

Plus Products Reports First Quarter 2020 Financial Results

San Mateo, CA – May 28, 2020 – Plus Products Inc. (CSE: PLUS) (OTCQX: PLPRF) (the “Company” or “PLUS”), a cannabis branded products company in the U.S., today released its unaudited financial and operational results for the three months ended March 31, 2020, 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.

Q1 2020 Financial Highlights

- *Revenues:* Net revenues climbed to \$4.7M in Q1 2020, representing 46% year-over-year growth as compared to Q1 2019 net revenues of \$3.2M and 36% quarter-over-quarter growth as compared to Q4 2019 net revenues of \$3.5M. The Company continues to see revenue growth driven by its core operations in the California adult-use market, with contributions from the Nevada adult-use and national hemp CBD markets. In December 2019, the Company transitioned to a new California distributor, HERBL Distribution Solutions. This transition caused some sales, which otherwise would have taken place in December 2019, to be delayed until January 2020.
- *Gross Profits:* Gross profits grew to \$1.7M in Q1 2020 compared to \$0.7M in Q1 2019. Gross profit margin in Q1 2020 was 35%, up from 21% in Q1 2019. Higher sales volumes and increasing operational efficiencies in the Company’s California production facility diminished the growth of labor and overhead costs relative to sales, thereby increasing gross profits.
- *Operating Profits (Losses):* Operating losses were \$(2.1)M in Q1 2020, representing a 31% improvement year-over-year from \$(3.0)M in Q1 2019 and a 75% improvement quarter-over-quarter from \$(8.2)M in Q4 2019. The Company implemented workforce reductions in Q1 2020 and required fewer upfront investments tied to new market entry than previous quarters, thus reducing its operating losses.
- *Cash Balance:* The Company reported \$14.2M in cash and cash equivalents at March 31, 2020. The Company made significant changes to its business in Q1 2020 to improve cash flow. As a result, cash and cash equivalents fell by \$1.0M in Q1 2020, an 86% quarter-over-quarter improvement as compared to the Q4 2019 decrease of \$7.1M. The Company experienced some one-time operational benefits to cash and cash equivalents in Q1 2020, but still anticipates a significantly lower rate of cash consumption in 2020 than in 2019.

Q1 2020 Business Highlights

- 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.¹ The new brand has already been picked up by over 175 licensed retailers across the state.

- 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 workforce and salary reductions, as well as the conclusion of marketing agreements related to non-core businesses. In the first quarter, *PLUS* consumed \$1.0M in cash and cash equivalents with \$14.2M remaining on hand at March 31, 2020.

Management Commentary

“The start of this year came with a number of difficult decisions that were made in order to accelerate our path to cash flow generation,” stated Jake Heimark, Co-founder and CEO. “The changes we made helped to cut our cash consumption to less than a fifth of what it was last quarter and, critically, doing so did not undermine our core business which grew more than 35% quarter-over-quarter.

“Our first quarter financial results paint the picture of a much healthier business than previous quarters, but the work is far from done. In 2020, we are focused on leveraging our core capabilities to create capital-efficient growth through known distribution channels.

“To kick off this new strategic direction, we launched a second gummies brand, *PLUS CBDRelief*, mid-way through the first quarter. The new product line, which was developed with minimal capital investment and is designed to serve a subset of cannabis consumers not currently reached by the core *PLUS* brand, has already sold into over 175 licensed retailers.

“The rapid success of this initiative is a testament to both *PLUS*’s reputation for manufacturing innovative, high-quality products and the broad market reach we have built through years as a trusted leader in the California cannabis branded-products space.²

“The majority of our growth initiatives in 2020 will be centered around California. Despite experiencing some growing pains, 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 2024.³

“With the two best-selling products in the state, and one of the largest brands in the California edibles market, we believe that we have established an exceptionally valuable position as a company.⁴ We are excited to take steps that we believe will continue to grow that position throughout the course of this year.

“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. We believe we are already executing on all three.”

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. 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 all remain unknown.

While cannabis has been deemed 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 to proprietary research conducted through HJR Associates, a third-party firm contracted by the Company

(2) PLUS had the largest gummies brand and two best-selling cannabis products in California for 2018 and 2019 according to BDS Analytics

(3) According to Arcview | BDS Analytics - State of the Legal Markets 7th Edition

(4) According to BDS Analytics for 2019

Conference Call Details

At 5:00 pm Eastern Time / 2:00 pm Pacific Time today (Thursday, May 28, 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: 4754548

Please dial-in or log-on to the webcast at least 10 minutes before the start of the call

The call will also be webcast at <https://edge.media-server.com/mmc/p/3sdhitpx>. 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 expectations with respect to the reductions in cash and cash equivalents to continue to be substantially lower than those incurred throughout 2019; the impact of the material changes announced in March 2020 on the business of the Company and the extent to which such changes will provide an accelerated path towards becoming cash flow generative and the continued efforts by the Company to establish itself as a leader in the California edibles market; the extent to which the Company will focus on leveraging core capabilities to create capital-efficient growth through known distribution channels; the extent to which California will remain the most valuable market for building a branded products company in cannabis; the extent to which the Company believes it will grow its position in the market throughout the course of this year; and the extent to which the Company’s strategic objectives in 2020 are built around three critical items, and the extent to which the Company is already executing on these three objectives.

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 that 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.

Condensed Interim Consolidated Statements of Financial Position

(Expressed in U.S. Dollars - Unaudited)

	As at March 31, 2020	As at December 31, 2019
	\$	\$
Assets		
Current		
Cash and cash equivalents	14,168,389	15,176,184
Trade receivables	3,318,914	4,040,183
Prepays and deposits	907,322	1,262,269
Taxes recoverable	112,377	112,377
Note receivable	200,000	200,000
Inventory	3,172,068	3,872,175
	21,879,070	24,663,188
Non-current		
Prepays and deposits	833,328	789,521
Property and equipment	3,227,046	3,703,597
Intangible assets	84,109	98,665
Total assets	26,023,553	29,254,971
Liabilities		
Current		
Accounts payable and accrued liabilities	1,783,128	2,289,393
Income taxes payable	16,990	-
Current portion of vehicle loans	27,999	27,753
Current portion of lease liabilities	297,633	284,588
	2,125,750	2,601,734
Non-current		
Vehicle loans	130,345	137,588
Lease liabilities	949,019	1,028,218
Convertible debentures	16,139,005	17,188,223
Total liabilities	19,344,119	20,955,763
Shareholders' equity		
Share capital	41,720,119	41,782,711
Reserves	7,778,271	7,884,184
Deficit	(44,069,521)	(41,138,127)
Accumulated other comprehensive loss	1,250,565	(229,560)
Total shareholders' equity	6,679,434	8,299,208
Total liabilities and shareholders' equity	26,023,553	29,254,971

PLUS PRODUCTS INC.

Condensed Interim Consolidated Statements of Loss and Comprehensive Loss
(Expressed in U.S. Dollars, except number of shares - Unaudited)

	Three Months Ended March 31,	
	2020	2019
	\$	\$
Revenue	4,739,209	3,244,958
Cost of sales	3,085,419	2,553,101
Gross margin	1,653,790	691,857
Operating expenses		
Advertising and promotion	386,675	227,300
Depreciation and amortization	25,319	-
Consulting fees	171,841	694,483
General and administrative	460,719	460,301
Meals and travel expenses	131,944	198,560
Professional fees	381,987	874,301
Regulatory fees	15,552	3,336
Research and development	7,473	5,987
Salaries and benefits	1,743,710	1,055,688
Share-based compensation	394,547	179,629
Loss from operations	(2,065,977)	(3,007,728)
Other (income) expense		
Interest and other income	1,490	(609)
Accretion finance income	(43,807)	-
Accretion expense	430,907	349,028
Interest expense	423,057	171,268
Foreign exchange gain	36,780	(157,579)
Loss before income taxes	(2,914,404)	(3,369,836)
Income tax expense	16,990	75,024
Loss for the period	(2,931,394)	(3,444,860)
Currency translation adjustment	(1,480,125)	-
Loss and comprehensive loss for the period	(1,451,269)	(3,444,860)
Basic and diluted	33,822,501	24,880,328
Basic and diluted	(0.09)	(0.14)