

Plus Products Reports Audited 2019 4th Quarter and Year-End Financial Results

San Mateo, CA – May 7, 2020 – Plus Products Inc. (CSE: PLUS) (OTCQX: PLPRF) (the “Company” or “PLUS”), a cannabis branded products company in the U.S., today released its audited financial and operational results for the three and twelve months ended December 31, 2019, expressed in U.S. dollars. These filings are available for review on the Company’s SEDAR profile at www.sedar.com and on the Canadian Securities Exchange (the “CSE”) website at www.thecse.com.

Q4 and Year-End Financial Highlights

- *Revenues:* Net revenues climbed to \$13.9M in 2019, representing a 66% year-over-year growth as compared to 2018 net revenues of \$8.4M. Net revenues in Q4 2019 reached \$3.5M, representing a 4% year-over-year growth as compared to Q4 2018 net revenues of \$3.4M. In December 2019, the Company was transitioning to a new distributor, HERBL Distribution Solutions (“HERBL”). Due to this transition, some sales which otherwise would have taken place in December 2019 were pushed out until January 2020.
- *Gross Profits:* Gross profits grew to \$2.8M in 2019 compared to \$1.1M in 2018. Gross profit margin in 2019 was 20%, up from 13% in 2018. Gross profits increased to \$0.9M in Q4 2019 compared to \$0.4M in Q4 2018. Gross profit margin in Q4 2019 grew to 26%, up from 13% in Q4 2018. Higher sales volumes and a focus on increasing operational efficiencies diminished the growth of labor and overhead costs relative to sales, increasing gross profits.
- *Operating Expenses:* Operating expenses were \$27.6M in 2019, up from \$7.6M in 2018. Operating expenses were \$9.1M in Q4 2019, up from \$3.3M in Q4 2018. In 2019, the Company invested in the nationwide launch of its hemp CBD line, entrance into the Nevada adult-use market, and launch of PLUS Mints, along with other investments in hiring talent, gaining market share, as well as building infrastructure and financial capacity to support its future growth.
- *Cash Balance:* The Company reported \$15.2M in cash and cash equivalents at December 31, 2019. PLUS is capitalized with enough cash on hand to continue executing through the entirety of 2020 without any additional fundraising. The Company made significant changes to its business in Q1 of this year to improve cash flow – detailed below – and expects the impacts of these adjustments to benefit PLUS especially well in light of the uncertainty presented by COVID-19.

2019 Business Updates

Product Launches

- In April, the Company launched PLUS Mints as its first non-gummy product line. The low-dose products target consumers looking for a discrete, micro-dose experience with 2.5mg or less of THC per serving.
- In October, the Company introduced a second line of its best-selling gummies including: *BALANCE Cucumber Lime*, *UPLIFT Tangerine*, and *UNWIND Concord Grape*.

Market Launches

- In September, the Company entered the national CBD market with its line of 100% hemp CBD gummies. The products are currently available online at PlusProducts.com in 43 states and select health and wellness retailers throughout the country.
- In October, PLUS gummies hit shelves in Nevada, marking the launch of the Company's second adult-use market. According to Headset Insights, one quarter after market-entry, PLUS was already the second best-selling gummies brand in the state, a market that consists of over 40 gummy brands.¹

General Highlights

- In July, the Company announced a rebrand of its core *PLUS* brand, introducing a new look for its line of low-dose, cannabis-infused edibles. The new packaging and product system were designed to go beyond the traditional use of Sativa, Hybrid, and Indica cannabis strains to focus on the science behind unique combinations of THC and CBD.
- In December, PLUS announced the transition of its primary distributor from Calyx Brands to HERBL. After an extensive review, the Company determined that HERBL was best positioned to scale with PLUS and reliably deliver products to retailers at the lowest cost.
- According to BDS Analytics, for the second straight year, PLUS had the two best-selling products in California across all categories. The Company's signature *Sour Watermelon UPLIFT* gummies and *Blackberry Lemon UNWIND* gummies topped the list of over a thousand products sold throughout the state during 2019.²

Post-Period End Business Updates

- In February 2020, the Company entered the wellness and relief segment of the California adult-use market with the introduction of its *PLUS CBDRelief* brand. The launch represents a significant extension beyond the

core *PLUS* lineup. The new *PLUS CBDRelief* products were designed with low THC and high CBD ratios to serve the roughly one-third of consumers in the market that are looking to cannabis for relief.³

- In March 2020, the Company announced a series of material changes to the business in an effort to prioritize an accelerated path towards becoming cash flow generative and continuing to establish itself as a leader in the California edibles market. These changes included:
 1. Reduction of the Company’s workforce by 13 full-time employees, accounting for 20% of its non-production workforce.
 2. Salary reduction for three executive officers ranging from 20% to 50% in exchange for options that will be issued following the current executive financial blackout period.
 3. Marc Seguin, the Company’s Chief Revenue Officer, left the organization.
 4. PLUS and John Legend concluded their engagement. The Company would like to thank Mr. Legend for the part he played in helping to bring the PLUS hemp CBD line to the country.
 5. The Company announced a plan to restructure its equity incentive program to ensure that it continues to be consistent with the mandate of the shareholder-approved Equity Incentive Plan to *“promote the interests of the Company and its shareholders by aiding the Company in attracting and retaining employees.”*

Management Commentary

“PLUS emerged from a turbulent year in the cannabis industry well positioned to pursue its vision of building a global portfolio of edibles brands,” stated Jake Heimark, co-founder and CEO. “For the second straight year, we were the largest brand in the largest category of the California edibles market and had the two best-selling products across all categories.⁴ Now more than ever, we believe that the most successful brands will be those that build a reputation for high-quality products that do not damage your lungs.

“Our home market of California has not been without its complications. The legal cannabis market faces growing pains as it competes with a highly active illicit market, works to streamline a disordered regulatory environment, and supports undercapitalized operators across a nascent supply chain. Despite these factors, we believe that California unequivocally remains the most valuable market for building a branded products company in cannabis. In 2019, the state made up 38% of the global adult-use market and is expected to remain 24% of that market through 2024.⁵

“In 2020, our strategic initiatives are built around three critical objectives: 1) ensuring the safety and health of our employees, customers, and partners during this pandemic; 2) establishing ourselves as the clear, long-term leader in California edibles; and 3) becoming a cash-flow positive business.

“Objectives two and three will be driven by the launch of new brands here in California and the continued growth of our core *PLUS* brand in the markets in which we are operational today. By relying on core capabilities and known distribution channels to drive capital-efficient growth, we are confident in our ability to achieve both our market and financial goals for 2020 and beyond.”

Covid-19 Update

In March 2020, there was a global outbreak of COVID-19, which continues to rapidly evolve. The extent to which the virus may impact the Company will depend on future developments, which are highly uncertain and cannot be predicted with confidence, such as the ultimate geographic spread of the disease, the duration of the outbreak, travel restrictions, social distancing, business closures or business disruptions, and the effectiveness of actions taken in the United States and other countries to contain and treat the disease.

While cannabis remains an essential business throughout most of California, it is still too early to understand how COVID-19 will impact *PLUS* or the market as a whole. To date, the Company has not seen a sustained downside impact on consumer demand in its core California market and has been able to fulfill orders without interruption. The Company believes it is well prepared to respond to this crisis. Please visit plusproductsinc.com/coronavirus to see the actions *PLUS* is taking to respond to this unique challenge.

- (1) According Headset Insights in January 2019
- (2) According to BDS Analytics GreenEdge Platform in 2019
- (3) According to proprietary research conducted through HJR Associates, a third-party firm contracted by the Company
- (4) According to BDS Analytics GreenEdge Platform in 2019
- (5) According to Arcview | BDS Analytics - State of the Legal Markets 7th Edition

Conference Call Details

At 5:00 pm Eastern Time / 2:00 pm Pacific Time on Thursday, May 7, 2020 the Company will host a conference call and webcast to discuss the financial results and its recent corporate highlights.

Participant Dial-In Numbers:

Toll-Free: (866) 220-4156

Toll / International: (864) 663-5231

*Participants should request the Plus Products Earnings Call or provide conference ID: 2867687

The call will also be webcast at <https://edge.media-server.com/mmc/p/rwodgqqw>. Please visit the website at least 15 minutes prior to the call to register, download, and install any necessary audio software. Following the conclusion of the call, there will be an archived audio webcast of the conference call available for replay on the Company's website at PlusProductsInc.com.

Jake Heimark, Co-founder and Chief Executive Officer and Jon Paul, Chief Financial Officer, will be conducting a question and answer session following the prepared remarks.

About PLUS

PLUS is a cannabis and hemp food company focused on using nature to bring balance to consumers' lives. PLUS's mission is to make cannabis safe and approachable – that begins with high-quality products that deliver consistent consumer experiences. PLUS is headquartered in San Mateo, CA.

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The CSE does not accept responsibility for the adequacy or accuracy of this release.

Forward-Looking Statements:

This press release includes statements containing certain “forward-looking information” within the meaning of applicable securities law (each, a “forward-looking statement”). Forward-looking statements are frequently characterized by words such as “plan”, “continue”, “expect”, “project”, “intend”, “believe”, “anticipate”, “estimate”, “may”, “will”, “potential”, “proposed” and other similar words, or statements that certain events or conditions “may” or “will” occur and include, but

are not limited to, statements relating to: the Company's available working capital and the ability for the Company to continue executing through 2020 without additional fundraising; the impact of the changes made by the Company in Q1 to improve cash flow and how beneficial (if at all) these changes will be to the Company in light of the uncertainty presented by COVID-19; how the Company has emerged from a turbulent year in the cannabis industry well positioned to pursue its vision of building a global portfolio of edibles brands; the Company's belief that the most successful brands will be those that build a reputation for high quality products that do not damage your lungs; the Company's belief that California unequivocally remains the most valuable market for building a branded products company in cannabis; how the Company's ability to achieve its objectives and strategic initiatives in 2020 will be driven by the launch of new brands in California and the continued growth of the Company's core PLUS brand in the markets in which the Company is currently operating; the belief by the Company that the reliance by the Company on core capabilities and known distribution channels will drive capital-efficient growth; and the Company's ability to achieve both its market and financial goals for 2020 and beyond.

These forward-looking statements are only predictions. Various assumptions were used in drawing the conclusions or making the projections contained in the forward-looking statements throughout this press release. Forward-looking statements are based on the opinions and estimates of management at the date the statements are made and are subject to a variety of risks and uncertainties and other factors that could cause actual events or results to differ materially from those projected in the forward-looking statements. These risks include, but are not limited to, the success of the Company's investments, the ability to retain key personnel, the ability to continue investing in infrastructure to support growth, the ability to obtain financing on acceptable terms, the continued quality of the Company's products, customer experience and retention, the continued development of adult-use sales channels, managements estimation of consumer demand in jurisdictions where the Company exports, expectations of future results and expenses, the availability of additional capital to complete capital projects and facilities improvements, the ability to expand and maintain distribution capabilities, the impact of competition, the ability of the Company to implement initiatives and the possibility for changes in laws, rules, and regulations in the industry.

Further, the duration and severity of the current COVID-19 pandemic may significantly impact or exacerbate some of the above-listed risks and uncertainties. Risks that may be further impacted by the COVID-19 pandemic relate to the Company's operations and expansion, including the Company's ability to grow its brand and sales and to maintain production levels in the event that the Company's employees are restricted from accessing facilities for a significant period of time; to the Company's ability to access capital and the level of borrowing costs; the Company's ability service obligations under its debt securities and other debt or lease obligations; and the Company's ability to comply with the covenants contained in the agreements that govern the Company's existing indebtedness.

The transmission of COVID-19 and efforts to contain its spread have recently resulted in international, national and local border closings, travel restrictions, significant disruptions to business operations, supply chains and customer activity and

demand (across all sectors), service cancellations, reductions and other changes, and quarantines, as well as considerable general concern and uncertainty.

The overall severity and duration of COVID-19-related adverse impacts on the Company's business will depend on future developments which cannot currently be predicted. Even after the COVID-19 outbreak has subsided, the Company may continue to experience material adverse impacts to the businesses as a result of its global economic impact, including any related recession.

The Company is under no obligation and expressly disclaims any intention or obligation, to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, except as expressly required by applicable law.

Non-GAAP Measures:

Adjusted uncompressed weighted average shares outstanding and loss per share.

The Company has additionally determined the adjusted uncompressed weighted average shares outstanding and loss per share, basic and diluted. The Company believes these measures to be representative of loss and comprehensive loss on a per share basis; however, these performance measures have no standardized meaning. As such, there are likely to be differences in the method of computation when compared to similar measures presented by other issuers. Management believes that, in addition to conventional measures prepared in accordance with GAAP, some investors use this information to evaluate the Company's performance. Accordingly, they are intended to provide additional information and should not be considered in isolation or as a substitute for measures of performance prepared in accordance with GAAP.

PLUS PRODUCTS INC.

Consolidated Statements of Financial Position

(Expressed in U.S. Dollars)

	As at December 31,	
	2019	2018
	\$	\$
Assets		
Current		
Cash and cash equivalents	15,176,184	22,398,587
Trade receivables	4,040,183	1,379,066
Prepays and deposits	1,262,269	172,128
Taxes recoverable	112,377	-
Note receivable	200,000	-
Inventory	3,872,175	630,337

	24,663,188	24,580,118
Non-current		
Prepays and deposits	789,521	586,354
Property and equipment	3,703,597	1,875,401
Intangible assets	98,665	741,863
Goodwill	-	61,296
Total assets	29,254,971	27,845,032
Liabilities		
Current		
Accounts payable and accrued liabilities	2,289,393	2,009,412
Income taxes payable	-	155,714
Current portion of vehicle loans	27,753	-
Current portion of lease liabilities	284,588	-
	2,601,734	2,165,126
Non-current		
Vehicle loans	137,588	-
Lease liabilities	1,028,218	-
Convertible debentures	17,188,223	-
Total liabilities	20,955,763	2,165,126
Shareholders' equity		
Share capital	41,782,711	34,065,191
Reserves	7,884,184	2,391,055
Deficit	(41,138,127)	(10,776,340)
Accumulated other comprehensive loss	(229,560)	-
Total shareholders' equity	8,299,208	25,679,906
Total liabilities and shareholders' equity	29,254,971	27,845,032

PLUS PRODUCTS INC.

Consolidated Statements of Loss and Comprehensive Loss

(Expressed in U.S. Dollars, except number of shares)

	Year ended December 31,	
	2019	2018
	\$	\$
Revenue	13,850,351	8,362,547
Cost of sales	11,091,720	7,251,392
Gross margin	2,758,631	1,111,155
Operating expenses		
Advertising and promotion	7,163,051	192,583
Depreciation and amortization	39,465	1,956

Consulting fees	1,852,249	775,683
General and administrative	2,064,426	772,761
Meals and travel expenses	1,036,303	413,278
Professional fees	3,242,096	2,071,338
Regulatory fees	24,835	14,245
Research and development	179,003	828
Salaries and benefits	6,825,547	2,143,927
Provision for expected credit losses	1,571,666	-
Share-based compensation	3,560,342	1,225,714
Loss from operations	(24,800,352)	(6,501,158)
Other (income) expense		
Interest and other income	(106,424)	(1,486)
Accretion finance income	(121,260)	-
Accretion expense	1,437,344	-
Interest expense	1,439,655	33,219
Foreign exchange gain	(19,921)	147,210
Loss on deemed financing benefit	408,841	-
Impairment of property and equipment	1,570,896	-
Impairment of intangible assets and goodwill	803,159	-
Loss before income taxes	(30,212,642)	(6,680,101)
Income tax expense	13,820	155,714
Loss for the year	(30,226,462)	(6,835,815)
Currency translation adjustment	229,560	-
Loss and comprehensive loss for the year	(30,456,022)	(6,835,815)
Basic and diluted	30,656,764	14,296,098
Basic and diluted	(0.99)	(0.48)