



Flower One's Strong Fourth Quarter Caps Transformational 2019 Year

***Company's Operational Momentum Continued in Q1 2020 with
Record Monthly Sales of \$3.9M in March***

Toronto, Ontario, June 15, 2020 – Flower One Holdings Inc. (the "Company") (CSE: FONE) (OTCQX: FLOOF), a leading cannabis cultivator, producer and innovator in Nevada, today reported its financial and operating results for the fourth quarter and fiscal year ended December 31, 2019. The Company also provided a corporate update including preliminary financial and operational highlights subsequent to year end. All amounts are expressed in U.S. dollars unless indicated otherwise.

Fourth Quarter Highlights

- Revenue was \$5.8 million, with sequential quarterly growth of 132%;
- Improved upon industry-leading lowest cost per gram with an average harvested cash cost of \$0.40 per gram;
- Gross margin of 44% representing a strong increase from the reported gross margin of 25% in Q3; and,
- Launched three brands into the market as well as signed Cookies and 22Red as new partners (both expected to launch in market in the coming weeks).

Full Year 2019 Highlights

- Revenue was \$9.5 million, surpassing Company guidance of \$9.0 million;
- Gross margin before fair value adjustments and provision for inventory of \$3.0 million, or 32% of revenues;
- Net income totaled \$525 thousand;
- Commenced initial flower sales from Nevada's largest commercial greenhouse in August 2019;
- Launched Nevada's largest cannabis extraction and production facility in September 2019; and,
- Entered 14 brand partnerships, plus one more subsequent to year end, bringing the total number of brand partners managed by the company to 15.

"2019 was a year of transformational milestones, including the genesis of Flower One into the leading cannabis cultivator, producer and innovator in Nevada with industry-leading metrics for cultivation and extraction," said Ken Villazor, President and Chief Executive Officer of Flower One. "Our average harvested cash cost of \$0.40 per gram in the fourth quarter represented a 10% reduction to Flower

One's previously reported industry-leading cash cost per gram achieved in the third quarter. Importantly, the strong sales momentum generated in the last several months of 2019 following the initial launch of flower sales from our flagship greenhouse in August, carried into the first quarter of 2020, culminating in record sales of \$3.9 million in the month of March."

Highlights Subsequent to Year-End

A. Market and Revenue Highlights

- Q1 2020 preliminary reported revenue of \$8.9M representing 17% month-over-month, on average since first full month of sales in September 2019;
- Achieved record monthly sales of \$3.9 million in March 2020;
- On plan with major revenue catalyst of launching its Cookies and 22 Red brand partnerships in the coming weeks;
- As previously reported, the COVID-19 pandemic resulted in significant unanticipated changes to the Nevada cannabis market including:
 - Licensed cannabis businesses, like Flower One, were deemed essential but all other non-essential businesses were temporarily closed throughout the state under the Governor's declared State of Emergency Orders;
 - Cannabis retailers were confined in their ability to serve customers with initial delivery only, followed by the inclusion of curbside pick-up. On May 9, 2020, these retailers were permitted to reopen their physical storefronts but with limited capacity;
 - The closure of Nevada's casinos lasted for 78 days with the partial re-opening taking effect recently on June 4, 2020;
- In March 2020, the Company entered into a loan agreement (the "Agreement") for \$10 million, providing Flower One with additional financial flexibility;
- On May 4, 2020, the Company closed a previously announced non-brokered private placement for \$7.8 million; and,
- To date, 56% of the Company's November 2019 convertible debentures (conversion price of CDN\$1.50) and 26% of the Company's March 2019 convertible debentures (conversion price of CDN\$2.60) have been converted by holders. Of significance, these conversions were completed at the full original conversion price as noted and represent approximately CDN \$26.6M reduction in principal of the Company's corporate debt.

B. Operational Highlights

- With a bank of flower inventory to quickly respond to changes in market demand as Las Vegas emerges from COVID-19, Flower One enters Q3 2020 ready to serve the market while operating with direct costs that are approximately 60% lower compared to Q1 2020;
- In Q2 2020, the Company successfully validated its optimized Fresh Frozen harvest process in order to expand its product offerings and allowing it to continue to offer best-in-class concentrates to the market;

- The Company's 55,000 square foot production facility continues to make improvements and gain efficiencies in its upstream extraction processes resulting in all of its first-pass distillate achieving an average of 92% THC across all lots;
- The breadth of SKUs emerging from its production facility continues to increase reflecting the Company's continue focus to demonstrate its ability to be an industry-leader in producing amongst the widest and deepest range of high-market finished product derivatives. The Company's production facility is now delivering more than 100 SKUs to the market; and,
- Received Nevada state approval to launch three vape brands, including The Clear, Old Pal and Heavy Hitters. Heavy Hitters was added as a new brand partner in March 2020.

Fourth Quarter 2019 Financial Results

Revenues

Revenue for the fourth quarter was \$5.8 million, an increase of 132% on a sequential quarterly basis. The increase is primarily from the benefit of a full three months of flower sales out of the Company's Greenhouse, which did not commence until August 2019 and cannabis derived products out of the greenhouse, which did not commence until September 2019.

Expenses

Cost of sales was \$3.2 million for the quarter, inclusive of production costs expensed and the cost of inventory sold. The increase over prior quarter is a result of flower and cannabis derived product sales having a full quarter of sales during the three-months ended December 31, 2019. As sales out of the flagship greenhouse – the Bruce Street property – continue to increase each period, the Company expects the per gram cost of goods sold to decrease as the sales mix continues to shift towards lower-cost product out of the flagship greenhouse as compared to the higher-cost product grown out of the Neeham Property. This is evidenced by the Q4 2019 gross margin of 44% as compared to 25% at Q3 2019. The Neeham Property will continue to be used to test various strains from its genetic library and to grow select, premium craft cannabis.

General and administrative expenses for the quarter totaled \$6.8 million, an increase of \$2.4 million over Q3 2019 as operations ramped up during Q4 2019.

Profitability Measures

Net loss for the quarter was \$35.9 million, which was mainly driven by a fair value loss on growth of biological assets of \$34.7 million as a result of a decrease in the estimated fair value used in the biological asset model. This, along with general and administrative expenses of \$6.8 million and finance expenses of \$6.6 million, were offset by a gain on fair value of derivatives of \$4.5 million and an income tax recovery of \$9.6 million.

Gross margin amounted to \$2.6 million, or 44%. As sales out of the greenhouse continue to expand and our sales-mix shifts towards this lower-cost product, the Company expects cost of sales on a per-gram basis to decrease. This, coupled with upcoming brand launches, is expected to drive an increase in margins.

Flower One's 2019 year-end financial statements and management's discussion and analysis will be issued and filed on SEDAR at www.sedar.com on June 15, 2020 and available on the same day on Flower One's website at www.flowerone.com/investors/financial-reports.

COVID-19 Update: Additional Background

The Company, as part of a series of news releases, has provided regular updates on the specific and very fluid COVID-19 related market developments in Nevada.

As previously reported, Flower One continues to operate its 455,000 square-foot flagship cultivation and production facility as well as its 25,000 square-foot indoor cultivation and commercial kitchen facility in manners which are compliant with the public health guidelines issued by Nevada Health. The safety of its employees remains Flower One's top priority. For additional details on the COVID-19 hygiene, workplace safety and adjustment-to-workflow measures implemented by Flower One, please see the Company's [news release](#) issued on March 19, 2020.

Guidance

As previously announced on April 6, 2020, Flower One is estimating revenues of \$8.9 million for Q1 2020, near the midpoint of the Company's guidance of \$8 million to \$10 million for the quarter. March 2020 sales were very strong and are estimated to be \$3.9 million, the highest monthly sales reported in the history of the Company.

Additionally, Flower One is expecting revenue in Q2 2020 to be between \$3.25 million and \$3.75 million based on the following:

- The COVID-19 related decisions of the State of Nevada resulted in a notable constriction of its cannabis market during the months of April and May. As a result, the Company's sales declined to approximately \$2.0 million during the first two months of the second quarter;
- The re-opening of casinos and the Las Vegas Strip appears to be having a positive impact on inventory levels at cannabis retailers as the Company has seen a notable increase in its weekly orders through its retail accounts in the first week since the re-opening occurred; and,
- During Q2 2020, the Company added 11 new bulk and retail accounts to continue to broaden the Company's overall customer base and maintain its retail penetration of over 90%.

Flower One also anticipates, that entering Q3 2020, the Company will reduce its variable operating costs by more than 60% as a result of completed operational efficiencies and a reduced crop management plan through the upcoming quarter.

Notice of Conference Call

Management of Flower One will host a conference call at 8:30 a.m. ET on June 16, 2020 to review the fourth quarter and year-end quarter financial results. To join the conference call, please dial 647-427-7450 or 1-888-231-8191. A live audio webcast of the call will be available <http://bit.ly/FONE-Q4-2019>. Please connect at least 15 minutes prior to the conference call to ensure adequate time for any software download that may be required to join the webcast.

For those unable to join the live call, a replay will be available until June 30, 2020. To access the archived conference call, please dial 1-855-859-2056 and enter the conference code 3257949. An archived replay of the webcast will be available online for 90 days.

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. Flower One's flagship 400,000 square-foot greenhouse and 55,000 square-foot production facility is used for large scale cannabis cultivation, processing, and manufacturing. Flower One also owns and operates a second production facility in Las Vegas, with 25,000 square-feet of indoor cultivation and a commercial kitchen that will produce several of the nation's top-performing edible and beverage brands. Flower One produces a wide range of products ranging from wholesale flower, full-spectrum oils, and distillates to finished consumer packaged goods including flower, pre-rolls, concentrates, edibles, beverages, and topicals for the top-performing brands in cannabis.

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

Contacts:

Flower One:

Ken Villazor, President and CEO

416.200.7641

kvillazor@flowerone.com

Investor Relations:

Canada

NATIONAL Capital Markets

416.848.9835

United States

ADDO Investor Relations

310.829.5400

ir@flowerone.com

Forward Looking Statements

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 ability to remain as the leading cannabis cultivator, producer and innovator in Nevada, to remain compliant with the state government's public health efforts to contain COVID-19, to continue to support its brand and retail partners, to launch a number of major brands and SKUs into the market, and to ensure business continuity during the COVID-19 crisis; the Company's average harvested cash cost, per gram cost of goods sold, potential retail penetration, sales, revenue, expenses, operating costs and margins; the performance of the Company's production facility; future demand of the Company's wholesale and finished, packaged products; the adaption of FONE and Nevada dispensaries to new safety regulations; the Company's leadership as a cannabis cultivator, producer and full-service brand fulfillment partner; the Company's ability to offer consistent, reliable and scalable fulfilment to its brand partners; and the production of a wide range of products for the nation's top-performing brands.

The Company is indirectly involved in the manufacture, possession, use, sale and distribution of cannabis in the recreational and medicinal cannabis marketplaces in the United States through its subsidiary Cana Nevada Corp. Local state laws where Cana Nevada Corp. operates permit such activities; however, these activities are currently illegal under United States federal law. Additional information regarding this and other risks and uncertainties relating to the Company's business are contained under the heading "Risk Factors" in the Company's Shelf Prospectus dated September 27, 2019 and the Prospectus Supplement dated November 8, 2019 (collectively, the "Prospectus") filed on its issuer profile on SEDAR at www.sedar.com.

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 in the Prospectus. 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 Prospectus.

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, including, but not limited to: dependence on obtaining regulatory approvals; investing in target companies or projects that are engaged in activities currently considered illegal under United States federal law; changes in laws; limited operating history; reliance on management; requirements for additional financing; competition; hindering market growth and state adoption due to inconsistent public opinion and perception of the medical-use and adult-use marijuana industry and; regulatory or political change.

Accordingly, readers should not place undue reliance on forward-looking statements. The forward-looking statements in this news release are made as of the date of this release. Flower One Holdings

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.