



Flower One Reports Q2-22 Financial Results

Las Vegas, Nevada – August 29, 2022 - Flower One Holdings Inc. (“Flower One” or the “Company”) (CSE: FONE) (OTCQB: FLOOF) (FSE: F11), the leading cannabis cultivator and producer in Nevada, today announced its financial and operating results for the second quarter ended June 30, 2022. All amounts are expressed in U.S. dollars unless indicated otherwise.

“Despite best efforts from our team to continue to produce the best quality cannabis we can at the lowest possible price, we face significant market pressures and with our current cash burn rate we must continue to explore all avenues to source working capital, and there is no guarantee that the Company will receive this funding,” said Kellen O’Keefe, Flower One’s President & Chief Executive Officer.

Second Quarter 2022 Financial Results:

Revenues

For the three-month period ended June 30, 2022, the Company reported revenue of \$7.9M. Nevada’s cannabis market continues to be harshly affected by the ongoing impact of the pandemic, and a thriving black market, which has resulted in price compression and decreased statewide cannabis sales. While tourism has continued to slowly rebound to pre-pandemic levels, visitor counts still remain far below expectations as a direct result of the reduction in conferences, corporate, and international travel.

Expenses

Cost of sales for the second quarter of 2022 was \$6.9M, compared to \$11M from the same period in 2021. The decrease in gross margin is a direct result of wholesale price compression driven by topline market softening and increased supply.

Profitability Measures

Second quarter 2022 gross profit before fair value adjustments was \$1M, compared to \$7.2M from the same period of the prior year. The decrease in gross profit is directly attributable to wholesale price compression, as well as an increase in consumer incentives, such as pricing discounts and other promotions, in order to maintain market position for both in-house and brand partner products.

For the quarter, the Company recorded a net loss of \$5.4M, compared to a net loss of \$1M for the same period of the prior year.

	Three months ended June 30,	
	2022	2021 <i>(As Restated)</i>
Revenue	\$ 7,898,306	\$ 18,253,624
Cost of sales	6,855,411	11,034,373
Gross profit before fair value adjustments	1,042,895	7,219,251
Net change in fair value of biological assets	(416,772)	3,861,704

Gross profit	\$ 1,459,667	\$ 3,357,547
Gross margin	18%	18%
Gross margin before impact of biological assets	13%	40%

Balance Sheet

As of June 30, 2022, the Company had cash and cash equivalents of \$3.6M, compared with \$2.2M as of June 30, 2021. The Company's overall liability balance has increased by \$11.9M as compared to December 31, 2021.

"While still navigating through a challenging global economic environment, we continue to strengthen and refine our ability to decrease and control our costs," said Araxie Grant, Flower One's Chief Financial Officer. "In the second quarter we significantly reduced our operating expenses, and continue to practice the financial discipline required to give the Company the chance to achieve positive cash flow."

Flower One's second quarter 2022 financial statements and management's discussion and analysis will be issued and filed on SEDAR at www.sedar.com on August 29, 2022 and will also be available on Flower One's website at www.flowerone.com/investors/financial-reports.

Restatement of 2021 Interim Financial Information

The Company previously announced that, on the recommendation of the Audit Committee of the Company's Board of Directors and after consultation with MNP LLP, the Company's independent registered public accounting firm, that Flower One's previously issued unaudited interim financial statements for each of the first, second and third quarters of 2021 prepared in accordance with International Financial Reporting Standards as filed on SEDAR would be restated and should no longer be relied upon.

As a result, the Company has made both material and immaterial restatements to (1) cash and cash equivalents, (2) current and long term prepaids and deposits, (3) the carrying value of cannabis and oil-based cannabis inventory, and related cost of sales, (4) the valuation of biological assets and related fair value adjustments, (5) property, plant and equipment, loss on disposal of assets and related depreciation, (6) trade payables, accrued liabilities and construction payables, (7) valuation methodology for convertible debentures and warrants, and related derivative liability and fair value loss on derivatives, (8) the classification of current and non-current equipment financing and term debt balances, (9) general and administrative expenses, (10) stock based compensation expense for Restricted Share Units ("RSUs") granted in 2021, (11) loss on debt modification or extinguishment related to debt modifications, (12) related party transaction disclosures; and (13) finance expenses, including interest, accretion and transaction costs.

The Company has made restatements retrospectively to the comparative periods as at and for the six-month period ended June 30, 2021, and the three-month periods ended March 2021, June 2021, September 2021 and December 2021. The condensed consolidated interim financial statements for the periods as at and ended between March 31, 2021 and September 30, 2021 were not adjusted and refiled at the time of discovery of the need for restatement, rather the comparative period as at and for the three and six-month periods ended June 30, 2021, has been corrected in the unaudited condensed interim consolidated financial statements as at and for the three and six-month periods ended June 30, 2022.

About Flower One Holdings Inc.

Flower One is the largest cannabis cultivator, producer, and full-service brand fulfillment partner in the state of Nevada. By combining more than 20 years of greenhouse operational excellence with best-in-class cannabis operators, Flower One offers consistent, reliable, and scalable fulfillment to a growing number of industry-leading cannabis brands (Cookies, Kiva, Old Pal, Heavy Hitters, Lift Ticket's, HUXTON, and Flower One's leading in-house brand, NLVO, and more). Flower One currently produces a wide range of products from flower, full-spectrum oils, and distillates to finished consumer packaged goods, including a variety of: pre-rolls, concentrates, edibles, topicals, and more for top-performing brands in cannabis. Flower One's Nevada footprint includes the Company's flagship facility, a 400,000 square-foot high-tech greenhouse and 55,000 square-foot production facility, as well as a second site with a 25,000 square-foot indoor cultivation facility and commercial kitchen. Flower One has built an industry-leading team focused on making high-quality cannabis accessible to all.

The Company's common shares are traded on the Canadian Securities Exchange under the Company's symbol "FONE", in the United States on the OTCQB Market under the symbol "FLOOF" and on the Frankfurt Stock Exchange under the symbol "F11". For more information, visit: <https://flowerone.com>.

Cautionary Note Regarding Forward-Looking Information

Statements in this press release that are not statements of historical or current fact constitute "forward-looking information" within the meaning of Canadian securities laws and "forward-looking statements" within the meaning of United States securities laws (collectively, "forward-looking statements"). Such forward-looking statements involve known and unknown risks, uncertainties, and other unknown factors that could cause the actual results of the Company to be materially different from historical results or from any future actual results expressed or implied by such forward-looking statements. In addition to statements which explicitly describe such risks and uncertainties, readers are urged to consider statements labeled with the terms "believes," "belief," "expects," "intends," "anticipates," "potential," "should," "may," "will," "plans," "continue" or other similar expressions to be uncertain and forward-looking.

Forward-looking statements may include, without limitation, statements relating to the Company's position as a leader in the Nevada cannabis market; the Company's leadership as a cannabis cultivator, producer, innovator and full-service brand fulfillment partner; the production of a wide range of products for the nation's top-performing brands; and the requirement for additional sources of working capital.

The forward-looking statements contained in this press release are expressly qualified in their entirety by this cautionary statement, the "Cautionary Statement regarding Forward-Looking Information" section contained the Company's management's discussion and analysis for the three and twelve months ended December 31, 2021 (the "MD&A"). All forward-looking statements in this press release are made as of the date of this press release. The forward-looking statements contained herein are also subject generally to assumptions and risks and uncertainties that are described from time to time in the Company's public securities filings with the Canadian securities commissions, including the Company's MD&A. Although Flower One has attempted to identify important factors that could cause actual results, performance or achievements to differ materially from those contained in the forward-looking statements, there can be other factors that cause results, performance or achievements not to be as anticipated, estimated or intended.

Although the Company believes that any forward-looking information and statements herein are reasonable, in light of the use of assumptions and the significant risks and uncertainties inherent in such information and statements, there can be no assurance that any such forward-looking

information and statements will prove to be accurate, and accordingly readers are advised to rely on their own evaluation of such risks and uncertainties and should not place undue reliance upon such forward-looking information and statements. Accordingly, readers should not place undue reliance on forward-looking statements. The forward-looking statements in this press release are made as of the date of this release. Flower One disclaims and does not undertake any intention or obligation to update or revise any such forward-looking statements, whether as a result of new information, future events or otherwise, except as required by applicable law.

NEITHER THE CANADIAN SECURITIES EXCHANGE NOR THEIR REGULATIONS SERVICES PROVIDER HAVE REVIEWED OR ACCEPT RESPONSIBILITY FOR THE ADEQUACY OR ACCURACY OF THIS RELEASE.

Contacts:

Flower One Investor Relations
ir@flowerone.com

Kellen O'Keefe, President & CEO
702.660.7775

Flower One Media
media@flowerone.com