

# Progressive Planet Reports Third Quarter - For the three months ended January 31, 2023

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HEAVY INVESTMENT IN RESEARCH & DEVELOPMENT CONTINUED FOR NEAR TERM GROWTH

Highlights:

- Revenue of \$4.5 million versus \$5.4 in the prior quarter
- Transition from low margin product lines to higher margin alternatives
- Gross margins of 27% versus 32% in the prior quarter
- Increase in R&D to \$302,000 from \$112,000 in the prior quarter, and,
- Net loss of \$456,000 versus net income of \$81,000 in the prior quarter.

KAMLOOPS, April 3, 2023 - Progressive Planet ("PLAN") today announced financial results for its fiscal 2023 third quarter ended January 31, 2023.

The Company saw both reduced revenue and slightly reduced margins in the quarter, which were a result of one-time events and costs related to the execution of its strategic growth plan to transition from low-margin to high-margin products that will improve EBITDA.

The primary reason for the reduction of revenue in Q3 was a choice by Progressive Planet to cease supplying its largest customer with private label cat litter after reasonable price increases were refused. These price increases were essential for Progressive Planet to make sufficient gross margin to meet its profit per product objectives. The final shipment of product to this customer occurred in November as stated in the Management Discussion & Analysis (MD&A) for the previous quarter.

This customer represented approximately 20% of revenue in prior years, with the bulk of the business supplying private label clumping cat litter. As previously stated in our strategic plan, this line was not a future focus due to its low margins and high inventory carrying costs.

Progressive Planet mitigated this two-month revenue decline by working immediately - and successfully - to procure similar amounts of business with one of North America's largest retailers. As announced on February 23, 2023, we commenced selling our higher margin branded cat litter (versus the lower-margin private label) to this new customer. Again, this new focus on higher margin product was disclosed in the prior quarter MD&A.

"While writing down packaging inventory on low-margin, low volume SKUs impacted our third quarter, I am confident this reduction of SKUs will pay off in the new fiscal year which starts on May 01, 2024," said Progressive Planet's CEO, Stephen Harpur. "We provided prior written guidance of our intention to do this."

In addition, there were six non-recurring or infrequent events which transpired in Q3 that impacted margins:

- Increased hauling costs of raw materials due to our main raw material trucking company exiting the business,
- The pre-planned discontinuation of many SKUs and the one-time write-off of associated packaging,
- The highest ever recorded time lost to sick days in December 2022 due to the Covid, RSV and flu viruses concurrently affecting employees,

- The occurrence of a cold snap in December which dramatically decreased production, including the complete shutdown of production for two days,
- The recall of a third party supplied ice melt product due to product quality issues. The company was refunded its investment but did not benefit from the sales,
- The rotary kiln dryer which dries all inbound raw minerals was shut down for 12 days for trunnion & bearing maintenance. This maintenance is scheduled once every ten years.

More details on these six non-recurring items are included in the MD&A for Q3.

The Company continues to invest in R&D to create new lines of higher-margin products in fertilizers, to restore soil and improve yields, and cements that reduce the carbon footprint of cement manufacturing. In addition, the company invested in creating a novel, light weight cat litter. Several new products are expected to enter markets in Q1 of fiscal 2024.

"The target gross margin on all new products we intend to launch in fiscal 2024 is greater than 30%," added Harpur. "These new products are a result of R&D spending in Q3 and in Q4. We have focused R&D on several planet-friendly fertilizer and cement products, as well as a new cat litter that uses our waste powders to create a lighter weight product that will enable access to more distant markets. The weight of traditional cat litter limits how far it can be shipped. As a bonus, the gross margins are much higher on lightweight litter."

Added Harpur: "Despite unexpected challenges, I believe the company is executing a plan that will take it to positive EBITDA in the next fiscal year."

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#### About Progressive Planet:

We are a CleanTech and manufacturing company based in Kamloops, British Columbia, in the heart of some of Canada's richest volcanic fields, which are the prime ingredient of our innovations. Our expertise lies in merging CleanTech with ancient volcanic ash and minerals to create planet-friendly products that fight climate change and protect our planet's health.

Our products are in 10,000+ retail stores across North America. Our innovations, created at our C-Quester&TRADE; Centre of Sustainable Innovation, are bringing positive disruption to the cement, agricultural and animal-care sectors to create products that contribute to reducing carbon footprints and restoring ecosystems.

#### Forward-Looking Statements:

Certain statements in this release are forward-looking statements, which reflect the expectations of management regarding the matters described herein. Forward-looking statements consist of statements that are not purely historical, including any statements regarding beliefs, plans, expectations, or intentions regarding the future. Such statements are subject to risks and uncertainties that may cause actual results, performance, or developments to differ materially from those contained in the statements. No assurance can be given that any of the events anticipated by the forward-looking statements will occur or, if they do occur, what benefits the Company will obtain from them. These forward-looking statements reflect management's current views and are based on certain expectations, estimates and assumptions which may prove to be incorrect. A number of risks and uncertainties could cause our actual results to differ materially from those expressed or implied by the forward-looking statements, including factors beyond the Company's control. These forward-looking statements are made as of the date of this news release.

#### Disclaimer:

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