

Cannara Biotech Inc. Reports Fiscal Second Quarter 2022 Financial Results

Company recorded \$7.4 million in quarterly revenues and delivers fourth consecutive quarter of positive Adjusted EBITDA while continuing to rapidly scale production capacity at the Valleyfield Facility

Completed first harvest from the Valleyfield Facility with positive market feedback consistent with the quality of products Cannara is known for

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

MONTREAL, April 27, 2022 /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 facilities based in Quebec spanning over 1,650,000 sq. ft., today announced its fiscal second quarter 2022 financial and operating results for the three and six-month periods ended February 28, 2022.

Fiscal Second Quarter 2022 Financial and Operational Highlights

- Posted quarterly revenues of \$7.4 million, an increase of 229% from the same quarter in the previous year;
- Recorded a gross profit before fair value adjustments of \$2.6 million or 36% more than the same quarter in the previous year;
- Achieved fourth consecutive quarter of positive Adjusted EBITDA while significantly expanding its production footprint within the facility located in Valleyfield, Québec (the "Valleyfield Facility"). Revenues from the Valleyfield Facility will start to be realized in the third quarter of 2022;
- Positive Adjusted EBITDA of \$1 million for the first six months of 2022 while supporting over \$1 million in startup expenses for the Valleyfield Facility compared to a negative Adjusted EBITDA of \$(2.4) million in the same period of prior year;
- Successfully harvested its first growing zone in its newly redesigned Valleyfield Facility and has sold, subsequent to quarter-end, the finished product generated from this first harvest;
- Completed the activation of its second and third 25,000 square foot growing zones in the Valleyfield Facility, effectively increasing its overall production capacity by more than 200% when comparing to the production capacity at its Farnham Facility;
- Increased working capital to \$14.8 million from a working capital of \$12.4 million as at August 31, 2021;
- Invested \$7.4 million in capital expenditures towards the Company's assets in order to increase production capacity and processing capabilities;
- Granted an aggregate total of 7,710,000 stock options to certain employees and 225,000 stock options to board members at an exercise price of \$0.18 per common share, subject to certain vesting conditions.

Highlights Subsequent to Quarter End

- Introduced a new genetic strain under the Tribal brand to the Quebec market: Terple. The product is available in a 3.5g can and five 0.5g pre-rolls;
- The Company completed the activation of its fourth 25,000 square foot growing zone and is currently ahead of its objective of activating 6 growing zones by August 2022;
- The Company was selected as one of only three cannabis producers by the Ontario Cannabis Store ("OCS") to have a headlining product for their 420 event; To support this, the Company created a special edition of its Early Lemon Berry pre-rolls, offering a 12 x 0.6g joint format with innovative packaging design;
- The Company successfully harvested its second growing zone at its Valleyfield Facility;
- Granted an aggregate total of 600,000 stock options to certain employees at an exercise price of \$0.18 per common share, subject to certain vesting conditions;

- Exercise of 500,000 stock options at an exercise price of \$0.10 for a total proceed of \$50,000.

"We are proud of the advances we made in the second quarter. We planted three 25,000 square foot growing zones and successfully harvested our first zone in February," commented Zohar Krivorot, President & Chief Executive Officer of Cannara. "By redesigning the Valleyfield Facility and receiving consistent positive consumer feedback on our first harvest, we have successfully confirmed our ability to grow premium cannabis at scale. Our objective for the year is to turn on six growing zones by August 2022 at Valleyfield and we remain on schedule to do so".

Nicholas Sosiak, Chief Financial Officer of Cannara commented, "While we are focused on investing into our own assets, we continue to outperform from a financial standpoint. This was our fourth consecutive quarter of positive Adjusted EBITDA while continuing to support and significantly grow our production footprint. We added over 40 new employees to help support the growth at the Valleyfield Facility yet the revenues from this Facility will only start to be realized in the third quarter of 2022. We are working extremely hard this quarter and next to expand our distribution channels and get products listed in new markets. I am looking forward to the coming quarters as we harvest and sell our products from the new operating zones at our Valleyfield Facility and expand our footprint into new markets across Canada."

	Three-month periods ended		Six-month periods ended	
	February 28, 2022	February 28, 2021	February 28, 2022	February 28, 2021
Selected Financial Highlights				
			\$	\$
Gross revenue ¹	\$ 7,272,059	\$ 1,969,103	13,599,394	3,303,441
Other income	150,295	288,651	387,536	322,494
	7,422,354	2,257,754	13,986,930	3,625,935
Gross profit, before fair value adjustments	2,635,607	1,298,261	5,649,632	1,794,407
% ²	36%	58%	40%	49%
Gross profit (loss)	3,015,577	2,095,208	5,635,619	1,597,849
% ³	41%	93%	40%	44%
Operating expenses	3,388,404	2,506,013	5,991,691	5,166,575
Net finance expense	772,996	451,951	1,320,250	789,062
Net income (loss)	\$ (1,145,823)	\$ (862,756)	(1,676,322)	(4,357,788)
% ⁴	-15%	-38%	-12%	-120%
Adjusted EBITDA ⁵	\$ 33,998	\$ (850,509)	1,008,319	(2,423,630)
% ⁵	0%	-38%	7%	-67%
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)

February 28, 2022

August 31, 2021

		\$
Cash	\$ 8,258,006	8,159,305
Accounts receivable	3,098,917	2,847,725
Biological assets	2,261,997	1,902,206
Inventory	7,753,462	5,508,258
Working capital ⁶	14,745,234	12,412,935
Total assets	101,691,030	92,022,613
Total current liabilities	7,910,429	6,833,798
Total non-current liabilities	31,237,792	21,073,003
Net assets	62,542,809	64,115,812

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 (loss) % is determined as Gross profit (loss) divided by Total revenues.

⁴ Net income (loss) % is determined as Net income (loss) divided by Total revenues.

⁵ Adjusted EBITDA and working capital are non-GAAP financial performance measures with no standard definition under IFRS.

A reconciliation of these measures is presented elsewhere in this MD&A.

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

⁶ Working capital is determined as total current assets minus total current liabilities.

	Three-month periods ended		Six-month periods ended	
	February 28,	February 28,	February 28,	February 28,
	2022	2021	2022	2021
Adjusted EBITDA				
Net loss	\$ (1,145,823)	\$ (862,756)	(1,676,322)	(4,357,788)
Adjustments:				
Changes in fair value of inventory sold	1,269,679	447,885	3,136,159	651,195
Unrealized gain on changes in fair value of biological assets	(1,649,649)	(1,244,832)	(3,122,146)	(454,637)
Amortization, including amortization in cost of good sold	629,027	251,634	1,221,586	738,290
Loss on disposal of property, plant and equipment	6,444	54,224	31,106	54,224
Gain on sublease	-	-	(12,876)	-
Share-based compensation, including share-based compensation in cost of good sold	151,324	51,385	110,562	156,024
Net finance expense	772,996	451,951	1,320,250	789,062
				\$

Adjusted EBITDA¹

\$ 33,998

\$ (850,509)

\$ 1,008,319 (2,423,630)

¹ Adjusted EBITDA is a non-GAAP financial performance measure with no standard definition under IFRS.

Outstanding Shares

As at the date of this report, the Company had 876,981,321 common shares and 40,645,781 stock options issued and outstanding. For further information, the complete Condensed Interim Consolidated Financial Statements and Management's Discussion and Analysis for the three and six-month periods ended February 28, 2022 and 2021, 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 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 premium-grade cannabis products at an affordable price. For more information, please visit [cannara.ca](https://www.cannara.ca).

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