

# High Fusion Inc. Announces Financial Results for the Third Quarter Ending April 30, 2022

Toronto, Ontario--(Newsfile Corp. - July 4, 2022) - High Fusion Inc. (**CSE: FUZN**) ("**High Fusion**" or the "**Company**") is pleased to announce its financial results for the third quarter ended April 30, 2022.

## Third Quarter Highlights

- During the third quarter and nine-month period ended April 30, 2022, the Company achieved sales of \$1,294,792 and \$4,668,401 respectively compared with \$50,753 during the corresponding periods of 2021. This increase was due to the inclusion of the business of OutCo Labs Inc. ("OutCo") acquired in the first quarter of fiscal 2022.
- With the acquisition of the business of OutCo the Company undertook a review of the costing and valuation of inventory at the main operating subsidiary, Downwind 27 Inc. As a result of this review the Company's work in process at its El Cajon facility has been written down, bringing total value of inventory as at April 30, 2022, to \$2.1 million from \$4.8 million at the end of the previous quarter.
- The inventory write down included a revaluation of inventory acquired from the Outco business and required a re-costing of the remaining work in progress inventory. As a result of the inventory re-costing, the third quarter and nine month's cost of sales is lower because it reflects this adjustment.
- 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 \$20 million as at April 30, 2022, compared with \$7.3 million as at July 31, 2021. Total liabilities grew to \$16.8 million at April 30, 2022, from \$13.4 million at July 31, 2021. This increase in liabilities was primarily due to the addition of a US\$2.65 million mortgage note associated with the Mendocino land purchase. Offsetting the growth in liabilities was the conversion of convertible debentures and payables settlement (see below).
- On February 2, 2022, Neural Therapeutics Inc., a subsidiary of the Company, completed a financing securing gross proceeds of \$750,000 by way of a non-brokered private placement of units. As a result of the financing together with settlements of obligations of Neural Therapeutics, this subsidiary became a stand-alone business with High Fusion maintaining a controlling stake.
- On February 16, 2022, the Company converted all of the August 2019 Secured Convertible Debenture representing principal balance of \$1,807,000 plus interest of \$20,914. The debentures were converted into 30,465,690 subordinate voting shares of the Company at a revised conversion price of \$0.06 per share.
- On February 16, 2022, the Company settled outstanding loans and payables representing \$1,962,605 in exchange for subordinate voting shares of the Company at a price of \$0.06 per share. Pursuant to the payables conversion, High Fusion issued 32,710,087 subordinate voting shares, of which, 22,433,569 subordinate voting shares were issued to certain non-arm's length parties to settle \$1,346,014 of obligations (see Related Party Transactions Note).
- On March 4, 2022, the Company entered into a distribution agreement with Punch Edibles which sells to approximately 300 stores throughout California. The Company together with Punch 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 ("Loan Facility"). 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.

- On March 22, 2022, the Company has cancelled its management contract with East Hill Wellness due to depressed outdoor flower prices and significant waste during the most recent growing season. As a result, management deemed the goodwill as \$Nil and has written off \$164,905 into the income statement.
- On April 28, 2022, the Company settled outstanding payables representing \$434,524.87 with the issuance of 8,301,637 subordinate voting shares of the Company.

***Subsequent to the end of the third quarter the company reported the following highlights:***

- On May 31, 2022, the Company signed an agreement to sell its San Diego Natural dispensary in Escondido, California ("SDN") for net proceeds of US\$1.6 million. On June 30, 2022, the agreement was terminated. The Company intends to continue to work towards a sale of San Diego Natural.
- On June 13, 2022, the Company closed a second one-year, secured, loan facility in the principal amount of US\$400,000 ("Second Loan Facility"). As part of the Second Loan Facility, the lenders were issued 2,000,000 subordinate voting share purchase warrants. Each warrant will entitle the holder to purchase one subordinate voting share of the Company at a price of \$.05 and for a period of two years.
- On June 20, 2022, the Company announced the addition of two new directors, Lincoln Fish (CEO Of OutCo Labs Inc.) and Rachel Wright CPA (managing partner of AB FinWright, LLP ). Rachel will also head the audit committee. With these addition Jason Dyck, has resigned from the Company's board.

**Summary Income Statement**

	Three months ended April 30, 2022	Three months ended April 30, 2021	Nine months ended April 30, 2022	Nine months ended April 30, 2021
Total sales	1,294,792	50,753	4,668,401	50,753
Cost of goods sold ("COGS")	(274,777)	(81,034)	(2,842,987)	(81,034)
Gross Profit	1,020,014	(30,281)	1,825,414	(30,281)
Interest income	-	17,605	-	114,160
Operating expenses	1,963,875	2,322,352	7,048,324	3,878,907
Other items	4,100,684	4,496,863	3,036,002	17,201,294
Net loss before tax	(5,044,544)	(6,831,891)	(8,258,912)	(20,996,322)
Net income (loss) from discontinued operations	19,037	85	19,037	9,771,214
Net comprehensive loss	(4,383,189)	(6,883,139)	(7,679,337)	(11,276,880)
Income/(Loss) per share (basic)	(0.04)	(0.15)	(0.12)	(0.54)
Income/(Loss) per share (diluted)	(0.04)	(0.15)	(0.12)	(0.54)

- For the three months and nine months periods ended April 30, 2022, the Company recognized

sales of \$1,294,792 and \$4,668,401 respectively which primarily represents results from the business of OutCo which was acquired in the first quarter of fiscal 2022.

- With the acquisition of the business of OutCo and as part of the purchase accounting of the business, the Company undertook a review of the costing and valuation of inventory at the main operating subsidiary, Downwind 27 Inc. As a result of this review, some of the oil inventory was written off and the costing was adjusted downwards to reflect a more accurate cost of the oil. Consequently, cost of sales in the third quarter ended April 30, 2022, was reduced by \$2,880,285. This includes an adjustment for prior periods cost of sales which was reflected in an adjustment to goodwill during the quarter. This was partially offset by a write down of oil inventory of \$1,416,412 bringing total inventory as at April 30, 2022, to \$2,117,273 million. As a result, the cost of sales during the three months ended April 30, 2022, is lower.
- Cost of sales during the three months ended April 30, 2022, was \$274,777 compared with \$81,034 during same three-month period of the prior year. Also due to the adjustment in cost of sales, gross margin is higher for the quarter ended April 30, 2022, at \$1,020,014 compared with \$30,281 loss in the third quarter of 2021.

## Summary Balance Sheet

	30-Apr-22	31-Jul-21
Current Assets	4,362,334	1,713,508
Total Assets	19,982,446	7,279,397
Total Liabilities	16,801,181	13,442,017
Shareholder's Equity/(Deficit)	3,181,265	(6,162,620)

- 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 \$20 million as at April 30, 2022, compared with \$7.3 million as at July 31, 2021. Total liabilities grew to \$16.8 million at April 30, 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. This increase was offset by the debenture and payable conversions completed during the quarter.

## 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, pre-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 production addition to the OutCo and Thrive brands recently acquired. 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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