

Christina Lake Cannabis Reports Third Quarter 2023 Results

VANCOUVER, British Columbia, October 31, 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 third quarter ended August 31, 2023 (“Q3’23”). All amounts are expressed in Canadian dollars unless otherwise noted.

Q3’23 Highlights

- Revenue up 30% to \$8.9M over nine-month period end Q3’22;
- Distillate volumes sold increased by 85% compared to the nine-month period ending Q3’22;
- Gross profit of \$4.0M or 45.2% before fair value adjustments for the nine-month period;
- Decreased G&A expenses by \$137k or 4% from prior year period

“Through a steadfast commitment to meeting our customers’ ever-expanding demands and consistently delivering high quality products, CLC has continued to maintain impressive sales growth in Q3,” said Mark Aiken, Chief Executive Officer of Christina Lake Cannabis. “Our agility in responding to dynamic market conditions is evident through the successful introduction of our expanded product lines, garnering positive customer feedback and substantial reorders. Our continued success is a testament to our relentless pursuit of excellence, our continuous drive for operating efficiency, and our focus on innovation.”

OPERATIONAL AND FINANCIAL HIGHLIGHTS

	August 31, 2023	August 31, 2022	\$ Change	% Change
Revenue from the sale of goods	\$ 8,939,679	\$ 6,885,968	\$ 2,053,711	30%
Costs of sales	(4,895,324)	(3,284,724)	1,610,600	49%
Gross profit before fair value adjustment	4,044,355	3,601,244	443,111	12%
Changes in fair value of inventory sold	(2,305,915)	(1,173,677)	1,132,238	96%
Gross profit from sale of goods	1,738,440	2,427,567	(689,127)	(28%)
Fair value change growth biological asset	2,614,303	3,002,383	(388,080)	(13%)
General and administrative expenses	(3,134,742)	(3,271,790)	(137,048)	(4%)
Other items	(722,949)	1,556	(724,505)	(46562%)
Income (loss)	495,052	2,159,716	(1,664,664)	(77%)
Income (loss) per share	0.00	0.02		
Gross margin %	45.2%	52.3%		
Financial Position				
Working capital	4,139,795	3,683,558		
Inventory	1,954,344	4,621,213		
Biological assets	4,035,020	4,380,074		
Total assets	18,836,093	21,483,084		
Total liabilities	7,121,404	6,725,056		

Distillate volumes sold increased by 85% from the comparative period ending Q3’22 resulting in revenue growth of 30% to \$8.9M from \$6.9M despite market price compression in the price of distillate. Revenue growth was primarily driven by increased demand in distillate.

Gross Margin Before Fair Value Adjustments was 45.2% compared to 52.3% 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 49% 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 \$137k or 4% from prior comparative period, driven by year-over-year reductions in consulting fees, management fees, insurance, marketing, share based compensation and repairs and maintenance expenses, which were partially offset by increases in depreciation, professional fees, research and development, salaries and regulatory fees. G&A decreased to 35% of revenue during the period, compared with 48% in the prior year.

Income (Loss) and comprehensive income(loss) in Q3’23 was \$495k which is a \$1.7M decrease from the prior year period income of \$2.2M. The year-over-year decrease in income is primarily driven by an increase in changes in fair value of inventory sold of \$1.1M, a reduction in income from other items relating to a one-time settlement of \$258k and debt modification of \$386k in the comparative period, and a decrease in the fair value change in biological asset adjustment of \$388k.

Cash and Working Capital

As at August 31, 2023, the Company had working capital of \$4,139,795 (November 30, 2022 – \$3,683,558) which consisted of cash of \$1,728,432 (November 30, 2022 - \$1,810,639), receivables of \$2,312,232 (November 30, 2022 - \$1,906,820), prepaid expenses of \$51,757 (November 30, 2022 - \$3,885), inventory of \$1,954,344 (November 30, 2022 - \$5,766,418), Biological assets of \$4,035,020 (November 30, 2022 - \$Nil). Current liabilities, being accounts payable and accrued liabilities, current portion of loan and current portion of convertible debentures, \$5,941,991 (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 February 28, 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.