

Cannara Biotech Inc. Reports Strong First Quarterly Profit Driven by Retail Debut

Third quarter revenue of \$7.2 million, gross profit of \$4.4 million, and net income of \$1.7 million showcases success of market strategy and operating model

MONTREAL, July 28, 2021 /CNW Telbec/ - Cannara Biotech Inc. ("**Cannara**" or the "**Company**") (TSXV: LOVE) (OTCQB: LOVFF) (FRA: 8CB), a vertically integrated producer of premium-grade cannabis and derivative products with two Quebec-based mega cultivation facilities spanning over 1.65 million sq. ft., announced today its third quarter financial and operating results for the three and nine month periods ended May 31, 2021. All financial results are reported in Canadian dollars, unless otherwise noted.



Third Quarter 2021 Highlights

- Total revenue of \$7.2 million, including \$5.9 million in cannabis sales, net of excise tax.
- Gross profit of \$3.5 million or 49% and \$4.4 million or 62% after fair value adjustments.
- Operating expenses are down by 27% to \$2.2 million in Q3 2021 from \$3.0 million in Q3 2020.
- Adjusted EBITDA of \$1.7 million or 23%.
- Net income of \$1.7 million or 24%.
- Sold approximately 1,400 kg of cannabis it had in inventory from previous harvests for a total value of \$1,265,000.
- Uplisted to the TSX Venture (TSXV) from the Canadian Stock Exchange (CSE) on April 8, 2021, reflecting Company's maturity and the commercialization of its operational strategy.

"This quarter's results are a testament to our strategy's efficacy and management's focus," said Zohar Krivorot, President & Chief Executive Officer of Cannara. "With impressive revenue generation in our first full quarter of sales in retail market, the closing of our additional \$5 million private placement and headline acquisition of our latest one million square foot facility in Valleyfield, we are now positioned among the country's leading cannabis producers."

"Our positive net income and strong gross margins confirm our operational excellence, uniquely lean company structure, and continued growth," said Nicholas Sosiak, Chief Financial Officer of Cannara. "Cannara's core competence is our differentiated model that underscores our ability to excel at maximizing the use of our resources. We are executing against this proven model, as we continue to scale our business in the next chapter of our growth roadmap."

Highlights Subsequent to Quarter End

- Acquired a one million sq. ft. state-of-the-art cultivation facility from The Green Organic Dutchman Ltd. ("TGOD") for \$27 million, providing Cannara the ability to reach an annual cultivation capacity of 125,000 kg of premium-grade cannabis.
- Closed private placements of \$24.3 million priced at a premium to the market price at time of the transaction and \$5.7 million in convertible debentures bearing interest at 4% to fund the acquisition of the Valleyfield facility and related working capital expenditures.
- Converted the Company's existing \$5 million credit facilities bearing interest at 13% into a convertible debenture bearing 4% interest and subject to a statutory hold period of four months and one day from the date of issuance.
- Granted an aggregate total of 425,000 stock options to certain employees at an exercise price of \$0.18 per common share, subject to certain vesting conditions.
- Launched an additional six SKUs in market under the Tribal and Orchid CBD brands in June 2021.
- Released three new cannabis genetics, Cuban Linx, Do-Si-Dos, CBD Runtz, in dried flower and pre-roll formats.

Selected Financial Highlights	Three-month periods ended		Nine-month periods ended	
	May 31, 2021	May 31, 2020	May 31, 2021	May 31, 2020
Gross revenue ¹	\$ 6,716,598	\$ 751,509	\$ 10,020,039	\$ 1,933,592
Other income	442,733	12,397	765,227	31,996
	7,159,331	763,906	10,785,266	1,965,588
Gross profit, before fair value adjustments	3,506,278	646,628	5,300,685	1,616,456
%	49%	85%	49%	82%
Gross profit	4,419,124	715,741	6,016,973	1,685,569
%	62%	94%	56%	86%
Operating expenses	2,159,809	2,974,501	7,326,384	10,152,617

Net finance expense	561,513	248,343	1,350,575	718,127
Net income (loss)	\$ 1,697,802	\$ (2,507,103)	\$ (2,659,986)	\$ (9,185,175)
%	24%	-328%	-25%	-467%
Adjusted EBITDA	\$ 1,671,974	\$ (2,215,049)	\$ (966,307)	\$ (6,891,027)
%	23%	-290%	-9%	-351%
Basic earnings (loss) per share	\$ 0.01	\$ (0.01)	\$ (0.01)	\$ (0.01)
Diluted earnings (loss) per share	\$ 0.01	\$ (0.01)	\$ (0.01)	\$ (0.01)

May 31, 2021

August 31, 2020

Cash	\$ 5,563,680	\$ 7,771,177
Accounts receivable	2,394,169	26,370
Biological assets	2,187,590	1,313,370
Inventory	3,368,714	928,351
Working capital	9,165,402	7,052,904
Total assets	57,925,722	54,850,428
Total current liabilities	4,697,602	3,476,952
Total non-current liabilities	16,732,890	13,008,615

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

A copy of the Management Discussion & Analysis and Financial Statements for Q3 2021 can be downloaded from Cannara's SEDAR profile and on investors.cannara.ca.

About Cannara Biotech Inc.

Cannara Biotech Inc. (TSXV: LOVE) (OTCQB: LOVFF) (FRA: 8CB) is a vertically integrated producer of premium-grade cannabis and cannabis-derivative products for the Quebec and Canadian markets. The Company's main focus is to deliver craft-quality "AAAA" products at disruptive retail pricing, continuous rotation of rare genetics, community responsiveness and transparency to collectively add to its value proposition. Leveraging the provinces low electricity and labor rates, Cannara owns two mega Quebec-based facilities spanning over 1,650,000 sq. ft., providing up to 125,000kg of annualized cultivation output. For more information, please visit cannara.ca.

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