

# High Fusion Inc. Announces Financial Results for the First Quarter Ending October 31, 2021

Toronto, Ontario--(Newsfile Corp. - January 20, 2022) - High Fusion Inc. (CSE: FUZN) ("High Fusion" or the "Company") is pleased to announce its financial results for the first quarter ended October 31, 2021.

## First Quarter Financial Highlights

- On August 31, 2021 the Company closed the acquisition of the business of OutCo Labs Inc. ("OutCo") through the purchase of substantially all the assets associated with the business including: control and management of all licenced entities; intellectual property; equipment and land. Based in San Diego California, the acquired business specializes in manufacturing and retailing premium quality cannabis flower and extract products under the OutCo name with 2019 and 2020 annual revenues of approximately US \$8.6 million and US \$8.2 million, respectively. Refer to the press release dated January 4, 2022 and Business Acquisition Report filed on December 1, 2021 including the audited financial statements for the year ended December 31, 2020 with comparative qualified statements for the year ended December 31, 2019.
- On August 27, 2021 the Company announced that in accordance with the previously approved shareholder resolution, its common shares will consolidate on a twenty (20) for one (1) basis with a record and effective date of September 3, 2021. All references to share amounts and share prices herein are on the post-consolidation basis.
- On September 29, 2021 the Company obtained approval from its shareholders to establish a class of multiple voting shares and to change the Common Shares of the Corporation to Subordinate Voting Shares ("Shares"). In addition, approval was obtained to change the name of the Company to "High Fusion Inc.". The Company name change took effect November 15, 2021 and on November 16, 2021 the Shares commenced trading on the CSE under the High Fusion name.
- On November 22, 2021 the Company announced that it intends to complete a financing into a subsidiary of the Company, Neural Therapeutics Inc. The financing will be by way of a non-brokered private placement. It is anticipated that Neural Therapeutics will subsequently undertake a spin-off as a stand-alone business with High Fusion maintaining a minority stake.
- On November 24, 2021 the Company announced that it received recreational licenses for both of the retail dispensaries acquired from OutCo.

"We are very pleased to report our first quarter where we are including the results from our acquisition of the business of OutCo which closed on August 31, 2021," stated John Durfy, CEO of High Fusion.

"These reported numbers only include two months of results from OutCo and do not reflect the potential significant upside we expect from the recent county approval for expansion and receipt of recreational licences in November of last year. We believe the Company is poised for significant growth this year in California as well as Colorado and Oregon."

## Summary Income Statement

	Three months ended October 31, 2021	Three months ended October 31, 2020
Total sales	1,329,847	-
Cost of goods sold ("COGS")	936,106	-
Gross Profit	393,741	-
Interest income	-	49,904

Operating expenses	1,904,509	1,136,816
Other items	158,726	(28,999)
Net loss before tax	(1,669,494)	(1,057,913)
Net income (loss) from discontinued operations	-	(819,241)
Net comprehensive loss	(1,469,440)	(1,877,154)
Income/(Loss) per share (basic)	(0.03)	(0.08)
Income/(Loss) per share (diluted)	(0.03)	(0.08)

- During the three months ended October 31, 2021 the Company's revenues were \$1.3 million representing two months of the OutCo business acquired in August 31, 2021;
- Revenues and cost of goods sold for the quarter ended October 31, 2021 also includes Palo Verde which was acquired on March 12, 2021. Due to a change in management and equipment maintenance the results from Palo Verde have been lower than anticipated. As more working capital is invested into the Palo Verde business, management expects revenues and margins to improve; and
- Operating expenses increased to \$1.9 million during the quarter ended October 31, 2021 compared with \$1.1 million during the corresponding period of the prior year. This increase was primarily due the inclusion of general, administrative expenses and depreciation expenses associated with the business of OutCo as well as transaction costs associated with the acquisition.

## Summary Balance Sheet

	<b>31-Oct-21</b>	<b>31-Jul-21</b>
Current Assets	9,392,886	1,713,508
Total Assets	22,801,174	7,279,397
Total Liabilities	23,227,302	13,442,017
Shareholder's Equity/(Deficit)	(426,128)	(6,162,620)

The most significant changes to the balance sheet during the first quarter were as follows:

- Increase in current assets and liabilities associated with payables, receivables and inventory acquired with the business of OutCo;
- The addition of leasehold improvements, land and goodwill added to non-current assets as a result of the acquisition of the business of OutCo; and
- Inclusion of a \$3.7 million note payable to current liabilities associated with the land acquired as part of the acquisition of the business of OutCo.

## Update on Management Cease Trade Order

As a result of the complications of including the business of OutCo acquired during the quarter, the Company experienced a delay in the completion of its first quarter financial statements for the period ending October 31, 2021. On December 16, 2021, the Company applied for and was granted on December 31, 2021 a temporary management cease trade order ("**MCTO**") under National Policy 12-203 - *Management Cease Trade Orders* ("**NP 12-203**")

With the completion and filing of the first quarter financial statements, the Company has met the deadline under the MCTO. The Company will advise if and when the MCTO has been revoked.

## About High Fusion Inc.

High Fusion Inc. (formerly Nutritional High International Inc.) is focused on developing and manufacturing branded products in the cannabis industry with a specific focus on flower, pro-rolls, vapes, edibles and oil extracts for medical and adult recreational use. The Company operates and controls licenses in California, Colorado and Oregon.

High Fusion has manufacturing, retail and grow operations in California through its acquisition of the business of OutCo and owns and operates oil extraction and edible manufacturing facilities in Colorado and Oregon. The Company's brand portfolio includes its award winning FLI™ edibles and vape product, along with a number of new brands including Red Octopus and Dubbi Brothers in addition to the OutCo and Thrive brands recently acquired.

Neural Therapeutics Inc. is a wholly-owned subsidiary of High Fusion focused on ethnobotanical drug-discovery and development company. Neural Therapeutics is focused on developing products and conducting research on the psychoactive cacti plants with the primary objective to find where the historical use in traditional medicine has proven to be effective and capitalize on the opportunities that can be applied in modern medical and natural health product markets.

For updates on the Company's activities and highlights of the Company's press releases and other media coverage, please visit [www.high-fusion.com](http://www.high-fusion.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 upside to the Company from the recent county approval for expansion and receipt of recreational licences in November of last year; the anticipated growth of the Company; the improvement in revenues and margins the timing and ability to complete the Neural Therapeutics financing and spin-out. 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 execute its business plans; legal changes relating to the cannabis and psychedelic industries 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*

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*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](http://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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