# BZAM Ltd. Reports Second Quarter 2023 Results

VANCOUVER, BC, and TORONTO, ON, August 24, 2023 - BZAM Ltd. (the "Company" or "BZAM") (CSE: BZAM) (US-OTC: BZAMF), a leading Canadian cannabis producer, is pleased to announce its financial and operating results for the three and six months ended June 30, 2023 ("Q2 2023"). These filings are available for review on the Company's SEDAR+ profile at www.sedarplus.ca. All financial information is provided in Canadian dollars except where otherwise indicated.

**Q2 2023 Highlights:**

- Achieved quarterly gross revenues of $30.0 million during Q2 2023, up 89% from Q2 2022;
- Achieved quarterly net revenues of $19.3 million for Q2 2023, up 66% from Q2 2022;
- According to Hifyre, the Company captured market share of 4.4% in Q2 2023, ranking as the 7th largest producer in Canada;
- Executed on our post-merger plan to right-size our production platform, monetize redundant facilities, and reduce our cost base. This includes the sale of the Midway, BC facility (completed August 4, 2023) and the Maple Ridge, BC facility (expected to be completed in September 2023), which should produce an aggregate of approximately $7 million in gross proceeds.
- Incurred a non-cash impairment charge of $61.8 million, arising primarily from the write-off of goodwill and the market-wide reduction in cannabis property values, resulting in the Company recording a net loss of $65.5 million; and
- Achieved EU-EMP certification for the Company's Ancaster Facility, allowing for international distribution of products. The Company also entered into a strategic distribution agreement with a UK based import and distribution company, expecting to supply 600kg of flower in each of the next two years.

**Management commentary:**

Matt Milich, CEO of the Company, stated, "Through the second quarter we continued to focus on the execution of our 2023 objectives to improve cash flows, strengthen our balance sheet and streamline our operations. We have a set of initiatives underway, focusing on cost reduction and revenue expansion, and we expect to see the financial impacts of these initiatives reflected in our results over the coming quarters. We appreciate the support of our shareholders as we continue to work toward our 2023 objectives."

**Q2 2023 Financial Highlights:**

| Select Key Financial Metrics | Q2 2023 | Q2 2022 | % Change |
|---|---|---|---|
| Gross Revenue | 29,974 | 15,841 | 89% |
| Net Revenue | 19,284 | 11,627 | 66% |
| Cost of Sales ("COGS") | 16,224 | 9,134 | 78% |
| Direct Gross Profit [1] | 3,060 | 2,493 | 23% |
| SG&A | 11,368 | 6,767 | 68% |

1) Direct Gross Profit is a non-IFRS financial measures not defined by and do not have any standardized meaning under IFRS; please refer to "Non-IFRS Financial Measures" in this press release for more information.

**Gross and net revenue**: Gross and net revenue increased by 89% and 66% respectively in comparison to Q2 2022, primarily driven by the growth in the Company's brand and product portfolio as the result of the merger between BZAM Holdings Inc. and The Green Organic Dutchman Holdings Ltd. Relative to Q1 2023 however, gross and net revenue were 14% and 20% lower respectively. Worth noting, in Q2 2023, the Company saw a 20% increase in sell through to retail stores from the Ontario Cannabis Store ("OCS") (Ontario being the Company's largest market), while recording lower wholesale Net Revenue from the province. This was largely driven by a quarter-on-quarter inventory drawdown at the OCS used to meet the increased retailer demand and non-provisioned returns from Q1 sales which are not expected to recur at the same level. Taken together with an excise tax correction from Q1 2023 being recorded in Q2 2023 normalized Q2 gross and net revenues would be more in line with Q1.

**Gross profit**: Direct Gross Profit increased by 23% vs. Q2 2022. As compared to Q1 2023, Direct Gross Profit increased from 13% to 16% of net revenue, mainly as a result of reductions in production costs and improvements in yields in Q2 2023. Despite this, overall gross profit percentage was 9.5% in Q2 vs. 12% in Q1 2023 as a result of $1.1M higher fair value adjustments in Q2 2023.

**Sales, General and Administrative Expenses ("SG&A")**: SG&A increased by 68% in Q2 2023 vs. Q2 2022, commensurate with the Company's overall growth. As compared to Q1 2023, the Company reduced SG&A by $0.52M or 5% in Q2 2023, due to cost containment initiatives and operational synergies realized, including reductions in headcount, partially offset by an increase in sales and marketing expenses related to in-store activity to promote sales over the coming months. The Company expects to continue reducing SG&A through the balance of the year as it continues its cost control initiatives.

**Loss from operations**: Loss from operations for the quarter was $12.1M compared to $11.7M in Q1 2023. The slight increase in loss was driven by lower gross profit, and partially offset by the decrease in SG&A quarter-over-quarter.

**Q2 Operational Highlights & Outlook:**

The Company is focused on growing its topline, improving margins and reducing SG&A costs in order to become cash flow positive in subsequent quarters. The Company is undertaking several initiatives through the year to expand revenues and control costs. During and subsequent to Q2 2023, the Company achieved the following:

- **Right-Sizing of Asset Base and Increasing Utilization Rate and Efficiency of Core Facilities**: The Company is committed to concentrating activities and maximizing utilization at its two core facilities in Ancaster, ON and Pitt Meadows, BC. To achieve this, the Company has divested, or expects to divest, its Puslinch, ON facility (completed on June 30, 2023), Midway, BC facility (completed August 4, 2023), Maple Ridge, BC facility (expected to be completed in September 2023), and Edmonton, AB facility (listed for sale in August 2023). With these divestments, the Company expects to reduce borrowings, interest expense, COGS, and SG&A, without impacting future sales.

- **Revenue Growth and Margin Expansion:** The Company expects to launch 11 new SKUs in Q4 2023 and over 20 new SKUs in Q1 2024. At the same time, the Company continues to focus on selling higher margin products and improving margins on existing products. By way of example, the Company anticipates the closure of the Edmonton, AB facility and relocation of activities to Pitt Meadows, BC and Ancaster, ON will materially improve COGS company-wide by eliminating indirect fixed costs and overhead. The Company does not expect to incur expenses for unabsorbed overheads by 2024.

- **Amended Credit Agreement**: On June 30, the Company entered into a fifth amendment of its Amended and Restated Credit Agreement relating to its credit facility. The key amendments included: (i) that any repayment made in respect of the Base Facility Amount (currently $24 million) prior to the maturity date (each such repayment, a “Base Facility Prepayment”) shall permanently reduce the Base Facility Amount (but, for greater certainty, not the Maximum Revolving Facility Limit of $34 million) by an amount equal to such Base Facility Prepayment (for clarity, this does not reduce available credit); (ii) that on and after September 30, 2023, the Company shall make Base Facility Prepayments, on a monthly basis, in amounts to be determined by its lender acting reasonably; (iii) that the EBITDA financial covenant be amended to take effect for the month of July 2023; and (iv) that a requirement to remit to the lender no less than fifty percent of the proceeds of the sale of the Midway facility and no less than fifty percent of the proceeds of the sale of the Maple Ridge facility, for an aggregate amount that is greater than or equal to $3 million. Subsequent to June 30, 2023, in anticipation of a possible breach of the covenant requiring positive EBITDA for the month of July 2023, the Company requested a waiver on the covenant from its lender.

- **Working Capital**: As at June 30, 2023, the Company had a positive working capital of $9.6 million. The total cash position was $3.05 million, including $0.7 million of restricted cash. Subsequent to the quarter end, the Company secured an additional $1.325 million pursuant to a promissory note with Stone Pine Capital. This cash will be used primarily towards covering working capital requirements and operating costs as the Company moves towards achieving positive operating cashflow.

- **Completed private placement with proceeds of $5 million, bolstering balance sheet**: On June 9, 2023, the Company completed a non-brokered private placement, whereby it issued 22,222,223 Units at a price of $0.225 per Unit for gross proceeds of $5 million. Each Unit consisted of one Common Share and one Common Share purchase warrant (each, a “Private Placement Warrant”), with each Private Placement Warrant entitling the holder thereof to acquire one Common Share at an exercise price of $0.40 for a period of three years from the closing date.

- **EU GMP Certification**: On May 11, 2023, the Company announced that its Ancaster Facility had received EU-GMP certification. This certification permits the Company to export certain medical cannabis products to numerous international markets, and allows the Company to execute on existing strategic distribution partnerships which have already been established.

**About BZAM**

BZAM Ltd. (CSE: BZAM) (US-OTC: BZAMF) is a leading Canadian cannabis producer with a focus on branded consumer goods, innovation, quality, consistency, integrity and transparency. The BZAM family includes core brands BZAM™, TGOD™, ness™, Highly Dutch Organic™, TABLE TOP™, and partner brands Dunn Cannabis, FRESH and Wyld. BZAM operates facilities in BC, Alberta, Ontario and Quebec, as well as retail stores in Winnipeg, Manitoba, and Regina, Saskatchewan.

BZAM's Common Shares and certain warrants issued under the indentures dated June 12, 2020, October 23, 2020 and December 10, 2020 currently trade on the Canadian Securities Exchange (the "CSE") under the symbol "BZAM", "BZAM.WR", "BZAM.WA", and "BZAM.WB" respectively. BZAM's Shares trade in the U.S. on the OTCQX under the symbol "BZAMF". For more information on BZAM Ltd., please visit www.bzam.com.

**Non-IFRS Financial Measures**

This Press Release contains certain financial and operational performance measures that are not recognized or defined under IFRS (the "Non-IFRS Measures"). As there are no standardized methods of calculating these Non-IFRS Measures, the Company's approaches may differ from those used by others, and this data may not be comparable to similar data presented by other licensed producers of cannabis and cannabis companies. As such, users are cautioned that these measures should not be construed as alternatives to measures determined in accordance with IFRS, including net income (loss) and gross profit, as measures of profitability or as alternatives to the Company's IFRS-based Consolidated Financial Statements. For an explanation of these measures to related comparable financial information presented in the Consolidated Financial Statements prepared in accordance with IFRS, refer to the discussion below.

The Company believes that these Non-IFRS Measures are useful indicators of operating performance and are specifically used by management to assess the financial and operating performance of the Company. These Non-IFRS Measures include, but are not limited, to the following:

- "Direct Gross Profit" is calculated by subtracting cost of sales, before the effects of (i) unrealized gain (loss) on changes in fair value of biological assets; (ii) realized fair value on inventories sold; and (iii) provisions and impairment of inventories and biological assets. Gross margin before fair value adjustments percentage is calculated by dividing gross margin before fair value adjustments (defined above) by net revenue. Management believes that these measures provide useful information to assess the profitability of our cannabis operations as it excludes the effects of non-cash fair value adjustments on inventory and biological assets, which are required by IFRS.

Non-IFRS Measures should be considered together with other data prepared in accordance with IFRS to enable investors to evaluate the Company's operating results, underlying performance and prospects in a manner similar to the Company's management. Accordingly, these Non-IFRS Measures are 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.

*Cautionary Statements:*

*This news release includes statements containing certain "forward–looking information" within the meaning of applicable securities law ("forward–looking statements"). Forward looking statements in this release include, but are not limited to, statements about future net revenue, margins, cost of goods, and SG&A savings, and positive cash flows, statements about future strengthening of the Company's balance sheet, statements about future operating cashflows and EBITDA, statements about the offering of any particular products by the Company and statements regarding the future performance of the Company, statements about funding availability, statements about growth and delivery of products, statements about the level of demand for BZAM's products, statements relating to the Company's sale of facilities in Maple Ridge, BC and Edmonton, AB, statements relating to the expected gross proceeds of the Company's sale of facilities, statements about the relocation of activities to Pitt Meadows, BC and Ancaster, ON, statements about expenses for unabsorbed overheads, statements about the achievement of synergy* *initiatives, higher yields, expanded automation and higher facility capacity, and statements about the use of the Company’s working capital.. Forward–looking statements are frequently characterized by words such as "plan", "continue", "expect", "project", "intend", "should", "believe", "anticipate", "estimate", "may", "will", "potential", "proposed" and other similar words, or statements that certain events or conditions "may" or "will" occur. These statements are only predictions. Various assumptions were used in drawing the conclusions or making the projections contained in the forward–looking statements throughout this news release. Forward–looking statements are based on the opinions and estimates of management at the date the statements are made and are subject to a variety of risks and uncertainties (including market conditions) and other factors that could cause actual events or results to differ materially from those projected in the forward–looking statements, including those risk factors described in Management's Discussion and Analysis and the Company's most recent Annual Information Form filed with Canadian securities regulators and available on the Company's issuer profile on SEDAR+ at [www.sedarplus.ca](http://www.sedarplus.ca) . Although the Company believes that the assumptions and factors used in preparing the forward-looking information or forward-looking statements in this news release are reasonable, undue reliance should not be placed on such information and no assurance can be given that such events will occur in the disclosed time frames or at all. The forward-looking information and forward-looking statements included in this news release are made as of the date of this news release. The Company is under no obligation, and expressly disclaims any intention or obligation, to update or revise any forward–looking statements, whether as a result of new information, future events or otherwise, except as expressly required by applicable law.*

*Neither the CSE nor the CSE's Regulation Services Provider (as that term is defined in the policies of CSE) accept responsibility for the adequacy or accuracy of this release.*

**CONTACT INFORMATION**

For further information, please contact: Matt Milich, CEO: mmilich@bzam.com; Sean Bovingdon, CFO: sbovingdon@bzam.com | 905-304-4201 ext. 1269; Lisa Stewart, Investor Relations: lstewart@bzam.com | 604-341-8177