



## Annual Information Form

For the fiscal year ended August 31, 2024

**November 25, 2024**



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## GENERAL MATTERS

This annual information form (this “**AIF**”) for the fiscal year ended August 31, 2024, is dated November 25, 2024, and, unless specifically stated otherwise, all information disclosed in this AIF is provided as of the date of this AIF. For an explanation of the capitalized terms and expressions and certain defined terms, please refer to the “Glossary of Terms” at the end of this AIF.

In this AIF, where the context so requires, references to the “**Company**”, “**Cannara**”, “**we**”, “**us**”, “**our**” or similar expressions refer to Cannara Biotech Inc. together with our subsidiaries, on a consolidated basis. We present our financial statements in Canadian dollars. In this AIF, all dollar amounts are expressed in Canadian dollars unless otherwise indicated. The Company’s and of all of its subsidiaries’ functional currency is the Canadian dollar. Accordingly, all references to “\$” or “dollars” are to Canadian dollars, and all references to “US \$” are to U.S. dollars. Certain totals, subtotals and percentages throughout this AIF may not reconcile due to rounding.

## FORWARD-LOOKING STATEMENTS

This AIF contains “forward-looking statements” and “forward-looking information” (collectively, “forward-looking statements”) within the meaning of applicable securities legislation. Forward-looking statements may relate to our future financial outlook and anticipated events or results and may include information regarding our financial position, business operations, business strategy, growth strategies, budgets, operations, financial results, taxes, dividend policy, plans and objectives. In certain cases, forward-looking statements that are predictive in nature, depend upon or refer to future events or conditions, and/or can be identified by the use of words such as “expect”, “continue”, “anticipate”, “intend”, “aim”, “plan”, “believe”, “budget”, “estimate”, “forecast”, “foresee”, “close to”, “target” or negative versions thereof and similar expressions, and/or state that certain actions, events or results “may”, “could”, “would”, “might” or “will” be taken, occur or be achieved. In addition, any statements that refer to expectations, intentions, projections or other characterizations of future events or circumstances contain forward-looking statements. Statements containing forward-looking statements are not historical facts but instead represent management’s expectations, estimates and projections regarding future events or circumstances.

Discussions containing forward-looking statements may be found, among other places, under “Business and Industry”, “Dividend Policy” and “Risk Factors”.

The forward-looking statements in this AIF include, among other things, statements relating 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.

Forward-looking information is based upon a number of assumptions and is subject to a number of risks and uncertainties, many of which are beyond our control, which could cause actual results to differ materially from those that are disclosed in, or implied by, such forward-looking information. These risks and uncertainties include, but are not limited to, the following risk factors which are discussed in greater detail in this document: compliance with laws, reliance on licenses, costs associated with numerous laws and regulations, change in laws, regulations, and guidelines, competition, competition from the illicit market, risks related to Canadian excise duty framework, insurance and uninsured or uninsurable risk, key personnel, labour costs, labour shortages, and labour relations, liquidity and future financing, conflicts of interest, litigation risk, intellectual property, IT and security risk, agricultural and cannabis operations, third-party transportation disruptions, commodity price risks, fluctuating prices of raw materials, environmental and employee health and safety regulations, restrictions on promotion and marketing, unfavorable publicity or consumer perception, significant ownership interest of management, directors, and employees,



speculative nature of investment, global economy risk, risks related to the ownership of the common shares, forward-looking statements and risks, volatility of common shares market price, non-payment of dividends, unlimited issuance of common shares without shareholder approval, future sales of common shares, fluctuations in operating results, lack of research analyst coverage, limited control by shareholders over operations and internal controls over financial reporting.

This is not an exhaustive list of risks that may affect the Company's forward-looking statements. Other risks not presently known to the Company or that the Company believes are not significant could also cause actual results to differ materially from those expressed in its forward-looking statements. Although the forward-looking information contained herein is based upon what we believe are reasonable assumptions, readers are cautioned against placing undue reliance on this information since actual results may vary from the forward-looking information. Certain assumptions were made in preparing the forward-looking information concerning the availability of capital resources, business performance, market conditions, as well as customer demand.

Although we have attempted to identify important risk factors that could cause actual results to differ materially from those contained in forward-looking statements, there may be other risk factors not presently known to us or that we presently believe are not material that could also cause actual results or future events to differ materially from those expressed in such forward-looking statements. There can be no assurance that such information will prove to be accurate, as actual results and future events could differ materially from those anticipated in such information. Accordingly, readers should not place undue reliance on forward-looking statements, which speak only as of the date made. The forward-looking statements contained in this AIF represent our expectations as of the date of this AIF (or as the date otherwise stated to be made) and are subject to change after such date. However, we disclaim any undertaking to update or revise any forward-looking statements whether as a result of new information, future events or otherwise, except as required under applicable securities laws in Canada.

## MARKET AND INDUSTRY DATA

Market and industry data presented throughout this AIF was obtained from third-party sources, websites and other publicly available information, as well as industry and other data prepared by us or on our behalf on the basis of our knowledge of the markets in which we operate. We believe that the market and economic data presented throughout this AIF is accurate and, with respect to data prepared by us or on our behalf, that our opinions, estimates and assumptions are currently appropriate and reasonable, but there can be no assurance as to the accuracy or completeness thereof and we do not make any representation to that effect. Actual outcomes may vary materially from those forecast in such reports or publications, and the prospect for material variation can be expected to increase as the length of the forecast period increases. Although we believe it to be reliable, we have not independently verified any of the data from third-party sources referred to in this AIF, analyzed or verified the underlying studies or surveys relied upon or referred to by such sources, or ascertained the underlying market, economic and other assumptions relied upon by such sources. Market and economic data are subject to variations and cannot be verified due to limits on the availability and reliability of data inputs, the voluntary nature of the data gathering process and other limitations and uncertainties inherent in any statistical survey.

## TRADEMARKS AND TRADENAMES

This AIF includes certain trademarks we own or have the right to use, including Cannara, Tribal, Nugz and Orchid CBD in jurisdictions that include Canada and the United States, which are protected under applicable intellectual property laws and are our property. Solely for convenience, our trademarks and trade names referred to in this AIF may appear without the ® or TM symbol, but such references are not intended to indicate, in any way, that we will not assert, to the fullest extent under applicable law, our rights to these trademarks and trade names.



## CORPORATE STRUCTURE

### The Company

The Company was incorporated under the Business Corporations Act (British Columbia) (the “**BCBCA**”) on October 19, 2017, as Dunbar Capital Corp. (“**Dunbar**”). On October 19, 2018, Dunbar filed articles of amendment under the BCBCA to change its name to “Cannara Biotech Inc.” On December 31, 2018, the Company completed its business combination with Cannara Ops (as defined herein) (the “**Business Combination**”). See *Corporate Structure - Cannara Ops* for additional details regarding the Business Combination.

The Company’s authorized share capital consists of an unlimited number of common shares without par value and without special rights or restrictions attached (“**Common Shares**”).

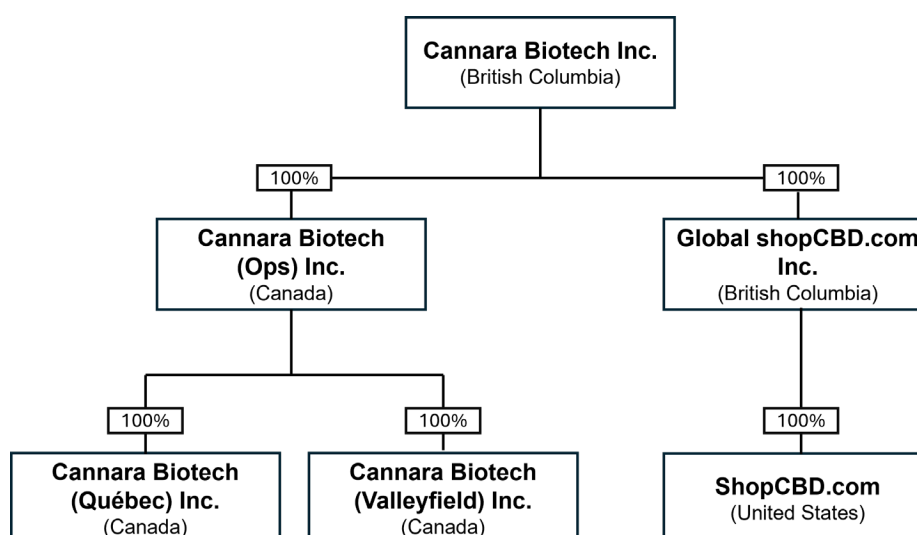
On January 14, 2019, the Common Shares were listed on the Canadian Stock Exchange (“**CSE**”) and began trading under the symbol “LOVE”. On April 8, 2021, the Common Shares were delisted from the CSE and began trading on the TSX Venture Exchange (the “**TSXV**”).

On February 13, 2023, the Company filed articles of amendment under the BCBCA to consolidate the issued and outstanding Common Shares on a ten-to-one basis (the “**2023 Share Consolidation**”). See *General Development Of The Business – Fiscal 2023*.

A copy of our articles of incorporation is available on SEDAR+ at [www.sedarplus.ca](http://www.sedarplus.ca), under our profile. The Company’s head office and registered and records office is located at 333 Décarie Blvd., Suite 200, Montréal, Québec H4N 3M9 and its registered and records office is located at 1055 West Georgia Street, 1500 Royal Centre, Vancouver, British Columbia, V6E4N7.

### Intercorporate Relationships

As of the date of this AIF, the Company has five wholly owned subsidiaries: Cannara Biotech (Ops) Inc. (“**Cannara Ops**”), Cannara Biotech (Québec) Inc. (“**Cannara Québec**”), Cannara Biotech (Valleyfield) Inc. (“**Cannara Valleyfield**”), Global shopCBD.com Inc. (“**Global**”) and ShopCBD.com. The activities of the Company are conducted either directly or through its subsidiaries.





The chart above illustrates the subsidiaries of the Company as at the date of this AIF, as well as their jurisdiction of organization.

### **Cannara Ops**

Cannara Ops was incorporated on February 21, 2018, under the *Canada Business Corporations Act* (the “CBCA”) as “Cannara Biotech Inc.” On December 31, 2018, Cannara Ops completed its business combination with the Company. Upon completion of this transaction, the Company issued a total of 476,667,330 Common Shares to the shareholders of Cannara Ops and, as a result, the security holders of Cannara Ops became the majority shareholders of the combined entity. In addition, each shareholder of Cannara Ops received one Common Share of the Company in exchange for each Cannara Ops share. The Company also assumed warrants of Cannara Ops for the purchase of up to 15,988,710 Cannara Ops common shares and options of Cannara Ops for the purchase of up to 15,777,779 Cannara Ops common shares. Cannara Ops was continued as the wholly-owned operating subsidiary of the Company following completion of the Business Combination. On January 16, 2019, Cannara Ops officially changed its name to Cannara Biotech (Ops) Inc. to avoid confusion with its parent entity, and to better reflect its role as an operating company within the Cannara organizational structure.

### **Cannara Québec**

Cannara Québec was incorporated on August 28, 2019, under the CBCA as “11594672 Canada Inc.” On September 4, 2019, 11594672 Canada Inc. officially changed its name to Cannara Biotech (Québec) Inc.

- On July 6, 2020, Cannara Québec entered into a non-binding letter of intent with the Société québécoise du cannabis (the “SQDC”), which converted into a comprehensive purchase order following receipt of a sales license amendment from Health Canada.
- On April 20, 2021, Cannara Québec entered into a Master Cannabis Supply Agreement with the Ontario Cannabis Retail Corporation, relating to the supply of cannabis products in the province of Ontario.
- On June 4, 2021, Cannara Québec obtained a Licensed Producer Registration pursuant to the Cannabis Control (Saskatchewan) Act and the Cannabis Control (Saskatchewan) Regulations relating to the supply of cannabis products in the province of Saskatchewan.
- On July 15, 2022, Cannara Québec entered into a Licensed Producer Supply Agreement for Non-Medical Cannabis with the British Columbia Liquor Distribution Branch, relating to the supply of cannabis products in the province of British Columbia.
- On November 23, 2023, Cannara Québec obtained its Cannabis Representative Registration from the Alberta Gaming, Liquor and Cannabis Commission, relating to the supply of cannabis products in the province of Alberta.
- On February 5<sup>th</sup>, 2024, Cannara Québec entered into an agreement with the Nova Scotia Liquor Corporation, relating to the supply of cannabis products in the province of Nova Scotia.
- On April 26, 2024, Cannara Québec was registered as a supplier with the Manitoba Liquor & Lotteries Corporation, relating to the supply of cannabis products in the province of Manitoba.

### **Cannara Valleyfield**

Cannara Valleyfield was incorporated on June 11, 2021, under the CBCA. On September 24, 2021, Cannara Valleyfield obtained a license from Health Canada, allowing for cultivation and processing of cannabis at the Valleyfield Facility, and sale for medical purposes and to other licensed producers.



## Global shopCBD.com

Global was incorporated on January 28, 2019, under the BCBCA. On July 7, 2020, the Company completed its acquisition of Global pursuant to the terms of a share exchange agreement dated May 26, 2020, among the Company, Global and the shareholders of Global in consideration for the issuance of 23,145,110 Common Shares pro rata to the shareholders of Global at a deemed price of \$0.10 per share (the “**Global Acquisition**”). See *General Development Of The Business – Acquisitions*.

## ShopCBD.com

ShopCBD.com was incorporated on March 4, 2019, under the laws of the State of California (United States). ShopCBD.com operates an online e-commerce platform focused on tapping into the United States hemp CBD market. ShopCBD.com became a wholly owned subsidiary of the Company following the completion of the Global Acquisition on July 7, 2020. As of the date of this AIF, ShopCBD.com has ceased operating its online e-commerce platform.

## GENERAL DEVELOPMENT OF THE BUSINESS

### Three-Year History

#### Fiscal 2024

##### ***Highest National Market Share Attained in July 2024***

On August 16, 2024, the Company announced it had achieved its highest national market share of 3.2% in July 2024, based on estimated sales data provided by *HiFyre Retail Analytics, Licensed Producer Sales Nationally*, for the period of July 2024, placing Cannara as the 9th largest licensed producer in Canada by market share.

##### ***Change in Auditor***

On August 16, 2024, the Company filed a notice in change of auditor, announcing that KPMG LLP (“**KPMG**”) would resign as the auditor of the Company upon completion of the Company’s 2024-year end. The Company appointed MNP LLP (“**MNP**”) as the successor auditor. MNP will assume the role of auditor following KPMG’s completion of the Company’s 2024-year end audit.

##### ***Expansion to Manitoba***

In March 2024, the Company secured authorization from the Manitoba Liquor & Lotteries Corporation (MBLL) to introduce its branded cannabis products within the province of Manitoba. This approval marks a significant milestone in Cannara’s expansion efforts, allowing the Company to extend its market reach in Canada.

In May 2024, Cannara successfully completed its first sale into Manitoba with 35 listings. This development not only diversifies Cannara’s geographical footprint but also underscores its commitment to enhancing product accessibility for its customers.

##### ***Supply Chain Transparency and Ethical Sourcing Policy***

In May 2024, the Company instituted its Supply Chain Transparency and Ethical Sourcing Policy and simultaneously sought signatures from its suppliers on its new Supplier Code of Conduct in order to combat instances of forced or child labour in its supply chain.





### ***Extension of Term Loan and Credit Facilities***

On May 31, 2024, the Company amended its credit agreement with the Bank of Montreal to remove an EBITDA covenant requirement in addition to extending the maturity of the term loan and credit facilities from May 31, 2025, to December 31, 2025. See *Material Contracts - Credit Agreement*,

### ***Successful Launch of 3 New Genetics for Cannara's House of Brands***

In April 2024, Cannara completed its most recent pheno-hunt program, unlocking 3 new high-powered genetics for its house of brands. The Company launched two genetics under Tribal (Neon Sunshine and Bubble Up) and one under Nugz (Guava Jam) in Q3 2024. Cannara is now focused on its FY 2025 pheno-hunt program that will aim to unlock more exotic genetics.

### ***Sale of Parcel of Land at Valleyfield Site***

In January 2024, the Company's Board of Directors decided to pursue the sale of a currently unused parcel of land, in addition to an adjacent building under construction at its Valleyfield site, which had previously been intended to be leased out. On April 24, 2024, the Company sold the parcel of land at the Valleyfield Facility for \$2.1 million, generating a gain on disposal of asset held for sale of \$2.0 million. The building under construction and the land on which it is being constructed remains to be sold and is currently being actively marketed.

### ***Extension and modification to Convertible Debenture Terms***

On January 30, 2024, the Company modified the maturity of its outstanding convertible debenture with Olymbec Investments Inc. from January 31, 2025, to September 30, 2025 with interest increasing to 10.75% effective January 31, 2025. Interest is payable at term or at conversion if it occurs. The holder has the right to demand payment up to \$1,000,000 in principle on January 31, 2025.

### ***Cannara enters Recreational Market in the Maritimes with 4/20-Themed Offer with Nova Scotia Liquor Corporation***

In December 2023, Cannara introduced its popular Tribal Cuban Linx pre-rolls as a 4/20-themed limited-time offer with the Nova Scotia Liquor Corporation (NSLC), which, due to its success, became a permanent SKU along with a 28g Cuban Linx offering launched in September 2024, with more SKUs to be accepted in the quarters to come.

### ***International Sale of Cannabis Product***

In October 2023, the Company successfully completed its first international export sale of cannabis product to Israel. Although the Company remains committed to its primary focus of generating revenues through sales to Canadian clients, this sale confirms the Company's ability to complete international sales as an opportunistic and ancillary revenue source.

## **Fiscal 2023**

### ***Extension and modification to Convertible Debenture Terms***

On August 31, 2023, the Company modified the term of its \$5,700,000 convertible debenture with Olymbec Investments Inc. 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. As part of the extension, the holder has the right to demand the payment up to \$1,000,000 in principal on the initial maturity date being June 21, 2024.



### ***Additional Credit Facilities Raised***

On May 4, 2023, the Company announced raising an additional \$10 million of credit facilities from its lead bank, BMO Commercial Banking via a \$5 million increase in its term loan facility and a \$5 million increase in its revolving line of credit. See *MATERIAL CONTRACTS - Credit Agreement*,

### ***Entry into Alberta Market***

In May 2023, the Company entered the Alberta market. The Alberta Gaming, Liquor and Cannabis Commission accepted the listing of 3 of Tribal's live resin vape cartridge products.

### ***Automatic Share Purchase Plan Established***

On February 28, 2023, the Company announced that it had entered into an automatic share purchase plan ("**ASPP**") with Raymond James Ltd. ("**Raymond James**"), acting as Cannara's broker, in order to facilitate repurchases of Common Shares under its NCIB (as defined herein).

### ***Share Consolidation and RSU Grants***

On February 13, 2023, the Company effected a consolidation of all issued and outstanding Common Shares on a ten (10) pre-consolidation Common Shares to one (1) post-consolidation Common Shares basis (the "**2023 Share Consolidation**"). 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.

On February 9, 2023, the Company granted an aggregate of 7,891,827 RSUs to certain employees, subject to certain vesting conditions, which was consolidated into 789,182 RSUs.

### ***Olymbec Convertible Debenture Conversion***

On February 7, 2023, the Company received a notice of conversion from Olymbec Investments Inc. ("**Olymbec**") to convert \$5,317,645 (principal and accrued interest to date) of convertible debentures held by Olymbec bearing interest at a rate of 4% per annum, compounded semi-annually and convertible in whole into Common Shares at a price of \$0.18 per Common Share (the "**July 2021 Olymbec Convertible Debenture**") into 29,554,139 Common Shares.

On February 9, 2023, the Company issued shares from treasury in relation to the conversion of the July 2021 Olymbec Convertible Debentures (as defined below), thereby reducing overall long-term debt obligations of the Company by \$5,317,645.

The July 2021 Olymbec Convertible Debenture was initially issued on July 9, 2021, in connection with the Company's July 2021 private placement, further to the conversion of an outstanding credit facility with Olymbec in the aggregate principal amount of \$5,000,000.

### ***2023 Annual General and Special Meeting of Shareholders***

On February 10, 2023, the 2023 Company announced the results of its 2023 annual general and special meeting of shareholders (the "**2023 AGSM**") which included an ordinary resolution of disinterested shareholders approving the creation of a new control person arising from the conversion of the July 2021 Olymbec Convertible Debentures.



### ***Launch of Apparel and Accessories***

In December 2022, the Company designed and launched several lines of apparel and accessories to be sold online via <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 been shipped across Canada (except for certain provinces due to provincial restrictions) both direct to consumers, and wholesale to retailers.

### ***IMC-G.A.P. Certification Received for Farnham Facility***

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 declared that the Company's dried cannabis products were compliant in accordance with the World Health Organization's ("**WHO**") guidelines on Good Agricultural Practices ("**GACP**") Medicinal Plants, the European Medicines Agency's ("**EMA**"), 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 EMA'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. The Valleyfield Facility subsequently received its Certification.

### ***Normal Course Issuer Bid***

On November 30, 2022, Cannara announced it had filed for a normal course issuer bid (the "**NCIB**") to be transacted through the facilities of the TSXV. Pursuant to the NCIB, Cannara disclosed it may purchase up to approximately 1.7% of its float for cancellation over a 12-month period. Purchases under the NCIB were to be made at prevailing market prices commencing December 3, 2022, and ending December 2, 2023.

## **Fiscal 2022**

### ***Brand Partnership with Exotic Genetix***

On August 3, 2022, the Company announced it had signed an exclusive brand partnership with Exotic Genetix Ltd. ("**Exotic Genetix**"), an award-winning U.S.-based cannabis breeder, cultivator and hash maker. Under the terms of the agreement, Cannara will be granted 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 with respect to providing knowledge and insights into cannabis genetics, plant growing methodologies and marketing services.

### ***Approval as Licensed Vendor in British Columbia***

In July 2022, the Company received approval from the British Columbia Liquor Distribution Branch ("**BCLDB**") to become a licensed vendor.

### ***Closing of \$50M Credit Facility***

On June 1, 2022, the Company announced it had closed a \$50M credit facility led by BMO Commercial Banking. See *Material Contracts - Credit Agreement*.

### ***Successful Harvests at Valleyfield Facility***

In February and March 2022, the Company successfully harvested its two first lots in the newly redesigned Valleyfield Facility.



### ***License for Cultivation and Processing at Valleyfield Facility***

On September 27, 2021, the Company announced that it had received a license for cultivation and processing at its Valleyfield Facility.

### ***Amendment of License to Permit Sale of Cannabis 2.0 Products***

On September 2, 2021, the Company announced it had received an amendment of its license from Health Canada, permitting the sale of Cannabis 2.0 products such as hash and other solventless concentrates, solvent-based concentrates, vaporizers, tinctures and topicals.

## **DESCRIPTION OF BUSINESS**

### **Summary**

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.

Cannara owns and operates two Québec-based mega cultivation facilities spanning over 1,650,000 square feet. Cannara's first purpose-built, modern indoor cultivation facility is located in Farnham, Québec and measures 625,000 square feet, comprising 170,000 square feet of operational licensed cultivation area and 455,000 square feet of leased warehouse space ("**Farnham Facility**"). The second facility, acquired in June 2021, is a hybrid greenhouse facility that is being redesigned to replicate the indoor cultivation environment. The facility is comprised of 24 independent growing zones totaling 600,000 square feet, a 250,000 square feet cannabis 2.0 processing center and a 200,000 square feet rooftop greenhouse located in Valleyfield, Québec ("**Valleyfield Facility**"). Cannara operates through its wholly owned subsidiaries, Cannara Biotech (Québec) Inc. and Cannara Biotech (Valleyfield) Inc., both holding active licenses issued by Health Canada.

As of August 31, 2024, Cannara's distribution network services seven provinces, Québec, Ontario, Saskatchewan, Alberta, British Columbia, Manitoba, and Nova Scotia, with Québec and Ontario being its current major markets.

The Company operates in two segments: (1) indoor cannabis operations which encompasses the cultivation, processing and sale of dried cannabis and cannabis derivatives for the Canadian market ("**Cannabis Operations**") and (2) real estate operations related to the Farnham Facility and Valleyfield Facility ("**Real Estate Operations**").

### **Revenue**

The following table sets out the cannabis net revenue for each category of products within the segment that accounted for 15% or more of the total consolidated revenue of the Company for the applicable financial year derived from sales to entities in which Cannara maintains an investment accounted for by the equity method and/or sales to customers.

Source	Fiscal 2024	Fiscal 2023
Revenue from Canadian retailers	\$104,359,168	\$ 69,584,262



## Licenses

License Holder	Facility	Type	Effective Date
Cannara Biotech (Québec) Inc.	Farnham Facility	Cultivation of cannabis Sale for medical purposes and to other licensed producers	January 31, 2020
Cannara Biotech (Québec) Inc.	Farnham Facility	Cultivation and processing of cannabis Sale for medical purposes and to other licensed producers	January 6, 2021
Cannara Biotech (Québec) Inc.	Farnham Facility	Cultivation and processing of cannabis Sale of derivative cannabis products to retail market	August 25, 2021
Cannara Biotech (Valleyfield) Inc.	Valleyfield Facility	Cultivation and processing of cannabis Sale for medical purposes and to other licensed producers	September 24, 2022

## Facilities

### *Farnham, Québec*

Situated on a 625,000 square foot site with a total land area of 1,430,000 square feet, the Farnham Facility boasts a licensed area of 170,000 square feet with 120,000 square feet dedicated to post-harvest activities, packaging and transformation and an active grow area of 28,000 square feet with a current capacity of 3,500 kg of cannabis production per year. The Farnham Facility also includes a dedicated 23,000 square foot area for cloning and mother plants. This indoor facility, completed in 2019, operates at an efficient power rate of approximately \$0.065/kw. It features state-of-the-art infrastructure, including 11 independent grow rooms alongside cloning and mother rooms. The facility is equipped with automated cultivation systems, a solventless hash laboratory, a pre-roll manufacturing center, a packaging center, and an R&D facility, reflecting a modern and comprehensive approach to its operations.




### *Valleyfield, Québec*

Located in Valleyfield, Québec, the Valleyfield Facility spans 600,000 square feet, complemented by a 200,000 square foot rooftop greenhouse, and a 225,000 square foot cannabis 2.0 processing center. The total useable space within the Valleyfield Facility encompasses 1,030,000 square feet, set on a land area of 3,130,000 square feet. This facility boasts 24 growing zones each measuring 25,000 square feet with a current active grow area of 250,000 square feet over 10 zones, with a current annual output capacity of 30,000 kg and a full capacity of 96,500 kg. Built in 2020, it benefits from a preferential contracted power rate of approximately \$0.035/kw. The greenhouse facility is purpose-built with an onsite Hydro-Québec substation and is fully outfitted and automated, featuring 24 independent grow rooms converted to replicate indoor conditions with blackout and shading systems. Additionally, there is a processing center currently under construction and a BHO extraction laboratory, illustrating a comprehensive and advanced approach to cannabis cultivation and processing.



## Brands

Cannara's portfolio consists of three flagship brands with distinctive identity and purpose, each filling a 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.

Brand	Story	Product Mix	Markets
	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 genetic strains at entry level pricing.	Dried Flower Pre-Rolls Live Resin Full Spectrum Extract Live Resin Vape Cartridges Accessories  Infused Pre-rolls	Quebec Ontario Saskatchewan Alberta British Columbia Manitoba Nova Scotia
	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 Edibles Vape Cartridges Accessories	Québec Ontario Saskatchewan Alberta British Columbia Manitoba
	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 Cartridges	Québec Ontario Saskatchewan Alberta British Columbia Manitoba

## Cannara's Genetic Portfolio

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. The Company's unique genetics currently available in the retail market are listed below.

Genetic	Pheno #	Brand	Launch Date	THC	CBD (%)	Type	Aromas and Flavours
<b>GUAVA JAM</b>	18	Nugz	May 2024	29%		Indica	Guava Jam offers a sweet and creamy flavour with a diesel exhale.
<b>NEON SUNSHINE</b>	78	Tribal	April 2024	29%	-	Hybrid	Neon Sunshine leans heavy into citrus flavours and aromas, with a touch of octane to round out the experience.
<b>BUBBLE UP</b>	169	Tribal	April 2024	28%	-	Indica	Bubble Up provides a rare and sought-after champagne-like effervescent sensation with a spicy fresh aroma.
<b>JIGGLERS</b>	22	Tribal	October 2023	22%	1%	Indica	Jigglers offers flavours and aromas of strawberries & cream.



<b>DRIP STATION</b>	15	Tribal	October 2023	25%	1%	Indica	Drip Station presents gasoline scents blended with dewy earth and black licorice flavours.
<b>TRIPLE BURGER</b>	72	Tribal	November 2022	28%	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.
<b>GALACTIC RNTZ</b>	30	Tribal	November 2022	26%	1%	Indica	Galactic Rntz's complex aroma and flavour provides a strong gas flavour with fruity, sour undertones.
<b>POWER SHERB</b>	3	Tribal	May 2022	24%	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.
<b>SLAPZ</b>	50	Nugz	May 2022	24%	1%	Indica	Slapz delivers incredibly sweet sour-gassy aromas with a mix of light earthy flavours.
<b>TERPLE</b>	8	Tribal	March 2022	22%	1%	Hybrid – Sativa	Terple's aroma and flavour is complex with elements of sweet oranges, sour citrus, and spicy diesel.
<b>CUBAN LINX</b>	1	Tribal	June 2021	28%	1%	Sativa	Cuban Linx packs a rich lemony aroma accentuated by hints of gassy diesel and a touch of spice.
<b>CBD RUNTZ</b>	7	Orchid CBD	June 2021	8%	15%	Hybrid - Sativa	Canada's #1 CBD Flower in sales for 2023, 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.
<b>EARLY LEMON BERRY</b>	92	Nugz	March 2021	23%	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.
<b>GELATO MINT</b>	5	Tribal	February 2021	22%	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.

## New Products

### *Innovation in Products*

Cannara continues to innovate building its product portfolio across several categories including pre-rolls, infused pre-rolls, milled flower and vapes, launching a total of 72 new products and removing 15 underperforming products and in markets across Canada in fiscal 2024, increasing its in-market SKU count from 67 to 124.



## ***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 U.S.-based cannabis breeder, cultivator and hash maker, Exotic Genetix Ltd. See *General Development Of The Business – Three Year History*.

## **Components**

The Company's business is dependent on a number of key inputs and their related costs including raw materials and supplies related to its growing operations, as well as electricity, water and other local utilities. The Company has focused on becoming vertically integrated with its in-house pre-roll manufacturing centre, a solventless hash lab and a butane hash oil ("BHO") extraction lab, therefore allowing the Company to fully integrate the use of all cannabis raw inputs.

## **Industry Overview**

### ***Regulatory Framework of Cannabis in Canada***

Cannabis in Canada is governed by a complex regulatory framework that spans federal, provincial, and territorial jurisdictions. The federal *Cannabis Act* and *Cannabis Regulations* provide the overarching framework for the legal production, distribution, sale, import, and export of both medical and recreational cannabis. Provincial and territorial governments have the authority to establish additional regulations regarding the distribution and retail sale of cannabis within their regions. Health Canada, along with provincial and territorial regulators, frequently updates guidance to help industry participants interpret and comply with these evolving regulations.

### ***Licenses***

The Cannabis Regulations establish six classes of licenses under the *Cannabis Act*: cultivation licenses; processing licenses; analytical testing licenses; sales; research licenses; and cannabis drug licenses. The Cannabis Regulations have also established sub-classes for cultivation licenses (standard cultivation, micro cultivation, and nursery), processing licenses (standard processing and micro-processing) and sale (sale for medical purposes). Different license types carry different rules and requirements that are intended to be proportionate to the public health and safety risks posed by each license category and/or sub-class. The Cannabis Regulations permit cultivation license holders to conduct both outdoor and indoor cultivation of cannabis. A holder of a license must only conduct authorized activities at the location set out in the license. Pursuant to Section 9 of the Cannabis Regulations all licenses issued under the Cannabis Act must include certain requirements including the effective date and expiry date of the license and may be renewed on or before the expiry date.





### **Security Clearances**

Certain individuals and entities associated with cannabis licensees must hold a valid security clearance issued by the Minister. Those individuals include 1) individuals occupying a “key position” within the corporate license holder (e.g., the responsible person, the head of security, the master grower and the quality assurance person), 2) directors, officers and individuals who exercise, or are in a position to exercise, direct control over the corporate license holder, 3) directors and officers of any corporation that exercises, or is in a position to exercise, direct control over the corporate license holder and (iv) certain other individuals identified by the Minister of Health (the “**Minister**”). Under the Cannabis Regulations, the Minister may refuse to grant security clearances to individuals with organized crime associations or past convictions for, or in association with, drug trafficking, corruption, or violent offences.

This was largely the approach in place previously under the ACMPR and other related regulations governing the licensed production of cannabis for medical purposes. Individuals who have a history of nonviolent, lower-risk criminal activity (for example, simple possession of cannabis, or small-scale cultivation of cannabis plants) are not precluded by legislation from participating in the legal cannabis industry, and the granting of security clearance to such individuals is at the discretion of the Minister of Health.

### **Cannabis Tracking and Licensing System**

The Cannabis Tracking and Licensing System (“**CTLS**”) was developed by Health Canada to monitor the movement of cannabis throughout the supply chain, aiming to prevent its diversion into or out of the illicit market. Through this system, holders of Cultivation, Processing, and Sale for Medical Purposes licenses are mandated to submit monthly reports to Health Canada, detailing inventory levels of both finished and unfinished cannabis products for each class of cannabis.

### **Cannabis Products**

The Cannabis Act differentiates between cannabis depending on its form (referred to as “classes” of cannabis in the *Cannabis Act*) and only permits the sale of specified classes of cannabis. Upon the Act’s implementation on October 17, 2018, the approved classes included dried cannabis, fresh cannabis, cannabis plants, cannabis seeds, and cannabis oil. On October 17, 2019, additional classes—edible cannabis, cannabis extracts, and cannabis topicals—were introduced, collectively known as “Cannabis 2.0.” Since October 17, 2020, cannabis oil is no longer a separate category and is now classified under other categories, such as cannabis extracts or edible cannabis, depending on factors like packaging, THC content, and ingredients. While the sale of these classes is generally uniform across Canada, some provinces have restricted the sale of certain classes to medical users only. The Cannabis Regulations specify the requirements for product packaging, labelling, and permissible THC content to ensure consistency and safety in cannabis products available at the retail level.

### **Packaging and Labelling**

The Cannabis Regulations establish detailed requirements for the packaging and labelling of cannabis products to promote informed consumer choices and ensure the safe handling and storage of cannabis. All cannabis products must be sold in plain, child-resistant, and tamper-evident packaging, featuring key information such as the standardized cannabis symbol, THC and CBD potency levels, and mandatory health warnings.



## **Advertising**

The Cannabis Act generally prohibits the promotion of cannabis, cannabis accessories, and related services, allowing only a few specific exceptions to this rule. Health Canada evaluates compliance with these promotional restrictions on an individual basis, considering the unique details of each situation. Factors such as the purpose, content, and context of the communication, as well as the intended audience, are reviewed by Health Canada to determine whether a promotional activity violates the regulations.

## **Cannabis for Medical Purposes**

The Cannabis Regulations set out the regime for medical cannabis, which includes rules for non-medical use, to improve patient access, and reduce the risk of abuse within the medical access system. Patients who have the authorization of their healthcare provider have access to cannabis, either purchased directly from a federally licensed producer, or by registering to produce a limited amount of cannabis for their own medical purposes or designating someone to produce cannabis for them.

## **Provincial and Territorial Regulatory Regimes**

While the *Cannabis Act* governs the production of cannabis for adult use (i.e., non-medical) purposes and related matters by the federal government, the *Cannabis Act* has authorized the provinces and territories of Canada to regulate other aspects of consumer cannabis, such as sale and distribution, minimum age requirements, and consumption. The government of each Canadian province and territory has regulatory regimes in place for the distribution and sale of cannabis within those jurisdictions. There are three general frameworks for brick-and-mortar retail: (i) private cannabis retailers licensed by the province (ii) government-operated retail stores or (iii) a combination of both frameworks. Regardless of the framework, the recreational cannabis market is ultimately supplied by federally licensed cultivators and processors. In addition, each of these Canadian jurisdictions has established a minimum age of 19 years old, except for Québec, where the minimum age is 21, and Alberta, where the minimum age is 18.

### **Québec**

In Québec, all recreational cannabis is managed and sold through outlets of the Société québécoise du cannabis, a subsidiary of the Société des alcools du Québec, and its online site.

### **Ontario**

In Ontario, the distribution and online retail sale of recreational cannabis is conducted through the Ontario Cannabis Retail Corporation, under the oversight of the Alcohol and Gaming Commission of Ontario (the “**AGCO**”). Ontario also permits the sale of recreational cannabis through private brick-and-mortar retailers.

### **British Columbia**

In British Columbia, recreational cannabis is sold through both public and licensed privately operated stores, with the provincial Liquor Distribution Branch handling wholesale distribution.

### **Alberta**

In Alberta, cannabis products are sold by private retailers that receive their products from a government-regulated distributor, the Alberta Gaming, Liquor and Cannabis Commission (the “**AGLC**”), similar to the distribution system currently in place for alcohol in the province. Only licensed retail outlets are permitted to sell cannabis with online sales run by the AGLC.



### **Saskatchewan**

In Saskatchewan, the Government of Saskatchewan implemented a framework in which both wholesale and retail recreational cannabis are conducted by the private sector and regulated by the Saskatchewan Liquor and Gaming Authority (the “**SLGA**”) with municipalities having the option of opting out of having a cannabis store if they choose. A number of retail permits have been issued to private stores. SLGA is currently accepting applications for retail permits, wholesale cannabis permits and federally licensed producer registrations. Permitted wholesalers can sell to permitted retailers and other permitted wholesalers but not to the general public. Wholesale operations must be physically located within Saskatchewan and product can only be sold and distributed within Saskatchewan. Further, only federally licensed producers registered with SLGA will be allowed to sell into the Saskatchewan market.

### **Manitoba**

The distribution and sale of recreational cannabis in Manitoba is primarily governed by the Liquor, Gaming and Cannabis Control Act and the related regulations. Cannabis in the province is distributed by the Manitoba Liquor and Lotteries Corporation. Retail and online sales of cannabis are conducted by private retailers under the regulation of the Liquor, Gaming and Cannabis Authority of Manitoba.

### **Nova Scotia**

The distribution and sale of recreational cannabis in Nova Scotia is primarily governed by the Cannabis Control Act and the related regulations. Recreational cannabis is distributed and sold at retail locations and online by the Nova Scotia Liquor Corporation.

### **Specialized Skill and Knowledge**

All aspects of Cannara’s business require specialized skills and knowledge, including in, among other things, the retail sale of cannabis and cannabis products within various jurisdictions in Canada, in accordance with applicable Laws. Cannara’s management team is comprised of individuals (including consultants and advisors), who bring together strong complementary skills, expertise and experience in various aspects of the cannabis and manufacturing industries, as well as strong capital markets experience. The management team, along with its other employees, subcontractors and consultants, have the required expertise and specialized knowledge and are well-positioned to implement the Company’s cannabis business strategy.

### **Cycles**

Cannara’s business is not cyclical or seasonal. However, the Company may, from time to time, be affected by supply constraints and disruptions and seasonal variations that impact the supply of cannabis and cannabis products. The impact of such supply constraints and disruptions and seasonal variations on its operations and its operating results cannot be predicted at this time.

### **Foreign Operations**

As of August 31, 2024, Cannara’s distribution network services 7 provinces, Québec, Ontario, Saskatchewan, Alberta, British Columbia, Manitoba and Nova Scotia with Québec and Ontario being its current major markets. Cannara has also completed sales of cannabis internationally, to Israel. Through its subsidiary ShopCBD.com, the Company previously operated an online e-commerce platform focused on tapping into the United States hemp CBD market. As of the date of this AIF, such operations have been discontinued.



## Employees

As of August 31, 2024, the Company and its subsidiaries had 363 employees.

## Proprietary Protection

Cannara protects its intellectual property by seeking and obtaining registered protection (inclusive of patents) where possible. As of August 31, 2024, Cannara has filed trademark and design patent applications as part of its intellectual property strategy.

## Real Estate Operations

All property, plant and equipment are located in Canada and income generated from the Company's real estate operations is from customers domiciled in Canada. 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, 2024, the Company leased 414,114 square feet of the total 625,000 available square feet to two tenants.

## RISK FACTORS

*Investing in the Common Shares involves a high degree of risk. In addition to all other information set out in this AIF, including our financial statements and related notes thereto, the following specific factors could materially adversely affect us and should be considered when deciding whether to make an investment in the Company and our Common Shares. Other risks and uncertainties that we do not presently consider to be material, or of which we are not presently aware, may also become important factors that affect our future business, financial condition and results of operations. The occurrence of any of these risks could materially and adversely affect our business, prospects, operating results, financial condition, or cash flow. In these circumstances, the market price of our Common Shares could decline, and a purchaser of our Common Shares may lose all or part of their investment.*

### Risks Related to our Business

#### ***Compliance with Laws***

The Company's operations are subject to a complex and evolving legal and regulatory landscape, including extensive laws and regulations governing the cultivation, processing, distribution, and sale of cannabis, such as the Cannabis Act, applicable stock exchange regulations, and other relevant regulatory frameworks. Compliance with these laws and regulations imposes significant costs on the Company, and any failure to comply with the requirements or to obtain and maintain necessary licenses and regulatory approvals may result in enforcement actions, penalties, or disruptions to operations. The Company's interpretation of these laws, regulations, and guidelines may differ from that of regulatory bodies, such as Health Canada, and any discrepancies could lead to noncompliance, which could materially and adversely affect the Company's business, financial condition, and operating results.

Moreover, there is no assurance that current laws and regulations will remain unchanged. Amendments, replacements, or more stringent enforcement of regulations, including tax laws, could increase the Company's compliance costs, delay the achievement of business objectives, or limit its ability to operate and grow within the industry. Health Canada may alter its regulatory framework, compliance procedures, or interpretation of existing laws at any time, which could require the Company to revise its compliance strategies and incur additional costs. Any regulatory changes or unfavorable developments could reduce the Company's market opportunities and adversely impact its operations.



In addition, the cannabis industry is relatively new and rapidly evolving. The introduction of new laws, regulations, or differing interpretations or applications of existing tax and regulatory frameworks in Canada or other jurisdictions in which the Company operates could result in increased taxation, government-imposed duties, or other financial liabilities. These changes may materially affect the Company's profitability, require significant capital expenditures, or force changes in business strategies, all of which could adversely affect the Company's financial performance and growth prospects. The Company may also face ongoing legal or tax matters, and failure to resolve any such proceedings favorably could have a material adverse effect on the Company's business, financial condition, and results of operations.

### ***Reliance on Licenses***

Our ability to cultivate, process, store, and sell cannabis and cannabis products is dependent on maintaining the necessary licenses. Failure to comply with the ongoing compliance, reporting requirements, or terms of any license, or any failure to maintain, amend, or renew a license upon its expiry, would have a material adverse impact on our business, financial condition, and operating results. While we are committed to diligently following all regulatory requirements, there can be no assurance that Health Canada will issue, amend, extend, or renew licenses, or that any such extension or renewal will occur on the same or similar terms.

Furthermore, Health Canada has the authority to revoke or modify licenses at any time, which could have a significant adverse effect on our operations. Some of our projects may also require license amendments under the Cannabis Regulations, and there is a risk that such amendments may not be obtained or may not be granted within the anticipated timelines. The process of obtaining license amendments is, to an extent, beyond our control and is subject to Health Canada's sole discretion.

In addition, licensed activities are strictly limited to those specifically authorized under each license, and licenses must be renewed at least every three years, or sooner if stipulated by Health Canada. Failure to secure renewals or amendments on time or on favorable terms could materially and adversely affect our business, financial condition, and operating results.

### ***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***

Our business is subject to a variety of laws, regulations, and guidelines relating to the cultivation, manufacturing, processing, distribution, marketing, management, transportation, storage, sale, labeling, and disposal of cannabis, including the Cannabis Act, any applicable regulations thereunder, and stock exchange rules and regulations. Additionally, we are subject to laws and regulations related to health and safety, privacy, taxation, the conduct of operations, and environmental protection in the jurisdictions in which we operate.



Changes to or replacement of existing laws, regulations, and guidelines are beyond our control and could have material effects on our business, financial condition, and results of operations, thereby affecting our prospective returns. Amendments to regulatory frameworks could reduce the addressable market for our products and create significant compliance challenges or limit market participation. As the cannabis industry is highly regulated, competitive, and evolving rapidly, any regulatory change could increase operational and financial pressures on our business.

Moreover, the cannabis industry is subject to extensive controls, which may impact the financial condition of market participants. Changes in government regulations, including taxes and other levies, may affect the marketability of our products, reduce earnings, and make capital investments or operations uneconomic, potentially causing material adverse effects on our financial performance and prospective returns.

Provincial and territorial regulations further complicate the regulatory landscape, as they vary significantly across regions, resulting in an asymmetric regulatory and market environment, which may impose additional compliance costs, competitive pressures, or operational limitations. Any of these factors could materially and adversely affect our business, financial condition, and operating results, and thus our prospective returns.

### **Competition**

The Company operates in a rapidly evolving and highly competitive cannabis market. As the industry continues to grow, Health Canada has issued, and may continue to issue, an increasing number of licenses to produce and sell cannabis in Canada. This may result in heightened competition from both newly licensed entrants and existing license holders, which could significantly impact the Company's ability to maintain or expand its market share. In particular, larger competitors may have greater financial, production, marketing, research and development, technical, and human resources than the Company, enabling them to more effectively develop, promote, sell, and support their products and services.

The Company expects to face intensified competition as both new and established cannabis companies expand their operations, diversify their product offerings, and form strategic relationships. Competitors may also consolidate, creating larger entities with increased resources and market penetration, which could place additional pressure on the Company. Increased competition may make it more challenging for the Company to secure favorable supply agreements, negotiate advantageous pricing, and retain or recruit key talent. These competitive pressures could have a material adverse effect on the Company's business, financial condition, results of operations, and growth prospects.

In addition, the Company's ability to remain competitive depends on achieving economies of scale through cost-effective production and the successful introduction of higher-margin products. Should the Company be unable to produce its products at competitive prices or if consumers favor low-margin products from established competitors over the Company's innovative offerings, its profitability may be negatively impacted.

To sustain its competitive position, the Company will require ongoing investments in research and development, marketing, production capacity, and distribution channels. Failure to secure sufficient resources to support these areas could materially and adversely affect the Company's ability to compete in the market.

Moreover, consolidation within the industry may force the Company to allocate greater resources to meet competitive pressures, potentially eroding its market position and profitability. Increased competition could also lead to downward pressure on prices, further impacting the Company's financial performance. Any of these factors could materially and adversely affect the business, financial condition, results of operations, and prospects of the Company.



### ***Competition from the Illicit Market***

The Company also faces competition from unlicensed and unregulated market participants, including individuals and groups involved in the illegal production, processing, and sale of cannabis outside the framework of the Cannabis Act. These illicit operators, including unauthorized dispensaries and sellers, may offer products with higher concentrations of active ingredients than the Company is legally permitted to produce and sell, or may use delivery methods that are prohibited under current regulations.

This unregulated competition could undermine the Company's ability to attract consumers who are accustomed to purchasing from the illicit market, particularly if law enforcement efforts to curtail illegal activities are ineffective. A continued preference for illicit channels, coupled with insufficient enforcement against unauthorized cultivation, distribution, and sale of cannabis, could negatively impact the Company's market share, intensify competition, and potentially harm the overall perception of cannabis use and regulated cannabis producers in Canada.

### ***Risks Related to Canadian Excise Duty Framework***

Canada's excise duty framework imposes an excise duty and a range of regulatory-like restrictions on specific cannabis products sold within the country. The Company currently holds all required licenses from the Canada Revenue Agency (CRA) to comply with this framework. However, there is no assurance that these licenses will be extended or renewed upon expiration, nor that the CRA will not revoke them. Any failure to extend or renew the Company's licenses, or a revocation by the CRA, could have a material adverse effect on the Company's business, financial condition, and operating results.

Additionally, any changes to the rates or application of excise duties, or restrictive interpretations by the CRA or courts of the provisions under the Excise Act, 2001—which may differ from those under the Cannabis Act—could significantly impact the Company's profitability and market competitiveness. Changes to excise duty rates or the way they are applied to the Company's cannabis products may increase costs, reduce margins, or limit the Company's ability to compete effectively.

Compliance with these regulations and any potential amendments to the excise framework may require the Company to incur additional costs or make operational adjustments, which could further affect financial performance and market positioning.

### ***Insurance and 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.

Although the Company intends to continue to maintain insurance to protect against certain risks in such amounts as it considers to be reasonable, its insurance may not cover all of the potential risks associated with its operations. The Company may also be unable to maintain insurance to cover these risks at economically feasible premiums. Insurance coverage may not continue to be available or may not be adequate to cover any resulting liability.



### ***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.

### ***Labour Costs, Labour Shortages and Labour Relations***

The success of the Company's business depends on both hourly and salaried employees. Changes in the general conditions of the labour markets, or an increase in the minimum wage, in any of the jurisdictions in which the Company operates could affect the ability of the Company to hire or retain staff at current wage levels. The occurrence of either of these events could adversely affect the Company's business, financial condition, liquidity results of operations.

### ***Liquidity and Future Financing***

As of the date of this AIF, the Company is in its fourth year of its commercial operations and is still ramping up its operations and production at the Valleyfield Facility. There can be no assurance that consumer demand for the products 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 sustain 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 will utilize its operating cash flows but 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.

Under the terms of the contracts governing its indebtedness, the Company is subject to certain covenants, including maintaining certain financial ratios. Under its term loan, the Company is required to maintain a certain liquidity coverage at all the times, (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 3.5 to 1.0 at each quarter-end.

A breach of any covenant or our inability to comply with the required financial ratios could result in a default under the Company's term loan and limit Cannara's future borrowing ability. If the Company is unable to obtain capital on acceptable terms in order to fund its growth strategy, the Company may be required to reduce the scope of its anticipated expansion, which may negatively affect its business strategy, future competitiveness and results of operations.

In addition, the Company may also be required to raise additional capital in the public or private markets to support its strategy and operational needs in the future. The availability of future financing will depend on prevailing market conditions, and the acceptability of financing terms offered. There can be no assurance that future financing will be available, or available on acceptable terms, in an amount sufficient to fund its needs, especially during periods of economic downturn. 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 BCBCA, 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, 2024, 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 several trademark applications. There is no guarantee that said trademark applications will be granted. Even if the Company is successful in securing trademark registrations to protect its intellectual property, it is not assured that competitors 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 meaningful impact on our ability to successfully grow our business.

### ***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 License 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.

### ***Fluctuating Prices of Raw Materials***

Our revenues are largely derived from the production, sale, and distribution of cannabis and cannabis products. The cost of production, sale, and distribution of cannabis is dependent on several key inputs and their related costs, including equipment, supplies, labor, and raw materials related to our operations, as well as other overhead expenses such as electricity, water, and utilities. In particular, our cannabis cultivation operations require significant amounts of energy, making us vulnerable to rising or volatile energy costs, which could have a material adverse effect on our business, financial condition, and results of operations.

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.

### ***Restrictions on Promotion and Marketing***

The Cannabis Act and Cannabis Regulations impose restrictions on marketing, advertising, and promotional activities, including bans on testimonials, lifestyle branding, and packaging that appeals to youth. These limitations on advertising, promotion, and the use of logos and brand names may hinder the Company's ability to execute its sales and marketing strategies, potentially leading to a material adverse impact on the Company's business, financial condition, operating results, and prospects.

If the Company is unable to effectively market its products, compete for market share, or absorb the costs of compliance with government legislation through increased selling prices, its sales and operational results could be negatively affected. Additionally, the Company's success is heavily reliant on its ability to attract and retain customers. The restrictions on marketing and promotional efforts may limit its ability to establish a strong brand presence, acquire new customers, retain existing ones, and build customer loyalty. A failure to successfully acquire or retain customers could materially and adversely impact the Company's business, financial condition, and results of operations.

### ***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 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.

### ***Risks Related to the Ownership of the Common Shares***

#### ***There are risks related to forward-looking statements in this AIF.***

The forward-looking statements included in this AIF relating to, among other things, our future results, performance, achievements, prospects, targets, intentions or opportunities or the markets in which we operate (including, in particular, the information contained in "Business and Industry"), is based on opinions, assumptions and estimates made by our management in light of our experience and perception of historical trends, current conditions and expected future developments, as well as other factors that we believe are appropriate and reasonable in the circumstances. However, there can be no assurance that such estimates and assumptions will prove to be correct. Our actual results in the future may vary significantly from the historical and estimated results and those variations may be material. We make no representation that our actual results in the future will be the same, in whole or in part, as those included in this AIF. See "*Forward-Looking Statements*".



***The market price of our Common Shares may be volatile, and your investment could suffer or decline in value.***

The market price of our Common Shares could be subject to significant fluctuations, and it may decline. Some of the factors that may cause the market price of our Common Shares to fluctuate include: volatility in the market price and trading volume of comparable companies; actual or anticipated changes or fluctuations in our operating results or in the expectations of market analysts; adverse market reaction to any indebtedness we may incur or securities we may issue in the future; short sales, hedging and other derivative transactions in our Common Shares; litigation or regulatory action against us; investors' general perception of us and the public's reaction to our press releases, our other public announcements and our filings with Canadian securities regulators, including our financial statements; publication of research reports or news stories about us, our competitors or our industry; positive or negative recommendations or withdrawal of research coverage by securities analysts; changes in general political, economic, industry and market conditions and trends; sales of our Common Shares by existing shareholders; recruitment or departure of key personnel; significant acquisitions or business combinations, strategic partnerships, joint ventures or capital commitments by or involving us or our competitors; and the other risk factors described in this section of this AIF.

Additionally, these factors, as well as other related factors, may cause decreases in asset values that are deemed to be other than temporary, which may result in impairment losses. As well, certain institutional investors may base their investment decisions on consideration of our environmental, governance and social practices and performance against such institutions' respective investment guidelines and criteria, and failure to satisfy such criteria may result in limited or no investment in our Common Shares by those institutions, which could materially adversely affect the trading price of our Common Shares. There can be no assurance that fluctuations in price and volume will not occur. If such increased levels of volatility and market turmoil continue for a protracted period, our operations and the trading price of our Common Shares may be materially adversely affected.

In addition, broad market and industry factors may harm the market price of our Common Shares. Therefore, the price of our Common Shares could fluctuate based upon factors that have little or nothing to do with us, and these fluctuations could materially reduce the price of our Common Shares regardless of our operating performance. In the past, following a significant decline in the market price of a company's securities, there have been instances of securities class action litigation having been instituted against that company. If we were involved in any similar litigation, we could incur substantial costs, our management's attention and resources could be diverted and it could harm our business, operating results, and financial condition.

***We do not currently anticipate paying dividends on the Common Shares, and, consequently, purchasers in this offering may never receive a return on their investment.***

We currently intend to retain any future earnings to fund the development and growth of our business and do not currently anticipate paying dividends on the Common Shares in the near future. Any determination to pay dividends in the future will be at the discretion of our Board and will depend on many factors, including, among others, our financial condition, current and anticipated cash requirements, contractual restrictions and financing agreement covenants, solvency tests imposed by applicable corporate law and other factors that our Board may deem relevant. Until the time that we do pay dividends, which may not occur, our shareholders will not be able to receive a return on their Common Shares unless they sell such Common Shares for a price greater than their acquisition price, and such appreciation may never occur. See "Dividend Policy".



***Future sales of Common Shares by existing shareholders or by the Company, or future dilutive issuances of Common Shares by Company, could adversely affect prevailing market prices for the Common Shares.***

Subject to compliance with applicable securities laws, sales of a substantial number of Common Shares in the public market could occur at any time. These sales, or the market perception that the holders of a large number of Common Shares or securities convertible into Common Shares intend to sell Common Shares, could reduce the market price of our Common Shares. We cannot predict the effect, if any, that future public sales of these securities or the availability of these securities for sale will have on the market price of our Common Shares.

In addition, certain holders of options will have an immediate income inclusion for tax purposes when they exercise their options (that is, tax is not deferred until they sell the underlying Common Shares). As a result, these holders may need to sell Common Shares purchased on the exercise of options in the same year that they exercise their options. This might result in a greater number of Common Shares being sold in the public market and reduced long-term holdings of Common Shares by our management and employees.

***Our operating results are likely to fluctuate and may fail to meet or exceed expectations of investors or securities analysts, causing our share price to decline.***

Our operating results have fluctuated in the past and are likely to continue to fluctuate in the future, on a quarterly and annual basis, as a result of several factors, many of which are outside of our control. Some of the factors that may cause these fluctuations include:

- the level and timing of capital spending of, and orders from, our customers;
- economic and financial conditions specific to our customers;
- changes in market demand for our products or our customers' services or products;
- increases and decreases in the number and size of relatively larger transactions, and projects in which we are involved, from quarter to quarter;
- the timing of revenue recognition with respect to certain of our sales arrangements, which may include multiple deliverables and timing of customer acceptance and the timing of completion of our customers' projects;
- the impact of seasonality in our business, particularly in the first quarter of each fiscal year;
- competitive market conditions, including pricing actions by our competitors;
- the level and mix of our revenue;
- new product introductions by our competitors or by us;
- changes in domestic and international regulatory environments affecting our business;
- change in export or import regulations, economic and trade sanctions, or anti-terrorism laws;
- market acceptance of our new or existing products;
- the cost and availability to us of components and subassemblies;
- the mix of our customer base, by industry and size, and sales channels;
- the mix of our products sold and the effect it has on gross margins;
- changes in our operating and extraordinary expenses, such as litigation expenses and settlement costs;
- write-downs of inventory;
- the impact of applicable accounting guidance including on incentive plans, uncertainty in income taxes and acquisitions;
- changes in our effective tax rate;
- the timing of any acquisitions and the financial impact of any such acquisitions; and
- general economic conditions.



We establish our expenditure levels for product development and other expenses based on projected revenue levels for a specified period, and expenses are relatively fixed in the short term. Accordingly, even small variations in timing of revenue or revenue recognition, particularly with respect to large individual transactions, can cause significant fluctuations in operating results in a particular quarter.

As a result of these factors and other factors, our operating results in one or more future periods may fail to meet or exceed the expectations of securities analysts or investors which may affect the trading price of our Common Shares.

***If securities or industry analysts do not publish research or publish inaccurate or unfavorable research about us or our business, our trading price and volume could decline.***

The trading market for our Common Shares will depend in part on the research and reports that securities or industry analysts publish about us or our business. If analysts who cover us downgrade our Common Shares or publish inaccurate or unfavorable research about our business, our trading price may decline. If one or more of these analysts cease coverage of us or fail to publish reports on us regularly, demand for our Common Shares could decrease, which could cause our trading price and volume to decline.

***Shareholders have limited control over our operations.***

Holders of Common Shares have limited control over changes in our policies and operations, which increases the uncertainty and risks of an investment in our Company. Our Board will determine major policies, including policies regarding financing, growth, debt capitalization and any future dividends to shareholders. Generally, our Board may amend or revise these and other policies without a vote of the holders of Common Shares. Our Board's broad discretion in setting policies and the limited ability of holders of Common Shares to exert control over those policies increases the uncertainty and risks of an investment in our Company.

***As a public company, we are required to develop and maintain proper and effective internal controls over financial reporting. These internal controls may not be effective, which could adversely affect investor confidence in us and, as a result, negatively impact the value of our Common Shares.***

We are subject to reporting and other obligations under applicable Canadian securities laws, including NI 52-109, and the rules of the TSXV. If we are unable to accomplish any such necessary obligations in a timely and effective manner, our ability to comply with our financial reporting obligations and other rules applicable to reporting issuers could be impaired. Moreover, any failure to maintain effective internal controls could cause us to fail to satisfy our reporting obligations or result in material misstatements in our financial statements. If we cannot provide reliable financial reports or prevent fraud, our reputation and operating results could be materially adversely affected which could also cause investors to lose confidence in our reported financial information, which could result in a reduction in the market price of our Common Shares.

We do not expect that our disclosure controls and procedures and internal controls over financial reporting will prevent all errors and fraud. A control system, no matter how well designed and implemented, can provide only reasonable, not absolute, assurance that the control system's objectives will be met. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Due to the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues within an organization are detected. The inherent limitations include the realities that judgments in decision making can be faulty, and that breakdowns can occur because of simple errors or mistakes. Controls can also be circumvented by individual acts of certain persons, by collusion of two or more people or by management override of the controls. Due to the inherent limitations in a cost-effective control system, misstatements due to error or fraud may occur and may not be detected in a timely manner or at all.



***Our constating documents permit us to issue an unlimited number of Common Shares without additional shareholder approval.***

Our articles permit to issue an unlimited number of Common Shares, issuable in series. It may occur, from time to time, the issuance of additional Common Shares in the future. Subject to the requirements of the TSXV, we will not be required to obtain the approval of shareholders for the issuance of additional Common Shares. Any further issuances of Common Shares will result in immediate dilution to existing shareholders and may have an adverse effect on the value of their shareholdings.

## **DIVIDEND POLICY**

We currently intend to retain any future earnings to fund the development and growth of our business and do not currently anticipate paying dividends on our Common Shares in the near future until full growth of the Company has been realized. Any determination to pay dividends in the future will be at the discretion of our Board and will depend on many factors, including, among others, our financial condition, current and anticipated cash requirements, contractual restrictions and financing agreement covenants, solvency tests imposed by applicable corporate law and other factors that our Board may deem relevant.

## **DESCRIPTION OF SHARE CAPITAL**

The following describes material terms of our share capital as of the date of this AIF. The following description may not be complete and is subject to, and qualified in its entirety by reference to, the terms and provisions of our articles, which are available under our SEDAR+ profile at [www.sedarplus.ca](http://www.sedarplus.ca).

### **Authorized Share Capital**

Our authorized share capital consists of an unlimited number of Common Shares. As of the date of this AIF, 90,018,952 Common Shares are issued and outstanding.

### **Common Shares**

#### ***Dividend Rights***

Holders of Common Shares are entitled to receive dividends out of our assets legally available for the payment of dividends at such times and in such amount and form as our Board may from time to time determine. See “*Dividend Policy*”.

#### ***Voting Rights***

Holders of Common Shares are entitled to one vote per Common Share on all matters upon which holders of Common Shares are entitled to vote.

#### ***Conversion***

The Common Shares are not convertible into any other class of shares.



***Meetings of Shareholders***

Holders of Common Share are entitled to receive notice of any meeting of our shareholders and may attend and vote at such meetings, except those meetings where only the holders of shares of another class or of a particular series are entitled to vote. A quorum for the transaction of business at a meeting of shareholders is present if shareholders who, together, hold not less than 5% of the votes attaching to our outstanding Common Shares entitled to vote at the meeting are present in person or represented by proxy.

***Pre-Emptive and Retraction Rights***

Holders of Common Shares have no pre-emptive or retraction rights.

***Redemption Rights***

The Company has no redemption or purchase for cancellation rights.

***Liquidation Rights***

Upon our liquidation, dissolution or winding-up, whether voluntary or involuntary, the holders of Common Shares, without preference or distinction, will be entitled to receive rateably all of our assets remaining after payment of all debts and other liabilities.



## MARKET FOR SECURITIES

### Common Shares

The Company's Common Shares are listed under the symbol "LOVE.V" on the TSX Venture Exchange (the "TSXV") in Canada, "LOVFF" on the OTCQB Venture Market in the United States and "8CB" on the Frankfurt Stock Exchange in Germany. The following table sets forth, for the periods indicated, the reported high and low prices and the aggregate volume of trading of our Common Shares on the TSXV, as sourced by Bloomberg.

Period	High (\$)	Low (\$)	Trading Volume
September 2023	1.07	0.95	130,219
October 2023	1.04	0.90	222,042
November 2023	0.96	0.80	369,908
December 2023	0.93	0.81	330,723
January 2024	0.99	0.77	415,133
February 2024	1.02	0.84	565,448
March 2024	1.04	0.91	322,427
April 2024	0.94	0.69	668,098
May 2024	0.84	0.67	597,577
June 2024	0.79	0.66	345,036
July 2024	0.70	0.52	832,350
August 2024	0.77	0.60	295,308



## Options and RSUs

Below is a summary of the details with respect to the following outstanding securities that are not listed or quoted on a marketplace issued by the Company during the Company's fiscal year ended August 31, 2024.

Date of Grant	Security Type	Exercise Price (\$)	Securities Issued
December 6, 2023	Options <sup>(1)</sup>	1.80	89,000
December 6, 2023	Options <sup>(1)</sup>	1.20	625,000
December 6, 2023	RSUs <sup>(2)</sup>	-	715,000
January 29, 2024	Options <sup>(1)</sup>	1.80	10,000
April 26, 2024	Options <sup>(1)</sup>	1.80	25,000

### Notes

- (1) Options granted to employees, subject to certain vesting conditions in accordance with the employee share option plan.
- (2) RSUs granted to members of the Board and Officers, subject to certain vesting conditions in accordance with the Company's RSU plan. RSUs are granted without performance conditions and exercisable for no consideration.

### Convertible Debenture

On June 21, 2021, the Company issued a \$5,700,000 convertible debenture by way of non-brokered private placement to Olymbec. Derek Stern, a non-independent director of the Company, holds a significant interest in Olymbec, the holder of the convertible debenture.

At the option of the holder, the convertible debenture may be converted into Common Shares at any time prior to September 30, 2025, at a conversion price of \$1.80 per Common Share, resulting in the potential contingent issuance of 3,166,667 Common Shares in the event of a conversion.

The convertible debenture is a direct, subordinated unsecured obligation of the Company, subordinated to any senior indebtedness of the Company, including the Company's term loan and credit facilities and with all other existing and future subordinated unsecured indebtedness of the Company to the extent subordinated on the same terms.

Date Issued	Amount	Interest Rate	Expiry Date
June 21, 2021 <sup>(1)(2)</sup>	\$5,700,000	10.75% per annum	September 30, 2025

### Notes

- (1) 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.
- (2) On January 30, 2024, the Company modified the maturity of the convertible debenture from January 31, 2025, to September 30, 2025, with interest increasing to 10.75% effective January 31, 2025. Interest is payable at term or at conversion if it occurs. The holder has the right to demand payment up to \$1,000,000 in principal on January 31, 2025.



## Issuance of Securities

The Company has established a share option plan whereby certain personnel may be granted options to acquire shares under the terms of the employee share option plan or shares may be granted to third parties in exchange for services. The number and characteristics of stock options granted under the employee share option plan are determined by the Board of Directors of the Company but cannot exceed 10% of the Company's issued and outstanding Common Shares, including previously granted stock options; and such number of Common Shares as, when combined with all other Common Shares subject to grants made under the Company's other share compensation arrangements (including the RSU Plan) would not exceed 10% of the outstanding Common Shares. The characteristics of stock options granted to third parties for services are determined on a case-by-case basis. The stock options granted under the employee share option plan vest 25% after the first anniversary of the grant date with the remainder vesting in 36 monthly consecutive equal instalments or as approved by the Board of Directors and expire five years from the date of issue. The plan provides for the issuance of Common Shares at an exercise price determined by the Board of Directors which is not lower than the fair value of the Common Shares on the grant date. Outstanding options under the plan are granted with service requirements (or service conditions) and become exercisable upon vesting. The stock options granted to third parties for services have vesting terms determined on a case-by-case basis.

During the second quarter of 2023, the Company obtained approval from shareholders during the 2023 AGSM and from the TSXV to implement an RSU Plan. The RSU Plan provides for a maximum number of Common Shares available and reserved for issuance to 10% of the aggregate number of Common Shares issued and outstanding from time to time; and (ii) such number of Common Shares as, when combined with all other Common Shares subject to grants made under the Company's other share compensation arrangements (including the Stock Option Plan) would not exceed 10% of the outstanding Common Shares. The RSUs are time-based awards and can contain performance conditions. All the amount of RSUs granted will vest upon the continuous employment of the Participants on the second anniversary of the RSU grant or if the performance conditions are met, starting from the date of the grant or such other period not exceeding five years determined by the Board of Directors. Pursuant to the terms of the RSU Plan, Participants will receive for no consideration, upon vesting of the RSUs, Common Shares of the Company issued from treasury.

## DIRECTORS AND EXECUTIVE OFFICERS

The following tables set out, for each of our directors and executive officers, as at the date of the AIF, the person's name, province or state and country of residence, position with us, principal occupation and the date on which the person became a director or executive officer, as the case may be. Our directors are elected annually and, unless re-elected, retire from office at the end of the next annual meeting of shareholders.



## Board of Directors

The following table lists the names and place of residence of the current directors of the Company, as well as their principal occupation and their previously held positions during the last five years.

Name	Place of Residence	Position with the Company	Principal Occupation in Last 5 Years	Director Since
<b>Zohar Krivorot</b>	Montréal, QC, Canada	Chairman and Chief Executive Officer	Chairman and Chief Executive Officer of the Company	December 31, 2018
<b>Derek Stern</b>	Montréal, QC, Canada	Director	Vice President at Olymbec Development Inc. (Real Estate Developer) (1990-Present)	December 31, 2018
<b>Donald Olds</b>	Montréal, QC, Canada	Director	Consultant (2019-present) President and CEO of NEOMED Institute (2017–2019)	November 10, 2020
<b>Jack M. Kay</b>	Toronto, ON, Canada	Director	President and CEO of Apotex Pharmaceuticals (1982–2019)	May 25, 2019
<b>Mary Durocher</b>	South Woodlee, ON, Canada	Director	President and Chief Consultant at Fox D Consulting Incorporated (2012- present)	May 25, 2020

The directors of the Company are elected at the annual meeting of Shareholders. They hold office until their term expires at the following annual meeting of Shareholders, subject to re-election, retirement, resignation or vacancy caused by death, removal or other cause. The charter of the Board provides that the Board must at all times be constituted of a majority of individuals who are independent. Based on the information received from each director and having taken into account the independence criteria set forth below, the Board concluded that all directors, with the exception of Zohar Krivorot and Derek Stern, are independent within the meaning of National Instrument 52-110 – *Audit Committees* (the “CSA Audit Committee Rules”).

Zohar Krivorot is not independent as he is currently the Chief Executive Officer of the Company. Derek Stern is not independent by virtue of his significant interest in Olymbec Investments Inc., a “control person” of the Company.

All other current directors of the Company, namely Donald Olds, Jack M. Kay and Mary Durocher are “independent” directors within the meaning of the CSA Audit Committee Rules. Each of them has no material relationship with the Company and, in the reasonable opinion of the Board, is independent under the CSA Audit Committee Rules. The Board has an Audit Committee and a HR/Governance Committee.

### **Audit Committee**

The Audit Committee is currently composed of three members: Donald Olds, Jack M. Kay and Mary Durocher. See “*Audit Committee*” below for further information.

### **HR/ Governance Committee**

The HR/Governance Committee is currently composed of three members: Donald Olds, Jack M. Kay and Mary Durocher



## Executive Officers

The following table lists the names and place of residence of the executive officers of the Company who are not directors of the Company, their position within the Company as at November 25, 2024, the date on which they became executive officers and their previously held positions during the last five years.

Name	Place of Residence	Position with the Company	Principal Occupation in Last 5 Years	Officer
Nicholas Sosiak	Montréal, QC, Canada	Chief Financial Officer	Chief Financial Officer of the Company (2020 - present) Vice-President, Finance and Accounting at Dundee 360 Real Estate Corporation (2013–2020)	November 10, 2020
Avi Krivorot	Montréal, QC, Canada	Chief Technology Officer	Chief Technology Officer of the Company (2021- present) IT& Security Consultant at the Company (2020–2021) Director, Systems Administration at Intrado Enterprise Collaboration (2014–2020)	April 1, 2021

## Ownership of Securities

As of the date of this AIF, as a group, our directors and executive officers beneficially own, or control or direct, directly or indirectly, a total of 45,219,077 Common Shares, representing 50.23% of the Common Shares and voting power attached to all of our issued and outstanding shares.

## Penalties or Sanctions

None of our directors or executive officers, and to the best of our knowledge, no shareholder holding a sufficient number of securities to affect materially the control of the Company, has been subject to any penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority or has entered into a settlement agreement with a securities regulatory authority or been subject to any other penalties or sanctions imposed by a court or regulatory body that would likely be considered important to a reasonable investor making an investment decision.

## Individual Bankruptcies

None of our directors or executive officers, and to the best of our knowledge, no shareholder holding a sufficient number of securities to affect materially the control of the Company, has, within the 10 years prior to the date of this AIF, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or become subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or director appointed to hold his or her assets.

## Corporate Cease Trade Orders and Bankruptcies

None of our directors or executive officers, and to the best of our knowledge, no shareholder holding a sufficient number of securities to affect materially the control of the Company is, as at the date of this AIF, or has been within the 10 years before the date of this AIF: (a) a director, chief executive officer or chief financial officer of any company that was subject to an order that was issued while the director or executive officer was acting in the capacity as director, chief executive officer or chief financial officer; (b) was subject to an order that was issued after the director or executive officer ceased to be a director, chief executive officer or chief financial officer and which resulted from an event that occurred while that person was acting



in the capacity as director, chief executive officer or chief financial officer; or (c) a director or executive officer of any company that, while that person was acting in that capacity, or within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or director appointed to hold its assets. For the purposes of this paragraph, “order” means a cease trade order, an order similar to a cease trade order or an order that denied the relevant company access to any exemption under securities legislation, in each case, that was in effect for a period of more than 30 consecutive d Ethical Business Conduct.

## Code of Conduct

The Board has adopted a written Code of Conduct (the “**Code**”). The Code is available from the Company upon request. The audit committee of the Company (the “**Audit Committee**”) will monitor compliance with the Code by receiving reports from management as to any actual or alleged violations, as appropriate. In accordance with the provisions of the Code and applicable corporate law, any director or executive officer who holds a material interest in a proposed transaction or agreement involving the Company will be required to disclose that interest to the Audit Committee and abstain from voting on approval of such transactions as appropriate.

## Conflicts of Interest

To the knowledge of the Company, there are no existing or potential material conflicts of interest between the Company or a subsidiary of the Company and any director or officer of the company or of a subsidiary of the Company, except that certain of our directors and officers also serve as directors or officers of other companies, and therefore it is possible that a conflict may arise between their duties to us and their duties as a director or officer of such other companies. Directors are required to comply with the relevant provisions of the BCBCA regarding conflicts of interest.

## PROMOTERS

Except as disclosed below, no person has, during the two most recently completed financial years of Cannara ended August 31, 2024, and 2023 or during the current financial year of Cannara, been a promoter of the Company.

Zohar Krivorot may be considered to be a promoter of the Company for the purposes of applicable securities laws, as Mr. Krivorot has taken the initiative in reorganizing and financing the Company. As of the date of this AIF, Mr. Krivorot is Chairman of the Board and the Chief Executive Officer of the Company.

Javaa Private Equity Inc. is owned and controlled by Zohar Krivorot and holds, as of the date of this AIF, 24,258,982 Common Shares, representing approximately 26.95% of the total Common Shares outstanding of the Company. Mr. Krivorot also owns, as of the date of this AIF, 375,000 options, exercisable at \$1.20 and vesting over a four year period, and 1,124,808 RSUs, representing 20.27% of all options and RSUs outstanding, exercisable for no consideration, certain RSUs with performance conditions, and with vesting periods on January 6, 2025, on February 10, 2025 and on January 1, 2026. During Fiscal 2024, Mr. Krivorot received an annual salary from Cannara in the amount of \$300,000 pursuant to the terms of his executive employment agreement with the Company.



## AUDIT COMMITTEE

Our Audit Committee consists of three directors, Donald Olds, who acts as Chair of this committee, Jack M. Kay and Mary Durocher, each of whom is a person determined by our Board to be independent and financially literate, in each case, within the meaning of NI 52–110. Each of our Audit Committee members has an understanding of the accounting principles used to prepare financial statements and varied experience as to the general application of such accounting principles, as well as an understanding of the internal controls and procedures necessary for financial reporting.

Name of Member	Independent <sup>(1)</sup>	Financially Literate <sup>(2)</sup>
Donald Olds <sup>(3)</sup>	Yes	Yes
Jack M. Kay	Yes	Yes
Mary Durocher	Yes	Yes

### Notes

- (1) A member of the Audit Committee is independent if he or she has no direct or indirect “material relationship” with the Company. A material relationship is a relationship which could, in the view of the Board of Directors, reasonably interfere with the exercise of a member’s independent judgment.
- (2) A member of the Audit Committee is financially literate if he or she has the ability to read and understand a set of financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of the issues that can reasonably be expected to be raised by the Company’s financial statements.
- (3) Chair of the Audit Committee.

For additional details regarding the relevant education and experience of each member of our Audit Committee, see also “*Directors and Executive Officers - Biographical Information Regarding Our Directors and Executive Officers*”.

### **Mandate and Responsibilities of the Audit Committee**

The Audit Committee’s mandate and responsibilities are detailed in its charter and include: (i) reviewing and recommending for approval to the Board the financial statements, accounting policies that affect the statements, annual MD&A and associated press releases; (ii) being satisfied that adequate procedures are in place for the review of the Company’s public disclosure of financial information extracted or derived from the Company’s financial statements and periodically assessing those procedures; (iii) establishing and maintaining complaint procedures regarding accounting, internal accounting controls, or auditing matters and the confidential, anonymous submission by employees of the Company of concerns regarding questionable accounting or auditing matters; (iv) overseeing the work of the external auditor engaged for the purpose of preparing or issuing an auditor’s report or performing such other audit, review or attest services for the Company, including the resolution of disagreements between management and the external auditor regarding financial reporting; (v) pre-approving all non-audit services to be provided to the Company or its subsidiary entities by the external auditor; (vi) reviewing and monitoring the processes in place to identify and manage the principal risks that could impact the financial reporting of the Company; and (vii) reviewing and approving the Company’s hiring policies regarding partners, employees, and former partners and employees of the present and former external auditor of the Company.





The Audit Committee is to meet at least quarterly to review financial statements and MD&A and to meet with the Company's external auditor at least once a year. Directors are invited to hold in-camera sessions at any time, including after Board and committee meetings. During these in-camera sessions, members of management are not present. The Company believes that these in-camera sessions contribute to the Board's independent oversight.

## **Complaints**

The Audit Committee has established a "Whistleblower Policy" which outlines procedures for the confidential, anonymous submission by employees regarding the Company's compliance with all applicable government laws, rules and regulations, corporate reporting and disclosure, accounting practices, accounting controls, auditing practices and other matter relating to fraud against shareholders (the "**Accounting Concerns**"), without fear of retaliation of any kind. If an applicable individual has any concerns about any of the Accounting Concerns which they consider to be questionable, incorrect, misleading or fraudulent, the applicable individual is urged to come forward with any such information, complaints or concerns, without regard to the position of the person or persons responsible for the subject matter of the relevant complaint or concern.

The applicable individual may report their concern in writing, by telephone or e-mail and forward it to the Chairman of the Audit Committee. All submissions will be treated on a confidential and anonymous basis, except when the Accounting Concerns refer to violation of any applicable law, rule or regulation that relates to the corporate reporting and disclosure, and to violation of the Company's Code, when the person making the submission must be identified for purposes of performing the investigation. Further, the Company will not discharge, discipline, demote, suspend, threaten or in any manner discriminate against any person who submits in good faith an Accounting Concern.

Promptly following the receipt of any complaints submitted to it, the Audit Committee will investigate each complaint and take appropriate corrective actions. The "Whistleblower Policy" is to be reviewed by the Audit Committee on an annual basis.

## **Audit Committee Oversight**

Since the commencement of the Company's most recently completed financial year, there has not been a recommendation of the Audit Committee to nominate or compensate an external auditor that was not adopted by the Board of Directors.

## **Reliance on Exemptions in NI 52-110 regarding De Minimis Non-Audit Services or on a Regulatory Order Generally**

In respect of the Company's most recently completed financial year, the Company has not relied on the exemption in section 2.4 (De Minimis Non-audit Services) of NI 52-110 or an exemption from NI 52-110, in whole or in part, granted by a securities regulator under Part 8 (Exemptions) of NI 52-110.

In respect of the most recently completed financial year, the Company is relying on the exemption set out in section 6.1 of NI 52-110 for venture issuers with respect to compliance with the requirements of Part 5 (Reporting Obligations) of NI 52-110.



## Pre-Approval Policies and Procedures

The Audit Committee has adopted specific policies and procedures for the engagement of non-audit services as described in the Audit Committee Charter.

The following table discloses the fees billed to the Company by its external auditor during the two last financial years.

	Fiscal 2024	Fiscal 2023
<b>Audit Fees</b> <sup>(1)</sup>	443,500	246,100
<b>Audit-Related Fees</b> <sup>(2)</sup>	80,250	60,900
<b>Tax Fees</b>	27,648	31,992
<b>All Other Fees</b> <sup>(3)</sup>	-	-

### Notes

- (1) The aggregate fees billed by the Company's auditor for audit fees.
- (2) The aggregate fees billed for assurance and related services that are reasonably related to the performance of the audit or review of the Company's financial statements and are not disclosed in the "Audit Fees" column.
- (3) All other fees billed by the auditor for products and services not included in the foregoing categories.

## LEGAL PROCEEDINGS

We are, from time to time, involved in legal proceedings of a nature considered normal to our business. We believe that none of the litigation in which we have been involved since the beginning of our most recently completed financial year, individually or in the aggregate, is material to our consolidated financial condition, cash flows or results of operations.

## ESCROWED SECURITIES AND SECURITIES SUBJECT TO CONTRACTUAL RESTRICTION TO TRANSFER

To our knowledge, we do not have any securities in escrow or that are subject to a contractual restriction on transfer.



## INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

As of the date hereof, Javaa Private Equity Inc. and Olymbec are the only shareholders known to the Company that own greater than 10 percent (10%) of the Common Shares of the Company. Javaa Private Equity Inc. is owned and controlled by Zohar Krivorot and holds approximately 26.95% of the total Common Shares outstanding of the Company. Derek Stern, a director of the Company, holds a significant interest in Olymbec, which holds approximately 22.56% of the total Common Shares outstanding of the Company. To the Company's knowledge, there are no material interests, direct or indirect, of (a) any director or executive officer of the Company, (b) any person or company that beneficially owns, or controls or directs, directly or indirectly, more than 10% of any class or series of the Company's outstanding securities, or (c) any associate or affiliate of any of the foregoing, in any transactions within the three most recently completed financial years or during the current financial year that has materially affected or is reasonably expected to materially affect the Company.

## AUDITORS, TRANSFER AGENT AND REGISTRAR

On August 16, 2024, the Company filed a notice in change of auditor, announcing that that KPMG LLP ("KPMG") would resign as the auditor of the Company upon completion of the Company's 2024-year end. The Company appointed MNP LLP ("MNP") as the successor auditor. MNP will assume the role of auditor following KPMG's completion of the Company's 2024-year end audit and following receipt of shareholder approval to be requested during the Company's upcoming 2025 Annual General Meeting. MNP LLP is independent of the Company within the meaning of the Code of Ethic of the *Ordre des comptables professionnels agréés du Québec*.

The transfer agent and registrar for our Common Shares is Computershare Trust Company of Canada at its principal office in Montréal, Québec.

## MATERIAL CONTRACTS

The following represent the material contracts, other than those contracts entered into in the ordinary course of business, which we have entered into since the beginning of the last financial year, or entered into prior to such date, but which is still in effect, and to which are required to be filed with Canadian securities regulatory authorization in accordance with Section 12.2 of NI 51-102.

### Credit Agreement

On May 31, 2022, the Company, Cannara Ops and certain of the Company's subsidiaries entered into a credit agreement with Bank of Montreal, as administrative agent, lead arranger, syndication agent and sole bookrunner, and the lenders from to time party thereto, pursuant to which certain credit facilities have been made available to Cannara OPS (the "**Credit Agreement**"). A copy of the Credit Agreement is available under the Company's SEDAR+ profile at [www.sedarplus.ca](http://www.sedarplus.ca). Pursuant to the Credit Agreement, the Company has access to a \$10 million revolving credit facility which is intended to be used for general working capital purposes. Each tranche drawn on the revolving credit facility has either a 30, 60 or 90-day term depending on management's decision and can be renewed by the Company at the end of the period.

The revolving credit facilities bear variable interest rates based on prime rate or the Canadian overnight repo rate average ("**CORRA**") plus an applicable margin based on the credit agreement. As at August 31, 2024, the weighted average interest rate on the revolving credit facilities was 8.28% and 8.45% on the term loan.

On May 31, 2024, the Company amended its credit agreement with the Bank of Montreal to remove an EBITDA covenant requirement in addition to extending the maturity of the term loan and credit facilities from May 31, 2025, to December 31, 2025



## INTEREST OF EXPERTS

No person or company named in this document as having prepared or certified a part of the document or a report described in this document and no responsible solicitor or any partner of a responsible solicitor's firm, holds any material beneficial interest, direct or indirect, in any securities or property of the Company or of an associate or affiliate of the Company.

## ADDITIONAL INFORMATION

Additional information relating to the Company is available on its SEDAR+ profile at [www.sedarplus.ca](http://www.sedarplus.ca). Additional information, including with respect to directors' and officers' remuneration and indebtedness, principal holders of the Company's securities, and securities authorized for issuance under equity compensation plans, as applicable, is contained in our information circular for our most recent annual meeting of shareholders that involved the election of directors and is contained in our information circular which has been prepared in connection with our 2024 annual meeting of shareholders, all of which are available under the Company's SEDAR+ profile at [www.sedarplus.ca](http://www.sedarplus.ca). Additional financial information is contained in the Company's consolidated financial statements for the year ended August 31, 2024, and the Annual MD&A, available under the Company's SEDAR+ profile at [www.sedarplus.ca](http://www.sedarplus.ca).



## GLOSSARY OF TERMS

As used in this AIF, unless the context indicates or requires otherwise, the following terms have the respective meanings set out below:

“**AGLC**” means the Alberta Gaming, Liquor and Cannabis Commission.

“**AGCO**” means the Alcohol and Gaming Commission of Ontario.

“**Annual MD&A**” means the management’s discussion and analysis for the Company dated November 22, 2023, for the year ended August 31, 2024.

“**Audit Committee**” means Cannara’s audit committee.

“**BCDLB**” means the British Columbia Liquor Distribution Branch.

“**Cannabis Act**” means the *Cannabis Act*, SC 2018, c.16 as amended or replaced from time to time.

“**Cannabis Activities**” means any activities (including advertising or promotional activities) relating to or in connection with the possession, exportation, importation, cultivation, production, processing, purchase, distribution or sale of cannabis or cannabis products, whether such activities are for medical, scientific, recreational or any other purpose.

“**Cannabis Regulations**” means the regulations made from time to time under the Cannabis Act, the *Controlled Drugs and Substances Act* (Canada) and any other statute with respect to Cannabis Activities.

“**COVID-19**” means the novel coronavirus named COVID-19.

“**Credit Agreement**” has the meaning set forth under the heading “Material Contracts”.

“**EMA**” means the European Medicines Agency.

“**Farnham Facility**” means the Company’s facility located in Farnham, Québec.

“**Fiscal 2022**” means the year ended August 31, 2022.

“**Fiscal 2023**” means the year ended August 31, 2023.

“**Fiscal 2024**” means the year ended August 31, 2024.

“**GACP**” means Good Agricultural Practices.

“**HR/ Governance Committee**” means our human resources and governance committee.

“**NCIB**” means normal course issuer bid.

“**NI 51-102**” means National Instrument – Continuous Disclosure Obligations.

“**NI 52-109**” means National Instrument – Certification of Disclosure in Issuers’ Annual and Interim Filings.



“**NI 52-110**” means National Instrument 52–110 – Audit Committees of the Canadian Securities Administrators.

“**NI 58-101**” means National Instrument 58–101 – Disclosure of Corporate Governance Practices of the Canadian Securities Administrators.

“**Olymbec**” means Olymbec Investments Inc.

“**Revolving Credit Facilities**” has the meaning set forth under the heading “Material Contracts”.

“**SKU**” means stock-keeping unit.

“**SLGA**” means the Saskatchewan Liquor and Gaming Authority.

“**Term Loan**” has the meaning set forth under the heading “Material Contracts”.

“**TSXV**” means the TSX Venture Exchange.

“**Valleyfield Facility**” means the Company’s facility located in Valleyfield, Québec.

“**WHO**” means the World Health Organization.

## **APPENDIX “A” - AUDIT COMMITTEE CHARTER**

(see attached)

## **CANNARA BIOTECH INC.**

### **AUDIT COMMITTEE CHARTER**

#### **I. PURPOSE AND AUTHORITY OF THE COMMITTEE**

II. The members of the audit committee (the "Audit Committee") shall be appointed by the board of directors (the "Board") of Cannara Biotech Inc. (the "Company") and shall report to the Board. The Audit Committee shall be responsible to:

(a) assist the Board in fulfilling its oversight of the Company's financial integrity, specifically by assisting the Board's oversight of:

(i) the integrity of the Company's financial statements and other financial reporting;

(ii) the qualifications and independence of any independent auditor and/or registered public accounting firm engaged by the Company for the purpose of preparing or issuing an audit report or performing other audit, review or attest services for the Company (the "External Auditor");

(iii) the performance of the Company's internal audit functions and internal auditor, if and when one is appointed;

(iv) the Company's compliance with legal and regulatory requirements;

(v) the process by which the Company assesses and manages risk; and

(vi) any other matters as defined by the Board;

(a) manage, on behalf of the shareholders, the relationship between the Company and the External Auditor by:

(i) having direct responsibility for appointing, retaining and determining the compensation of the External Auditor (in the Audit Committee's capacity as a committee of the Board and subject to the rights of shareholders and applicable law);

(ii) overseeing the work of the External Auditor, including the resolution of any disagreements between management and the External Auditor regarding financial reporting, as well as;

(iii) reviewing with the External Auditor any audit problems or difficulties and management's response, including any restrictions on the scope of the External Auditor's activities or on access to requested information

(iv) determining and approving compensation for all audit and audit-related services

and pre-approving all audit and permitted non-audit services to be provided to the

Company or its subsidiaries by the Company's External Auditor;

(v) ensuring that the External Auditor report directly to the Audit Committee and meets with the Audit Committee or the Board without management present at each regularly scheduled meeting of the Audit Committee and at least annually with the full Board;

(vi) facilitating communication between the Company and the External Auditor; and

(vii) his Charter and any subsequent revisions thereto require the approval of the Board.

The Audit Committee has the authority to conduct any investigation appropriate to fulfilling its responsibilities, and it has unrestricted access to communicate directly with the internal and External Auditor, management, members of the Board, employees of, or consultants to, the Company and any relevant information. The Audit Committee has the authority to retain independent legal, accounting or other advisors,



consultants or experts it deems necessary in the performance of its duties, and the Audit Committee shall have the authority to set the compensation for any such advisors subject to a budget approved by the Board.

Subject to a budget approved by the Board, the Company shall provide appropriate funding, as determined by the Audit Committee, for payment of (i) compensation to the External Auditor to prepare and issue an audit report or perform other audit, review or attest services for the Company, (ii) compensation to any outside advisors, consultants or experts employed by the Audit Committee, and (iii) ordinary administrative expenses of the Audit Committee that are necessary or appropriate in carrying out the Audit Committee's duties.

## II. COMPOSITION OF THE AUDIT COMMITTEE

The Audit Committee shall be composed of at least three non-management directors of the Company who are appointed by the Board (and may be removed or replaced by the Board at any time as needed), annually at the meeting of the Board immediately following the annual general shareholders meeting. A Member shall cease to be a Member upon ceasing to be a member of the Board, or once their qualified successor is appointed, as the case may be. The Board will fill vacancies on the Committee by the appointment of other qualified directors, subject to satisfying all applicable independence requirements. The Chairman of the Audit Committee shall be designated by the full Board, or if the Board does not do so, the members of the Audit Committee, by majority vote, may designate a Chairman.

Each member shall be neither an officer nor employee of the Company or any of its affiliates. Each member shall be independent of management and must be free from any direct or indirect relationship which could, or, in the view of the Board, could reasonably be perceived to, interfere with the exercise of that member's independent judgement in carrying out the responsibilities as a member. No member may have participated in the preparation of the financial statements of the Company or any current subsidiary of the Company at any time during the previous three years. No member may, other than in his or her capacity as a member of the Audit Committee, the Board of Directors, or any other Board committee, accept directly or indirectly any consulting, advisory, or other "compensatory fee" (as such term is defined under applicable securities laws and stock exchange rules) from, or be an "affiliated person" (as such term is defined under applicable securities laws and stock exchange rules) of, the Company or any subsidiary of the Company unless approved by the Board.

All members of the Audit Committee shall be financially literate at the time of their election to the Audit Committee, which means that they will have the ability to read and understand fundamental financial statements (including a balance sheet, income statement and cash flow statement), including a set of financial statements that present a breadth and complexity of the issues that can reasonably be expected to be raised by the Company's financial statements.

Ideally at least one member of the Audit Committee shall be an "audit committee financial expert" as such term is defined by the Regulations of the Québec Securities Commission and the rules of the Securities and Exchange Commission. At least one member of the Audit Committee shall have past employment experience in finance or accounting, requisite professional certification in accounting, or any other comparable experience or background which results in the individuals financial sophistication, including but not limited to being or having been a chief executive officer, chief financial officer, other senior officer with financial oversight responsibilities. The Board shall make determinations as to whether any particular member of the Audit Committee satisfies these requirements.

A quorum of any Audit Committee meeting will be a majority of the members of the Audit Committee. The Secretary of the Audit Committee shall be such person as nominated by the Chairman of the Audit Committee.

### **III. MEETINGS OF THE AUDIT COMMITTEE**

The Audit Committee shall meet as frequently as it deems necessary to carry out its duties and responsibilities but no less than four times per year. The External Auditor shall receive notice of every meeting of the Audit Committee and shall be invited to attend and participate in such meetings. The Audit Committee, in its discretion, may also ask members of management or others to attend its meetings (or portions thereof) and to provide pertinent information as necessary.

The Audit Committee Chairman shall approve an agenda in advance of each meeting and shall cause that agenda and related materials to be distributed to members and the External Auditor in advance of said meeting. The Audit Committee shall maintain minutes of its meetings and records relating to those meetings and the Audit Committee's activities and provide copies of such minutes to the Board. The Audit Committee may also meet by telephone conference call or by virtual teleconference or by any other means permitted by law or by the Company's by-laws.

The Audit Committee shall also meet separately with management as it deems appropriate.

The Secretary shall circulate the minutes of the meetings to members of the Board, members of the Audit Committee and the head of the External Auditor.

### **IV. REMUNERATION OF AUDIT COMMITTEE MEMBERS**

No member of the Audit Committee may, other than in his or her capacity as a member of the Audit Committee, the Board of Directors, or any other Board committee, accept directly or indirectly any consulting, advisory, or other "compensatory fee" (as such term is defined under applicable securities laws and stock exchange rules) from the Company or any subsidiary of the Company unless approved by the Board.

### **V. DUTIES AND RESPONSIBILITIES OF THE AUDIT COMMITTEE**

#### **(a) Selection and Evaluation of External Auditor**

The Audit Committee is responsible for selecting and evaluating the External Auditor, and for managing, on behalf of the Company's shareholders, the relationship between the Company and its External Auditor. In furtherance of this responsibility, as delegated by the Board, the Audit Committee shall

- (i) review and recommend to the Board, subject to the rights of shareholders, for the selection, appointing, retaining and determining the compensation of the External Auditor. The External Auditor must be a top tier national firm with operations across Canada and the United States.
- (ii) review and approve the External Auditor's annual engagement letter, including the proposed audit plan and fees contained therein.
- (iii) oversee the work of the External Auditor, including the resolution of disagreements between management and the External Auditor regarding financial reporting.
- (iv) receive the report from the External Auditor covering the outcome of their annual audit of the Company.
- (v) review the performance of the External Auditor and, if warranted recommend replacement or termination the External Auditor to the full Board.
- (vi) oversee the qualifications and independence of the External Auditor by, among other things:

- A. at least on an annual basis, evaluating the qualifications, performance and independence of the External Auditor and the senior audit partners having primary responsibility for the audit.
- B. obtaining and reviewing a report from the External Auditor at least annually regarding: (i) the External Auditor's internal quality-control procedures, (ii) any material issues raised by the most recent internal quality-control review, or peer review, of the firm, or raised by any inquiry or investigation by governmental or professional authorities within the preceding five years respecting one or more independent audits carried out by the firm, (iii) any steps taken to deal with any issues, (iv) all relationships between the External Auditor and the Company, and (v) the independence of the External Auditor as required by applicable law.
- C. establish and periodically assess policies and procedures for the review and pre-approval of all audit and permitted non-audit services to be provided by the External Auditor to the Company or its subsidiaries.
- D. review and, if deemed desirable, pre-approve all audit and permitted non-audit services to be provided by the External Auditor to the Company or its subsidiaries which pre-approval may be delegated to one or more members in accordance with applicable law.
- E. requiring the External Auditor to deliver to the Audit Committee, at least annually, a formal written statement delineating all relationships between the External Auditor and the Company and confirming their independence from the Company.
- F. actively engaging in a dialogue with the External Auditor with respect to any disclosed relationships or services that may impact the objectivity and independence of the External Auditor and taking, or recommending that the Board take, appropriate action to satisfy itself of the auditor's independence.

(b) Financial Statements and Reports

The Audit Committee is responsible for overseeing the accounting and financial reporting process of the Company and the audits of the financial statements of the Company. In furtherance of this responsibility, as delegated by the Board, the Audit Committee shall:

- (i) review and approve the External Auditor's annual audit plan, including the scope of the External Auditor's quarterly reviews and all related fees.
- (ii) confirm through private discussions with the External Auditor that no restrictions are being placed on either the scope or the effectiveness of the External Auditor's work.
- (iii) review all material written communications between the External Auditor and management, including post audit or management letters containing recommendations of the External Auditor, management's response and follow up with respect to the identified weaknesses.
- (iv) as part of the Audit Committee's review of the Company's quarterly audited annual financial statements, review and discuss with management and the External Auditor:
  - A. the External Auditor's report on the audited annual financial statements.
  - B. the quality of, and any major issues regarding, the Company's accounting principles and financial statement presentations, including all critical accounting policies, accounting practices and financial disclosure practices used and any significant changes in the Company's selection or application of accounting principles.

- C. all significant issues and judgements made in connection with the preparation of the financial statements to determine if and how they should be reported or disclosed.
- D. any problems experienced by the External Auditor in performing audits.
- E. The use of any “pro forma” or “adjusted” information not in accordance with generally acceptable accounting principles;
- F. Any earnings press releases and press releases containing financial information extracted from the financial statements of the Company, as well as financial information and earnings guidance, if any, provided to analysts and ratings agencies, it being understood that such discussions may, in the discretion of the Committee, be done generally (i.e., by discussing the types of information to be disclosed and the type of presentation to be made) and that the Committee need not discuss in advance each earnings release or instance in which the Company gives earnings guidance;
- G. Any Company disclosure containing “financial outlooks” or “future oriented financial information”, each as defined in National Instrument 51–102 – Continuous Disclosure Obligations, it being understood that such discussions may, in the discretion of the Committee, be done generally (i.e., by discussing the types of information to be disclosed and the type of presentation to be made) and that the Committee need not discuss in advance each earnings release or instance in which the Company gives earnings guidance; the content and presentation of sales or earnings press releases and any financial information or earnings guidance (if any) provided to analysts and rating agencies.
- H. any outstanding or anticipated litigation or legal claims or actions which may materially affect the financial position of the Company.

(c) Financial Reporting Process and Internal Controls

The Audit Committee is responsible for overseeing the design, implementation and on-going effectiveness of policies and procedures for providing reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles, including those policies and procedures that: (i) pertain to the maintenance of records that in reasonable detail accurately and fairly reflect the transactions and dispositions of the assets of the Company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the Company are being made only in accordance with authorizations of management and directors of the Company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the Company's assets that could have a material effect on the financial statements (“Internal Controls”). In furtherance of this responsibility, as delegated by the Board, the Committee shall:

- (i) establish (under the supervision of the Company's Chief Financial Officer, and President and Chief Executive Officer), monitor and review a system of Internal Controls.
- (ii) consult with the External Auditor regarding the adequacy of Internal Controls and review any significant findings concerning the adequacy of Internal Controls raised by the External Auditor in its report on the Internal Controls.
- (iii) review management's report on its assessment of the Internal Controls of the Company and the steps taken to monitor, control and report financial risks and exposures.

- (iv) consider the effectiveness of the Internal Controls, and review with the President and Chief Executive Officer, the Chief Financial Officer, and the External Auditor: (A) all significant deficiencies and material weaknesses in the design or operation of the Company's Internal Controls that could adversely affect the Company's ability to record, process, summarize and report financial information required to be disclosed by the Company in the reports that it files or submits with applicable securities regulators within the required time periods, and (B) any fraud, whether or not material, that involves management of the Company or other employees who have a significant role in the Company's Internal Controls.
- (v) address, on a regular basis, any perceived shortcomings in the Company's Internal Controls.
- (d) Risk Management

The Audit Committee is responsible for overseeing the process by which the Company assesses and manages risk, including the relationship of the Company's compensation policies and practices to risk management. In furtherance of this responsibility, as delegated by the Board, the Audit Committee shall:

- (i) identify risks inherent in the Company's business;
- (ii) maintain policies and procedures that address such risks on a reasonable, cost-effective basis;
- (iii) in conjunction with management, review, on an annual basis, all aspects of the Company's risk management program, including all significant policies and procedures relating to insurance coverage, foreign exchange exposures and investments (including the Company's use of financial risk management instruments);
- (iv) review the involvement of officers and directors in any matter related to business ethics or potential conflict of interest and advise the Board on the appropriate course of action;
- (v) review policies and practices with respect to off-balance sheet transactions and trading and hedging activities, and consider the results of any review of these areas by the External Auditor; and
- (vi) review management's processes in place to prevent and detect fraud. (e) Compliance with Laws and Regulations

The Audit Committee shall:

- (i) review the effectiveness of the system for monitoring compliance with laws and regulations and the results of management's investigation and follow-up (including disciplinary action) of any fraudulent acts or non-compliance.
- (ii) obtain regular updates from management and the Company's legal counsel regarding compliance matters that may have a material impact on the Company's financial statements or compliance policies.
- (iii) obtain from management adequate assurances that all statutory payments and withholding have been in compliance with relevant laws and regulations; and
- (iv) review the findings of any examinations by regulatory agencies and any correspondence with, or published reports by, regulators or governmental agencies which raise material issues regarding the Company's financial statements or accounting policies.
- (f) Related Party Transactions and Off-Balance Sheet Structure The Audit Committee shall:

- (i) review all proposed related-party transactions for potential conflicts of interest, including those between the Company and its officers or directors and, if deemed appropriate, recommend to the Board an appropriate course of action with respect to any particular transaction (including approval, rejection or ratification);
- (ii) annually review any ongoing related party transactions and report to the Board thereon; and
- (iii) review all material off-balance sheet structures to which the Company is a party.

A “related party” is a director or officer of the Company, or an immediate family member of a director or officer of the Company (which means any spouse, parents, children, siblings, mother-in-law, father-in-law, brother-in-law, sister-in-law, son-in-law, daughter-in-law, and anyone who resides in such person’s home (other than domestic employees)).

(g) Hiring Policies

The Audit Committee shall review and approve the Company’s hiring policies regarding partners, employees and former partners and employees of the present and any former External Auditor of the Company.

(h) Complaint Procedure

The Audit Committee shall establish procedures for the receipt, retention and treatment of complaints received by the Company regarding accounting, internal accounting controls, or auditing matters and procedures for the confidential, anonymous submission by employees of the Company of concerns regarding questionable accounting or auditing matters, and monitor compliance with the Company’s Whistleblower Protection Policy on Financial Matters and oversee, coordinate and review all investigations undertaken thereunder.

**VI. CHAIRPERSON**

The Chairperson’s primary role is to ensure that the Audit Committee functions properly, meets its obligations and responsibilities, fulfills its purpose and that its organisation and mechanisms are in place and are working effectively. More specifically, the Chairperson shall:

- (a) chair meetings of the Audit Committee;
- (b) in consultation with the Chairperson of the Board, the Lead Director (if one is elected), the members of the Audit Committee, the CFO and Corporate Secretary, as necessary, set the agendas for the meetings of the Audit Committee;
- (c) in collaboration with the Chairperson of the Board, the Lead Director (if one is elected), the CEO, the CFO and the Corporate Secretary, ensure that agenda items for all Audit Committee meetings are ready for presentation and that adequate information is distributed to members of the Audit Committee in advance of such meetings to allow the members to properly inform themselves on matters to be acted upon;
- (d) assign work to members of the Audit Committee;
- (e) approve the expense report of the Chairperson of the Board and CEO of the Company;
- (f) act as liaison and maintain communication with the Chairperson of the Board, the Lead Director (if one is elected) and the Board to optimize and coordinate input from directors, and to optimize the effectiveness of the Audit Committee;

- (g) provide leadership to the Audit Committee with respect to its functions as described in this Charter and as otherwise may be appropriate; and
- (h) be available to the CFO one full business day per calendar quarter to provide advice and guidance if necessary.

**VII. EVALUATION OF AUDIT COMMITTEE CHARTER AND COMMITTEE PERFORMANCE**

Annually, the Audit Committee shall review and assess the adequacy of the Audit Committee charter, report to the Board on the results of such assessment, and recommend any proposed changes to the Board for approval.

The Audit Committee shall also perform an annual evaluation of the performance of the Audit Committee and report to the Board on the results of such evaluation.

While the Audit Committee has the oversight duties and responsibilities set forth in this charter, the Audit Committee is not responsible for planning or conducting the audit or for determining whether the Company's financial statements are complete and accurate and are in accordance with generally accepted accounting principles. Management has the responsibility for preparing the financial statements and implementing internal controls and the External Auditor has the responsibility of auditing the financial statements.

In discharging its duties, each member of the Audit Committee shall be obliged only to exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances. Nothing in this Charter, including designating any member of the Audit Committee as an "audit committee financial expert" is intended, or should be determined to impose on any member of the Audit Committee a standard of care or diligence that is in any way more onerous or extensive than the standard to which all members of the Board are subject.

The essence of the Audit Committee's responsibilities is to monitor and review the activities described in this Charter to gain reasonable assurance (but not to ensure) that such activities are being conducted properly and effectively by the Company.

**cannara** 

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