



NEWS RELEASE

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FOR IMMEDIATE RELEASE
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Vireo Health Announces First Quarter 2019 Financial Results

- Pro forma Q1 revenue of approximately \$7.0 million –*
- Total revenue of \$5.8 million increased approximately 57 percent year-over-year –*
- Minnesota passes law doubling number of licensed dispensaries –*

MINNEAPOLIS – May 31, 2019 – Vireo Health International, Inc. ("Vireo" or the "Company") (CSE: VREO), a leading science-focused, multi-state cannabis company, today reported financial results for its first quarter ended March 31, 2019. All currency figures referenced in this release reflect U.S. dollar amounts, unless otherwise noted.

“We continued to experience strong revenue growth during the first quarter, with increasing patient counts in Minnesota and New York and contributions from wholesale revenue streams in Maryland and Pennsylvania during the quarter,” said Founder & CEO, Kyle Kingsley, M.D. “It was also a very successful quarter from an execution standpoint, as we completed several strategic acquisitions and began construction on many development projects that will help us meet the growing demand for our products across our operating footprint.”

“Following the successful completion of our RTO transaction in March and subsequent acquisition activities, Vireo’s future has never looked brighter. We have a world-class team of professionals leading our expansion strategies, and we believe that our focus on bringing the best of medicine, science, and engineering to the cannabis industry will create compelling long-term value for all of our stakeholders.”

Business Highlights

- During the first four months of 2019, the Company acquired various cannabis licenses and real estate in the states of Arizona, Massachusetts, Nevada, New Mexico, and Rhode Island. These acquisition activities expanded Vireo’s licensed footprint to 10 states nationwide.

- The Company generated operating revenue in six states during the first quarter of 2019: Arizona, Maryland, Minnesota, New Mexico, New York and Pennsylvania. Total revenue for Q1 2019 increased 57 percent year-over-year to \$5.8 million versus Q1 2018. Pro-forma revenue for the quarter, including total first quarter revenue from recently completed acquisitions in Arizona and New Mexico, was approximately \$7.0 million.
- Net loss for Q1 2019 was approximately \$3.4 million, as compared to \$2.0 million in the prior year quarter. Adjusted net income, as described in accompanying disclosures and footnotes, was \$2.0 million in Q1 2019, as compared to a loss of \$0.9 million in the prior year quarter.
- Q1 2019 EBITDA and Adjusted EBITDA, as described in accompanying disclosures and footnotes, was \$172,506 and \$3.8 million respectively, as compared to a loss of \$856,803 and a gain of \$273,521, respectively, during the prior year quarter.
- On March 20, 2019, Vireo commenced trading on the Canadian Securities Exchange under ticker symbol “VREO” following the successful completion of the Company’s reverse takeover (“RTO”) of Darien Business Development Corp. In conjunction with the RTO, Vireo raised approximately \$51.4 million in proceeds through a brokered and non-brokered private placement.

First Quarter 2019 Financial Summary

Total revenue for Q1 2019 was \$5.8 million, up 57 percent from \$3.7 million in Q1 2018. Revenue growth was driven by a combined increase of \$1.3 million in the states of Minnesota and New York, as well as wholesale revenue generation in the states of Maryland and Pennsylvania.

Retail revenue was approximately \$5.2 million in Q1 2019, an increase of approximately 40 percent compared to \$3.7 million in Q1 2018. Wholesale revenue was \$610,881 in Q1 2019 and reflected revenue contributions from wholesale markets in Maryland and Pennsylvania. The Company did not operate any wholesale revenue channels during the prior year quarter.

Gross profit before fair value adjustments was \$2.1 million, or 37 percent of revenue, as compared to \$1.9 million or 50 percent, in the same period last year. Gross profit after fair value adjustments and net gains on growth of biological assets was \$7.2 million or 124 percent of revenue, as compared to 2.3 million and 64 percent in the same period last year. The year-over-over increase in gross margin after fair value adjustments of biological assets was attributable to significant improvements in cultivation yields.

Total operating expenses were \$3.7 million, as compared to \$3.3 million in the same period last year. Total operating expenses include selling, general and administrative (“SG&A”) expenses, which totaled \$1.4 million, as compared to \$735,032 last year. The increase in SG&A expenses was primarily attributable to increased salaries and wages, share-based compensation, professional fees, and general and administrative expenses to support the Company’s growing business, as well as start-up expenses related to buildout and pre-revenue operations in the states of Maryland and Ohio.

Total other expense was \$4.6 million during Q1 2019. These non-operating expenses primarily reflect listing expenses related to the Company’s recent RTO and subsequent listing on the Canadian Securities Exchange, as well as interest expenses associated with recent sale-and-leaseback transactions of certain cultivation facilities.

Net loss attributable to Vireo in Q1 2019 was \$3.4 million, as compared to a net loss of approximately \$2.0 million in Q1 2018. Adjusted net income for Q1 2019 was \$219,041, as compared to a loss of approximately \$0.9 million in the prior year quarter.

Q1 2019 EBITDA was \$172,506, as compared to a loss of \$856,803 in Q1 2018. Excluding listing expense and share-based compensation expenses, Vireo generated Adjusted EBITDA of \$3.8 million in Q1 2019, compared to \$273,521 in Q1 2018. Please refer to the Supplemental Information and Reconciliation of Non-IFRS Financial Measures at the end of this press release for additional information.

Subsequent Events

On May 29, 2019, the Company announced the hiring of Harris Rabin as Chief Marketing Officer. Mr. Rabin will be responsible for overseeing Vireo's brand marketing, e-commerce, retail, and other sales initiatives. Mr. Rabin is an accomplished marketing leader and joins Vireo with two decades of experience, including senior leadership roles in the consumer healthcare and beverage alcohol industries. He most recently served as Global Vice President of Marketing at Anheuser-Busch InBev (ABInBev), where he oversaw a multi-billion-dollar global portfolio of core beer brands.

On May 30, 2019, the state of Minnesota enacted new legislation amending the state's medical cannabis program. These measures were passed as part of a health and human services bill, and will allow for the existing licensed operators in the state to double the number of dispensaries, as well as to write off some business expenses and buy hemp from local farmers. These changes will result in Vireo Health increasing its number of dispensaries in the state from four to eight, and increases Vireo's total number of dispensary licenses to 32 as of the date of this announcement.

Balance Sheet and Liquidity

As of March 31, 2019, total assets were \$146.4 million, including cash on hand of \$40.4 million. Total long-term liabilities were \$37.1 million as of March 31, 2019, with \$1.0 million of debt currently due within 12 months.

As of March 31, 2019, there were 21,641,441 equity shares issued and outstanding, and 109,360,128 shares outstanding on an as converted, fully diluted basis.

2019 Outlook

During fiscal year 2019, Vireo continues to expect to conduct the following development activities:

- Launch Green Goods™ dispensaries in Pennsylvania and expand existing retail footprint in New Mexico
- Increase cultivation and processing capacity in Arizona, Minnesota, New Mexico and New York
- Begin build-out of new facilities in Massachusetts, Nevada, Puerto Rico, and Rhode Island
- Roll out new cannabis brands and innovative products in multiple state-based markets
- Wholesale Vireo-branded products to third-party dispensaries in Ohio
- Plant industrial hemp crops for IP development in Minnesota and New York
- The Company currently expects to exit the year with at least 20 operational dispensaries across its nationwide footprint.

Dr. Kingsley commented, "Fiscal year 2019 will be a pivotal year of growth for Vireo Health, as we

anticipate the addition of at least six new revenue generating states during the year. The rollout of our Green Goods™ dispensaries in Pennsylvania is on schedule, and we now anticipate that we'll exit the year with at least 20 operational dispensaries across our nationwide footprint. We are continuing to pursue additional organic and acquisitive growth opportunities, as well as the development of monetizable intellectual property, and we also believe improving regulatory environments in many of our state jurisdictions could present additional opportunities for growth over the near- to medium-term future.”

Conference Call and Webcast Information

Vireo Health management will host a conference call with research analysts on Friday, May 31, 2019 at 8:30 a.m. ET to discuss its financial results for its first quarter ended March 31, 2019. The conference call may be accessed by dialing 866-211-3165 (Toll-Free) or 647-689-6580 (International) and entering conference ID 8184214.

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 first quarter and 2019 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's mission is to build the cannabis company of the future by bringing the best of medicine, engineering and science to the cannabis industry. The Company's physician-led team of more than 300 employees provides best-in-class cannabis products and customer experience. Vireo cultivates cannabis in environmentally-friendly greenhouses, manufactures pharmaceutical-grade cannabis extracts, and sells its products at both company-owned and third-party dispensaries. The Company is currently licensed in ten states including Arizona, Maryland, Massachusetts, Minnesota, Nevada, New Mexico, New York, Ohio, Pennsylvania, and Rhode Island. 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 securities laws, based on current expectations. Generally, any statements that are not historical facts may contain forward-looking information, and forward-looking information can be identified by the use of forward-looking terminology such as “plans”, “expects” or “does not expect”, “is expected”, “look forward to”, “budget” “scheduled”, “estimates”, “forecasts”, “will continue”, “intends”, “anticipates” or “does not anticipate”, or “believes”, or variations of such words and phrases or indicates that certain actions, events or results “may”, “could”, “would”, “might” 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, future developments, the future operations, potential market opportunities, 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. These statements are based upon certain material factors, assumptions and analyses that were applied in drawing a conclusion or making a forecast or projection, including Vireo's experience and perceptions of historical trends, current conditions and expected future developments, as well as other factors that are believed to be reasonable in the circumstances.

Examples of the assumptions underlying the forward-looking statements contained herein include, but are not limited to those related to: the achievement of goals, the closing of acquisitions, obtaining of necessary permits and governmental approvals, future market positioning, as well as expectations regarding availability of equipment, skilled labor and services needed for cannabis operations, intellectual property rights, development, operating or regulatory risks, trends and developments in the cannabis industry, business strategy and outlook, expansion and growth of business and operations, the timing and amount of capital expenditures; future exchange rates; the impact of increasing competition; conditions in general economic and financial markets; access to capital; future operating costs; government regulations, including future legislative and regulatory developments involving medical and recreational marijuana and the timing thereto; receipt of appropriate and necessary licenses in a timely manner; the effects of regulation by governmental agencies; the anticipated changes to laws regarding the recreational use of cannabis; the demand for cannabis products and corresponding forecasted increase in revenues; and the size of the medical marijuana market and the recreational marijuana market.

Although such statements are based on management's reasonable assumptions at the date such statements are made, there can be no assurance that it will be completed on the terms described above and that such forward-looking information will prove to be accurate, as actual results and future events could differ materially from those anticipated in such forward-looking information. Accordingly, readers should not place undue reliance on the forward-looking information. Vireo assumes no responsibility to update or revise forward-looking information to reflect new events or circumstances unless required by applicable law.

By its nature, forward-looking information is subject to risks and uncertainties, and there are a variety of material factors, many of which are beyond the control of the Company and that may cause actual outcomes to differ materially from those discussed in the forward-looking statements. These factors include, but are not limited to: denial or delayed receipt of all necessary consents and approvals; need for additional capital expenditures; increased costs and timing of operations; unexpected costs associated with environmental liabilities; requirements for additional capital; reduced future prices of cannabis; failure of plant, equipment or processes to operate as anticipated; accidents, labour disputes and other risks of the cannabis industry; delays in obtaining governmental approvals, permits or financing or in the completion of development or construction activities; title disputes; claims limitations on insurance coverage; risks related to the integration of acquisitions; fluctuations in the spot and forward price of certain commodities (such as diesel fuel and electricity); changes in national and local government legislation, taxation, controls, regulations and political or economic developments in the countries where the Company may carry on business in the future; liabilities inherent in cannabis operations; risks relating to medical and recreational cannabis; cultivation, extraction and distribution problems; competition for, among other things, capital, licences and skilled personnel; risks relating to the timing of legalization of recreational cannabis; changes in laws relating to the cannabis industry; and management's success in anticipating and managing the foregoing factors.

Supplemental Information

The financial information reported in this news release is based on audited financial statements for the fiscal year ended December 31, 2018, and unaudited condensed interim consolidated financial statements for the fiscal quarter ended March 31, 2019. 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.

Vireo Health, Inc.
Consolidated Statements of Financial Position
March 31, 2019 and December 31, 2018
(Expressed in United States Dollars)

	March 31, 2019	December 31, 2018
ASSETS		
Current Assets		
Cash	\$ 40,400,908	\$ 9,624,110
Receivables	277,254	1,671,257
Inventories	24,841,673	21,379,722
Biological Assets	12,705,374	5,967,150
Prepaid Expenses	1,457,752	962,297
Deferred acquisition costs	838,726	1,885,653
Deferred financing costs	-	448,480
	\$ 80,521,687	\$ 41,938,669
Non-Current Assets		
Property and Equipment	\$ 28,513,129	\$ 22,847,283
Deposits	2,238,512	2,259,735
Deferred Loss on Sale Leaseback	26,112	26,596
Goodwill	3,983,559	-
Intangible Asset	31,075,168	2,184,565
Due from Related Party	36,778	-
	\$ 65,873,258	\$ 27,318,179
Total Assets	\$ 146,394,945	\$ 69,256,848
LIABILITIES AND MEMBERS' EQUITY		
Current Liabilities		
Accounts Payable and Accrued Liabilities	\$ 2,919,742	\$ 2,512,389
Deferred Lease Inducement - Current Portion	449,590	341,555
Income tax payable	670,000	-
Share issuance obligation	2,857,275	-
Current portion lease obligations	846,703	338,638
Current portion of Long-Term Debt	1,010,000	1,010,000
	\$ 8,753,310	\$ 4,202,582
Long-Term Liabilities		
Deferred Rent	\$ -	\$ 271,091
Deferred Income Taxes	7,975,000	6,508,000
Deferred Lease Inducement	4,945,489	4,781,770
Lease Obligations	15,024,238	11,839,152
Convertible debt	420,663	-
	\$ 37,118,700	\$ 27,602,595
Shareholders' Equity		
Share Capital	\$ 110,815,149	\$ 41,965,556
Reserves	4,985,208	2,766,050
Retained Earnings	(6,524,112)	(3,077,353)
	\$ 109,276,245	\$ 41,654,253
Total Liabilities and Equity	\$ 146,394,945	\$ 69,256,848

Vireo Health, Inc.**Consolidated Statements of Loss and Comprehensive Loss**

For the Three Months Ended March 31, 2019 and 2018

(Expressed in United States Dollars)

	Three Month Period Ended March 31, 2019	Three Month Period Ended March 31, 2018
REVENUE	\$ 5,777,792	\$ 3,678,475
Production Costs	(3,665,869)	(1,828,431)
Gross Profit Before Fair Value Adjustments	\$ 2,111,923	\$ 1,850,044
Realized Fair Value Amounts Included in Inventory Sold	(3,026,731)	(3,844,189)
Unrealized Fair Value Gain on Growth of Biological Assets	8,065,726	4,335,384
Gross Profit	\$ 7,150,918	\$ 2,341,239
EXPENSES		
Depreciation	\$ 373,779	\$ 56,326
Professional fees	574,260	308,892
Salaries and wages	1,152,940	1,022,240
Selling, general and administrative expenses	1,444,749	735,032
Share Based Compensation	201,187	1,130,324
	\$ 3,746,915	\$ 3,252,814
OTHER INCOME (EXPENSE)		
Loss on Sale of Property and Equipment	\$ (484)	\$ (597)
Interest Expense	(1,023,891)	(393,573)
Interest Income	76	-
Accretion expense	(9,671)	-
Listing Expense	(3,464,613)	-
Other Expense	(140,179)	(957)
Total Other Income (Expense)	\$ (4,638,762)	\$ (395,127)
INCOME/(LOSS) BEFORE INCOME TAXES	\$ (1,234,759)	\$ (1,306,702)
Current income taxes	\$ (745,000)	\$ (690,000)
Deferred income taxes	(1,467,000)	(33,000)
PROVISION FOR INCOME TAXES	\$ (2,212,000)	\$ (723,000)
NET LOSS AND COMPREHENSIVE LOSS	\$ (3,446,759)	\$ (2,029,702)
Weighted Average Shares Outstanding - basic and diluted	59,757,979	52,275,362
Net Loss Per Share - basic and diluted	\$ (0.06)	\$ (0.04)

Vireo Health, Inc.**Statements of Cash Flows**

For the Three Months Ended March 31, 2019 and 2018

(Expressed in United States Dollars)

	Three Month Period Ended March 31, 2019	Three Month Period Ended March 31, 2018
Cash Flows from Operating Activities:		
Net Loss	\$ (3,446,759)	\$ (2,029,702)
Items Not Affecting Cash:		
Depreciation	373,779	211,661
Loss on Sale of Property and Equipment	484	-
Share Based Compensation	201,187	1,130,324
Fair Value Adjustment on Sale of Inventory	3,026,731	(3,844,189)
Fair Value Adjustment on Growth of Biological Assets	(8,065,726)	4,335,384
Interest on Lease Obligation	986,016	355,698
Interest on Long-Term Debt	37,875	37,875
Accretion expense	9,671	-
Amortization of Deferred Tenant Improvement	(87,143)	-
Listing expense	2,999,986	-
Deferred financing costs	448,480	-
Deferred Income Taxes	1,467,000	33,000
Deferred gain/loss on sale leaseback	-	598
Changes in non-cash working capital:		
Receivables	1,394,003	(168,157)
Due From Related Party	(36,778)	-
Inventory and Biological Assets	(2,082,673)	(994,782)
Prepaid Expenses and Deposits	(495,455)	179,160
Accounts Payable and Accrued Liabilities	407,353	(722,770)
Income Tax Payable	670,000	690,000
Deferred Rent	-	(498)
Deposits	231,260	(22,200)
Cash Flows Used in Operating Activities	\$ (1,960,709)	\$ (808,598)
Cash Flows from Investing Activities:		
Purchase of Property and Equipment	\$ (984,732)	\$ (126,321)
Acquisition costs	(12,716,329)	-
Cash acquired on RTO	428	-
Deferred acquisition costs	(48,162)	-
Cash Flows from (Used in) Investing Activities	\$ (13,748,795)	\$ (126,321)
Cash Flows from Financing Activities:		
Proceeds from private placement, net of issuance costs	\$ 47,542,878	\$ -
Lease payments	(126,251)	-
Proceeds from Debt	-	1,071,013
Interest Paid	(930,325)	(393,573)
Cash Flows from Financing Activities	\$ 46,486,302	\$ 677,440
Net Change in Cash	\$ 30,776,798	\$ (257,479)
Cash, Beginning of the Period	9,624,110	2,595,965
Cash, End of the Period	\$ 40,400,908	\$ 2,338,486

Reconciliation of Non-IFRS Financial Measures

This news release contains references to financial metrics such as Pro Forma Revenue, EBITDA, Adjusted EBITDA, and Adjusted Net Income, which are non-IFRS measures and do not have standardized definitions under IFRS. The Company has provided these non-IFRS financial measures in this news release 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 Company's 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 Company's business. The Company has provided reconciliations of these supplemental non-IFRS financial measures to the most directly comparable financial measures calculated and presented in accordance with International Financial Reporting Standards. 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 in this news release.

Reconciliation of Net Income to Adjusted Net Income and Adjusted EBITDA

	Three Months Ended March 31,	
	2019	2018
Net income (loss)	\$ (3,446,759)	\$ (2,029,702)
Listing expense	3,464,613	-
Share-based compensation	201,187	1,130,324
Adjusted net income (loss) (non-IFRS)	\$ 219,041	\$ (899,378)
Net income (loss)	\$ (3,446,759)	\$ (2,029,702)
Interest income	(76)	-
Interest expense	1,023,891	393,573
Accretion expense	9,671	-
Income taxes	2,212,000	723,000
Depreciation	373,779	56,326
EBITDA (non-IFRS)	<u>\$ 172,506</u>	<u>\$ (856,803)</u>
Listing expense	3,464,613	-
Share-based compensation	201,187	1,130,324
Adjusted EBITDA (non-IFRS)	<u>\$ 3,838,306</u>	<u>\$ 273,521</u>

Reconciliation of Reported Revenue to Pro Forma Revenue¹

REVENUE BRIDGE		
For the quarter ended March 31, 2019		
Pro Forma Bridge		
US\$		1Q'19
Reported Revenue		\$ 5,777,792
Pro Forma Adjustments		
	Arizona	975,179
	New Mexico	262,286
Pro Forma Revenue		\$ 7,015,257

¹Reported revenue of \$5.8 million in Q1 2019 includes nine days of results from the recently closed acquisition in Arizona and six days results from the recently closed acquisition in New Mexico. Pro forma revenue adjustments include the balance of total first quarter revenue generation in Arizona and New Mexico.