

Nutritional High Announces Financial Results for 2019 Third Quarter

Q3 2019 Cannabis Sales Growth of 368% Year Over Year; Continuous Upward Momentum With Highest Quarterly Revenue to Date

TORONTO, July 02, 2019 -- Nutritional High International Inc. ("**Nutritional High**" or the "**Company**") (CSE: EAT, OTCQB: SPLIF, FRANKFURT: 2NU) is pleased to announce its financial and business results and wishes to provide highlights and commentary on the results for the third quarter ended April 30, 2019.

| | <u>Q3 2019</u> | <u>Q2 2019</u> | <u>Change</u> | <u>Q3 2018</u> | <u>Change</u> |
|--|-----------------|-----------------|-----------------|-----------------|-----------------|
| Revenue | \$6,154 | \$6,063 | \$91 | \$1,674 | \$4,479 |
| COGS | \$4,523 | \$4,548 | -\$25 | \$1,347 | \$3,177 |
| Gross Profit | \$1,630 | \$1,514 | \$116 | \$328 | \$1,303 |
| <i>Gross Margin %</i> | 26.5% | 25.0% | 1.5% | 19.6% | 6.9% |
| Lease and Interest Revenue* | \$0 | \$53 | -\$53 | \$366 | -\$366 |
| Operating Expenses | \$8,074 | \$7,092 | \$982 | \$2,689 | \$5,385 |
| Other Income (Loss) | -\$3,050 | -\$1,026 | -\$2,024 | -\$277 | -\$2,773 |
| Net and Comprehensive Income/(Loss) | -\$9,741 | -\$6,805 | -\$2,936 | -\$2,397 | -\$7,344 |
| Earnings/(Loss) per Share | -\$0.032 | -\$0.023 | -\$0.009 | -\$0.009 | -\$0.023 |

All Figures in Thousands CAD, unless otherwise stated

Green Therapeutics (Nevada) and Palo Verde (Colorado) financials are not consolidated in these results

* Historically, revenue was derived from lease and interest income; beginning fiscal Q3 2018, the Company started to earn revenue from Cannabis sales

Q3 2019 Financial Highlights:

- Revenue
 - **\$6.2 million** from the sale of Cannabis related products primarily via its wholly owned distributor in California, Calyx Brands Inc. ("Calyx").
 - Represents an annualized revenue run rate of **\$24.6 million**
 - Five quarters of continuous revenue growth starting Q3 2018, with the latest quarter representing an increase of **368% year over year** in Cannabis sales.
 - At the end of January 31, 2019, the Company has now recognized a trailing twelve-month revenue from Cannabis sales of approximately **\$22.1 million**.
 - Management fully expects to strengthen revenue growth from Calyx in the coming months, post activation of its new distribution facility in Chatsworth (more details below). The Company's new facility enables Calyx to service the Southern California market from a local center, shortening sales cycles, increasing throughput volume and **effectively uncapping revenue**.
- Gross Profit of **26.5%**, indicating cost of goods sold of \$4.5 million including costs of product purchase, direct labor related to products sales and an allocation of overhead directly attributable to product sales. Margin improvement of **1.5%** over prior quarter.
- Total operating expenses of \$8.1 million, an increase of **\$1.0 million** over prior quarter and **\$5.4 million** over Q3 2018.
 - In Q3 2019, the Company enhanced its internal controls - procedures designed to provide reasonable assurance that transactions are properly authorized, assets are safeguarded against unauthorized or improper use, and transactions are properly recorded and reported. As part of this, management diligently identified the need to record a loss and reserve on inventory of approximately **\$2.2 million**, composed of **\$1.7 million** in overstatement of inventory and **\$0.5 million** in reserve for slow moving inventory. To ensure that any material recordings such as the above are minimized in the future, management has conducted a detailed review of current systems, workflow processes, and personnel identifying several areas of opportunities for improvements which include but are not limited to: enhancing and updating all SOPs related to inventory management and valuation tracking; reviewing Operations and Finance workflows and implementing advance training as needed; and upgrading key positions and inventory management systems.
 - Excluding the above, year over year increase can also be largely attributed to the ongoing ramp up of Calyx operations and infrastructure to facilitate revenue and margin growth, along with inclusion of operating costs at FLI Labs NorCal and the Company's La Pine facility in Oregon, increased promotional activities at Calyx, increase in corporate marketing costs and addition of members to senior management and strategic advisors.

- Other Income loss of (\$3.0) million in Q3, a change of **(\$2.0) million** versus the prior quarter. The Company recorded the following **one-time/non-recurring items** relating to Pasa Verde LLC ("Pasa Verde"):
 - Impairment: Due to loss of authorization for cannabis manufacturing at Pasa Verde in February 2019, the Company decided to recognize impairment loss (non – cash) of existing intangible assets (license, trade name and customer relationship) and goodwill, of approximately **(\$6.4) million**, also due to a decision of the Company to apply for new local and state licenses.
 - Consideration Payable: as part of the acquisition in July 2018, the Company was obligated to pay up to \$6.9 million ("the Earn-out payment") between 12 and 24 months of the closing date, based on certain performance milestones of Pasa Verde. In connection with the license cancellation in February 2019, Nutritional High has now completed a settlement agreement with the previous owner of Pasa Verde, as a result of which it recognized a gain of approximately **\$4.9 million** due to a reduction in its total consideration payable. The settlement improves the relative financial metrics of the acquisition by significantly reducing future cash obligations, for the Company.

Excluding the above, foreign exchange gain/loss, unrealized changes in fair value of derivative liability relating to the Company's convertible debentures and all other items, totaled another **(\$0.5) million**.

Business Highlights: Q3 2019 and Subsequent

- Nutritional High has **strengthened its top management position** with the appointment of Adam Szweras as CEO in June 2019. Mr. Szweras was a founder of the Company and has been active in its leadership since inception, most recently as Co-Chair of the board. Mr. Szweras is replacing Jim Frazier, who served as CEO of the Company since July 2016, and has stepped down to pursue other business opportunities. Mr. Szweras is a securities lawyer and an investment banking professional with a successful track record of incubating and scaling cannabis focused companies. He is also currently a director of several leading cannabis companies including Aurora Cannabis Inc., Harborside Inc. and Quinsam Capital Corp.
- Calyx has established itself as one of the premier distributors of cannabis products, currently being the **number one distributor of edible brands in California**. It has **delivered five quarters of consecutive revenue growth from Cannabis sales**, with a continuous focus on same store sales growth and expanding its service footprint to currently **600 retail stores** in the State of California. Simultaneously, it has built a robust data warehouse from its millions of sales transactions that can **enable top tier market intelligence and analytics** relating to both product categories/segments and geographic demand.
- Management has executed on its strategy to equip Calyx with the **infrastructure needed to effectively service the rapidly growing California retail landscape**. In June 2019, the Company signed a non-binding letter of Intent ("LOI") with Good Vybes, LLC ("GV") and Hannah Ashby ("Ashby") to provide a Southern California base of operations for Calyx, located in Chatsworth ("Chatsworth"). The Company has also funded the build out completion of Chatsworth, after which, Calyx and Ashby will service Calyx's Southern California clients on an exclusive basis. This additional facility enables the Company to expand the scope of its services to areas such as Los Angeles, Long Beach, Palm Springs/Palm Desert, the Inland Empire and San Diego County.
- In June 2019, the Company received its provisional distribution license from the State of California for NH Distribution California, LLC, located in Sacramento, and will commence distribution operations from this location as well, upon receipt of the Business Operating Permit ("BOP"). The Company's distribution facilities in Oakland, Sacramento and Chatsworth together make up Nutritional High's **top tier distribution network in California**, cementing its capability to service the **1,000 – 2000 dispensaries** expected to open in the State. This extensive network provides the architecture towards a **step change in on time delivery and pickup, delivery accuracy and minimizing storage demands for retailers**.
- Nutritional High also rapidly moving forward with the build-out of FLI Labs NorCal with the goal of **solidifying its manufacturing footprint in California**. The Company has engaged in discussions with the City of Sacramento Cannabis Policy & Enforcement (the "City") and is proceeding to apply for local and State licensing. The Company expects the build-out to be completed before end of 2019, and the BOP is expected to be issued prior to year-end.
- In May 2019, Nutritional High and Green Therapeutics ("GT") amended the MIPA ("Amended Agreement") to exclude certain assets and accompanying intellectual property which were not core to the Company's manufacturing and distribution focused business model, reducing the purchase price by 50% to USD \$9.0 million. Under the Amended Agreement, at closing of the acquisition of a 75% interest in Green Therapeutics, Nutritional High's Nevada operation will include Green Therapeutics' currently operating cultivation and manufacturing licenses, a dispensary license, and a distribution license. Excluded from the Amended Agreement are one cultivation and one manufacturing license, non-core brands marketed by GT in Nevada, and the planned purchase of a parcel of land which had been intended for cannabis cultivation. **By reducing the purchase price and only acquiring the most accretive assets, the amended agreement allows the Company to remain lean and focused on its core value proposition and drive shareholder value**. Closing is pending approval by Nevada State and municipal authorities, expected shortly. In the interim, the Company and Green Therapeutics are considering completing an escrow closing while awaiting State and local approvals. Green Therapeutics' financials are not yet included in Nutritional High's financial reporting.
- In Colorado, the Company currently leases its Pueblo, property and equipment to Palo Verde LLC ("**Palo Verde**"), an independent third-party processor licensed by the State of Colorado, and Palo Verde produces the Company's branded products under a licensing agreement. In May 2019, Colorado Governor Jared Polis signed into law *HB19-1090* -

"Publicly Licensed Marijuana Companies" which repeals the provision that prohibits publicly traded companies from holding a marijuana license. The Bill was passed by the Colorado Legislature on April 27, 2019, and was sponsored by two Democrats and two Republicans. **The new law paves the way for Nutritional High to potentially gain direct ownership interest in MED-licensed entities.** Palo Verde also remains laser focused on **revenue growth**, developing its **own distribution network** and the development of **new product categories** for both the recreational and medical markets. Palo Verde's financials are not included in Nutritional High's financial reporting.

- In Washington, the locally licensed entity to whom Nutritional High has sublicensed the rights for Marley Natural, is currently in the planning process of a Marley re-launch in the state focusing on premium concentrate products. In Oregon, the Company is laser focused on a re-defined commercial plan to capitalize on the fast-growing segments of the market, within the edibles, concentrates and pre-rolls categories.
- In March 2019, the Company entered into a consulting agreement with Thai political operator and businessman, Tom Kruesopon, to **develop business opportunities for Nutritional High in Asia**. Mr. Kruesopon will assist Nutritional High in developing opportunities in legal jurisdictions across Asia, as well as bringing Asian brands and products to North America. As part of the arrangement, Apple Wealth Holding Company Limited ("AWH"), an affiliate of Mr. Kruesopon, completed a non-brokered private placement (the "Offering") whereby AWH purchased an aggregate of 5,000,000 common shares for gross proceeds of C\$1,350,000.
- The Company continues to **manage its cash position to ensure liquidity and execution of its growth initiatives**. Notably, on May 29, 2019 ("Closing Date"), the Company closed a brokered private placement and issued 18,117,000 Units at \$0.20 per Unit, for gross proceeds of **\$3,623,400**. Concurrently, 7,670,000 Units were issued in the non-brokered private placement at \$0.20 per Unit, for gross proceeds of **\$1,534,000**. Each Unit consists of one Common Share and one Common Share purchase warrants ("Warrant"). Each Warrant entitles the holder to purchase one Common Share, at a price of \$0.30 for a period of 36 months (the "Expiry Date") from Closing Date.

"Own the pipeline, control the shelf space - That is the strategy on which we continue to focus as we continue on our way to becoming a market leader in cannabis extraction, infused product manufacturing, branded products and distribution," commented Adam Szweras, CEO of Nutritional High. "Our model in California has started to show its impact on our performance and we intend to replicate that strategy in the other states where we operate. The Green Therapeutics deal is expected to close next quarter and together with the new developments in Colorado and Washington, Nutritional High's business plan is coming to fruition and we're poised for success well beyond 2019. As part of our corporate strategy, we will aggressively seek out M&A opportunities with the right players in the cannabis distribution and manufacturing space to create further value accretion for our shareholders."

About Nutritional High International Inc.

Nutritional High is focused on developing, manufacturing and distributing products under recognized brands in the cannabis products industry, with a specific focus on edibles and oil extracts for medical and adult recreational use. The Company works exclusively with licensed facilities in jurisdictions where such activity is permitted and regulated by state law.

The Company follows a vertically integrated model with a fully developed strategy for acquisitions in extraction, production, sales, and distribution sectors of the cannabis industry. Nutritional High has brought its flagship FLI™ edibles and extracts product line from production to market through its wholly owned subsidiaries in California and Oregon, as well as Colorado where its FLI™ products are manufactured by a third-party licensed producer. In California, the Company distributes its products and products manufactured by other leading producers through its wholly owned distributor Calyx Brands Inc. and is entering the Nevada, Washington State and Canadian markets in the near future.

For updates on the Company's activities and highlights of the Company's press releases and other media coverage, please follow Nutritional High on [Facebook](#), [Twitter](#) and [Instagram](#) or visit www.nutritionalhigh.com.

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