



NEWS RELEASE

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FOR IMMEDIATE RELEASE
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Vireo Health Announces Second Quarter 2020 Financial Results

– Total revenue of \$12.2 million increased 70 percent year-over-year –

– Operating cost structure continues to improve in-line with management’s expectations –

– Development project pipeline positions Company for strong performance improvements in FY21 –

MINNEAPOLIS – August 26, 2020 – Vireo Health International, Inc. ("Vireo" or the "Company") (CNSX: VREO; OTCQX: VREOF), the science-focused, multi-state cannabis company with active operations in exclusively medical-only markets and licenses in nine states and the Commonwealth of Puerto Rico, today reported financial results for its second quarter ended June 30, 2020. All currency figures referenced in this release reflect U.S. dollar amounts.

“Our second-quarter results were in-line with our expectations both in terms of revenue growth and operating expenses,” said Founder & Chief Executive Officer, Kyle Kingsley, M.D. “Furthermore, with the recent closing of the sale of our Pennsylvania manufacturing and processing subsidiary, we are well positioned with a strong balance sheet to execute a strategy that should begin to generate positive cash flow next year as we continue increasing scale in our core markets of Arizona, Maryland, Minnesota, New Mexico, and New York.”

Dr. Kingsley continued, “We believe there is significant potential for Vireo to improve revenue growth and profitability in our core markets, and we’ll be investing in each of these markets through the balance of fiscal year 2020 to increase production capacity and retail store count. We expect the benefits of these investments to begin materializing late this year, and continue to believe that each of these markets has the potential to enact adult-use legislation over the short- to medium-term future, which would present additional opportunity for revenue growth, margin expansion, and value creation for shareholders.”

Second Quarter 2020 Financial Summary

Reported results for the three- and six-month periods ended June 30, 2020 and June 30, 2019 reflect “pro-forma” results, which exclude contributions from the Company’s former Pennsylvania Medical Solutions (“PAMS”) subsidiary, as Vireo announced a planned transaction to divest PAMS on June 22, 2020 and closed the transaction on August 11, 2020. As a result, financial performance of PAMS’ wholesale business and manufacturing operations have been categorized under discontinued operations within the periods referenced in the financial statements accompanying this news release. Vireo continues to own and operate two retail dispensaries in Pennsylvania.

The Company generated revenue in seven states during the second quarter: Arizona, Maryland, Minnesota, New Mexico, New York, Ohio, and Pennsylvania. Total revenue, including contributions from discontinued operations, increased 70 percent year-over-year to \$12.2 million versus \$7.2 million in the second quarter of 2019. Reported revenue, excluding discontinued operations, was \$10.8 million, an increase of 59 percent as compared to \$6.7 million in Q2 2019.

Retail revenue was approximately \$9.2 million in Q2 2020, an increase of 46 percent compared to \$6.3 million in Q2 2019. The increase in retail revenue was principally due to greater patient enrollment and average revenue per patient in Minnesota and New Mexico, as well as contributions from new retail dispensaries in Pennsylvania. Wholesale revenue of \$1.6 million increased by \$1.1 million or 256 percent, as compared to \$444,023 in Q2 2019. The increase in wholesale revenue was primarily due to the growth of wholesale operations in Maryland, New York, and Ohio.

Gross profit before fair value adjustments was \$3.5 million, or 32 percent of revenue, as compared to gross profit of \$3.0 million or 45 percent, in the same period last year. The variance in gross profit as compared to the prior year was driven primarily by temporary impacts of planned manufacturing downtime and the build-up of inventory in New York, as well as an increase in the mix of sales in wholesale versus retail markets, with a substantial increase in wholesale revenue as compared to last year.

Total operating expenses in the second quarter were \$15.4 million, as compared to \$5.4 million in the second quarter of 2019, with the increase primarily attributable to increased salaries and wages, as well as an adjustment to share-based compensation related to the vesting of out-of-the-money warrants issued to a former executive upon termination from the Company. Excluding depreciation and share-based compensation, operating expenses in the second quarter of 2020 were \$6.0 million, or 55 percent of sales, as compared to \$5.0 million or 74 percent of sales in the second quarter of 2019, and \$6.2 million or 59 percent of sales in the first quarter of 2020.

Total other expense was \$3.4 million during Q2 2020, compared to \$1.8 million in Q2 2019. The increase in other expense was primarily attributable to the issuance of warrants in conjunction with the private placement completed in March of 2020, as well as increased interest expense.

Net loss from continuing operations in Q2 2020 was \$7.7 million, as compared to a net loss from continuing operations of \$593,041 in Q2 2019. Adjusted net loss from continuing operations for Q2 2020, as described in accompanying disclosures and footnotes, was \$7.4 million, as compared to a loss of \$4.1 million in the prior year quarter. Adjusted EBITDA, as described in accompanying disclosures and footnotes, was a loss of \$1.8 million in Q2 2020, as compared to a loss of \$1.9 million in Q2 2019. Please refer to the Supplemental Information and Reconciliation of Non-IFRS Financial Measures at the end of this press release for additional information.

Other Developments

Amidst the ongoing coronavirus pandemic, Vireo's medical cannabis businesses have maintained "essential service" designation in each of their respective states. As a result, to date there has been no material adverse impact on the Company's financial performance because of the pandemic.

On April 30, 2020, the Company announced the formation of a wholly-owned subsidiary called Resurgent Biosciences, Inc. Resurgent Biosciences is a Delaware corporation that was formed with the intent to commercialize Vireo's portfolio of intellectual property and related initiatives in a non-plant-touching entity, which may broaden potential partnership opportunities or other strategic outcomes as Vireo seeks to monetize scientific advancements within the cannabis industry and beyond. Vireo currently has several patent applications pending approval by the United States Patent and Trademark Office. Its patent for harm reduction in tobacco products was allowed earlier this year.

On June 19, 2020, the Company announced its planned purchase of 110,000 square foot greenhouse facility in Massey, Maryland for total consideration of \$1.3 million. The Company intends to transfer its cultivation license in the state to this newly acquired greenhouse and maintain processing and manufacturing operations at its existing 22,000 square foot facility in Hurlock, Maryland. This transfer is expected to increase Vireo's biomass cultivation capacity in the state by nearly 12 times once completed.

On June 22, 2020, the Company announced its planned divestiture of its Pennsylvania manufacturing and processing operations ("PAMS") to a subsidiary of Jushi Holdings, Inc. for total consideration of \$37 million, including \$13.8 million in cash upon closing. The transaction closed on August 11, 2020.

On July 9, 2020, Vireo announced the formation of an exclusive licensing agreement with eBottles420 to manufacture and distribute Vireo's patent-pending, terpene-preserving packaging system. This proprietary packaging system preserves cannabis flower by inhibiting the gradual loss of terpenes and other desirable compounds that naturally occur after harvest.

Balance Sheet and Liquidity

As of June 30, 2020, the Company had 37,952,477 equity shares issued and outstanding, and 153,203,217 shares outstanding on an as-converted, fully-diluted basis.

As of June 30, 2020, total current assets were \$81.0 million, including cash on hand of \$5.7 million. Total current liabilities were \$23.2 million, with zero debt currently due within 12 months.

Following the closing of the PAMS transaction on August 11, 2020, the Company had total cash on hand of approximately \$21.1 million.

Outlook Commentary

Dr. Kingsley concluded, "As we enter the second half of fiscal year 2020, we plan to leverage the strength of our balance sheet to make several strategic growth investments in our markets in Arizona, Maryland, Minnesota, and New Mexico. We expect to invest approximately \$8.0 to \$9.0 million in these projects and that they will be completed by the end of the first quarter of fiscal year 2021. Once complete, these investments should help drive stronger revenue growth and profitability, which gives confidence in our ability to begin producing positive cash flow around the mid-point of fiscal year 2021."

Conference Call and Webcast Information

Vireo Health management will host a conference call with research analysts on Wednesday, August 26, 2020 at 8:30 a.m. ET to discuss its financial results for its second quarter ended June 30, 2020. Interested parties may register to attend the conference call via the following link: <http://www.directeventreg.com/registration/event/7027889>. Upon registration, each participant will be provided with call details and a registrant ID for Vireo's conference ID number 7027889.

A live audio webcast of this event will also be available in the Events & Presentations section of the Company's Investor Relations website at <https://investors.vireohealth.com/events-and-presentations/default.aspx> and will be archived for one year.

Additional Information

Additional information relating to the Company's second quarter 2020 results is available on SEDAR at www.sedar.com. Vireo Health refers to certain non-IFRS financial measures such as adjusted net income, Earnings Before Interest, Taxes, Depreciation and Amortization (EBITDA) and adjusted EBITDA (defined as earnings before interest, taxes, depreciation, amortization, less certain non-cash equity compensation expense, one-time transaction fees, and other non-cash items). These measures do not have any standardized meaning prescribed by IFRS and may not be comparable to similar measures presented by other issuers. Please see the Supplemental Information and Reconciliation of Non-IFRS Financial Measures at the end of this news release for more detailed information regarding non-IFRS financial measures.

About Vireo Health International, Inc.

Vireo Health International, Inc. is a physician-led cannabis company focused on building long-term, sustainable value by bringing the best of medicine, science, and engineering to the cannabis industry. With operations strategically located in early-stage, limited-license medical markets, Vireo manufactures pharmaceutical-grade cannabis products in environmentally-friendly greenhouses and distributes its products through its growing network of Green Goods™ retail dispensaries and hundreds of third-party locations. Its current core medical markets of New York, Minnesota, Pennsylvania, Arizona, New Mexico, and Maryland all have the potential to enact adult-use legalization in the next three to 24 months, and two additional markets in Puerto Rico and Massachusetts also have potential for commercialization. Combined with its teams' focus on driving scientific innovation within the industry and securing meaningful intellectual property, Vireo believes it is well positioned to become a global market leader in the cannabis industry. Today, eight of its 10 markets are operational with 13 of its 32 total retail dispensary licenses open for business. For more information about the company, please visit www.vireohealth.com.

Forward-Looking Statement Disclosure

This news release contains "forward-looking information" within the meaning of applicable United States and Canadian securities legislation. To the extent any forward-looking information in this news release constitutes "financial outlooks" within the meaning of applicable United States or Canadian securities laws, such information is being provided as preliminary financial results and the reader is cautioned that this information may not be appropriate for any other purpose and the reader should not place undue reliance on such financial outlooks. Forward-looking information contained in this press release may be identified by the use of words such as "plans," "expects" or "does not expect," "is expected," "look forward to," "budget" "scheduled," "estimates," "forecasts," "will continue," "intends," "anticipates," "does not anticipate," "believes," "should," "should not," or variations of such words and phrases or indicates that certain actions, events or results "may," "could," "would," "might," "should," or "will" "be taken," "occur," or "be achieved." Forward-looking information may include, without limitation, statements regarding the

operations, business, financial condition, expected financial results, performance, prospects, opportunities, priorities, targets, goals, ongoing objectives, milestones, strategies and outlook of Vireo, and includes statements about, among other things, the value of assets, the amount of liabilities, the designation of certain businesses or assets as “core” or “non-core,” decisions about allocation of capital and other resources, future developments, the future operations, potential market opportunities including the potential effects of the approval of adult-use cannabis in one or more markets, potential opportunities to monetize assets, strengths and strategy of the Company. Forward-looking information is provided for the purpose of presenting information about management’s current expectations and plans relating to the future and readers are cautioned that such statements may not be appropriate for other purposes. These statements should not be read as guarantees of future performance or results. Forward-looking information includes statements with respect to the opportunities for the Company to leverage increasing scale to improve sales growth and operating performance; the anticipation that the medical-only state markets in which the Company’s subsidiaries operate could enact recreational-use legislation over the near-to mid-term future; the anticipated benefits of strategic initiatives; the effects of reduction of corporate overhead and SG&A expenses; improvement to unit economics; expansion of retail dispensaries in key markets; and the expectation that such expansion will drive stronger revenue growth, operating margins and free cash flow. Forward-looking information includes both known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of the Company or its subsidiaries to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements or information contained in this news release including, without limitation, the impact on the Company’s businesses and financial results of epidemics and pandemics, including the COVID-19 pandemic. Financial outlooks, as with forward-looking information generally, are, without limitation, based on the assumptions and subject to various risks as set out herein. Our actual financial position and results of operations may differ materially from management’s current expectations and, as a result, our revenue and cash on hand may differ materially from the revenue and cash values provided in this news release. Forward-looking information is based upon a number of estimates and assumptions of management, believed but not certain to be reasonable, in light of management's experience and perception of trends, current conditions and expected developments, as well as other factors relevant in the circumstances, including assumptions in respect of current and future market conditions, the current and future regulatory environment; and the availability of licenses, approvals and permits.

Although the Company believes that the expectations and assumptions on which such forward-looking information is based are reasonable, undue reliance should not be placed on the forward-looking information because the Company can give no assurance that they will prove to be correct, including preliminary financial expectations regarding the annualized reduction of corporate overhead and SG&A expenses. Actual results and developments may differ materially from those contemplated by these statements. Forward-looking information is subject to a variety of risks and uncertainties that could cause actual events or results to differ materially from those projected in the forward-looking information. Such risks and uncertainties include, but are not limited to, risks related to preliminary financial results being subject to the completion of the Company’s financial closing procedures and not being audited or reviewed by the Company’s independent registered public accounting firm; the timing of recreational-use legislation in markets where the Company currently operates; current and future market conditions, including the market price of the subordinate voting shares of the Company; federal, state, local and foreign government laws, rules and regulations, including federal and state laws in the United States relating to cannabis

operations in the United States; limited operating history; changes in laws, regulations and guidelines; operational, regulatory and other risks; execution of business strategy; management of growth; difficulty to forecast; conflicts of interest; risks inherent in an agricultural business; liquidity and additional financing; foreign private issuer status and the risk factors set out in the Company's listing statement dated March 19, 2019, filed with the Canadian securities regulators and available under the Company's profile on SEDAR at www.sedar.com.

The statements in this news release are made as of the date of this release. The Company disclaims any intent or obligation to update any forward-looking information, whether as a result of new information, future events or results or otherwise, other than as required by applicable securities laws.

Supplemental Information

The financial information reported in this news release is based on audited financial statements for the fiscal year ended December 31, 2019 and unaudited condensed interim consolidated financial statements for the fiscal quarter ended March 31, 2020. All financial information contained in this news release is qualified in its entirety with reference to such financial statements. To the extent that the financial information contained in this news release is inconsistent with the information contained in the Company's audited financial statements, the financial information contained in this news release shall be deemed to be modified or superseded by the Company's audited financial statements. The making of a modifying or superseding statement shall not be deemed an admission for any purposes that the modified or superseded statement, when made, constituted a misrepresentation for purposes of applicable securities laws.

VIRO HEALTH INTERNATIONAL, INC.
CONDENSED CONSOLIDATED INTERIM STATEMENTS OF FINANCIAL POSITION

As at June 30, 2020 and December 31, 2019
(Unaudited - Expressed in United States Dollars)

	June 30, 2020	December 31, 2019
ASSETS		
Current Assets		
Cash	\$5,726,699	\$7,641,673
Restricted Cash	1,592,500	1,592,500
Receivables	706,964	1,025,963
Inventories	38,884,568	32,437,308
Biological Assets	15,694,537	6,134,209
Prepaid Expenses	1,514,635	2,285,548
Deferred acquisition costs	28,136	28,136
Assets Held for Sale	16,854,142	-
	81,002,181	51,145,337
Long-Term Assets		
Right of Use Assets	21,299,482	25,921,603
Property and Equipment	13,447,308	13,326,337
Deposits	1,915,101	2,651,366
Deferred Loss on Sale Leaseback	-	30,481
Goodwill	3,132,491	3,132,491
Intangible Asset	8,692,856	9,001,237
	48,487,238	54,063,515
Total Assets	\$129,489,419	\$105,208,852
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current Liabilities		
Accounts Payable and Accrued Liabilities	\$4,747,430	\$3,140,086
Current portion of Right of Use Liability	432,616	619,827
Derivative Liability	4,521,230	-
Liabilities Held for Sale	13,506,842	-
	23,208,118	3,759,913
Long-Term Liabilities		
Deferred Income Taxes	9,090,000	4,528,000
Right of Use Liability	24,118,123	28,665,681
Long-Term Debt	1,110,000	1,110,000
Convertible debt	856,786	817,446
	58,383,027	38,881,040
Shareholders' Equity		
Share Capital	122,511,602	118,453,142
Reserves	19,683,869	7,962,509
Deficit	(71,089,079)	(60,087,839)
	71,106,392	66,327,812
Total Liabilities and Shareholders' Equity	\$129,489,419	\$105,208,852

VIRO HEALTH INTERNATIONAL, INC.
CONDENSED CONSOLIDATED INTERIM STATEMENTS OF LOSS AND COMPREHENSIVE LOSS
For the Three Months Ended June 30, 2020 and 2019
(Unaudited - Expressed in United States Dollars)

	Three Months Ended June 30, 2020	Three Months Ended June 30, 2019
REVENUE	10,763,125	6,748,691
Production Costs	(7,283,163)	(3,723,355)
Gross Profit Before Fair Value Adjustments	3,479,962	3,025,336
Realized Fair Value Amounts Included in Inventory Sold	(5,279,567)	(7,627,275)
Unrealized Fair Value Gain on Growth of Biological Assets	16,661,446	11,900,180
Gross Profit	14,861,841	7,298,241
EXPENSES		
Depreciation	497,793	168,301
Professional fees	755,244	947,884
Salaries and wages	2,834,481	1,648,858
Selling, general and administrative expenses	2,362,763	2,407,698
Share-Based Compensation	8,985,422	255,765
	15,435,703	5,428,506
OTHER INCOME (EXPENSE)		
Loss on sale of property and equipment	-	(643)
Interest income (expense), net	(1,206,705)	(721,697)
Accretion expense	(20,142)	(40,591)
Gain (Loss) on derivative liability	(2,292,130)	-
Acquisition related costs	-	(772,110)
Inventory impairment	(89,154)	(479,803)
Other income (expense)	208,388	197,068
Total Other Expense	(3,399,743)	(1,817,776)
INCOME (LOSS) BEFORE INCOME TAXES	(3,973,605)	51,959
Current income taxes	(1,395,000)	(460,000)
Deferred income taxes	(2,323,000)	(185,000)
PROVISION FOR INCOME TAXES	(3,718,000)	(645,000)
LOSS FROM CONTINUING OPERATIONS	(7,691,605)	(593,041)
LOSS FROM DISCONTINUED OPERATIONS	(1,285,856)	(1,279,416)
LOSS AND COMPREHENSIVE LOSS	(8,977,461)	(1,872,457)
Weighted Average Shares Outstanding - basic and diluted	98,871,038	23,272,657
Net Loss Per Share - basic and diluted		
- Continuing Operations	(0.08)	(0.03)
- Discontinued Operations	(0.01)	(0.05)

VIRO HEALTH INTERNATIONAL, INC.
CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CASH FLOWS

For the Six Months Ended June 30, 2020 and 2019

(Unaudited - Expressed in United States Dollars)

	Six Months Ended June 30, 2020	Six Months Ended June 30, 2019
Cash Flows from Operating Activities:		
Net income (loss)	(11,001,240)	(5,319,214)
Item not affecting cash:		
Depreciation and amortization	1,153,659	1,021,416
Loss on sale of property and equipment	13,800	(1,013)
Share-based compensation	11,721,360	456,952
Loss on derivative liability	966,202	-
Fair value adjustment on sale of inventory	12,962,945	10,589,640
Fair value adjustment on growth of biological assets	(32,113,318)	(19,834,013)
Interest expense	2,355,070	1,448,205
Deferred income taxes	4,562,000	1,652,000
Deferred financing costs	-	448,480
Listing expense	-	2,999,986
Amortization of deferred tenant improvements	-	(652)
Deferred gain/loss on sale leaseback	30,481	(2,846)
Cash flows used in discontinued operations	2,959,190	276,722
Changes in non-cash working capital	2,137,538	(1,312,381)
Cash Flows Used in Operating Activities	(4,252,313)	(7,576,718)
Cash Flows from Investing Activities:		
Purchase of property and equipment	(1,249,717)	(3,680,949)
Proceeds on sale of property and equipment	-	974,162
Acquisition costs on business combinations and assets	-	(16,073,617)
Deferred acquisition costs	-	1,816,863
Deposits	16,265	-
Cash flows used in discontinued operations	(152,368)	(247,610)
Cash Flows from Investing Activities	(1,385,820)	(17,211,151)
Cash Flows from Financing Activities:		
Proceeds from sale of stock, net of issuance costs	7,613,490	47,542,878
Lease payments	(351,010)	(126,251)
Interest paid	(2,122,422)	(1,356,273)
Cash flows used in discontinued operations	(1,047,414)	(556,139)
Cash Flows from Financing Activities	4,092,644	45,504,215
Net Change in Cash	(1,545,489)	20,716,346
Cash, Beginning of the Period	7,641,673	9,624,110
Cash, End of the Period	6,096,184	30,340,456

Reconciliation of Non-IFRS Financial Measures

Adjusted Net loss, EBITDA, Adjusted EBITDA, and Adjusted Operating Expenses are non-IFRS measures and do not have standardized definitions under IFRS. The following information provides reconciliations of the supplemental non-IFRS financial measures, presented herein to the most directly comparable financial measures calculated and presented in accordance with IFRS. The Company has provided the non-IFRS financial measures, which are not calculated or presented in accordance with IFRS, as supplemental information and in addition to the financial measures that are calculated and presented in accordance with IFRS. These supplemental non-IFRS financial measures are presented because management has evaluated the financial results both including and excluding the adjusted items and believe that the supplemental non-IFRS financial measures presented provide additional perspective and insights when analyzing the core operating performance of the business. These supplemental non-IFRS financial measures should not be considered superior to, as a substitute for or as an alternative to, and should be considered in conjunction with, the IFRS financial measures presented.

Reconciliation of Net Loss to Adjusted Net Loss and Adjusted EBITDA

	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2020	2019	2020	2019
Net loss	(8,977,461)	(1,872,457)	(11,001,240)	(5,319,214)
Net fair value adjustments	(11,381,880)	(4,272,905)	(19,150,373)	(9,244,373)
Listing expense	-	-	-	3,464,613
Gain (Loss) on Derivative Liability	2,292,130	-	966,202	-
Inventory adjustment	89,154	479,803	165,290	752,696
Share-based compensation	8,985,422	255,765	11,721,360	456,952
Severance Expense	339,997	-	339,997	-
Loss from discontinued operations	1,285,856	1,279,416	2,005,773	2,174,418
Adjusted net loss (non-IFRS)	(7,366,782)	(4,130,378)	(14,952,991)	(7,714,908)
Net loss	(8,977,461)	(1,872,457)	(11,001,240)	(5,319,214)
Interest expense, net	1,206,705	721,697	2,355,070	1,390,477
Accretion expense	20,142	40,591	39,340	50,262
Income taxes	3,718,000	645,000	6,462,100	2,857,000
Depreciation	497,793	168,301	845,279	542,080
Amortization	154,190	691,364	308,380	785,044
Loss from discontinued operations	1,285,856	1,279,416	2,005,773	2,174,418
EBITDA (non-IFRS)	(2,094,775)	1,673,912	1,014,702	2,480,067
Net fair value adjustments	(11,381,880)	(4,272,905)	(19,150,373)	(9,244,373)
Listing expense	-	-	-	3,464,613
Gain (Loss) on Derivative Liability	2,292,130	-	966,202	-
Inventory adjustment	89,154	479,803	165,290	752,696
Share-based compensation	8,985,422	255,765	11,721,360	456,952
Severance Expense	339,997	-	339,997	-
Adjusted EBITDA (non-IFRS)	(1,769,952)	(1,863,425)	(4,942,822)	(2,090,045)

Reconciliation of Total Operating Expenses to Adjusted Operating Expenses

	Three Months Ended	
	June 30,	
	2020	2019
Total Operating Expenses	15,435,703	5,428,506
Depreciation	(497,793)	(168,301)
Share-based compensation	(8,985,422)	(255,765)
Adjusted Operating Expenses	5,952,488	5,004,440
% of Revenue	55.3%	74.2%