

Cannara Biotech Inc. Reports Fiscal Third Quarter 2022 Financial Results

Company recorded a record high of \$10.1 million in quarterly revenue and \$24.1 million in year-to-date revenue, delivering its fifth consecutive quarter of positive Q3 2022 Adjusted EBITDA of \$1.8M with net income of \$1.4 million

Valleyfield Facility continues to scale, and the Company now has 6 of its 24 growing zones in full production representing 150,000 square feet of canopy holding over 55,000 plants that can be harvested four times per year

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

MONTREAL, July 27, 2022 /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 mega facilities based in Quebec spanning over 1,650,000 sq. ft., today announced its fiscal third quarter 2022 financial and operating results for the three and nine-month periods ended May 31, 2022.

Fiscal Third Quarter 2022 Financial and Operational Highlights

- Quarterly revenue of \$10.1 million, a 36% increase from the previous quarter and a 41% increase compared to Q3 2021.
- Recorded gross profit before fair value adjustments of \$3.7 million, a 42% increase from the previous quarter and an increase of 7% compared to Q3 2021.
- Increased positive Adjusted EBITDA from \$34,000 in the previous quarter to \$1.8 million in the current quarter and \$2.8 million for the first nine months of 2022 compared to \$139,000 of Adjusted EBITDA for the first nine months of 2021, all while continuing to support over \$700,000 in one-time startup expenses for the Valleyfield Facility.
- Delivered the Company's fifth straight quarter of positive Adjusted EBITDA.
- Earned net income of \$1.4 million for the three-month period ended May 31, 2022.
- Closed on a non-dilutive \$50 million credit facility led by BMO Commercial Banking. The credit facility includes a three-year term loan for \$39.3 million with an accordion for up to an additional \$10 million, a \$5 million line of credit and \$5.7 million for the issuance of a letter of credit. Funding was received subsequent to quarter-end.
- Successfully redesigned and activated 5 of 24 growing zones and have produced 4 harvests from the new Valleyfield facility as of May 31, 2022.
- Recorded its first revenue from cannabis cultivated from its Valleyfield facility.
- Introduced 2 new genetics under the Tribal brand Nugz brand and 1 new genetic under the Nugz brand in the Quebec market.
- Launched Nugz Fresh Frozen Hash Rosin in 1 gram format in the Ontario market.
- Sold approximately 2,040 kg of cannabis or 564,000 units across 3 flagship brands during the quarter as the result of the increase in production from the Valleyfield Facility, a 60% increase in kg sold compared to the previous quarter.
- Approximately 4,800 kg of cannabis or 1,286,000 units sold across 3 flagship brands during the nine-month period of 2022, an increase of over 1 million units sold compared to the same period in the prior year.
- Invested \$4.9 million in capital expenditures during the quarter and over \$12 million during the nine-month period ended May 31, 2022, the bulk of the capital expenditures related to the finalization of the construction of the Valleyfield facility.
- The Company has \$13 million in working capital of May 31, 2022.
- Granted an aggregate total of 600,000 stock options to employees and 613,333 stock options to consultants at an exercise price of \$0.18, subject to certain vesting conditions.

Highlights Subsequent to Quarter End

- The Company launched its Nugz Old School Hash in 2-gram form containing between 40%-50% THC in Ontario, in addition to its first Tribal preroll pack, Gelato Mint 5 x 0.5g in July.
- The Company successfully commenced operations in its newly built hydrocarbon closed loop extraction lab. The first product produced will be Tribal's G Mint Live Resin Vape Cartridge, which will be released in Ontario in August 2022.
- In June, the Company received \$39.3 million from its term loan, which was used, in part, to repay the existing \$21.8 million loan with CIBC and \$5.7 million for the issuance of a letter of credit to cover certain deposit requirements.
- Achieved successful completion of 2022 startup plan of the Valleyfield Facility operation with 6 of 24 growing zones of 25,000 square feet redesigned and operational as of the date of this release.
- Received approval to become a licensed vendor to the British Columbia Cannabis Store ("BCBS") and received approval to list 7 SKUs in the upcoming months.
- Granted an aggregate total of 1,200,000 stock options to employees at an exercise price of \$0.18, subject to certain vesting conditions.

"I am very proud of the entire team at Cannara for their continued focus and hard work. The positive financial performance is a direct result of the collective efforts of all our great employees," stated Zohar Krivorot, President & Chief Executive Officer of Cannara. "We continue to be ahead of schedule on all of our stated objectives for this year while at the same time delivering record revenue, our fifth positive quarter of Adjusted EBITDA, and positive net income. We are also pleased to report to shareholders that our new state of the art Valleyfield Facility, as of today, is producing out of six of its twenty-four growing zones, each containing 9,600 plants each. We have multiple successful harvests delivered from our new facility, which provides us confidence in our ability to continue our expansion and to grow consistent premium-grade cannabis at scale.

Nicholas Sosiak, Chief Financial Officer of Cannara added, "Being able to deliver our fifth consecutive quarter of Adjusted EBITDA and our third quarter of positive net income are Company milestones that we are all proud of. Cannara continues to surpass its financial targets which allows us to lay the foundation for our long-term goals, as evidenced by the \$50 million credit facility Cannara secured with BMO Commercial Banking. The credit facility provides the Company with necessary liquidity to continue to execute on our expansion plans. These additional resources will assist Cannara to increase its cannabis supply through capital investment at the Valleyfield Facility with continued focus on providing consumers with premium products at sustainable, market disrupting high value propositions. This strategy has allowed us to increase market share while simultaneously entering into new provinces. Given that Cannara only operates today in 2 major Canadian markets, I am really excited for the Company's long-term picture as we have plenty of room for growth."

Outstanding Shares

As at the date of this report, the Company had 876,981,321 common shares and 41,110,790 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 nine-month periods ended May 31, 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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