

Nutritional High to Acquire California Vertically Integrated Cannabis Operator OutCo Labs

Toronto, Ontario--(Newsfile Corp. - January 29, 2021) - Nutritional High International Inc. (**CSE: EAT**) ("**Nutritional High**" or the "**Company**") is pleased to announce that yesterday it has signed a binding letter agreement (the "**Agreement**") to acquire 100% of California-based OutCo Labs Inc. ("**OutCo**") (the "**Transaction**"). Founded in 2015, OutCo is a fully-vertically integrated, California-based licensed cannabis producer.

OutCo specializes in manufacturing and retailing premium quality cannabis flower and high margin extract products including award-winning vape cartridges, tinctures, topicals, capsules and flower products which are sold under in-house brands through wholly owned retail stores and 3rd party dispensary clients throughout California. OutCo is an established operator in the California cannabis landscape with annual run rate revenues of approx. USD \$8.0 million. Led by a team of innovative entrepreneurs and talented extraction and product manufacturing professionals, OutCo operates a 15,000 sq. ft. vertically integrated cultivation, extraction, and product manufacturing facility situated in El Cajon, California. The commercial-scale manufacturing facility in El Cajon has excellent space and infrastructure to house an expanded marijuana infused products ("**MIPs**") manufacturing operation including the production of edibles. In addition, OutCo owns and operates two of the five licensed dispensaries located in unincorporated San Diego County as well as a cultivation operation in Mendocino County.



Cannabis Flower

To view an enhanced version of this graphic, please visit:

https://orders.newsfilecorp.com/files/7105/73165_544a969e24290ad7_002full.jpg



High THC Caplets

To view an enhanced version of this graphic, please visit:

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Full Spectrum Sauce Cartridge

To view an enhanced version of this graphic, please visit:

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The California cannabis market remains the largest in the United States. According to BDS Analytics, spending for legal cannabis use reached \$3.2B in the state between January and November 2020 and is projected to exceed \$4B by 2022. It is anticipated that if the Transaction is completed that OutCo will be the engine of growth for Nutritional High in California and will serve as a platform to launch the Company's proprietary brands across the state. OutCo's deep knowledge of the California market coupled with top tier expertise in product manufacturing, sales, and marketing is expected to enable the proliferation of Nutritional High's products throughout California.

Transaction Highlights

- Accelerates Top-Line Growth, OutCo adds USD \$8.0 million of annual run rate revenue
- Increased scale and broader access to capital
- Manufacturing and cultivation capacity will support the introduction of Nutritional High's full suite of

- branded products in California
- Top selling OutCo-branded products (Thrive and Outco) enhance premium brand recognition
- Opportunity to manufacture and wholesale OutCo's higher-margin branded products across Colorado and Oregon
- Cost synergies in commercial execution, manufacturing operations and company-wide G&A

Management Commentary

John Durfy, CEO of Nutritional High, commented, "This acquisition is transformative for Nutritional High and will provide the Company with a platform to execute our expansion into California. We've examined multiple entry-points to establish in-house production and robust commercialization capabilities in California and this transaction checked every box. It is expected to accelerate top-line growth, enable efficiencies across our operations through the addition of OutCo's highly skilled operating team and bring a pipeline of market and product expansion potential that we expect to execute on over the next several years. We're looking forward to working closely with Lincoln Fish and his team to work on growth and optimization initiatives together."

Mr. Durfy continued, "We exited the distribution business in California with the goal of pivoting into higher margin product manufacturing. This acquisition combined with yesterday's conditional regulatory approval in Colorado will help achieve that goal and offer significant strategic value to our U.S. cannabis strategy. We're eager to deploy Palo Verde's technology and expertise in cold ethanol extraction into California and OutCo's product manufacturing know-how will be instrumental in ramping up sales in Colorado and Oregon. California remains the crown jewel of the U.S. market and we have secured our foothold as a player in that market. OutCo has proven itself to be one of the top operators in California and we look forward to welcoming OutCo's seasoned team to Nutritional High. Our redefined presence now in the three primary states of California, Colorado and Oregon will act as a foundation for potentially multiple bolt-on synergistic acquisitions in these markets over the coming months."

Adam Szweras, Chairman of Nutritional High, commented, "This acquisition is a major step towards our goal of repositioning Nutritional High back into the high margin segments of the industry: extraction and manufacturing. This transaction is a testament to the execution capability of the new management team in John Durfy and Rob Wilson, and I look forward to seeing them continue to grow the business in conjunction with Lincoln Fish, OutCo's CEO, and the rest of the OutCo C-level team who will be integrated as part of our leadership team."

Lincoln Fish, CEO of OutCo added, "We could not be more excited about becoming part of Nutritional High. The new management is driving a remarkable turnaround and our combined capabilities, together with some of the short-term strategic moves already in the works, will make this one of the public companies in the US Cannabis space to watch in the coming weeks and months. John Durfy is the right person to lead this charge and the OutCo team is the right one to execute the plan in California and beyond."

Transaction Details

Pursuant to the Agreement signed on January 28, 2021, Nutritional High will acquire 100% of OutCo for total consideration of: (i) CAD \$9.537 million payable in Nutritional High stock at a deemed issue price of CAD \$0.015 per share; (ii) the assumption of CAD \$2.543 million of OutCo's liabilities; (iii) 42,386,667 common share purchase warrants of Nutritional High each exercisable into one common share at a price of CAD \$0.03 for a period of two years (the "**A Warrants**"); (iv) 25,432,000 common share purchase warrants of Nutritional High each exercisable into one common share at a price of CAD\$0.05 for period of two years (the "**B Warrants**"); and (v) additional consideration of up to US\$3.0 million payable in Nutritional High stock, upon completion of certain milestones.

Both the expiry date of the A Warrants and the B Warrants will be accelerated requiring exercise within 60 days if the 10-day VWAP of Nutritional High shares is equal to or greater than CAD \$0.048 in the case of the A Warrants and CAD \$0.08 in the case of the B Warrants. Issuance of the A Warrants is

subject to regulatory approval.

On closing of the Transaction, OutCo will be entitled to appoint one (1) director to the Board of Nutritional High to be approved by both OutCo and Nutritional High. In addition, the Company will appoint one (1) additional independent director to be approved by both parties.

The Nutritional High shares to be issued in connection with the Transaction will be subject to a contractual escrow that will provide for the release of such shares over an eighteen (18) month period with 25% being released on the date of issuance and 25% every six (6) months thereafter.

In connection with the Transaction, Nutritional High will enter into a lease agreement with East Hill Properties LLC ("**East Hill**") for the right to operate on East Hill's licensed 1.0-acre outdoor cultivation and licensed 12,000 square foot nursery in Mendocino, California.

The Transaction is subject to a number of conditions, including but not limited to, final due diligence by the respective parties, execution of a definitive acquisition agreement (the "**Definitive Agreement**") which shall supersede the Agreement, receipt of applicable corporate approvals, and other regulatory and/or governmental approval. There can be no assurance that the Transaction will be completed as proposed or at all.

FMI Capital Advisory Inc. is acting as exclusive financial advisor to Nutritional High in connection with the Transaction.

About Nutritional High International Inc.

Nutritional High is focused on developing and manufacturing branded products in the cannabis industry, with a specific focus on edibles and oil extracts for medical and adult recreational use. The Company works exclusively in jurisdictions where such activity is permitted and regulated by state law. Nutritional High has brought its flagship FLI™ edibles and vape product lines from production to market in various markets including Colorado where its award winning FLI™ products are manufactured by Palo Verde, LLC. The Company signed a purchase agreement for Palo Verde and on Jan. 28th 2021, received conditional Colorado regulatory approval. 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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This news release may contain forward-looking statements and information based on current expectations. These statements include statements regarding the timing and ability to complete the Transaction on the terms described herein; the Transaction serving as an engine of growth for the Company in California and a platform to launch the Company's proprietary products across the state; the ability to achieve cost synergies; the impact on the Company's top line growth; the ability to complete further synergistic acquisitions; the ability of OutCo to execute on its strategy. These statements should not be read as guarantees of future performance or results. Such statements involve known and unknown risks, uncertainties and other factors that may cause actual results,

performance or achievements to be materially different from those implied by such statements. This forward-looking information reflects the Company's current beliefs and is based on information currently available to the Company and on assumptions the Company believes are reasonable. These assumptions include, but are not limited to: the ability of the Company to successfully satisfy the conditions to closing the Transaction, the ability of OutCo and the Company to successfully execute on their respective business plans; legal changes relating to the cannabis industry proceeding as anticipated; and the Company's continued response and ability to navigate the COVID-19 pandemic being consistent with, or better than, its ability and response to date.

*The Company's securities have not been registered under the U.S. Securities Act of 1933, as amended (the "**U.S. Securities Act**"), or applicable state securities laws, and may not be offered or sold to, or for the account or benefit of, persons in the United States or "U.S. Persons", as such term is defined in Regulation S under the U.S. Securities Act, absent registration or an applicable exemption from such registration requirements. This press release shall not constitute an offer to sell or the solicitation of an offer to buy nor shall there be any sale of the securities in the United States or any jurisdiction in which such offer, solicitation or sale would be unlawful.*

Additionally, there are known and unknown risk factors which could cause the Company's actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by the forward-looking information contained herein. Such risks and other factors may include, but are not limited to: general business, economic, competitive, political and social uncertainties; general capital market conditions and market prices for securities; the actual results of the Company's future operations; competition; changes in legislation affecting the Company; obtaining and maintaining regulatory approvals including acquiring and renewing U.S. state, local or other licenses, the uncertainty of existing protection from U.S. federal or other prosecution, regulatory or political change such as changes in applicable laws and regulations, including U.S. state-law legalization, market and general economic conditions of the cannabis sector or otherwise; the timing and availability of external financing on acceptable terms; lack of qualified, skilled labour or loss of key individuals; risks related to the COVID-19 pandemic including various recommendations, orders and measures of governmental authorities to try to limit the pandemic, including travel restrictions, border closures, non-essential business closures, service disruptions, quarantines, self-isolations, shelters-in-place and social distancing, disruptions to markets, economic activity, financing, supply chains and sales channels, and a deterioration of general economic conditions including a possible national or global recession; and a deterioration of financial markets that could limit the Company's ability to obtain external financing.

A description of additional risk factors that may cause actual results to differ materially from forward-looking information can be found in the Company's disclosure documents on the SEDAR website at www.sedar.com. Although the Company has attempted to identify important factors that could cause actual results to differ materially from those contained in forward-looking information, there may be other factors that cause results not to be as anticipated, estimated or intended. Accordingly, readers should not place undue reliance on forward-looking information. Readers are cautioned that the foregoing list of factors is not exhaustive. Readers are further cautioned not to place undue reliance on forward-looking information as there can be no assurance that the plans, intentions or expectations upon which they are placed will occur. Such information, although considered reasonable by management at the time of preparation, may prove to be incorrect and actual results may differ materially from those anticipated.

Forward-looking information contained in this press release is expressly qualified by this cautionary statement. The forward-looking information contained in this press release represents the expectations of the Company as of the date of this press release and, accordingly, are subject to change after such date. However, the Company expressly disclaims any intention or obligation to update or revise any forward-looking information, whether as a result of new information, future events

or otherwise, except as expressly required by applicable securities law



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