



## NUTRITIONAL HIGH ANNOUNCES FINANCIAL RESULTS FOR THE FISCAL YEAR ENDING JULY 31, 2020

Toronto, Ontario – February 1, 2021 – Nutritional High International Inc. ("**Nutritional High**" or the "**Company**") (CSE: **EAT**) is pleased to announce its financial results for the fiscal year ended July 31, 2020.

### **Business Highlights: Q4 and Subsequent Events**

- As a result of the strategic review undertaken during the year, the Company implemented a number of initiatives which reduced costs, eliminated unprofitable operations and restructured a number of its obligations. The effect of such initiatives were realized during the fourth quarter of fiscal 2020 and subsequent to the Company's July 31, 2020 year end.
- During the three months ended July 31, 2020 the effect of cost reductions were realized as operating expenses reduced by 65% to \$2.3 million.
- The most significant improvements to the balance sheet took place after the fiscal year end including the following:
  1. The elimination of over \$8 million in debt through settlement of payables for common shares and conversion of \$7.6 million of convertible debentures;
  2. The sale of Calyx Brands Inc. ("Calyx") which eliminated \$11.2 million in liabilities; and
  3. Termination of the agreement to acquire Green Therapeutics ("GT") and entering into an agreement for the repayment of US\$2.2 million in loans due to the Company upon closing of the sale of GT to Australis Capital Inc. ("Australis"). If the sale of GT is completed, the repayment of these loans will be in the form of Australis common shares at a valuation of \$0.20 per share. At the current market price for Australis shares, after recent note sales, the value of the shares to be received upon repayment represents over \$4 million.
- With the completion of the reorganization of the business and elimination of approximately \$20 million in liabilities, management has focused on the growth of the business with the following achievements which are expected to drive profitability and value creation for shareholders:
  1. On August 14, 2020, the Company acquired all of the outstanding common shares of Psychedelic Science Corp. ("PSC") a company developing products and conducting research in the emerging area of psychoactive therapy and wellness. The acquisition of PSC will allow Nutritional High to broaden its focus to encompass other plant-based products in addition to and in combination with cannabis.
  2. On May 19, 2020, the Company announced that it has signed an agreement to purchase Palo Verde LLC and on January 28, 2021 the Colorado Marijuana Enforcement Division ("MED") provided conditional approval for completion of this acquisition expected to close in March 2021.
  3. On January 29, 2021 the Company announced that it has signed a binding letter agreement to acquire California-based OutCo Labs Inc. ("OutCo"). OutCo specializes in manufacturing and retailing premium quality cannabis flower and high margin extract products including award-winning vape cartridges, tinctures, topicals, capsules and flower products which are sold under in-house brands through wholly owned retail stores and third-party dispensary clients

throughout California. OutCo is an established operator in the California cannabis landscape with annual run rate revenues of approximately USD \$8.0 million.

### Summary Income Statement

	Year ended July 31, 2020	Year ended July 31, 2019
	\$	\$
Total sales	12,338,061	23,608,410
Cost of goods sold (“COGS”)	<u>9,550,928</u>	<u>18,127,382</u>
Gross Profit	2,787,133	5,481,028
Operating Expenses	15,068,624	25,948,899
Other Items	<u>8,972,883</u>	<u>6,203,200</u>
Pre Tax Income	<u>(21,026,075)</u>	<u>(26,552,125)</u>
Net comprehensive Income	(21,922,661)	(27,358,172)
Loss per share (basic)	(0.07)	(0.09)
Loss per share (diluted)	(0.07)	(0.09)

### Fiscal 2020 Financial Highlights

- Revenue during fiscal 2020 was \$12.3 million compared with \$23.6 million in 2019 reflecting the reduction in distribution business at Calyx. As a result of the Company’s strategic review of the business, Calyx was sold after the fiscal year end.
- Gross Profit during fiscal 2020 was \$2.8 million or 22.5% of revenues which was in line with the previous fiscal year at 23.2% which is reflective of the distribution business of Calyx.
- Operating costs declined by 42% from the prior year to \$15 million as a result of reductions in salaries and consulting fees, lower general and administrative expenses and lower inventory loss and reserve.
- Expenses and charges included in Other Items were \$9 million in 2020 compared with \$6.2 million the prior year. The higher level of Other Items was due to over \$10 million in gains on sales or settlements during fiscal 2019 which were not experienced in 2020. The Company recorded impairments of intangibles and goodwill of \$3.1 million during 2020 which represented a significant reduction from \$11.8 million in impairment charges during fiscal 2019.
- Total Assets as of July 31, 2020 was \$6.7 million compared with \$19.5 million at the corresponding date of 2019. This reduction in total assets was due to lower receivables and inventory as a result of the reduced level of business at Calyx. In addition, impairments of capital assets, intangibles and goodwill contributed to the reduction of total assets.
- Total Liabilities increased to \$28.6 million as at July 31, 2020, from \$24.8 million during the same period in 2019. The increase in liabilities was due to higher levels of payables and accrued liabilities associated with Calyx as well as the addition of convertible debt incurred during the year.

## **Corporate Strategy**

Nutritional High is focused on identifying, acquiring and developing high-value products and brands for its cannabis infused edibles and oil extracts product lines sold into the medical and adult recreational markets.

In early 2020 Nutritional High undertook a strategic review of its business with two distinct areas of focus. As a first step, management undertook a thorough review of assets and investments including distribution and manufacturing operations with a view to cost reductions and re-deployment of resources on the segments of the business most likely to achieve profitability in the short term. Secondly, the Company undertook an overall reassessment of its liabilities including an immediate reduction in costs, sale or closure of unprofitable operations, settlement of payables, renegotiation of lease agreements as well as repricing, extending and conversion of debt.

As part of the strategic review process, it was determined that due to the significant amount of working capital required to sustain the Company's distribution business, Calyx Brands would be divested. Further, consistent with the brand focused manufacturing strategy, Nutritional High will be focusing on the production of branded products, returning the Company to its roots. To this end, the Company announced that it will complete its acquisition of Palo Verde and it has signed a binding agreement to acquire 100% of California-based OutCo.

Nutritional High's redefined presence in its three primary states of California, Colorado and Oregon will act as a foundation for potentially multiple bolt-on synergistic acquisitions in these markets over the coming months. The Company's strategy of maintaining financial discipline will be paramount as any transaction will have to: 1. aide in operational efficiencies in manufacturing facilities through either increasing under-utilized capacity or increasing capacity where needed 2. Provide additional branded products where gaps have been identified. To ensure optimized execution, the Company plans to develop centres of excellence for manufacturing, marketing, innovation and sales. Longer-term, Nutritional High will selectively pursue acquisitions in states that have positive market and regulatory dynamics.

"It has been a difficult year for the Company as we undertook the reorganization of the business. These steps, however were necessary to position the Company to be successful in its branded manufacturing strategy" stated John Durfy, CEO of Nutritional High. "With a cleaner balance sheet, we are now able to capitalize on our manufacturing strengths and focus on strategic opportunities such as OutCo to profitably grow our business."

## **Update on Management Cease Trade Order**

As a result of a strategic review of Nutritional High undertaken over the past year, there was a change of management and a corporate reorganization which resulted in a delay in the completion of the audit of the financial statements for the year ended July 31, 2020. The late reporting of the annual statements has also caused a delay in completion of the first quarter statement for the period ending October 31, 2020.

In anticipation of this delay, the Company applied for and was granted a Management Cease Trade Order by the Ontario Securities Commission ("MCTO"). With the filing of the financial statements today, the Company has met the deadline under the MCTO for the filing of its annual financial statement. The MCTO also provided the Company until February 22, 2021 to file its first quarter statements which it expects to meet.

## **About Nutritional High International Inc.**

Nutritional High is focused on developing and manufacturing branded products in the cannabis industry, with a specific focus on edibles and oil extracts for medical and adult recreational use. The Company works exclusively in jurisdictions where such activity is permitted and regulated by state law. Nutritional High has brought its flagship FLI™ edibles and vape product lines from production to market in various markets including Colorado where its award winning FLI™ products are manufactured by Palo Verde, LLC. The Company signed a purchase agreement for Palo Verde and on January 28, 2021, received conditional regulatory approval to close the acquisition.

The Company also owns Psychedelic Science which is working with Rangsit University in Thailand to consider the medical benefits of various psychedelic cacti.

For updates on the Company's activities and highlights of the Company's press releases and other media coverage, please follow Nutritional High on [Facebook](#), [Twitter](#) and [Instagram](#) or visit [www.nutritionalhigh.com](http://www.nutritionalhigh.com).

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*This news release may contain forward-looking statements and information based on current expectations. These statements include statements regarding: the acquisition of PSC enabling the Company to broaden its focus; the completion of the acquisition of Palo Verde LLC; the completion of the acquisition of OutCo; and the potential for additional synergistic acquisitions. These statements should not be read as guarantees of future performance or results. Such statements involve known and unknown risks, uncertainties and other factors that may cause actual results, performance or achievements to be materially different from those implied by such statements. This forward-looking information reflects the Company's current beliefs and is based on information currently available to the Company and on assumptions the Company believes are reasonable. These assumptions include, but are not limited to: the ability of the Company to successfully satisfy the conditions to closing the acquisitions of Palo Verde and OutCo., the ability of the Company to successfully execute its business plans; legal changes relating to the cannabis industry proceeding as anticipated; and the Company's continued response and ability to navigate the COVID-19 pandemic being consistent with, or better than, its ability and response to date.*

*The Company's securities have not been registered under the U.S. Securities Act of 1933, as amended (the "U.S. Securities Act"), or applicable state securities laws, and may not be offered or sold to, or for the account or benefit of, persons in the United States or "U.S. Persons", as such term is defined in Regulation S under the U.S. Securities Act, absent registration or an applicable exemption from such registration requirements. This press release shall not constitute an offer to sell or the solicitation of an offer to buy nor shall there be any sale of the securities in the United States or any jurisdiction in which such offer, solicitation or sale would be unlawful.*

*Additionally, there are known and unknown risk factors which could cause the Company's actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied*

*by the forward-looking information contained herein. Such risks and other factors may include, but are not limited to: general business, economic, competitive, political and social uncertainties; general capital market conditions and market prices for securities; the actual results of the Company's future operations; competition; changes in legislation affecting the Company; obtaining and maintaining regulatory approvals including acquiring and renewing U.S. state, local or other licenses, the uncertainty of existing protection from U.S. federal or other prosecution, regulatory or political change such as changes in applicable laws and regulations, including U.S. state-law legalization, market and general economic conditions of the cannabis sector or otherwise; the timing and availability of external financing on acceptable terms; lack of qualified, skilled labour or loss of key individuals; risks related to the COVID-19 pandemic including various recommendations, orders and measures of governmental authorities to try to limit the pandemic, including travel restrictions, border closures, non-essential business closures, service disruptions, quarantines, self-isolations, shelters-in-place and social distancing, disruptions to markets, economic activity, financing, supply chains and sales channels, and a deterioration of general economic conditions including a possible national or global recession; and a deterioration of financial markets that could limit the Company's ability to obtain external financing.*

*A description of additional risk factors that may cause actual results to differ materially from forward-looking information can be found in the Company's disclosure documents on the SEDAR website at [www.sedar.com](http://www.sedar.com). Although the Company has attempted to identify important factors that could cause actual results to differ materially from those contained in forward-looking information, there may be other factors that cause results not to be as anticipated, estimated or intended. Accordingly, readers should not place undue reliance on forward-looking information. Readers are cautioned that the foregoing list of factors is not exhaustive. Readers are further cautioned not to place undue reliance on forward-looking information as there can be no assurance that the plans, intentions or expectations upon which they are placed will occur. Such information, although considered reasonable by management at the time of preparation, may prove to be incorrect and actual results may differ materially from those anticipated.*

*Forward-looking information contained in this press release is expressly qualified by this cautionary statement. The forward-looking information contained in this press release represents the expectations of the Company as of the date of this press release and, accordingly, are subject to change after such date. However, the Company expressly disclaims any intention or obligation to update or revise any forward-looking information, whether as a result of new information, future events or otherwise, except as expressly required by applicable securities law.*