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WeedMD Reports First Quarter 2020 Financial Results and Posts Record Revenue of \$12.2 Million

- Net revenue of \$12.2 million, a 327% sequential increase, driven by strong growth from adult-use and medical channels and substantial outdoor biomass sale
- Strengthens balance sheet with \$25 million strategic equity investment concurrent with the Starseed transaction, and secures financial flexibility with amendments to senior credit facility
- Management to host conference call on Wednesday July 15, 2020 at 10:00 a.m. Eastern Time

Toronto, Canada, July 15, 2020 – **WeedMD Inc. (TSX-V:WMD) (OTCQX:WDDMF) (FSE:4WE) (“WeedMD” or the “Company”)**, a federally-licensed producer and distributor of medical-grade cannabis, announced today its financial results for the three months ended March 31, 2020, including net revenue of \$12.2 million, a 327% sequential increase compared with \$2.9 million for the fourth quarter of 2019, and a 265% increase from the \$3.3 million of revenue generated for the prior year period.

“Our significant sequential sales growth in the first quarter was driven by our increased brand recognition, higher product availability and customer acquisition initiatives,” said Angelo Tsebelis, CEO of WeedMD. “We ramped-up retail engagement of our Color brand in the adult-use market and expanded our distribution network with new partners in the insured medical cannabis channel with the addition of Starseed. Additionally, WeedMD completed a substantial sale of its inaugural outdoor-cultivated biomass earmarked for extraction and international markets, contributing to record revenue of over \$12 million. With our unique medical platform and expanded market presence of our mass-craft adult-use products, we are well-positioned to advance our customer-centric strategy and capitalize on positive market trends in the Canadian cannabis market.”

Summary of Results

For the Quarter-Ended	Mar. 31, 2020	Dec. 31, 2019
	(\$000's)	(\$000's)
Net revenue	12,185	2,850
Gross profit before changes in fair value	1,370	(2,006)
<i>Gross margin % before changes in fair value</i>	11%	(70%)
Income (loss) and comprehensive (loss)	(9,002)	(7,211)
Adjusted EBITDA* (loss)	(5,075)	(8,191)
As at	Mar. 31, 2020	Dec. 31, 2019
	(\$000's)	(\$000's)
Cash and cash equivalents	14,183	8,184
Inventory	33,418	31,287
Biological assets	4,417	7,666
Working Capital	46,991	30,619

**Adjusted EBITDA is not a recognized measurement under International Financial Reporting Standards (“IFRS”) and this data may not be comparable to data presented by other companies. Management defines Adjusted EBITDA as EBITDA adjusted to exclude interest, tax, and depreciation, stock compensation, fair value changes and other non-cash items, and non-recurring items. This data is furnished to provide additional information and does not have any standardized meaning prescribed by IFRS. The Company uses this non-IFRS measure to provide shareholders and others with supplemental measures of its operating performance. The Company also believes that securities analysts, investors and other interested parties, frequently use this non-IFRS measure in the evaluation of companies, many of which present similar metrics when reporting their results. As other companies may calculate Adjusted EBITDA differently than the Company, this metric may not be comparable to similarly titled measures reported by other companies. We caution readers that Adjusted EBITDA should not be substituted for determining net loss as an indicator of operating results, or as a substitute for cash flows from operating and investing activities.*

Key Financial Highlights

- For the three months ended March 31, 2020, WeedMD recorded net sales of \$12.2 million, representing a year-over-year increase of 265% as compared to the first quarter of 2019 and a 327% increase from the fourth quarter of 2019.
- Gross profit before changes in fair value was \$1.4 million, representing a 11% gross margin compared to a gross loss of 70% in the prior quarter, mainly attributable to increased revenue from the sale of dried cannabis and revenue generated during the period from the full quarter post the Starseed acquisition.
- Cultivation cost was \$0.84 per gram for the quarter, a 13% improvement from Q4 2019 of \$0.96.
- The Company sold 5,084 kgs of dried cannabis, representing an increase of 744% from the previous quarter.
- As of March 31, 2020, WeedMD holds \$37.8 million in inventory and biological assets and its total assets sit at \$213.7 million.
- Adjusted EBITDA* loss totalled \$5.1 million for the three-month period ended March 31, 2020, mainly driven by increased selling, general and administrative expenses before changes in fair value of \$2.0 million driven by the sales increase.

“The first quarter began to show the benefits of our combination with Starseed, as exemplified in our sales revenue mix along with the \$25 million strategic equity investment we received from the LiUNA Pension Fund of Central and Eastern Canada,” said Lincoln Greenidge, CFO of WeedMD. “We have both the operational infrastructure and balance sheet to support our continued commercial growth and broader distribution channels. We look forward to meeting the growing demand for our quality-produced brands - while continuing to focus on operational improvements and disciplined cash and inventory management.”

Corporate Highlights During & Subsequent to First Quarter Ended March 31, 2020

Launches Cannabis 2.0 Product Line Of Medical Vaporizers

Strain-Specific Medicinal Vaporizer Pens (Vapes): In June 2020, WeedMD completed the launch of its innovative line of strain-specific medicinal vapes. The ‘Aurum’ vapes are available to Starseed patients across Canada as part of the Company’s expanding medical cannabis product portfolio. The Aurum vapes are produced and formulated in-house at WeedMD’s extraction hub CX Industries with premium cannabis extracts derived from biomass cultivated from the Company’s indoor and outdoor harvests. The new product line was launched with the Company’s high-regarded Ghost Train Haze strain, to be followed by other strains and formulations as well as a launch in the adult-use market under WeedMD’s Color Cannabis brand.

Outdoor Cultivation Enters Second Year

Outdoor Cultivation: WeedMD completed the planting of 18,000 clones across seven core cultivars on its 27-acre outdoor field in June, making WeedMD one of only a handful of licensed-producers entering its second year of outdoor operations. The harvest is expected to support CX Industries with cannabinoid-rich, low cost cannabis biomass, and provide attractive input material for certain flower and extract products.

Business Development Milestones

Expanded Medical Channel: With the addition of Starseed, WeedMD also welcomed new and direct channels to a patient base with insurance coverage for medical cannabis. The potential access to a substantial and direct consumer audience of over 350,000 individuals is expected to drive growth and margin expansion.

Four new partners and their benefits providers were added in February 2020:

- LiUNA Local 1059 (London, Ontario)
- The International Union of Painters and Allied Workers
- The Insulators Local 95 Health and Welfare Trust Fund
- myHSA

‘PatientDirect’ Kicks Off With Express Delivery to Toronto-Area Patients

Same-Day Delivery Service: In June 2020, WeedMD launched its same-day medical cannabis home delivery service. The pilot project called ‘**PatientDirect**’ services local patients in the greater Toronto-area, with order fulfillment from the Company’s Bowmanville, Ontario distribution centre located just outside Toronto. PatientDirect is intended to ease potential third-party postal and delivery service disruptions resulting from current business conditions. The service is being offered to new and existing Starseed Medicinal patients and will expand to WeedMD patients.

Strengthens Balance Sheet and Adds Financial Flexibility

Senior Secured Credit Facility: At the end of the second quarter, WeedMD amended certain terms of its senior secured credit facility entered into on March 29, 2019 (the “Credit Facility”) (the “Credit Agreement Amendment”). Under the terms of the Credit Agreement Amendment, the Company secured a deferral of certain financial covenants by 12 months to June 30, 2021 and quarterly principal repayments are rescheduled to commence at the end of 2020. Additionally, the Company agreed to a 50 basis point increase in the applicable interest rate margin on the Credit Facility.

\$25 Million Strategic Equity Investment: WeedMD secured a \$25 million strategic equity investment from the LiUNA Pension Fund of Central and Eastern Canada following receipt of shareholder approval in February 2020.

Leadership Appointments

Following the acquisition of Starseed, WeedMD combined its experienced senior leadership team and board of directors and in February 2020 in order to accelerate the Company’s commercial growth, appointed **Angelo Tsebelis as CEO** of WeedMD. Formerly President of WeedMD and Starseed, Angelo brings a renewed focus on expanding strategic commercial and sales distribution initiatives to execute on delivering high-margin, quality products.

In April 2020, the Company appointed **Lincoln Greenidge as Chief Financial Officer**. Lincoln brings over 20 years of corporate finance, capital markets as well as mergers and acquisition experience and is leading the Company’s financial integration and strategic shift to commercialize WeedMD’s cultivation platform.

COVID-19 Operational Response

In response to the COVID-19 global pandemic, WeedMD established a number of safety protocols and risk mitigation strategies to ensure the health and safety of its employees and communities. The Company temporarily closed its corporate offices in London and Toronto in accordance with emergency measures enacted by the Province of Ontario - with applicable employees adopting a work-from-home policy that remains in effect until further notice. While its production sites continue to operate, employees are observing strict social distancing and safety measures put in place by the Company. WeedMD also introduced cost-leadership tactics that included salary reductions across its senior leadership levels.

The Company also confirmed in March 2020 that it donated over 23,000 face masks and gloves in varying sizes to Ontario-area hospitals in need during that time.

Conference Call Information:

WeedMD will host a conference call with Angelo Tsebelis, CEO and Lincoln Greenidge, CFO on July 15, 2020. Management will be available for analyst and media questions following opening remarks.

Conference Call Details:

Date:	Wednesday July 15, 2020
Time:	10 a.m. Eastern Time
Dial-in Number:	Canada/USA: 1-800-319-4610. International Toll: 1-604-638-5340 Participants, please dial in and ask to join the WeedMD call.
Replay Dial-in	Canada/USA: 1-800-319-6413. International Toll: 1-604-638-9010 Replay Access Code: 4771 Available after 12:00 p.m. Eastern Time, until August 15, 2020

Check [here](#) for upcoming corporate events and to access WeedMD's latest [Investor Presentation](#) and latest [Corporate Update Video](#).

The Company's financial statements and related management's discussion and analysis for the period are available under the Company's profile on SEDAR at www.sedar.com. All amounts are expressed in Canadian dollars and are in accordance with International Financial Reporting Standards unless otherwise noted.

About WeedMD Inc.

WeedMD Inc. is the publicly-traded parent company of WeedMD RX Inc. and Starseed Medicinal Inc., federally-licensed producers of cannabis products for both the medical and adult-use markets. The Company owns and operates a 158-acre state-of-the-art greenhouse, outdoor and processing facility located in Strathroy, Ontario as well as CX Industries Inc., a wholly-owned subsidiary which specializes in cannabis extraction from the Company's fully-licensed 26,000 sq. ft. Aylmer, Ontario processing facility. With the addition of Starseed, a medical-centric operator based in Bowmanville, Ontario, WeedMD has expanded its multi-channeled distribution strategy. Starseed's industry-first, exclusive partnership with LiUNA, the largest construction union in Canada, along with other employers and union groups complements WeedMD's direct sales to medical patients. The Company maintains strategic relationships in the seniors' market and supply agreements with Shoppers Drug Mart as well as six provincial distribution agencies where adult-use brands Color Cannabis and Saturday are sold.

Follow WeedMD, Color Cannabis & Starseed:



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Forward Looking Information This press release contains "forward-looking information" within the meaning of applicable Canadian securities legislation which are based upon WeedMD's current internal expectations, estimates, projections, assumptions and beliefs and views of future events. Forward-looking information 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" or "will" happen, or by discussions of strategy.

The forward-looking information in this news release is based upon the expectations, estimates, projections, assumptions and views of future events which management believes to be reasonable in the circumstances. Forward-looking information includes estimates, plans, expectations, opinions, forecasts, projections, targets, guidance or other statements that are not statements of fact. Forward-looking information in this news release include, but are not limited to, statements with respect to internal expectations, expectations with respect to actual production volumes, expectations for future growing capacity and the completion of any capital project or expansions. Forward-looking information necessarily involve known and unknown risks, including, without limitation, risks associated with general economic conditions; adverse industry events; loss of markets; future legislative and regulatory developments; inability to access sufficient capital from internal and external sources, and/or inability to access sufficient capital on favourable terms; the cannabis industry in Canada generally; the ability of WeedMD to implement its business strategies; the COVID-19 pandemic; competition; crop failure; and other risks.

Any forward-looking information speaks only as of the date on which it is made, and, except as required by law, WeedMD does not undertake any obligation to update or revise any forward-looking information, whether as a result of new information, future events or otherwise. New factors emerge from time to time, and it is not possible for WeedMD to predict all such factors. When considering this forward-looking information, readers should keep in mind the risk factors and other cautionary statements in WeedMD's disclosure documents filed with the applicable Canadian securities regulatory authorities on SEDAR at www.sedar.com. The risk factors and other factors noted in the disclosure documents could cause actual events or results to differ materially from those described in any forward-looking information.

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