cannara

Quebec Grown
Premium Grade Cannabis

MANAGEMENT DISCUSSION & ANALYSIS

For the year ended
August 31, 2023

December 7, 2023

CANNARA BIOTECH INC.

TSXV: LOVE.V OTCQB: LOVFF FRA: 8CB

This Management Discussion and Analysis ("MD&A") of Cannara Biotech Inc. ("Cannara" or the "Company") has been prepared by management as of December 7, 2023, and should be read in conjunction with the consolidated financial statements and related notes thereto of the Company for the years ended August 31, 2023, and 2022. The consolidated financial statements were prepared in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board.

All dollar amounts referred to in this MD&A are expressed in Canadian dollars unless indicated otherwise.

All references in this MD&A to "Q4 2023" and "fourth quarter of 2023" are to Cannara's fiscal quarter ended August 31, 2023, and "Q4 2022" and "fourth quarter of 2022" are to Cannara's fiscal quarter ended August 31, 2022. All references in this MD&A to "YTD 2023" and "YTD 2022" are to Cannara's twelve-month periods ended August 31, 2023, and 2022, respectively.

Additional information filed by Cannara with the Canadian Securities Administrators, including quarterly reports, annual reports and other material contracts can be found on-line at www.sedarplus.ca.

FORWARD-LOOKING STATEMENTS

This MD&A may contain "forward-looking information" within the meaning of Canadian securities legislation ("forward-looking statements"). These forward-looking statements are made as of the date of this MD&A and the Company does not intend, and does not assume any obligation, to update these forward-looking statements, except as required under applicable securities legislation. Forward-looking statements relate to future events or future performance and reflect Company management's expectations or beliefs regarding future events and include, but are not limited to, the Company and its operations, its projections or estimates about its future business operations, its planned expansion activities, the adequacy of its financial resources, future economic performance, and the Company's ability to become a leader in the field of cannabis cultivation, production, and sales.

In certain cases, forward-looking statements can be identified by the use of words such as "plans", "expects" or "does not expect", "is expected", "budget", "scheduled", "estimates", "forecasts", "intends", "anticipates" or "does not anticipate", or "believes", or variations of such words and phrases or statements that certain actions, events or results "may", "could", "would", "might" or "will be taken", "occur" or "be achieved" or the negative of these terms or comparable terminology. In this document, certain forward-looking statements are identified by words including "may", "future", "expected", "intends" and "estimates". By their very nature, forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance, or achievements of the Company to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements.

Such factors include, but are not limited to, the factors discussed in the section "Risk Factors" as well as those factors detailed from time to time in the Company's interim and annual financial statements and the related MD&A of those statements. Although the Company has attempted to identify important factors that could cause actual actions, events, or results to differ materially from those described in forward-looking statements, there may be other factors that cause actions, events or results not to be as anticipated, estimated or intended.

The Company provides no assurance that forward-looking statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. Accordingly, readers should not place undue reliance on forward-looking statements. Historical results of operations and trends that may be inferred from the following discussions and analysis may not necessarily indicate future results from operations.

NON-GAAP MEASURES

Management has included certain financial performance measures that are not recognized or defined under IFRS ("non-GAAP measures"). There are no standardized methods of calculating these non-GAAP measures, management's methods may differ from those used by others, and accordingly, these measures may not be directly comparable to similarly titled measures used by others. 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.

Management employs these measures internally to measure operating and financial performance. Management believes these non-GAAP financial measures, in addition to conventional measures prepared in accordance with IFRS, enable investors and analysts to evaluate the Company's operating results, underlying performance and future prospects in a manner similar to management.

The Company has identified Adjusted Earnings (Loss) before Interest, Taxes, Depreciation and Amortization ("Adjusted EBITDA") as a non-GAAP measure. Management defines Adjusted EBITDA as net income (loss) before net finance expense, tax, depreciation, amortization, write-down of inventory to net realizable value, impairment, share-based compensation, changes in fair value of inventory sold, unrealized gains and losses on changes in fair value of biological assets, gain on sublease on initial recognition and gains and losses on disposal of property, plant, and equipment. The exclusion of net finance expense eliminates the impact on earnings derived from non-operational activities. The exclusion of depreciation, amortization, impairment, write-down of inventory to net realizable value, share-based compensation, changes in fair value of inventory sold, unrealized gains and losses on changes in fair value of biological assets, gain on sublease on initial recognition and gains and losses on disposal of property, plant and equipment eliminates the non-cash impact of these items.

The Company believes that the use of Adjusted EBITDA allows investors and analysts to understand the results of operations of the Company by excluding the non-operational activities and non-cash items for the period. Although Adjusted EBITDA is frequently used by securities analysts, lenders, and others in their evaluation of companies, it has limitations as an analytical tool, and should not be considered in isolation, or as a substitute for analysis of the Company's results as reported under IFRS. Adjusted EBITDA should not be considered either as discretionary cash available to invest in the growth of the business or as a measure of cash that will be available to meet the Company's obligations. From time to time, the Company may exclude additional items if it believes doing so would result in a more effective analysis of underlying operating performance. The exclusion of certain items does not imply that they are non-recurring.

In order to provide additional information, we believe it is appropriate to measure free cash flow that is generated by our operations. Free cash flow is a non-GAAP measure and is defined as cash flow from operations excluding changes in non-cash operating working capital. The Company considers free cash flow to be an important indicator of the financial strength and liquidity of its business as it indicates how much cash is available for capital expenditures, to repay debt and/or to pursue business acquisitions. Management believes that free cash flow also provides investors with an important perspective on the cash available to us to service debt and to fund capital expenditures and acquisitions. This measure does not have any standardized meanings prescribed by IFRS and is therefore unlikely to be comparable to similar measures presented by other companies.

COMPANY PROFILE

Cannara was incorporated under the laws of British Columbia on October 19, 2017, and is currently listed and publicly traded on the TSX Venture Exchange ("TSXV") under the symbol "LOVE.V", the OTCQB under the symbol "LOVFF" and the Frankfurt Stock Exchange under the symbol "8CB". The Company's headquarters are located in Montreal, Quebec.

Cannara Biotech Inc. is a vertically integrated producer of premium-grade cannabis and cannabis-derivative products for the Canadian market. The Company's main focus is to deliver premium quality "AAAA" products at disruptive retail pricing. Leveraging Quebec's low electricity costs, Cannara owns and operates two Quebec-based facilities spanning over 1,650,000 square feet. Cannara's first purpose-built, modern indoor cultivation facility is located in Farnham, Quebec, and measures 625,000 square feet, comprising 170,000 square feet of operational licensed area and 455,000 square feet of leased warehouse space ("Farnham Facility").

COMPANY PROFILE *(continued)*

The second facility ("Valleyfield Facility") is a purpose-built cannabis hybrid greenhouse that is being redesigned into an indoor facility zone by zone, to ensure consistent and premium flower cultivation. The Valleyfield Facility is over one million square feet and is comprised of 24 independent growing zones totaling 600,000 square feet, a 225,000 square feet cannabis 2.0 processing center and a 200,000 square feet rooftop greenhouse located in Valleyfield, Quebec. Cannara operates through its wholly owned subsidiaries, Cannara Biotech (Quebec) Inc. and Cannara Biotech (Valleyfield) Inc., both holding active licenses issued by Health Canada under the Cannabis Act.

Cannara is a leading producer of premium "AAAA" quality cannabis. Cannara is transforming the cannabis buying experience by offering consumers what they have been asking for—high quality at great value, rotating genetics, transparent harvest and quality data, unique air-sealed packaging, attention to detail, and community responsiveness, all of which have a synergistic effect on product demand and market penetration.

Cannara promises a better value proposition for consumers, retailers, and investors alike—consumers save money when purchasing premium Cannara cannabis products, retailers experience a higher volume and velocity of sales, and investors benefit from a sustainable operation generating healthy gross margins. The Cannara platform consists of 2 low-cost facilities in Quebec, a lean labour force, and a passionate management team dedicated to product innovation, thoughtful leadership, and maintaining a low cost-structure, all designed to allow for the highest quality products at some of the most disruptive prices in retail. The Cannara model has resulted in a grassroots following in Quebec, significant brand awareness and affinity amongst Ontario, Alberta, British Columbia, and Saskatchewan retailers and consumers, and additional inquiries for product distribution across the rest of Canada. At the date of this release, Cannara products can be found in every single cannabis retail store in Quebec, in 91% of Ontario stores, in over 74% of Alberta stores and 75% of British Columbia stores[1].

In the prior year, the Company launched operations at the Valleyfield Facility and activated 6 of its 24 growing zones in order to grow production capacity to meet the Company's expanding demand. During the year of 2023, the Company expanded its production capacity at the Valleyfield Facility by 50%, activating another 3 new growing zones, bringing its total active cultivation canopy to over 250,000 square feet and plants under cultivation to approximately 90,000, with an additional 11,000 plants under cultivation at the Farnham Facility. Together, both facilities are currently capable of generating approximately 30,500 kg of cannabis per year, a 50% increase in production capacity over the prior year. Cannara has only completed 28% of its current Valleyfield Facility expansion plans and is focused on continuing to activate more growing zones in line with growing demand for its products. The Company had set an objective for fiscal 2023 of activating 9 total growing zones, which has been achieved during the third quarter of 2023. In Q4 2023, the Company generated $18.3 million of net revenue, a gross profit before fair value adjustments of $6.9 million or 38%, an Adjusted EBITDA of $4.9 million[2] or 27%, a net income of $4.6 million, free cash flow of $4.4 million[3] and an earnings per share of $0.05.

In December 2022, the Company designed and launched several lines of apparel and accessories available for sale on its online website https://cannaraswag.shop (with certain provinces excluded due to provincial restrictions). For the year ended August 31, 23023, the Cannara swag shop generated approximately $140,000 in revenues for the sale of its flagship branded apparel and accessories.

[1] Trellis Distribution Insights, November 2023
[2] Adjusted EBITDA is a non-GAAP measure. A reconciliation from net income is included in section "Selected Financial Information" of this MD&A
[3] Free cash flow is a non-GAAP measure. A reconciliation from operating cash flow is included in section "Selected Financial Information" of this MD&A

COMPANY PROFILE *(continued)*

As of August 31, 2023, Cannara's distribution network services 5 provinces, Quebec, Ontario, Saskatchewan, Alberta, and British Columbia, with Quebec and Ontario being its current major markets. The Company estimated its Quebec market share to be approximately 8.5% for the fourth quarter of 2023 (3rd largest Licensed Producer ("LP") in Quebec by market share)[4]. For Ontario, the Company's estimated overall market share rose from 2.7% in the third quarter of 2023 to 3.0% in fourth quarter of 2023, bolstered by the vape category in which market share rose from 2.7% to 4.7% in the same period. The company once again exemplified its ability to achieve significant market penetration in a short timeframe in both British Columbia and Alberta, where the Company grew market share by 60% (0.5% to 0.8%) and 1,100% (0.1 % to 1.2%) respectively from the end of Q3 to the end of Q4, having only entered those markets in Fiscal 2023[5].

Subsequent to year-end, the Company's market share has continued to increase, with Cannara's estimated market share for the month of October rising to 8.8% in Quebec (3rd in rank amongst LPs), 3.2% in Ontario (9th in LP rank), 2.3% in Alberta (14th in LP rank), and 0.9% in British Columbia (25th in LP rank)[6].

Additional information about Cannara may be found at www.cannara.ca.
Investor information may be found at www.investors.cannara.ca.
Cannara's Swag Shop may be found at https://cannaraswag.shop.

CANNARA'S FACILITIES

FACILITY	SIZE	CAPACITY	TYPE	ELECTRICITY	FACILITY HIGHLIGHTS
FARNHAM, QUEBEC	Licensed area: 170 000 sf Site: 625,000 sf Land: 1,430,000 sf	Active Grow Area: 28,000 sf 3,500 kg current capacity Active Cloning and Mother Area: 23,000 sf	Indoor	Power rate of approx. $0.065/kw	• Licensed area completed in 2019 • State-of-the-art • 11 independent grow rooms + cloning and mother rooms for both facilities • Automated cultivation systems • Solventless hash laboratory • Pre-roll manufacturing center • Packaging center • R&D facility
VALLEYFIELD, QUEBEC	Licensed area: 600,000 sf Roof top greenhouse: 200,000 sf Processing and cannabis 2.0 processing center: 225,000 sf Site: 1,030,000 sf Land: 3,130,000 sf	Active Grow Area: 225,000 sf (9 zones) 27,000 kg Current capacity 96,500 kg Full capacity	Indoor	Preferential contracted power rate of approx. $0.035/kw	• Purpose-built in 2020 • Onsite Hydro Quebec substation • Fully outfitted and automated • 24 independent grow rooms • Blackout & shading systems • Purpose-built cannabis greenhouse converted to replicate indoor conditions • Processing center (under construction) • BHO extraction laboratory

[4] Based on estimated sales data provided by Weed Crawler, for the period of June to August 2023
[5] Based on estimated sales data provided by Headset, for the period of March to May 2023 and June to August 2023
[6] Based on estimated sales data provided by Headset, for the month of October 2023

CANNARA'S BRAND PORTFOLIO

Cannara's portfolio consists of three flagship brands with distinctive identity and purpose, each filling a white space in Canada's current cannabis market. All three brands offer premium-grade cannabis, hang-dried, slow cured and trimmed perfectly to preserve the flower's natural properties. Our brand portfolio includes:

BRAND	STORY	PRODUCT MIX	MARKETS
TRIBAL	Tribal delivers uncompromised premium grade cannabis products to consumers who have a deep relationship with cannabis. From pheno-hunting rare genetics to unfolding each strain's lineage and flavour profiles, Tribal offers a continuous rotation of "AAAA" genetic strains at entry level pricing.	Dried Flower Pre-Rolls Live Resin Full Spectrum Extract Live Resin Vape Cartridges Accessories	Quebec Ontario Saskatchewan Alberta British Columbia
Nugz	Nugz is a cult-worthy movement committed to abundance, quality, and value. Nugz offers an exceptional product at disruptive retail prices specifically designed for long-time cannabis enthusiasts who have a sharp sense for quality but are looking for a price break that aligns with consuming habits.	Dried Flower Milled Flower (Grind) Pre-Rolls Infused Pre-Rolls Old School Hash Ice Water Hash Fresh Frozen Hash Rosin Vape Cartridges Accessories	Quebec Ontario Saskatchewan Alberta British Columbia
ORCHID CBD	Orchid CBD is a wellness brand dedicated to providing premium CBD-dominant cannabis. Orchid CBD offers award winning strains of terpene-rich, trichome covered, oversized dried flowers that deliver softer blissful experiences with no compromise on quality and flavours.	Dried Flower Pre-Rolls Oils Live Resin Vape (Q2 FY24)	Quebec Ontario Saskatchewan Alberta British Columbia

CANNARA'S GENETIC PORTFOLIO

In partnership with Exotic Genetix, Cannara has access to an extensive bank of genetics which includes exclusive strains only available from the Company in the Canadian market. By undergoing a rigorous pheno-hunting selection process, Cannara can further broaden the product mix for each one of its brands by providing consumers with unique, dedicated cannabis experiences from carefully selected cultivars for years to come. Our lineup of unique genetics currently available in the retail market, include:

GENETIC	BRAND	LAUNCH DATE	THC – CBD	TYPE	AROMAS & FLAVOURS
GELATO MINT Pheno #5	Tribal	Feb 2021	THC ≈ 24% CBD ≈ 1%	Indica	Gelato Mint is best known for its overwhelming fresh flavours and aromas. As its name suggests, Gelato Mint smells like a fresh mint dessert with pepper and earthy pine undertones.
CUBAN LINX Pheno #1	Tribal	June 2021	THC ≈ 28% CBD ≈ 1%	Sativa	Cuban Linx packs a rich lemony aroma accentuated by hints of gassy diesel and a touch of spice.
TERPLE Pheno #8	Tribal	Mar 2022	THC ≈ 24% CBD ≈ 1%	Hybrid – Sativa	Terple's aroma and flavour is complex with elements of sweet oranges, sour citrus, and spicy diesel.
POWER SHERB Pheno #3	Tribal	May 2022	THC ≈ 24% CBD ≈ 1%	Indica	Power Sherb is silky smooth on the exhale and evokes a truly unique smell and taste of sweet gas and Neapolitan ice cream.
TRIPLE BURGER Pheno # 72	Tribal	Nov 2022	THC ≈ 26% CBD ≈ 1%	Indica	Triple Burger complements Cannara's genetic library with heavy gas aroma and hints of skunk, rubber, and cheese and a touch of sweetness.

CANNARA'S GENETIC PORTFOLIO (*continued*)

GENETIC	BRAND	LAUNCH DATE	THC – CBD	TYPE	AROMAS & FLAVOURS
GALACTIC RNTZ Pheno #30	Tribal	Nov 2022	THC ≈ 25% CBD ≈ 1%	Indica	Galactic Rntz's complex aroma and flavour provides a strong gas flavour with fruity, sour undertones.
JIGGLERS Pheno #22	Tribal	Oct 2023	THC ≈ 22% CBD ≈ 1%	Indica	Jigglers offers flavours and aromas of strawberries & cream.
DRIP STATION Pheno #15	Tribal	Oct 2023	THC ≈ 25% CBD ≈ 1%	Indica	Drip Station presents gasoline scents blended with dewy earth and black licorice flavours.
EARLY LEMON BERRY Pheno #92	Nugz	Mar 2021	THC ≈ 23% CBD ≈ 1%	Sativa	Early Lemon Berry features overwhelming citrus flavours thanks to its higher percentage of myrcene and ocimene terpenes. It smells like a mix of sweet grapefruit, lemons, and berries.
SLAPZ Pheno #50	Nugz	May 2022	THC ≈ 22% CBD ≈ 1%	Indica	Slapz delivers incredibly sweet sour-gassy aromas with a mix of light earthy flavours.
CBD RUNTZ Pheno #7	Orchid CBD	June 2021	THC ≈ 8% CBD ≈ 15%	Hybrid - Sativa	CBD Runtz is an award-winning CBD strain that offers an abundance of terpenes, a fruity and sweet aroma that delivers a candy-like flavour. A rare combination for a 1:2 CBD flower.

CANNARA'S COMPETITIVE ADVANTAGE

Each of Cannara's market launches has demonstrated positive consumer response to its brand strategy, pricing strategy, product offering, and genetic mix across retail outlets in Quebec, Ontario, Alberta, British Columbia and Saskatchewan. The Company's premium "AAAA" quality cannabis at disruptive pricing has resulted in demand levels that keep growing quarter over quarter in Canada, which reinforces Cannara's plan to continue to expand production at its Valleyfield Facility. Additionally, Cannara's attention to detail, transparency, unique packaging, and community responsiveness have collectively added to its value proposition, which in turn has had a compounding effect on customer demand, market penetration, and satisfaction. Some notable examples of Cannara's competitive advantage include:

Quality, attention to detail and transparency

Cannara delivers award winning cannabis flower, sticking true to craft like procedures including hang drying and hand trimming cannabis even as it scales its production capacity significantly. Attention to detail in all product line packaging, including offering air-sealed tuna style cans preserving humidity and product integrity in an ecofriendly format and a re-usable tin included in the purchase of its live resin vape cart, purposefully designed to fit into the everyday lives of its consumers. Cannara continues to demonstrate transparency across all product labels by providing consumers with harvest dates, terpene percentages, production details and strain phenotypes for each lot.

Price competitiveness

Cannara has continued to maintain a value-based pricing approach without compromising quality. With significant cost advantages due to Quebec's low cost of electricity, utilities and labor, favorable acquisition cost of its Facilities in addition to being fully vertically integrated achieving economies of scale, Cannara expects to continue its value-based pricing approach while building a sustainable and profitable business.

CANNARA'S COMPETITIVE ADVANTAGE *(continued)*

Innovation in products

Cannara continued to innovate with new product launches in FY2023 across several categories including pre-rolls, infused pre-rolls, milled flower and vapes, launching a total of 74 SKU's in market across Canada, increasing its in-market SKU count from 23 to 97, representing an increase of over 322%. New products include its Nugz Joints and Reefers—a 10- and 12-pack of pre-rolls, respectively, in an attention grabbing french fry pack, the Nugz Wrap, a 1-gram hemp cone pre-roll with glass tip, Nugz Infused Pre-rolls, Nugz Grind, a 7-gram milled flower offering with a branded loading tool, Nugz Vapes, and finally its Tribal Live Resin Vape Cartridges and Live Resin Full Spectrum Extracts.

Innovation in genetics

Cannara's diligence in its phenotyping process allowed the Company to identify unique THC and CBD cultivars in order to fill whitespaces in the current market resulting in the release of its CBD Runtz product line in a segment previously neglected. Cannara has an extensive genetic bank allowing the Company to release exclusive products into the market. In 2022, Cannara signed an exclusive brand partnership with 50-time award-winning US-based cannabis breeder, cultivator and hash maker, Exotic Genetix Ltd., granting Cannara an exclusive license to use, market, sell and distribute Exotic Genetix branded products throughout Canada. In addition, Exotic Genetix will provide Cannara with ongoing consultation services providing knowledge and insights into cannabis genetics, plant growing methodologies and marketing services.

Community responsiveness

Cannara has taken an active strategy to be very responsive with the community of consumers and retailers to receive timely feedback to continuously improve its products. The Company launched its Discord community channel, https://discord.gg/cannara, which will be utilized to further interactions with consumers and retailers.

Thought leadership

Cannara's approach to the cannabis market has been driven by its pursuit for customer satisfaction and a commitment to delivering value to a broad consumer base market, from new entrants to experienced consumer segments. Over the course of the last year, the Company has exemplified thought leadership by bringing disruption and innovation to the Canadian cannabis market. In December 2022, Cannara was awarded three awards at the third annual KIND Awards, Canada's largest consumer-facing awards chosen by budtenders, for:

- Brand of the Year: Tribal
- Terpene Profile of the Year: Tribal
- CBD Product of the Year: Orchid CBD Runtz

MAIN MARKET INSIGHTS

As a result of Cannara's facilities, brand and genetic portfolio, and its competitive advantages, market response has solidified the Company's presence in Canada's four largest markets. The Farnham and Valleyfield Facility can produce 100,000 kg of cannabis per year once at full capacity, allowing the Company to increase its supply of quality cannabis products in lockstep with growing in-market demand and entrance into new markets.

Estimated Cannara Market Share
Q3 & Q4 FY 2023

Province	Q4 2023	Q3 2023	% Change
QC	8.5%	9.3%	-8.6%
ON	3.0%	2.7%	11.1%
AB	1.2%	0.1%	1,100%
BC	0.8%	0.5%	60%

Estimated Cannara Market Share
October 2023

Province	October 2023	% Change from Q4 2023
QC	8.8%	3.5%
ON	3.2%	6.7%
AB	2.3%	91.7%
BC	0.9%	12.5%

QUEBEC

The provincial distributor of Quebec, SQDC, generated revenues of approximately $688 million for the same period as the Company's FY 2023[7]. The Company estimated its market share as of the fourth quarter of 2023 to be approximately 8.5% in Quebec (3rd largest licensed producer in Quebec by market share), representing a slight decrease from previous quarter. Subsequent to year-end, Cannara's market share in Quebec began to increase reaching a share of 8.8% in October 2023[8].

The SQDC retail footprint has expanded from 28 stores in fiscal year 2020 to 98 current locations as of the date of this release and has significant room for growth as Quebec has approximately one store per 100,000 people, as compared to Ontario and British Colombia that have approximately one store per 10,000 people. To date, the provincial distributor of Quebec expects to have captured 58.5% of the illicit market, a trend which is expected to continue to rise as consumers migrate from the illicit trade to experience quality traceable products, competitive pricing, and an improved in-store buying experience[9]. As a result, the Company expects to increase its revenue figures as the market continues to expand in Quebec with 22 active SKUs in market for fiscal 2023, with an additional 20 active SKUs launching subsequent to year-end, reaching a total SKU count in Quebec of 42.

[7] Based on estimated sales data provided by Weed Crawler, for the period of September 2022 to August 2023
[8] Based on estimated sales data provided by Weed Crawler, for the periods of June to August 2023 and October 2023
[9] SQDC, Annual Report 2022

MAIN MARKET INSIGHTS *(continued)*

ONTARIO

The Ontario market is leading recreational cannabis sales nationally. According to Headset Data, from September 2022 to August 2023, Ontario retail stores sold over $1.76 billion in cannabis products[10]. The Company estimated that it had a 2.7% market share in Ontario in Q3 2023, growing to 3.0% in Q4 2023, representing an 11.1% increase, and making the Company the 9th largest licensed producer selling into the OCS[11]. This growth is primarily driven by the vape and concentrate categories in which vape market share has risen from 2.7% in Q3 2023 to approximately 5.2% in October 2023, representing a 92.6% increase. Meanwhile, the Company has maintained an estimated 10% market share within the concentrate category[12]. The Company currently has 64 listed SKUs in the Ontario market as of the date of this release, and an additional 20 new SKUs were accepted by the OCS to be launched in Winter 2024. Cannara products can be found in over 1400 retail stores across Ontario, being represented in over 91% of stores in Ontario[13].

ALBERTA

Alberta is Canada's second largest cannabis market and has been a focus for Cannara in 2023, with first sales beginning in May of 2023. According to Headset Data, from September 2022 to August 2023, Alberta retail stores sold approximately $775 million in cannabis[14]. From May 2023 to August 2023, the Company increased its market share from 0.1% to 1.2%, an increase of 1,100%[15]. The Company's impressive performance in Alberta can largely be attributed to Cannara's strong product portfolio and positive initial customer feedback, resulting in the province accepting an additional 32 SKUs from its initial 3 SKU offering. As of October 2023, due to its increased SKU portfolio, Cannara further increased its market share to 2.3%, a 92% increase from Q4 2023, and holds over 5% market share in both vape and concentrate categories[16]. Growing demand and competitive production costs will enable Cannara and its brands to increase market share by focusing on offering premium-grade cannabis products at competitive prices to the market.

BRITISH COLUMBIA

British Columbia represents Canada's fourth largest cannabis marketplace, generating $684 million in revenue from September 2022 to August 2023[17]. Cannara entered the British Columbia market in September 2022 with a significant cost advantage compared to producers in other parts of the country as Quebec offers some of the lowest electricity rates and competitive labour rates across Canada; the two largest cost inputs in cannabis cultivation. The Company estimates that it had a 0.8% market share in BC for Q4 2023, increasing by 60% from Q3 2023[18]. Subsequent to year-end, as of October 2023, the Company increased in market share by an additional 12.5% to 0.9%[19]. Cannara's market presence has grown to 15 currently listed SKUs, with an objective to increase market share through sales and marketing activities

2023 ACHIEVEMENTS

Cannara is constantly monitoring growth opportunities that support its commitment to continue to report increased positive Adjusted EBITDA, net income and free cash flows. The Company allocated resources to existing and new activities over the course of the 2023 fiscal year which include:

FY 2023 Activities

1. Respond to market demand by increasing production capabilities and sales initiatives.
2. New product offerings including new formats of dried flower, pre-roll and infused pre-roll products, milled products, live resin full spectrum extracts, live resin vape cartridges, budget-friendly vape carts and cannabis accessories.
3. New genetic releases in partnership with Exotic Genetix.
4. Increase market penetration in Quebec, Ontario, Alberta, British Columbia and Saskatchewan.
5. Continued positive Adjusted EBITDA.

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[10] Based on Headset Data for the period of September 2022 to August 2023
[11] Based on Headset Data for the periods of March to May 2023 and June to August 2023
[12] Based on Headset Data for the period of March to May 2023 and October 2023
[13] Trellis Distribution Insights, November 2023
[14] Based on Headset Data for the period of September 2022 to August 2023
[15] Based on Headset Data for the period of June to August 2023
[16] Based on Headset Data for the period of June to August 2023 and October 2023
[17] Based on Headset Data for the period of September 2022 to August 2023
[18] Based on Headset Data for the periods of March to May 2023 and June to August 2023
[19] Based on Headset Data for the period of June to August 2023 and October 2023

2023 ACHIEVEMENTS *(continued)*

Respond to Market Demand

Since the beginning of the Company's retail launch, reaction from consumers have been very positive, requiring the Company to expand its production capacity in order to satisfy demand. During fiscal year 2023, the Company activated 3 additional growing zone of 25,000 square feet at its Valleyfield Facility, reaching a total of 225,000 square feet of active canopy, or approximately 90,000 plants under cultivation. The Company had set an objective for fiscal 2023 to have 9 growing zones activated, a 50% annual capacity increase over its prior fiscal year and achieved this objective in Q3 2023. The Facility has a total of 24 growing zones built out, providing Cannara the ability to organically increase production capacity. This increase in production capacity, coupled with increase in sales initiatives, naturally improves market penetration.

New Product Offering

The Company is focused on the innovation of new products for FY 2023 and FY 2024 across all 3 of its flagship brands. At the beginning of FY 2023, Cannara launched its solvent-based hydrocarbon extracts in Ontario under the Tribal brand with a live Resin vape cartridge and 1-gram full spectrum extract (FSE) concentrate. Three new formats of dried flower were also introduced: a 14-gram Nugz Smalls, a 15-gram Pheno Hunter pack and a 1-gram glass tipped Nugz Wrap hemp cone pre-roll, all of which will offer different strains on a rotational basis. In Summer 2023, in Ontario, the Company launched Nugz Joints and Reefers, a 10- or 12-pack of pre-rolls, respectively, loaded in innovative packaging intended to imitate a french fry pack, Nugz Infused Pre-rolls, Nugz Grind, a 7-gram milled flower offering available in 3 crossover flavours and Nugz Vapes made with full spectrum resin.

Cannara has grown to be a disruptor in both solvent-based and solventless extracts in a short period of time. Building from its early launch of THC and CBD balanced Old School and Ice Water Hash solventless extracts in Quebec, Cannara expanded its line of hash SKUs in Ontario with higher potency Fresh Frozen Hash Rosin in May 2022 and a THC dominant Old School Hash in September 2022. A THC dominant Nugz Ice Water Hash and Fresh Frozen Hash Rosin were subsequently launched in British Columbia in October 2022 and in January 2023 in Ontario. Under its Tribal brand, the Company's solvent-based extraction line of live resin vape cartridges and live resin full spectrum extracts are seeing exceptional growth in a category the Company had previously not engaged in.

In fiscal 2023, Cannara launched a total 74 SKUs in market across Canada under its 3 flagship brands, increasing its total in market SKU count from 23 to 97, an increase of over 320%.

New Genetic Releases

The Company is constantly researching new genetics to add to its portfolio. During fiscal 2023, Cannara brought to market 2 new genetics (Triple Burger – QC, ON, AB, BC and Galactic Rntz – QC, ON, AB) and 2 additional genetics were introduced in the Fall of 2023 (Jigglers – QC, ON and Drip Station – QC, ON). Unique and exclusive genetic cultivars of cannabis continue to resonate with Canadian consumers and serve to set licensed producers apart from one another. New genetic releases are a result of the Company's rigorous pheno-hunting program that involves hand selecting only a few winning plants out of hundreds of different varieties of cannabis strains and phenotypes. Strain and phenotype selection is based on cultivar-brand fit, potency of cannabinoids and terpenes, bud structure, yield, and anticipated market appeal.

Cannara's brand partnership with 50-time US award-winning seed breeder, Exotic Genetix, grants Cannara an exclusive license to use, sell and distribute Exotic Genetix branded products throughout Canada in addition to providing access to direct breeder's knowledge and insights on Exotic Genetix cannabis strains. A testament to the quality of its cannabis, Exotic Genetix strains comprise seven of the eleven genetics grown by Cannara, including Gelato Mint, Power Sherb, Galactic Runtz, Jigglers, Drip Station, CBD Runtz and Slapz, each of which have received overwhelmingly positive consumer feedback.

Increasing Market Penetration in Current Markets and Expanding into New Provinces

During 2023 fiscal year, the Company focused on increasing its market share in Quebec, Ontario, British Columbia, and has been aggressively building its new market in Alberta. The Company began selling into Alberta in May of 2023 with 3 live resin vape cartridges and has since increased its portfolio to 35 SKUs in market as of October 2023, carving out a market share of 2.3% for the month of October 2023 in just six months from launch[20].

[20] Based on estimated sales data provided by Headset, for the month of October 2023

2023 ACHIEVEMENTS *(continued)*

Continued Positive Adjusted EBITDA

Cannara's objective was to continue to report positive quarterly Adjusted EBITDA throughout FY2023 and beyond resulting from the Company's focus on premium-grade cannabis products at disruptive retail pricing, its lean operational model, as well as its two facilities benefiting from Quebec's low electricity cost and competitive labour rates. Additionally, the development of an in-house pre-roll manufacturing centre, a solventless hash lab and a butane hash oil ("BHO") extraction lab, provides Cannara with a significant competitive advantage by allowing the Company to fully vertically integrate the use of all cannabis raw inputs. Furthermore, the Company's agility and commitment to profitability has driven the Company to pursue the development of high demand SKUs that will generate healthy gross margins. During Q4 2023, the Company generated Adjusted EBITDA of $4.9 million compared to $2.6 million in Q4 2022, an 91% increase compared to the same period in prior year.

KEY FISCAL 2023 AND SUBSEQUENT EVENT HIGHLIGHTS

OPERATIONAL

December 2022 – Termination of services management agreement

The Company terminated an agreement to provide management services to a third party and has re-appropriated the growing zones at its Valleyfield Facility previously allocated for the execution of these services for its own production.

December 2022 – Awarded certification for international export

In December 2022, the Company's Farnham Facility received its CUMCS Equivalency IMC-G.A.P. certification (the "Certification"), a leading certification standard for medical cannabis cultivation, harvest, and primary processing.

Through the IMC-G.A.P. certification process, Control Union Canada has declared that the Company's dried cannabis products are compliant in accordance with the World Health Organization's ("WHO") guidelines on Good Agricultural Practices ("GACP") Medicinal Plants, the European Medicines Agency's ("EMEA"), Guideline on GACP for Herbal Medical Products, and the Israeli Medical Cannabis GACP. Obtaining the Certification provides documented evidence that Cannara has met IMC-G.A.P.'s, WHO's and EMEA's strict standards for quality and consistency in the cultivation, harvest and primary processing of cannabis needed for the export of cannabis inputs to certain international jurisdictions, including Israel, Europe and Australia, for further processing into finished good via a GMP certified production facility.

Subsequent to year-end, Cannara has realized its first international sale to Israel as an alternative revenue stream but remains focused on selling most of its product to the Canadian market.

December 2022 – Launch of Cannara Swag Shop

Based on increasing consumer demand, the Company designed and launched several lines of apparel and accessories to be sold online at https://cannaraswag.shop, including Cannara's cannabis accessories: the Tribal Uni Pro Ark and the Nugz Häpple. Products purchased from the Cannara Swag Shop have already been shipped across Canada (except for certain provinces due to provincial restrictions) both direct to consumers, and wholesale to retailers. For the year ended August 31, 2023, the Cannara swag shop generated approximately $140,000 in revenues for the sale of its branded apparel and accessories.

January 2023 – New Lease agreement signed for the Valleyfield site

In fiscal 2023, the Company had signed a lease agreement with a new tenant for a building that is under construction adjacent to its Valleyfield site. The start of the lease term was set for the beginning of 2024 with a term of 11 years. Subsequent to year-end, the lease was mutually terminated with the future tenant and the deferred lease revenue of $79,675 was reimbursed. The Company has revised its plans to now use the building as a future cannabis processing site.

February - April 2023 – Activation of its 8th and 9th growing zone at the Valleyfield Facility

The Company activated its 8th and 9th 25,000 sq. ft. growing zone at its Valleyfield Facility in February and April of 2023, bringing the total cultivation area at Valleyfield to 225,000 sq. ft.

April 2023 – Launch of 4 additional SKUs at the OCS

Cannara launched 4 additional SKUs in the Spring 2023 OCS product call including a permanent listing of its previous "4/20" limited time cannabis holiday offering, the Nugz Joints fry-pack, and 2 additional Tribal live resin vape cartridges.

2023 YEAR-TO-DATE AND SUBSEQUENT EVENT HIGHLIGHTS *(continued)*

OPERATIONAL *(continued)*

May 2023 – Launch of Cannara's products in Alberta

Cannara was pleased to announce that the Company entered the Alberta market during the third quarter of 2023. AGLC accepted the listing of 3 of Tribal's live resin vape cartridge products for launch in May 2023.

June – November 2023 – Continued expansion in Quebec. Ontario, Alberta, and British Columbia with additional SKU listings

In Quebec, the Company focused on maintaining sales within the province with its 22 existing in market products while focusing on increasing market share and SKU count in the other main markets. Although the Company saw a slight decline in market share from the previous quarter, the Company successfully managed to maintain sales despite over 100 new products entering the province. Subsequent to year-end, Cannara successfully launched 20 SKUs in Quebec, raising its total SKU portfolio to 42.

In Ontario, the Company listed 17 SKUS for the Summer 2023 product call and received approval for 17 additional SKUs for Fall 2023 and 21 SKUs for Winter 2023, bringing its total SKU count from 29 to 86 SKUs, a 197% increase.

As a result of successful sales of its 3 vape products which were initially listed in Alberta in May 2023, the province accepted an additional 32 SKUs to be listed and sold in Alberta as of the date of this report, increasing the Company's total in market SKU count in Alberta to 35.

Due to the performance and sell-through of its original 7 SKUs in market in British Columbia, the Company received approval for an additional 8 SKUs to be listed and sold in the province, increasing its total active SKU count in British Columbia to 15, a 115% increase.

June – November 2023
Cannara QC, ON, AB & BC Product Launches

Brand	Product Name	Category	Province Launch
Tribal	Gelato Mint	3.5-gram dried flower	AB, BC
Tribal	Cuban Linx	3.5-gram dried flower	AB
Tribal	Power Sherb	3.5-gram dried flower	AB
Tribal	Terple	3.5-gram dried flower	AB
Tribal	Galactic Rntz	3.5-gram dried flower	AB
Tribal	Triple Burger	3.5-gram dried flower	QC, ON, AB, BC
Tribal	Drip Station	3.5-gram dried flower	QC, ON
Tribal	Jigglers	3.5-gram dried flower	QC, ON
Tribal	Gelato Mint	28-gram dried flower	ON
Tribal	Cuban Linx	28-gram dried flower	ON
Tribal	Gelato Mint	5 x 0.6-gram pre-rolls	AB
Tribal	Cuban Linx	5 x 0.6-gram pre-rolls	AB
Tribal	Power Sherb	5 x 0.6-gram pre-rolls	AB
Tribal	Terple	5 x 0.6-gram pre-rolls	AB
Tribal	Galactic Rntz	5 x 0.6-gram pre-rolls	AB
Tribal	Triple Burger	5 x 0.6-gram pre-rolls	ON, AB, BC

2023 YEAR-TO-DATE AND SUBSEQUENT EVENT HIGHLIGHTS *(continued)*

OPERATIONAL *(continued)*

June – November 2023
Cannara QC, ON, AB & BC Product Launches

Brand	Product Name	Category	Province Launch
Tribal	Drip Station	5 x 0.5 and 5 x 0.6-gram pre-rolls	QC, ON
Tribal	Jigglers	5 x 0.5 and 5 x 0.6-gram pre-rolls	QC, ON
Tribal	G Mint	1-gram live resin full spectrum extract	QC, AB, BC
Tribal	Cuban Linx	1-gram live resin full spectrum extract	AB, BC
Tribal	Power Sherb	1-gram live resin full spectrum extract	ON
Tribal	Triple Burger	1-gram live resin full spectrum extract	ON
Tribal	G Mint	1-gram live resin vape cartridge	BC
Tribal	Cuban Linx	1-gram live resin vape cartridge	BC
Tribal	Terple	1-gram live resin vape cartridge	AB
Tribal	Galactic Rntz	1-gram live resin vape cartridge	ON , AB
Tribal	Triple Burger	1-gram live resin vape cartridge	ON, AB
Tribal	Cuban Linx Battery	510-thread vape battery	ON
Nugz	Pheno Hunter	15-gram dried flower	ON
Nugz	Pheno hunter	28-gram dried flower	QC
Nugz	Sativa	15-gram dried flower	QC, AB
Nugz	Indica	15-gram dried flower	QC
Nugz	Early Lemon Berry	7-gram dried flower	ON
Nugz	Gelato Sherb Grind	7-gram and 15-gram milled dried flower	QC, ON, AB
Nugz	Lemon Linx Grind	7-gram milled dried flower	ON, AB
Nugz	Slerple Grind	7-gram and 15-gram milled dried flower	QC, ON, AB
Nugz	Joints	12 x 0.6-gram pre-rolls	AB
Nugz	Joints Sativa	12 x 0.6-gram pre-rolls	AB
Nugz	Wrap	1-gram hemp wrap	AB
Nugz	Gelato Sherb Reefers	10 x 0.3-gram pre-rolls	ON
Nugz	Lemon Linx Reefers	10 x 0.3-gram pre-rolls	ON
Nugz	Slerple Reefers	10 x 0.3-gram pre-rolls	ON
Nugz	G Sherb Infused Joints	3 x 0.6-gram infused pre-rolls	QC, ON
Nugz	Lemon Linx Infused Joints	3 x 0.6-gram infused pre-rolls	QC, ON
Nugz	Slerple Infused Joints	3 x 0.6-gram infused pre-rolls	AB
Nugz	Galactic Burger Infused Joints	3 x 0.6-gram infused pre-rolls	QC, ON

2023 YEAR-TO-DATE AND SUBSEQUENT EVENT HIGHLIGHTS *(continued)*

OPERATIONAL *(continued)*

June – November 2023
Cannara QC, ON, AB & BC Product Launches

Brand	Product Name	Category	Province Launch
Nugz	Terple	1-gram fresh frozen hash rosin	AB
Nugz	Slapz	1-gram fresh frozen hash rosin	ON, AB
Nugz	Slapz	1-gram ice water hash	QC, ON
Nugz	G Sherb	2-gram old school hash	QC, AB
Nugz	Lemon Linx	2-gram old school hash	QC, BC
Nugz	Slerple	2-gram old school hash	QC, ON
Nugz	Galactic Burger	2-gram old school hash	QC, ON
Nugz	G Sherb Vape	1-gram full spectrum vape cartridge	ON, AB
Nugz	Lemon Linx Vape	1-gram full spectrum vape cartridge	ON, AB
Nugz	Galactic Burger Vape	1-gram full spectrum vape cartridge	ON, AB
Nugz	Budder	1-gram concentrate (THC 30%)	QC
Nugz	Blanks	5 x empty hemp wraps	ON
Orchid	30:15 THC|CBD oil	20ml oil concentrate	ON, AB
Orchid CBD	15:30 THC|CBD oil	20ml oil concentrate	ON

FINANCING

The Company has access to a revolving credit facility that was increased from $5 million to $10 million during the third quarter of 2023. During the fiscal year of 2023, the Company drew $3 million on the revolving credit facility and an additional $2.5 million subsequent to quarter-end for operational and capital expenditures investment. Each tranche drawn on the credit facility has a 60-day term and can be renewed at the end of the period.

On August 31, 2023, the Company extended the term of the $5,700,000 convertible debenture from June 21, 2024, to January 31, 2025, with an increased interest rate from 4% to 9.25% per annum, effective from the extension period. The impact of the convertible debenture extension resulted in a gain of $52,664 which was recognized in net finance expense.

CAPITAL TRANSACTIONS

During the second quarter of 2023, the Company obtained approval from shareholders during the Company's Annual General Meeting ("AGM") held on January 25, 2023, and from the TSX-V for its proposal to consolidate all of the issued and outstanding common shares of the Company on the basis of ten (10) pre-consolidation common shares for every one (1) post-consolidation common shares. The Company's authorized share capital is an unlimited number of common shares without par value. At the date of the conversion, on February 13, 2023, the 907,035,460 shares issued and outstanding were converted into 90,703,552 common shares, after rounding for the fractional shares. As a result, the Company's share price on this date was adjusted from $0.09 to $0.90 per outstanding common share. All the share capital, stock options and RSU numbers were adjusted retrospectively.

2023 YEAR-TO-DATE AND SUBSEQUENT EVENT HIGHLIGHTS *(continued)*

CAPITAL TRANSACTIONS *(continued)*

In addition, at the AGM, an ordinary resolution of disinterested shareholders was passed approving the creation of a new control person arising from the conversion of convertible debentures (the "Convertible Debentures") held by Olymbec Investments Inc. ("Olymbec") into common shares of the Company. On February 7, 2023, the Company received a notice of conversion from Olymbec to convert $5,319,745 (principle and accrued interest to date) into 2,955,414 common shares of the Company. On February 9, 2023, the Company issued shares from treasury in relation to the conversion, following TSX Venture Exchange ("TSX-V") approval, thereby reducing overall long-term debt obligations of the Company by this amount.

On November 11, 2022, Cannara obtained the approval from the TSX-V for a normal course issuer bid (the "NCIB") to be transacted through the facilities of the TSX-V. Pursuant to the NCIB, Cannara may purchase up to 1,500,000 of its common shares, or approximately 1.5% of its float for cancellation over a 12-month period. Purchases will be made at prevailing market prices commencing December 3, 2022, and ending December 2, 2023. During the year of 2023, the Company purchased 397,694 common shares having an average book value of $388,951 for cash consideration of $374,485. The excess of the book value over the purchase price value of the shares of $14,466 was charged to deficit. All shares purchased were cancelled. In connection with the NCIB, the Company established a share purchase plan with its designated broker to facilitate the purchase of shares under the NCIB at times when the Company would ordinarily not be permitted to purchase its shares due to regulatory restrictions or self-imposed blackout periods.

Subsequent to year-end, the Company purchased 286,900 additional common shares having an average book value of $280,588 for cash consideration of $277,140. All shares purchased were cancelled.

During the second quarter of 2023, the Company obtained approval from shareholders during the AGM and from the TSX-V for the implementation of a Restricted Share Units ("RSU") plan. On February 9, 2023, the Company granted an aggregate of 789,183 RSUs to certain board members, subject to certain vesting conditions.

During fiscal year 2023, the Company granted a total of 750,000 stock options at an exercise price of $1.00 and 1,667,800 stock options at an exercise price of $1.80 to employees and 22,500 to board members at an exercise price of $1.80, subject to certain vesting conditions in accordance with the employee share option plan. In addition, a total of 50,000 stock options were exercised at a price of $1.00 per share for a total consideration of $50,000, resulting in the issuance of 50,000 new common shares of the Company.

Subsequent to year-end, the Company granted a total of 625,000 stock options at an exercise price of $1.20, 89,000 stock options at an exercise price of $1.80 and 715,000 RSUs to employees and board members, which are subject to certain vesting conditions in accordance with the Company's employee share option plan. The Company also extended the term of 55,000 stock options for two years.

SELECTED FINANCIAL INFORMATION

Selected Financial Highlights	Three-month periods ended August 31, 2023	Three-month periods ended August 31, 2022	Years ended August 31, 2023	Years ended August 31, 2022
Gross revenue[1]	$ 18,138,453	$ 11,894,302	$ 57,067,911	$ 35,482,601
Other income	140,160	52,810	494,891	515,157
	18,278,613	11,947,112	57,562,802	35,997,758
Gross profit, before fair value adjustments	6,894,634	4,759,816	21,069,539	14,144,868
%[2]	38%	40%	37%	39%
Gross profit	9,844,782	7,103,374	27,533,334	17,487,636
%[3]	54%	59%	48%	49%
Operating expenses	4,013,476	3,340,653	15,645,541	12,546,901
Operating income	5,831,306	3,762,721	11,887,793	4,940,735
%[4]	32%	31%	21%	14%
Net finance expense	1,199,427	1,209,277	4,942,375	2,635,316
Net income	4,631,879	2,553,444	6,945,418	2,305,419
%[5]	25%	21%	12%	6%
Adjusted EBITDA[5]	4,906,640	2,566,590	13,731,997	5,693,732
%[6]	27%	21%	24%	16%
Basic earning per share	$ 0.05	$ 0.03	$ 0.08	$ 0.03
Diluted earning per share	$ 0.05	$ 0.03	$ 0.08	$ 0.03

SELECTED FINANCIAL INFORMATION (*continued*)

	August 31, 2023	August 31, 2022
Cash	$ 4,270,517	$ 12,114,691
Accounts receivable	10,592,705	8,526,918
Biological assets	5,774,121	5,712,456
Inventory	27,997,589	13,266,987
Working capital[7]	30,513,009	29,127,599
Total assets	141,522,254	125,617,047
Total current liabilities	21,182,827	11,861,085
Total non-current liabilities	40,595,383	47,020,201
Net assets	79,744,044	66,735,761
Free cash flow[6]	11,550,569	5,404,306

[1] Gross revenue included revenue from sale of goods, net of excise taxes, services revenues and lease revenues.
[2] Gross profit before fair value adjustments % is determined as Gross profit before fair value adjustments divided by Total revenues.
[3] Gross profit % is determined as Gross profit divided by Total revenues.
[4] Net income % is determined as Net income divided by Total revenues.
[5] Operating income % is determined as Operating income divided by Total revenues.
[6] Adjusted EBITDA, working capital and free cash flow are non-GAAP financial performance measures with no standard definition under IFRS.
A reconciliation of these measures is presented in the MD&A.
Adjusted EBITDA % is a non-GAAP financial ratio and is determined as Adjusted EBITDA divided by total revenues.
[7] Working capital is determined as total current assets minus total current liabilities.

	Three-month periods ended		Years ended	
Adjusted EBITDA	August 31, 2023	August 31, 2022	August 31, 2023	August 31, 2022
Net income	$ 4,631,879	$ 2,553,444	$ 6,945,418	2,305,419
Adjustments:				
Changes in fair value of inventory sold	4,666,241	2,427,690	14,637,819	7,830,905
Unrealized gain on changes in fair value of biological assets	(7,616,389)	(4,771,248)	(21,101,614)	(11,173,673)
Amortization, including amortization in cost of good sold	890,248	980,816	3,808,749	3,345,288
Write-down of inventory to net realizable value	725,814	73,337	2,612,177	372,711
Loss on disposal of property, plant and equipment	69,841	8,227	133,088	47,813
Gain on sublease	-	-	-	(12,876)
Share-based compensation	339,579	85,047	1,753,985	342,829
Net finance expense	1,199,427	1,209,277	4,942,375	2,635,316
Adjusted EBITDA[1]	$ 4,906,640	$ 2,566,590	$ 13,731,997	$ 5,693,732
Free cash flow				
Cash from (used) in operating activities	$ 2,834,177	$ (3,157,570)	$ 5,436,903	$ (6,078,891)
Adjustment:				
Changes in non-cash operating working capital	(1,605,870)	(5,668,104)	(6,113,666)	(11,483,197)
Free cash flow[1]	$ 4,440,047	$ 2,510,534	$ 11,550,569	$ 5,404,306

[1] Adjusted EBITDA and free cash flow is a non-GAAP financial performance measure with no standard definition under IFRS.

Q4 2023 vs Q4 2022 Highlights

- Gross cannabis revenues before excise taxes increased to $23.8 million in Q4 2023 from $12.8 million in Q4 2022, an 86% increase from prior year. The increase is attributable to the increased production from its Valleyfield Facility in addition to continued growing demand for its products.
- Total revenues, net of excise tax, increased to $18.3 million in Q4 2023 from $12 million in Q4 2022, a 53% increase.
- Gross profit, before fair value adjustments, increased to $6.9 million in Q4 2023 from $4.8 million in Q4 2022, a 45% increase;
- Gross profit percentage before fair value adjustments in Q4 2023 was 38% compared to 40% in Q3 2022;
- Operating income increased to $5.8 million in Q4 2023 from $3.8 million in Q4 2022, a 55% increase, inline with increases in total revenues;
- Net income increased to $4.6 million in Q4 2023 from $2.6 million in Q4 2022, an 81% increase. Net income for Q4 2023 represented 25% of total revenues;
- Adjusted EBITDA increased by 91%, from $2.6 million in Q4 2022 to $4.9 million in Q4 2023;
- The Company generated positive operating cash flow amounting to $2.8 million in Q4 2023 compared to cash flow used of $3.2 million in Q4 2022;
- Free cash flow for Q4 2023 increased to $4.4 million from $2.5 million in Q4 2022, an 77% increase; and
- Generated an earnings per share of $0.05 in Q4 2023 compared to $0.03 in Q4 2022.

SELECTED FINANCIAL INFORMATION *(continued)*

Quarter over Quarter ("QoQ") Highlights – Q4 2023 vs Q3 2023

- Gross cannabis revenues before excise taxes increased by 16% QoQ, from $20.6 million in Q3 2023 to $23.8 million in Q4 2023 as a result of the Company's continued focus on market share growth in its main markets through product innovation;
- Total revenues, net of excise tax, increased by 15% QoQ, from $15.9 million in Q3 2023 to $18.3 million in Q4 2023;
- Gross profit, before fair value adjustments, increased by 13% QoQ, from $6.1 million to $6.9 million in Q4 2023;
- Gross profit percentage before fair value adjustments in Q4 2023 and Q3 2022 was 38%;
- Operating income increased to $5.8 million in Q4 2023 from $4.3 million in Q3 2023, a 35% increase as a result of increased revenues and cost efficiencies obtained from economies of scale as the Company continues to activate more growing zones at Valleyfield;
- Net income increased to $4.6 million in Q4 2023 from $2.9 million in Q3 2023, a 59% increase;
- Adjusted EBITDA increased by 26% QoQ, from $3.9 million in Q3 2023 to $4.9 million in Q4 2023;
- Cash flow from operating activities increased 12%, from $2.5 million in Q3 2023 to $2.8 million in Q4 2023; and
- Free cash flow increased 38% QoQ, as free cash flow for Q3 2023 was $4.4 million compared to $3.2 million in Q3 2023.

2023 YTD vs 2022 YTD Highlights

- Gross cannabis revenues before excise taxes increased to $71.4 million in 2023 YTD from $37 million in 2022 YTD, a 93% increase.
- Total revenues, net of excise tax, increased to $57.6 million in 2023 YTD from $36 million in 2022 YTD, a 60% increase;
- Gross profit, before fair value adjustments, increased to $21.1 million in 2023 YTD from $14.1 million in 2022 YTD, a 49% increase;
- Gross profit percentage before fair value adjustments in 2023 YTD was 48% and 49% in 2022 YTD;
- Operating income increased to $11.9 million in 2023 YTD, representing 21% of total revenues, from $4.9 million in 2022 YTD, a 13% increase;
- Net income increased to $7.0 million in 2023 YTD, representing 12% of total revenues, from $2.3 million in 2022 YTD, a 201% increase;
- Adjusted EBITDA increased by 141%, from $5.7 million in 2022 YTD to $13.7 million in 2023 YTD. Due to our economies of scale, the Company reduced its costs, resulting in an 8% increase in the Adjusted EBITDA as a percentage of total net revenues from 16% in 2022 YTD to 24% in 2023 YTD;
- The Company generated positive operating cash flow of $5.4 million in 2023 YTD compared to cash flow used of $6.1 million in 2022 YTD;
- Free cash flow for 2023 YTD increased by 114% to $11.6 million from $5.4 million in 2022 YTD. The increase is attributable to the success of the Company's products and strategy resulting in increased cannabis sales received compared to previous year; and
- Generated an earnings per share of $0.08 in 2023 YTD compared to $0.03 in 2022 YTD.

SELECTED SEGMENT RESULTS OF OPERATIONS

The Company operates in two segments: (1) Cannabis operations which encompasses the cultivation, processing and sale of dried cannabis and cannabis derivatives for the Canadian market and other cannabis services or accessories ("Cannabis operations") and (2) Real estate operations related to the Farnham Facility ("Real estate operations").

The chief operating decision-maker assesses performance based on segment operating results, which were defined as segment operating income (loss) before share-based compensation, amortization, net finance expense, gain on sublease on initial recognition, loss on disposal of property, plant and equipment and income tax. Categorized as "Other" are items related to U.S. hemp-based CBD product revenues and related operating costs.

SELECTED SEGMENT RESULTS OF OPERATIONS *(continued)*

Selected Segment Financial Highlights	Three-month period ended August 31, 2023				Three-month period ended August 31, 2022			
	Cannabis operations	Real estate operations	Other	Total	Cannabis operations	Real estate operations	Other	Total
Gross revenue[1]	$ 17,210,004	$ 928,449	$ -	$ 18,138,453	$ 11,074,482	$ 819,820	$ -	$ 11,894,302
Other income	140,160	-	-	140,160	52,810	-	-	52,810
	17,350,164	928,449	-	18,278,613	11,127,292	819,820	-	11,947,112
Gross profit, before fair value adjustments	6,033,319	861,315	-	6,894,634	4,021,512	738,304	-	4,759,816
%[2]	35%	93%	-	38%	36%	90%	-	40%
Gross profit	8,983,467	861,315	-	9,844,782	6,365,070	738,304	-	7,103,374
%[3]	52%	93%	-	54%	57%	90%	-	59%
Operating expenses	3,475,956	-	-	3,475,956	2,890,812	-	15,216	2,906,028
Segment operating income (loss)[4]	5,507,511	861,315	-	6,368,826	3,474,258	738,304	(15,216)	4,197,346
%[5]	32%	93%	-	35%	31%	90%	-	35%
Net finance expense	-	-	1,199,427	1,199,427	-	-	1,209,277	1,209,277
Other	-	-	537,520	537,520	-	-	434,625	434,625
Segment net income (loss)	5,507,511	861,315	(1,736,947)	4,631,879	3,474,258	738,304	(1,659,118)	2,553,444

Selected Segment Financial Highlights	Year ended August 31, 2023				Year ended August 31, 2022			
	Cannabis operations	Real estate operations	Other	Total	Cannabis operations	Real estate operations	Other	Total
Gross revenue[1]	$ 53,479,443	$ 3,588,468	$ -	$ 57,067,911	$ 32,091,805	$ 3,373,198	$ 17,598	$ 35,482,601
Other income	494,891	-	-	494,891	515,157	-	-	515,157
	53,974,334	3,588,468	-	57,562,802	32,606,962	3,373,198	17,598	35,997,758
Gross profit (loss), before fair value adjustments	17,845,427	3,224,112	-	21,069,539	11,148,293	3,065,275	(68,700)	14,144,868
%[2]	33%	90%	-	37%	34%	91%	-390%	39%
Gross profit (loss)	24,309,222	3,224,112	-	27,533,334	14,491,061	3,065,275	(68,700)	17,487,636
%[3]	45%	90%	-	48%	44%	91%	-390%	49%
Operating expenses	12,796,917	-	-	12,796,917	10,850,797	-	82,872	10,933,669
Segment operating income (loss)[4]	11,512,305	3,224,112	-	14,736,417	3,640,264	3,065,275	(151,572)	6,553,967
%[5]	21%	90%	-	26%	11%	91%	-861%	18%
Net finance expense	-	-	4,942,375	4,942,375	-	-	2,635,316	2,635,316
Other	-	-	2,848,624	2,848,624	-	-	1,613,232	1,613,232
Segment net income (loss)	11,512,305	3,224,112	(7,790,999)	6,945,418	3,640,264	3,065,275	(4,400,120)	2,305,419

[1] Gross revenue included revenue from sale of goods, net of excise taxes, services revenues and lease revenues.
[2] Gross profit (loss) before fair value adjustments % is determined as Gross profit (loss) before fair value adjustments divided by Total revenues.
[3] Gross profit (loss) % is determined as Gross profit (loss) divided by Total revenues.
[4] Segment operating income (loss) is determined as Segment operating income (loss) before non-cash and other items which are included in "Other" segment.
[5] Segment operating income (loss) % is determined as Segment operating income (loss) divided by Total revenues.

SELECTED SEGMENT RESULTS OF OPERATIONS *(continued)*

Cannabis operations

For the three and twelve-month periods ended August 31, 2023, the segment generated $17.4 million and $54.0 million in cannabis-related and cannabis accessories revenues, net of excise taxes, compared to $11.1 million and $32.6 million for the same period of the prior year, an increase of $6.3 million or 57% and $21.4 million or 66%. The main source of revenues is from the Canadian retail market, more particularly, Quebec, Ontario, Alberta and British Columbia. The increase in sales is attributable to the increased production at the Company's Valleyfield Facility and increasing demand for its products across the country. Periodically, the Company also utilizes its wholesale distribution network to generate additional revenues.

Highlights of 2023 are as follows:

- Activation of 3 more growing zone, increasing production capacity by 50% – 1 new growing zone was activated per quarter at the Valleyfield Facility for the first three quarters of 2023 – a total of 225,000 square feet of cultivation area is actively operating at the Valleyfield Facility, bringing the Company's total production capacity to approximately 30,500kg of cannabis per year in conjunction with the Farnham Facility;
- Increased employee and contracted worker headcount to 461 as at August 31, 2023 to support the growth of the business (338 as at August 31, 2022);
- Increased its total product portfolio of cannabis products from 23 SKUS at the end of fiscal 2022, to 97 SKUS at the end of fiscal 2023; representing an increase of over 320%.
- Units sold across 3 flagship brands increased by 20% QoQ, from Q1 2023 to Q2 2023 and from Q2 2023 to Q3 2023 and by 17% from Q3 2023 to Q4 2023.
- 1,202,000 units were sold during Q4 2023 across 3 flagship brands compared to 730,000 units sold during the same period of the prior year, a 65% increase and 1,032,000 units were sold in Q3 2023, a 17% QoQ growth in units sold;
- Units sold during Q4 2023 represent approximately 3,827kg in cannabis flower and 2,075kg of estimated equivalent of cannabis flower used for derivative products. This compares to 3,275 kg of cannabis flower and 1,577kg of estimated equivalent of cannabis flower for derivative products sold in Q3 2023 and to 2,530 kg of cannabis flower and 215kg of estimated equivalent of cannabis flower for derivative products sold in Q4 2022;
- 3.7 million units were sold across 3 flagship brands during the fiscal year of 2023 compared to 2 million units sold during 2022, an 85% increase;
- Units sold in fiscal 2023 represent approximately 11,942kg in cannabis flower and 4,810kg in the estimated equivalent of cannabis flower used for derivative products. This compares to 7,998kg of cannabis flower and 584kg of estimated equivalent of cannabis flower for derivative products sold in the same period of the prior year.

For the three and twelve-month periods ended August 31, 2023, the Company generated nil and $1.2 million as service revenues for cannabis manufacturing services rendered to another licensed producer, compared to $1.4 million and $3.6 million in the same periods of the prior year. At the beginning of the second quarter of 2023, the Company terminated the contract from which most service revenues were derived from, which explains the reduction in services revenues generated in the current year.

SELECTED SEGMENT RESULTS OF OPERATIONS *(continued)*

Cannabis operations *(continued)*

For the three and twelve-month periods ended August 31, 2023, the Company generated $0.1 million and $0.5 million as other income related to government incentives, various tax credits granted, and other ancillary revenue compared to $0.1 million and $0.5 million for same periods of the prior year.

For the three and twelve-month periods ended August 31, 2023, the Company incurred $11.3 million and $35.2 million in costs of goods sold, compared to $6.0 million and $18.6 million for the same periods of the prior year due to increased labor and operating costs to support increase in revenues. Q4 2023 cost of goods sold increased by $1.6 million or 16% compared to Q3 2023, which is aligned with the QoQ increase in net cannabis revenues of 16%.

For the three and twelve-month periods ended August 31, 2023, the Company incurred nil and $0.9 million in management services cost related to a manufacturing services agreement, compared to $1.2 million and $2.9 million for the same periods of the prior year. The Company terminated the contract which resulted in most of the management service costs at the beginning of the second quarter of 2023, which explains the decrease in management services cost in the current year.

The segment generated a gross profit before fair value adjustments of $6 million or 35% and $17.9 million or 33% for the three and twelve-month periods ended August 31, 2023, compared to $4 million or 36% and $11.2 million or 34% for the same periods of the prior year. Compared to Q3 2023, the gross profit before fair value adjustments increased by $0.7 million and gross profit percentage remained consistent at 35%.

Fair value adjustment on sale of inventory includes the fair value of biological assets in the value of inventory transferred to cost of goods sold. The change in fair value of inventory sold recognized during the three and twelve-month periods ended August 31, 2023, amounted to $4.7 million and $14.6 million compared to $2.4 million and $7.8 million for the same periods of the prior year. The increase in the fair value adjustment on sale of inventory is aligned with the increase in sales. Compared to Q3 2023, the fair value adjustment on sale of inventory in Q4 2023 was similar.

For the three and twelve-month periods ended August 31, 2023, the Company recognized an unrealized gain on changes in fair value of biological assets of $7.6 million and $21.1 million on the lots in the cultivation cycle that have not yet been harvested compared to $4.8 million and $11.2 million for the same periods of the prior year. Compared to Q3 2023, the unrealized gain on changes in fair value of biological assets in Q4 2023 increased by $1.1 million. The increase in fair value of biological assets is the result of the revision of the assumptions used to determine the fair value of the biological assets.

The segment generated $9 million or 52% and $24.3 million or 45% in gross profit for the three and twelve-month periods ended August 31, 2023, compared to $6.4 million or 57% and $14.5 million or 44% in the same periods of the prior year, representing a favorable increase of $2.6 million or 41% and $9.8 million or 68%. The increase is derived primarily from gross profit generated from its retail cannabis sales and unrealized gains in the fair value of biological assets as previously explained above. Compared to Q3 2023, gross profit percentage in Q4 2023 was similar.

For the three and twelve-month periods ended August 31, 2023, the segment incurred $3.5 million and $12.8 million in operating expenses compared to $2.9 million and $10.9 million in the same periods of the prior year resulting in an increase of $0.6 million or 21% and $1.9 million or 17%, respectively. For the three and twelve-month periods of 2023, the increase in operating expenses is mainly attributable to selling, marketing, and promotion expenses, which is aligned with the increase in revenues generated. Compared to Q3 2023, operating expenses in Q4 2023 were similar.

Overall, the segment generated operating income of $5.5 million for the fourth quarter of 2023 and $11.5 million for the year of 2023, compared to $3.5 million and $3.6 million in the same periods of the prior year, representing a favorable increase in operating income of $2 million and $7.9 million, due to the factors described above.

SELECTED SEGMENT RESULTS OF OPERATIONS *(continued)*

Real estate operations

As part of the Company's capital management strategy, the Company has leased out all unoccupied space in the Farnham Facility. As of August 31, 2023, the Company leased 414,114 square feet of the total 625,000 available square feet to two tenants.

For the three and twelve-month periods ended August 31, 2023, the Company generated lease revenues of $0.9 million and $3.6 million compared to $0.8 million and $3.4 million in the same periods of the prior year. The lease revenues for these periods in 2023 were similar to the same periods of the prior year. To realize these lease revenues during the three and twelve-month periods of 2023, the Company incurred $67,000 and $364,000 in lease operating costs compared to $82,000 and $308,000 in the same periods of the prior year. Compared to Q3 2023, the leases revenues remain consistent, and lease operating costs were lower by $28,000 mainly due to the variability of certain costs during the seasons.

For the three and twelve-month periods ended August 31, 2023, the segment generated operating income of $0.9 million and $3.2 million compared to $0.7 million and $3.1 million for the same periods of the prior year.

Other

For the three and twelve-month periods ended August 31, 2023, the segment incurred $1.2 million and $4.9 million in net finance expense, compared to $1.2 million and $2.6 million for the same periods of the prior year. The increase in net finance expense is explained by the interest incurred on the upsized term loan and credit facilities from $21.8 million to $50 million that occurred in Q4 2022, and other debt-related fees. Compared to Q3 2023, the net finance expense of Q4 2023 decreased by $0.2 million due to the repayment of capital and lower interest rates. For the three and twelve-month periods ended August 31, 2023, the segment incurred $0.5 million and $2.9 million in other expenses, compared to $0.4 million and $1.6 million. The increase in other expense is mainly explained by an increase in share-based compensation as the result of a higher value of stock options granted during the first quarter of 2023. Compared to Q2 2023, other expenses of Q3 2023 decreased by $0.2 million.

QUARTERLY FINANCIAL POSITION AND RESULTS

The following table sets forth, for the quarter indicated, information relating to the Company's consolidated financial position as well as total revenues, gross profit before fair value adjustments, operating income (loss), net income (loss) attributable to Shareholders of the Company, related basic and diluted income (loss) per share attributable to Shareholders of the Company, adjusted EBITDA, cash from (used) in operating activities and free cash flow for the eight completed fiscal quarters to date:

	August 31, 2023	May 31, 2023	February 28, 2023	November 30, 2022	August 31, 2022	May 31, 2022	February 28, 2022	November 30, 2021
Current assets	$ 51,695,836	$ 45,657,986	$ 40,820,665	$ 38,393,438	$ 40,988,684	$ 24,492,459	$ 22,655,663	$ 26,801,623
Non-current assets	89,826,418	89,716,638	88,326,738	87,032,849	84,628,363	82,336,646	79,035,367	75,338,952
Total assets	141,522,254	135,374,624	129,147,403	125,426,287	125,617,047	106,829,105	101,691,030	102,140,575
Current liabilities	21,182,827	18,522,090	15,227,812	11,262,823	11,861,085	11,489,526	7,910,429	8,100,090
Non-current liabilities	40,595,383	41,876,538	42,146,726	46,880,581	47,020,201	31,162,576	31,237,792	30,518,676
Total liabilities	61,778,210	60,398,628	57,374,538	58,143,404	58,881,286	42,652,102	39,148,221	38,618,766
Net assets	$ 79,744,044	$ 74,975,996	$ 71,772,865	$ 67,282,883	$ 66,735,761	$ 64,177,003	$ 62,542,809	$ 63,521,809

	August 31, 2023	May 31, 2023	February 28, 2023	November 30, 2022	August 31, 2022	May 31, 2022	February 28, 2022	November 30, 2021
Total revenues	$ 18,278,613	$ 15,936,828	$ 13,035,756	$ 10,311,605	$ 11,947,112	$ 10,063,716	$ 7,422,354	$ 6,564,576
Gross profit before fair value adjustments	6,894,634	6,120,878	4,030,629	4,023,398	4,759,816	3,735,420	2,635,607	3,014,025
%[1]	38%	38%	31%	39%	40%	37%	36%	46%
Gross profit	9,844,782	8,594,235	4,261,722	4,832,595	7,103,374	4,748,643	3,015,577	2,620,042
Operating income (loss)	5,831,306	4,282,277	631,335	1,142,875	3,762,721	1,534,086	(372,827)	16,755
Net income (loss) attributable to Shareholders of the Company	4,631,879	2,928,643	(618,055)	2,951	2,553,444	1,428,297	(1,145,823)	(530,499)
Basic and diluted income (loss) per share	$ 0.05	$ 0.03	$ (0.01)	$ -	$ 0.01	$ 0.01	$ (0.01)	$ (0.01)
Adjusted EBITDA[2]	4,906,640	3,887,634	3,220,890	1,716,833	2,566,590	1,914,175	219,755	993,212
%[3]	26%	24%	25%	17%	21%	19%	3%	15%
Cash provided by (used in) operating activities	2,834,177	2,533,823	383,991	(315,088)	(3,157,570)	(1,709,746)	(1,325,035)	113,460
Free cash flow[4]	4,440,047	3,223,423	1,889,561	1,997,538	2,510,534	1,485,633	233,620	1,174,519

1[2] Gross profit before fair value adjustments % is determined as Gross profit before fair value adjustments divided by Total revenues.
[2] Adjusted EBITDA is a non-GAAP financial performance measure with no standard definition under IFRS. A reconciliation of this amount for the applicable period is presented in the table below.
[3] Adjusted EBITDA % is determined as Adjusted EBITDA divided by Total revevnues.
[4] Free cash flow is a non-GAAP financial performance measure with no standard definition under IFRS and is defined as cash flow from operations excluding changes in non-cash operating working capital..

Factors Affecting the Variability of Quarterly Results

There are positive quarter-over-quarter variations in total revenues, operating income (loss), net results, cash flow from operations and free cash flow because of the ramp up of the Company's cannabis operations since sales began in February 2021. The Company acquired a second facility, the Valleyfield Facility, in June 2021 and invested significantly in the months that followed to redesign the growing zone and prepare for the start of its expanded cultivation activities. Higher expenses are associated with business growth and the development of Cannara's product pipeline. First revenues generated from the sale of harvested cannabis from the Valleyfield Facility occurred in the third quarter of 2022 and continues to this day. Other factors affecting the variability of quarterly results are changes in inventory levels and, from time to time, the average net selling price changes or inventory write-down to its realizable net value. There was a decrease in net sales, net results and free cash flow in the first quarter of 2023 compared to fourth quarter of 2022 as a results of temporary pre-roll manufacturing capacity challenges that impacted revenues. Since then, the Company continues to outperform quarter over quarter in term of revenues as a result of the scale in the production and expansion of its distribution network across Canada.

QUARTERLY FINANCIAL POSITION AND RESULTS (*continued*)

	Three-month periods ended							
	August 31, 2023	May 31, 2023	February 28, 2023	November 30, 2022	August 31, 2022	May 31, 2022	February 28, 2022	November 30, 2021
Adjusted EBITDA reconciliation								
Net income (loss)	$ 4,631,879	$ 2,928,643	$ (618,055)	$ 2,951	$ 2,553,444	$ 1,428,297	$ (1,145,823)	$ (530,499)
Adjustments:								
Changes in fair value of inventory sold	4,666,241	4,023,826	3,948,425	1,999,327	2,427,690	2,267,056	1,269,679	1,866,480
Unrealized gain on changes in fair value of biological assets	(7,616,389)	(6,497,183)	(4,179,518)	(2,808,524)	(4,771,248)	(3,280,279)	(1,649,649)	(1,472,497)
Amortization, including amortization in cost of good sold	890,248	1,187,620	972,614	758,267	980,816	1,142,886	629,027	592,559
Write-down of inventory to net realizable value	725,814	474,654	1,375,360	36,349	73,337	94,725	185,757	18,892
Loss on disposal of property, plant and equipment	69,841	-	37,267	25,980	8,227	8,480	6,444	24,662
Gain on sublease	-	-	-	-	-	-	-	(12,876)
Share-based compensation, including share-based compensation in cost of good sold	339,579	416,440	435,407	562,559	85,047	147,221	151,324	(40,763)
Net finance expense	1,199,427	1,353,634	1,249,390	1,139,924	1,209,277	105,789	772,996	547,254
Adjusted EBITDA[1]	$ 4,906,640	$ 3,887,634	$ 3,220,890	$ 1,716,833	$ 2,566,590	$ 1,914,175	$ 219,755	$ 993,212
Free cash flow reconciliation								
Cash provided by (used in) operating activities	$ 2,834,177	$ 2,533,823	$ 383,991	$ (315,088)	$ (3,157,570)	$ (1,709,746)	$ (1,325,035)	$ 113,460
Adjustment:								
Changes in non-cash operating working capital	(1,605,870)	(689,600)	(1,505,570)	(2,312,626)	(5,668,104)	(3,195,379)	(1,558,655)	(1,061,059)
Free cash flow[2]	$ 4,440,047	$ 3,223,423	$ 1,889,561	$ 1,997,538	$ 2,510,534	$ 1,485,633	$ 233,620	$ 1,174,519

[1] Adjusted EBITDA is a non-GAAP financial performance measure with no standard definition under IFRS. A reconciliation of this amount for the applicable period is presented in the table above.
[2] Free cash flow is a non-GAAP financial performance measure with no standard definition under IFRS and is defined as cash flow from operations excluding changes in non-cash operating working capital.

CASH FLOW ANALYSIS

	Three-month periods ended		Twelve-month periods ended	
	August 31, 2023	August 31, 2022	August 31, 2023	August 31, 2022
Cash provided by (used in) operating activities	$ 2,834,177	$ (3,157,570)	$ 5,436,903	$ (6,078,891)
Cash from (used in) financing activities	(973,296)	16,233,322	(3,719,049)	25,464,304
Cash used in investing activities	(1,618,336)	(4,759,084)	(9,477,610)	(15,345,089)

Operating activities

For the three and twelve-month periods of 2023, the Company generated positive operating cash flow of $2.8 million and $5.4 million, which is explained by increased net income and the timing of investing in biological assets and inventory and the collection of receivables from cannabis sales generated. The operations continue to grow to meet the high demand of the Company's products and to support its market share expansion to other provinces.

Financing activities

For the fourth quarter of 2023, cash flow used in financing activities was $1 million which was mainly attributable to the $1.5 million received from the credit facility allocated for investing activities offset by the reimbursement of capital on the term loan for $0.5 million and payment of related interests for $1.7 million. The Company also paid $30,000 in lease-related payments and $203,000 to purchase its own shares for cancellation under the NCIB.

For the year of 2023, cash flow used in financing activities was $3.7 million which was mainly attributable to the $3 million received from the credit facilities allocated for offset by the reimbursement of capital on the term loan for $2 million and payment of related interests for $4.1 million. The Company also paid $274,000 in lease-related payments, $375,000 to purchase its own shares for cancellation under the NCIB and received $50,000 for the exercise of stock options.

Investing activities

For the fourth quarter and year of 2023, cash used in investing activities was $1.6 million and $9.5 million which was mainly attributable to the activation of 3 additional growing zones and preparation of the next grow zone, construction of a butane extraction lab, construction of office and warehouse space at the Valleyfield Facility and initial costs related to the processing centre build out at the Valleyfield Facility in addition to capital expenditures incurred resulting from the expected increased post-harvest requirements. The Company also began construction of a new building at its Valleyfield site that will be used for cannabis transformation activities. Interest received relating to interest earned on cash balances held at a Canadian financial institution amounted to $48,000 and $213,000 for the three and twelve-month periods of 2023. There is no restriction on the Company's ability to use its cash for its operational needs while it earns interest on the unused balance.

LIQUIDITY AND CAPITAL RESOURCES

As of the date of this MD&A, the operations were financed primarily through cash generated from the sales of cannabis products, services revenues, recurrent leases revenues along with funds raised in equity financings secured in previous quarters, debt raised against immoveable assets and government grants to support the Company's cash flow. The Company's objectives when managing its liquidity, its capital resources and to meet its capital requirements is to generate sufficient cash to fund the Company's operations and working capital requirements.

The Company has a working capital of $30.5 million as at August 31, 2023 (August 31, 2022 - $29.1 million). The Company has been able to maintain its working capital compared to the prior year because of the increased sales of its cannabis products.

As at August 31, 2023, the Company's working capital was composed of:

- cash on hand of $4.3 million (August 31, 2022 - $12.1 million); and
- accounts receivable, lease receivable, biological assets, inventory and prepaid expenses and other assets of $47.4 million (August 31, 2022 - $28.9 million); less
- accounts payable and accrued liabilities, sales tax payable, deferred revenue, deferred lease revenue and deferred grant income of $15.2 million (August 31, 2022 - $9.7 million); and
- credit facility, current portion of long-term debt, current portion of the convertible debenture, lease liabilities and term loan of $6 million (August 31, 2022 - $2.2 million).

The Company may continue to have capital requirements more than its currently available resources. In the event the Company's plans or its assumptions change or prove inaccurate, or its capital resources in addition to projected cash flow, if any, prove to be insufficient to fund operations, the Company may be required to seek additional financing. The Company expects that its existing cash resources of $4.3 million as at August 31, 2023, along with its forecasted cashflows and undrawn credit facilities and term loan, will be able to fund its planned operating expenses for at least the next twelve months from August 31, 2023.

Financing

Type of loan	Interest Rate	Maturity		Balance as at August 31, 2023		Balance as at August 31, 2022
Revolving credit facility A(1)	8.9%	September 17, 2023	$	2,000,000	$	-
Revolving credit facility B(1)	8.9%	October 29, 2023		600,000		-
Revolving credit facility C(1)	8.8%	September 4, 2023		400,000		-
Term loan (1)	8.9%	May 31, 2025 (2)		36,854,235		38,562,521
Convertible debenture A (2)	4%	January 31, 2025		5,753,133		5,124,548
Convertible debenture B	4%	July 12, 2024		-		4,465,595

(1) The credit facilities term is 60 days and can be renewed at the end of the period. The base term of the term loan is 3 years ending May 31, 2025. The credit facilities and the term loan bear a variable interest rate based on prime and/or banker acceptance rates plus an acceptable margin. As at August 31, 2023, the average interest rate was 8.9% on the credit facilities and 8.9% on the term loan. The Company has to respect financial covenants including (a) maintaining a certain liquidity coverage at all the times, and, starting on September 2023, to maintain (b) a fixed charge coverage ratio equal to or more than 1.25 to 1.0, (c) a funded debt to EBITDA ratio equal to or less than 3.0 to 1.0 at each quarter-end; and (d) a minimum EBITDA of $4 million for the fiscal quarter ending August 31, 2023 and thereafter. The Company was in compliance with the covenants as at August 31, 2023.

(2) On August 31, 2023, the Company modified the term of the $5,700,000 convertible debenture from June 21, 2024 to January 31, 2025 with the increased interest rate from 4% to 9.25% per annum between June 2024 to January 2025.

LIQUIDITY AND CAPITAL RESOURCES *(continued)*

Other contractual obligations

	Carrying amount	Less than one year	One to five years	Thereafter	Total contractual amount
Accounts payable and accrued liabilities	$ 13,926,096	$ 13,926,096	$ -	$ -	$ 13,926,096
Revolving credit facilities	3,000,000	3,000,000	-	-	3,000,000
Lease liabilities (2)	176,020	87,157	101,842	-	188,999
Convertible debenture	5,753,133	1,000,000	5,217,870	-	6,217,870
Term loan (1)	36,854,235	1,965,961	35,387,301	-	37,353,262

(1) The contractual obligations relating to the term loan has been presented based on the contractual repayment term of 3 years.

(2) The Company is committed to future minimum annual lease, convertible debentures payments and debt payments with respect to a car lease and several production equipment. These figures are undiscounted future payments.

OFF-BALANCE SHEET ARRANGEMENTS

At the date of this MD&A, the Company had no material off-balance sheet arrangements that have, or are reasonably likely to have, a current or future effect on the financial performance or financial condition of the Company, other than a letter of credit of $5.7 million that was issued to cover certain deposit requirements with a provincial supplier. The letter of credit is expected to gradually reduce as the Company consumes electricity at its Valleyfield Facility.

TRANSACTIONS AND BALANCES WITH RELATED PARTIES

Related parties include entities related by virtue of key management personnel and directors exercising significant influence or control over the entities' financial and operating policies.

Financing with a related party

For the three and twelve-month periods of 2023, the Company recognized $0.2 million and $0.7 million as interest expense on the convertible debentures and debt financing guarantee fees while in the same periods of the prior year, the Company incurred $0.2 million and $1 million as interest expense on the mortgage, the convertible debentures, the letter of credit and debt financing guarantee fees. The Company also incurred $5,000 in other expense and $17,000 in capital expenditures during the year 2023, compared to $40,000 in capital expenditure during the same period of the prior year. As at August 31, 2023, accrued interest of $0.5 million on the $5.7 million convertible debenture was included in the carrying amount of the convertible debenture (as at August 31, 2022 – accrued interest of $0.5 million on the $10.7 million was included in the carrying amount of the convertible debentures) and accrued fees on the debt financing guarantee fees amounted to $0.3 million that were included in accounts payable and accrued liabilities (as at August 31, 2022 - $0.4 million).

These transactions are considered related to the Company as the shareholder of the related party is also a director on the Company's Board of Directors.

Key management personnel compensation

For the three and twelve-month periods of 2023, salaries and benefits incurred for key management personnel amounted to $210,000 and $840,000 (2022 - $204,000 and $526,000); share-based compensation attributable to key management and directors was $291,000 and $1,566,000 (2022 - $45,000 and $190,000) and director fees were $17,500 and $70,000 (2022 - $17,500 and $70,000). As at August 31, 2023, the Company owed $66,000 (August 31, 2022 - $53,000) to key management personnel and $15,000 (August 31, 2022 – $15,000) to directors for accrued salaries and vacation expenses.

Related party transactions have been recorded at the exchange amount, which is the amount agreed to and established by the related parties.

FINANCIAL INSTRUMENTS RISK MANAGEMENT

The Company is exposed in varying degrees to a variety of financial instruments related to risks. The Board approves and monitors the risk management processes:

Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations and arises principally from the Company's cash balances, lease receivables from customers and deposits.

Cash balances in an asset position exposes the Company to credit risk arising from the potential default by counterparties that carry the Company's cash balances or agree to deliver currencies. The Company attempts to mitigate this risk by dealing only with large financial institutions with good credit ratings. The financial institution providing the Company's credit facility meet these qualifications.

The carrying amount of the accounts receivable is presented net of an allowance for expected credit losses, estimated by the Company's management based, in part, on the age of the specific receivable balance and the current and expected collection trends.

As at August 31, 2023, a marginal number of the receivables were past due. The allowance for expected credit loss was minimal as at August 31, 2023. The Company's maximum credit exposure corresponds to the carrying amount of these financial assets.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its obligations as they become due or can only do so at an excessive cost. The Company manages this risk by reviewing its capital requirements on an ongoing basis by maintaining cash flow forecasts and long-term operating and strategic plans.

As at August 31, 2023, the Company had current assets of $51.9 million and current liabilities of $21.2 million, for a working capital balance of $30.5 million. The Company expects that its existing cash resources of $4.3 million as at August 31, 2023, along with its forecasted cashflows, undrawn credit facilities and term loan, will be able to fund its planned operating expenses for at least the next twelve months from August 31, 2023.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Company does not use derivative financial instruments to reduce its interest rate exposure as management does not believe the Company's exposure is significant.

Concentration risk

The Company has a significant concentration of its revenues generated from customers that, if eliminated, would have a significant impact on the Company's operations. For the year of 2023, the Company has generated 90% of its cannabis revenues from two provincial distributors.

CRITICAL ACCOUNTING ESTIMATES

Estimates and judgments are continually evaluated and are based on experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The preparation of these consolidated financial statements in conformity with IFRS requires the use of certain critical accounting estimates, judgments, and assumptions. The carrying amounts of assets, liabilities, and other financial obligations, as well as the determination of fair values and reported income and expense in these consolidated financial statements, depend on the use of estimates and judgments. IFRS also requires management to exercise judgment in the process of choosing and applying the Company's accounting policies.

These estimates and judgments are based on the circumstances and estimates at the date of the condensed interim consolidated financial statements and affect the reported amounts of income and expenses during the reporting period.

Given the uncertainty regarding the determination of these factors, actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected. Significant items impacted by such estimates and judgments are outlined below.

Disclosure of the Company's critical accounting estimates and assumptions is presented in note 3 of the consolidated financial statements for the year ended August 31, 2023.

Critical accounting judgments and assumptions

Valuation of Biological Assets and Inventory

Biological assets, consisting solely of plants, are measured at fair value less costs to sell, up to the point of harvest. Determination of the fair values of the biological assets requires the Company to make several estimates, including estimating sales price, cost to complete and cost to sell, the stage of completion in the production process, expected plant loss and expected yield per cannabis plant. As the valuation of biological assets becomes the basis for the cost of inventory after harvest, this is also a significant estimate for the valuation of inventory.

Deferred income tax assets

The Company recognizes deferred income tax assets to the extent that it is probable that there will be sufficient estimated future taxable profits and/or taxable temporary differences against which the tax losses can be utilised. The generation of future taxable income is dependent on the ability of management to achieve and sustain profitable operations by, among other means, increasing revenues and growing the products portfolio. Considering the early stage of the Company's profitability, management has determined that it is not "probable" that the benefits of the deferred tax assets will be recovered, and therefore has not recognized its deferred tax assets for accounting purposes.

RISK FACTORS

This section discusses factors relating to the business of the Company that should be considered by both existing and potential investors. The information in this section is intended to serve as an overview and should not be considered comprehensive and the Company may face risks and uncertainties not discussed in this section, or not currently known to us, or that we deem to be immaterial. All risks to the Company's business have the potential to influence its operations in a materially adverse manner.

It is believed that there are numerous factors that could cause actual results to be different from expected and historical results. The markets in which the Company currently competes are very competitive and change rapidly. New risks may emerge, and management may not be able to predict all of them or be able to predict how they may cause actual results to be different from those contained in any forward-looking statements. If any of these risks occur, the Company's business may be harmed, and results of operations and financial condition may suffer.

RISK FACTORS *(continued)*

Reliance on License

Our License is subject to ongoing compliance and reporting requirements. Failure to comply with the requirements and terms of the License or any failure to maintain the License or any failure to renew the License after its expiry date, would have a material adverse impact on the business, financial condition, and operating results of the Company. The Company intends to diligently follow all requirements and terms of its License as to mitigate this risk. However, there can be no assurance that Health Canada will issue, amend, extend, or renew the License or, if extended or renewed, that it will be extended or renewed on the same or similar terms. Should Health Canada not issue, amend, extend, or renew the License, the business, financial condition, and operating results of the Company would be materially adversely affected.

Costs Associated with Numerous Laws and Regulations

The manufacturing, labeling and distribution of the Company products is regulated by various federal, provincial, and local agencies. These governmental authorities may commence regulatory or legal proceedings, which could restrict the permissible scope of the Company's product claims or the ability to sell products in the future.

Health Canada regulates the Company's products to ensure that the products are not adulterated or misbranded. The Company's advertising is subject to regulation by Health Canada. Any actions against the Company by governmental authorities or private litigants could have a material adverse effect on the Company's business, financial condition, and results of operations. Failure to comply with Health Canada requirements may result in, among other things, injunctions, product withdrawals, recalls, product seizures, license revocation, fines, and criminal prosecutions.

Change in Laws, Regulations and Guidelines Pertaining to The Cannabis Act

The Company's business will be subject to particular laws, regulations, and guidelines as the cultivation, processing and sale of cannabis is a highly regulated field, and although the Company intends to comply with all laws and regulations, there is no guarantee that the governing laws and regulations will not change and will be outside of the Company's control.

Uninsured or Uninsurable Risk

The Company may become subject to liability for risks against which it cannot insure or against which the Company may elect not to insure due to the high cost of insurance premiums or other factors. The payment of any such liabilities would reduce the funds available for the Company's usual business activities. Payment of liabilities for which the Company does not carry insurance may have a material adverse effect on the Company's financial position and operations.

Regulatory Risks

The activities of the Company are subject to regulation by governmental authorities, particularly Health Canada. Achievement of the Company's business objectives are contingent, in part, upon compliance with regulatory requirements enacted by these governmental authorities and maintaining all regulatory approvals, where necessary. Any failure to comply with regulations could have a material adverse effect on the Company's business, results of operations and financial condition.

Key Personnel

The Company's success will depend on its directors' and officers' ability to develop the Company business and manage its operations, and on the Company's ability to attract and retain key quality assurance, scientific, sales, public relations and marketing staff or consultants. The loss of any key person or the inability to find and retain new key persons could have a material adverse effect on the Company's business. Competition for qualified technical, sales and marketing staff, as well as officers and directors can be intense and no assurance can be provided that the Company will be able to attract or retain key personnel in the future, which may adversely impact the Company's operations.

RISK FACTORS *(continued)*

Liquidity and Future Financing

As of August 31, 2023, the Company is in its third year of its commercial operations and is still ramping up its operations and production at its second Facility in Valleyfield. There can be no assurance that consumer demand for the products on in the long term will be as anticipated, or that the Company will generate profit consistently. The Company will be subject to all the business risks and uncertainties associated with any early-stage enterprise, including under-capitalization and the risks that it will be unable to successfully establish a large market share for its products, achieve its growth objectives, and/or continue to generate profits.

The Company, if its strategy is successful, expects to open more growing zones at its Valleyfield Facility during the next fiscal years to support its expansion plan to increase market share in current markets and expand to other Canadian provinces. To achieve its objectives, the Company may require additional financing in order to fund future operations and expansion plans. The Company's ability to secure any required financing to sustain its operations will depend in part upon prevailing capital market conditions, as well as the Company's business success.

There can be no assurance that the Company will be successful in its efforts to secure any additional financing or additional financing on terms satisfactory to the Company's management. If additional financing is raised by issuing Company shares, control may change, and shareholders may suffer additional dilution. If adequate funds are not available, or are not available on acceptable terms, the Company may be required to scale back its business plan or cease operating.

The Company has not paid dividends in the past and does not anticipate paying dividends in the near future. The Company expects to retain its earnings to finance further growth and, when appropriate, retire debt.

Conflicts of Interest

Certain of the Company's directors and officers are also directors and operators of other companies. Situations may arise in connection with potential acquisitions or opportunities where the other interests of these directors and officers' conflict with or diverge from the Company interests. In accordance with the CBCA, directors who have a material interest in any person who is a party to a material contract, or a proposed material contract is required, subject to certain exceptions, to disclose that interest and generally abstain from voting on any resolution to approve the contract. In addition, the directors and the officers are required to act honestly and in good faith with a view to its best interests. However, in conflict-of-interest situations, the Company's directors and officers may owe the same duty to another company and will need to balance their competing interests with their duties to the Company. Circumstances (including with respect to future corporate opportunities) may arise that may be resolved in a manner that is unfavorable to the Company.

Litigation Risk

In the normal course of business, the Company may be involved in various legal proceedings, the outcomes of which cannot be determined, or outflow of economic benefit may be material. The Company could also be liable for negligent, fraudulent, or illegal activity by its employees, contractors and consultants resulting in significant financial losses or claims against the Company. As of August 31, 2023, the Company believes that the resolution of these proceedings will not have a material favourable or unfavourable effect on its consolidated statement of financial position or financial performance.

Intellectual Property

The success of the Company's business depends in part on its ability to protect its ideas and technology. The Company has filed provisional patents and several trademark applications. There is no guarantee that said patent applications will be granted. Even if the Company is successful in securing patents and trademark registrations to protect its intellectual property, it is not assured that competitors will not develop similar technology, business methods or that the Company will be able to exercise its legal rights. Other countries may not protect intellectual property rights to the same standards as Canada. Actions taken to protect or preserve intellectual property rights may require significant financial and other resources such that said actions have a meaningfully impact on our ability to successfully grow our business.

RISK FACTORS *(continued)*

Competition

The market for the Company's product is sizeable and Health Canada has issued a limited number of licenses to produce and sell cannabis in Quebec, while there are much more licensed producers in the rest of Canada. The Company views operating in Quebec as a competitive advantage, however the Company still expects significant competition from other companies.

Should the size of the medical and recreational cannabis market increase as projected, the demand for product will increase as well, and for the Company to be competitive, it will need to invest significantly in research and development, marketing, production expansion, new client identification, and client support. If the Company is not successful in achieving sufficient resources to invest in these areas, the Company's ability to compete in the market may be adversely affected, which could materially and adversely affect the Company's business, its financial condition, and operations.

IT and Security Risk

The Company is reliant on information technology systems and may be subject to damaging cyber-attacks and may be subject to breaches of security, or in respect of electronic documents and data storage, and may face risks related to theft and breaches of applicable privacy laws. The Company has developed proper protocols, backups, and a disaster recovery plan to limit the exposure to these risks and has purchased the relevant cyber insurance policies to reduce potential financial damages.

Agricultural and Cannabis Operations

Since the Company's business will revolve mainly around the growth of cannabis, an agricultural product, the risks inherent with agricultural businesses will apply. Such risks may include disease and infestation, among others. The Company believes its Farnham pharmaceutical grade facility which deploys a 100% climate-controlled environment and is a fully monitored location with artificial grow lights, will minimize the risks as compared to cultivation in an outdoor environment, however, there is no guarantee that we can avoid the risks associated with agricultural products. The Valleyfield Facility was also redesigned following its acquisition to recreate indoor growing conditions, with full control of the climate environment. Further, any rise in energy costs may have a material adverse effect on the Company's ability to produce cannabis with favorable margins. In addition, should the Company be unable to grow a quality product demanded by the consumers, this could have a material impact on the Company's revenues and average price per gram.

Third-party Transportation Disruptions

As a business revolving mainly around the growth of an agricultural product, the ability to obtain cost-effective and efficient transport services will be essential to the prolonged operations of the Company's business. Should such third-party transportation become unavailable for prolonged periods of time, there may be a material adverse effect on the Company's business, financial situation, and operations.

Commodity Price Risks

Cannabis is a developing market and likely subject to volatile and possibly declining prices year over year because of increased competition. Because the cannabis markets are part of a recent commercialized and regulated industry in Canada, historical price data is either not available or not predictive of future price levels. There may be downward pressure on the average price for cannabis products sold, and the Company has arranged its proposed business accordingly. However, there can be no assurance that price volatility will be favorable to the Company or in line with expectations. Pricing will depend on general factors including, but not limited to, the number of Licences granted by Health Canada, the volume and quality of cannabis and cannabis products that Licence Holders are able to generate. An adverse change in cannabis prices, or in investors' beliefs about trends in those prices, could have a material adverse outcome on the Company and its securities.

RISK FACTORS *(continued)*

Fluctuating Prices of Raw Materials

The Company revenues are expected to be in large part derived from the production, sale, and distribution of cannabis products. The price of production, sale and distribution of cannabis and industrial hemp may fluctuate widely and is affected by numerous factors beyond the Company's control including international, economic and political trends, expectations of inflation, currency exchange fluctuations, interest rates, global or regional consumptive patterns, speculative activities, agricultural risk, increased production due to new licenses being granted, outdoor cultivation, and improved production and distribution methods. The effect of these factors on the price of product produced by the Company and, therefore, the economic viability of any of the Company's business, cannot accurately be predicted.

Environmental and Employee Health and Safety Regulations

The Company's operations are subject to environmental and safety laws and regulations concerning, among other things, emissions and discharges to water, air and land, the handling and disposal of hazardous and non-hazardous materials and wastes, and employee health and safety. The Company will incur ongoing costs and obligations related to compliance with environmental and employee health and safety matters. Failure to comply with environmental and safety laws and regulations may result in additional costs for corrective measures, penalties or in restrictions on cultivation, processing, and production operations.

In addition, changes in environmental, employee health and safety or other laws, more vigorous enforcement thereof or other unanticipated events could require extensive changes to the Company's operations or give rise to material liabilities, which could have a material adverse effect on the business, results of operations and financial condition of the Company.

Unfavorable Publicity or Consumer Perception

The success of the cannabis industry may be significantly influenced by the public's perception of medical and recreational cannabis. Cannabis is a controversial topic, and there is no guarantee that future scientific research, publicity, regulations, medical opinion, and public opinion relating to cannabis will be favorable. The cannabis industry is at an early stage that is constantly evolving with no guarantee of viability. The market for cannabis is uncertain, and any adverse or negative publicity, scientific research, limiting regulations, medical opinion and public opinion relating to the consumption of cannabis may have a material adverse effect on our operational results, consumer base and financial results.

Significant Ownership Interest of Management, Directors and Employees

The Company's management, directors, co-founders, and employees own a substantial number of the outstanding common shares. As a group, these individuals could exercise substantial control or influence over matters requiring shareholder approval, such as election of directors, approval of transactions, determination of significant corporate actions and changes to share structure. In addition, these shareholders could delay or prevent a change in control of the Company that could otherwise be beneficial to the Company's shareholders. Until further rounds of financing are completed, other shareholders may be limited in their ability to exercise control over important corporate decisions.

Speculative Nature of Investment

An investment in the Company's common shares carries a high degree of risk and should be considered as a speculative investment by purchasers. The Company has a limited history of earnings and operating history and operates in a relatively new industry. The Company has not paid dividends and is unlikely to pay dividends in the near future until its business is established.

Global Economy Risk

The Company is subject to external liquidity risks in meeting its development and future operating cost requirements in instances where cash positions are unable to be maintained or appropriate financing is unavailable. These factors may impact the Company's ability to raise future equity or obtain loans and other credit facilities in the future and on terms favorable to the Company and its management. If uncertain market conditions persist, the Company's ability to raise capital could be jeopardized, which could have an adverse impact on the Company's operations.

RISK FACTORS *(continued)*

Political and Economic Instability

The Company may be affected by possible political or economic instability. The risks include, but are not limited to, war, terrorism, military repression, extreme fluctuations in currency exchange rates and high rates of inflation. Changes in medicine and agriculture development or investment policies or shifts in political attitude in certain countries may adversely affect the Company's business. Operations may be affected in varying degrees by government regulations with respect to restrictions on production, distribution, price controls, export controls, income taxes, expropriation of property, maintenance of assets, environmental legislation, land use, land claims of local people and water use. The effect of these factors cannot be accurately predicted.

SIGNIFICANT ACCOUNTING POLICIES

The financial information presented in this MD&A has been prepared in accordance with IFRS Accounting Standards. Our significant accounting policies are set out in note 3 of the audited consolidated financial statements for the year ended August 31, 2023.

SUMMARY OF OUTSTANDING SHARE DATA

Summary of Outstanding Share Data as of December 7, 2023:

Authorized:	Unlimited number of voting and participating common shares without par value.
Issued and outstanding:	90,018,952 common shares
	4,542,800 stock options
	1,504,183 RSUs
	3,166,667 contingently issuable common shares upon conversion of convertible debentures

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