

Christina Lake Cannabis Reports Second Quarter 2023 Results

VANCOUVER, British Columbia, August 1, 2023 – Christina Lake Cannabis Corp. (the “Company” or “CLC” or “Christina Lake Cannabis”) (CSE: CLC) (OTCQB: CLCFF) (FRANKFURT: CLB) is pleased to report its financial results for the second quarter ended May 31, 2023 (“Q2’23”). All amounts are expressed in Canadian dollars unless otherwise noted.

Q2’23 Highlights

- Revenue up 36% to \$1.4M over prior year period; increase of 81% over Q1’23
- Distillate volumes sold increased by 118% compared to the six-month period ending Q2’22
- Gross margin of \$2.3M or 42.8% before fair value adjustments for the six-month period
- Decreased G&A expenses by \$188k or 8% from prior year period

“In Q2, our dedication to executing strategic initiatives has been validated through an impressive surge in sales growth of 36%” said Mark Aiken, Chief Executive Officer of Christina Lake Cannabis. “As we advance into the second half of Fiscal 2023, we maintain our unwavering commitment to meeting the escalating sales demand for our premium distillate products while driving operating efficiencies throughout our processes, and to expand our product lines available to our valued customers.”

OPERATIONAL AND FINANCIAL HIGHLIGHTS

	May 31, 2023	May 31, 2022	\$ Change	% Change
Revenue from the sale of goods	\$ 5,393,905	\$ 3,973,811	\$ 1,420,094	36%
Costs of sales	(3,085,255)	(1,772,279)	1,312,976	74%
Gross profit before fair value adjustment	2,308,650	2,201,532	107,118	5%
Changes in fair value of inventory sold	(1,681,269)	(669,282)	1,011,987	151%
Gross profit	627,381	1,532,250	(904,869)	(59%)
General and administrative expenses	(2,097,451)	(2,286,208)	(188,757)	(8%)
Other items	(514,060)	(40,184)	473,876	1179%
Income (loss)	(1,984,130)	(794,142)	(1,189,988)	150%
Income (loss) per share	(0.02)	(0.01)		
Gross margin %	42.8%	55.4%		
Financial Position				
Working capital	1,715,664	7,576,188		
Inventory	4,144,802	6,273,722		
Total assets	16,991,415	17,986,504		
Total liabilities	7,765,284	6,126,917		

Distillate volumes sold increased by 118% from the comparative period ending Q2’22 resulting in revenue growth of 36% to \$5.4M from \$4.0M despite market price compression in the price of distillate. Revenue growth was driven by an expanding customer base with increased demand in distillate inputs for both vape and infused pre-rolls.

Gross Margin Before Fair Value Adjustments was 42.8% compared to 55.4% in the prior year period. The decline in gross margin is primarily attributed to a significant drop in the price of wholesale distillate. Cost of goods sold increased by 74% from the comparative period due to the significant increase in distillate volume produced and sold as noted above. The Company continues to work towards production efficiencies to combat price compression in the wholesale distillate market as production and sales continued to ramp up.

Total general & administrative (“G&A”) expenses declined by \$189k or 8% from prior comparative period, driven by year-over-year reductions in management fees, marketing, share based compensation and repairs and maintenance expenses. G&A decreased to 39% of revenue during the period, compared with 58% in the prior year.

Loss and comprehensive loss in Q2’23 was \$(2.0M) which is a \$1.2M increase from the prior year period loss of \$(794k). The year-over-year increase in loss is primarily driven by an increase in changes in fair value of inventory sold, and reduction in income from other items relating to a one time settlement of \$258k in the comparative period.

Cash and Working Capital

As at May 31, 2023, the Company had working capital of \$1,715,664 (November 30, 2022 – \$3,683,558) which consisted of cash of \$1,531,378 (November 30, 2022 - \$1,810,639), receivables of \$2,183,575 (November 30, 2022 - \$1,906,820), prepaid expenses of \$19,432 (November 30, 2022 - \$3,885), inventory of \$4,144,802 (November 30, 2022 - \$5,766,418). Current liabilities, being accounts payable and accrued liabilities, current portion of loan and current portion of convertible debentures, \$6,163,533 (November 30, 2022 – \$5,832,954).

About Christina Lake Cannabis Corp.

Christina Lake Cannabis is a licensed producer of cannabis under the Cannabis Act. It has secured a standard cultivation license and corresponding processing amendment from Health Canada (March 2020 and August 2020, respectively) as well as a research and development license (early 2020). Christina Lake Cannabis’ facility consists of a 32-acre property, which includes over 950,000 square feet of outdoor grow space, offices, propagation and drying rooms, research facilities, and a facility dedicated to processing and extraction. Christina Lake Cannabis also owns a 99-acre plot of land adjoining its principal site. CLC focuses its production on creating high quality extracts and distillate for its B2B client base with proprietary strains specifically developed for outdoor cultivation to enhance extraction quality.

On behalf of Christina Lake Cannabis:

“Mark Aiken”

Mark Aiken, CEO

For more information about CLC, please visit: www.christinalakecannabis.com

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Non-IFRS Financial Measures

In this news release, the Company reports "Gross Margin Before Fair Value Adjustments", a financial measure that is not determined or defined in accordance with the International Financial Reporting Standards, as issued by the International Accounting Standards Board ("**IFRS**"). Gross Margin Before Fair Value Adjustments does not have a standardized meaning prescribed by IFRS and the Company's methods of calculating this financial measure may differ from methods used by other companies. Accordingly, such non-IFRS financial measure may not be comparable to similarly titled measures presented by other companies. This measure is provided as additional information to complement IFRS by providing a further understanding of operations from management's perspective and should not be considered in isolation or as a substitute for measures of performance prepared in accordance with IFRS.

This data is furnished to provide additional information and are non-IFRS measures and do not have any standardized meaning prescribed by IFRS. The Company uses these non-IFRS measures to provide shareholders and others with supplemental measures of its operating performance. The Company also believes that securities analysts, investors and other interested parties, frequently use these non-IFRS measures in the evaluation of companies, many of which present similar metrics when reporting their results. As other companies may calculate these non-IFRS measures differently than the Company, these metrics may not be comparable to similarly titled measures reported by other companies.

Forward Looking Statements

This news release contains statements that constitute "forward-looking statements." Such forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause actual results, performance or achievements, or developments in the industry to differ materially from the anticipated results, performance or achievements expressed or implied by such forward-looking statements. Forward-looking statements are statements that are not historical facts and are generally, but not always, identified by the words "expects", "plans", "anticipates", "believes", "intends", "estimates", "projects", "potential" and similar expressions, or that events or conditions "will", "would", "may", "could" or "should" occur. Although the Company believes that the expectations and assumptions on which the forward-looking statements are based are reasonable, undue reliance should not be placed on the forward-looking statements because the Company can give no assurance that they will prove to be correct. Since forward-looking statements address future events and conditions, by their very nature they involve inherent risks and uncertainties. These statements speak only as of the date of this News Release. Actual results could differ materially from those currently anticipated due to a number of factors and risks including various risk factors discussed in the Company's disclosure documents which can be found under the Company's profile on <http://www.sedar.com>. Should one or more of these risks or uncertainties materialize, or should assumptions underlying the forward-looking statements prove incorrect, actual results may vary materially from those described herein as intended, planned, anticipated, believed, estimated or expected. The Company does not intend, and does not assume any obligation, to update these forward-looking statements except as otherwise required by applicable law.

Financial Outlook

This news release contains a financial outlook within the meaning of applicable Canadian securities laws. The financial outlook has been prepared by management of the Company to provide an outlook for the Company's operational cash flow for the month ended May 31, 2023 and may not be appropriate for any other purpose. The financial outlook has been prepared based on a number of assumptions including the assumptions discussed under the heading "Forward-Looking Statements". The actual results of the Company's operations for any period will likely vary from the amounts set forth in these projections and such variations may be material. The Company and its management believe that the financial outlook has been prepared on a reasonable basis. However, because this information is highly subjective and subject to numerous risks, including the risks discussed under the heading "Forward-Looking Statements", it should not be relied on as necessarily indicative of future results.