HARBORSIDE

Harborside Inc. Reports First Quarter 2021 Financial Results

First Quarter 2021 Gross Revenues of $13.0 Million

Q1 2021 Adjusted EBITDA grows to $1.0 Million From an Adjusted EBITDA of $0.3 Million in Q1 2020(1)

Company Reaffirms Full Year 2021 Standalone Guidance of Gross Revenues Between $68-72 Million and Adjusted EBITDA Margin Between 15-17% (1)(2)(3)(4)

OAKLAND, Calif. and TORONTO, May 31, 2021 /CNW/ - Harborside Inc. ("Harborside" or the "Company") (CSE: HBOR) (OTCQX: HBORF), a California-focused, vertically integrated cannabis enterprise, today reported its financial results for the first quarter ending March 31, 2021 ("Q1 2021"). The audited consolidated financial statements for Q1 2021 and corresponding management's discussion and analysis (collectively the "Q1 Filings") are available for download from the Company's investor website, investharborside.com, and on the Company's SEDAR profile. Unless otherwise indicated, all dollar amounts in this press release are in U.S. dollars.

Management Commentary

"Our Q1 results reflect the strength of our business as we demonstrated sustained profitability while we executed on the opportunity to scale up our cultivation activities, improve the breadth and depth of our product portfolio, and expand consumer access to our retail stores," said Matt Hawkins, Chairman of Harborside. "Throughout the quarter, we continued to build Harborside's management team with a focus on operational strength and deep industry experience which, together with our strong balance sheet, has positioned Harborside with both the resources and depth of talent to execute on our California focused growth strategy."

Mr. Hawkins concluded, "With adult use consumer sales officially underway at our San Leandro retail store, as well as a new, more conveniently located store expected to open in the second half of the year, and our strong pipeline of acquisition opportunities under review, we have built a strong foundation to accelerate our growth and drive strong value for our shareholders."(2)

Q1 2021 Operational Highlights

- Closed upsized private placement for gross proceeds of approximately C$35.1 million
- Secured a $12 million revolving credit facility
- Completed a $5 million strategic investment in Loudpack, a premier California cannabis company
- Recognized for exceptional curbside pickup and delivery services
- Announced resolution in San Jose Wellness 280E case
- Announced plaintiff's voluntary dismissal of class action suit without prejudice

Subsequent Events

- Commenced adult-use sales at San Leandro dispensary
- Appointed Travis Higginbotham Jr. as Vice President of Production
- Drew down approximately $11.4 million against the revolving credit facility on May 28, 2021, in anticipation of consummating the purchase of the production facility in Salinas, California.

Q1 2021 Financial Results and Highlights (3)

	March 31, 2021	March 31, 2020
Retail Revenues	$10,036,262	$10,181,471
Wholesale Revenues	$2,921,268	$4,456,775
Total Gross Revenues	**$12,957,530**	**$14,638,246**
Cultivation Excise Taxes	$(516,615)	$(969,417)
Total Net Revenues	**$12,440,915**	**$13,668,829**
Retail Gross Profit	$5,514,759	$5,219,890
Wholesale Gross Profit(a) (e)	$311,899	(181,453)
Total Gross Profit(a) (e)	**$5,826,658**	**$5,038,437**

Retail Gross Margin[(b)(d)]	55.0%	51.3%
Wholesale Gross Margin[(a)(d)(e)]	13.0%	(5.2)%
Total Gross Margin[(a)(b)(d)(e)]	**46.8%**	**36.8%**
G&A/Professional Fees[(c)]	$7,508,954	$5,786,573
Net Loss and Comprehensive Loss	$(2,910,749)	$(2,387,136)
Adjusted EBITDA[(d)]	$960,896	$360,052

NOTES:
a. Including adjustment for cultivation excise taxes.
b. Retail gross margins in 2020 were affected by additional expenditures due to the COVID-19 pandemic, including additional pay for the Company's front line workers, personal protective equipment for customers and employees and costs for other safety measures.
c. Professional Fees for Q1 2021 include approximately $1.9 million in one-time fees and accruals. See "Operating Expenses" below.
d. 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 March 31, 2021.
e. Not including adjustments for biological assets.

Q1 2021 Financial Summary

Revenues

During Q1 2021, Harborside generated total net revenues of approximately $12.4 million. This represented a 9.0% year-over-year decrease when compared to the approximately $13.7 million of net revenues reported in the 3-month period ending March 31, 2020 ("Q1 2020").

The Company's retail operations generated net revenues of approximately $10.0 million for Q1 2021, an approximately 2.0% decrease as compared to the approximately $10.2 million realized in Q1 2020, with gross margins improving from 51.3% to 55.0% on a year-over-year basis. While retail revenue has been supported by improved in-store merchandising and a focus on selling more items that are produced in-house, it was hampered somewhat in Q1 2021 by decreased in-store foot traffic due to COVID-19 capacity restrictions in California, particularly in Alameda County. Across Harborside's retail stores in California, the Company's branded products represented 5 of the top 10 selling SKUs in Q1 2021.

Harborside's wholesale operations reported net revenues of approximately $2.4 million for Q1 2021, representing a year-over-year decrease of approximately 31.0% as compared to the approximately $3.5 million in net revenues reported for Q1 2020. The year-over-year decrease in net wholesale revenues was primarily due to a lower-than-expected flower yield from Harborside's cultivation/production facility in Salinas, California, which was caused by several factors, including: a delay in completing the planned greenhouse capital improvements due to a COVID-19 related disruption in the supply chain for grow light fixtures; a weather event which damaged the roof over a portion of the flower canopy; and, a subsequent infestation of non-beneficial insects, which was addressed through implementing a more robust plan for how pests are managed. The aforementioned events affected harvests and limited the overall supply of sellable flower during the quarter.

Gross Profits

The Company's retail operations generated gross profits of approximately $5.5 million in Q1 2021, compared to approximately $5.2 million in Q1 2020. The year over year increase in retail gross profits was due primarily to the continued focus on sales of in-house brands, more effective supply chain management and the reduction of operating costs across the Company. As a result of these ongoing efforts, retail gross margins[(1)] improved from 51.3% in Q1 2020 to 55.0% in Q1 2021.

The Company's wholesale operations generated gross profits of approximately $0.3 million in Q1 2021, compared to approximately $(0.2) million in Q1 2020. As compared to net wholesale revenues, wholesale gross margins[(1)] before adjustments for biological assets increased from (5.2)% in Q1 2020 to 13.0% in Q1 2021. This was primarily due to more effective supply chain management and the ongoing focus on reducing operating costs across the Company.

Q1 2021 combined gross profit before adjustments for biological assets was approximately $5.8 million, an approximately 15.6% year-over-year increase as compared to the approximately $5.0 million reported in Q1 2020. On a year-over-year basis, combined gross margins[(1)] before adjustments for biological assets increased from 36.8% in Q1 2020 to 46.8% in Q1 2021.

Operating Expenses

Total operating expenses for Q1 2021 were approximately $7.8 million, including approximately $1.9 million in one time, non-recurring costs. Excluding one-time costs, operating expenses were approximately $5.9 million, an approximately 4.3% year-over-year decrease when compared to approximately $6.2 million of costs incurred in Q1 2020. The one time costs incurred in Q1 2021 included: general and administrative expenses of approximately $0.3

million related to the search for a new Chief Executive Officer, professional fees of approximately $0.2 million related to operational improvement consulting, and approximately $1.3 million in expenses associated with warrants issued in the private placement offering.

During Q1 2021, the Company also recorded income tax expense of approximately $1.1 million, compared to approximately $1.4 million in Q1 2020, based on estimated federal income taxes payable at each period-end.

Operating loss for Q1 2021 was approximately $3.2 million, compared to an operating income of approximately $0.4 million for Q1 2020. Net loss and comprehensive loss was approximately $2.9 million in Q1 2021, compared to a net loss and comprehensive loss of approximately $2.4 million in Q1 2020, an approximately 21.9% decline on a year-over-year basis.

Adjusted EBITDA for Q1 2021 was approximately $0.9 million or 7.7% of net revenues, compared to Adjusted EBITDA of approximately $0.3 million or 2.6% of net revenues for Q1 2020.(1) The year-over-year increases were driven largely by improved product margins combined with operating efficiencies realized across the Company.(1) See "Non-IFRS Financial Measures, Reconciliation, and Discussion".

Liquidity and Cash Balance (3)

As of March 31, 2021, Harborside had total current assets of approximately $40.0 million, including approximately $30.6 million of available cash, as compared to current assets of approximately $20 million, including approximately $10.5 million in available cash as of March 31, 2020.

During the first quarter of 2021, Harborside closed a brokered private placement for aggregate gross proceeds of approximately C$35.1 million and entered into a loan financing arrangement with a federally regulated commercial bank in the amount of US$12.0 million pursuant to a senior secured revolving credit facility due March 19, 2023. On May 28, 2021, the Company drew down approximately $11.4 million on the revolving credit facility in anticipation of consummating the purchase of the cultivation/production facility in Salinas.

Full Year 2021 Expectations(2)(3)(4)

In January 2021, the Company announced that for full year of 2021, it expects standalone gross revenues of between $68.0 to $72.0 million.(2) The anticipated increase in revenues for 2021 is expected to be derived from improved retail pricing combined with continued increases in both flower yields and processing efficiencies from the Company's wholesale operations.(2) In addition, the Company expects an Adjusted EBITDA in the range of 15% to 17% of net revenues for 2021.(1)(2) Management expects to attain this higher level of Adjusted EBITDA in 2021 through more efficient procurement of goods sold and stronger cost discipline on overhead spend.(1)(2)

All figures reported above with respect to the 2021 fiscal year are financial outlooks, are based on several assumptions and are subject to a number of risks and uncertainties. Accordingly, investors are cautioned not to place undue reliance on the foregoing information. Actual results may differ materially. See "Cautionary Note Regarding Forward-Looking Information".

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

Conference Call Information

Harborside will host a conference call Tuesday, June 1, 2021, to discuss the Q1 2021 results. Matt Hawkins, Chairman, and Tom DiGiovanni, Chief Financial Officer will host the call starting at 1:00 p.m. Eastern time. A question and answer session will follow management's presentation.

Date:	Tuesday, June 1, 2021
Time:	1:00 p.m. Eastern Time
Dial-In Number:	1 (888) 664-6392
Webcast:	Click Here to Access
Replay:	888-390-0541 Replay Code: 51952# Available after 5:00 p.m. Eastern time on the same day through June 15, 2021

About Harborside:

Harborside Inc., a vertically integrated enterprise with cannabis licenses covering retail, distribution, cultivation, nursery, and manufacturing, is one of the oldest and most respected cannabis companies in the world. Founded in California in 2006, Harborside was awarded one of the first six medical cannabis licenses granted in the United States. Today, the company operates three major dispensaries in the San Francisco Bay Area, a dispensary in the Palm Springs area outfitted with Southern California's only cannabis drive-thru window, a dispensary in Oregon and an integrated cultivation/production facility in Salinas, California. Harborside continues to play an instrumental role in making cannabis safe and accessible to a broad and diverse community of California and Oregon consumers. Harborside is a publicly listed company, trading on the Canadian Securities Exchange ("**CSE**") under the ticker symbol "HBOR" and the OTCQX under the ticker symbol "HBORF". Additional information regarding Harborside is available under Harborside's SEDAR profile at www.sedar.com.

Non-IFRS Measures, Reconciliation and Discussion

This press release may contain references to "EBITDA", "Adjusted EBITDA" and "Gross Margin", 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. Gross Margin is the difference between revenue and cost of goods sold divided by revenue and is expressed as a percentage. Management believes that these measures provide useful information as they represent the value of incremental sales.

There are no comparable IFRS financial measures presented in Harborside's financial statements. Reconciliations of the supplemental non-IFRS measures are presented in the Company's management's discussion and analysis for the period ended March 31, 2021. These non-IFRS financial measures are presented because management has evaluated the financial results both including and excluding the adjusted items and believes 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 which is 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 "Use of Non-IFRS Measures" and "Non-IFRS Measures" in the Company's management's discussion and analysis for the period ended March 31, 2021, which is available under the Company's profile on 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 the period ended March 31, 2021.
(2) This is forward-looking information and based on a number of assumptions. See "Cautionary Note Regarding Forward-Looking Information".
(3) Certain 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.
(4) These targets, and the related assumptions, involve known and unknown risks and uncertainties that may cause actual results to differ materially. While Harborside believes there is a reasonable basis for these targets, such targets may not be met. These targets represent forward-looking information and do not assume completion of any acquisitions. Actual results may vary and differ materially from the targets. Accordingly, investors are cautioned not to place undue reliance on the foregoing information. See "Cautionary Note Regarding Forward-Looking Information" and "Assumptions" below.

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 and United States securities legislation. To the extent any forward-looking information in this news release constitutes "financial outlooks" or "future-oriented financial information" within the meaning of applicable Canadian securities laws, the reader is cautioned not to place undue reliance on such information. 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 include, among other things, statements with respect to future company performance, growth, profitability, production capacity and gain in market share, new store openings, acquisition opportunities, the Company's corporate strategy moving forward, and the information under the headings "Management Commentary" and "Full Year 2021 Expectations".

Financial outlooks and future-oriented financial information, as with forward-looking information generally, are, without limitation, based on the assumptions and subject to various risks as set out herein. The Company's actual financial position and results of operations may differ materially from management's current expectations and, as a result, the Company's revenue and Adjusted EBITDA for fiscal year 2021 may differ materially from the financial outlooks and future-oriented information provided in this news release.

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: 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 cannabis markets where the Company operates; changing consumer habits; the ability of the Company to successfully achieve its business objectives; plans for expansion and acquisitions; political and social uncertainties; inability to obtain adequate insurance to cover risks and hazards; employee relations; the presence of laws and regulations that may impose restrictions on cultivation, production, distribution, and sale of cannabis and cannabis-related products in the markets where the Company operates; and the risk factors set out in the Company's management discussion and analysis for the period ended March 31, 2021 and the Company's listing statement dated May 30, 2019, which are available under the Company's profile on www.sedar.com. 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, through several of its subsidiaries, 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, investors should note that there are significant legal restrictions and regulations that govern the cannabis industry in the United States. Cannabis remains a Schedule I drug under the US Controlled Substances Act, making it illegal under federal law in the United States to, among other things, cultivate, distribute or possess cannabis in the United States. Financial transactions involving proceeds generated by, or intended to promote, cannabis-related business activities in the United States may form the basis for prosecution under applicable United States federal money laundering legislation.

While the approach to enforcement of such laws by the federal government in the United States has trended toward non-enforcement against individuals and businesses that comply with recreational and medicinal cannabis programs in states where such programs are legal, strict compliance with state laws with respect to cannabis will neither absolve the Company of liability under United States federal law, nor will it provide a defense to any federal proceeding which may be brought against the Company. The enforcement of federal laws in the United States is a significant risk to the business of the Company and any proceedings brought against the Company thereunder may adversely affect the Company's operations and financial performance.

This news release does not constitute an offer to sell, or a solicitation of an offer to buy, any securities in the United States. The Company's securities have not been and will not be registered under the United States Securities Act of 1933, as amended (the "U.S. Securities Act") or any state securities laws and may not be offered or sold within the United States or to U.S. Persons unless registered under the U.S. Securities Act and applicable state securities laws or an exemption from such registration is available.

Assumptions

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

- Targets are based on historical results including the consolidated results of operations for the year ended December 31, 2020;
- Targets are subject to improved flower yields and additional cultivation cost improvement plans being realized during fiscal year 2021;
- Both retail and wholesale revenue sustainability and growth depend on a variety of factors, including among other things, location, competition, legal and regulatory requirements. Pricing is projected using a combination of ongoing and anticipated market trends, as well as recently realized wholesale and retail prices; and

- Cost of goods sold, before taking into account the impact of fair value changes in biological assets (which are non-cash in nature, and, accordingly, are excluded from calculations of Adjusted EBITDA), has been projected based on estimated costs of production and capacity available from a vertically integrated supply chain. Cost of goods sold relating to retail inventory purchased from third-parties has been projected in line with historical levels, which is approximately 50%. Across its retail and wholesale businesses, the Company assumes blended adjusted gross margin to be approximately 38%. However, gross margin can be influenced by a number of factors including, among other things, the cost and yields of cannabis cultivation and production, wholesale cannabis prices, and other relevant factors.

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