



NEWS RELEASE

CanniMed Therapeutics Inc. Reports Financial Results for 2016

2/24/2017

SASKATOON, Saskatchewan--(BUSINESS WIRE)-- CanniMed Therapeutics Inc. ("CanniMed" or the "Company") (TSX:CMED) today released its financial results for the year ended October 31, 2016.

The financial statements released included the audited statement of financial position of CanniMed as at October 31, 2016 together with the audited consolidated financial statements of Prairie Plant Systems Inc. ("PPS") for the year ended October 31, 2016. Following a corporate reorganization, PPS became a wholly-owned subsidiary of CanniMed on November 1, 2016. For complete details of the audited Statement of Financial Position of CanniMed, the audited consolidated financial statements of PPS and associated Management's Discussion and Analysis ("MD&A") please refer to the Company's filings on SEDAR (www.sedar.com) or the Company's website (www.CanniMedTherapeutics.com).

"Significantly increased sales, improved adjusted EBITDA from continuing operations¹ and a clear focus on our core business following divestment of our power business were the catalysts for which we were waiting to complete our Initial Public Offering in December 2016," said Brent Zettl, President and CEO, CanniMed Therapeutics Inc. "Our business continues to flourish. CanniMed currently holds more than 20,000 patient records and continues to grow exponentially with January 2017 sales quantities being the highest on record to date. As the only GMP-compliant cannabis producer in Canada, our manufacturing and production process ensures cleanliness and prevention, resulting in reliably safe products."

Fiscal 2016 Highlights

- Increased sales from continuing operations by 69% to \$9.8 million, with gross margins of 84%.

- Adjusted EBITDA from continuing operations¹ improved \$2.0 million to near breakeven.
- Completed a corporate reorganization, including the spin-out of its U.S. power generating subsidiary, P.M. Power Group, Inc. (“PM Power”), in preparation for an initial public offering of shares.
- Completed construction of a new biosecure growth chambers to augment its existing growth facilities with a new 62,000 sq. ft. growing building.
- Sold 945 kg of dried medical marijuana equivalent at an average selling price of \$9.65 per gram.
- Commenced production and sale of concentrated cannabis oils.
- Achieved excellent safety performance with no recordable incidents during the year.
- Completed \$9.5 million convertible debenture offering. When combined with the \$2.0 million raised during fiscal 2015, total proceeds raised from the issuance of convertible debentures was \$11.5 million.
- Recorded a loss of \$8.0 million on derivative instruments relating to convertible debentures resulting primarily from increases in the value of the conversion right to acquire the Company’s shares.
- Recorded net loss of \$12.9 million on discontinued operations of PM Power, shares of which were distributed to PPS shareholders.

Subsequent to Fiscal 2016

- Continued strong sales growth, with total sales of 349 kg of dried medical marijuana equivalent, an increase of 83% over the first quarter of 2016.
- Completed initial public offering on the Toronto Stock Exchange to raise gross proceeds of \$69 million.
- Holders of \$11.3 million of convertible debentures elected to convert their debentures into shares of CanniMed.
- Signed exclusive Canadian licensing agreement with CTT Pharma for Cannabis Orally Dissolvable Thin Film Wafer.
- Confirmed CanniMed products contained “no detectible” amounts of 56 pesticides and fungicides through independent laboratory analysis.
- Continued support of clinical studies, including the CAPRI Phase IIa clinical trial of medical marijuana treatment of osteoarthritis of the knee (the “CAPRI Trial”), and research studies including pediatric epilepsy and neuropathic pain with two Canadian universities.

Revenue

Revenue from continuing operations for the year ended October 31, 2016 increased 69% to \$9.8 million from \$5.8 million for the previous year. This increase was attributable a 30% increase in herbal sales volume to 757 kg, and to the introduction of the Company's oil product line during fiscal 2016, which generated an additional 188 kg of dried marijuana equivalent sales.

Net Loss

For the year ended October 31, 2016, the Company recorded a net loss from continuing operations of \$9.9 million, or \$2.71 per share, net of tax. The major component of this was a non-cash loss on derivative instruments of \$8.0 million related to the convertible debentures.

Operating Expense

For the year ended October 31, 2016, general and administrative expense for continuing operations was \$3.6 million (2015 \$2.1 million), a 71% increase. This increase was attributable to increased delivery, distribution and salary costs associated with increased sales. Professional fees were also higher year over year.

For the year ended October 31, 2016, sales and marketing expense of \$3.3 million was relatively unchanged year over year.

Research and Development

Research and development costs for the year ended October 31, 2016 were \$1.4 million (2015 - \$1.2 million). Research and development tax credits were \$0.2 million (2015 - \$0.4 million). Research and development work is directed primarily towards plant-based materials for pharmaceutical and agricultural applications, and includes the CAPRI Trial.

Recent Developments

Initial Public Offering

On December 29, 2016, the Company completed an initial public offering ("IPO") and on January 30, 2017 the underwriters' overallotment option ("OAO") was exercised, resulting in total gross proceeds of \$69.0 million to the Company. A total of 5,750,000 common shares of CanniMed were issued at \$12.00 per share, pursuant to the IPO and the exercise of the OAO. Common shares of CanniMed began trading on the Toronto Stock Exchange on December 29, 2016.

Conversion of Debentures

During December 2016 and January 2017 the holders of a total of \$11.3 million of convertible debentures exercised their conversion rights, resulting in the issuance of 2,057,060 common shares of CanniMed.

Corporate Activities During Fiscal 2016

Expanded License Granted for the Production and Sale of Cannabis Oils

The Company's licenses under the Marihuana for Medical Purposes Regulations were amended on January 12, 2016 to include the production and sale of cannabis oil. The Company has developed three edible cannabis oil products as a complement to its line of seven CanniMed® herbal products currently available.

Debenture Financing

During 2016 the Company completed a debenture financing in two tranches to raise a total of \$9.5 million. Each debenture was convertible into Class "A" shares of PPS at \$22.00 per share (the "Conversion Rate") at the option of the holder; after adjusting for the corporate reorganization (See Corporate Reorganization and Spin-out of PM Power below), this conversion rate was \$5.50 per common share of CanniMed.

Letter of intent with CTT Pharmaceutical Holdings Inc. to License CTT's Orally Thin Film Wafer

On August 11, 2016, the Company announced that it had entered into a letter of intent with CTT Pharmaceutical Holdings Inc. to license CTT's Orally Dissolvable Thin Film Wafer technology. This industry-first collaboration will enable CanniMed to develop and commercialize this novel, smoke-free, drug delivery system in Canada.

Corporate Reorganization and Spin-out of PM Power

In October 2016, PPS completed a corporate reorganization (the "Reorganization") to distribute the shares of the PM Power business to its shareholders. The Company had acquired PM Power in 2014 for \$11.7 million and, during the period of the Company's ownership from August 23, 2014 to October 31, 2016, PM Power generated positive income and cash flows and served as a component of the Company's business strategy. As a result of the Reorganization, ownership of the PM Power business, with net assets of \$8.1 million, was transferred to shareholders of PPS and the PM Power business is no longer part of the continuing business of the Company.

PM Power's turbines continue to be a potential source of back up power for the grid and, in addition, PM Power has agreed to distribute electricity to the Company's U.S. plant growth facility in accordance with the terms of a power purchase contract entered as part of the Reorganization.

About CanniMed Therapeutics Inc.

The Company is a Canadian-based, international plant biopharmaceutical company and a leader in the Canadian medical cannabis industry, with 15 years of pharmaceutical cannabis cultivation experience, state-of-the-art, GMP-compliant plant production processes and world class research and development platforms with a wide range of pharmaceutical-grade cannabis products. In addition, the Company has an active plant biotechnology research and product development program focused on the production of plant-based materials for pharmaceutical, agricultural and environmental applications.

CanniMed Ltd., through its subsidiaries, was the first producer to be licensed under the Marihuana for Medical Purposes Regulations, the predecessor to the current Access to Cannabis for Medical Purposes Regulations. It was the sole supplier to Health Canada under the former medical marijuana system for 13 years, and has been producing safe and consistent medical marijuana for thousands of Canadian patients, with no incident of product diversion or recalls.

For more information, please visit our websites: www.cannimed.ca (patients) and www.CanniMedTherapeutics.com (investors).

Notice Regarding Forward Looking Statements

This news release contains forward-looking statements within the meaning of applicable securities laws. All statements that are not historical facts, including without limitation, statements regarding future estimates, plans, programs, forecasts, projections, objectives, assumptions, expectations or beliefs of future performance, are “forward-looking statements”. Forward-looking statements can be identified by the use of words such as “plans”, “expects” or “does not expect”, “is expected”, “estimates”, “intends”, “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” or “will” be taken, occur or be achieved.

Forward-looking statements are based on assumptions and involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of CanniMed Therapeutics Inc. to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements, including the risks described in CanniMed Therapeutics Inc.’s documents filed with applicable Canadian securities regulatory authorities which may be viewed at sedar.com. The forward-looking statements included in this news release are made as of the date of this news release. CanniMed Therapeutics Inc. does not undertake to publicly update such forward-looking statements to reflect new information, subsequent events or otherwise, unless required by applicable securities legislation.

Non-IFRS Financial Measures and Reconciliations

The Company utilizes non-IFRS financial measures as supplemental indicators of operating performance and financial position. These non-IFRS financial measures are used internally by the Company for comparing actual results from one period to another. The Company believes that, in addition to conventional measures prepared in accordance with IFRS, certain investors use this information to evaluate the Company's performance and ability to generate cash flow. Accordingly, such information is intended to provide additional information and should not be considered in isolation or as a substitute for measures of performance prepared in accordance with IFRS.

Earnings before Interest, Taxes, Depreciation and Amortization ("EBITDA") and Adjusted EBITDA

The Company uses EBITDA and Adjusted EBITDA as a supplemental financial measure of its operational performance. Management believes EBITDA to be an important measure of its capacity to generate cash flow from operations as it excludes the effects of items which primarily reflect the impact of long-term investment and decisions and finance strategies, rather than the performance of the Company's day-to-day operations. The Company measures EBITDA as net earnings (loss) from continuing operations plus income taxes expense (recovery), interest expense and depreciation and amortization. Adjusted EBITDA removes non-cash expenses such as loss on derivative instruments, share-based compensation and non-cash expenses within cost of sales.

The Company believes that these measurements are useful in measuring the Company's ability to service debt, meet other payment obligations and in comparing the Company's financial performance from period to period. Furthermore, Management believes that certain investors and other stakeholders use this information to evaluate the Company's performance. The following table provides a reconciliation of the Company's calculation of EBITDA and Adjusted EBITDA:

Calculation of EBITDA, and Adjusted EBITDA, from Continuing Operations		
Years ended October 31	2016	2015
Loss from continuing operations	\$ (10,418)	\$ (3,424)
Deferred income tax expense (recovery)	(471)	(531)
Finance costs	1,489	846
Depreciation and amortization	832	1,017
EBITDA from continuing operations	\$ (8,568)	\$ (2,092)
Share-based compensation	435	571
Loss on derivative instruments	8,038	86
Unrealized gain from changes in fair value of biological assets	(3,797)	(3,509)
Non-cash amounts within cost of sales		
Realized gain from changes in fair value of biological assets	3,237	2,311
Depreciation and amortization	521	461
Adjusted EBITDA from continuing operations	\$ (134)	\$ (2,172)

1 Adjusted EBITDA is a non-IFRS measure with no standard definition under IFRS. See the "Non-IFRS financial performance measures and reconciliations" section of the Company's MD&A.

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Source: CanniMed Therapeutics Inc.

For more information or to schedule an interview:

CanniMed Therapeutics Inc.

Dara Willis, (416) 836-9272

media@cannimed.com