



1933 Industries Reports First Quarter Financial Results for Fiscal Year 2020

VANCOUVER, B.C., CANADA (December 30, 2019) – 1933 Industries Inc. (the “Company” or “1933 Industries”) (CSE: TGIF) (OTCQX: TGIF), a vertically integrated cannabis and growth-orientated consumer packaged goods company, is pleased to announce its first quarter 2020 (“Q1”) financial results for the period ended October 31, 2019. All amounts expressed are in Canadian dollars.

Management Commentary

In Q1, the Company continued to focus on building its portfolio of consumer cannabis goods by adding new and established brands to the Nevada market, and by launching its own co-branded products in new verticals. As a growth-orientated company, 1933 Industries also focused on the expansion of its infrastructure assets that, when at full production, will provide the necessary raw materials to support its brands and increase margins. During Q1, the Company’s cultivation arm, Alternative Medicine Association (“AMA”), oversaw the first growth cycle of cannabis plants in its new and expanded facility in Las Vegas. AMA also initiated the expansion of its extraction facility in Las Vegas. It also completed a management agreement with a California-based operation, thereby giving the Company cultivation and manufacturing access to the largest cannabis market in the United States.

Total revenues for Q1 were \$3.9 million, down 26% from its previous quarter, mainly due to the decline in market share for vape and distillate sales in the recreational market in Nevada. Vaping accounts for 25% of cannabis sales in Nevada and according to economic analysis firm, New Frontier, while the nationwide decline was 15% during the first week of September, at the state level, Nevada saw a drop of 32% in vape sales.

The Company’s cash position in Q1 is \$14.9 million, compared to \$17.6 million at July 31, 2019, a decrease of 15%. The current cash position continues to maintain a high cash-per-share position. Working capital was \$21.4 million, compared to \$22.5 million in the previous quarter, a slight decrease of 4.9%. Total assets were \$61.4 million, compared to \$61.7 million at July 31, 2019, and compared to \$56 million in Q1 2019. The Company’s cash position allows it to service its debenture payments, fund infrastructure projects and execute its growth plan.

The Company’s manufacturer of CBD wellness products, Infused MFG (“Infused”),



continued to gain traction and contributed \$2.1 million in revenues during the reporting quarter. 91%-owned AMA contributed \$1.8 million in total revenues.

Gross margin was \$2.1 million in Q1, an increase of 156% from \$815,690 in its previous quarter. The increase in the gross margin percentage is primarily due to decreased purchases by AMA of third-party biomass to produce concentrates and final products. As the Company begins to produce sufficient amounts of biomass from its new facility, it anticipates to significantly improve the realized gross margins.

The Company saw a 33% decrease in net loss from its previous quarter, from \$5.7 million or \$0.02 in Q4 2019, to \$3.8 million or \$0.01 per share for Q1 2020 compared to \$3.0 million or \$0.01 per share for Q1 2019. The decrease in net loss is a result of realized operational efficiencies across the organization and the implementation of company-wide cost-cutting measures in order to lower expenses. All non-essential consulting services were cut as the Company remains committed to achieving profitability and increasing shareholder value. Adjusted EBITDA loss was \$1.8 million for Q1 2020 compared to \$1.0 million for Q1 2019. Expenses were \$5.9 million for Q1 2020 and \$4.7 million for the same period in 2019.

Selected Financial Information

All amounts expressed are in Canadian dollars.

Q1 2020 Consolidated Results		
	Q1 2020	Q4 2019
Revenues	\$3,881,183	\$5,244,946
Gross margin	\$2,085,104	\$815,690
Cash balance	\$14,872,277	\$17,613,900
Net loss	(\$3,816,298)	(\$5,688,420)
Comprehensive loss	(\$3,962,300)	(\$6,589,671)
Adjusted EBITDA loss	(\$1,827,699)	(\$4,287,416)
Basic and diluted loss per share	(\$0.01)	(\$0.02)
Total assets	\$61,358,608	\$61,654,094
Total liabilities	\$26,033,715	\$24,465,690
Total equity	\$35,324,893	\$37,188,404

Segmented Information



AMA	Q1 2020	Q4 2019	Q3 2019	Q2 2019	Q1 2019
Revenues	\$1,759,367	\$2,759,629	\$1,784,861	\$1,289,579	\$2,256,764
Gross margin	\$897,278	(\$887,985)	(\$949,925)	\$174,785	\$702,472
Infused					
Revenues	\$2,121,816	\$3,209,450	\$2,812,500	\$2,392,981	\$2,278,143
Gross margin	\$1,187,828	\$1,145,789	\$2,088,367	\$1,875,522	\$1,147,955

Commentary by Mr. Chris Rebentisch, Chief Executive Officer

“Company revenues for Q1 2020 were impacted by lower than expected sales from vape products, largely attributed to the rampant use of vitamin E acetate in black market products. Despite weakness in this segment, we anticipate a recovery in vape sales across both our AMA and Infused subsidiaries as well as the demand in the supply chain for distillate normalizing in Nevada in early 2020. With over 100+ SKUs across 5 product lines as intellectual property, and 8 licensing partners, we believe that our diversified product portfolio and product mix will aid us in sustaining our future growth. Our products will continue to be differentiated by the quality of our ingredients, our commitment to safety and our diversity of innovative consumer brands. Cannabis sales continue to remain strong in Nevada, reaching \$639 million in its fiscal year ended June 30, while 80% of sales occur in Clark County, according to the Nevada Department of Taxation figures. Over the last two years of operations we have built AMA and Canna Hemp™ into valuable and respected brands, we have attracted the top brand names in the industry as our partners in Nevada, and we are expanding our physical footprint to build a sustainable foundation for growth. Our current cash position allows us to continue our operations, service debenture interest obligations and fund our capital needs. We are confident that we will achieve significant growth in 2020, driven by our expanded cannabis production in Nevada, our near-term entry into the California market, increased distribution into new markets for our Canna Hemp™ line and the development of products in support of our licensing agreements.”

Q1 2020 Key Developments

- 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. In order to verify that the plants are receiving exact amounts of nutrients and moisture content, the facility was outfitted with drip



automation in order to standardize cultivation techniques and implement efficient watering and feeding systems with waste reduction in mind.

- 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. PLUGplay's premium distillate oil cartridges feature sleek, high quality magnetic pods and long-lasting batteries. The California brand has made a name not only for its custom hardware but for its dedication to crafting premium distillate concentrates. 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. Following the transfer of cannabis plants to the new facility in late August, the plants completed a vegetative stage for four weeks. Three rooms begun the flowering cycle during that week, lasting approximately eight weeks. The first harvest from the initial three rooms is expected in early December, with continued harvests thereafter every two weeks, all while new grow rooms are added in the facility for a total of 15 bloom rooms. The initial 26 strain varieties currently at the facility will be augmented with an additional 12 Cannabis Cup award-winning strains to sustain the Company's flower and concentrate production of branded AMA products and third-party brands.
- On October 22, 2019, the Company reported that following the debut of its Blonde™ Cannabis products in September 2019, it was its most successful brand launch to date. Following a 30-day exclusive campaign with one of Nevada's largest dispensary retailers, luxury brand Blonde™ Cannabis made its mark in the state by selling out of every product during its debut. While the Blonde™ brand originated in Los Angeles, California, Nevada was selected for its launch in partnership with the Company's subsidiary, AMA.

Developments Subsequent to October 31, 2019



- 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.
- On December 10, 2019, the Company announced the execution of a two-year licensing agreement with AMA and The Pantry Company Inc. ("Pantry"). The Company will commence the buildout of a GMP-approved commercial kitchen, to be located in the Company's extraction facility in Las Vegas, Nevada. The Company expects to begin production of Pantry products mid-2020.
- On December 12, 2019, the Company announced a second licensing agreement with OG DNA Genetics ("DNA"). The agreement will grant 1933 Industries license to the DNA brand for the production and sale of hemp-derived CBD products. The agreement allows DNA to leverage the Company's vast distribution network of over 800 retail outlets throughout the United States.

First Harvest Completed

The Company announces that it completed the first harvest of cannabis plants from its new cultivation facility in Las Vegas. Two zones were harvested yielding approximately 450 lbs. of flower and trim as well as 250 lbs. of fresh frozen flower, which will be used to produce oils and bulk distillate, as well as live resin for its suite of premium cannabis products. The next growth cycle will commence in mid-January for the next expected harvest due in late March. Once at full production, the Company expects to harvest every 10 to 14 days. AMA is growing 26 strain varieties as well as 12 Cannabis Cup winning strains from the Company's licensing partner, OG DNA Genetics, while also conducting R&D and pheno-hunting before introducing a specific variety.

Mr. Rebentisch remarked, "We learned a lot from our first harvest in the new facility, taking the time to adjust and perfect our automated systems, calibrating the optimal water and nutrient distribution to our plants, and ensuring the ideal drying process in order to promote the genetic potential of the flowers. Our craft cannabis processes of hand trimming and curing, with no chemical protection utilized in our indoor grow, differentiates our products in the market and provides our consumers with premium quality, safe cannabis products in a wide range of product formats."

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, The Pantry Company, 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.cannahempx.com>

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

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