

# High Fusion Inc. Announces Financial Results for the Second Quarter Ending January 31, 2022

Toronto, Ontario--(Newsfile Corp. - April 4, 2022) - High Fusion Inc. (**CSE: FUZN**) ("**High Fusion**" or the "**Company**") is pleased to announce its financial results for the second quarter ended January 31, 2022.

## First Quarter Highlights

- During the quarter ended January 31, 2022 the Company achieved sales of \$2,061,750 compared with \$0 during the corresponding quarter of 2021. This increase was due to the inclusion of the business of OutCo Labs Inc. ("OutCo") acquired in the first quarter.
- During the second quarter the Company achieved gross profit of \$296,852 (14.4% gross margin). After adjusting for losses associated with an extraordinary poor harvest at the outdoor grow in Mendocino, gross profit was \$501,231 during the quarter (24.3% gross margin).
- A series of changes adopted by the San Diego County Board of Supervisors in November 2021 are expected to positively effect both sales and profit margin. Such changes include: approval to sell recreationally; manufacture and sale of edible products; and expansion and build-out on existing cannabis facilities.

Source: San Diego County Board of Supervisors: <https://bosagenda.sandiegocounty.gov/cob/cosd/cob/doc?id=0901127e80da8d00>.

- With the acquisition of the business of OutCo the Company experienced significant growth in its balance sheet as total assets grew to \$22.7 million due to higher inventory, capital assets and goodwill. Total liabilities also grew to \$20.9 million at January 31, 2022, due to the addition of a mortgage note associated with the Mendocino land purchase as well as an increase in accounts payable.
- Subsequent to the end of the quarter, liabilities were reduced by approximately \$3.7 million through the conversion of \$1.8 million of August 2019 Secured Convertible Debenture and the settlement of \$1.9 million in outstanding loans and payables in exchange for subordinate voting shares of the Company.
- On February 2, 2022, Neural Therapeutics Inc., a subsidiary of the Company, completed a financing securing gross proceeds of \$750,000. As a result of the financing together with settlement of other liabilities associated with this subsidiary, Neural Therapeutics became a stand-alone business with High Fusion maintaining a minority stake.
- On March 4, 2022, the Company entered into a distribution agreement with Punch Edibles which sells to approximately 300 stores throughout California. The Company will be working with a defined marketing budget to promote its award-winning OutCo-branded vape products and is targeting to achieve adoption in approximately 200 dispensaries over the first a year of the agreement.
- On March 14, 2022, the Company closed a one-year, secured loan facility in the principal amount of US\$472,500. As part of the loan facility, the lenders were issued 2,250,000 subordinate voting share purchase warrants. Each warrant will entitle the holder to purchase one subordinate voting share of the Company at a price of \$.075 and for a period of two years.

"We are very pleased to report our second quarter which includes a full three month's results from our acquisition of the business of OutCo," stated Robert Wilson, CFO of High Fusion. "While the second

quarter results do not reflect the expected growth from recreational sales, we have seen improvements in our third quarter retail sales which we expect to continue through the year. In addition, our recently announced distribution agreement with Punch Edibles is expected to improve our wholesale revenues with greater reach of our OutCo brand in the California market."

## Summary Income Statement

	Three months ended January 31, 2022	Three months ended January 31, 2021
Total sales	2,061,750	-
Cost of goods sold ("COGS")	(1,764,898)	-
Gross Profit	296,852	-
Interest income	-	46,651
Operating expenses	3,313,878	410,739
Other items	(1,136,652)	12,742,954
Net loss before tax	(1,880,374)	(13,107,042)
Net income (loss) from discontinued operations	-	10,590,455
Net comprehensive loss	(2,162,208)	(2,516,587)
Income/(Loss) per share (basic)	(0.04)	(0.06)
Income/(Loss) per share (diluted)	(0.04)	(0.06)

	Six months ended January 31, 2022	Six months ended January 31, 2021
Total sales	3,391,597	-
Cost of goods sold ("COGS")	(2,701,004)	-
Gross Profit	690,593	-
Interest income	-	96,555
Operating expenses	5,218,387	1,547,555
Other items	(977,926)	12,723,256
Net loss before tax	(3,549,868)	(14,174,256)
Net income (loss) from discontinued operations	-	9,771,214
Net comprehensive loss	(3,631,650)	(4,393,741)
Income/(Loss) per share (basic)	(0.07)	(0.13)
Income/(Loss) per share (diluted)	(0.07)	(0.13)

- For the three months ended January 31, 2022, the Company recognized sales of \$2,061,750 which represents results from the business of OutCo, compared with \$0 during same three-month period of the prior year. Gross profit from NHLLC during the three months ended January 31, 2022 was \$285,574 compared with \$0 during same three-month period of the prior year. The increase in revenues and gross profit during the quarter ended January 31, 2022 compared with the second quarter of the previous year was due to the acquisition of the OutCo business.
- During the three-month period ended January 31, 2022 the Company achieved gross profit margin of 14.4% compared with 29.6% achieved in the first quarter ended October 31, 2021. This decline was primarily a result of the higher costs due to an extremely wet harvest at Company's outdoor grow in Mendocino California. After adjusting for the second quarter losses associated with the outdoor grow, gross margin during the quarter ended January 31, 2022 was 24.3%.
- Total operating expenses during the three months ended January 31, 2022, were \$3,313,878 compared with \$410,739 during the corresponding period of the prior year. Total operating expenses during the six months ended January 31, 2022, were \$5,218,387 compared with \$1,547,555 during the corresponding period of the prior year. These increases in the three and six months were primarily due to increases in salaries, benefits and consulting fees associated with the inclusion of the business of OutCo.
- Other items during the three and six month period ended January 31, 2022 represented a gain of \$1,136,652 and \$977,926 respectively. These gains are compared with a loss of \$12.7 million during the corresponding periods of the previous year primarily due to a charge related to the disposal of Calyx.

## Summary Balance Sheet

	January 31, 2022	July 31, 2021
Current Assets	5,472,892	1,713,508
Total Assets	22,713,441	7,279,397
Total Liabilities	20,858,318	13,442,017
Shareholder's Equity/(Deficit)	1,855,123	(6,162,620)

**Table 2**

To view an enhanced version of Table 2, please visit:

[https://orders.newsfilecorp.com/files/7105/119152\\_table%20%20high%20fusion.jpg](https://orders.newsfilecorp.com/files/7105/119152_table%20%20high%20fusion.jpg).

- With the acquisition of the business of OutCo the Company experienced significant growth in inventory, capital assets and goodwill. As a result, total assets grew to \$22.7 million as at January 31, 2022, compared with \$7.3 million as at July 31, 2021. Total liabilities grew to \$20.9 million at January 31, 2022, from \$13.4 million at July 31, 2021. This increase in liabilities was primarily due to the addition of a \$3.8 million mortgage note associated with the Mendocino land purchase as well as \$2 million increase in accounts payable.

### **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, OutCo, Thrive, and Red Octopus. The Company's OutCo and Thrive brands in California are distributed through Punch Edibles.

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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### **Caution Regarding Forward-Looking Information:**

*NEITHER THE CANADIAN SECURITIES EXCHANGE NOR OTC MARKETS GROUP INC., NOR THEIR REGULATIONS SERVICES PROVIDERS HAVE REVIEWED OR ACCEPT RESPONSIBILITY FOR THE ADEQUACY OR ACCURACY OF THIS RELEASE.*

*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 licenses in November of last year; the anticipated growth of wholesale revenues resulting from the distribution agreement with Punch Edibles; the improvement in revenues and statements regarding the development of the Company's business. 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 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](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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