Research Update

CordovaCann Corp.

(OTC: LVRLF; Canada: CDVA.CN)

Report Date: 04/28/21

12- 24 month Price Target: US$.56

Allocation: 4

Closing Stock Price at Initiation (Closing Px: 08/19/20): US$.22

Closing Stock Price at This Update (Closing Px: 04/27/21): US$.26

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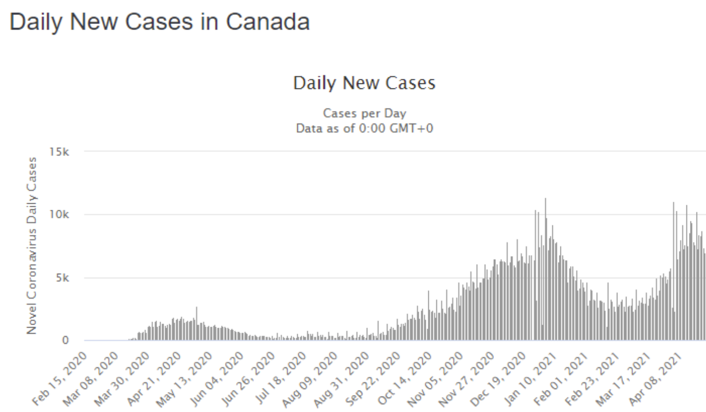
Disclosure: Portions of this report are excerpted from CordovaCann's filings, website(s), presentations or other public collateral. We have attempted to identify those excerpts by *italicizing* them in the text.

We were a bit remiss in updating the CordovaCann research following their 2QF21 numbers (quarter ended 12/31/20) but recall we had just updated the research about 60 days prior and to be honest, we are not sure this is about earnings just yet and we will address that further below. That said, CordovaCann's numbers for 2Q-F21 were largely in line with our estimates. Specifically, revenues were $2.44 million versus our estimate of $2.5 million. The operating loss was <$242,388> versus our estimate of <$215,449> and net income was <$475,516> versus our estimate of <$352,324>. Most of that net income difference was related to non-cash interest expenses related to some of their financing. Keep in mind that the first two quarters of the fiscal year represented the Company's first meaningful revenue quarters in history, so we feel good about the results relative to our estimates. In addition, looking at Q3F21 (ended March 31, 2021), we expect the quarter to be relatively flat despite having some additional stores that will contribute to the entirety of the quarter versus just a portion of 2QF21. To edify, while we have nothing to (specifically) back test this against as we understand it, the yearend (calendar) quarter apparently includes some typical retail seasonality. To be honest, we did not anticipate that in our initial models, but we have made some modifications in that regard. Again, we are not sure this is all about earnings just yet and we will explain why.



Also, to segue just a bit, from a macro perspective, Canada's Covid19 response has not been ideal, and we think many would argue that is a gross understatement. They have been in what seems like perpetual lockdown and have recently stepped up those efforts to address **growing** infection numbers. We submit, we do not know what the impact of Covid19 has been on Canada's cannabis industry. In addition, since CordovaCann has operated *exclusively within* the scope of the pandemic, we also do not know how CordovaCann will perform *outside* of the pandemic. We submit, we have been generally surprised at the resilience of the industry in the face of the pandemic and associated lockdowns, and in that regard, it has certainly performed better than many brick-and-mortar retailers. That said, we think it is fair to say that Covid19 has had some negative impact on the industry and by extension CordovaCann, we are just not sure how to evaluate its magnitude. Regardless, we expect positive comparative bumps on the other side of the pandemic but until we get there, we are trying to model some muted results therein.

Recall, over a considerable period of time the Company has had several starts and stops in terms of trying to acquire/add assets in the cannabis space. We will not recount those here, but that trajectory changed when they opened their first dispensary in Ontario (Canada) in June (2020). As a side note, we would encourage readers who are not familiar with the detail of their entrée into Ontario, including the particulars of the Ontario market as well as the Star Buds brand they are advancing in Canada to perhaps revisit our initial coverage. That noted, the opening of that initial store was the first of a handful of retail rollouts the Company has completed in and around our initial coverage, as well as several others that are currently in the que. Moreover, as we will also address briefly, they have also expanded into U.S. cultivation and processing markets (Oregon and Washington), and we anticipate further acquisitive growth as we move forward. As a result of these new operating pieces, we believe the Company is currently operating near profitability and our expectation is they will continue to achieve increasingly improving financial performance in the near, intermediate, and longer terms. Moreover, we think that transition to profitability is a marked catalyst for CordovaCann.

As we suggested above, while we are encouraged by what we believe is a transition to positive earnings and cash flow, we have been a bit more focused on the process they are engaging to get there. Specifically, the Company ended calendar 2020 with 5 dispensaries: 4 in Ontario and 1 in Manitoba. Our modeling has assumed the opening of additional stores across Canada in conjunction with Company guidance therein. In that regard, the Company has provided some updates on store openings in Alberta (4) and British Columbia (1) and for the most part, those openings look like they are scheduled to occur on average about 1 quarter later than we originally reflected and we have updated our model to reflect that timing. On the other hand, the Company has also provided guidance for a third new store in Manitoba (scheduled July 2021) and two additional Ontario stores (May and June 20201 respectively), that we did not have in our model. Looking at this from a distance, the three stores we did not model, should certainly make up for the timing we missed on the others, and should prove a net positive for both the near and longer terms. We would add, the bulk of the delays have been related to permitting and associated issues that CordovaCann cannot control. All said, we think the trade-offs delays versus unanticipated starts are in our favorable.

In addition to the above, in our prior update, we addressed the Company's progress in Oregon (USA), which we anticipated and have modeled both cultivation and processing contributions from. To be clear, we do not have a great deal of confidence in the timing visibility of the Oregon assets, but those will obviously be data points we will refine as we move forward. However, we do believe the levels we are anticipating are within the reasonable potential of the enterprise. That said, on March 1, 2021 the company announced another U.S. initiative:

> *CordovaCann Corp., is pleased to announce that its wholly-owned subsidiary, Cordova WA Holdings, Inc., has completed the purchase of Extraction Technologies, Inc. ("Extraction Tech"), an arm's length Washington-based company that provides cannabis extraction services and end products to licensed cannabis operators and retailers in the State (the "Transaction"). Pursuant to the Letter of Intent announced on October 23, 2020, this acquisition will enable Cordova to provide manufactured cannabis products on both a white label and branded basis throughout the State of Washington.*
>
> *Extraction Tech, headquartered in Bremerton, Washington, manufactures a variety of cannabis derivative products via tolling agreements and white label manufacturing contracts. The business is expanding its customer base and product offerings and will continue to be led by the strong operational team that founded the business.*
>
> *The acquisition of Extraction Tech includes purchase of a 10,900 sq. ft. manufacturing building, processing equipment, and contracts with tolling and white label customers. The consideration for the Transaction is three million (3,000,000) common shares of the Company issued upon closing and five hundred thousand (500,000) common shares of the Company for every $125,000 US dollars in EBITDA generated by Extraction Tech during the 12-month period beginning on the 3-month anniversary of the Closing Date and ending of the 15-month anniversary of the Closing Date (the "Earnout Payment"). The maximum Earnout Payment that can be earned by Extraction Tech is four million (4,000,000) common shares, which will be earned if the business generates $1,000,000 US dollars or greater in EBITDA over that 12-month period.*
>
> *"We welcome the Extraction Tech team to the Cordova family and are excited to enter the Washington market through this very attractive acquisition," said Taz Turner, Chairman and CEO of Cordova. The contracts that have been assembled by Extraction Tech position it for strong growth in the near-term and we anticipate the acquisition to be immediately accretive for Cordova. We look forward to expanding in Washington in the near future."*

Recall, we referenced this particular transaction in our prior update, but we noted that we were not inclined to try to evaluate or model it until it actually closed. That said, we have included some modest near term contribution from the business, but, like Oregon, we expect to make modifications to those assumptions as visibility improves. We would add, the Company recently announced another Washington state transaction involving a cultivation and production enterprise. As with the prior Washington transaction, we would prefer not to start making contributions to our model until the transaction closes but would expect the piece to be accretive in that event. Here again, we will address that as definitive agreements are completed.

Lastly, in mid-February (2021), CordovaCann raised just under $2 million via an equity sale of roughly 6.2 million shares of stock. Succinctly, raising capital has proven challenging for the Company at points in the past, but in our view, aside from the obvious working capital benefits of additional cash, we think this relative success in the capital markets reflects accelerating confidence in and validation of the business. From another perspective, we think the Company is likely to continue to evaluate acquisition targets, which may depend at least in part on continued access to capital markets.

To summarize, we think CordovaCann has progressed in reasonable proximity to the path they laid out for us prior to our initiation. That progress has brought them to what we believe should be incremental profitability, which is always a welcome place for small emerging microcap companies and *selfishly*, the lonely analyst(s) trying to cover them. That said, as we alluded to above, while we are certainly interested in seeing them earn money, we are particularly encouraged by their ability to execute and integrate the strategy in relative proximity to the plan because we think that validates both the plan itself as well as the people executing it. On the other hand, we submit, store to store visibility remains challenging, and in fact we have pared back some of our original assumptions, which we will modify as more data emerge. As a result, for now, we reiterate our 12-24 month price target of US$.56 as well as our allocation of 4. However, we would add, we are becoming more constructive on the story as the business emerges, and we think the transition to profitability speaks to an improved risk profile and a basis for better valuations so we will likely revisit our allocation/target assumptions in the near term.

Projected Operating Model

CordovaCann Corp.						
Projected Operating Model ($CAN)						
Prepared by: Trickle Research LLC						
	(Actual)	(Actual)	(Estimate)	(Estimate)	(Estimate)	(Estimate)
	9/30/20	12/31/20	3/31/21	6/30/21	Fiscal 2021	Fiscal 2022
SALES						
Store Sales	$ 1,836,812	$ 2,441,857	$ 2,625,500	$ 4,122,000	$ 11,026,169	$ 34,407,600
Cultivation and Processing Sales	$ -	$ -	$ 66,161	$ 102,127	$ 168,288	$ 5,499,596
Total Sales	$ 1,836,812	$ 2,441,857	$ 2,691,661	$ 4,224,127	$ 11,194,457	$ 39,907,196
Cost of Products Sold	$ 1,182,139	$ 1,595,132	$ 1,747,073	$ 2,725,721	$ 7,250,065	$ 26,324,701
Gross Store Margin	**$ 654,673**	**$ 846,725**	**$ 944,588**	**$ 1,498,406**	**$ 3,944,392**	**$ 13,582,495**
	35.64%	34.68%	35.98%	36.35%		
OPERATING EXPENSES						
Consulting Fees	$ 154,016	$ 169,418	$ 169,508	$ 193,452	$ 686,394	$ 1,111,522
Professional Fees	$ 72,596	$ 116,012	$ 140,922	$ 116,442	$ 445,972	$ 497,286
Salaries and Wages	$ 189,380	$ 238,361	$ 251,913	$ 364,150	$ 1,043,804	$ 2,800,570
Office and General	$ 146,024	$ 198,515	$ 188,128	$ 195,610	$ 728,277	$ 872,038
Shareholder Information Services	$ 36,371	$ 42,871	$ 43,300	$ 43,733	$ 166,274	$ 179,348
Stock Based Compensation	$ 117,598	$ 60,528	$ 75,000	$ 75,000	$ 328,126	$ 300,000
Depreciation	$ 12,639	$ 25,463	$ 25,718	$ 25,975	$ 89,794	$ 106,523
Amortization	$ 114,891	$ 128,304	$ 130,870	$ 133,487	$ 507,553	$ 561,187
Leases and Utilities	$ 71,686	$ 109,641	$ 123,213	$ 226,213	$ 530,752	$ 1,307,850
Other Operating Expenses	$ -	$ -	$ -	$ -	$ -	$ -
Total Operating Expenses	**$ 915,201**	**$ 1,089,113**	**$ 1,148,570**	**$ 1,374,061**	**$ 4,526,945**	**$ 7,736,323**
Operating Income/(Loss)	**$ (260,528)**	**$ (242,388)**	**$ (203,982)**	**$ 124,344**	**$ (582,554)**	**$ 5,846,172**
Other Expenses						
Interest Expense	$ 184,619	$ 229,437	$ 184,619	$ 184,619	$ 783,294	$ 521,601
Accretion Expense	$ 70,915	$ 20,843	$ 25,000	$ 25,000	$ 141,758	$ 100,000
Loss on Settlement Fees	$ -	$ -	$ -	$ -	$ -	$ -
Foreign Exchange Loss (Gain)	$ 58,558	$ 19,335	$ -	$ -	$ 77,893	$ -
Other Income (Expense)	$ 45,038	$ (35,084)	$ (49,997)	$ (49,996)	$ (90,039)	$ (199,974)
Total Other Expenses	**$ 359,130**	**$ 234,531**	**$ 159,622**	**$ 159,623**	**$ 912,906**	**$ 421,627**
Net Income Before Taxes and Minority interests	**$ (619,658)**	**$ (476,919)**	**$ (363,604)**	**$ (35,279)**	**$ (1,495,459)**	**$ 5,424,545**
Minority Interests	**$ 148,989**	**$ 141,390**	**$ 125,802**	**$ 227,296**	**$ 643,477**	**$ 1,351,576**
Net Income Available to Common Shareholders before T	**$ (768,647)**	**$ (618,309)**	**$ (489,406)**	**$ (262,575)**	**$ (2,138,936)**	**$ 4,072,968**
Tax Expense	**$ (1,932)**	**$ (1,403)**	**$ (127,246)**	**$ (68,269)**	**$ (198,850)**	**$ 1,058,972**
After Tax Net Income Available to Common Shareholder	**$ (766,715)**	**$ (616,906)**	**$ (362,160)**	**$ (194,305)**	**$ (1,940,087)**	**$ 3,013,997**
Basic Earnings Per Share	**$ (0.01)**	**$ (0.01)**	**$ (0.00)**	**$ (0.00)**	**$ (0.02)**	**$ 0.03**
Fully Diluted Earnings per Share	**$ (0.01)**	**$ (0.01)**	**$ (0.00)**	**$ (0.00)**	**$ (0.02)**	**$ 0.03**
Basic Common Shares Outstanding	**71,634,472**	**83,973,353**	**90,173,353**	**90,173,353**	**83,988,633**	**98,923,353**
Fully Diluted Shres Outstanding	**72,134,472**	**85,134,067**	**92,281,134**	**93,126,729**	**85,669,100**	**104,113,343**
Foreign Exchange Translation	**$ 23,617**	**$ -**	**$ -**	**$ -**	**$ 23,617**	**$ -**
Comprehensive Net Income	**$ (594,109)**	**$ (616,906)**	**$ (362,160)**	**$ (194,305)**	**$ (1,767,481)**	**$ 3,013,997**

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CordovaCann has paid fees to present at an investor conference co-sponsored by Trickle Research.

Portions of this publication excerpted from company filings or other sources are noted in *italics* and referenced throughout the report.

Rating System Overview:

There are no letters in the rating system (Buy, Sell Hold), only numbers. The numbers range from 1 to 10, with 1 representing 1 "investment unit" (for my performance purposes, 1 "investment unit" equals $250) and 10 representing 10 investment units or $2,500. Obviously, a rating of 10 would suggest that I favor the stock (at respective/current levels) more than a stock with a rating of 1. As a guideline, here is a suggestion on how to use the allocation system.

Our belief at Trickle is that the best way to participate in the micro-cap/small cap space is by employing a diversified strategy. In simple terms, that means you are generally best off owning a number of issues rather than just two or three. To that point, our goal is to have at least 20 companies under coverage at any point in time, so let's use that as a guideline. Hypothetically, if you think you would like to commit $25,000 to buying micro-cap stocks, that would assume an investment of $1000 per stock (using the diversification approach we just mentioned, and the 20-stock coverage list we suggested and leaving some room to add to positions around allocation upgrades. We generally start initial coverage stocks with an allocation of 4. Thus, at $1000 invested per stock and a typical starting allocation of 4, your "investment unit" would be the same $250 we used in the example above. Thus, if we initiate a stock at a 4, you might consider putting $1000 into the position ($250 * 4). If we later raise the allocation to 6, you might consider adding two additional units or $500 to the position. If we then reduce the allocation from 6 to 4 you might consider selling whatever number of shares you purchased with 2 of the original 4 investment units. Again, this is just a suggestion as to how you might be able to use the allocation system to manage your portfolio.

For those attached to more traditional rating systems (Buy, Sell, Hold) we would submit the following guidelines.

A Trickle rating of 1 thru 3 would best correspond to a "Speculative Buy" although we would caution that a rating in that range should not assume that the stock is necessarily riskier than a stock with a higher rating. It may carry a lower rating because the stock is trading closer to a price target we are unwilling to raise at that point. This by the way applies to all of our ratings.

A Trickle rating of 4 thru 6 might best (although not perfectly) correspond to a standard "Buy" rating.

A Trickle rating of 7 thru 10 would best correspond to a "Strong Buy" however, ratings at the higher end of that range would indicate something that we deem as quite extraordinary..... an "Extreme Buy" if you will. You will not see a lot of these.