



Quinsam Reports Q2/2019 Results, Provides Corporate Update, Renews Issuer Bid

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TORONTO, Aug. 22, 2019 -- Quinsam Capital Corporation (CSE:QCA) ("Quinsam" or the "Company") is pleased to announce its Q2/2019 results, with net loss of \$2.7 million (\$0.02 per share basic, \$0.02 fully diluted) versus net income of \$4.6 million (\$0.04 per share basic, \$0.03 fully diluted) in Q2/2018. Investors can access the company's full financial statements on sedar.com.

"At June 30, 2019, we had net assets of approximately \$0.38 per share equivalent outstanding (\$0.40 before deferred taxes)" said Roger Dent, CEO of Quinsam. "Our trading price is currently at an extremely large discount to our underlying asset value."

Quinsam notes that the cannabis sector generally had negative performance in Q2/2019. For example, the Horizon Marijuana Life Sciences Index ETF NAV fell from \$21.58 at the end of March 2019 to \$18.25 at the end of June 2019, for a decline in the quarter of 15.4%.

"In the context of a very poor cannabis sector environment in Q2, we take solace that our loss, which was under 6% of our March 31, 2019 net assets, was a solid outperformance versus the sector ETF. Portfolio selection, selective dispositions as well as our focus on private company, convertible debenture and debt investments helped to shelter Quinsam from the negative environment in the quarter. We have consciously avoided (and we continue to avoid) the larger cap cannabis names, where we did not see good value. We note Quinsam has only ever purchased one of the current top ten holdings in the Horizon ETF, and that was star-performer Charlotte's Web, which we acquired on its IPO listing and subsequently sold. NAV was also positively impacted by issuer bid share repurchases during the quarter."

Our most notable disposition in the quarter was that of Acreage Holdings, previously our largest single holding. We sold all of our position shortly after the escrow arrangements expired. Our realized prices on sales in the quarter ranged from US\$18.43 to US\$21.04. Give the recent Acreage share price of approximately US\$9.70, we are pleased with our sales of this investment. Our original cost on this holding was C\$8.03. For tax purposes, a gain on Acreage was triggered in Q4/2018 as a result of its pre-listing corporate reorganization. Accordingly, the Q2/2019 disposition results in a loss for tax purposes in 2019 versus the US\$25 Acreage IPO price and helped to contribute to the tax recovery in Q2/2019.

We also sold our position in Sproutly shares, which was among our largest holdings, at prices ranging from \$0.80 to \$0.95 versus the recent price of approximately \$0.45. We continue to hold Sproutly convertible debentures. We sold the shares resulting from the conversion of our C21 and Halo debentures. To reduce our market leverage, we also sold our listed warrants in FlowerOne and Halo. We exercised our warrants and sold the resulting shares in Cannex in Q2 and early Q3. We also exercised warrants and sold the resulting shares from a small old legacy position in Acasti in Q3.

Subsequent to our July 2, 2019 press release, when we last updated investors on purchases, we invested \$412,500 in subscription receipts of Atom Energy, which expects to list in Q3/2019. Atom Energy, which operates as 6th Wave Innovations, has developed a nanotechnology-based method of separating substances at the molecular level. The technology is focused on two high value streams at present: cannabis oil extraction and gold-from-ore extraction. We see strong potential in both of these applications. We also advanced a second \$1.1 million loan to Budd Hutt as part of our package of investments with them.

Q3 Outlook

Pressure on cannabis share prices has continued in Q3. For example, the Horizon Marijuana Life Sciences Index ETF NAV fell from \$18.25 at the end of June 2019 to a recent level of approximately \$15.19, for a decline since the start of the quarter of over 15%.

While this creates a negative environment for Quinsam in the quarter, at this time Quinsam is cautiously optimistic about the quarter. As outlined in the press release dated July 31, 2019, Quinsam continues to expect a number of liquidity events in the quarter. Also, some key private issuers, notably IMC, Embark and Hemp Hydrate, are in the process of marketing new issues at premiums to our carrying values. Of course, there is no assurance that all or any of these events will be completed. Depending on the outcome of these binary events and market conditions over the balance of the quarter, at this time we see the potential for either a profit or a loss in Q3/2019.

Issuer Bid Renewal

Quinsam announced on July 30, 2018 an issuer bid to acquire up to 5,928,951 common shares. During the life of the bid, our total purchases were 5,817,951 shares. All purchases under the bid were made well below NAV and were accretive to NAV for shareholders choosing to remain as Quinsam investors. The bid also had a positive impact on the share price by providing supportive buying for the shares.

Quinsam is pleased to announce that it intends to proceed with a new normal course issuer bid to purchase up to 5,733,635 of its common shares (the "Bid"). The Company is commencing the Bid because it believes that the current market price of its common shares may not fully reflect the underlying value of the Company's business and future prospects. The Company believes that the repurchase of its common shares for cancellation is in the best interests of its shareholders because the Bid will increase the respective proportionate shareholdings and equity interests of all remaining shareholders. The Company has 114,672,693 common shares issued and outstanding. Under the terms of the Bid, the Company may acquire up to 5,733,635 of its common shares, representing 5% of its issued and outstanding common shares. The Company will commence the Bid on August 28, 2019. The Bid will terminate on August 27, 2020, or on an earlier date in the event that the number of common shares sought in the Bid has been repurchased. The Company reserves the right to terminate the Bid earlier if it feels that it is appropriate to do so. All common shares will be purchased on the open market through the facilities of the Canadian Securities Exchange ("CSE"), and payment for the common shares will be made in accordance with CSE policies. The price paid for the common shares will be the prevailing market price at the time of purchase. Purchases may be suspended at any time, and no purchases will be made other than by means of open market transactions during the term of the Bid. The Company has engaged M Partners to act as the broker through which the Bid will be conducted.

About Quinsam Capital Corporation

Quinsam is a merchant bank based in Canada with a focus on cannabis-related investments. Quinsam also invests in non-cannabis related enterprises. Our merchant banking business may encompass a range of activities including acquisitions, advisory services, lending activities and portfolio investments. Quinsam invests its capital for its own account in assets, companies or projects which we believe are undervalued and where we see a viable plan for unlocking such value. We do not invest on behalf of any third party and we do not offer investment advice.

Generally, Quinsam does not believe that individual investments are material reportable events. Quinsam chooses to announce certain investments once the company is certain that it has finished buying its position because the Company feels that this information helps Quinsam's investors understand its investment decision making process. Generally, Quinsam does not announce the sale of investments.

For further information please contact:

Roger Dent, CEO
(647) 993-5475
roger@quinsamcapital.com

This press release may contain forward-looking statements relating to anticipated future events, results, circumstances, performance or expectations that are not historical facts but instead represent our beliefs regarding future events, which are inherently uncertain. Forward-looking statements can often, but not always, be identified by forward-looking words such as "anticipate", "believe", "continue", "expect", "goal", "plan", "intend", "estimate", "may", "project", "predict", "potential", "target", and "will" or similar words suggesting future outcomes, or other expectations, beliefs, plans, objectives, assumptions, intentions or statements about future events or performance.

By their nature, forward-looking statements require us to make assumptions which include, among other things, that (i) Quinsam will have sufficient capital under management to effect its business strategies, (ii) the business strategies will produce the results intended by Quinsam, and (iii) the markets will react and perform in a manner consistent with the business strategies.

Forward-looking information involves known and unknown risks, uncertainties and other factors that may cause actual results or events to differ materially from those anticipated in such forward-looking information. The Company believes that the expectations reflected in the forward-looking information are reasonable but no assurance can be given that these expectations will prove to be correct. Some of the risks and other factors that could cause actual results to differ materially from those expressed in forward-looking information expressed in this press release include, but are not limited to: cannabis companies Quinsam has invested in obtaining and maintaining regulatory approvals including acquiring and renewing U.S. state, local or other licenses, and the uncertainty of existing protection from U.S. federal or other prosecution; regulatory or political change such as changes in applicable laws and regulations, including U.S. state-law legalization; market and general economic conditions of the cannabis sector or otherwise, interest rates, regulatory and statutory developments, the nature of the Company's investments, the available opportunities and competition for investments, the concentration of the Company's investments in certain industries and sectors, reliance on key personnel, risks affecting the Company's investments, management of the growth of the Company, and exchange rate fluctuations. Readers are cautioned that the foregoing list of risks and factors is not exhaustive. Although the Company has attempted to identify important factors that could cause actual events or results to differ materially from those described in forward-looking information, there may be other factors that cause events or results to differ from those intended, anticipated or estimated.

The forward-looking information contained herein is provided as at the date of this press release, based upon the opinions and

estimates of management and information available to management as at the date of this press release. The Company does not undertake and specifically disclaims any intention or obligation to update or revise any forward-looking information, whether as a result of new information, future events or otherwise, unless required by applicable law. Readers are cautioned not to place undue reliance on forward-looking information contained in this press release.