

Nutritional High announces financial results for Q1 2019

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FINANCIAL HIGHLIGHTS: Q1 2019

- Revenue of \$5.8 million:
 - Derived from the sale of cannabis related products (e.g. edibles, concentrates and flower) in the State of California by way of its wholly owned distributor, Calyx Brands Inc. ("**Calyx**").
 - Representing an annualized revenue run rate of \$23.1 million.
 - Consistent revenue growth in line with management expectations; 39% over Q4 2018 and 244% over Q3 2018.
- Gross profit of 19.5%:
 - Indicating cost of goods sold of \$4.6 million including costs of product purchase, direct labour related to products sales and an allocation of overhead directly attributable to product sales.
 - Margin improvement of 9.0% over prior quarter attributable to Calyx volume and revenue growth against relatively fixed labor and distribution infrastructure costs from Q4 2018 combined with improved discounts and promotions management.
- Lease and Interest Revenue decrease of \$0.3 million over Q1 2018.
- Total operating expenses of \$4.3 million:
 - An increase of \$0.8 million over prior quarter and \$2.6M over Q1 2018.
 - Driven by increased advertising and brand marketing, Calyx operating costs, commencement of production and facility build out at FLI Labs NorCal, start of production in the Company's La Pine facility in Oregon ("**La Pine**")

and Acquisition and project evaluation costs.

- Other Income: The Company realized income of \$4.5M, due to the:
 - Sale of a 50% membership interest in NH Medicinal Dispensaries LLC, operating as The Clinic Effingham (TCE") in Effingham, Illinois; to its joint venture partner ILDISP, LLC for \$4.6 million (US \$3.5 million), recognizing a gain on sale of \$3.6 million.
 - Unrealized gain on the fair value of its derivative liabilities of \$1.1 million due to revaluation of such derivative liabilities from the date of initial recognition when the Company closed the \$4.2 million convertible debenture in August 2018, to October 31, 2018.

BUSINESS HIGHLIGHTS: Q1 2019 AND SUBSEQUENT

- The Company has significantly bolstered its management team with the appointment of Mr. Tom Siciliano as President, effective December 10, 2018 and Mr. Michael DiNapoli as Chief Financial Officer, effective January 1, 2019.
- Calyx continues to demonstrate significant growth under Nutritional High's leadership, further cementing its position among the largest distributors in the California cannabis market. The Company recognized record quarterly revenue in excess of US\$ 4.3 million, representing an increase of 37% over Q4 2018 and 239% over Q3 2018.
- The Company has successfully started production in its California facility, FLI Labs NorCal. This has enabled Nutritional High to create a robust vertical integration in manufacturing and distribution in the largest Cannabis market in the world, creating a much higher velocity of innovation, production and market penetration for FLI and other Nutritional High partner brands.
- Nutritional High has also been granted Distributor Temporary License by the Bureau of Cannabis Control California. The License will be effective January 1, 2019, allowing the Company greater expansion through a wholly owned distribution operation.
- The Company has further expanded its west coast manufacturing reach with the commencement of production in its La Pine facility. The facility is currently manufacturing various FLI branded products and aggressively working on executing its state-wide sales and distribution strategy.
- Nutritional High is executing on an aggressive expansion plan in the Colorado market via its FLI brand licensing agreement with Palo Verde LLC ("Palo Verde"), a Licensed Operator in Colorado. This includes Palo Verde recently securing regulatory approval to expand its production line and supply the medical market along with expansion of its in-house sales and distribution team to secure state-wide market reach.
- The Company entered into a formal membership interest purchase agreement to acquire 75% of Green Therapeutics LLC, one of Nevada's premier innovators and established producer/processors with multiple cultivation and production licenses and facilities and leading brands such as Tsunami, Provisions and GT Flowers. Green Therapeutics and the Company have commenced integration efforts including joint innovation projects and planning of product launches of Nutritional High products in Nevada and Green Therapeutics products in California, Oregon and Colorado. Green Therapeutics has also received conditional approval towards a store license allowing it to operate one retail cannabis store within Douglas County.
- Nutritional High has taken multiple steps to bolster its cash position through the monetization of non-core assets and securing strategic financing. This includes the sale of 50% membership interest in NH Medicinal Dispensaries LLC, operating as TCE for US \$3.5 million, sale of a real estate property in Sacramento, California for US\$ 1.4 million and Sale and leaseback of approximately US \$1.2 million worth of equipment in FLI Labs NorCal and La Pine.
- The Company has achieved significant milestones in the development and sale of consumer focused products under its in-house flagship FLI brand such as the launch of FLI Vape Cartridges and Syringes in California and Oregon, manufacture and sales of FLI Chocolate Bars in Colorado, development of FLI branded Chocolate Shot and Space Joint (infused pre-rolls), launch of FLI branded Mini Mints to target one of the fastest growing edible segments in California and getting ready for filling and sale in short order of its proprietary Dab Stick technology.
- The Company continues to expand its California product portfolio into Lozenges and Sugar Free Mints with a brand that has already secured its reputation as one of the category leaders, by entering into an asset purchase and patent licensing agreement with Bright Green Lights LLC, a pioneer of "micro dosed" infused products.
- Nutritional High also continues to progress on its previously formed brand partnerships with Xanthic Biopharma Inc. and NeutriSci International Inc. The partnership with Xanthic allows future entry for the Company into the cannabis beverage market, which has demonstrated a robust growth trend in the States of California, Colorado, Washington and Oregon and is expected to persist in the future. Similarly, NeutriSci broadens the Company's future product portfolio to include a very innovative and effective cannabis energy product.
- The Company continues to focus on market expansions, partnerships and strategic acquisitions. Nutritional High has aggressive expansion plans in Washington and Canada. It has also formed an international joint venture with Aura Health Inc., with the goal of taking the Company's extraction and edibles technology and products to European and Israeli markets.

Jim Frazier, Nutritional High's CEO, commented as follows: "We are really pleased with our results for Q1 2019. It is a testament to the groundwork and architecture that we have laid in 2018. Our robust base of operations in California will continue to drive revenue and margin growth as we secure more market leading brands, deeper market penetration and significant scalability in manufacturing with the progress of FLI Labs NorCal. Simultaneously, our progress in integrating Green Therapeutics in the Nutritional High family, together with rapid expansion in Oregon and Colorado will enable us to create a leading multi-state platform. In 2019 Nutritional High will be taking an aggressive approach in developing innovative technologies that will set the stage for the next generation of industry advancements in processing and building better life style products."

Adam Szweras, founder and Co-Chair of the Board commented: "We are continuing on our transformational journey by delivering record revenues in the first quarter of the year. It is a direct result of our strategic success in the development of consumer centric products and markets while placing an equally keen eye in the development of our human capital. We have started strong in 2019 and will continue the momentum with a core focus in Western US and a defined plan to expand in the US east coast, Canada and the international markets. We stay true to our strategy of building an industry leading organization focused on cannabis extraction and infused product manufacturing."