Newtopia Reports Second Quarter 2021 Financial Results

- **Strong ongoing participant enrollment with Fortune 50 health services client**
- **Expanded mental health solutions for health insurers**
- **Achieved industry leading results in a weight loss study conducted during the COVID-19 pandemic**

TORONTO, ONTARIO – August 12, 2021: Newtopia Inc. ("**Newtopia**" or the "**Company**") (TSXV: NEWU), a tech-enabled habit change provider focused on disease prevention, today reported financial results for the second quarter 2021. All amounts are expressed in Canadian dollars, unless otherwise noted.

Second Quarter 2021 Financial Highlights (vs. Q2 2020):

- Revenue of $2.5 million, as compared to $2.7 million.
- Gross profit margin[1] of 42%, as compared to 52%, reflecting an increased mix of Welcome Kits sold during the quarter due to growing participant enrollments that is anticipated to lead to subsequent recurring engagement revenues in Q3 and Q4.

"Newtopia's unique approach to habit change by providing the best in whole person care is clearly taking hold, and as anticipated, we exited Q2 2021 strongly positioned to return to growth in the third and fourth quarters," said Jeff Ruby, Founder & CEO of Newtopia. "Following a highly successful participant outreach campaign to an innovative Fortune 50 health services client during the second quarter, we saw participant enrollments strongly increase as we exited the month of June. This upward trajectory has continued into the third quarter. We expect enrollment levels to remain strong and anticipate a corresponding positive impact on recurring engagement revenues in Q3 and Q4."

"In addition to the boost in participant enrollment, our sales season has been active across all three health insurer segments, including self-insured employers, fully insured health plans and government funded health insurance providers. We are looking to expand our reach amongst new clients within the self-insured employer market as well as amongst larger fully insured health plan aggregators that will be able to help broaden our addressable market. During the quarter, we began sales outreach to Medicare and Medicare Advantage programs and also identified new outreach opportunities amongst innovative fully insured health plans. Additionally, as we have only deployed our habit change offering to approximately 20% of the potential population amongst our current client base, there remains a significant opportunity ahead of us to improve our top line by increasing penetration within our existing client base."

"While the challenges of COVID-19 are certainly not behind us, the need for improved physical and mental health prevention offerings has only increased over the past quarter. Our recently reported industry-leading study results, which surpass those achieved in our original randomized control trial, continue to validate the importance of our habit change platform to deliver meaningful costs savings and ROI to health insurers and improved wellbeing to their insured populations. We look forward to continuing to build upon

[1]Gross profit is defined as revenue which is comprised of onboarding welcome revenue, ongoing engagement fees and success fees, less cost of sales which is comprised of welcome kit costs, compensation expense for Inspirators and care specialists and genetic testing costs. Gross margin percentage is calculated by dividing gross profit by total revenue for the defined period. Gross profit is considered by management to be an integral measure of financial performance and represents the amount of revenues retained by the Company after incurring direct costs. However, gross profit is not a recognized measure of profitability under IFRS.

our past successes to increase cost savings for our customers as we work toward preventing, reversing and slowing the progression of chronic disease", Mr. Ruby concluded.

Recent Operational Highlights

- In April, the Company debuted its habit change platform in Canada through a partnership with Eastern Health, the largest, integrated health authority in Newfoundland and Labrador, and Medtronic, a formal partner under Eastern Health's Innovation Strategy. Together, Newtopia and its two partners are implementing an integrated type 2 diabetes prevention pilot program. With a population of more than 500,000 people and a rate of type 2 diabetes exceeding 30% (over double the national average) there is a strong opportunity to grow this offering from a pilot study into the broader Eastern Health population. The Eastern Health partnership represents one of the first provincial condition management and prevention programs funded by a provincial health insurer and could act as an impetus for other provinces and territories to follow in the future.

- In June, the Company announced the results of a weight loss study conducted on client outcomes during the COVID-19 pandemic. A total of 1,436 U.S. participants met the criteria for this study. Each participant was provided access to a tech-enabled virtual habit change experience designed around that individual's health risks, genetics, medical history, motivation, social determinants of health and personal preferences. While over 40% of U.S. adults reported gaining weight during the pandemic, after 12 months in the Newtopia program:
    - 77% of participants lost weight;
    - 44% of participants lost more than 4.3% of their total body weight; and
    - 22% of participants dropped a BMI risk category.

- Also in June, the Company provided the results of a behavioral economics trial conducted with a Fortune 50 financial services company on client outcomes during COVID-19. Results exceeded those achieved in the prior randomized control trial, with 71% of eligible population enrolled and 84% of the participants remaining engaged at 12 months.

Operational Highlights Subsequent to Quarter End

- The Company announced expanded mental health solutions to health insurers. Testing for the BDNF gene, which gauges resilience to stress, and usage of the PROMIS® questionnaire, which measures for mental and emotional health, are now part of Newtopia's unique habit change experience and will provide additional opportunities for cost savings and improved ROI for health insurers.

- The Company appointed Roger Poirier, CFA, to Newtopia's Board of Directors. Mr. Poirier has more than three decades of capital markets, finance and M&A experience and will serve on Newtopia's Audit Committee. Newtopia's expanded Board of Directors now includes five directors.

Second Quarter 2021 Financial Results

Revenue for the three months ended June 30, 2021 was $2.5 million, as compared to $2.7 million in the prior-year period. Enrollment numbers improved significantly over the course of the second quarter as the Company saw strong ongoing participant enrollment with a Fortune 50 health services client. As such, enrollment fee revenues totaled $0.5 million for the second quarter, an increase of 300% year-over-year, which will lead to subsequent recurring engagement fees in Q3 and Q4.

Gross profit for the second quarter 2021 totaled $1.1 million, as compared to $1.4 million in the prior-year period. Gross profit is comprised of Newtopia's revenue less direct expenses, which include the cost of

Welcome Kits sold to new participants as well as labour costs associated with hiring and training of the Company's coaching team of Inspirators. As a percentage of revenue, gross profit totaled 42%, down from 52% in the second quarter of 2020. The year-over-year decline in gross profit percentage reflects the higher mix of Welcome Kit revenues during the quarter which carry a lower gross margin due to the corresponding Welcome Kit costs but are indicative of the increased enrollment figures in the quarter. The Company expects these strong participant starts will lead to higher gross profits in Q3 and Q4 as the mix of recurring engagement revenue increases as compared to Welcome Kit/enrollment fee revenues.

Adjusted operating expenses[2] for the three months ended June 30, 2021 totaled $3.0 million, compared to $2.5 million in the prior-year period, as the Company continued to add technology, sales and marketing and administrative resources to support long-term growth and margin improvement.

For the quarter, the Company had an adjusted operating loss[3] of $1.9 million, compared to an adjusted operating loss of $1.1 million in the prior-year period. This increase in adjusted operating loss is due to the lower level of revenue in this year's second quarter along with the corresponding lower margin and higher adjusted operating expenses to support long-term growth.

The Company ended the second quarter 2021 with $0.64 million in cash and an outstanding loan balance of $1.1 million against its $5.0 million credit facility.

As of June 30, 2021, the Company was in breach of certain bank facility covenants with a Schedule I Canadian Bank. Newtopia is actively working on finalizing an enhanced facility with this bank and potential additional lenders which will offer a non-dilutive solution to augment growth capital for the Company. Newtopia will update if and when this updated facility has been finalized.

2021 Outlook

During the first half of 2021, the Company underwent a delayed rollout of products to some of its clients due to the impact of COVID-19. Nevertheless, this pattern reversed itself and rollouts began to increase toward the end of June 2021 due to an increased and expanded marketing effort along with a return to normal operating procedures and the easing of pandemic-related restrictions in the United States. This positive client onboarding trajectory is anticipated to continue in the third and fourth quarters, resulting in a return to growth for Newtopia in the second half of the year. The Company's multi-year contracts with Fortune 500 self-insured employers represent significant expansion opportunities, while Newtopia's overall underlying business is healthy with record levels of engagement.

The Company continues to expect approximately $1.8 million of capital expenditures in 2021, with roughly $1.0 million incurred to date. This spend will be directed towards enhancing the efficiency of Newtopia's operations by leveraging new and improved engagement technologies to elevate the overall user experience, improve service ratio efficiency and improve gross margins over time. Newtopia continues to take a measured approach to adding expenses in support of growth and increases in expenses have been more modest than the Company's growth in revenue and gross profit. As such, even with this increase in capital expenditures in 2021, Newtopia continues to target exiting the year cash flow neutral from operations.

Grants of Stock Options

Newtopia further announced today that its Board of Directors has approved the grant of 240,000 stock options to certain tenured employees and newly hired employees. The options issued to newly hired employees will expire five years from the date such employees complete their probationary period, and the

[2]Adjusted operating expenses consist of all cash-based technology, sales and marketing and administrative expenses including employment expenses for these functions excluding equity-settled share-based compensation. Adjusted operating expense is not a measure of financial performance under IFRS and should not be considered a substitute for total operating expenses, which we believe to be the most directly comparable IFRS measure.
[3]Adjusted operating loss consists of gross profit less adjusted operating income. Adjusted operating loss is not a measure of financial performance under IFRS and should not be considered a substitute for loss from operations which we believe to be the most directly comparable IFRS measure.

exercise price will be based on the closing price of Newtopia's common shares on the trading day prior to the day these employees complete their probationary period. The options granted to tenured employees will be at an exercise price of CAD$0.33 per common share and will expire five years from the grant date.

About Newtopia

Newtopia is a tech-enabled habit change provider focused on disease prevention and reducing the cost of care for health insurers. As a provider of whole person care, we prevent, reverse and slow the progression of chronic disease while enriching mental health, resilience and overall human performance. Newtopia's programs leverage genetic, social and behavioral insights to create individualized prevention programs with a focus on type 2 diabetes, heart disease, stroke and weight. With a person-centered approach that combines virtual care, digital tools, connected devices and actionable data science, Newtopia delivers sustainable clinical and financial outcomes. Newtopia serves some of the largest nationwide employers and health plans and is currently listed on the Toronto Stock Exchange (TSXV: NEWU). To learn more, visit newtopia.com, Facebook, LinkedIn or Twitter.

Forward Looking Information

This press release contains forward-looking information and forward-looking statements, within the meaning of applicable Canadian securities legislation, and forward looking statements, within the meaning of applicable United States securities legislation (collectively, "**forward-looking statements**"), which reflects management's expectations regarding Newtopia's future growth, results from operations (including, without limitation, future production and capital expenditures), performance (both operational and financial) and business prospects and opportunities. Wherever possible, words such as "predicts", "projects", "targets", "plans", "expects", "does not expect", "budget", "scheduled", "estimates", "forecasts", "anticipate" or "does not anticipate", "believe", "intend" and similar expressions or statements that certain actions, events or results "may", "could", "would", "might" or "will" be taken, occur or be achieved, or the negative or grammatical variation or other variations thereof, or comparable terminology have been used to identify forward-looking statements. All statements other than statements of historical fact may be forward-looking information. Such statements reflect Newtopia's current views and intentions with respect to future events, based on information available to Newtopia, and are subject to certain risks, uncertainties and assumptions, including without limitation, the Company's successful completion of its strategic technology projects (including on budget), continued and sustained high levels of client engagement and low client churn, the expansion of client relationships, the rollout of new clients, the conversion of pilot projects into full blown rollouts, the Company's ability to continue to grow its sales pipeline, the Company's ability to negotiate an enhanced credit facility with its Schedule I bank lender or any other lender(s) on favorable terms or at all, and current financial trends remaining at or above the current levels in respect of revenue, gross profit, gross margin percentage and adjusted operating expenses. Material factors or assumptions were applied in providing forward-looking information. While forward-looking statements are based on data, assumptions and analyses that Newtopia believes are reasonable under the circumstances, whether actual results, performance or developments will meet Newtopia's expectations and predictions depends on a number of risks and uncertainties that could cause the actual results, performance and financial condition of Newtopia to differ materially from its expectations.

Certain of the "risk factors" that could cause actual results to differ materially from Newtopia's forward-looking statements in this press release include, without limitation: the termination of contracts by clients, risks related to COVID-19 including various recommendations, orders and measures of governmental authorities to try to limit the pandemic, including travel restrictions, border closures, non-essential business closures, quarantines, self-isolations, shelters-in-place and social distancing, disruptions to markets, economic activity, financing, supply chains and sales channels, and a deterioration of general economic conditions including a possible national or global recession; and other general economic, market and business conditions and factors, including the risk factors discussed or referred to in Newtopia's disclosure documents, filed with the securities regulatory authorities in certain provinces of Canada and available at www.sedar.com, including Newtopia's final long form prospectus dated March 30, 2020.

Should any factor affect Newtopia's business in an unexpected manner, or should assumptions underlying the forward- looking information prove incorrect, the actual results or events may differ materially from the results or events predicted. Any such forward-looking information is expressly qualified in its entirety by this cautionary statement. Moreover, Newtopia does not assume responsibility for the accuracy or completeness of such forward-looking information. The forward-looking information included in this press release is made as of the date of this press release, and Newtopia undertakes no obligation to publicly update or revise any forward-looking information, other than as required by applicable law.

Non-GAAP Financial Measures

The Company's financial statements are prepared in accordance with International Financial Reporting Standards ("**IFRS**"). Management uses certain non-GAAP measures, which are defined in the appropriate sections of this press release, to better assess the Company's underlying performance. These measures are reviewed regularly by management and the Company's Board of Directors in assessing the Company's performance and in making decisions about ongoing operations. In addition, we use certain non-GAAP measures to determine the components of management compensation. We believe that these measures are also used by investors as an indicator of the Company's operating performance. Readers are cautioned that these terms are not recognized GAAP measures and do not have a standardized GAAP meaning under IFRS and should not be construed as alternatives to IFRS terms, such as net income.

Neither TSX Venture Exchange nor its Regulation Services Provider (as that term is defined in policies of the TSX Venture Exchange) accepts responsibility for the adequacy or accuracy of this release.

For further information, please contact:

Chief Executive Officer:
Jeff Ruby, jruby@newtopia.com; 888-639-8181

Investor Contact:
Kimberly Esterkin, ADDO Investor Relations, investor@newtopia.com; 310-829-5400

NEWTOPIA INC.

Key Financial Measures and Schedule of Non-GAAP Reconciliations

Gross Profit Information [1]

	Three Months Ended June 30,		Six Months Ended June 30,	
	2021	2020	2021	2020
	$	$	$	$
Revenue	2,529,021	2,687,055	5,148,192	6,550,041
Cost of sales	(1,457,764)	(1,276,626)	(2,758,631)	(3,485,183)
Gross profit	1,071,257	1,410,429	2,389,561	3,064,858
Gross margin	*42%*	*52%*	*46%*	*47%*

Reconciliation of Total Operating Expenses to Adjusted Operating Expenses [2]

	Three Months Ended June 30,		Six Months Ended June 30,	
	2021	2020	2021	2020
	$	$	$	$
Total expenses	3,528,542	2,950,467	7,123,334	6,112,977
Add (Subtract)				
Share-based compensation	(337,123)	(121,659)	(886,943)	(256,091)
Depreciation of property and equipment	(16,803)	(21,339)	(34,775)	(42,893)
Depreciation of right-of-use asset	(46,192)	(46,191)	(92,387)	(92,386)
Interest and accretion expense	-	-	-	(233,542)
Interest on lease obligations	(29,046)	(36,849)	(60,314)	(74,698)
Finance charges	(15,812)	-	(20,948)	-
Amortization of deferred finance charges	(46,120)	-	(85,036)	-
Foreign exchange gain	(39,142)	(106,620)	(66,938)	96,491
Change in value of convertible debenture derivative liabilities	-	(177,663)	-	(448,656)
Change in value of derivative liability	2,989	61,504	47,508	47,876
Loss on settlement of related party payable	-	-	-	(167,716)
Adjusted operating expenses	3,001,293	2,501,650	5,923,501	4,941,362

Adjusted Operating Loss [3]

	Three Months Ended June 30,		Six Months Ended June 30,	
	2021	2020	2021	2020
	$	$	$	$
Gross profit	1,071,257	1,410,429	2,389,561	3,064,858
Adjusted operating expenses	(3,001,293)	(2,501,650)	(5,923,501)	(4,941,362)
	(1,930,036)	(1,091,221)	(3,533,940)	(1,876,504)

NEWTOPIA INC.

Condensed Interim Statements of Financial Position (Unaudited)
As at June 30, 2021 and December 31, 2020
(Expressed in Canadian Dollars)

	June 30, 2021	December 31, 2020
	$	$
Assets		
Current assets		
Cash	**637,858**	4,673,683
Trade and other receivables	**1,325,899**	1,067,123
Unbilled revenue	**77,000**	426,000
Prepaid expenses and deposits	**366,338**	465,285
Inventories	**248,519**	278,696
Deferred costs	**158,043**	232,089
	2,813,657	7,142,876
Property and equipment	**95,138**	129,913
Right-of-use asset	**461,918**	554,305
Intangible asset	**981,100**	68,948
	4,351,813	7,896,042
Liabilities		
Current liabilities		
Trade and other payables	**2,003,818**	2,765,583
Credit facility	**1,071,275**	-
Lease obligations	**235,937**	215,532
Derivative liability	**-**	47,508
	3,311,030	3,028,623
Non-current lease obligations	**527,877**	667,558
	3,838,907	3,696,181
Equity/Deficit		
Common shares	**45,177,120**	44,648,952
Common shares to be issued	**-**	528,168
Contributed surplus	**11,093,439**	10,046,621
Deficit	**(55,757,653)**	(51,023,880)
	512,906	4,199,861
	4,351,813	7,896,042

NEWTOPIA INC.

Condensed Interim Statements of Loss and Comprehensive Loss (Unaudited)
Three and Six Months Ended June 30, 2021 and 2020
(Expressed in Canadian Dollars)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2021	2020	**2021**	2020
	$	$	**$**	$
Revenue	**2,529,021**	2,687,055	**5,148,192**	6,550,041
Cost of revenue	**1,457,764**	1,276,626	**2,758,631**	3,485,183
Gross profit	**1,071,257**	1,410,429	**2,389,561**	3,064,858
Operating expenses				
Technology and development	**982,214**	793,322	**1,712,221**	1,569,988
Sales and marketing	**923,051**	815,196	**1,899,533**	1,543,678
General and administrative	**1,096,028**	893,132	**2,311,747**	1,827,696
Share-based compensation	**337,123**	121,659	**886,943**	256,091
	3,338,416	2,623,309	**6,810,444**	5,197,453
Other expenses (income)				
Depreciation of property and equipment	**16,803**	21,339	**34,775**	42,893
Depreciation of right-of-use asset	**46,192**	46,191	**92,387**	92,386
Interest and accretion expense	**-**	-	**-**	233,542
Interest on lease obligations	**29,046**	36,849	**60,314**	74,698
Finance charges	**15,812**	-	**20,948**	-
Amortization of deferred finance charges	**46,120**	-	**85,036**	-
Foreign exchange (gain)/loss	**39,142**	106,620	**66,938**	(96,491)
Change in value of convertible debenture derivative liabilities	**-**	177,663	**-**	448,656
Change in value of derivative liability	**(2,989)**	(61,504)	**(47,508)**	(47,876)
Loss on settlement of related party payable	**-**	-	**-**	167,716
	190,126	327,158	**312,890**	915,524
Net loss and comprehensive loss	**(2,457,285)**	(1,540,038)	**(4,733,773)**	(3,048,119)

NEWTOPIA INC.

Condensed Interim Statements of Changes in Equity (Deficit) (Unaudited)
Six Months Ended June 30, 2021 and 2020
(Expressed in Canadian Dollars)

	Common Shares	Shares To Be Issued	Preferred Shares	Special Warrants	Contributed Surplus	Deficit	Total
	$	$	$	$	$	$	$
Balance, December 31, 2020	**44,648,952**	**528,168**	**-**	**-**	**10,046,621**	**(51,023,880)**	**4,199,861**
Net loss and comprehensive loss	-	-	-	-	-	(4,733,773)	(4,733,773)
Share-based compensation	-	-	-	-	886,943	-	886,943
Issuance of shares	528,168	(528,168)	-	-	-	-	-
Settlement of related party payable	-	-	-	-	159,875	-	159,875
Balance, June 30, 2021	**45,177,120**	**-**	**-**	**-**	**11,093,439**	**(55,757,653)**	**512,906**
Balance, December 31, 2019	**4,643,945**	**-**	**13,011,033**	**9,164,731**	**5,172,192**	**(43,204,384)**	**(11,212,483)**
Net loss and comprehensive loss	-	-	-	-	-	(3,048,119)	(3,048,119)
Share-based compensation	-	-	-	-	256,091	-	256,091
Conversion of Convertible Debentures	6,039,000	-	-	-	589,594	-	6,628,594
Modification of warrants	-	-	-	-	42,787	(42,787)	-
Conversion of retractable preferred shares	7,420,265	-	-	-	-	-	7,420,265
Conversion of preferred shares	13,011,033	-	(13,011,033)	-	-	-	-
Conversion of Special warrants	6,812,648	-	-	(9,164,731)	2,352,083	-	-
Settlement of debt	-	528,168	-	-	39,548	-	567,716
Exercise of warrants	-	99,999	-	-	-	-	99,999
Balance, June 30, 2020	**37,926,891**	**628,167**	**-**	**-**	**8,452,295**	**(46,295,290)**	**712,063**

NEWTOPIA INC.

Condensed Interim Statements of Cash Flows (Unaudited)
Six Months Ended June 30, 2021 and 2020
(Expressed in Canadian Dollars)

	Six Months Ended June 30,	
	2021	2020
	$	$
Cash flows used in operating activities:		
Net loss and comprehensive loss	**(4,733,773)**	(3,048,119)
Items not involving cash:		
Depreciation of property and equipment	**34,775**	42,893
Depreciation of right-of-use asset	**92,387**	92,386
Amortization of deferred finance charges	**85,036**	-
Share-based compensation	**886,943**	256,091
Interest and accretion expense	**-**	233,542
Interest on lease obligations	**60,314**	74,698
Loss on settlement of related party payable	**-**	167,716
Change in value of convertible debenture derivative liabilities	**-**	448,656
Change in value of derivative liability	**(47,508)**	(47,876)
	(3,621,826)	(1,780,013)
Net change in non-cash working capital		
Trade and other receivables	**(258,776)**	246,175
Unbilled revenue	**349,000**	-
Inventories	**30,177**	321,840
Prepaid expenses and deposits	**98,947**	196,817
Trade and other payables	**(601,890)**	(148,341)
	(4,004,368)	(1,163,522)
Cash flows used in investing activities		
Purchase of property and equipment	**-**	(11,843)
Intangible asset development costs	**(912,152)**	-
	(912,152)	(11,843)
Cash flows from (used in) financing activities:		
Repayment of lease obligations	**(179,590)**	(128,428)
Credit facility withdrawals	**1,071,275**	-
Credit facility financing costs	**(10,990)**	-
Proceeds from exercise of non-broker warrants	**-**	99,999
	880,695	(28,429)
Decrease in cash	**(4,035,825)**	(1,203,794)
Cash, beginning of period	**4,673,683**	2,386,341
Cash, end of period	**637,858**	1,182,547