



Avant Brands Reports Q3 Fiscal 2023 Results with Fifth Consecutive Quarter of Positive Cash Flow from Operations

- Gross Revenues of \$7.5 million (+61% vs Q3 2022).
- Positive Adjusted EBITDA¹ of \$0.9 million (+\$0.2 million vs Q3 2022).
- Positive Cash Flow from Operations² of \$1.8 million (+\$1.6 million vs Q3 2022).
- Fifth consecutive quarter of positive Adjusted EBITDA¹ and Cash Flow from Operations².
- Ranked 49th of 425 of on [The Globe & Mail's Canada's Top Growing Companies of 2023](#).
- Produced a record of 3,268 KG of cannabis during the quarter.

Kelowna, BC – October 16, 2023 – Avant Brands Inc (TSX: AVNT) (OTCQX: AVTBF) (FRA: 1BUP) (“Avant” or the “Company”), a leading producer of innovative premium cannabis products, today reported its financial results for the third quarter ended August 31, 2023, of the Company’s fiscal year (“**Q3 2023**”).

“Q3 2023 continued our trend of delivering strong year-over-year sales growth, coupled with positive cash flow from operations”, stated Norton Singhavon, Chief Executive Officer of Avant. “Furthermore, Q3 2023 was by far our best quarter for cannabis harvests, which sets the stage for additional sales growth in Q4 2023 and beyond.”

Financial Highlights (Q3 2023)

All figures compared with Q3 2022

- Gross Revenue of \$7.5 million (+61% or +\$2.9 million). The four most recent quarters have been the highest gross revenue quarters in the Company’s history and collectively have generated over \$33 million in gross revenues over the past 12-months.
 - Total Net Revenue of \$6.5 million (+64% or +\$2.5 million)
 - Recreational Net Revenue of \$4.0 million (+7% or +\$0.3 million)

- Export-B2B Net Revenue of \$2.4 million (+1423% or +\$2.2 million)
 - Gross revenue for Q3 2023 was adjusted down by \$0.35 million for a “sales returns and allowance provision”, and \$0.41 million for prior period invoicing corrections. Prior to the adjustment for these items, gross sales for the period was \$8.3 million.
- Overall gross margin³ of 31% (vs. 37%), as the Company continues to withstand the impact of price compression and inflation in the Canadian recreational market. The Company’s gross margins slightly decreased when compared to its most recent fiscal quarter (Q2 2023) as a result of an increase in lower margin sales associated with the liquidation of older bulk lots inherited through the acquisition of the Flowr Group (Okanagan) Inc. (“Flowr”).
 - Record gross margin dollars of \$2.0 million (+37% or +\$1.5 million)
 - Recreational (Dried Flower Pre-rolls, and Concentrates/Infused products) gross margin of 39% (vs. 38%)
 - Export & B2B gross margin of 16% (vs. -8%), reflecting a blend of Avant’s high margin premium cannabis exports, combined with low margin sales into the Canadian B2B market, (i.e. liquidation of Flowr’s pre-acquisition flower inventory). The Company’s average selling price for Avant cultivars into the global export market, did not decrease during Q3 2023.
 - Total of 1,558 kg of cannabis sold (+147% or +928 kg)
 - Overall Weighted Average Selling price of \$4.17 (-34%), primarily due to changes in recreational product mix and some out of spec product sold in the Export/B2B market.
 - Recreational cannabis average selling price of \$4.96 (-23%); reflecting an expanded product offering, with some lower price point products (e.g. partner products), while continuing to hold price points on the Company’s flagship BLK MKT™ flower & pre-roll products. Prior to the adjustment for sales provisions and allowances, the average selling price was \$5.40 representing a \$0.13 and 2% increase over the average price in Q2 2023.
 - Corporate Overhead net of depreciation and share based compensation of \$2.9 million (75% or +\$1.3 million) due to higher regulatory fees, performance bonuses which were met, and an estimated increase in professional and audit fees.
 - Cash Flow from Operations after changes in non-cash working capital of \$1.8 million (+\$1.6 million), demonstrating the Company’s continued ability to generate positive cash flow.
 - Adjusted EBITDA¹ of \$0.9 million (+\$0.2 million)
 - Adjusted EBITDA Margin¹ (% of Net Revenue) of 14% (vs. -18%)
 - Net income from operations of \$1.3 million (an improvement +\$1.8 million)
 - Net and Comprehensive Income of \$0.9 million (-\$1.1 million)
 - As at the end of Q3 2023 the Company had approximately \$1.7 million in cash, representing an increase of \$0.9 million over Q2 2023. Working capital at the end of the period was \$17.4 million.

Corporate & Operational Highlights (Q3 F2023)

The Company produced approximately 3,268 kilograms of cannabis (which includes dried flower and other biomass) in Q3 2023. This was the highest quarterly output in the history of Company, and it represents an important pre-cursor to achieving higher levels of quarterly sales in the near future. The Company sold approximately 1,558 kilograms of cannabis in the three months ended August 31, 2023, which included the following highlights:

- **Canada's Top Growing Companies:** The Globe & Mail recently published a list of [Canada's Top Growing Companies of 2023](#), which was sector agnostic. Avant Brands ranked 49th out of 425 companies on this list, at 849% growth over its last three fiscal-years. The list did not include any other public or private Licensed Producers, placing Avant as Canada's fastest growing Licensed Producer on this list.
- **The Flowr Group (Okanagan) Inc. ("Flowr"):** During Q3 2023 Flowr generated positive Cash Flow from Operations. Following the Flowr acquisition in February 2023, the Company initiated a series of cost-cutting measures, while optimizing cultivation at the facility; thus, Flowr achieved positive Cash Flow from Operations. Management anticipates that over the coming quarters, Flowr will generate meaningful cashflows for Avant.
- **Capacity Utilization:** The Company increased its Capacity Utilization to 65% in Q3 2023 (vs. 46% in Q2-2023 and 42% in Q1-2023). This was a result of a series of operational improvements, including optimization of cultivars, planning, scheduling, personnel, and other parameters. The Company intends to continue these efforts, with a view to achieving additional improvements in Q4 2023 and throughout the 2024 fiscal year.
- **Production Versus Sales:** The Company continues to experience strong demand for its products, both domestically and internationally. As stated, the Company produced 3,268 KG and sold 1,558 KG in Q3 2023. This discrepancy is a result of multiple factors, including timing associated with post-harvest processing; product call delivery dates in Ontario; new listing ship dates in Quebec and accumulation of lots for global exports clients. Accordingly, the Company has not faced any material systemic decreases in demand; moreover, the Canadian recreational cannabis market continues to display robust year-over-year growth five years after legalization (2018).
- **Cost Savings:** The Company continued to execute cost-savings initiatives to enhance Gross Margins by reducing Cost of Goods Sold (COGS). These measures are reducing the cost of various inputs, including, but not limited to, labour, energy, CO₂, packaging, freight, fertilizer and personal protective equipment (PPE)
- **Ontario Cannabis Store ("OCS") Listings:** The Company submitted a series of product listings over four consecutive Product Calls (Spring 2023 – Winter 2023). As a result, it was successful in receiving 25 new listings at OCS, facilitating future sales of innovative new BLK MKT™, Tenzo™ and Flowr™ products.

- **Quebec / SQDC:** The Company secured its first listings in the Province of Quebec (with the exception of existing Flowr branded listings which came with the purchase of Flowr) for BLK MKT™ flower and pre-rolls SKUs. The products are expected to ship and be available within the Quebec market in October 2023.
- **Global Export Market:** The Company recently expanded its international client portfolio, with a focus on the Israeli, Australian and European markets. The Company has executed agreements with new clients in such markets, with a view to increasing the Company's total export revenue, while achieving geographic and customer diversification.
- **Payment to F-20 Developments Corp. ("F-20"):** The Company completed its August 1, 2023 payment to F-20 and anticipates that it will make the next payment due on November 1, 2023 on time.
- **MENA Investment Network Inc. ("MENA") Promissory Note:** The Company negotiated an amendment to its MENA Promissory Note. The note which carried a principal balance of approximately \$1.45 million, plus any accrued interest (at 12%) was originally due on September 14, 2023. The Company would like to note that in its original press release on March 14, 2023, it stated that the promissory note was due on August 14, 2023, however this was incorrectly stated, and the correct date of September 14, 2023 should have been stated. The amended terms of the note are as follows:
 - 25% (or approximately \$360,000) which was accelerated and paid on August 2, 2023
 - 25% (or approximately \$360,000) paid on the original due date of September 14, 2023
 - 50% (or approximately \$720,000) due on December 13, 2023

Global Export Market Outlook:

The Company is aware of the ongoing conflict in the Gaza Strip, and as such, would like to provide its stakeholders with an update regarding its business outlook in Israel:

- The Company continues to have regularly scheduled meetings and calls with its existing clients and prospective clients in Israel
- Currently, the Company has not received any information that would indicate a decrease or cancellation of near-term purchase orders
- The Company has continued to expand its global export market over recent quarters with a focus to increase exports to Australia, and commence exports to Germany
- A copy of the Company's Export Presentation can be accessed at <https://avantbrands.ca/investor/#presentation>

Download the Company's Updated Corporate Presentation:

<https://avantbrands.ca/investor/#presentation>

Conference Call

Management will host a conference call to discuss the financial results on Tuesday, October 17, 2023, at 4:00 PM Eastern Time / 1:00 PM Pacific Time.

Conference Call Dial Details:

Canada/USA TF: +1-800-319-4610

International Toll: +1-604-638-5340

A transcript of the call will be posted on the Company's website at www.avantbrands.ca within two business days of the call.

A copy of the interim financial statements for the quarter ended August 31, 2023 (the "**Financial Statements**") and the related management's discussion & analysis (the "**MD&A**") will be available for download on the Company's SEDAR profile, or on its website at www.avantbrands.ca.

About Avant Brands Inc.

Avant is an innovative, market-leading premium cannabis company. Avant has multiple operational production facilities across Canada, which produce high-quality, handcrafted cannabis products, based on unique and exceptional cultivars. Avant's products are distributed via three complementary sales channels: recreational, medical and export. Avant's recreational consumer brands include: [BLK MKT™](#), [Tenzo™](#), [Cognōscente™](#) and [Treehugger™](#), which are sold in British Columbia, Saskatchewan, Manitoba, Ontario, Atlantic Canada, Québec and the territories. The Company's medical cannabis brand, GreenTec™, is distributed nationwide, directly to qualified patients through its [GreenTec Medical](#) portal and through various medical cannabis partners.

Avant is a publicly traded corporation listed on the Toronto Stock Exchange (TSX: AVNT), and cross-trades on the OTCQX Best Market (OTCQX: AVTBF) and Frankfurt Stock Exchange (FRA: 1BU0). The Company is headquartered in Kelowna, British Columbia and has operations in British Columbia, Alberta and Ontario.

To learn more about Avant, access the investor presentation, or learn more about its consumer brands, please visit www.avantbrands.ca.

For additional information, please contact:

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Note 1 – Adjusted EBITDA and Adjusted EBITDA Margin are non-International Financial Reporting Standards ("IFRS") measures. The Company calculates Adjusted EBITDA from continuing operations as net income (loss) before interest expense, income taxes, depreciation and amortization, unrealized gain (loss) on changes in fair value of biological assets, equity loss on investment in associate, loss on sale of assets, investment loss and share based payments. The Company calculates Adjusted EBITDA Margin as Adjusted EBITDA as a percentage of Net Revenue. Management

determined that the exclusion of the fair value adjustment is an alternative representation of performance. The fair value adjustment is a non-cash gain (loss) and is based on fair market value less cost to sell. The most directly comparable measure to Adjusted EBITDA (excluding fair value adjustment to biological assets and inventory) calculated in accordance with IFRS is net income (loss) from continuing operations. For more information on the reconciliation of Adjusted EBITDA to net income (loss), please refer to the MD&A at page 10 or view the reconciliation table at the end of this news release.

Note 2 – Cash Flows from Operations after changes in net-working capital is calculated by adjusting the net loss from continuing operations for items not affecting cash and applying changes in non-cash operating working capital. For more information on the reconciliation of Cash Flow from Operations, please refer to the IFRS Financial Statements Condensed Interim Consolidated Statement of Cash Flows at page 6, the MD&A at page 9, or view the reconciliation table at the end of this news release.

Note 3 – Operating expenses excluding non-cash items is a non-IFRS performance measure and is calculated by operating expenses from continuing operations, as reported, adjusted for depreciation and amortization, share-based payments, and any other non-cash item that may occur be charged to operating expenses. The Company has elected to report Operating expenses excluding non-cash items, which is a non-IFRS measure, as it believes this metric provides more accurate results of the Company's cash based operating expenses. For more information on the reconciliation of Operating expenses excluding non-cash items, please refer to the MD&A at page 11 or view the reconciliation table at the end of this news release.

RECONCILIATION OF ADJUSTED EBITDA, CASH FLOWS FROM OPERATIONS, AND ADJUSTED NET INCOME (LOSS) OPERATING EXPENSES EXCLUDING NON-CASH ITEMS

OPERATING EXPENSES EXCLUDING NON-CASH ITEMS (NON-IFRS PERFORMANCE MEASUREMENT)

The Company has identified operating expenses excluding non-cash items as a relevant industry performance indicator. Operating expenses excluding non-cash items is a non-IFRS financial measure used by management that does not have any standardized meaning prescribed by IFRS and may not be comparable to similar measures presented by other companies.

Management defines adjusted operating expenses excluding non-cash items as operating expenses from continuing operations, as reported, adjusted for depreciation and amortization, share-based payments, and any other non-cash item that may occur be charged to operating expenses. Management believes this measure provides useful information as it is a commonly manage cash-based expenses. See the table below for the determination of specific components of operating expenses excluding non-cash items.

	Nine months ended August 31		Three months ended August 31	
	2023	2022	2023	2022
Operating expenses from continuing operations	\$ 9,866	\$ 9,504	\$ 3,766	\$ 2,436
Depreciation and amortization	(1,604)	(1,262)	(543)	(421)
Share based payments	(1,380)	(3,339)	(285)	(340)
Operating expenses excluding non-cash items	\$ 6,882	\$ 4,903	\$ 2,938	\$ 1,675

ADJUSTED EBITDA (NON-IFRS PERFORMANCE MEASUREMENT)

The Company has identified Adjusted EBITDA as a relevant industry performance indicator. Adjusted EBITDA is a non-IFRS financial measure used by management that does not have any standardized meaning prescribed by IFRS and may not be comparable to similar measures presented by other companies.

Management defines Adjusted EBITDA as income (loss) from continuing operations, as reported, adjusted for depreciation and amortization, equity (gain) loss on investment in associate, financing costs, gains and losses on sale of marketable securities, share-based payments, fair value gain on acquisition, change in fair value of biological assets realized through inventory sold, and unrealized gains and losses on changes in fair value of biological assets. Management believes this measure provides useful information as it is a commonly used measure in the capital markets to approximate operating earnings. See table below for determination of specific components of Adjusted EBITDA.

	Nine months ended August 31		Three months ended August 31	
	2023	2022	2023	2022
Income (loss) from continuing operations	\$ 533	\$ (2,108)	\$ 931	\$ 2,231
Depreciation and amortization	5,460	2,832	2,359	1,330
Equity (gain) loss on investment in associate	-	(1,233)	-	-
Interest and accretion	835	-	263	-
Financing costs	168	31	77	8
Gain (loss) on marketable securities	(3)	157	-	(5)
Share based payments	1,380	3,339	285	340
Fair value gain on acquisition	-	(2,715)	-	(2,715)
Change in fair value of biological assets realized through inventory sold	(19,882)	(3,348)	(11,095)	(1,982)
Unrealized (gain) loss on changes in fair value of biological assets	16,138	3,218	8,081	1,508
Adjusted EBITDA	\$ 4,629	\$ 173	\$ 901	\$ 715

CASH FLOWS FROM OPERATIONS

The following table provides a summary of the Company's cash flows for the nine month periods ended August 31, 2023, and 2022.

	2023	2022
Cash from/used in operating activities		
- Before changes in non-cash working capital items	4,343	302
- After changes in non-cash working capital items	4,245	(3,492)
Cash flows used in investing activities	(4,568)	(1,645)
Cash flows used in financing activities	(4,743)	(662)
Net cash outflows	(5,066)	(5,799)
Cash and cash equivalents	1,698	8,514

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING INFORMATION:

This news release includes certain “forward-looking information” as defined under applicable Canadian securities legislation, including statements regarding the plans, intentions, beliefs and current expectations of the Company with respect to future business activities and operating performance. Forward-looking information is often identified by the words “may”, “would”, “could”, “should”, “will”, “intend”, “plan”, “anticipate”, “believe”, “estimate”, “expect” or similar expressions and includes information regarding: the Company’s expectations for additional sales growth in Q4 2023 and beyond; the Company’s continued ability to generate positive cash flow; expectations regarding higher levels of quarterly sales in the near future; the anticipated generation of meaningful cashflows by Flowr over the coming quarters; the Company’s intention to continue operational improvements, with a view to achieving additional improvements in Q4 2023 and throughout the 2024 fiscal year; the Company’s expectations regarding the shipment and availability of its listing in the Province of Quebec; the Company’s view to increasing the Company’s total export revenue which achieving geographic and customer diversification; the anticipated payment to F-20 on November 1, 2023; the Company’s continued efforts to have regularly scheduled meetings and calls with its existing clients and prospective clients in Israel; the Company’s focus on increasing exports to Australia and the commencement of exports to Germany; the availability of the Financial Statements and the MD&A on the Company’s SEDAR profile and on its website; and expectations for other economic, business, and/or competitive factors. To the extent any forward-looking information in this news release constitutes “financial outlooks” within the meaning of applicable Canadian securities laws, such information is being provided as preliminary financial results and the reader is cautioned that this information may not be appropriate for any other purpose and the reader should not place undue reliance on such financial outlooks. Forward-looking information is necessarily based upon a number of estimates and assumptions that, while considered reasonable, are subject to known and unknown risks, uncertainties, and other factors which may cause the actual results and future events to differ materially from those expressed or implied by such forward-looking information. Financial outlooks, as with forward-looking information generally, are, without limitation, based on the assumptions and subject to various risks as set out herein. The Company’s actual financial position and results of operations may differ materially from management’s current expectations and, as a result, the Company’s financial results may differ materially. Examples include statements that the Company will build long-term shareholder value and reduce operational expenses; or that the Company will increase its revenue and maintain stable costs.

Investors are cautioned that forward-looking information is not based on historical fact but instead reflects management’s expectations, estimates or projections concerning future results or events based on the opinions, assumptions and estimates of management considered reasonable at the date the statements are made. Although the Company believes that the expectations reflected in such forward-looking information are reasonable, such information involves risks and uncertainties, and undue reliance should not be placed on such information, as unknown or unpredictable factors could have material adverse effects on future results, performance or achievements of the Company. Among the key factors that could cause actual results to differ materially from those projected in the forward-looking information are the following: regulatory and licensing risks; changes in consumer demand and preferences; changes in general economic, business and political conditions, including changes in the financial markets; the global regulatory landscape and enforcement related to cannabis, including political risks and risks relating to regulatory change; compliance with extensive government regulation; public opinion and perception of the cannabis industry; the impact of COVID-19; and the risk factors set out in the Company’s annual information form dated February 27, 2023, filed with Canadian securities regulators and available on the Company’s profile on SEDAR at www.sedar.com.

Should one or more of these risks or uncertainties materialize, or should assumptions underlying the forward-looking information prove incorrect, actual results may vary materially from those described herein as intended, planned, anticipated, believed, estimated or expected. Although the Company has attempted to identify important risks, uncertainties and factors that could cause actual results to differ materially, there may be others that cause results not to be as anticipated, estimated or intended. Accordingly, readers should not place undue reliance on forward-looking information, which speak only as of the date of this news release. The Company disclaims any intention or obligation to update or revise any forward-looking information, whether as a result of new information, future events or otherwise, except as required by law.

This news release refers to certain financial performance measures that are not defined by and do not have a standardized meaning under (“IFRS”) as issued by the International Accounting Standards Board. These non-IFRS financial performance measures are defined in the MD&A. Non-IFRS financial measures are used by management to assess the financial and

operational performance of the Company. The Company believes that these non-IFRS financial measures, in addition to conventional measures prepared in accordance with IFRS, enable investors to evaluate the Company's operating results, underlying performance and prospects in a similar manner to the Company's management. As there are no standardized methods of calculating these non-IFRS measures, the Company's approaches may differ from those used by others, and accordingly, the use of these measures may not be directly comparable. Accordingly, these non-IFRS measures are intended to provide additional information and should not be considered in isolation or as a substitute for measures of performance prepared in accordance with IFRS.