

Cannara Biotech Delivers Strong Q2 2021 Results

Significant second quarter revenue generation of \$1.2 million and gross profit increase to \$2.1 million showcases Cannara's positive trajectory

MONTREAL, Quebec, April 28, 2021 /CNW/ - Cannara Biotech Inc. ("**Cannara**" or the "**Company**") (TSXV: LOVE) (OTCQB: LOVFF) (FRA: 8CB), a vertically integrated producer of indoor cannabis and derivative products with one of the largest indoor cannabis cultivation facilities in Canada and the largest in Quebec, today announced its operating and financial results for the three and six-month periods ended February 28, 2021 and February 29, 2020. All dollar amounts are expressed in Canadian dollars unless otherwise noted.

Second Quarter Highlights

- Received amended sales licence from Health Canada to allow sales to provincial distributors
- Successfully launched its three flagship brands - Tribal, Nugz and Orchid CBD - and completed its first retail shipment through the Société québécoise du cannabis (SQDC) on February 25, 2021 and March 4, 2021
- Total cannabis sales of \$1.22 million (net of excise tax) in Q2 2021 compared to nil in the same period of the prior year
- Gross profit increased from \$470 thousand in Q2 2020 to \$2.1 million in Q2 2021
- Operating costs decreased by 33% from Q2 2020 to Q2 2021
- Secured 100% occupancy of the Company's Farnham Facility
- Completed two monthly shipments totalling 399.31 kg of dried cannabis to a wholesale partner under its one-year supply agreement which commenced January 1, 2021

Highlights Subsequent to Quarter End

- Transitioned trading activity from the Canadian Stock Exchange (CSE) to the TSX Venture (TSXV) on April 8, 2021 under stock symbol LOVE.V for increased investor awareness
- Signed significant one-time wholesale agreements to supply approximately 1,400 kg of cannabis for a total value of \$1,265,000
- Achieved first complete month (March 2021) of net revenue generation from retail and wholesale channels of \$1.8 million
- Granted an aggregate total of 110,000 stock options to certain employees at an exercise price of \$0.18 per common share, subject to certain vesting conditions
- Extended maturity date by an additional year on one of the two mortgages

CEO and CFO Commentaries

"2021 has been a transformational year for our business thus far, marked by significant milestones and a strong balance sheet. From receiving our amended sales licence from Health Canada to launching our brand portfolio through the SQDC, we are making meaningful strides to capturing market share in Quebec while positioning ourselves for long-term growth and success across Canada," said Zohar Krivorot, President & Chief Executive Officer of Cannara Biotech Inc. "Our listing on the TSXV was also a major milestone of our progression that will enhance our profile as a leading producer of premium-grade cannabis products, crafted with the highest-quality genetics and at a price point that Canadians deserve."

"Cannara is tracking well against our key performance metrics, targets and overall strategic vision. Based on our positive gross profit from our wholesale revenues and one week of retail sales in Q2, I look forward to what we can accomplish in subsequent quarters with the fully realized impact of our retail, wholesale and rental revenue channels," Nicholas Sosiak, Chief Financial Officer of Cannara Biotech Inc. "Bolstered by the positive reception of our flagship brands and significant wholesale agreements, we are confident in our business' ability to build sustainable, profitable growth for our shareholders."

Results of Operations

Cannabis Operations

For the three and six-month periods ended February 28, 2021, the segment generated \$1,469,451 and \$2,182,419 in revenues, net of excise tax, mainly from its wholesale clients, compared to \$19,599 for the same periods of the prior year, resulting in a segmented gross profit before fair value adjustments for the three and six-month periods ended February 28, 2021 of \$733,021 and \$756,035, representing a gross margin before fair value adjustments of 50% and 35%, respectively.

For the three and six-month periods ended February 28, 2021, the segment incurred \$1,529,968 and \$559,477 in gross profit after fair value adjustments compared to a gross profit after fair value adjustments of \$19,599 in the same periods of the prior year, representing a favorable increase of \$1,510,369 and \$539,878, respectively.

For the three and six-month periods ended February 28, 2021, operating expenses were \$2,050,379 and \$4,086,700 compared to \$2,587,854 and \$4,522,784 for the same periods of the prior year. The decrease in operating expenses is mainly attributable to:

- A decrease of \$860,133 and \$1,117,483 in general and administrative expenses for the three and six-month periods and a decrease of \$170,428 in professional fees for the six-month period; and
- An increase of \$100,493 and \$650,887 in research and development; and \$133,885 and \$200,940 increase in sale and marketing expenses for the three and six-month periods, respectively.

Real Estate Operations

As part of the Company's capital management strategy, it has leased out all currently unoccupied space in the Farnham Facility. The Company leased 425,480 square feet of the total 625,000 available square feet to two tenants. For the three and six-month periods ended February 28, 2021, the Company generated lease revenues of \$752,457 and \$1,309,389 compared to \$641,480 and \$1,169,008 in the same periods of the prior year. The increase in lease operating expenses for the six-month period is attributable to expenses incurred in the first quarter of 2021 to accommodate the new tenant.

The segment net income for the three and six-month periods ended February 28, 2021 was \$558,812 and \$1,016,897 compared to \$451,128 and \$949,024 in the same periods of the prior year, resulting in an increase of \$107,684 and \$67,873 in segment net income.

The Company has a working capital of \$7,423,458 as at February 28, 2021, including cash on hand of \$4,730,524. The Company has been able to maintain its working capital ratio compared to prior

year due to the access to the credit facilities and wholesale revenues generated.

Outstanding Shares

As at the date of this report, the Company had 741,481,321 common shares and 37,391,588 stock options issued 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, 2021 and February 29, 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. (TSXV: LOVE) (OTCQB: LOVFF) (FRA: 8CB) is a vertically integrated producer of premium-grade indoor cannabis and cannabis-derivative products for the Quebec and Canadian markets. Its Quebec-based facility is one of the largest indoor cannabis cultivation facilities in Canada and the largest in Quebec (625,000 square feet). Leveraging Quebec's low electricity costs, the Cannara facility will produce purposefully cultivated indoor premium cannabis flower at an affordable price. For more information, please visit cannara.ca.

Contact:

Nicholas Sosiak, CPA, CA

Chief Financial Officer

nick@cannara.ca

Zohar Krivorot

President & Chief Executive Officer

zohar@cannara.ca

Neither 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.

4/28/2021 9:25:00 AM