

Cannara Biotech Inc. Reports Q1 2021 Financial Results

- Expects to generate revenue from letter of intent with the Société québécoise du cannabis by end of February or early March 2021-

MONTREAL, Jan. 29, 2021 /CNW/ - Cannara Biotech Inc. ("**Cannara**" or the "**Company**") (CSE: LOVE) (OTCQB: LOVFF) (FRA: 8CB) is pleased to announce its financial results for the three-month period ended November 30, 2020. Unless otherwise noted, all dollar amounts are expressed in Canadian dollars.



Q1 2021 OPERATIONAL HIGHLIGHTS

- The Company's primary focus has been on the key items necessary to prepare the Company to begin generating commercial revenue: cultivation and post-harvest activities; building its brand portfolio; and readying inventory to begin shipping its dried flower products across the province of Quebec.
- On November 27, 2020, Cannara signed a one-year wholesale supply agreement under which it agreed to sell 200 kg of cannabis per month to another licensed producer, beginning January 1, 2021.
- During Q1 2021, Cannara met the revenue threshold required to gain access to an additional \$4 million in credit under its current facilities. During the quarter, the Company drew down \$1 million on its credit facilities and intends to draw down monthly to support cash flows until anticipated revenue from sales operations commences, expected in February or March 2021.

HIGHLIGHTS SUBSEQUENT TO QUARTER END

- On January 8, 2021, Cannara Biotech (Québec) Inc., a wholly owned subsidiary of Cannara, announced it had received its amendment to its licence to allow the Company to sell dried cannabis products to provincial retail distributors. The Company now has the necessary licences to begin the delivery of cannabis products to the Société québécoise du cannabis ("SQDC") under its existing letter of intent.
- During January 2021, the Company completed its first shipment of 201.61kg of dried cannabis to its wholesale partner under a one-year supply agreement.
- Following a lease agreement signed on November 30, 2020, and beginning on January 1, 2021, an existing tenant occupied the last remaining space unutilized by the Company at its Farnham facility. The leasing of unoccupied areas of the facility is a strategy designed to generate additional revenue and to maximize returns on the overall facility.

"Through the end of Q1 2021, we set out to build products and an operational foundation to prepare for both near-term growth in 2021 as well as to support the sustained future growth of our company," said **Zohar Krivorot, President and Chief Executive Officer of Cannara**. "Based on the great feedback we have received from wholesale customers on our cannabis, we expect to significantly grow revenue this year as we roll our products out across the province of Quebec through the SQDC. Over the past 12 months we have fine-tuned our cultivation, post-harvest and

supply-chain processes to ensure we are ready to scale as we begin to ship commercial levels of volume. We are committed to best-in-class operations and are confident that the foundation we have put in place along with our focused cost discipline will carry us to profitability and generate shareholder returns, as revenue grows."

RESULTS OF OPERATIONS

For the three-month period ended November 30, 2020, the Company's cannabis operations segment generated \$679,125 in revenue from wholesale transactions and \$27,999 in ancillary revenue from the sale of cannabis grown during a period where the Company was still performing research and development activities on its cultivation process. Gross profit from wholesale transactions was \$199,663 or 29.4% compared to nil for the same period of the prior year.

As part of the Company's capital management strategy, the Company has leased out a significant portion of the currently unoccupied space in the Farnham Facility. As at November 30, 2020, The Company leased 333,551 (425,480 square feet as of today) of the total 625,000 available square feet to three tenants. For the three-month period ended November 30, 2020, the Company generated lease revenues of \$556,932 compared to \$527,528 in the same period of the prior year. The increase is attributable to an augmentation of the rental rate charged to tenants. Net income generated by this segment of \$458,085 (\$497,896 for the period ended November 30, 2019) and is used to support the commercialization of the cannabis operations.

For the three-month period ended November 30, 2020, the Company reported a total comprehensive loss of \$3.5 million or a loss per share of \$0.01; compared to \$2.9 million or a loss per share of \$0.01 in the same period of the prior year.

The Company has a working capital of \$4,468,234 as at November 30, 2020 (August 31, 2020 - \$7,052,904). This includes cash on hand of \$4,070,752 (August 31, 2020 - \$7,771,177). The Company expects that its existing cash resources as at November 30, 2020 along with cash received subsequent to quarter-end from its sales and credit facilities will enable it to fund its planned operating expenses for at least the next twelve months.

OUTSTANDING SHARES

As at the date of this report, the Company had 737,839,535 common shares and 39,389,502 stock options issued outstanding.

For further information, the complete condensed interim consolidated Financial Statements and Management's Discussion and Analysis for the three-month period ended November 30, 2020, along with additional information about the Company and all of its public filings are available at www.sedar.com and the Company's website, www.cannara.ca.

About Cannara Biotech Inc.

Cannara Biotech Inc. (CSE: LOVE) (OTCQB: LOVFF) (FRA: 8CB) has built one of the largest indoor cannabis cultivation facilities (625,000 square feet) in Canada and the largest in Québec. Leveraging Québec's low electricity costs, Cannara Biotech Inc.'s facility will produce premium-grade indoor cannabis and cannabis-derivative products for the Québec and Canadian markets. www.cannara.ca

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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.

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