StateHouse Holdings Inc. Reports Third Quarter 2022 Financial Results

Achieves 35% reduction in annualized SG&A expenses

Expects fully integrated operations to achieve positive EBITDA in 2023

Targets becoming cash flow positive in the second half of 2023

SAN DIEGO, CA and TORONTO, ON – November 22, 2022 – StateHouse Holdings Inc. ("StateHouse" or the "Company") (CSE: STHZ) (OTCQX: STHZF), a California-focused, vertically integrated cannabis enterprise, today announced its financial results for the three and nine months ended September 30, 2022 ("Q3 2022" and "YTD 2022", respectively), and provided additional business updates. The unaudited condensed interim consolidated financial statements for Q3 2022 and corresponding management's discussion and analysis are available for download from the Company's investor website, statehouseholdings.com, and on the Company's SEDAR profile. Unless otherwise indicated, all dollar amounts in this press release are denominated in U.S. currency.

Management Commentary

"We built StateHouse to realize the power of a fully integrated supply chain and capitalize on the immense opportunity in California while mitigating the risks from the current macro conditions," said Ed Schmults, Chief Executive Officer. "In a short period of time, we successfully executed on the large-scale integration of our business into a strong and unified platform for growth. Throughout this process, we have focused on identifying opportunities to optimize and scale our operations while implementing cost savings initiatives that have significantly reduced our expenses, with further synergies expected next year. With much of this important combination work complete, we are exiting 2022 as a leading, fully integrated California-focused cannabis company."

"Undoubtedly, California's cannabis industry has experienced several challenges over this past year which has created a unique opportunity for leaders to engage in meaningful discussions on how we can work together to move this industry into the future. We believe a strong industry is driven by a diverse ecosystem of operators striving in unison for a robust and well-developed market that will drive innovation and excellence to deliver safe, high-quality products. I am thrilled to be actively working with large public organizations, local craft growers as well as independent retailers to explore potential brand collaborations and exclusive launches for the betterment of our customers and the broader industry."

Mr. Schmults concluded, "Looking ahead, we believe that our industry-leading scale, together with our strong brand portfolio, has positioned us to continue to build customer loyalty, increase our market share and expand our margins. As a result, we expect to begin deliver positive EBITDA[(1)(3)] results in 2023 and become cash flow positive in the second half of the year[(3)]. I am extremely confident in the team we have built and the ability of our newly solidified organization to emerge as the leader in this market and drive strong, long-term value for our shareholders."

Q3 2022 Highlights

- Total net revenues were $30.8 million, an increase of 77% compared with $17.5 million in the three months ended September 30, 2021 ("Q3 2021"). The growth in total net revenue was primarily due to the acquisitions of UL Holdings Inc. ("Urbn Leaf") and LPF JV Corporation ("Loudpack"), which were completed in March and April of 2022, respectively, along with the opening of the Harborside branded retail dispensary in the Haight Ashbury neighborhood of San Francisco and the opening of the Urbn Leaf branded retail dispensary in Grossmont in April 2022.
- Gross profit before adjustments for biological assets, was $11.1 million, a 31% increase as compared to $8.4 million in gross profit realized during Q3 2021.
- Retail revenues were $16.5 million, representing 53.4% of total sales in Q3 2022, an increase of $7.3 million compared to Q3 2021. This provides enhanced retail margins for the Company while also allowing its retail experience and data on sell-through and promotional effectiveness to inform the Company's wholesale business so its sales team can optimize products, pricing and promotions for the Company's wholesale customers.
- Q3 2022 cultivation yields in the Company's Salinas facility were up 150% over Q3 2021 due to improved practices, while cost per pound declined 56% over the same time period. Year to date yields are up 99% over YTD 2021 with a 40% reduction in cost per pound.
- Q3 2022 Consolidated gross margins were 35.9% of revenues, compared to 48.3% of revenues in Q3 2021. Gross margin was primarily impacted by market wide pricing compression on bulk cannabis in California and an increase in expenses for cultivation labor and utilities compared to the same period in the prior year, which were partially offset by margin gains from improved pricing and product mix at retail.
- Officially changed the Company name to StateHouse Holdings Inc. and completed the reclassification of subordinate voting shares and multiple voting shares as Common Shares. Effective upon market open on July 25, 2022, the Common Shares began to trade on the Canadian Securities Exchange (the "CSE") under the new ticker symbol "STHZ" and on the OTCQX Best Market under the new ticker symbol "STHZF".
- Reached a partial payment installment agreement with the Internal Revenue Service ("IRS") to resolve and reduce legacy federal tax obligations related to the Internal Revenue Code Section 280E, resulting in a one-time non-cash gain of approximately $16.1 million for the Company's related entity Patients Mutual Assistance Collective Corporation for tax years 2007-2012 and 2020. The Company continues to negotiate with the IRS over additional tax repayments.
- Completed the transition to a common technology platform for its California retail stores, e-commerce and home delivery.

Subsequent Events

- Added Shawn Shevlin, VP of Operations and Megan Gordon, VP of Wholesale Sales, to the team. These key roles were filled with experienced executives who are quickly making positive changes across the business.
- Entered into a master distribution agreement with Nabis, California's largest cannabis distributor, under which the Company is outsourcing all its cannabis distribution. Nabis has a leading cannabis wholesale platform in California and is the state's single largest distributor of cannabis, which is expected to both expand the Company's reach across the state, and result in cost-savings from the reduction distribution activities[(2)].

Operations Update[2]

As of September 30, 2022, the Company has generated approximately $16 million of annualized cost savings. Annual selling, general and administrative ("SG&A") costs have been reduced by approximately 20% to date, with another 20% improvement expected by the end of 2022. Additionally, SG&A expenses in the third quarter of 2022 were impacted by one-time charges of $1.9 million related to integration work and improvements in efficiency.

Management is also exploring the potential sale of various non-core assets, which is expected to generate approximately $5-8 million of non-dilutive capital[3] to strengthen its balance sheet and fund its growth objectives[2].

The Company has continued to execute on improvements at its cultivation operations, with significant enhancements being made at its Salinas facility. Flower yields were up approximately 150% for the nine-months ended September 2022, compared with the same period in 2021.

In its retail operations, the Company has focused on increasing profitability despite competitive pressures related to sales discounting. Gross margins have held steady as the Company moves further towards its goal of in-house branded products representing approximately 40% of total retail sales.

The Company has completed a number of integration milestones to establish itself as a leading California cannabis company. StateHouse is now well positioned as a focused, integrated CPG business with proprietary production, processing, brands, and retail stores. This strong platform will provide the foundation for growth, as well as improvements in profitability. Based on current strength of the business and what has been achieved to date, the Company excepts generate materially positive Adjusted EBITDA[1][3] in 2023, and to begin generating positive cash flow in the second half of 2023[3].

Option and RSU Grant

The Company granted a total of 1,600,000 options to purchase common shares of StateHouse to certain directors, officers and employees pursuant to the Company's Stock Option Plan. Of the total, 800,000 of the options vest in equal annual installments over a period of four years from the date of grant and expire 5 years from the date of grant. The remaining 800,000 options vested immediately and expire 5 years from the date of grant. In addition, the Company has issued a total of 1,550,000 restricted share units ("RSUs") to certain directors, officers and employees of the Company in accordance with the Company's Restricted Share Unit Plan. 1,350,000 of the RSUs will vest in equal annual installments over a period of four years from the date of grant. The remaining 200,000 RSU's immediately vested. Once vested, each RSU represents the right to receive one common share of the Company or the equivalent cash value thereof, at the Company's discretion.

Notes:

[1] This is a non-IFRS reporting measure. For a reconciliation of this to the nearest IFRS measure, see "Use of Non-IFRS Measures" and "Non-IFRS Measures" in the Company's management discussion and analysis for the period ended September 30, 2022. See "Non-IFRS Measures, Reconciliation and Discussion".
[2] This is forward-looking information and based on a number of assumptions. See "Cautionary Note Regarding Forward-Looking Information" below.
[3] These targets, and the related assumptions, involve known and unknown risks and uncertainties that may cause actual results to differ materially. While StateHouse believes there is a reasonable basis for these targets, such targets may not be met. These targets represent forward-looking information. Actual results may vary and differ materially from the targets. See "Cautionary Note Regarding Forward-Looking Information" and "Assumptions" below.

About StateHouse:

StateHouse, a vertically integrated enterprise with cannabis licenses covering retail, major brands, distribution, cultivation, nursery and manufacturing, is one of the oldest and most respected cannabis companies in California. Founded in 2006, its predecessor company Harborside was awarded one of the first six medical cannabis licenses granted in the United States. Today, the Company operates 13 dispensaries covering Northern and Southern California and one in Oregon, distribution facilities in San Jose and Los Angeles, California and integrated cultivation/production facilities in Salinas and Greenfield, California. StateHouse is a publicly listed company, currently trading on the Canadian Securities Exchange ("CSE") under the ticker symbol "STHZ" and the OTCQX under the ticker symbol "STHZF". The Company continues to play an instrumental role in making cannabis safe and accessible to a broad and diverse community of California and Oregon consumers.

Non-IFRS Measures, Reconciliation and Discussion

This press release may contain references to "Adjusted EBITDA" and "Adjusted Gross Profit" which are non-IFRS financial measures. Management believes that these measures provide useful information as they represent the value of incremental sales.

Adjusted EBITDA is a measure of the Company's overall financial performance and is used as an alternative to earnings or net income in some circumstances. Adjusted EBITDA is essentially net income (loss) with interest, taxes, depreciation and amortization, non-cash adjustments and other unusual items added back. This measure can be used to analyze and compare profitability among companies and industries, as it eliminates the effects of financing and capital expenditures. It is often used in valuation ratios and can be compared to enterprise value and revenue. This measure does not have any standardized meaning according to IFRS and therefore may not be comparable to similar measures presented by other companies.

Adjusted Gross Profit exclude the changes in fair value less costs to sell of the Company's biological assets. Management believes this measure provides useful information as they represent the gross profit based on the Company's cost to produce inventories sold while removing fair value measurements which are tied to changing inventory components and levels, as required by IFRS.

There are no comparable IFRS financial measures presented in StateHouse's financial statements. Reconciliations of the supplemental non-IFRS measures are presented in the Company's management's discussion and analysis for the period ended September 30, 2022. The Company provides the non-IFRS financial measures as supplemental information and in addition to the financial measures that are calculated and presented in accordance with IFRS. These supplemental non-IFRS financial measures are presented because management believes such measures provide information which is useful to shareholders and investors in understanding its performance and which may assist in the evaluation of the Company's business relative to that of its peers. However, such measures should not be considered superior to, as a substitute for or as an alternative to, and should only be considered in conjunction with, the most comparable IFRS financial measure. For more information, please see "Use of Non-IFRS Measures" and "Non-IFRS Measures" in the Company's management's discussion and analysis for the period ended September 30, 2022, which is available under the Company's profile on www.sedar.com.

Cautionary Note Regarding Forward-Looking Information

This news release contains "forward-looking information" and "forward-looking statements" (collectively, "forward-looking statements") within the meaning of the applicable Canadian and United States securities regulations. To the extent any forward-looking information in this news release constitutes "financial outlooks" or "future-oriented financial information" within the meaning of applicable Canadian securities laws, the reader is cautioned not to place undue reliance on such information. All statements, other than

statements of historical fact, are forward-looking statements and are based on expectations, estimates, and projections as at the date of this news release. Any statement that involves discussions with respect to predictions, expectations, beliefs, plans, projections, objectives, assumptions, future events or performance (often but not always using phrases such as "expects", or "does not expect", "is expected", "anticipates" or "does not anticipate", "plans", "budget", "scheduled", "forecasts", "estimates", "believes" or "intends" or variations of such words and phrases or stating that certain actions, events or results "may" or "could", "would", "might" or "will" be taken to occur or be achieved) are not statements of historical fact and may be forward-looking statements. In this news release, forward-looking statements include, among other things, statements relating to generating positive EBITDA and positive cash flow by 2023, total amounts of annualized cost savings, the successes resulting from the Company's integrated cannabis platform, amounts of in-house branded products sold, the implications of the sale of non-core assets, and the Company's future profitability, potential cost reductions, and potential asset sales.

These forward-looking statements are based on reasonable assumptions and estimates of management of the Company at the time such statements were made. Actual future results may differ materially as forward-looking statements involve known and unknown risks, uncertainties, and other factors which may cause the actual results, performance, or achievements of the Company to materially differ from any future results, performance, or achievements expressed or implied by such forward-looking statements. Such factors, among other things, include: implications of the COVID-19 pandemic on the Company's operations; fluctuations in general macroeconomic conditions; fluctuations in securities markets; expectations regarding the size of the cannabis markets where the Company operates; changing consumer habits; the ability of the Company to successfully achieve its business objectives; plans for expansion and acquisitions; political and social uncertainties; inability to obtain adequate insurance to cover risks and hazards; employee relations; the presence of laws and regulations that may impose restrictions on cultivation, production, distribution, and sale of cannabis and cannabis-related products in the markets where the Company operates; and the risk factors set out in the Company's management discussion and analysis for the period ended September 30, 2022 and the Company's listing statement dated May 30, 2019, which are available under the Company's profile on www.sedar.com. Although the forward-looking statements contained in this news release are based upon what management of the Company believes, or believed at the time, to be reasonable assumptions, the Company cannot assure shareholders that actual results will be consistent with such forward-looking statements, as there may be other factors that cause results not to be as anticipated, estimated or intended. Readers should not place undue reliance on the forward-looking statements and information contained in this news release. The Company assumes no obligation to update the forward-looking statements of beliefs, opinions, projections, or other factors, should they change, except as required by law.

The Company, through several of its subsidiaries, is directly involved in the manufacture, possession, use, sale, and distribution of cannabis in the recreational and medicinal cannabis marketplace in the United States. Local state laws where the Company operates permit such activities however, investors should note that there are significant legal restrictions and regulations that govern the cannabis industry in the United States. Cannabis remains a Schedule I drug under the United States Controlled Substances Act, making it illegal under federal law in the United States to, among other things, cultivate, distribute or possess cannabis in the United States. Financial transactions involving proceeds generated by, or intended to promote, cannabis-related business activities in the United States may form the basis for prosecution under applicable United States federal money laundering legislation.

While the approach to enforcement of such laws by the federal government in the United States has trended toward non-enforcement against individuals and businesses that comply with recreational and medicinal cannabis programs in states where such programs are legal, strict compliance with state laws with respect to cannabis will neither absolve the Company of liability under United States federal law, nor will it provide a defense to any federal proceeding which may be brought against the Company. The enforcement of federal laws in the United States is a significant risk to the business of the Company and any proceedings brought against the Company thereunder may adversely affect the Company's operations and financial performance.

This news release does not constitute an offer to sell, or a solicitation of an offer to buy, any securities in the United States. The Company's securities have not been and will not be registered under the United States Securities Act of 1933, as amended (the "U.S. Securities Act") or any state securities laws and may not be offered or sold within the United States or to U.S. Persons unless registered under the U.S. Securities Act and applicable state securities laws or an exemption from such registration is available.

Assumptions

In developing the financial guidance set forth above, StateHouse made the following assumptions and relied on the following factors and considerations:

- The targets are based on StateHouse's historical results including its year-to-date consolidated results of operations.
- The targets are subject to continued cultivation improvement.
- Targeted revenue at our retail dispensaries through the end of the year is based on our year to date results.
- Both retail and wholesale revenue sustainability and growth depend on a variety of factors, including, among other things, location, competition, legal and regulatory requirements. Prices are projected forward at recently realized wholesale and retail prices.
- Cost of goods sold, before taking into account the impact of value changes in biological assets (which are non- cash in nature, and, accordingly, are excluded from calculations of Adjusted EBITDA, have been projected based on estimated costs of production and capacity available from a vertically integrated supply chain. Cost of goods sold relating to inventory purchased from third parties have been projected in line with historical levels.
- SG&A expenses in future periods are assumed to decrease as a percentage of revenues due to inherent scalability of SG&A expenses and our cost cutting initiatives outlined above. Additionally, total SG&A expenses include an allocation for corporate overhead and public company costs.

The CSE has neither approved nor disapproved the contents of this news release. Neither the CSE nor its Market Regulator (as that term is defined in the policies of the CSE) accepts responsibility for the adequacy or accuracy of this release.

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