Research Update

CordovaCann Corp.

(OTC: LVRLF; Canada: CDVA.CN)

Report Date: 11/18/21

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: 11/18/21): US$.325

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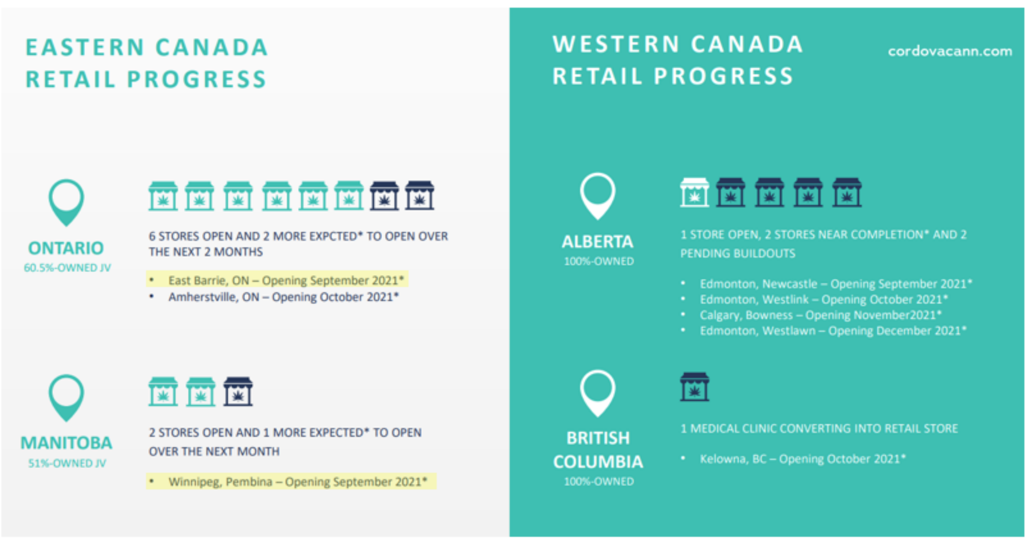
Disclosure: Portions of this report are excerpted from CordovaCann's filings, website(s), presentations or other public collateral. We have attempted to identify those excerpts by *italicizing* them in the text.

We initiated our coverage of CordovaCann ("Cordova") about 15 months ago (August of 2020), and while the stock has been a bit sleepy, it has also quietly advanced about 50% from our initiation price. In our view, that has been appropriate because over that period, some of the pieces we identified in the initiation have come together, and as a result, our basic view is that the Company is beginning to generate operating momentum and in conjunction, visibility is improving. Each of those is typically a contributor to better valuations.

While we think operating visibility is improving, we also must admit, the Company has a handful of moving parts and some nuances therein, that we think may not be well understood. That noted, we think it makes sense to break down the operating parts to provide some added clarity.

To recap, the Company's initial focus has been on acquiring, developing and operating retail cannabis dispensaries in Canada. That pursuit included the Company purchasing what were essentially the Canadian rights to a brand called Starbuds. Starbuds is a successful U.S. dispensary brand located primarily in Colorado, and the notion was/is that a branded approach in the retail cannabis space may be advantageous on multiple levels. Succinctly, when we initiated the coverage, the Company had 2 of these locations up and running, and the goal has been to add others. To that end, they closed the fiscal 2021 year (ended June 30, 2021) with 7 stores. their first fiscal 2022 quarter (ended September 30, 2021) ended with 11 stores, and we believe they will end the second fiscal 2022 quarter (ended December 31, 2021) with 15 (perhaps 16) stores. The graphic below from their most recent presentation provides a bit of color with respect to the 11 open stores at the end of 2Q-F22 (September 2021). The graphic shows 9 stores, however, 2 stores (those we highlighted below) were added after the drafting of the presentation but just prior to the end of the quarter.

<u>Table 1.</u>



In retrospect, as we have noted in prior coverage, the rollout of these stores has included some stops and starts, largely around permitting/licensing, but in the aggregate, they have executed on their Canadian retail plan in reasonable proximity to expectations. Further, as the illustration above references, they have other sites in the que, which effectively make up most of our assumptions regarding 15 or 16 stores open by year end (one of which is already open).

The above noted, the Company provides the following store metrics, which provide a sense of the economics associated with adding stores.

Table 2.

RETAIL STORE ECONOMICS cordovacann.com

Stores are inexpensive and quick to build while projected store unit economics drive short payback period.

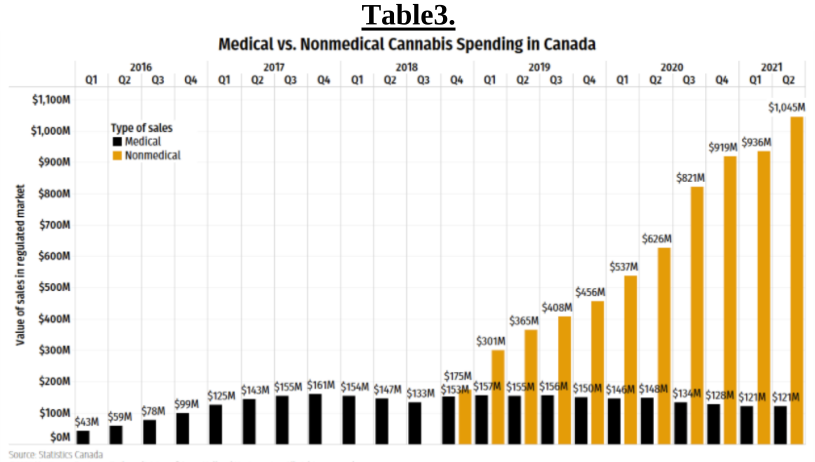
Projected Annual Single Store P&L (in $CAD) *		
Revenue	$ 2,500,000	75.8%
Cost of Goods Sold	$ 1,625,000	65.0%
Gross Profit	$ 875,000	35.0%
Operating Expenses	$ 425,000	17.0%
EBITDA	$ 450,000	18.0%
Taxes @ 26%	$ 117,000	4.7%
Net Income	$ 333,000	13.3%

Unit Economics *
Projected Buildout Capex & Inventory (1,000 - 2,000 sq. ft.):
~$150-250 CAD
Projected Buildout Timeframe (post lease execution):
~3 months
Potential Payback Period:
<12 months

To briefly summarize the retail operations, we think the rollout of that portion of the business has gone well in the aggregate, and as the Company has suggested along the way, we think the identified portion of that business (the 17 stores noted in Table 1.) will provide the Company with positive EBITDA and by our estimates, positive net income. To be clear, it is a marked milestone for any company to achieve the basis for consistent profitability because it removes the specter of increased dilution to keep the doors open. Having analyzed and covered hundreds of small emerging public companies over the years, that is a milestone that in our view is hard to overstate. We would add, the Company has indicated in prior presentations that they believe they can rollout perhaps as many as 75 stores across Canada over the next 3 years. That may or may not be the case, however, our current model reflects only the 17 addressed here, so we will adjust that assumption as more visibility on other stores becomes available, but again, *we are not modeling that*. Ostensibly, additional stores would provide a basis to raise our estimates.

On the macro level, cannabis sales in Canada have been experiencing marked growth over the past several quarters. That is good news for Cordova:

Table3.



Cannabis sales in Canada set 6th straight monthly record in August (mjbizdaily.com)

While the Canadian sales growth has been strong since the legalization of recreational cannabis (Q4 2018), we submit, those numbers have been aided by a proliferation of retail outlets across the country. Recall, one of the issues that attracted us to Cordova's opportunity was its initial entree into the Ontario market.

To reiterate, at that time Ontario, which is Canada's most populous province, had one of the country's lower saturations of retail stores. Cordova's willingness to add new stores will be impacted by a host of variables including retail saturation/competition, ongoing margins (product pricing), regulatory changes and others. We concede, any/all of these may provide headwinds for the Company's Canadian retail operations and as such, same store sale metrics will remain cogent. However, all things considered, we believe they will indeed add stores beyond our current assumptions, and (in the context of our same store sales caveats) we think those could reasonably provide added valuation legs to our current model and targets.

We would add one further point with respect to the Canadian retail operations and our modeling of the same. It is important to recognize that while it may be too early to determine the longer term "normalized" performance of the Company's individual stores, as we sit here today, while we believe all are additive some of these stores perform substantially better than others. More specifically, some of these stores perform significantly better and others significantly worse than the CAN$2.5 million run rate example reflected in the Company's store analysis in **Table 2.** above. As with most retail establishments, that reality is probably driven largely by location, but there are certainly other factors that impact that as well. Part of our challenge as analysts is to identify and reflect those nuances one store to the next, but in general, that variability makes the analysis and associated modeling more difficult. The variability is one of the reasons we are a bit hesitant to make assumptions about Cordova adding new stores. Our sense is that in a "perfect world", they would add stores that they believe can achieve the metrics in line with **Table 2**. above. We are not sure how additional stores will get added, but we are comfortable suggesting it will not be "perfect". Put another way, we would rather wait to add those assumptions to the model when we have a bit more clarity on what those stores might look like.

To reiterate, while still early in its development, Cordova's Canadian retail operations are the Company's "legacy" business. However, as we noted in the initial coverage, prior to its entree into Canadian retail, the Company evaluated and attempted to acquire a handful of other cannabis-based enterprises, and some of those were U.S. based businesses. We think it is fair to say that the Company has always been focused at least in part on the U.S. market, and its two developing assets in Washington and Oregon are perhaps the front end of that pursuit. That said, we are not sure the street fully understands the potential contribution from these assets, so we are going to try to briefly delineate that.

- **Oregon**

Again, prior to establishing its Canadian retail operations, the Company attempted to engage several transactions in the space that they ultimately could not close. The current Oregon operation (referred to as "Cannabilt") is one of those they *were able* to close but were not able to advance as quickly as they had planned.

The Oregon operation is in Clackamas, Oregon (16 miles southeast of Portland), and includes an established cultivation business that has operated since 2016. Aside from processing operations, the 6-acre campus also includes 700 square feet of indoor grow space. Cordova is in the process of adding 4 greenhouses as well as expanding the extraction and manufacturing footprint.

CordovaCann originally purchased a 27.5% interest in the business in April 2018 and acquired the balance in June 2019. Succinctly, the Company was impeded from advancing the operation in part because of delays in getting the necessary licenses. Anecdotally, companies waiting on the letting of cannabis licenses is not atypical either in Oregon or elsewhere, but we suspect the delay in this case may have also been related to government processes being compromised by the pandemic. Whatever the case, the Company finally received the cultivation license in November 2020. We would add, in August (2021), the Company executed a sale leaseback on the property in the amount of US $2.2 million. The release around the transaction notes that the proceeds from the sale will *"be used to retire debts related to the Property and to finance the planned expansion at Cannabilt. A total of US $600,000 of the purchase price has been placed in escrow by the buyer to allow Cannabilt to complete its buildout of the facility"*. Clearly, setting aside licenses, we think it is reasonable to suggest that access to capital also played a role in getting Cannabilt operational.

With much of the heavy lifting now behind them, the Company is preparing to ramp Cannabilt in terms of both cultivation and processing, (although we would add, they are still waiting on their processing license, which they anticipate soon). Here are a few key bullet points around that ramp, as well as some metrics that will help delineate the potential contributions.

While the existing cultivation footprint is just 700 square feet (indoors) the expansion calls for 4 additional greenhouses for a total of 8,800 of added canopy. This additional cultivation space will bring the Company close to the 10,000 square foot limit provide by the cultivation license we noted above. While the existing 700 feet is currently contributing to Cordova's operations, they anticipate that the new facility's first harvest should occur in the March 2022 quarter, so we are modeling initial revenues from that harvest in the June 2022 quarter (Q4-F22).

As referenced, once fully operational Cannabilt, will provide contributions from both the cultivation and the processing portions of the facility, and we expect each to be measurable. for perspective, at full utilization of the new build-out, we are currently modeling the Cannabilt campus to contribute annual revenues in the CAN$6 million range, with blended margins in the 35% to 40% range. Obviously, that would provide a significant boost to Cordova beyond the current retail footprint. There are however some nuances to that assumption that require mention.

First, the performance of the Cannabilt campus will depend on several variables, some that the Company can control and others that they cannot. For instance, because this is a new endeavor for the Company, we do not have data to backtest in terms of the yields they may or may not be able to achieve in either their cultivation or their processing. For our purposes, we have attempted to use metrics that we have gathered along the way from prior comparative analysis we have done in the space. Their results may differ from our assessments therein, and variables of that nature can markedly impact results. We will monitor those as we move forward, but again, we think we have used metrics that are congruent with other similar operations. That said, there are other cogent variables that they will likely have little control over but will measurably impact their results. Further, some of those variables such as flower and distillate pricing have proven to by quite volatile in the past.

Second, while we have tried to simplify our initial modeling of Cannabilt, we think the facility's opportunities are likely more open-ended than we are assuming here. For instance, on the processing side, we have modeled a tolling approach much like the current Washington operation. However, we think there are opportunities for them to add value to that segment that could result in better margins in terms of current capacity. Further, we think they could expand processing capacity as well. Again, these are additional valuation legs that we think hold potential, but we are not assuming at this point. we will revisit these as relevant data points emerge.

- **Washington**

The Company's Washington state operations are in Bremerton, Washington which is west of Seattle. The transaction with Extraction Tech ("Extraction"), was entered into in October 2020 and closed in March 2021. Extraction was/is a tolling and white label cannabis processor. Since the time of the acquisition, Cordova has been adding to/enhancing the production capabilities of the facility. While we believe the facility made a modest contribution in 4Q-F21 (ended June 30, 2021) and will do so again in Q1-F22 (ended September 30, 2021), we believe they are in the process of marketing their toll services to larger cultivators, which would drive the utilization of the facility. To that end, the purchase agreement associated with the transaction included EBITDA performance clauses and we have built our tolling revenue assumptions around the thresholds of that agreement. More specifically, we are modeling a sales ramp for the current quarter 2Q-F22 (ended December 31, 2021) but are looking to 3Q-F22 (ended March 31, 2022) for a full utilization contribution, which we think is around 5,000 pounds per month. We would add, as we understand it, the facility capacity could be increased to 12,000 pounds per month with minor additions, if they can identify additional demand. Like the Oregon facility, we expect the Washington asset to make measurable contributions to the whole beginning (largely) in calendar 2022.

To summarize, since our initiation (and frankly prior to that as well) CordovaCann has had its share of stops and starts, but management has persevered and has been able to assemble some pieces that are beginning to bear fruit. As we noted above, we believe the Company is at or very near profitability (and resulting positive cash flow), which is a milestone that changes the complexion of the Company. Further, while we had originally modeled this a bit earlier, the Company is now positioned to begin adding contributions from its U.S. operations in Oregon and Washington, which we think will be measurable in terms of both added revenues and profitability. In short, we think *the current level of business* consisting of 16 Canadian retail dispensaries, cultivation and processing in Oregon and toll processing in Washington, provide a reasonable basis for our current price targets. However, as we discussed, we think each of these segments remain open-ended and will likely develop growth that we are not modeling just yet. In other words, we think there is potential for added valuation catalysts from the existing footprint. That said, we fully expect the Company to continue looking for strategic and/or accretive pieces to add as they move forward. The question will be how and how much they pay for them, but in that regard, we believe their improving operating and resulting financial posture should improve their leverage.

We reiterate our allocation of 4, as well as our 12-24 month price target of US$.56. We will revisit each as new data points emerge.

Projected Operating Model

CordovaCann Corp.						
Projected Operating Model ($CAN)						
Prepared by: Trickle Research LLC						
	(Estimate)	(Estimate)	(Estimate)	(Estimate)	(Estimate)	(Estimate)
	9/30/21	12/31/21	3/31/22	6/30/22	**Fiscal 2022**	**Fiscal 2023**
SALES						
Store Sales	$ 3,869,118	$ 5,784,162	$ 6,480,491	$ 6,845,400	$ 22,979,171	$ 28,111,205
Cultivation and Processing Sales	$ 122,475	$ 356,475	$ 612,075	$ 955,635	$ 2,046,660	$ 7,971,276
Total Sales	$ 3,991,593	$ 6,140,637	$ 7,092,566	$ 7,801,035	$ 25,025,831	$ 36,082,481
Cost of Products Sold	$ 2,551,631	$ 3,878,635	$ 4,422,866	$ 4,822,283	$ 15,675,415	$ 21,591,431
Gross Store Margin	**$ 1,439,962**	**$ 2,262,003**	**$ 2,669,699**	**$ 2,978,752**	**$ 9,350,416**	**$ 14,491,050**
OPERATING EXPENSES						
Consulting Fees	$ 391,906	$ 422,547	$ 433,688	$ 439,526	$ 1,687,667	$ 1,789,579
Professional Fees	$ 116,442	$ 118,332	$ 60,411	$ 116,938	$ 412,123	$ 420,365
Salaries and Wages	$ 258,074	$ 315,525	$ 336,415	$ 347,362	$ 1,257,375	$ 1,411,336
Office and General	$ 194,346	$ 203,921	$ 207,402	$ 209,227	$ 814,896	$ 840,556
Shareholder Information Services	$ 100,000	$ 101,000	$ 102,010	$ 103,030	$ 406,040	$ 422,527
Stock Based Compensation	$ 75,000	$ 75,000	$ 75,000	$ 75,000	$ 300,000	$ 300,000
Depreciation	$ 42,000	$ 42,420	$ 42,844	$ 43,273	$ 170,537	$ 177,461
Amortization	$ 141,234	$ 144,059	$ 146,940	$ 149,879	$ 582,111	$ 630,096
Leases and Utilities	$ 218,213	$ 326,963	$ 364,963	$ 364,963	$ 1,275,100	$ 1,478,850
Other Operating Expenses	$ -	$ -	$ -	$ -	$ -	$ -
Total Operating Expenses	**$ 1,537,214**	**$ 1,749,766**	**$ 1,769,672**	**$ 1,849,197**	**$ 6,905,848**	**$ 7,470,771**
Operating Income/(Loss)	**$ (97,252)**	**$ 512,237**	**$ 900,027**	**$ 1,129,555**	**$ 2,444,567**	**$ 7,020,279**
Other Expenses	$ -	$ -	$ -	$ -		
Interest Expense	$ 237,109	$ 302,359	$ 315,654	$ 315,654	$ 1,170,776	$ 1,264,508
Accretion Expense	$ 25,000	$ 25,000	$ 25,000	$ 25,000	$ 100,000	$ 100,000
Loss on Settlement Fees	$ -	$ -	$ -	$ -	$ -	$ -
Foreign Exchange Loss (Gain)	$ -	$ -	$ -	$ -	$ -	$ -
Other Income (Expense)	$ (49,995)	$ (49,994)	$ (49,993)	$ (49,992)	$ (199,974)	$ (199,958)
Total Other Expenses	**$ 212,114**	**$ 277,365**	**$ 290,661**	**$ 290,662**	**$ 1,070,802**	**$ 1,164,550**
Net Income Before Taxes and Minority interests	**$ (309,366)**	**$ 234,872**	**$ 609,367**	**$ 838,893**	**$ 1,373,765**	**$ 5,855,729**
Tax Expense	**$ (80,435)**	**$ 61,067**	**$ 158,435**	**$ 218,112**	**$ 357,179**	**$ 1,522,489**
Net Loss	**$ (389,801)**	**$ 295,938**	**$ 767,802**	**$ 1,057,006**	**$ 1,730,944**	**$ 7,378,218**
Forex Adjustment	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**
Comprehensive Gain (Loss)	**$ (389,801)**	**$ 295,938**	**$ 767,802**	**$ 1,057,006**	**$ 1,730,944**	**$ 7,378,218**
Minority Interests	**$ 134,833**	**$ 189,642**	**$ 172,618**	**$ 174,843**	**$ 671,937**	**$ 805,243**
After Tax Net Income Available to Common Shareholders	**$ (524,634)**	**$ 106,296**	**$ 595,183**	**$ 882,162**	**$ 1,059,008**	**$ 6,572,975**
Basic Earnings Per Share	**$ (0.01)**	**$ 0.00**	**$ 0.01**	**$ 0.01**	**$ 0.01**	**$ 0.07**
Fully Diluted Earnings per Share	**$ (0.01)**	**$ 0.00**	**$ 0.01**	**$ 0.01**	**$ 0.01**	**$ 0.06**
Basic Common Shares Outstanding	**94,151,074**	**95,151,074**	**96,151,074**	**97,151,074**	**95,651,074**	**97,151,074**
Fully Diluted Shres Outstanding	**94,346,285**	**95,753,941**	**97,571,580**	**99,490,811**	**96,790,654**	**101,705,582**
Foreign Exchange Translation	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**
Comprehensive Net Income	**$ (524,634)**	**$ 106,296**	**$ 595,183**	**$ 882,162**	**$ 1,059,008**	**$ 6,572,975**

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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.