

Cannara Biotech Announces Record-Breaking Q1 2024 Results: Continued Robust Growth and Market Expansion

Record Q1 net revenues of \$19.5 million, representing an 89% increase compared to the \$10.3 million of net revenues generated in Q1 2023

Q1 operating income of \$3.4 million, representing an 201% increase compared to the \$1.1 million of operating income generated in Q1 2023

Delivered an eleventh consecutive quarter of positive Adjusted EBITDA of \$5.2 million

Q1 net income of \$2.1 million compared to the \$2,951 of net income generated in Q1 2023

All financial results are reported in Canadian dollars, unless otherwise stated.

MONTREAL, QUÉBEC – January 30, 2024 - [Cannara Biotech Inc.](#) ("**Cannara**" or the "**Company**") ([TSXV: LOVE](#)) ([OTCQB: LOVFF](#)) ([FRA: 8CB0](#)), a vertically integrated producer of premium-grade cannabis and derivative product offerings at affordable prices with two mega facilities based in Quebec spanning over 1,650,000 sq. ft., today announced its fiscal first quarter 2024 financial and operating results for the three month period ended November 30, 2023.

"The first quarter of 2024 has been another significant period for Cannara, with record-breaking net revenues of \$19.5 million, an 89% increase from the comparative quarter in 2023, and an incredible net income surge," stated Zohar Krivorot, President & Chief Executive Officer. "As we build on this momentum in 2024, our roadmap is clear, continued execution with excellence, cost efficiencies and product innovation. This strategic expansion is not just about quantity, it is about deepening our market penetration by enriching our customer's experience with high-quality products that stand out in the market. With a keen eye on evolving market trends and consumer preferences, we are committed to growing our market presence and product portfolio in a purposeful manner," concluded Mr. Krivorot.

"Our first quarter results are continued solid proof of Cannara's strong financial health and strategic approach to business operations," stated Nicholas Sosiak, CFO of Cannara. We have seen impressive sales increases and a steady rise in adjusted EBITDA, net income, and cash flow from operations, which sets a strong base for the rest of the year. Moving into 2024, our plan is to keep growing our market share, introduce our brands to new regions in Canada, and launch products that meet our customers' needs. We are focused on keeping our finances strong while we grow and make our operations even more cost-effective. The first quarter financial results are aligned with our financial plan and positions Cannara for what we expect to be our most successful year in terms of performance and financial achievements," concluded Mr. Sosiak.

Fiscal First Quarter Financial Highlights

- Q1 2024 gross cannabis revenue increased by \$15.1 million, from \$11.2 million in Q1 2023 to \$26.3 million in Q1 2024.
- Q1 2024 net revenues increased by 89% to \$19.5 million compared to the \$10.3 million of net revenues generated in Q1 2023.
- Q1 2024 gross profit before fair value adjustments was \$7.9 million, a 98% increase compared to \$4 million of gross profit before fair value adjustments generated in Q1 2023.
- Q1 2024 operating income increased to \$3.4 million, a 210% increase compared to the \$1.1 million of operating income generated in Q1 2023.
- Delivered the Company's eleventh straight quarter of positive Adjusted EBITDA of \$5.2 million, a 206% increase compared to the \$1.7 million of positive Adjusted EBITDA generated in Q1 2023.
- Q1 2024 net income of \$2.1 million compared to the \$2,951 of net income generated in Q1 2023.
- The Company generated earnings per share of \$0.02 in Q1 2024.
- Posted positive operating cash flows of \$400k for Q1 2024, a 233% increase compared to negative operating cash flows of \$300k generated in Q1 2023.
- Free cash flow for Q4 2023 increased to \$4.9 million, a 145% increase compared to the free cash flow of \$2 million recorded in Q1 2023.
- The Company has \$30.5 million in working capital as of November 30, 2023.

First Quarter Sales and Operational Highlights

- During the quarter, consistently produced from a total of 9 growing zones out of the Valleyfield Facility. In January 2024, Cannara activated its 10th growing zone reaching over 275,000 square feet of active production canopy at its Valleyfield and Farnham Facility, bringing the Company's total production to approximately 33,500 kg of cannabis per year.
- 1,340,000 units were sold during Q1 2024 across 3 flagship brands, a 99% increase compared to 675,000 units sold in Q1 2023 and an 11% increase compared to the 1,202,000 units that were sold in the previous quarter.

- 3,836 kg of cannabis flower and 2,964 kg of estimated equivalent of cannabis flower used for derivatives products were sold during Q1 2024, a 157% increase compared to 2,270 kg of cannabis flower and 380 kg of estimated equivalent of cannabis flower used for derivatives products sold in Q1 2023 and a 15% increase compared to the previous quarter.
- In Quebec, the Company ranked in market share as the province's 4th largest licensed producer, holding approximately 8.7% of the market during Q1 2024¹.
- In Ontario, Cannara currently holds rank as 9th top license producer by market share, with a 3.15% share of Canada's largest cannabis market².
- In Alberta, the Company dramatically increased its market share in the province by 98.3% in the quarter from a 1.2% share in Q4 2023 to a 2.3% share in Q1 2024².
- In British Columbia, the Company's market share reached 0.84%².
- Increased its total national product portfolio of cannabis products by 60% from 97 SKUs in Q4 2023, to 155 SKUs at the end of Q1 2024, with product innovation in new categories such as infused pre-rolls, milled flower and budget-friendly vapes.
- Introduced two new Tribal genetics: Jigglers and Drip Station.
- Successfully completed its first international export sale of cannabis product to Israel, validating Cannara's ability to export cannabis as an opportunistic and ancillary revenue stream.

Q1 2024 Capital Transactions

During the first quarter of 2024, the Company purchased 281,900 additional common shares having an average book value of \$275,698 for cash consideration of \$272,827. All shares purchased were cancelled.

Subsequent to quarter-end, the Company purchased 5,000 additional common shares having an average book value of \$4,890 for cash consideration of \$4,313. All shares purchased were cancelled.

Subsequent to quarter-end, the Company granted a total of 625,000 stock options at an exercise price of \$1.20, 99,000 stock options at an exercise price of \$1.80 and

¹ Based on estimated sales data provided by Weed Crawler, for the period of June to August 2023 and September to November 2023

² Based on Headset Data for the period of June to August 2023 and September to November 2023

715,000 RSUs to employees and board members, which are subject to certain vesting conditions in accordance with the Company's employee share option plan. The Company also extended the term of 2,435,000 stock options exercisable at \$1.80 per share and 750,000 stock options exercisable at \$1.00 per share by 2 years.

Selected Financial Highlights

Selected Financial Highlights	Three-month periods ended	
	November 30, 2023	November 30, 2022
Gross revenue ¹	\$ 19,426,528	\$ 10,241,414
Other income	56,766	70,191
	19,483,294	10,311,605
Gross profit, before fair value adjustments	7,935,717	4,023,398
% ²	41%	39%
Gross profit	8,235,356	4,832,595
% ³	42%	47%
Operating expenses	4,796,710	3,689,720
Operating income	3,438,646	1,142,875
% ⁴	18%	11%
Net finance expense	1,331,367	1,139,924
Net income	2,107,279	2,951
% ⁵	11%	0%
Adjusted EBITDA ⁶	5,170,812	1,716,833
% ⁶	27%	17%
Basic earning per share	\$ 0.02	\$ -
Diluted earning per share	\$ 0.02	\$ -

	November 30, 2023	August 31, 2023
Cash	\$ 2,639,385	\$ 4,270,517
Accounts receivable	9,880,853	10,592,705
Biological assets	6,432,262	5,774,121
Inventory	30,321,481	27,997,589
Working capital ⁷	30,500,775	30,513,009
Total assets	144,821,913	141,522,254
Total current liabilities	22,261,932	21,182,827
Total non-current liabilities	40,700,914	40,595,383
Net assets	81,859,067	79,744,044
Free cash flow ⁶	4,861,880	11,550,569

¹ Gross revenue included revenue from sale of goods, net of excise taxes, services revenues and lease revenues.

² Gross profit before fair value adjustments % is determined as Gross profit before fair value adjustments divided by Total revenues.

³ Gross profit % is determined as Gross profit divided by Total revenues.

⁴ Operating income % is determined as Operating income divided by Total revenues.

⁵ Net income % is determined as Net income divided by Total revenues.

⁶ Adjusted EBITDA, working capital and free cash flow are non-GAAP financial performance measures with no standard definition under IFRS. A reconciliation of these measures is presented in the MD&A.

Adjusted EBITDA % is a non-GAAP financial ratio and is determined as Adjusted EBITDA divided by total revenues.

⁷ Working capital is determined as total current assets minus total current liabilities.

Annual General Meeting

Cannara also held its Annual General Meeting of shareholders (the "Meeting") on January 25th, 2024. Shareholders holding 45,711,848 shares or 50.78% of the outstanding shares of the Company were represented in person or by proxy at the Meeting and voted in favour of all matters brought before the Meeting. The Company's shareholders set the number of directors of the Company for the ensuing year at five.

Votes FOR	% FOR	Votes AGAINST	% AGAINST
45,669,087	99.92 %	36,466	0.08 %

All director nominees set out in the Management Information Circular dated December 11, 2023 (the "Circular"), were elected as directors, to serve until the next meeting of shareholders of the Company or until their successors are elected or appointed.

Name	Votes FOR	% FOR	Votes WITHHELD	% WITHHELD
Mary Durocher	45,545,229	100.00%	1,453	0.00%
Jack M. Kay	45,517,725	99.94%	28,957	0.06%
Zohar Krivorot	45,525,973	99.95%	20,709	0.05%
Donald Olds	45,545,123	100.00%	1,559	0.00%
Derek Stern	45,544,775	100.00%	1,907	0.00%

The Company's shareholders also appointed KPMG LLP as auditor of the Company for the ensuing year at a remuneration to be fixed by the directors.

Votes FOR	% FOR	Votes WITHHELD	% WITHHELD
147,139,805	99.87 %	191,138	0.13 %

The Company's shareholders also approved the Company's rolling stock option plan and restricted share unit plan, as is required on an annual basis pursuant to TSX-V policies.

Plan	Votes FOR	% FOR	Votes AGAINST	% AGAINST	Voted WITHHELD	% WITHHELD
Stock Option Plan	45,423,097	99.73%	97,953	0.22%	25,632	0.06%
Restricted Share Unit Plan	45,456,640	99.80%	81,610	0.18%	8,432	0.02%

The Company's shareholders also approved the extension of the expiry date of all options currently issued and outstanding to company insiders by two years.

	Votes FOR	% FOR	Votes AGAINST	% AGAINST	Voted WITHHELD	% WITHHELD
Extension of Options	45,169,640	99.17%	366,016	0.80%	11,026	0.02%

The Board of Directors approved the extension of the expiry date of all options currently issued and outstanding on December 6th, 2023, subject to the receipt of shareholder approval at the Meeting.

Outstanding Shares

As at the date of this report, the Company had 90,018,592 common shares, 4,538,300 stock options and 1,504,183 RSUs issued and outstanding. For further information, the complete Condensed Interim Consolidated Financial Statements and Management's Discussion and Analysis, along with additional information about the Company and all of its public filings that are available at sedarplus.ca and the Company's investor website, investors.cannara.ca.

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About Cannara Biotech Inc.

[Cannara Biotech Inc.](http://Cannara.Biotech.Inc) ([TSXV: LOVE](http://TSXV:LOVE)) ([OTCQB: LOVFF](http://OTCQB:LOVFF)) ([FRA: 8CB0](http://FRA:8CB0)) is a vertically integrated producer of affordable premium-grade cannabis and cannabis-derivative products for the Canadian markets. Cannara owns two mega facilities based in Québec spanning over 1,650,000 sq. ft., providing the Company with 100,000 kg of potential annualized cultivation output. Leveraging Québec's low electricity costs, Cannara's facilities produce premium-grade cannabis products at an affordable price. For more information, please visit cannara.ca.

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This information release contains certain forward-looking information. Such information involves known and unknown risks, uncertainties and other factors that may cause actual results, performance, or achievements to be materially different from those implied by statements herein, and therefore these statements should not be read as guarantees of future performance or results. All forward-looking statements are based on the Company's current beliefs as well as assumptions made by and information currently available to it as well as other factors. Readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date of this press release. Due to risks and uncertainties, including the risks and uncertainties identified by the Company in its public securities filings, actual events may differ materially from current expectations. The Company disclaims any intention or obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.