



1933 Industries Reports Fourth Quarter and Annual Financial Results for Fiscal Year 2019

The Company reports revenues of \$5.2M in Q4 and \$18.1M for the year

VANCOUVER, B.C., CANADA (November 28, 2019) – 1933 Industries Inc. (the “Company” or “1933 Industries”) (CSE: TGIF) (OTCQX: TGIF), a vertically integrated cannabis consumer packaged goods company, is pleased to announce its fourth quarter (“Q4”) and audited annual financial results for the period ended July 31, 2019 (“Year End”). All amounts expressed are in Canadian dollars.

Highlights:

- Strong balance sheet with a cash position of \$17.6 million, a robust increase of 245% over the previous year of \$5.1 million, allows the Company to fund capital projects, service its debenture payments and continue to grow its operations
- Working capital was \$22.5 million, compared to \$11.0 million at July 31, 2018, representing an increase of 105%
- 44% year over year increase in revenue, totalling \$18.1 million, with a gross margin of \$5.3 million
- 100%-owned Infused Manufacturing (“Infused”) contributed \$9.9 million in annual revenues, a 130% increase over the previous year, while 91%-owned Alternative Medicine Association (“AMA”) contributed \$8.1 million in total revenues
- Steady growth across these subsidiaries netted \$5.2 million in Q4 revenue, the largest reported quarterly revenue to date
- Net loss for the year is \$19.1 million of which, \$5.0 million is attributed to a one-time non-cash impairment write-down of a non-performing subsidiary, \$3.4 million in biomass purchases, non-cash share-based compensation of \$2.2 million, \$1.5 million in interest payments, a one-time non-cash loss on disposal of property and equipment of \$1.9 million and a non-cash accretion expense of \$1.2 million
- Adjusted EBITDA loss of \$10.1 million, compared to \$3.1 million in 2018
- Total assets grew by 49% to \$61.7 million from \$41.3 million at July 31, 2018
- Total liabilities were \$24.5 million at July 31, 2019, compared to \$4.4 million at July 31, 2018, of which \$13.0 million of this increase is attributed to future rent payments of the Company’s new cultivation facility in Las Vegas, Nevada
- IP includes 5 product lines, 100+ product SKUs with major brand traction across 46 U.S. states as well as six licensing partners



Selected Financial Information

All amounts expressed are in Canadian dollars.

Year End 2019 Consolidated Results		
	July 31, 2019	July 31, 2018
Revenues	\$18,059,774	\$12,550,683
Gross margin	\$5,296,980	\$6,351,466
Cash balance	\$17,613,900	\$5,056,183
Net loss	(\$19,111,991)	(\$5,729,052)
Comprehensive loss	(\$19,011,564)	(\$4,791,300)
Adjusted EBITDA loss	(\$10,113,913)	(\$3,078,700)
Basic and diluted loss per share	\$0.08	\$0.03
Total assets	\$61,654,094	\$41,339,616
Total liabilities	\$24,465,690	\$4,356,119
Total equity	\$37,188,404	\$36,983,497
Results of Operations	Q4 2019	Q4 2018
Total revenue	\$5,244,946	\$3,828,993
Gross margin	\$815,690	\$2,197,803
Cash balance	\$17,613,900	\$5,056,183
Net loss	(\$5,688,422)	(\$3,811,765)
Adjusted EBITDA loss	(\$4,287,416)	(\$2,266,992)
Basic and diluted loss per share	\$0.02	\$0.02
Total assets	\$61,654,094	\$41,339,616

44% Year over Year Revenue Growth Without New Facility

The Company's \$5.5 million growth in revenues over the prior year is attributed to the steady increase in AMA's number of cannabis plants and total annual plant yield as well as to Infused's significant product distribution expansion in the United States. Infused's Canna Hemp™ brand of CBD health and wellness products are sold in over 800 retail outlets across 46 states, and via the Company's E-Commerce site.

16% Gross Margin Decrease Until New Facility Ramps up Cultivation

The Company saw a decrease in gross margin from \$6.4 million to \$5.3 million primarily due to increased purchases by AMA of third-party biomass to produce concentrates and final products. The Company anticipates producing sufficient amounts of biomass from its new facility thereby reducing third party purchases, which is expected to significantly improve the realized gross margins. Partially offsetting the increased costs of AMA, Infused



has significantly increased its customer base, which has resulted in improved economies of scale in the production of CBD-based products, positively impacting overall gross margin.

\$37.7 Million Cash Injection by Financing Activities and Strong Cash Position

- The sale of property and equipment increased cash by \$13 million
- The issuance of convertible debenture units increased cash by \$15.5 million
- Common shares issued pursuant to a private placement increased cash by \$4.5 million
- Common shares issued pursuant to exercises of stock options increased cash by \$0.7 million
- Common shares issued pursuant to exercises of warrants and agent options increased cash by \$3.9 million
- Cash on hand at Year End is \$17.6 million

Cost-Cutting Measures in Place to Mitigate Loss

The Company's net loss for the year is \$19.1 million, attributed to a one-time non-cash impairment loss of Spire Global Strategy and one-time non-cash loss on disposal of property and equipment as well as increases in general and administrative costs as the Company continued to scale up its operations and added staffing and resources to support the Company's growth initiatives. The Company continues to incur costs to support its growing infrastructure requirements.

Significant expenditures during the period include property and equipment expenses related to AMA's 67,750 square foot cultivation facility and 12,160 square foot production facility in Nevada and the purchase of the remaining 9% of Infused for \$5.4 million, of which \$1.2 million was cash via a promissory note paid during Q4.

The Company saw an overall increase in expenses as it continues to grow in size and scale. The realignment of core business units such as cultivation, extraction and manufacturing assets and cost-cutting measures in place along all divisions have been a focus in order to lower expenses.

Commentary by Mr. Chris Rebentisch, Chief Executive Officer

"Our second year of operations was met by a surge in market volatility, challenging capital markets and a changing regulatory environment. Although not immune to sector-wide stock pressures and volatility, the Company remains positioned with growth and profitability in mind and we continue on target on this path. We are razor-focused on continuing to ensure the long-term viability of the Company. We have implemented cost cutting measures aimed at reducing our current operating expenses, improving efficiencies



and strengthening our product offerings while building a sustainable foundation.

Exceeding expectations, we increased revenues by 44% from our previous year while awaiting our new cultivation facility to become operational. We oversaw a 130% growth in revenues for our CBD brand portfolio, as well as a 245% increase of cash to execute on our growth plan. By the end of this fiscal year, we had completed the construction of one of Nevada's largest indoor cultivation facilities for premium craft cannabis and had begun to transfer our cannabis plants to the new facility.

Subsequent to the Year End, we entered the California market with a management agreement for cultivation and manufacturing in the state and continue to make progress on our infrastructure projects in Nevada, while targeting promising markets in Arizona and Colorado. Our proprietary Canna Hemp™ brands are emerging as significant players in the industry and continue to grow across the nation. We have also attracted some of the best brands in the industry as licensing partners as we continue to increase market share in Nevada as one of the largest wholesalers of cannabis products to legal dispensaries.

We forecast strong revenue growth in 2020 as we expand our proprietary portfolio of AMA branded THC flower and concentrates, continue innovating our unique, differentiated, quality-based CBD Canna Hemp™ portfolio and as our recently added licensing partnerships bear fruit. We anticipate significant margin improvements as we complete the build-out of new cultivation and production facilities in Nevada and become less reliant on wholesale biomass suppliers. With our focused vision on delivering the highest quality consumer branded goods, we have a disciplined growth path to scale up operations in 2020 and beyond.”

Key Developments During Fiscal 2019

- On September 14, 2018, the Company closed its previous short form prospectus offering for \$17,250,000.
- On September 17, 2018, the Company appointed Mr. Chris Rebentisch to its Board of Directors.
- On September 18, 2018, the Company changed its name to 1933 Industries Inc. from Friday Night Inc.
- On December 6, 2018, the Company commenced trading on the OTCQX®, the OTC Markets' premier tier.
- On March 15, 2019, pursuant to a non-brokered private placement, the Company issued 10,000,000 units at \$0.45 per unit for gross proceeds of \$4,500,000. Each unit consists of one common share and one common share purchase warrant with an exercise price of \$0.50 and an expiry date of March 14, 2021.
- On March 28, 2019, the Company announced that it signed a membership interest



purchase definitive agreement (“the Agreement”) between the holder of the nine percent (9%) of the issued and outstanding membership interests of Infused MFG, and the Company, the beneficial holder of ninety-one percent (91%) of the issued and outstanding membership interests of Infused MFG. The purchase consideration comprised of 7,000,000 common shares with a fair value of \$0.55 per share, 1,000,000 common share purchase warrants with an exercise price of \$0.53 and a fair value of \$0.30 per warrant and a \$1,248,000 (USD\$940,000) promissory note with a 6% interest rate per annum and an expiry date of December 1, 2019, for total purchase consideration of \$5,395,722.

- On May 3, 2019, Mr. Brayden Sutton was appointed Chairman of the Board in addition to his previous positions as Chief Executive Officer and President.
- On May 15, 2019, the Company reported that its subsidiary, AMA, completed a sale and lease back (the “Sale Transaction”) for its newly constructed cannabis cultivation facility in Las Vegas, Nevada. The purchase price for the Sale Transaction was USD\$10,450,000.
- On May 29, 2019, the Company appointed Mr. Chris Rebentisch as Chief Executive Officer.
- On May 30, 2019, the Company appointed Mr. Terry Taouss to its Board of Directors as Mr. Andrew Richards resigned as a Director.
- On June 5, 2019, Mr. Brayden Sutton resigned as the President of the Company and Ms. Ester Vigil was appointed in his stead.
- On June 17, 2019, Mr. Stephen Radosch was appointed Chief Financial Officer of the Company.
- On July 3, 2019, the Company reported that it had received a permanent occupancy permit for its cultivation facility.
- On July 19, 2019, the Company reported that it received both Clark County and Nevada Department of Taxation final approvals for the transfer of its existing cultivation licenses to its new cultivation facility.

Key Developments Subsequent to Fiscal 2019

- On August 15, 2019, the Company reported that it had signed a management services agreement to provide operational and accounting services, as well as general management and oversight to Green Spectrum Trading Inc., a medicinal and recreational cannabis business licensee in the State of California.
- On August 20, 2019, the Company announced that it commenced the transfer of cannabis plants to its new cultivation facility in Las Vegas following an extensive period of systems-wide testing.
- On September 10, 2019, the Company announced the execution of a licensing agreement for the launch of Blonde™, a high-end California brand making its debut in



Nevada. Under the terms of the one-year agreement, the Company's subsidiary, AMA, receives the exclusive rights to cultivate flower, manufacture pre-rolls, live resin vape pens and cartridges under the Blonde™ brand for distribution to licensed dispensaries throughout Nevada.

- On September 19, 2019, the Company announced a licensing agreement with California-based PLUGplay, a manufacturer of cannabis vaporizer cartridges with proprietary magnetic hardware, for a 12-month term. Under the terms of the Agreement, the Company's subsidiary, AMA, will manufacture distillate and vape pens under the PLUGplay brand, for distribution to dispensaries across Nevada.
- On September 30, 2019, the Company announced that it commenced the flowering cycle of its cannabis plants in its new indoor cultivation facility located in Las Vegas, Nevada.
- On October 22, 2019, the Company reported that the debut of its Blonde™ Cannabis products in September 2019 was its most successful brand launch to date.
- On November 4, 2019, the Company launched its newest product, the Birdhouse CBD Balm by Canna Hemp X™. The CBD Balm was developed in collaboration with Birdhouse Skateboards™, targeting the action sports market and will be available for sale in dispensaries, wellness stores, skate shops and specialty retailers, including Zumiez in the United States.

Detailed information on the financials and the management's discussion and analysis can be found at <https://sedar.com/>

About 1933 Industries Inc.

1933 Industries Inc. is a vertically integrated, brand-focused cannabis company with operations in the United States and Canada. Operating through two subsidiary companies, the Company owns leading cannabis brands as well as licensed cannabis cultivation, extraction, processing and manufacturing assets.

Our award-winning proprietary portfolio of brands include: AMA flower and AMA concentrates, CBD-infused Canna Hemp™, Canna Hemp X™, and Canna Fused™. Partners under licensing agreements include Birdhouse Skateboards™, Blonde™ Cannabis, Denver Dab Co., Grizzly Griptape, OG DNA Genetics, PLUGplay, and The Original Jack Herer®.

The Company owns 91% of Alternative Medicine Association, LLC (AMA), and 100% of Infused MFG LLC. 1933 Industries continues to focus its operations in the licensed US cannabis industry as a multi-state operator in Nevada, Colorado and California.

About Canna Hemp™

Canna Hemp™ CBD Relief Cream was named "Best Topical" by Leafy's Best in State: The



Top State Specific Products and Experiences of 2018.

<http://www.cannahemp.com>

<https://www.leafly.com/news/strains-products/best-in-state-2018-nevada-cannabis>

About Canna HempX™

Canna Hemp X™ was named “Best Topicals for Pain” by Herb’s Guide to the Best Cannabis Products on the Planet. Canna Hemp X™ is a CBD sports recovery cream for athletes, bridging the gap between recovery and top performance.

<http://www.cannahemp.com>

<https://herb.co/learn/best-cannabis-products/>

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