwork for future expansion in international markets."

Full Year 2019 Outlook

All projections related to anticipated future results are forward-looking in nature and are subject to risks and uncertainties that may cause actual results to differ, perhaps materially. Projections are predicated on the Company's ability to successfully execute its operational expansion initiatives during 2019, which include expanding its Florida cultivation and dispensary platform and securing licenses necessary to enable expansion of its cultivation and dispensary platforms in other key markets. In addition, projections are based on the Company's ability to secure and effectively deploy its capital resources toward those initiatives. Effective March 22, 2019, the company became subject to U.S. IRS Tax Code Section 280E, under which gross profit from the company's U.S. retail operations is taxed at U.S. federal corporate tax rates, without the opportunity to deduct any selling, general & administrative expenses attributable to the company's U.S. operations. The Company's 2019 outlook also assumes that legal, regulatory and tax policies in key markets remain largely unaltered for the balance of the year. A more detailed description of the assumptions pertaining to the Company's 2019 financial outlook can be found in the Company's prospectus filed March 15, 2019, available under the Company's profile on SEDAR at www.sedar.com, and accessible through a link on the Investor Relations section of the Company's website at www.cansortium.com.

Taking the above factors into consideration, our 2019 financial outlook anticipates:

- Consolidated revenues of between approximately $80 million and $82 million,
- Consolidated net income of between approximately $6.5 million and 7.0 million, and
- EBITDA of between approximately $21 million and $23 million.

Conference Call

The Company will hold a conference call on Thursday, May 30, 2019 at 5:00pm (ET) to review its first-quarter 2019 financial results. The conference call can be accessed by calling 877-407-9039 (in the U.S.) or 201-689-8470 (international), conference ID 13691237. Participants should call in at least five minutes prior to the start of the call. The call also will be accessible via live webcast at www.cansortium.com. A replay of the call will be available starting May 30, 2019 at 8:00pm (ET) through June 6, 2019 at 11:59pm (ET), at 844-512-2921 (in the U.S.) or 412-317-6671 (international); conference ID 13691237. A webcast replay will also be available through May 29, 2020 at www.cansortium.com

ABOUT CANSORTIUM INC.

Cansortium is a global medical cannabis company operating in highly populous medical cannabis markets with a mission to deliver the highest standards of cannabis care from nursery to lab to shelf. Headquartered in Miami, FL and operating under the recently-launched Fluent™ brand (formerly Knox Medical), the Company through its subsidiaries operates cultivation, processing and dispensary facilities across Florida, Texas, Puerto Rico and a dispensary license in Pennsylvania. The Company also has licensed cultivation facilities in Colombia and Canada, with licensing pending in Michigan.

Cansortium Inc.'s common shares and warrants trade on the CSE under the symbol "TIUM.U" and "TIUM.WT.U" respectively.

(1) During the first quarter of 2018, substantially all of the Company's revenue-generating activity occurred in Florida and derived from a 38% minority investment in Knox Servicing, LLC. On August 15, 2018, the Company acquired the remaining 62% ownership of Knox Servicing, LLC, becoming its sole member. The Company's pro-forma first quarter 2018 financial results are presented on a fully consolidated basis as if the Company had acquired 100% of Knox Servicing, LLC as of January 1, 2018. These results reflect activities related to Knox Servicing's Florida operations and the company's operations inside and outside of Florida unrelated to Knox Servicing, LLC during the three months ended March 31, 2018.

(2) EBITDA and Adjusted EBITDA are not recognized performance measures under IFRS. "EBITDA" is earnings before interest, taxes, depreciation and amortization. "Adjusted EBITDA" is equal to net income (loss), plus (minus) interest expense (income) and finance transactions costs, plus depreciation and amortization, plus (minus) unrealized loss (gain) on embedded derivatives, plus (minus) certain one-time non-operating expenses, as determined by management. The management of the Company believes that these non-IFRS financial measures in addition to conventional measures prepared in accordance with IFRS provides information that is helpful to understand the results of operations and financial condition of the Company. The objective is to present readers with a view of the Company from management's perspective by interpreting the material trends and activities that affect the operating results, liquidity and financial position of the Company. These measures are not necessarily comparable to similarly titled measures used by other companies. A reconciliation of EBITDA and Adjusted EBITDA to Consolidated Net Income reported in accordance with IFRS is included in the financial tables below.

Forward-Looking Information

Certain information in this news release, may constitute forward-looking information. In some cases, but not necessarily in all cases, forward-looking information can be identified by the use of forward-looking terminology such as "plans", "targets", "expects" or "does not expect", "is expected", "an opportunity exists", "is positioned", "estimates", "intends", "assumes", "anticipates" or "does not anticipate" or "believes", or variations of such words and phrases or state that certain actions, events or results "may", "could", "would", "might", "will" or "will be taken", "occur" or "be achieved". In addition, any statements that refer to expectations, projections or other characterizations of future events or circumstances contain forward-looking information. Statements containing forward-looking information are not historical facts but instead represent management's expectations, estimates and projections regarding future events.

Forward-looking information is necessarily based on a number of opinions, assumptions and estimates that, while considered reasonable by the Company as of the date of this news release, are subject to known and unknown risks, uncertainties, assumptions and other factors that may cause the actual results, level of activity, performance or achievements to be materially different from those expressed or implied by such forward-looking information, including but not limited to the factors described in the public documents of the Company available at www.sedar.com. These factors are not intended to represent a complete list of the factors that could affect the Company; however, these factors should be considered carefully. There can be no assurance that such estimates and assumptions will prove to be correct. The forward-looking statements contained in this news release are made as of the date of this news release, and the Company expressly disclaims any obligation to update or alter statements containing any forward-looking information, or the factors or assumptions underlying them, whether as a result of new information, future events or otherwise, except as required by law.

For information on Cansortium Inc., please visit www.cansortium.com.

Financial Tables Follow

CANSORTIUM INC.

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

As of 3/31/2019 and 12/31/2018

(USD '000)

	March 31, 2019	**December 31, 2018**
Assets		
Current assets		
Cash	$9,859	$ 2,026
Accounts receivable	77	62
Inventory	4,523	2,837
Biological assets	2,142	2,549
Prepaid expenses and other current assets	2,691	543
Total current assets	19,292	8,017
Property and equipment, net	23,886	22,398
Intangible assets, net	104,993	106,417
Right-of-use assets	14,305	-
Goodwill	10,315	10,315
Other assets	459	721
Total assets	**$173,250**	**$ 147,868**
Liabilities		
Current liabilities		
Accounts payable	$6,600	$ 4,910
Accrued expenses	3,292	3,936
Derivative liabilities	12,678	9,242
Current portion of notes payable	5,965	51,463
Lease obligations	1,381	-
Other current liabilities	1,350	1,350
Total current liabilities	31,266	70,901
Notes payable, net of current portion	12,136	1,910
Lease obligations, net of current portion	14,330	-

Other long-term liabilities	687	451
Total liabilities	**58,419**	**73,262**
Shareholders' equity		
Share capital	160,788	92,000
Share-based compensation reserve	595	-
Warrants	296	296
Retained earnings (accumulated deficit)	(46,380)	(16,687)
Accumulated other comprehensive income (loss)	(352)	(488)
Non-controlling interests	(116)	(515)
Total shareholders' equity	114,831	74,606
Total liabilities and shareholders' equity	**$173,250**	**$ 147,868**

CANSORTIUM INC

CONSOLIDATED STATEMENTS OF OPERATIONS

FOR THE 3 MONTHS ENDED MARCH 31, 2019 AND 2018

(USD '000)

For the three months ended March 31,		
2019	**2018**	
Revenue	$ 5,528	$ 69
Cost of goods sold	2,561	227
Gross profit (loss) before fair value adjustments	2,967	(158)
Realized fair value of increments on inventory sold	1,118	-
Unrealized change in fair value of biological assets	(1,101)	-
Gross profit (loss)	2,950	(158)
Expenses		
General and administrative	10,258	1,709
Sales and marketing	2,917	135
Depreciation and amortization	2,299	152
Total expenses	15,474	1,996

Loss from operations	(12,524)	(2,154)
Other expense (income)		
Interest expense, net	4,317	533
Change in fair market value of derivative	(1,879)	5,934
Income on investment in associate	-	(947)
Other expense	1,589	26
Total other expense (income)	4,027	5,546
Net loss	(16,551)	(7,700)
Net loss attributable to non-controlling interest	(270)	(247)
Net loss attributable to controlling interest	$ (16,281)	$ (7,453)
Net loss per share		
Basic	$ (0.10)	$ (0.06)
Diluted	$ (0.10)	$ (0.06)
Basic number of shares	161,359,687	125,786,881
Diluted number of shares	170,623,565	128,158,952

CANSORTIUM INC

CONSOLIDATED STATEMENTS OF CASH FLOWS

FOR THE 3 MONTHS ENDED MARCH 31, 2019 AND 2018

(USD '000)

For the three months ended March 31,		
	2019	**2018**
Operating activities		
Net income (loss)	$(16,551)	$(7,700)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	2,654	178
Loss on disposal of property and equipment	-	-
Amortization of debt discount	1,378	416
Equity based compensation	1,203	-

(Gain) loss from equity method investments	-	(947)
Change in fair market value of derivative	(1,879)	5,934
Unrealized gain on changes in fair value of biological assets	(1,101)	-
Changes in operating assets and liabilities:		
Accounts receivable	(15)	-
Inventory	(1,686)	(282)
Biological assets	1,508	-
Prepaid expenses and other current assets	(2,148)	(163)
Other assets	749	-
Accounts payable	1,690	11
Accrued expenses	(157)	(9)
Lease obligations	338	-
Other current liabilities	236	-
Net cash used in operating activities	(13,781)	(2,562)
Investing activities		
Purchases of property and equipment	(2,718)	(622)
Due from associate	-	(510)
Net cash used in investing activities	(2,718)	(1,132)
Financing activities		
Proceeds from IPO	56,178	-
Proceeds from issuance of shares	-	1,815
Proceeds from issuance of notes payable	13,166	-
Payment of lease obligations	(647)	-
Principal repayments of notes payable	(44,500)	(8)
Net cash provided by financing activities	24,197	1,807
Effect of foreign exchange on cash and cash equivalents	136	210
Net increase in cash and cash equivalents	7,834	(1,677)
Cash and cash equivalents, beginning of period	2,026	3,033

Cash and cash equivalents, end of period	$9,860	$1,356
Cash paid during the period for interest	$2,627	$120
Non-cash transactions:		
Issuance of equity for additional interest in consolidated entity	$12,002	$-

CANSORTIUM INC.

FINANCIAL HIGHLIGHTS

FOR THE 3 MONTHS ENDED MARCH 31, 2019 AND 2018

(USD '000)

GAAP (IFRS)				**PRO-FORMA[1]**	
Financial results	**March 31, 2019**	**March 31, 2018**	**Variance**	**March 31, 2018**	**Variance vs. 3/31/19**
Revenue	$5,528	$69	$5,459	$3,342	$2,186
Gross profit (loss)	$2,950	$(158)	$3,108	$4,419	$(1,469)
Gross margin	*53.4%*	*-229.0%*	*282.4%*	*132.2%*	*-78.9%*
Adjusted gross profit[2]	$2,967	$(158)	$3,125	$2,575	$392
Adjusted gross margin[2]	*53.7%*	*-229.0%*	*282.7%*	*77.0%*	*-23.4%*
Selling, general and administrative expenses	$15,474	$1,996	$13,478	$4,418	$11,056
EBITDA[2]	$(9,142)	$(7,015)	$(2,127)	$(5,648)	$(3,494)
Adjusted EBITDA[2]	$(4,024)	$(1,081)	$(2,943)	$(1,558)	$(2,466)
Net loss	$(16,551)	$(7,700)	$(8,851)	$(6,489)	$(10,062)
Net loss per share (basic)	$(0.10)	$(0.06)	$(0.04)	$(0.05)	$(0.05)
Net loss per share (diluted)	$(0.10)	$(0.06)	$(0.04)	$(0.05)	$(0.05)

Balance Sheet	**March 31, 2019**	**December 31, 2018**	**Variance**
Total assets	$173,250	$143,996	$29,254
Total long-term liabilities	$27,153	$2,361	$24,792
Total liabilities	$58,419	$63,599	$(5,180)

CANSORTIUM INC.

RECONCILIATION OF NON-IFRS FINANCIAL MEASURES

FOR THE 3 MONTHS ENDED MARCH 31, 2019 AND 2018

(USD '000)

EBITDA

EBITDA is a non-GAAP financial measure that does not have any standardized meaning prescribed by IFRS and may not be comparable to similar measures presented by other companies. The Company calculates EBITDA from net income (loss), plus (minus) interest expense (income), plus depreciation and amortization, as follows:

	GAAP (IFRS)			**PRO-FORMA[1]**	
	March 31, 2019	**March 31, 2018**	**Variance**	**March 31, 2018**	**Variance**
Net income (loss)	$(16,551)	$(7,700)	$(8,851)	$(6,489)	$(10,062)
Interest expense	4,317	533	3,784	536	3,781
Depreciation and amortization	3,092	152	2,940	305	2,787
EBITDA	$(9,142)	$(7,015)	$(2,127)	$(5,648)	$(3,494)

(1) Pro-forma measures reflect the consolidation of Knox Servicing, which was accounted for as an equity method investment until August 15, 2018, the date on which the Company acquired the remaining interest in Knox Servicing and became the sole member, and are non-GAAP financial measures that do not have any standardized meaning prescribed by IFRS and may not be comparable to similar measures presented by other companies.

Adjusted EBITDA

Adjusted EBITDA is a non-GAAP financial measure that does not have any standardized meaning prescribed by IFRS and may not be comparable to similar measures presented by other companies. The Company calculates adjusted EBITDA from EBITDA plus (minus) unrealized loss (gain) on embedded derivatives, plus (minus) certain one-time non-operating expenses, as determined by management. The reconciliation from EBITDA to Adjusted EBITDA is as follows:

	GAAP (IFRS)			**PRO-FORMA[1]**	
	March 31, 2019	**March 31, 2018**	**Variance**	**March 31, 2018**	**Variance**
EBITDA	$(9,142)	$(7,015)	$(2,127)	$(5,648)	$(3,494)
Change in fair value of biological assets	17	-	17	(1,844)	1,861
Change in fair market value of derivative	(1,879)	5,934	(7,813)	5,934	(7,813)
Other non-recurring expenses[2]	6,980	-	6,980	-	6,980
Adjusted EBITDA	$(4,024)	$(1,081)	$(2,943)	$(1,558)	$(2,466)

(1) Pro-forma measures reflect the consolidation of Knox Servicing, which was accounted for as an equity method investment until August 15, 2018, the date on which the Company acquired the remaining interest in Knox Servicing and became the sole member, and are non-GAAP financial measures that do not have any standardized meaning prescribed by IFRS and may not be comparable to similar measures presented by other companies.

(2) Other non-recurring expenses includes IPO related fees and expenses of $5,846 and debt restructuring charges of $1,134.

SOURCE Cansortium Inc