



**Harborside Inc. Announces Intent to Restate Certain Historical Financial Statements and Delay in Filing Annual Financial Statements and MD&A**

- *Company to restate certain historical financials*
- *Reaffirms previously announced preliminary Fiscal 2019 and First Quarter 2020 Results*
- *Fiscal 2019 Earnings Expected by July 10, 2020*

OAKLAND, CA. and TORONTO, May 29, 2020 -- Harborside Inc. (“Harborside” or the “Company”) (CSE: HBOR), a California-focused, vertically integrated cannabis enterprise, has announced today that due primarily to changes in the application of accounting treatments related to certain transactions by its reverse takeover acquirer, FLRish Inc., the previously issued financial statements for the fiscal years ended December 31, 2017 and 2018 and the interim periods ended March 31, 2019, June 30, 2019 and September 30, 2019, and any corresponding management’s discussion and analyses (collectively, the “Restated Documents”), will be restated and reissued. The primary accounting changes addressed by the restatements will include the reclassification and re-measurement of certain financial instruments and the change in the accounting for a common control acquisition to a business combination under IFRS 3. The accounting changes will include the recognition of fair value adjustments as part of the acquisition. The effect of the restatements does not impact the Company’s ongoing operations, cash position, or its expected positive operating results for Fiscal 2019 and First Quarter 2020 as described in more detail below.

Harborside intends to file its Restated Documents as soon as possible, beginning with the 2018/2017 FLRish restated audited annual financial statements which are expected to be filed no later than July 10, 2020. However, no assurance can be given that the anticipated timing of filing will be met due to the impact of the COVID-19 pandemic, as well as the need for the Company’s auditors to complete their audit work, among other things. The Restated Documents will replace and supersede the respective previously-filed financial statements and management’s discussion and analysis for such periods (collectively, the “Previous Documents”). The Previous Documents should no longer be relied upon.

**Preliminary Fiscal 2019 and First Quarter 2020 Results<sup>(3)</sup>**

The Company reaffirms its expectations for its fiscal year ended December 31, 2019 (“Fiscal 2019”) and its first quarter ended March 31, 2020 (“First Quarter 2020”), as previously announced on April 23, 2020.

The preliminary results reflect revenue growth of approximately 16% and 20% year-over-year for Fiscal 2019 and First Quarter 2020, respectively. Additionally, for the First Quarter 2020, the Company expects to report positive Adjusted EBITDA and positive cash flow from operations. As of March 31, 2020, Harborside had approximately \$12 million in cash. Please see the press release from April 23, 2020 for additional detail.

(\$ in USD)	<b>Previously-Reported Fiscal 2019 Guidance</b>	<b>Preliminary Fiscal 2019 Results<sup>(2)</sup></b>	<b>Preliminary First Quarter 2020 Results<sup>(2)</sup></b>
Revenue	\$50 to \$52 million	approx. \$50 million	approx. \$14 million
Adjusted EBITDA <sup>(1)</sup>	Negative	negative	positive

These preliminary and unaudited operating metrics and financial results are subject to the Company's customary annual and interim closing, as well as financial statement procedures by the Company and its auditors. Actual results could be affected by subsequent events or determinations. While the Company believes there is a reasonable basis for these preliminary financial results, the results involve known and unknown risks and uncertainties that may cause actual results to differ materially. These preliminary fiscal results represent forward-looking information. See "Cautionary Note Regarding Forward-Looking Information" and "Assumptions" below.

### **Timing of Annual Filings**

Due to the continued impact of COVID-19, Harborside anticipates the filing of its audited annual financial statements and corresponding management's discussion and analysis (collectively, the "Annual Filings") for the financial year ended December 31, 2019 to be delayed beyond the required filing deadline: (i) under Parts 4 and 5 of National Instrument 51-102 – *Continuous Disclosure Obligations* and pursuant to National Instrument 52-109 – *Certification of Disclosure in Issuer's Annual and Interim Filings*, being April 29, 2020; as extended by (ii) the temporary blanket relief implemented by the Ontario Securities Commission Ontario Instrument 51-502 (the "Blanket Relief"), being June 15, 2020 (the "Filing Deadline").

The Company intends to continue to work diligently and expeditiously with its auditors and expects to file the Annual Filings as soon as possible, and in any event no later than July 10, 2020. The Company currently does not anticipate any delay in filing its interim financial statements, management's discussion and analysis, and the related officer certifications for the financial period ended March 31, 2020, before its filing deadline under NI 51-102, as extended by the Blanket Relief, on July 14, 2020. Other than as previously disclosed by the Company and herein with this press release, Harborside confirms that there have been no material business developments since the date of its third quarter interim financial statements that were filed on November 21, 2019, other than as a result of the impact of restatement disclosed above.

### **Management Cease Trade Order**

In light of the delay in filing of the Annual Filings prior to the Filing Deadline, the Company is providing this default announcement in accordance with National Policy 12-203 Management Cease Trade Orders ("NP 12-203"). The Company has made an application to the Ontario Securities Commission (the "OSC"), as principal regulator of the Company, for a management cease trade order ("MCTO") under NP 12-203 in respect of the anticipated default regarding the Annual Filings. The granting of the MCTO is at the discretion of the Ontario Securities Commission. The issuance of the MCTO generally will not affect the ability of persons who have not been directors, officers or insiders of the Company to trade in their securities. In the event that the MCTO is granted, it will be in effect until the default is remedied.

The Company intends to follow the provisions of the Alternative Information Guidelines set out in NP 12-203, including the issuance of bi-weekly default status reports in the form of news releases, for as long as the Company remains in default. The Company confirms as of the date of this news release that there is no insolvency proceeding against it and there is no other material information concerning the affairs of the Company that has not been generally disclosed.

**For the latest news, activities, and media coverage, please visit the Harborside corporate website at [www.investharborside.com](http://www.investharborside.com) or connect with us on [LinkedIn](#), [Facebook](#), and [Twitter](#).**

### **About Harborside:**

Harborside Inc. is one of the oldest and most respected cannabis retailers in California, operating three of the major dispensaries in the San Francisco Bay Area, a dispensary in Desert Hot Springs outfitted with Southern California's only cannabis drive-thru window, a dispensary in Oregon and a cultivation facility in Salinas, California. Harborside has played an instrumental role in making cannabis safe and accessible to a broad and diverse community of California consumers. Co-founded by Steve DeAngelo and dress wedding in 2006, Harborside was awarded one of the first six medical cannabis licenses granted in the

United States. Harborside is currently a publicly listed company on the Canadian Securities Exchange (“CSE”) trading under the ticker symbol “HBOR”. Additional information regarding Harborside is available under Harborside’s SEDAR profile at [www.sedar.com](http://www.sedar.com).

### **Non-IFRS Measures, Reconciliation and Discussion**

This press release may contain references to “EBITDA”, and “Adjusted EBITDA”, which are non-IFRS financial measures.

EBITDA and Adjusted EBITDA are measures of the Company’s overall financial performance and are used as an alternative to earnings or net income in some circumstances. EBITDA and/or Adjusted EBITDA are essentially net income (loss) with interest, taxes, depreciation and amortization, non-cash adjustments and other unusual items added back. This measure can be used to analyze and compare profitability among companies and industries, as it eliminates the effects of financing and capital expenditures. It is often used in valuation ratios and can be compared to enterprise value and revenue. This measure does not have any standardized meaning according to IFRS and therefore may not be comparable to similar measures presented by other companies.

There are no comparable IFRS financial measures presented in Harborside’s financial statements. Reconciliations of the supplemental non-IFRS measures will be presented in the Company’s management’s discussion and analysis for Fiscal 2019 and First Quarter 2020. These non-IFRS financial measures are presented because management has evaluated the financial results both including and excluding the adjusted items and believe that the non-IFRS financial measures presented provide additional perspective and insights when analyzing the core operating performance of the business. The Company believes that these supplemental measures provide information useful to shareholders and investors in understanding our performance and may assist in the evaluation of the Company’s business relative to that of its peers.

These 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 the Company’s financial statements. For more information, please see “Non-IFRS Measures” in the Company’s management’s discussion and analysis for Fiscal 2019 and First Quarter 2020, which are expected to be available on [www.sedar.com](http://www.sedar.com).

### **Notes:**

1. This is a non-IFRS reporting measure. For a reconciliation of this to the nearest IFRS measure, see “Use of Non-IFRS Measures” and “Non-IFRS Measures” in the Company’s management discussion and analysis for Fiscal 2019 and First Quarter 2020, expected to be filed on SEDAR.
2. This is forward-looking information and based on a number of assumptions. See “Cautionary Note Regarding Forward-Looking Information” and “Assumptions”.
3. The financial information included in this press release is neither audited nor reviewed. Where possible, the information has been constructed by management from available audited or audit reviewed financial statements. Where no audited or audit reviewed information has been available, additional management accounting information has been utilized to construct financial information.

### **Cautionary Note Regarding Forward-Looking Information**

This news release contains “forward-looking information” and “forward-looking statements” (collectively, “forward-looking statements”) within the meaning of the applicable Canadian securities legislation. All statements, other than statements of historical fact, are forward-looking statements and are based on expectations, estimates and projections as at the date of this news release. Any statement that involves discussions with respect to predictions, expectations, beliefs, plans, projections, objectives, assumptions, future events or performance (often but not always using phrases such as “expects”, or “does not expect”, “is expected”, “anticipates” or “does not anticipate”, “plans”, “budget”, “scheduled”, “forecasts”, “estimates”, “believes” or “intends” or variations of such words and phrases or stating that certain actions, events or results “may” or “could”, “would”, “might” or “will” be taken to occur or be achieved) are not statements of historical fact and may be forward-looking statements. In this news release, forward looking-statements relate to, among other things, the timing of filing the Restated Documents, the financial impact of the

changes made to the Previous Documents to the Company, final operating metrics and financial results for Fiscal 2019 and First Quarter 2020, the timing of filing the Annual Filings, and the grant of an MCTO by the OSC.

These forward-looking statements are based on reasonable assumptions and estimates of management of the Company at the time such statements were made. Actual future results may differ materially as forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of the Company to materially differ from any future results, performance or achievements expressed or implied by such forward-looking statements. Such factors, among other things, include: management's perceptions of the anticipated timeline in which the Annual Filings and the Interim Filings can be completed and filed; implications of the COVID-19 pandemic on the Company's operations; fluctuations in general macroeconomic conditions; fluctuations in securities markets; expectations regarding the size of the California cannabis market and changing consumer habits; the ability of the Company to successfully achieve its business objectives; plans for expansion; political and social uncertainties; inability to obtain adequate insurance to cover risks and hazards; and the presence of laws and regulations that may impose restrictions on cultivation, production, distribution and sale of cannabis and cannabis related products in the State of California; and employee relations. Although the forward-looking statements contained in this news release are based upon what management of the Company believes, or believed at the time, to be reasonable assumptions, the Company cannot assure shareholders that actual results will be consistent with such forward-looking statements, as there may be other factors that cause results not to be as anticipated, estimated or intended. Readers should not place undue reliance on the forward-looking statements and information contained in this news release. The Company assumes no obligation to update the forward-looking statements of beliefs, opinions, projections, or other factors, should they change, except as required by law.

The Company is indirectly involved in the manufacture, possession, use, sale and distribution of cannabis in the recreational and medicinal cannabis marketplace in the United States. Local state laws where the Company operates permit such activities however, these activities are currently illegal under United States federal law. Additional information regarding this and other risks and uncertainties relating to the Company's business are contained under the heading "Risk Factors" in the Listing Statement dated May 30, 2019, filed under the Company's profile on SEDAR at [www.sedar.com](http://www.sedar.com).

**The CSE has neither approved nor disapproved the contents of this news release. Neither the CSE nor its Market Regulator (as that term is defined in the policies of the CSE) accepts responsibility for the adequacy or accuracy of this release.**

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