



Quinsam Reports Q4/2019 Results & Declares Dividend

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Toronto, Ontario, April 29, 2020 – Quinsam Capital Corporation (CSE:QCA) (“Quinsam” or the “Company”) wishes to announce its Q4/2019 results, with a net loss of \$5.9 million (\$0.05 per share basic, \$0.05 fully diluted) versus a net loss of \$3.2 million (\$0.03 per share basic, \$0.02 fully diluted) in Q4/2018. Investors can access the Company’s full financial statements on sedar.com.

“At December 31, 2019, we had net assets of approximately \$0.29 per share outstanding” said Roger Dent, CEO of Quinsam. “Even though our NAV declined in Q4 due to negative conditions in the cannabis space, our trading price is at an extremely large discount to our underlying asset value. The discount to reported NAV has never been larger than it has been in recent weeks.”

Quinsam notes that the cannabis sector generally had negative performance in Q4/2019. For example, the Horizon Marijuana Life Sciences Index ETF NAV fell by approximately 28% in the quarter bringing its total decline for the year to approximately 43%. In comparison, Quinsam’s NAV per share declined by approximately 15% in Q4/2019 (from approximately \$0.34 to approximately \$0.29) and approximately 21% for 2019 as a whole (from approximately \$0.37 to approximately \$0.29). In addition, Quinsam paid dividends of \$0.005 per share over the course of 2019 so the Company’s NAV decline before dividends was better than these figures. Portfolio selection, as well as our focus on convertible debenture, debt and private company investments, helped to shelter Quinsam from some of the negative environment. NAV was also positively impacted by issuer bid share repurchases. “It goes without saying that losing money is never a good outcome. However, we take solace in the fact that our NAV performance after all expenses was well above levels generated by the ETF” said Roger Dent.

Included in the quarterly loss were approximately \$1.3 million of provisions related to private company equity investments due to the negative cannabis index performance. Because of the negative index performance, Quinsam and its auditors believe that it is reasonable to adjust the carrying values of private company investments where there have been no recent transactions to provide definitive indications of value. We highlight this because we want our investors to understand that a large component of our reported decline in NAV is being generated by this valuation process.

We note that a number of our convertible debentures are now carried at below face value, even when we expect to ultimately recover our full investment. This occurs in some cases as a result of Black-Scholes adjustments to the carrying values of the conversion features inherent in our convertible debenture portfolio and in other cases because quoted prices are below face value.

Dividend

The Board of Directors of Quinsam has approved the Company's 23rd consecutive quarterly dividend. The dividend is \$0.00125 per share (\$0.005 per share per year). The distribution will be paid on May 29, 2020 to shareholders of record on May 8, 2020. This dividend will be designated as an "eligible dividend" for Canadian income tax purposes. Future quarterly dividends will be subject to Board approval.

2020 Update

General market conditions have been negative and volatile in 2020. Overall, cannabis shares have been negatively impacted as well. However, we are seeing anecdotal evidence that the market is starting to recognize cannabis issuers that are well managed and reporting good performance. For example, in the last few weeks the shares of IM Cannabis Corp. have increased nearly 3x from their 52-week low on a number of positive news releases. Sixth Wave Innovations Inc. shares more than doubled to all-time highs on news in early April, at which point Quinsam chose to exit its investment.

Our strategy of investing to a material degree in convertible debentures is proving to be fortunate. The declines in value in our convertible debentures have been less severe than would have been the case had we invested in common shares. Also, we are beginning to see value enhancements through the announcement of conversion price adjustments. For example, on April 24 Sproutly Canada Inc. announced that it was reducing the conversion price on our convertible debentures from \$0.75 to \$0.105. This creates the realistic potential for us to exit this investment with a gain through conversion, which had seemed quite unlikely prior to this news. As a result, we were able to exit a small portion of our investment at a premium earlier this week. We note our Sproutly convertible debenture was carried at a little less than 90% of face value as at December 31, 2019.

Since year-end, Quinsam has sold investments on a net basis and at the present time our net cash balance is over \$300,000.

Quinsam expects to report Q1/2020 results in mid to late May. We already know that the cannabis ETF declined in Q1/2020, so for accounting purposes we will likely adjust the values of many of our private cannabis investments in line with the index.

We have not been highly active on the new investment front in recent months. As we exit existing investments, in light of current cannabis market conditions, Quinsam may choose to look at investments outside the cannabis sector going forward.

Issuer Bid Update

Quinsam announced a normal course issuer bid to purchase up to 5,733,635 of its common shares (the “Bid”) in August 2019. The Bid commenced on August 28, 2019 and 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.

In the quarter ending December 31, 2019, Quinsam repurchased and cancelled 1,500,000 shares pursuant to the Bid. The shares were purchased at a large discount to NAV and the repurchases had a positive impact on NAV per share for remaining shareholders. This brings our total repurchases pursuant to the Bid since August 28, 2019 to 3,500,000 shares.

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 may choose 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.

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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.