



Core One Labs Inc.

CSE : COOL

OTCQX : CLABF

Frankfurt: LD6, WKN: A14XHT

Core One Labs Announces Q3 2019 Financial Results and Provides Corporate Update

Vancouver, British Columbia, Canada, December 4, 2019, Core One Labs Inc. (CSE: COOL), (OTCQX: CLABF), (Frankfurt: LD6, WKN: A14XHT) (“COOL” or the “Company”) announces that the Company has filed its financial statements and MD&A for the three and nine month periods ended September 30, 2019, and provides an update on the corporate milestones achieved during the quarter. The Company is happy to announce that its results continue to be very encouraging and show steady growth in inventory, and strong sales numbers for the year to date in Fiscal 2019.

Financial Highlights

Revenues for the nine months ended September 30, 2019 were \$4,378,545 compared to \$916,340 for the same period ended September 30, 2018. Revenues for the three months ended September 30, 2019 (\$605,427) were consistent with the Company’s revenues for the same period last year (\$600,649). These revenues were associated with the sale of product by the Company’s wholly-owned subsidiary, CSPA Group, Inc., which manages the manufacture and distribution of the Company’s CannaStrips™ product, as well as producing oils, distillates and resins for the Company’s Rêveur product brand, and the operation of the Company’s white label production and distribution activities.

Cost of revenue numbers continued to be high, resulting in negative gross margins for the three (\$242,565) and nine (\$216,610) month periods ended September 30, 2019 as compared to positive gross margins for the same periods ended September 30, 2018 (\$181,766 and \$497,457, respectively). Overall net loss for the three and nine months ended September 30, 2019 were \$5,786,993 and \$8,009,597 as compared to \$3,720,279 and \$8,748,591 for the same periods ended September 30, 2018.

Although gross margins and overall net results for the periods were negative, the Company is very encouraged by the 378% growth in the Company’s year to date revenues as compared to the previous year. Although cost of sales amounts continue to be high, the Company is implementing stronger cost control initiatives, that it believes will be easier to manage as the Company’s indoor cultivation division at its Adelanto Facility is in active operation. This will allow the Company to cultivate its own biomass at the Adelanto Facility for use in the products sold by CSPA Group.

As at September 30, 2019, the Company also had positive working capital of \$652,189 as compared to a working capital deficit of \$916,432 at December 31, 2018. As at September 30, 2019, the Company had biological assets of \$2,019,558, representing successful crops waiting to be harvested by the Company’s 50% subsidiary, Agrotech LLC, from the outdoor farms that it manages. The Company’s operations at its indoor Adelanto Facility (see below) are expected to continue to add further value to the Company’s biological assets in future periods.

Corporate Update

In addition to being encouraged by the Company's growth in revenues, the Company is proud to have achieved several significant milestones in the development of its business, many of which have been accomplished in what continues to be a fast changing business and regulatory environment.

Advancement of Nursery and Cultivation Operations at Adelanto Facility

In February 2019, the Company announced that its wholly-owned subsidiary, Core Isogenics Inc. ("Core Isogenics"), had begun indoor nursery operations at the Adelanto Facility. Core Isogenics manages the Company's nursery, cultivation and laboratory operations. The indoor nursery rooms at the Adelanto Facility managed by Core Isogenics are now fully operational and the Company has high expectations for targeted genetics and the possible benefits they will produce for the CannaStrips™ brand. The goal for the Company's Core Isogenics nursery operations is to control all aspects of plant genetics, with consistent and repeatable cannabinoid, terpene and flavonoid profile compositions.

The Company's indoor cultivation facilities at the Adelanto Facility have also been completed. The cultivation facility operated by Core Isogenics comprises a vegetation room and a flowering room. As announced in the Company's news release dated October 10, 2019, Core Isogenics transferred clones taken from mother plants grown by Core Isogenics from seed into the vegetation side of the cultivation facility. As announced in the Company's news release dated November 27, 2019, the flowering room at the Adelanto Facility is now also operational. The first indoor harvest from these operations is anticipated in December 2019. This represents a significant milestone in the Company's goal of becoming a full seed to sale operation.

Distribution and Product Brands

The Company announced on November 12, 2019, that it has secured a non-exclusive distribution arrangement with Fenix Logistics to distribute all of the Company's CannaStrips™ and Rêveur products to 50+ stores.

In addition, in anticipation of its first indoor harvest, the Company has launched an indoor flower line as part of its Rêveur brand. This brings the total number of in-house distinct products manufactured and sold by the Company to six, and the Company continues to work on development of other products to add to its brands.

In addition, the Company's manufacturing plant, operated by the Company's wholly owned subsidiary, CSPA Group, has been steadily increasing its white label production alongside production for the Company's own CannaStrips™ and Rêveur brands. Notable California cannabis brands have been selling biomass material for the Company to process and to subsequently buy back in bulk.

Outdoor Cultivation Activities – Agrotech LLC

In April 2019, the Company’s 50% owned subsidiary, Agrotech LLC, entered into two separate crop-share farm lease agreements with two licensed California cannabis farms covering two acres of outdoor cultivation space, and three-quarters of an acre of covered canopy cultivation space.

On November 21, 2019, the Company announced that Agrotech had harvested 1,600 lbs. of biomass from one of the farms. Agrotech is in its final stages of presale preparation of the harvested biomass, which includes drying, testing, trimming and quality assurance.

The results of the first year of operating the outdoor farms confirmed the Company’s outdoor genetics as viable for future projects.

Dispensary Project

On February 28, 2019, the Company’s affiliate, Highway 395 Dispensary, filed plans with the Planning Department of the City of Adelanto for the construction of a freestanding structure for dispensary and delivery operations. The property is owned by LDS Development Corporation, a wholly-owned subsidiary of COOL (“LDS DevCo”). The construction will be the responsibility of Highway 395 Dispensary and ownership of the completed project will remain an asset of LDS DevCo. In the beginning of September 2019, the Company received the required grading permits and broke ground on the Highway 395 Dispensary project.

The Highway 395 Dispensary project is waiting on the delivery of steel to continue construction. The Company expects to provide its shareholders with a progress report in the near future.

Upgrading of State Licenses from Temporary to Annual Provisional

During Fiscal 2019, a number of the temporary licenses granted to the Company’s subsidiaries by the California Bureau of Cannabis Control were upgraded from temporary licenses to annual renewable provisional licenses. Through its subsidiaries, the Company now has California State licenses for volatile extraction/manufacturing, transportation/distribution, nursery, cultivation, and dispensary operations. The dispensary license also allows the Company to offer drive-through and direct to customer delivery.

Management for the Company strongly believes that the Company is on a very favorable path to reaching its business goals for 2019 and beyond, and the Company’s third quarter financial results and the Company milestones achieved during the year to date reflect this trend.

The Company’s CEO, Brad Eckenweiler, stated, “We are close to having all aspects of the Core One Labs model working in unison, with each subsidiary supporting the others. These are exciting times, and I believe that after five years dedication and effort put into this project by all of us at Core One, and despite second guessing of our model by some parties, the facts will speak for themselves. We are grateful to everyone who has continued to support the Company and our efforts and hope to be able to prove that the wait was worth while.” The Company will continue to update the market as relevant information becomes available.

About CannaStrips™

CannaStrips™ is a formulated oral strip for effective buccal mucosal delivery that disrupts the barrier created by saliva coating the mucosal membrane for the active materials (in this case cannabinoids) which have been nanoparticulated and encapsulated to penetrate the multiple layers of mucosal and sub-mucosal membranes to the blood stream. Once in the blood stream the encapsulation is undetectable as a foreign material by the liver. This undetectability allows the material to avoid being filtered out of the blood stream by the liver. The encapsulation also is more effective in penetrating the blood-brain barrier and allowing for greater bioavailability and extending the effective time from a single dose.

About Core Isogenics Inc.

Core Isogenics Inc. is located in Adelanto, California and is a City permitted and State licensed cultivation and nursery operation in the California cannabis industry. Developing isogenic seed strains and automated cultivation methods for the cannabis industry with Core One Labs Inc., a British Columbia company.

About Core One Labs Inc.

Core One Labs Inc. is a technology company that licenses its technology to a state-of-the-art production and packaging facility located in Southern California. The Company's technology produces infused strips (similar to breath strips) that are not only a safer, healthier option to other forms of delivery but also superior bioavailability of cannabis constituents. Some strips will also include supplemental co-active ingredients such as nutraceuticals, vitamins and peptides. The technology provides a new way to accurately meter the dosage and assure the purity of selected product. From start to finish, the production process, based on the Company's technology, tests for quality and composition of all the ingredients used in each and every strip which results in a delivery system that is safe, consistent and effective. In addition, through its efforts to develop a better CannaStrips™ product, the Company has developed considerable expertise in cannabis extraction and nursery activities. The operational expertise developed by the Company as a result of these efforts has created new market opportunities for the Company in white label sales.

Core One Labs Inc.
Brad Eckenweiler
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Cautionary Disclaimer Statement:

The Canadian Securities Exchange has not reviewed and does not accept responsibility for the adequacy or accuracy of the content of this news release.

Forward Looking Statements

Information set forth in this news release contains forward-looking statements that are based on assumptions as of the date of this news release. These statements reflect management's current estimates, beliefs, intentions and expectations. They are not guarantees of future performance. The Company cautions that all forward looking statements are inherently uncertain and that actual performance may be affected by a number of material factors, many of which are beyond the Company's control. Such factors include, among other things: risks and uncertainties relating to the Company's limited operating history and the need to comply with environmental and governmental regulations. In addition, marijuana remains a Schedule I drug under the United States Controlled Substances Act of 1970. Although Congress has prohibited the US Justice Department from spending federal funds to interfere with the implementation of state medical marijuana laws, this prohibition must be renewed each year to remain in effect. Accordingly, actual and future events, conditions and results may differ materially from the estimates, beliefs, intentions and expectations expressed or implied in the forward looking information. Except as required under applicable securities legislation, The Company undertakes no obligation to publicly update or revise forward-looking information.

Selected Financial Information

Except as noted below, the financial information provided in this news release is derived from the Company's unaudited financial statements for the three and nine months ended September 30, 2019, and the related notes thereto as prepared in accordance with International Financial Reporting Standards ("IFRS") and related IFRS Interpretations Committee ("IFRICs") as issued by the International Accounting Standards Board ("IASB"). A copy of the Company's unaudited financial statements for the three and nine months ended September 30, 2019, and the related Management's Discussion and Analysis is available on SEDAR at www.sedar.com.