

September 4, 2018

# Vegalab Announces Quarterly Revenue of \$4.1 Million, Up 2,370% Year Over Year

## Six Month Total Revenues \$11.4 Million up 2,940% Year Over Year

PALM BEACH, Fla., Sept. 04, 2018 (GLOBE NEWSWIRE) -- via NEWMEDIAWIRE - Vegalab, Inc. ("the Company"), ([OTCQB: VEGL](#)) today announced revenue for the second quarter of fiscal year 2018, ended June 30, 2018. The Company posted quarterly revenue of \$4.1 million. These results compare to revenue of \$166 thousand in the second quarter of fiscal 2017, a 2,370% year over year increase. The Company filed Form 10-Q with the United States Securities Exchange Commission on August 30, 2018.

David Selakovic, CEO of Vegalab, Inc., stated: "We are excited to report continued year over year growth, having increased our six months total revenues to \$11.4 Million, a 2,940% increase over the first six months of last year. We attribute our continued growth to the addition of talented sales and marketing personnel, new marketing partnerships, and, most importantly, repeat sales demand due to high overall customer satisfaction. Members of the agricultural community are increasingly coming to recognize the comprehensive benefits of using Vegalab's extensive, all-natural products on their farms, orchards, and vineyards. Stewardship of the Earth's ecosystems will always be our focus at Vegalab, as we develop sustainable products that nourish rather than deplete the Earth's resources. As we continue to grow, we will seek additional product registrations in key agricultural markets within the United States, Canada and Mexico, as we also pursue partnerships in targeted growth markets within Central and South America."

### Results of Operations

During the three months ended June 30, 2018, the Company recognized total revenues of \$4,166,321 compared to \$166,682 for the three months ended June 30, 2017. Revenue from the sale of Vegalab products was \$2,632,478 compared to \$166,682 for the three months ended June 30, 2017, sales increased during the three months ended June 30, 2018 compared to 2017 mainly due to increased marketing and the acquisition of TAG in February 2018. Revenue from packing business was \$2,632,478. Cost of goods sold were \$4,456,814 for the three months ended June 30, 2018, compared to \$120,979 for the three months ended June 30, 2017. During the three months ended June 30, 2018 the Company had a negative gross profit margin from its packing business. The negative gross margin was due to higher than expected costs for the purchase of produce and reduced processing as the growing season comes to an end.

During the six months ended June 30, 2018, the Company recognized total revenues of \$11,454,950 compared to \$375,498 for the six months ended June 30, 2017. Revenue from the sale of Vegalab products was \$5,361,619 compared to \$375,498 for the six months ended June 30, 2017. Sales increased during the six months ended June 30, 2018 compared to 2017 mainly due to increased marketing and the acquisition of TAG in February 2018. Revenue from produce processed was \$6,093,311. Cost of goods sold

was \$10,152,915 for the six months ended June 30, 2018, compared to \$310,430 for the six months ended June 30, 2017. During the six months ended June 30, 2018. The Company experienced lower than expected gross profit margin from the packing business. The negative gross margin was due to higher than expected costs for the purchase of produce and reduced processing as the growing season comes to an end.

On October 18, 2017, the Company purchased substantially all the assets of a produce packaging business conducted under the name M&G Packing, Inc. During the three months ended June 30, 2018 the Company generated \$1,533,843 from processing revenue. As this business was acquired in October 2017, there was no corresponding revenue in the second quarter of 2017. Cost of goods for our produce packaging business was \$1,841,494 for the three months ended June 30, 2018. There was no corresponding cost of goods sold for our produce packaging business in the second quarter of 2017 for the reason stated above.

During the six months of 2018 the Company generated \$6,093,331 from processing revenue in our produce packing business. There was no corresponding revenue in the six months of 2017 for the reason stated above. Cost of goods sold for our produce packaging business was \$6,192,430 for the six months ended June 30, 2018. There was no corresponding cost of goods sold for our produce packaging business in the six months of 2017 for the reason stated above.

Total operating expenses for the three months ended June 30, 2018, were \$717,470 compared to \$298,148 for the three months ended June 30, 2017. Expenses increased significantly as the Company hired additional staff, consultants and professionals due to its purchase of M&G Packing, Inc. and TAG compared to the three months ended June 30, 2017. For the three months ended June 30, 2018, we had a loss from operations of \$1,007,963 compared to a loss of \$252,445 for the three months ended June 30, 2017.

Total operating expenses for the six months ended June 30, 2018, were \$2,359,402 compared to \$557,383 for the six months ended June 30, 2017. Expenses increased significantly for the reasons stated above compared to the six months ended June 30, 2017. For the six months ended June 30, 2018, we had a loss from operations of \$1,057,367 compared to a loss of \$492,315 for the six months ended June 30, 2017.

After the provision for interest and income taxes, net loss for the three months ended June 30, 2018, was \$1,018,350 or \$(0.04) per share, and the net loss for the three months ended June 30, 2017 was \$253,844 or \$(0.01) per share.

After the provision for interest and income taxes, net loss for the six months ended June 30, 2018, was \$1,075,119 or \$(0.05) per share, and the net loss for the six months ended June 30, 2017 was \$513,064 or \$(0.02) per share.

### **About Vegalab, Inc.**

Vegalab, Inc. is the exclusive distributor in North and South America of a line of all-natural, biologically derived pesticides, fertilizers, and specialty agricultural products. Vegalab's pesticides are highly effective against targeted organisms, non-toxic to beneficial organisms, and safe for the environment. Vegalab products support a healthy soil biome and are cost competitive with synthetic chemicals that do just the opposite. The Company

operates in two segments of the food industry. The Agronomy Business involves the manufacture and distribution of all-natural crop protection, crop health, and soil enhancement products: and The Packing Business is the operation of a citrus packing facility.

### Safe Harbor for Forward-looking Statements

This news release may contain forward-looking statements that are made pursuant to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. While these statements are made to convey to the public the Company's progress, business opportunities, and growth prospects, they are based on management's current beliefs and assumptions as to future events. However, since the Company's operations and business prospects are always subject to risk and uncertainties, the forward-looking events and circumstances discussed in this news release might not occur, and actual results could differ materially from those described, anticipated, or implied. For a more complete discussion of such risks and uncertainties, please refer to the Company's filings with the Securities and Exchange Commission.

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### TABLES TO FOLLOW

### Vegalab, Inc. Condensed Consolidated Balance Sheets (Unaudited)

	June 30, 2018	December 31, 2017
	<hr/>	<hr/>
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and cash equivalents	\$ 222,170	\$ 342,534
Accounts receivable, net	964,005	1,674,583
Inventory	3,659,107	1,595,148
Prepaid expenses	286,909	339,389
Total Current Assets	<hr/> 5,132,191	<hr/> 3,951,654
Fixed assets, net	1,110,243	821,322
Intangible assets, net	2,963,751	-

Goodwill	1,151,407	-
Deposits	16,682	14,500
<b>Total assets</b>	<u>\$ 10,374,274</u>	<u>\$ 4,787,476</u>

**LIABILITIES AND STOCKHOLDERS'  
EQUITY**

**Current Liabilities**

Accounts payable – trade	\$ 1,628,225	\$ 409,239
Accounts payable – related party	2,496,157	714,841
Accounts payable - growers	214,353	860,694
Vehicle loan - current portion	2,904	2,904
Capital lease obligation - current portion	3,409	3,409
<b>Total Current Liabilities</b>	<u>4,345,048</u>	<u>1,991,087</u>

Vehicle Loan	2,501	3,958
Capital lease obligation - long term	16,760	18,235
Note payable	350,000	425,000
<b>Total Liabilities</b>	<u>4,714,309</u>	<u>2,438,280</u>

**Commitments**

**Stockholders' Equity**

Preferred stock – \$0.001 par value, 10,000,000 shares authorized, none issued and outstanding	-	-
Common stock – \$0.001 par value, 50,000,000 shares authorized, 23,787,897 and 23,162,897 shares issued and outstanding, respectively	23,787	23,163
Additional paid-in capital	9,176,752	4,791,488
Accumulated deficit	<u>(3,540,574 )</u>	<u>(2,465,455 )</u>

<b>Total Stockholders' Equity</b>	<u>5,659,965</u>	<u>2,349,196</u>
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**Total Liabilities and Stockholders' Equity**      \$ 10,374,274      \$ 4,787,476

The accompanying notes are an integral part of these unaudited condensed consolidated financial statements.

**Vegalab, Inc.**  
**Condensed Statements of Operations**  
**(Unaudited)**

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2018	2017	2018	2017
<b>Revenues:</b>				
Produce processing revenue	\$ 1,533,843	\$ -	\$ 6,093,331	\$ -
Fertilizer sales	<u>2,632,478</u>	<u>166,682</u>	<u>5,361,619</u>	<u>375,498</u>
<b>Total Revenue</b>	4,166,321	166,682	11,454,950	375,498
<b>Cost of Goods Sold:</b>				
Cost of processing	1,841,494	-	6,192,430	-
Cost of goods sold	<u>2,615,320</u>	<u>120,979</u>	<u>3,960,485</u>	<u>310,430</u>
<b>Total Cost of Goods Sold</b>	<u>4,456,814</u>	<u>120,979</u>	<u>10,152,915</u>	<u>310,430</u>
<b>Gross Profit (Loss)</b>	(290,493 )	45,703	1,302,035	65,068
<b>Operating expenses</b>				
General and administrative expenses	<u>717,470</u>	<u>298,148</u>	<u>2,359,402</u>	<u>557,383</u>
<b>Total operating expenses</b>	717,470	298,148	2,359,402	557,383
<b>Loss from operations</b>	(1,007,963 )	(252,445 )	(1,057,367 )	(492,315 )
<b>Other expense</b>				
Interest expense	<u>(10,387 )</u>	<u>(1,399 )</u>	<u>(17,752 )</u>	<u>(3,713 )</u>
<b>Loss before provision</b>				

<b>for income taxes</b>	(1,018,350 )	(253,844 )	(1,075,119 )	(496,028 )
<b>Provision for income taxes</b>	-	-	-	17,036
<b>Net Loss</b>	<u>\$ (1,018,350 )</u>	<u>\$ (253,844 )</u>	<u>\$ (1,075,119 )</u>	<u>\$ (478,992 )</u>
Loss per weighted-average share of common stock outstanding, computed on net loss - basic and fully diluted	<u>\$ (0.04 )</u>	<u>\$ (0.01 )</u>	<u>\$ (0.05 )</u>	<u>\$ (0.02 )</u>
Weighted-average number of common shares outstanding - basic and fully diluted	<u>23,787,897</u>	<u>20,652,218</u>	<u>23,567,343</u>	<u>20,419,046</u>

The accompanying notes are an integral part of these unaudited condensed consolidated financial statements.

**Vegalab, Inc.**  
**Condensed Consolidated Statements of Cash Flows**  
**(Unaudited)**

	For the Six Months Ended June 30,	
	<u>2018</u>	<u>2017</u>
<b>Cash flows from operating activities</b>		
Net loss for the period	\$ (1,075,119 )	\$ (478,992 )
Adjustments to reconcile net loss to net cash provided by (used in) operating activities		
Depreciation expense	86,469	866
Loss on disposition of fixed assets	14,637	-
Amortization expense	176,248	-
Stock option expense	54,891	-
(Increase) Decrease in		
Accounts receivable	836,023	(65,755 )
Inventory	(2,063,410 )	(12,502 )
Prepaid expenses	53,297	(2,030 )

Changes in working capital:		
Increase (Decrease) in		
Accounts payable	997,306	(4,668 )
Accounts payable – related party	1,783,338	244,488
Accounts payable - growers	(646,344 )	-
Accrued income taxes	-	(17,036 )
<b>Net cash provided by / (used in) operating activities</b>	<u>217,336</u>	<u>(335,629 )</u>

**Cash flows from investing activities**

Cash acquired from acquisition of business	22,994	-
Purchase of fixed assets	(354,762 )	(10,395 )
Deposits on lease	(3,000 )	-
<b>Net cash used in investing activities</b>	<u>(334,768 )</u>	<u>(10,395 )</u>

**Cash flows from financing activities**

Cash paid on notes payable to controlling stockholder, net	-	(172,307 )
Payment for capital leases	(1,457 )	-
Payment of notes payable	(1,475 )	
Proceeds from sale of common stock	-	644,600
<b>Net cash (used in) provided by financing activities</b>	<u>(2,932 )</u>	<u>472,293</u>

**(Decrease) increase in cash**

	(120,364 )	126,269
Cash at beginning of period	<u>342,534</u>	<u>151</u>
<b>Cash at end of period</b>	<u>\$ 222,170</u>	<u>\$ 126,420</u>

**Supplemental**

**disclosure of interest  
and income taxes**

Interest paid for the period	<u>\$ 17,752</u>	<u>\$ 1,675</u>
Income taxes paid for the period	<u>\$ -</u>	<u>\$ -</u>

**Non-cash investing  
and financing  
activities**

Issuance of note payable for property, plant and equipment	\$ -	\$ 8,761
Common stock and warrants issued for acquisition of business	<u>\$ 4,256,000</u>	<u>\$ -</u>
Common stock issued for conversion of note payable	<u>\$ 75,000</u>	<u>\$ -</u>

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Source: Vegalab Inc.