



Ayr Strategies Reports Financial Results and Recent Operational Highlights

- **Ayr Reaffirms 2019 and 2020 Guidance:**

	2019 (Q2 run rate pro-forma)	2020
Revenue	C\$150 - C\$170 million (US\$110 - US\$130 million)	C\$305 - C\$325 million (US\$225 - US\$245 million)
Adjusted EBITDA	C\$40 - C\$50 million (US\$30 - US\$40 million)	C\$140 - C\$150 million (US\$105 - US\$115 million)

- **Ayr Produces Strong Run-Rate Revenue and Adjusted EBITDA:**
Annualized revenue and Adjusted EBITDA on track to produce 2019 forecast results
- **Robust Progress on Key Milestones Achieved in just Two Months of Ayr Ownership:**
Massachusetts wholesale shows material increases, solid start to Nevada vertical integration
- **2019 Expansion Goals Fully Funded with US\$17.9 (C\$23.5) million of Cash on Balance Sheet**
- **Improved Investor Access with Capital Markets Enhancements:**
Ayr secured OTCQX quotation and upcoming listing on the Canadian Securities Exchange (CSE)
- **Insiders Purchased over 64,000 shares in July**

Toronto, Ontario, August 14, 2019 – Ayr Strategies Inc. (NEO:AYR.A, OTCQX:AYRSF) (Ayr), a vertically-integrated cannabis multi-state operator (MSO) with a portfolio of companies in the western and eastern U.S., is reporting financial results for the three months ended June 30, 2019, which includes five weeks of operating results, as well as recent operational highlights.

As a result of the qualifying transaction completed on May 24, 2019, the financial results presented for the period ended June 30, 2019 include consolidated results from May 25, 2019 to June 30, 2019. Unless otherwise noted, all results are presented in US dollars.

Financial Results

- Total revenue for the five weeks ended June 30, 2019 was US\$10.8 million.
- Gross profit before fair value adjustments for the five weeks ended June 30, 2019 was US\$5.9 million.
- Adjusted EBITDA for the five weeks ended June 30, 2019 was US\$3.0 million.
- Loss from operations for the five weeks ended June 30, 2019 was US\$8.1 million.

Recent Operational Highlights

- Total revenue in July 2019 increased 34% to US\$10.5 million compared to the monthly average of US\$7.9 million in the first quarter of 2019, as reported in the Business Acquisition Report filed on August 7, 2019.
- Daily transactions increased 40% to approximately 4,200 in July 2019 compared to the monthly



average of approximately 3,000 in the first quarter of 2019.

- Average ticket per transaction increased 4% in July 2019 compared to the monthly average in the first quarter of 2019.
- Within the Western portfolio, Ayr increased the percentage of internally sourced products to 10% in July 2019 compared to less than 3% for the monthly average in the first quarter of 2019, with the goal of sourcing more than 50% by Q3 2020.
- Within the Eastern portfolio, Ayr generated approximately US\$2.0 million of wholesale revenue in July 2019, an increase of 75% compared to the monthly average in the first quarter of 2019.
- As of today, Ayr's wholesale business is selling into 16 of 29 of the recreational dispensaries projected to be open in Massachusetts by September 2019, which compares to penetration in 1 of 5 recreational dispensaries open at the start of 2019.
- In July 2019, insiders purchased a collective 64,009 shares in the open market.
- Ayr improved ease of access for U.S. retail investors by securing quotation on the OTCQX under the symbol AYRSF.
- Ayr is poised to increase visibility by moving Canadian listing from the NEO Exchange to the Canadian Securities Exchange (CSE).
- Ayr promoted head of cultivation and founding member of Washoe Wellness and The Canopy NV, Mark Pitchford, to chief development officer in July 2019.

Management Commentary

"It has been less than three months since closing our qualifying transaction, and we have already made meaningful improvements to our businesses and are experiencing strong momentum across both our Nevada and Massachusetts operations," said Jonathan Sandelman, CEO of Ayr. "In Nevada, we are now sourcing three times as many products internally as compared to the first quarter, and we are well on our way to increasing our cultivation capacity to meet existing demand. In Massachusetts, our wholesale business is operating at maximum capacity, and the demand for our products is more than double our July production levels. We are expanding our production capacity starting in August, introducing our Nevada brands to Massachusetts. Our Massachusetts cultivation expansion is well under way and will deliver 19,000 additional square feet of canopy – a 150% increase over current levels – in Q4 2019.

"We are also beginning to see more opportunities for consolidation, as the market transitions to an environment that favors our strengths – discipline, financial acumen, the ability to grow without the capital markets being open, and operational execution. As we evaluate these opportunities, our goal first and foremost is to drive shareholder value – in whatever form that takes for Ayr.

"In the coming months, to enhance shareholder value, we have three simple objectives:

- 1) to deliver on our stated plans for strong organic growth;
- 2) to look at all forms of business combinations to expand on our initial portfolio and footprint; and
- 3) to increase corporate visibility by sharing the Ayr story more broadly in the institutional and retail investor communities.

The journey for Ayr is just beginning, and we look forward to capitalizing on the immense growth opportunity ahead."



Reaffirmed 2019 & 2020 Outlook

	2019 (Q2 run rate pro-forma)	2020
Revenue	C\$150 - C\$170 million (US\$110 - US\$130 million)	C\$305 - C\$325 million (US\$225 - US\$245 million)
Adjusted EBITDA	C\$40 - C\$50 million (US\$30 - US\$40 million)	C\$140 - C\$150 million (US\$105 - US\$115 million)

These targets, and the related assumptions, involve known and unknown risks and uncertainties that may cause actual results to differ materially. While Ayr believes there is a reasonable basis for these targets, such targets may not be met. These targets represent forward-looking information. Actual results may vary and differ materially from the targets. See “Forward-Looking Statements” and “Assumptions” below.

Conference Call

Ayr CEO Jonathan Sandelman and COO/interim CFO Jennifer Drake will host a conference call tomorrow, August 15, 2019 at 8:30 a.m. Eastern time, followed by a question and answer period. During the call, Ayr management will refer to a supplementary slide presentation, which will be available for download at ir.ayrstrategies.com.

Conference Call Date: Thursday, August 15, 2019

Time: 8:30 a.m. Eastern time

Toll-free dial-in number: (877) 282-0546

International dial-in number: (270) 215-9898

Conference ID: 5393692

Please call the conference telephone number 5-10 minutes prior to the start time. An operator will register your name and organization. If you have any difficulty connecting with the conference call, please contact Gateway Investor Relations at (949) 574-3860.

The conference call will be broadcast live and available for replay [here](#).

A telephonic replay of the conference call will also be available after 11:30 a.m. Eastern time on the same day through August 22, 2019.

Toll-free replay number: (855) 859-2056

International replay number: (404) 537-3406

Replay ID: 5393692

Interim Financial Statements and July Results

Certain financial information reported in this news release is extracted from Ayr’s financial statements as at and for the three and six month periods ended June 30, 2019. Ayr will file such interim financial statements on SEDAR shortly. All such financial information contained in this news release is qualified in its entirety by reference to such financial statements.

July results, for seasonality and other reasons, may not be representative of annualized full year results. As well, monthly average results in the first quarter of 2019 represent historical results of the acquired businesses under



their prior ownership structure. As well, the July figures included in this news release are preliminary and subject to change.

Definition and Reconciliation of Non-IFRS Measures

The Company reports certain non-IFRS measures that are used to evaluate the performance of such businesses and the performance of their respective segments, as well as to manage their capital structure. As non-IFRS measures generally do not have a standardized meaning, they may not be comparable to similar measures presented by other issuers. Securities regulations require such measures to be clearly defined and reconciled with their most directly comparable IFRS measure.

The Company references non-IFRS measures and cannabis industry metrics in this document and elsewhere. These measures are not recognized measures under IFRS and do not have a standardized meaning prescribed by IFRS and are therefore unlikely to be comparable to similar measures presented by other companies. Rather, these are provided as additional information to complement those IFRS measures by providing further understanding of the results of the operations of the Company from management's perspective. Accordingly, these measures should not be considered in isolation, nor as a substitute for analysis of the Company's financial information reported under IFRS. Non-IFRS measures used to analyze the performance of the Target Businesses include "Adjusted EBITDA".

The Company believes that these non-IFRS financial measures provide meaningful supplemental information regarding the Company's performances and may be useful to investors because they allow for greater transparency with respect to key metrics used by management in its financial and operational decision-making. These financial measures are intended to provide investors with supplemental measures of the Company's operating performances and thus highlight trends in the Company's core businesses that may not otherwise be apparent when solely relying on the IFRS measures.

Adjusted EBITDA

"Adjusted EBITDA" represents income (loss) from operations, as reported, before interest, tax, and adjusted to exclude extraordinary items, non-recurring items, other non-cash items, including stock based compensation expense, depreciation, and the non-cash effects of accounting for biological assets and inventories, and further adjusted to remove acquisition related costs.

A reconciliation of how Ayr calculates Adjusted EBITDA and reconciles it to IFRS figures is provided below.

Forward-Looking Statements

Certain information contained in this news release may be forward-looking statements within the meaning of applicable securities laws. Forward-looking statements are often, but not always identified by the use of words such as "target", "expect", "anticipate", "believe", "foresee", "could", "estimate", "goal", "intend", "plan", "seek", "will", "may" and "should" and similar expressions or words suggesting future outcomes. This news release includes forward-looking information and statements pertaining to, among other things, Ayr's future growth plans. Numerous risks and uncertainties could cause the actual events and results to differ materially from the estimates, beliefs and assumptions expressed or implied in the forward-looking statements, including, but not limited to: anticipated strategic, operational and competitive benefits may not be realized; events or series of events may cause business interruptions; required regulatory approvals may not be obtained; acquisitions may not be able to be completed on satisfactory terms or at all; and Ayr may not be able to raise additional capital. Among other things, Ayr has assumed that its businesses will operate as anticipated, that it will be able to complete acquisitions on reasonable terms, and that all required regulatory approvals will be



obtained on satisfactory terms and within expected time frames.

Assumptions

On July 12, 2019, Ayr provided updated financial guidance for 2019 reflecting the impact, in particular, of the delayed closing of Ayr's qualifying transaction and of the lengthened process for municipal approval of conversion from medical to recreational status for Ayr's Massachusetts-based dispensaries. Reflecting these factors, as well as other changes to assumptions in the normal course of business, Ayr established new targets for anchor portfolio revenue and Adjusted EBITDA as set forth in the table above. Today, we are reaffirming that guidance.

In developing the guidance set forth above, Ayr made the following assumptions and relied on the following factors and considerations:

- The targets are based on discussions with the management teams of the Target Businesses and their historical results, particularly in respect of 2019 year to date results.
- The targets are subject to the completion of in place cultivation and product facility expansion and improvement plans anticipated to come online in 2019 and 2020, and the relocation of one dispensary.
- Revenue growth assumptions at established recreational dispensaries depend on a variety of factors, including among other things, location and degree of seasoning as a recreational dispensary, and average to 7% growth year over year from 2019 to 2020.
- Revenue growth assumptions for dispensaries and wholesale activities in markets transitioning from medical status to recreational status are based on anticipated production capacity available from a vertically-integrated supply chain, with capacity not taken up in dispensary sales available for wholesale. These assumptions include current production levels at cultivation and production facilities, plus production capacity in process of construction and planning, starting from target completion dates. Prices are projected forward at recently realized medical and recreational wholesale and retail prices.
- Cost of goods sold, before taking into account the impact of value changes in biological assets (which are non-cash in nature, and, accordingly, are excluded from calculations of Adjusted EBITDA), have been projected based on estimated costs of production and capacity available from a vertically-integrated supply chain. Cost of goods sold relating to inventory purchased from third parties have been projected in line with historical levels.
- Selling, general and administrative expenses at the state level are assumed to increase in dollar terms year over year, but to decrease as a percentage of revenues due to inherent scalability of selling, general and administrative expenses. Additionally, total selling, general and administrative expenses include an allocation for corporate overhead and public company costs.
- A currency exchange rate of US\$1 = C\$1.333 has been assumed.

About Ayr Strategies Inc.

Ayr is a vertically integrated multi-state operator in the U.S. cannabis sector, with an initial anchor portfolio in Massachusetts and Nevada. Through its operating companies, Ayr is a leading cultivator, manufacturer and retailer of cannabis products and branded cannabis packaged goods. Ayr seeks to create regional clusters in core geographies for future expansion, while pursuing strong organic growth within its existing portfolio. For more information, please visit www.ayrstrategies.com.

Investor Relations Contact:

Sean Mansouri, CFA or Cody Slach
Gateway Investor Relations



T: (949) 574-3860

Email: AYR@gatewayir.com



Ayr Strategies Inc. (formerly, Cannabis Strategies Acquisition Corp.)
Unaudited Condensed Interim Consolidated Statements of Financial Position
(Expressed in United States Dollars)

	As at June 30, 2019	As at December 31, 2018 Restated	As at October 1, 2018 Restated
	\$	\$	\$
ASSETS			
Current			
Cash and cash equivalents	17,929,028	109,952	549,275
Deposits	-	274,886	234,320
Accounts receivable	687,833	-	-
Inventory	15,449,492	-	-
Biological assets	2,352,808	-	-
Due from related parties	796,718	-	-
Prepaid expenses and other assets	3,038,889	-	3,417
	40,254,768	384,838	787,012
Restricted cash and short-term investments held in escrow	-	99,684,243	105,977,946
Long term deposits	558,788	-	-
Property, plant and equipment	20,800,407	-	-
Intangible assets	197,932,023	-	-
Right-of-use assets	10,784,489	-	-
Goodwill	87,337,913	-	-
Investment in associates	3,717,539	-	-
Total assets	361,385,927	100,069,081	106,764,958
LIABILITIES			
Current			
Trade payables	4,076,452	-	561,031
Accrued liabilities	3,587,321	2,489,096	-
Advances from related parties	-	536,382	604,371
Lease obligations - current portion	591,023	-	-
Purchase consideration payable - current portion	8,512,734	-	-
Income tax payable	5,787,678	-	-
Debts payable - current portion	5,742,844	-	-
	28,298,052	3,025,478	1,165,402
Deferred underwriters commission	-	3,457,154	3,683,707
Deferred tax liabilities	45,742,154	-	-
Class A Restricted Voting Shares subject to redemption	-	145,694,363	124,193,548
Warrant liability	85,815,183	23,983,372	12,777,519
Lease obligations - non-current portion	10,252,958	-	-
Purchase consideration payable - non-current portion	21,820,132	-	-
Debts payable - non-current portion	40,582,822	-	-
Accrued interest payable	264,770	-	-
Total liabilities	232,776,071	176,160,367	141,820,176
SHAREHOLDERS' EQUITY			
Share capital	375,739,722	1,782,693	1,782,693
Contributed surplus	4,520,138	-	-
Other comprehensive income/(loss)	5,327,720	3,482,257	(80,262)
Deficit	(256,977,724)	(81,356,236)	(36,757,649)
Total shareholders' equity (deficiency)	128,609,856	(76,091,286)	(35,055,218)
Total liabilities and shareholders' equity	361,385,927	100,069,081	106,764,958



Ayr Strategies Inc. (formerly, Cannabis Strategies Acquisition Corp.)

Unaudited Condensed Interim Consolidated Statements of Loss and Comprehensive Loss

(Expressed in United States Dollars)

	Three Months Ended June 30, 2019 \$	Three Months Ended June 30, 2018 Restated \$	Six Months Ended June 30, 2019 \$	Six Months Ended June 30, 2018 Restated \$
Revenues, net of discounts	10,823,206	-	10,823,206	-
Cost of goods sold before biological asset adjustments	4,923,766	-	4,923,766	-
Gross profit before fair value adjustments	5,899,440	-	5,899,440	-
Fair value changes in biological assets included in cost of sales	(4,696,472)	-	(4,696,472)	-
Unrealized gain on biological asset transformation	2,479,803	-	2,479,803	-
Gross profit	3,682,771	-	3,682,771	-
Expenses				
Stock-based compensation	4,520,138	-	4,520,138	-
Acquisition expense	2,462,076	-	3,113,102	-
General and administrative	3,084,872	138,374	3,974,934	297,000
Amortization	1,387,977	-	1,387,977	-
Sales and marketing	236,711	-	236,711	-
Depreciation	138,649	-	138,649	-
Total expenses	11,830,423	138,374	13,371,511	297,000
Loss from operations	(8,147,652)	(138,374)	(9,688,740)	(297,000)
Other (expense) income				
Share of income on equity investments	106,911	-	106,911	-
Transaction costs	(129,236)	-	(129,236)	(457,712)
Foreign exchange	(2,761,048)	-	(2,744,299)	-
Unrealized loss - changes to fair value of financial liabilities	(26,621,554)	(5,665,796)	(162,434,129)	(5,242,377)
Interest expense	(586,389)	-	(586,389)	-
Interest income	137,302	237,086	364,518	469,750
Others	(12,212)	-	(12,212)	-
Total other expense	(29,866,226)	(5,428,709)	(165,434,836)	(5,230,339)
Loss before income tax	(38,013,878)	(5,567,083)	(175,123,576)	(5,527,339)
Income tax expense	(497,912)	-	(497,912)	-
Net loss	(38,511,790)	(5,567,083)	(175,621,488)	(5,527,339)
Foreign currency translation adjustment	1,048,090	258,390	1,845,463	378,080
Net loss and comprehensive loss	(37,463,700)	(5,308,693)	(173,776,025)	(5,149,259)
Basic and diluted net loss per share	(2.34)	(1.51)	(21.27)	(2.04)
Weighted average number of shares outstanding (basic and diluted)	16,440,042	3,696,486	8,256,123	2,702,992



Ayr Strategies Inc. (formerly, Cannabis Strategies Acquisition Corp.)
Unaudited Condensed Interim Consolidated Statements of Cash Flows
(Expressed in United States Dollars)

	Six Months Ended June 30, 2019	Six Months Ended June 30, 2018
	\$	Restated \$
Operating activities		
Net loss	(175,621,488)	(5,527,339)
Adjustments for:		
Interest income	(364,518)	(469,750)
Interest expense	586,389	-
Transaction costs associated with financing activities	129,236	457,712
Net unrealized loss on changes in the fair value of financial liabilities	162,434,129	5,242,377
Stock-based compensation	4,520,138	-
Depreciation	257,245	-
Amortization on intangible assets	1,387,977	-
Share of income on equity investments	(106,911)	-
Unrealized gain on biological asset transformation	(2,479,803)	-
Fair value changes in biological assets included in cost of sales	4,696,472	-
Income tax expense	(497,912)	-
Interest paid	(321,619)	-
Changes in non-cash operations, net of business acquisition:		
Deposits	274,886	-
Accounts receivable	568,471	-
Inventory	797,064	-
Prepaid expenses and other assets	(2,312,079)	(103,833)
Due from related parties	2,029,537	-
Trade payables	2,455,858	-
Accrued liabilities	772,977	(170,085)
Advances from related corporation	(3,550,446)	70,458
Long term deposits	(217,833)	-
Cash used in operating activities	(4,562,230)	(500,460)
Investing activities		
Transfer of (Investment in) restricted cash and short term investments held in escrow and interest income	100,048,761	(2,674,965)
Purchase of property, plant and equipment	(160,254)	-
Deferred underwriters commission paid	(3,457,154)	-
Cash paid for business combinations, net of cash acquired	(74,714,172)	-
Cash provided by (used in) investing activities	21,717,181	(2,674,965)
Financing activities		
Proceeds from issuance of Class A and B shares	-	2,639,110
Redemption of Class A shares	(7,519)	-
Repayments of debts payable	(539,579)	-
Repayments of lease obligations (principal portion)	(43,878)	-
Cash (used in) provided by financing activities	(590,976)	2,639,110
Net increase (decrease) in cash	16,563,976	(536,315)
Effect of foreign currency translation	1,255,100	14,522
Cash and cash equivalents, beginning of period	109,952	1,423,174
Cash and cash equivalents, end of period	17,929,028	901,381



Ayr Strategies Inc. (formerly, Cannabis Strategies Acquisition Corp.)
Unaudited Condensed Interim Consolidated Adjusted EBITDA Reconciliation
(Expressed in United States Dollars)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2019	2018	2019	2018
Loss From Operations	(8,147,652)	(138,374)	(9,688,740)	(297,000)
<u>Non-cash items accounting for biological assets and inventories</u>				
Fair value changes in biological assets	4,696,472	–	4,696,472	–
Unrealized gain on changes in fair value of biological assets	(2,479,803)	–	(2,479,803)	–
	2,216,669	–	2,216,669	–
Interest	–	–	–	–
Depreciation and amortization	1,645,222	–	1,645,222	–
Acquisition costs	2,462,076	–	3,113,102	–
Stock-based compensation expense	4,520,138	–	4,520,138	–
Other ¹	312,801	–	312,801	–
	8,940,237	–	9,591,263	–
Adjusted EBITDA	3,009,254	(138,374)	2,119,192	(297,000)

¹ Other adjustments made to exclude the impact of non-recurring items.