

Cannara Biotech Inc. Reports Q3 2020 Financial Results

MONTREAL, July 27, 2020 /CNW Telbec/ - Cannara Biotech Inc. ("Cannara" or the "Company") (CSE: LOVE) (OTCQB: LOVFF), (FRA: 8CB), today announced financial results for the three and nine-month periods ended May 31, 2020. Unless otherwise noted, all dollar amounts are expressed in Canadian dollars.



OPERATIONAL HIGHLIGHTS

- On April 20, 2020, the Company successfully harvested its first cannabis crop.
- The Farnham Facility is now operating at full capacity, with one to two flowering rooms harvested per week.
- As at May 31, 2020, there were a total of 48,711 plants in the cultivation cycle, including 26,649 plants in the flowering stage; these biological assets are expected to yield approximately 1,272 kilograms of dried cannabis once harvested.
- Mary Durocher joined Cannara's Board of Directors in May.

HIGHLIGHTS SUBSEQUENT THE QUARTER'S END

- Finalized a non-binding Letter of Intent (LOI) with the Société québécoise du cannabis (the "SQDC"), which will see Cannara's first year production of premium quality cannabis earmarked for the Québec market.
- The Company hired its 100th employee at its Farnham Facility, just outside Montreal.
- Samples from the first two lots were sent at the beginning of June 2020 to Health Canada for analysis as part of the Company's efforts to obtain its amended sales license.

"It has been a very eventful and successful period since our last update, with significant progress made in critically important areas of our business. We are now routinely harvesting one to two large flowering rooms every week, carefully drying and curing the product, while inventorying finished product," said Zohar Krivorot, CEO of Cannara. "The LOI with SQDC also represents a significant milestone, bringing us closer to our goal of being a dominant provider of premium cannabis for the Québec market."

RESULTS OF OPERATIONS

For the three and nine-month periods ended May 31, 2020, the Company had not yet generated cannabis-related revenues from its production since the cultivation activities began in February 2020 following the grant of the cultivation license. First harvest occurred on April 20, 2020 and since then, harvests have been occurring every week. All lots currently in the cultivation phase are growing for commercialization and will be offered on the wholesale market. It is estimated that the lots planted in July 2020 will be sold to the retail market once the amended sales license is obtained, which is expected to occur before end of calendar year.

In order to optimize cash flow while the Company has unoccupied space in the Farnham Facility, the Company leased 423,551 square feet of the total 625,000 available square feet to three tenants. For

the three and nine-month periods ended May 31, 2020, the Company generated lease revenues of \$710,272 and \$1,879,280 compared to \$506,785 and \$1,543,666 in the same period of the prior year. This represents a favourable increase of \$203,487 and \$335,614, due mainly to the addition of a new tenant.

For the three-month period ended My 31, 2020, the Company reported a total comprehensive loss of \$2.5 million or a loss per share of \$0.01; compared to \$2.8 million or a loss per share of \$0.01 in the same period of prior year. For the nine-month period ended May 31, 2020, the Company reported a total comprehensive loss of \$9.2 million or a loss per share of \$0.01; compared to \$9.1 million or a loss per share of \$0.02 in the same period of prior year.

As at May 31, 2020, the Company's cash on hand was \$11.1 million (August 31, 2019 - \$26.5 million). On July 17, 2020, the Company signed a term sheet with a related-party lender providing it access to a credit facility of \$5,000,000, that the Company can draw on, to be used for working capital purposes.

The Company believes it has expended most of the required capital required to operationalize Phase 1 of the Farnham Facility. During the year ending August 31, 2020, the Company anticipates to further spend on production equipment related to cannabis packaging. The Company expects that its existing cash resources as at May 31, 2020 will enable it to fund its planned operating expenses for at least the next twelve months from May 31, 2020.

OUTSTANDING SHARES

As at the date of this report, the Company had 737,738,815 common shares and 33,698,169 stock options issued outstanding.

For further information, the complete interim consolidated Financial Statements and Management's Discussion and Analysis for the three and nine-month periods ended May 31, 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.

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 Quebec and Canadian markets.

The CSE nor its Regulation Services Provider 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.

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