

Cannara Biotech Inc. Reports Fourth Quarter and Fiscal Year 2021 Results

Fiscal 2021 revenues of \$17.3 million, gross profit of \$10.5 million or 61% and an Adjusted EBITDA of \$1.5 million, strong indicators of Cannara's performance and successful operating strategy

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

MONTREAL, Dec. 8, 2021 /CNW/ - [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 mega cultivation facilities based in Québec spanning over 1,650,000 sq. ft., today announced its fourth quarter and fiscal year 2021 financial and operating results for the three and twelve-month periods ended August 31, 2021.

Driven by premium "AAAA" grade cannabis, disruptive pricing and exceptional consumer response to world-class products, the Company accomplished significant growth in 2021 from the commercialization of its cannabis operation in Quebec. As a result, the Company increased its total yearly gross revenue compared to prior year by 565%, from \$2.6 million to \$17.3 million and its fourth quarter gross revenue compared to fourth quarter of 2020 by 957%, from \$613 thousand to \$6.5 million, generating net income of \$1.1 million and an Adjusted EBITDA of \$1.4 million for a second consecutive quarter of profitability. With the initiation of commercial sales in Q2 2021 and the acquisition of the Valleyfield Facility, Cannara is well-positioned for national growth in 2022.

Selected Financial Highlights

Selected Financial Highlights	Three-month periods ended		Years ended	
	August 31, 2021	August 31, 2020	August 31, 2021	August 31, 2020
Gross revenue ¹	\$ 6,270,006	\$ 541,149	\$ 16,290,045	\$ 2,474,741
Other income	211,733	72,206	976,960	104,202
	6,481,739	613,355	17,267,005	2,578,943
Gross profit, before fair value adjustments	3,440,799	49,368	8,741,484	1,665,824
%	53%	8%	51%	65%
Gross profit	4,526,126	(433,060)	10,543,099	1,252,509
%	70%	-71%	61%	49%
Operating expenses	2,959,432	3,052,222	10,285,816	13,204,839
Net finance expense	434,851	423,898	1,785,426	1,142,025
Net income (loss)	\$ 1,131,843	\$ (3,909,180)	\$ (1,528,143)	\$ (13,094,355)
%	17%	-637%	-9%	-508%
Adjusted EBITDA ²	\$ 1,364,415	\$ (1,426,734)	\$ 1,503,621	\$ (8,317,761)
% ²	21%	-233%	9%	-323%
Basic earnings (loss) per share	\$ 0.01	\$ (0.01)	\$ (0.01)	\$ (0.02)
Diluted earnings (loss) per share	\$ 0.01	\$ (0.01)	\$ (0.01)	\$ (0.02)

	August 31, 2021	August 31, 2020
Cash	\$ 8,159,305	\$ 7,771,177
Accounts receivable	2,847,725	26,370
Biological assets	1,902,206	1,313,370
Inventory	5,508,258	928,351
Working capital	12,412,935	7,052,904
Total assets	92,022,613	54,850,428
Total current liabilities	6,833,798	3,476,952
Total non-current liabilities	27,906,801	16,485,567

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

²Adjusted EBITDA and Adjusted EBITDA % is a non-IFRS financial performance measure.

Full Year 2021 Financial Highlights:

Financial

- Delivered a total revenue of \$17.3 million, an increase of \$14.7 million from the year prior;
- Gross profit of \$10.5 million or 61%, representing an increase of \$9.3 million from the year prior;
- Operating expenses down by \$2.9 million compared to prior year;
- Adjusted EBITDA amounted to \$1.5 million, an increase of \$9.8 million from the year prior;

- Adjusted EBITDA amounted to \$1.0 million, an increase of \$0.8 million from the year prior;
- Net loss amounted to \$1.5 million, a significant decrease of \$11.6 million from a net loss of \$13.1 million in the prior year;
- Cash on hand of \$8.2 million, an increase of \$0.4 million from year prior. The Company supported the Cannabis operations for the first half of the fiscal year until it commercialized its products. In addition, the Company received financing and invested in the acquisition of the Valleyfield Facility and related capital expenditures;
- Working capital of \$12.4 million provides the Company with liquidity to execute on its strategy.

Q4 2021 Financial and Operating Highlights:

Financial

- Delivered a total revenue of \$6.5 million, an increase of \$5.9 million from \$0.6 million in the fourth quarter of 2020;
- Gross profit of \$4.5 million or 70%, representing an increase of \$4.9 million from the year prior;
- Adjusted EBITDA amounted to \$1.4 million, an increase of \$2.8 million from a negative adjusted EBITDA of \$1.4 million in the fourth quarter of 2020;
- Net income amounted to \$1.1 million, an increase of \$5.0 million from a net loss of \$3.9 million in the fourth quarter of 2020;
- Completed a non-brokered private placement of \$24.3 million and convertible debenture raise of \$5.7 million to finance the acquisition of the Valleyfield Facility. In addition, the Company converted its \$5 million credit facilities bearing interest at 13% into a \$5 million convertible debenture bearing interest at 4% and convertible into common shares at a price of \$0.18 per share.

Operating Highlights:

- Acquired the Valleyfield Facility: a 1 million sq. ft. cultivation and manufacturing facility from The Green Organic Holdings Ltd. ("TGOD"), for \$27 million plus funding of certain deposit requirements of approximately \$5.7 million by a letter of credit. The Valleyfield Facility received its cultivation license in September 2021 and propagated its first 9,600 plants in November 2021;
- Expanded to the Saskatchewan market during the quarter;
- Introduced new SKUs to the Quebec market: Cuban Linx and Do-Si-Dos (Tribal Brand) and CBD Runtz (Orchid CBD brand) in both 3.5 gram dry flower and 2.5 gram pre-roll formats;
- Sold approximately 1,696 kg of cannabis during the fourth quarter of 2021.

Highlights Subsequent to Fourth Quarter

- Secured additional bank credit amounting to \$22 million increased from a previous loan of \$5.4 million with Canadian Imperial Bank of Commerce ("CIBC");
- Expanded to Ontario market;
- Launched two new hash products within the Nugz brand in Quebec retail stores; Old School Hash in a 3-gram bar and Ice Water Hash in a 1-gram temple ball;
- Granted an aggregate total of 7,935,000 stock options to certain employees and board members at an exercise price of \$0.18 per common share, subject to certain vesting conditions.

Executive Team Appointments

- Nicolas Dupuis joins the Company with 25 years of progressive operations leadership experience in global manufacturing in the pharmaceutical industry, assumed office as Vice President, Supply Chain to spearhead supply chain strategy and further streamline business operations;
- Brian Sherman joins the Company as Vice President, Legal Affairs to lead strategic advice in regulatory compliance matters. Sherman brings industry experience having served as a senior member of the legal team at Canopy Growth.

CEO and CFO Commentaries

"Our impressive increase in revenue this quarter and incredible overall results for this year demonstrate a year of sustained

growth and profitability, one which continued to drive our net income and adjusted EBITDA up," said Zohar Krivorot, President & Chief Executive Officer of Cannara. "Our three flagship brands carved unique niches in the industry, offering handcrafted, hang-dried, slow-cured and hand-trimmed cannabis with the flower's natural properties intact. The consumer response to these products outperformed even our expectations, as we saw a remarkable increase in both new and loyal customers embracing the dynamism of our product portfolio. We are also thrilled by the continued expansion of our Cannara family, as we increasingly rely on purpose-driven leaders whose talent for strategy shape the organization's competencies. Over the course of the next fiscal, we are well-positioned for national growth and will continue to seek opportunities that support our mission, allocating efforts to existing and new activities."

"Our tremendous growth was driven by strategic retail activities in Québec, combined with well-thought-out operational development investments, the cultivation and sale licenses of our two mega facilities, and the cannabis revenues generated during the second half of 2021," said Nicholas Sosiak, Chief Financial Officer of Cannara. "The incredible performance, strong balance sheet and increase in gross profit all underscore our long-term growth strategy and commitment to our customers, against the backdrop of strong demand for our products. As we continue to generate profitable growth and outsized returns, we will move forward from a position of financial strength and are ideally positioned to showcase continued positive Adjusted EBITDA."

Fiscal 2022 Outlook

Looking ahead, the Company expects to optimize the additional debt financing from CIBC to finalize the redesign of several zones at the Valleyfield Facility to replicate the indoor cultivation environment, including growing without utilizing the sun and launch the operations at the site.

The first 25,000 square foot zone was propagated with 9,600 plants in November 2021 and next 25,000 square foot zone is planned to be propagated in January 2022.

The Company also anticipates that its existing cash resources of \$8.2 million (as at August 31, 2021), along with the forecasted cashflows and financing that occurred subsequent to year-end, will enable it to fund its planned operating expenses for at least the next twelve months from August 31, 2021.

Over the course of the next fiscal year, the Company plans to allocate efforts towards several transformative milestones as a part of its long-term strategy:

- Increased cannabis supply through the propagation of six rooms in the Valleyfield facility;
- Market release of new cannabis genetics into market;
- Accelerated Hash production & introduction of new Hash blends into market;
- Construction of a butane hash oil extraction lab, and launch of a vape cart product line;
- Further penetration of Québec and Ontario markets, and expansion into new territories;
- Continued positive Adjusted EBITDA.

Outstanding Shares

As at the date of this report, the Company had 876,481,321 common shares and 44,199,333 stock options issued and outstanding. For further information, the complete Audited Consolidated Financial Statements and Management's Discussion and Analysis for the three and twelve-month periods ended August 31, 2021 and August 31, 2020, along with additional information about the Company and all of its public filings are available at [sedar.com](https://www.sedar.com) and the Company's investor website, investors.cannara.ca.

About Cannara Biotech Inc.

[Cannara Biotech Inc.](https://www.cannara.ca) (TSXV: LOVE) (OTCQB: LOVFF) (FRA: 8CB) is a vertically integrated producer of premium-grade cannabis and cannabis-derivative products for the Québec and Canadian markets. Cannara owns two mega cultivation facilities based in Québec spanning over 1,650,000 sq. ft., providing the Company with 125,000kg of potential annualized cultivation

output. Leveraging Québec's low electricity costs, Cannara's facilities produce craft-cultivated premium-grade cannabis products at an affordable price. For more information, please visit cannara.ca.

Neither the 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.

Cautionary Statement Regarding "Forward-Looking" Information

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.

SOURCE Cannara Biotech Inc.

12/8/2021 8:00:00 AM