August 29, 2018

MPX Bioceutical Corporation Reports Financial Results for Its Fiscal First Quarter of 2019

Record Quarterly Revenues increased 224% to $14.5M

TORONTO, Aug. 29, 2018 (GLOBE NEWSWIRE) -- **MPX Bioceutical Corporation** (“**MPX**” or the “**Company**”) (CSE: MPX; OTC: MPXEF) today reports financial results for its fiscal first quarter for the three month period ended June 30, 2018 and provides a general business update. All figures are presented in Canadian dollars unless otherwise indicated.

Operational and Financial Highlights for the Fiscal First Quarter of 2019

- Total revenues of $14.5 million for the fiscal first quarter of 2019 versus $4.5 million for the fiscal first quarter of 2018 up 224%
- Quarter-Over-Quarter revenue growth of 81% to $14.5 million, up from $8.0 million in the fiscal fourth quarter of 2018
- Opened third Health for Life dispensary in the Phoenix, Arizona metropolitan area
- Completed relocation of Mesa, Arizona processing and production facility to new location in North Mesa, Arizona
- Received final licensing approval from Maryland Medical Cannabis Commission to operate the first dispensary in Maryland under the Health for Life brand. Approval for the opening of two additional dispensaries in Maryland was received subsequent to the quarter end.
- Completed the acquisition of 8423695 Canada Inc., operating as Canveda, a licensed producer in Canada with an existing cultivation and production facility in Peterborough, Ontario
- Completed an offering of senior secured convertible debentures maturing on May 25, 2021, representing a principal amount of US$49,257,572.60 ($63,054,618.69) issued at an original issue discount of US$812.06 ($1,039.52) per US$1,000 ($1,280.10) of principal amount for net proceeds of US$40,000,000 ($51,204,000) through a wholly-owned Luxembourg subsidiary of MPX

“We recorded another quarter of strong topline results, with revenue increasing $10 million year over year, to a record of $14.5 million, driven by the strong performance of our Arizona operations,” said W. Scott Boyes, Chairman, President and CEO of MPX. “Our recent acquisitions within the State of Arizona, the expanded distribution capabilities for our MPX and Timeless wholesale brands, as well as the sales growth at our Health for Life retail dispensaries have significantly strengthened our results. We are thrilled with the continued success of our Arizona operations as we execute on our strategy to replicate this business model within our other markets, including Maryland, Massachusetts, Nevada and Canada, as well as signing an extraction agreement that expands our distribution network throughout California. We are making solid progress pursuing state licenses, establishing strong management structures and growing the reputation of both our wholesale and retail brands. By expanding our footprint in multiple states, we are laying the foundation to achieve future revenue growth while driving value for shareholders."

Beth Stavola, COO of MPX, added, "After strong growth in fiscal 2018, our momentum continues to build as we enter into fiscal 2019. We continue to execute upon the strategic expansion of our geographic footprint, with expanded operational capabilities to meet the demand for both medicinal and adult-use cannabis in jurisdictions across North America. The cannabis market continues to forge ahead, with the United States making progress state by state and a visible, continued push for meaningful cannabis law reform at a federal level. As Canada approaches its October 17th legalization date for adult-use cannabis and attitudes toward cannabis use continue to evolve, we are encouraged by the momentum in the industry, and pleased to have established our strategic position in multiple jurisdictions at this time."

Business Overview for the Fiscal First Quarter of 2019

- **Arizona**: In April 2018, MPX opened its third dispensary in the Phoenix metropolitan area under the Company's "Health for Life" brand. Additionally, MPX completed the relocation of its Mesa, Arizona processing and production facility to a new location in North Mesa, Arizona and continued to ramp up concentrate production at this facility.

- **Maryland:** In June 2018, final licensing approval was secured from the Maryland Medical Cannabis Commission to operate MPX's first dispensary in Maryland under the Health for Life brand. The dispensary, operated by MPX's indirect wholly-owned subsidiary, S8 Management, LLC, welcomed its first patient in August, 2018.

  In August 2018, two additional dispensaries managed by S8 Management also received licensing approval in Maryland. The Company's concentrate production center, which is owned by Rosebud Organics and operated by MPX, commenced operations during the fiscal quarter, with the first MPX wholesale products arriving on third party dispensary shelves in August.

- **Massachusetts:** The Company owns the majority of Massachusetts-based cannabis management company IMT, LLC ("**IMT**") and real estate holding company, Fall River Developments, LLC ("**FRD**"). While not cultivating or selling cannabis products itself, IMT has a long-term management agreement to provide material support to Cannatech Medicinals Inc. ("**CMI**"), which is licensed to directly cultivate, produce, own, possess and sell cannabis and cannabis-infused products. The Company has completed construction of the first of three planned dispensaries, and expects that two of its three planned dispensaries will be fully operational during the fourth quarter of calendar 2018. It is also in the process of constructing a cultivation and processing facility, which is owned by FRD and will be operated by the Company. The Company expects to commence cultivation at this facility during the third quarter of calendar 2018.

- **California:** In July 2018, the Company entered into an extraction agreement with Case Farms Collective, the largest cannabis processing facility in Southern California, marking MPX's entry into the State of California. Case Farms will provide full scale cannabis processing services to MPX, with all concentrate products manufactured to MPX's proprietary specifications and guidelines. The agreement significantly increases MPX's distribution reach as Case Farms will distribute the MPX-branded cannabis concentrates to its network of licensed dispensaries throughout California.

- **Canada:** In June 2018, MPX completed the acquisition of 8423695 Canada Inc. operating as Canveda, a licensed producer under Health Canada's Access to Cannabis for Medical Purposes Regulations. Planting has commenced at Canveda's fully built-out 12,000 square foot facility, located in Peterborough, Ontario, and the first crop should be ready for sale during the fiscal third quarter of 2019. The Company also leases a property in Owen Sound, Ontario, for which an application to Health Canada has been made for a cannabis production and sales license. Furthermore, the Company is working to expand its arrangement with Panaxia Pharmaceutical Industries Ltd. The Company plans to manufacture Panaxia's products at its Owen Sound site and to market these products to patients in Canada, and potentially for export, under MPX's Salus Biopharma brand.

Financial Overview

Below outlines the key financial metrics for MPX for its fiscal first quarter of 2019. A more detailed discussion of these and other metrics, as well as operational events, can be found in the Company's Financial Statements, Management Discussion & Analysis ("**MD&A**") filed on www.sedar.com. All figures are presented in Canadian dollars.

Revenues

Revenues increased 224% to $14.5 million for the three months ended June 30, 2018, up from $4.5 million for the three months ended June 30, 2017. Revenue was generated primarily by the MPX's Arizona management operations, including sales from the four Arizona dispensaries, including a full quarter of sales from the Company's recent acquisition in the state. Revenue was additionally generated by wholesale sales of MPX branded concentrates to licensed dispensaries operating within Arizona.

Gross Profit

Gross profit for the three months ended June 30, 2018 before adjustment for the unrealized gain in the fair value of biological assets was $3.1 million, which represents a gross margin of 21.3%, as compared to $1.8 million and 40.3% for the three months ended June 30, 2017. Gross profit after adjustment for the unrealized gain in the fair value of biological assets was $4.9 million, reflecting 34% of sales, as compared to $2.7 million and 61.3% for the three months ended June 30, 2017. Lower margins reflect the impact from the recent Arizona acquisition, which included a portion of sales through a co-packed arrangement.

Expenses

Operating expenses for the three months ended June 30, 2018 were $10.1 million, as compared to $3.2 million for the three months ended June 30, 2017. The increase in expenses was primarily attributable to $2.3 million in share-based compensation related to the Company's incentive stock option plan versus approximately $200,000 for the comparable period. Professional fees increased to $1.4 million for the three months ended June 30, 2018, as compared to approximately $400,000 in the comparable period, primarily due to the change in the volume and complexity of accounting and legal services required by the Company driven by growth and acquisitions. Amortization and depreciation costs increased to approximately $700,000 for the three months ended June 30, 2018, as compared to approximately $400,000 in the comparable period, due to intangible and capital assets acquired in the third and fourth quarter of fiscal 2018.

Other Income and Expenses

The Company recorded $6.9 million in Other Expenses for the three months ended June 30, 2018, as compared to approximately $300,000 in Other Expenses for the three months ended June 30, 2017. The increase in expenses includes accretion expenses of approximately $600,000 related to the Company's convertible loan, as well as loss of fair value of the convertible loan of approximately $600,000 for the three months ended June 30, 2018. Changes in the fair value of derivative liability were $2.6 million, primarily related to the Hi-Med Facility. Interest and financing charges of $2.3 million for the three months ending June 30, 2018 relates to interest on the AZ Promissory Note and Hi-Med Facility and financing costs for the convertible loan allocated to the conversion options.

Adjusted EBITDA

Adjusted EBITDA was negative $1.8 million for the three months ended June 30, 2018, as compared to positive approximately $100,000 for the three months ended June 30, 2017. This was the result of costs incurred related to continued capacity expansion, increased staffing and planning for new operations and expenses associated with the Company's continued growth initiatives.

Net Comprehensive Loss

The Company recorded a net comprehensive loss of $11.0 million for the three months ended June 30, 2018, as compared to a net comprehensive loss of $2.3 million for the three months ended June 30, 2017. The basic and diluted loss per MPX share for the three months ended June 30, 2018 totaled $0.03 versus $0.01 for the comparable period. The increase in net comprehensive loss is primarily attributed to loss from operations of $5.1 million, interest and financing charges of $2.3 million relating to interest on the ZQ Promissory Note and Hi-Med facility and financing costs for the convertible loan allocated to the conversion options and changes in the fair value of derivative liability of $2.6, million primarily related to the Hi-Med Facility.

Financing Activities

The Company reported cash provided by financing activities during the three months ended June 30, 2018 of $36.4 million. This was due primarily to proceeds from the senior secured convertible loan of $51.9 million, proceeds from the exercise of warrants of $1.6 million, partially offset by advances to related parties of $1.3 million, interest and financing charges of $3.3 million (interest paid and financing costs associated with convertible loan) and repayment of a term loan of $12.2 million.

Cash Balance and Liquidity

As of June 30, 2018, the Company had cash and cash equivalents available of $30.7 million, up from $8.5 million as of March 31, 2018. The increase is primarily due to proceeds from the issuance of the senior secured convertible loan and proceeds from exercise of warrants. This was partially offset by cash used in operations of $4.2 million as well as cash used in investing activities of $9.7 million.

Additional Information

Additional information relating to the Company, including with respect to financial results, operational events, acquisitions and financings, is available on SEDAR at www.sedar.com in the Company's Audited Annual Financial Statements and MD&A.

Conference Call

The Company will host a conference call tomorrow, Thursday, August 30, 2018 at 10:00 AM Eastern Time to discuss the results.

Participant Dial-In Numbers:
Toll-Free: 1-800-263-0877
Toll / International: 1-646-828-8143
Participants should request the MPX earnings call or provide confirmation code 5162951

Investors are invited to listen via webcast available on the MPX investor section of the Company's website at https://mpxbioceutical.com/investors/. Please visit the website 15 minutes prior to the call to register, download, and install any necessary audio software. For interested individuals unable to join the conference call, a replay of the call will be available through September 6, 2018, at 1-844-512-2921 (U.S. Toll Free) or 1-412-317-6671 (International). Participants must use the following code to access the replay of the call: 5162951. The online archive of the webcast will be available on the investor section of the Company's website for 30 days following the call.

W. Scott Boyes, Chairman, President and Chief Executive Officer of MPX, David McLaren, Chief Financial Officer, and Beth Stavola, Chief Operating Officer, will be answering shareholder questions at the conclusion of the call.

To be added to the distribution list, please email MPX@kcsa.com with "MPX" in the subject line.

About MPX Bioceutical Corporation

MPX, through its wholly-owned subsidiaries in the U.S., provides substantial management, staffing, procurement, advisory, financial, real estate rental, logistics and administrative services to three medicinal cannabis enterprises in Arizona operating under the Health for Life (dispensaries) and the award-winning Melting Point Extracts (high-margin concentrates wholesale) brands. The successful Health for Life brand operates in the rapidly growing Phoenix Metropolitan Statistical Area. With the acquisition of The Holistic Center, MPX added another operating medical cannabis enterprise to its footprint in Arizona.

GreenMart of Nevada NLV, LLC ("**GreenMart NV**") is an award winning licensed cultivation, production and wholesale business, licensed for both the medical and "adult use" sectors in Las Vegas, Nevada, and is already selling wholesale into the Nevada medical cannabis market. GreenMart NV has also optioned suitable locations and intends to enter the higher-margin retail arena by applying for at least two dispensary licenses in the Las Vegas market which will operate under the "Health for Life" brand.

In Massachusetts, MPX is building out and will operate a cultivation and production facility as well as up to three dispensaries and manages three full service dispensaries and one producer in Maryland.

In Canada, MPX has acquired Canveda, which has received its cultivation license from Health Canada, will operate a cultivation and production facility in Peterborough, Ontario. The Company also leases a property in Owen Sound, Ontario, for which an application to Health Canada has been made for a cannabis production and sales license. In addition, the Company will continue its efforts to develop its legacy nutraceuticals business.

Cautionary Statement Regarding Forward-Looking Information

This news release includes certain "forward-looking statements" under applicable Canadian securities legislation that are not historical facts. Forward-looking statements involve risks, uncertainties, and other factors that could cause actual results, performance, prospects, and opportunities to differ materially from those expressed or implied by such forward-looking statements. Forward-looking statements in this news release include, but are not limited to, MPX's objectives and intentions. Forward-looking statements are necessarily based on a number of estimates and assumptions that, while considered reasonable, are subject to known and unknown risks, uncertainties and other factors which may cause 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 and social uncertainties; litigation, legislative, environmental and other judicial, regulatory, political and competitive developments; delay or failure to receive board, shareholder or regulatory approvals; those additional risks set out in MPX's public documents filed on SEDAR at www.sedar.com; and other matters discussed in this news release. Although MPX believes that the assumptions and factors used in preparing the forward-looking statements are reasonable, undue reliance should not be placed on these statements, which only apply as of the date of this news release, and no assurance can be given that such events will occur in the disclosed time frames or at all. Except where required by law, MPX disclaims any intention or obligation to update or revise any forward-looking statement, whether as a result of new information, future events, or *otherwise.*

On behalf of the Board of Directors

MPX Bioceutical Corporation (formerly The Canadian Bioceutical Corporation)
W. Scott Boyes, Chairman, President and CEO

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Statements of Operations

The following relates only to U.S. marijuana-related-activities which is all of the activity of MPX for the three months ended June 30, 2018:

	Three months ended June 30, 2018 ($)	**Three months ended June 30, 2017 ($)**
Revenue	14,464,989	4,465,438
Gross Profit	4,921,131	2,735,423
Operating Expenses	(10,061,368)	(3,212,525)
Adjusted EBITDA	(1,802,463)	102,324
Loss from Operations	(5,140,237)	(477,102)
Net Loss	(12,087,512)	(790,575)
Comprehensive Loss	(11,039,668)	(2,274,532)
Net loss per share basic and diluted	(0.03)	(0.01)

Consolidated Balance Sheets

	As at June 30, 2018	**As at March 31, 2018**

	($)	($)
Cash	30,688,239	8,503,724
Current Assets	48,506,457	20,793,256
Total Assets	212,939,367	150,405,652
Current Liabilities	8,057,059	18,581,530
Total Liabilities	113,138,493	68,371,060
Shareholders' Equity	93,136,046	75,307,544

Adjusted EBITDA (Non-IFRS Measure)

	Three months ended June 30, 2018 ($)	**Three months ended June 30, 2017 ($)**
Loss from operations	(5,140,237)	(477,102)
Adjustments		
Share-based compensation	2,288,991	182,260
Amortization and depreciation	667,258	397,166
Consulting fees settled by:		
Equity instruments	84,212	-
Startup costs – Massachusetts and Maryland	297,313	-
Adjusted EBITDA	(1,802,463)	102,324

The Corporation uses "Adjusted EBITDA", which is not defined under IFRS. Management believes that these measures provide useful supplemental information to investors and is computed on a consistent basis for each reporting period. "Adjusted EBITDA" is a metric used by management which is income (loss) from operations, as reported, before interest, tax, and adjusted for removing other non-cash items, including the stock-based compensation expense, amortization and depreciation, non-cash occupancy costs, and the non-cash effects of accounting for biological assets and the non-cash effect of accounting for inventory acquired through acquisition at fair value. Management believes "Adjusted EBITDA" is a useful financial metric to assess its operating performance on a cash basis before the impact of non-cash items and acquisition related activities.

MPX
BIOCEUTICAL CORPORATION

Source: MPX Bioceutical Corporation