Quebec Grown
Premium Grade Cannabis

# MANAGEMENT DISCUSSION & ANALYSIS

For the year ended August 31, 2024

November 25, 2024

CANNARA BIOTECH INC.

TSXV: LOVE OTCQB: LOVFF FRA: 8CB0

This Management Discussion and Analysis ("**MD&A**") of Cannara Biotech Inc. ("**Cannara**", the "**Company**", "**us**", "**we**" or "**our**") has been prepared by management as of November 25, 2024 and should be read in conjunction with its audited annual consolidated financial statements and related notes thereto for the years ended August 31, 2024, and 2023.

Quarterly reports, and the Company's Annual Information Form for the year ended August 31, 2024 (the "AIF") can be found on SEDAR+ at www.sedarplus.ca and under the "Investor Area" section of our website at https://www.cannara.ca/en/investor-area.

The Company's annual audited consolidated financial statements were prepared in accordance with IFRS Accounting Standards ("**IFRS**") as issued by the International Accounting Standards Board ("**IASB**") and the financial information herein was derived from those statements.

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

All references in this MD&A to "Q4 2024" and "fourth quarter of 2024" are to Cannara's fiscal quarter ended August 31, 2024, and "Q4 2023" and "fourth quarter of 2023" are to Cannara's fiscal quarter ended August 31, 2023. All references in this MD&A to "YTD 2024" and "YTD 2023" are to Cannara's twelve-month periods ended August 31, 2024, and 2023, respectively.

## FORWARD-LOOKING STATEMENTS

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

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

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 under "Risk Factors" in the Company's AIF available on SEDAR+ at www.sedarplus.ca and under the "Investor Area" section of our website at https://www.cannara.ca/en/investor-area: 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,

## FORWARD-LOOKING STATEMENTS *(continued)*

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, future sales of common shares, unlimited issuance of common shares without shareholder approval, fluctuations in operating results, lack of research analyst coverage, limited control by shareholders over operations and risks related to 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. Consequently, all of the forward-looking information contained herein is qualified by the foregoing cautionary statements, and there can be no guarantee that the results or developments that we anticipate will be realized or, even if substantially realized, that they will have the expected consequences or effects on our business, financial condition or results of operation. Unless otherwise noted or the context otherwise indicates, the forward-looking information contained herein is provided as of the date hereof, and the Company disclaims any intention to update or amend such forward-looking information whether as a result of new information, future events or otherwise, except as may be required by applicable law.

## NON-GAAP AND OTHER FINANCIAL MEASURES

Management has included certain financial performance measures that are not recognized or defined under IFRS ("**non-GAAP measures**"). There are no standardized methods of calculating these non-GAAP measures, ratios and segment measures, management's methods may differ from those used by others, and accordingly, these measures may not be directly comparable to similarly titled measures used by others. Accordingly, these measures are intended to provide additional information and should not be considered in isolation or as a substitute for measures of performance prepared in accordance with IFRS.

National Instrument 52–112 respecting Non-GAAP and Other Financial Measures Disclosure ("**NI 52-112**") prescribes disclosure requirements that apply to the following types of measures used by the Company:

i. non-GAAP financial measures;
ii. non-GAAP and other supplementary financial ratios;

In this MD&A, the following non-GAAP measures, non-GAAP and other supplementary financial ratios and segment measures are used by the Company: adjusted EBITDA, free cash flow, working capital, segment gross profit before fair value adjustments as a percentage of segment total revenues, segment gross profit as a percentage of segment total revenues, segment operating income as a percentage of segment total revenues, gross profit as a percentage of total revenues and adjusted EBITDA as a percentage of total revenues.

Management of the Company ("**Management**") employs these measures internally to measure operating and financial performance. Management believes that these non-GAAP and other financial measures provide useful information to investors and analysts regarding the Company's financial condition and results of operations as they provide additional key metrics of its performance. These non-GAAP and other financial measures are not recognized under IFRS, do not have any standardized meaning prescribed under IFRS and may differ from similarly named measures as reported by other issuers, and accordingly may not be comparable. These measures should not be viewed as a substitute for the related financial information prepared in accordance with IFRS.

These measures are defined in, "Glossary of non-GAAP and other financial measures" below and reconciliations to IFRS measures can be found in sections "Selected Financial Information", "Selected Segment Results of Operations" and "Quarterly Financial Position and Results".

## GLOSSARY OF NON-GAAP AND OTHER FINANCIAL MEASURES

| MEASURE | DEFINITION | COMPARABILITY | UTILITY TO MANAGEMENT AND INVESTORS |
|---|---|---|---|
| **Adjusted EBITDA** | Adjusted EBITDA is defined as net income before changes in fair value of inventory sold, unrealized gain on changes in fair value of biological assets, amortization including amortization in cost of goods sold, write-down of inventory to net realizable value, gain on disposal of asset held for sale, loss on disposal of property, plant and equipment, share-based compensation, net finance expense and income taxes.<br><br>The exclusion of net finance expense and income taxes eliminates the impact on earnings derived from non-operational activities. The exclusion of depreciation, amortization, write-down of inventory to net realizable value, share-based compensation, changes in fair value of inventory sold, unrealized gains and losses on changes in fair value of biological assets, and gains and losses on disposal of property, plant and equipment eliminates the non-cash impact of these items. | Adjusted EBITDA is a non-GAAP financial measure that has no standardized definitions under IFRS, and, accordingly, these measures may not be comparable to similar measures used by other issuers. | Management believes that the use of adjusted EBITDA allows investors and analysts to understand the results of operations of the Company by excluding the non-operational activities and non-cash items for the period. Adjusted EBITDA should not be considered either as discretionary cash available to invest in the growth of the business or as a measure of cash that will be available to meet the Company's obligations. From time to time, the Company may exclude additional items if it believes doing so would result in a more effective analysis of underlying operating performance. The exclusion of certain items does not imply that they are non-recurring. |
| **Free cash flow** | Free cash flow is defined as cash flow from operations less capital expenditures, defined as deposits on property, plant and acquisition of property, plant and equipment. | Free cash flow is a non-GAAP financial measure that has no standardized definitions under IFRS, and, accordingly, may not be comparable to similar measures used by other issuers. | Management considers free cash flow to be an important indicator of the financial strength and liquidity of its business as it indicates how much cash is available to service debt and to pursue business investments. |
| **Working Capital** | Working capital is defined as total current assets minus total current liabilities for the corresponding quarter ended as at that date. | Working capital is a non-GAAP financial measure that has no standardized definitions under IFRS, and, accordingly, may not be comparable to similar measures used by other issuers. | Management believes that working capital is an important liquidity measure and allows investors and analysts to assess the Company's financial position. |
| **Segment gross profit, before fair value adjustments as a percentage of segment total revenues** | Segment gross profit, before fair value adjustments as a percentage of segment total revenues is defined as segment's gross profit before fair value adjustments divided by segment total revenues. | These percentages are other supplementary financial ratios related to segment measures that have no standardized definitions under IFRS, and, accordingly, may not be comparable to similar measures used by other issuers. | Management believes that the use of this percentage allows investors and analysts to understand the core profitability of operations excluding volatile fair value adjustments. |
| **Gross profit as a percentage of total revenues** | Gross profit as a percentage of total revenues is defined as gross profit divided by total revenues. | | Management believes that the use of this percentage allows investors and analysts to understand the efficiency of production and the cost management effectiveness. |
| **Segment gross profit as a percentage of segment total revenues** | Segment gross profit as a percentage of segment total revenues is defined as segment's gross profit divided by segment total revenues. | | |
| **Segment operating income as a percentage of segment total revenues** | Segment operating income as a percentage of segment total revenues is defined as segment's operating income divided by segment total revenues. | | Management believes that the use of this percentage allows investors and analysts to understand the operational efficiency and the profitability from core operations. |
| **Adjusted EBITDA as a percentage of total revenues** | Adjusted EBITDA as a percentage of total revenues is defined as adjusted EBITDA divided by total revenues. | Adjusted EBITDA as a percentage of total revenues is a non-GAAP financial ratio that has no standardized definitions under IFRS, and, accordingly, these measures may not be comparable to similar measures used by other issuers. | Management believes that the use of this percentage allows investors and analysts to understand the results of operations of the Company by excluding the effects of elements that are non-operational activities and non-cash items. |

## COMPANY PROFILE

Cannara was incorporated under the laws of British Columbia on October 19, 2017, and is currently listed and publicly traded on the TSX Venture Exchange ("**TSXV**") under the symbol "LOVE", the OTCQB under the symbol "LOVFF" and the Frankfurt Stock Exchange under the symbol "8CB0". The Company's headquarters are located in Montreal, Quebec.

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

The second facility ("**Valleyfield Facility**") is a purpose-built cannabis hybrid greenhouse that is being designed into an indoor facility zone by zone, to ensure consistent and premium flower cultivation. The Valleyfield Facility is over one million square feet and is comprised of 24 independent growing zones totalling 600,000 square feet, a 250,000-square-foot cannabis 2.0 processing center and a 200,000-square-foot rooftop greenhouse located in Valleyfield, Quebec. Cannara operates through its wholly owned subsidiaries, Cannara Biotech (Quebec) Inc. and Cannara Biotech (Valleyfield) Inc., both holding active licenses issued by Health Canada under the Cannabis Act.

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

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

| Province | % Store Distribution |
|---|---|
| **Quebec** | 100% |
| **Ontario** | 95% |
| **Alberta** | 93% |
| **British Columbia** | 91% |
| **Nova Scotia** | 88% |
| **Manitoba** | 80% |
| **Saskatchewan** | 77% |

[1] As reported by Turff Analytics in November 2024.

**COMPANY PROFILE *(continued)***

From 2021 to 2022, the Company launched operations at the Valleyfield Facility and activated 6 of its 24 growing zones to grow production capacity to meet the Company's expanding demand. During 2023, the Company expanded its production capacity at the Valleyfield Facility by 50%, activating another 3 new growing zones. The 10th growing zone at Valleyfield was activated in January 2024, bringing Cannara's total active cultivation canopy to 250,000 square feet and plants under cultivation to approximately, 100,000 with an additional 11,000 plants under cultivation at the Farnham Facility. Together, both facilities are currently capable of generating approximately 33,500 kg of cannabis per year. Cannara has only completed 42% of its current Valleyfield Facility expansion plans and is focused on continuing to activate more growing zones in line with growing demand for its products. The Company has set an objective of activating 2 new growing zones or 50,000 square feet of additional cultivation canopy for Fiscal 2025.

In Q4 2024, the Company generated $23.4 million in total revenues, gross profit before fair value adjustments of $7.0 million or 30%, adjusted EBITDA of $3.7 million or 16% of net revenues[2], net income of $5.8 million, free cash flow of $2.7 million [3] and a basic earning per share of $0.06 for the quarter.

For YTD 2024, the Company generated $82.2 million in total revenues, gross profit before fair value adjustments of $27.9 million or 34%, adjusted EBITDA of $15.1 million or 18% of revenues[2], net income of $6.4 million, free cash flow of $3.2 million[3] and a basic earning per share of $0.07.

As of August 31, 2024, Cannara's distribution network services 7 provinces: Québec, Ontario, Saskatchewan, Alberta, British Columbia, Nova Scotia and most recently, Manitoba, with commencement of sales starting at the end of May 2024. Quebec, Ontario and Alberta currently represent the Company's main markets from which the majority of its revenues are generated.

The Company's market share by listed province for the periods of June to August 2024 were as follows, with average national market share of 3.2% for Q4 2024[4]:

| Province | Q4 2024 |
|---|---|
| **Quebec** | 11.9% |
| **Ontario** | 2.3% |
| **Alberta** | 1.8% |
| **British Columbia** | 1.4% |
| **Saskatchewan** | 1.5% |
| **Manitoba** | 0.8% |

***Additional Information***

Additional information about Cannara may be found at www.cannara.ca.

Investor information may be found at www.investors.cannara.ca.

The Company has designed several lines of branded apparel and accessories available for sale on its online website https://cannaraswag.shop (Quebec excluded due to provincial restrictions).

[2] Adjusted EBITDA and adjusted EBITDA as a percentage of net revenues are non-GAAP measures. A reconciliation of adjusted EBITDA from net income is included in the section "Selected Financial Information" of this MD&A
[3] Free cash flow is a non-GAAP measure. A reconciliation from operating cash flow is included in the section "Selected Financial Information" of this MD&A
[4] Based on Hifyre Data for the periods of June 2024 to August 2024.

## CANNARA'S FACILITIES

| FACILITY | SIZE | CAPACITY | TYPE | ELECTRICITY | FACILITY HIGHLIGHTS |
|---|---|---|---|---|---|
| **FARNHAM, QUEBEC** | Licensed area: 170,000 sf<br>Site: 625,000 sf<br>Land: 1,430,000 sf | Active Grow Area: 28,000 sf<br><br>3,500 kg current capacity<br><br>Active Cloning and Mother Area: 23,000 sf | Indoor | Power rate of approx. $0.065/kw | • Licensed area completed in 2019<br>• State-of-the-art<br>• 11 independent grow rooms + cloning and mother rooms for both facilities<br>• Automated cultivation systems<br>• Solventless hash laboratory<br>• Pre-roll manufacturing center<br>• Packaging center<br>• R&D facility |
| **VALLEYFIELD, QUEBEC** | Licensed area: 600,000 sf<br>Roof top greenhouse: 200,000 sf<br>Processing and cannabis 2.0 processing center: 250,000 sf<br>Site: 1,050,000 sf<br>Land: 3,130,000 sf | Active Grow Area: 250,000 sf (10 zones)<br><br>30,000 kg Current capacity<br><br>96,500 kg Full capacity | Indoor | Preferential contracted power rate of approx. $0.035/kw | • Purpose-built in 2020<br>• Onsite Hydro Quebec substation<br>• Fully outfitted and automated<br>• 24 independent grow rooms<br>• Blackout & shading systems<br>• Purpose-built cannabis greenhouse converted to replicate indoor conditions<br>• Processing center (under construction)<br>• BHO extraction laboratory |

## CANNARA'S BRAND PORTFOLIO

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

| Brand | Story | Product Mix | Markets |
|---|---|---|---|
| TRIBAL | Tribal delivers uncompromised premium grade cannabis products to consumers who have a deep relationship with cannabis. From pheno-hunting rare genetics to unfolding each strain's lineage and flavour profiles, Tribal offers a continuous rotation of genetic strains at entry level pricing. | Dried Flower Pre-Rolls<br>Live Resin Full Spectrum Extract<br>Live Resin Vape Cartridges<br>Accessories<br>Infused Pre-rolls | Québec<br>Ontario<br>Saskatchewan<br>Alberta<br>British Columbia<br>Manitoba<br>Nova Scotia |
| Nugz | Nugz is a cult-worthy movement committed to abundance, quality, and value. Nugz offers an exceptional product at disruptive retail prices specifically designed for long-time cannabis enthusiasts who have a sharp sense for quality but are looking for a price break that aligns with consuming habits. | Dried Flower<br>Milled Flower (Grind)<br>Pre-Rolls<br>Infused Pre-Rolls<br>Old School Hash<br>Ice Water Hash<br>Fresh Frozen Hash Rosin<br>Edibles<br>Vape Cartridges<br>Accessories | Québec<br>Ontario<br>Saskatchewan<br>Alberta<br>British Columbia<br>Manitoba |
| ORCHID CBD | Orchid CBD is a wellness brand dedicated to providing premium CBD-rich 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<br>Pre-Rolls<br>Oils<br>Live Resin Vape Cartridges | Québec<br>Ontario<br>Saskatchewan<br>Alberta<br>British Columbia<br>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. See "Cannara's Competitive Advantage – Innovation in Genetics." By undergoing a rigorous pheno-hunting selection process, Cannara can further broaden the product mix for each one of its brands by providing consumers with unique, dedicated cannabis experiences from carefully selected cultivars for years to come. Our lineup of unique genetics currently available in the retail market include:

| Genetic | Pheno # | Brand | Launch Date | THC | CBD (%) | Type | Aromas and Flavours |
|---|---|---|---|---|---|---|---|
| **GUAVA JAM** | 18 | Nugz | May 2024 | 29% | - | Indica | Guava Jam offers a sweet and tropical fruit flavour |
| **NEON SUNSHINE** | 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. |
| **BUBBLE UP** | 169 | Tribal | April 2024 | 28% | - | Indica | Bubble Up provides a rare and sought-after champagne-like effervescent sensation with a spicy fresh aroma. |
| **JIGGLERS** | 22 | Tribal | October 2023 | 22% | 1% | Indica | Jigglers offers flavours and aromas of strawberries & cream. |
| **DRIP STATION** | 15 | Tribal | October 2023 | 25% | 1% | Indica | Drip Station presents gasoline scents blended with dewy earth and black licorice flavours. |
| **TRIPLE BURGER** | 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. |
| **GALACTIC RNTZ** | 30 | Tribal | November 2022 | 26% | 1% | Indica | Galactic Rntz's complex aroma and flavour provides a strong gas flavour with fruity, sour undertones. |
| **POWER SHERB** | 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. |
| **SLAPZ** | 50 | Nugz | May 2022 | 24% | 1% | Indica | Slapz delivers incredibly sweet sour-gassy aromas with a mix of light earthy flavours. |
| **TERPLE** | 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. |
| **CUBAN LINX** | 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. |
| **CBD RUNTZ** | 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. |
| **EARLY LEMON BERRY** | 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. |
| **GELATO MINT** | 5 | Tribal | February 2021 | 22% | 1% | Indica | Gelato Mint is best known for its fresh mint and cream flavours and aromas. As its name suggests, Gelato Mint smells like a fresh mint dessert with pepper and earthy pine undertones. |

## CANNARA'S COMPETITIVE ADVANTAGE

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

**Quality, attention to detail and transparency**

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

**Price competitiveness**

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

**Innovation in products**

Cannara continues to innovate building and optimizing its product portfolio across several categories including dried flower, pre-rolls, infused pre-rolls, milled flower and vapes, launching 72 new products into market in fiscal 2024, including Bubble Up and Neon Sunshine 3.5g dried flower and 5 x 0.6g pre-rolls, and Neon Sunshine and Triple Burger Fresh Frozen Hash Rosin in Q4 2024.

**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.

**Community responsiveness**

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

**Thought leadership**

Throughout its history, the Company has consistently exemplified thought leadership by bringing disruption and innovation to the Canadian cannabis market. In December 2023, Cannara was awarded four awards at the fourth annual KIND Awards, Canada's largest consumer-facing awards chosen by budtenders for:

- Brand of the Year: Tribal;
- Vape of the Year: Tribal's Cuban Linx Live Resin Vape Cart;
- Concentrate of the Year: Tribal's Cuban Linx Full Spectrum Extract;
- Kindest Person of the Year: Nicholas Sosiak, CPA - Chief Financial Officer;

In addition, a member of its executive leadership team was nominated as one of the Top 50 Cannabis Leaders in Canada by Grow Up Conference Canada in 2024 (Nicholas Sosiak, CPA - Chief Financial Officer).

## MAIN MARKET INSIGHTS

Canada's legal cannabis industry has matured into a multi-billion-dollar market, with an estimated $5.3 billion in retail sales for Cannara's fiscal year 2024[5]. While growth has slowed from the rapid expansion of early years, opportunity still exists to shape the evolution of this industry and become the leading licensed producer across Canada's largest provincial markets: Ontario, Alberta, Quebec, and British Columbia.

## QUEBEC

The provincial distributor of Quebec, SQDC, generated estimated revenues of approximately $198 million for the three-month period ending August 31, 2024[6]. The Company estimated its market share during this period to be approximately 11.9% in Quebec (3rd largest licensed producer in Quebec by market share), representing a 22.7% increase from the prior quarter[6]. Subsequent to quarter-end, in October, Cannara's market share increased to 12.6%[7], a further increase of 5.9%, The ongoing success in Quebec with quarter over quarter market share increases is attributable to Cannara's solid existing portfolio of SKUs that is well appreciated by customers in Quebec in addition to the launch of innovative products like the Nugz infused pre-rolls and new genetics like Neon Sunshine, Bubble Up and Guava Jam.

The SQDC retail footprint has expanded from 28 stores in fiscal year 2020 to 100 current locations as of the date of this MD&A and has significant room for growth as Quebec has approximately one store per 100,000 people, as compared to Ontario and British Columbia that have approximately one store per 10,000. To date, the provincial distributor of Quebec expects to have captured 62.8% of the illicit market, a trend which is expected to continue to rise as consumers migrate from the illicit trade to experience quality traceable products, competitive pricing, and an improved in-store buying experience[8].

## ONTARIO

The Ontario market is leading recreational cannabis sales nationally. According to Hifyre, from June 2024 to August 2024, Ontario retail stores sold approximately $559.0 million in cannabis products[9]. The Company estimated that it had a 2.3% market share in Ontario in Q4 2024, marking the Company as the 10th largest licensed producer selling into the Ontario Cannabis Store ("OCS"). This represents a market share decrease of 12.5% compared to prior quarter due to the dynamic nature and highly competitive Ontario market. However, in October 2024, market share increased by 15% to 2.6% regaining its positive momentum in Ontario[10]. The Company listed 6 SKUs in the Ontario market in Q4 2024, and an additional 10 new SKUs were accepted by the OCS to be launched in Q1 of 2025. Cannara products can be found in over 1,582 retail stores across Ontario, representing just over 95% of stores[11].

## ALBERTA

Alberta is Canada's second-largest cannabis market and has been a market that Cannara has been focused on growing in since May of 2023. According to Hifyre, from June 2024 to August 2024, Alberta retail stores sold approximately $241.2 million in cannabis[9]. From Q3 2024 to Q4 2024, the Company's market share decreased from 2.4% to 1.8%, and increased to 2.3% for the month of October 2024[10]. The decrease in market share during Q4 2024 was due to a shift in Cannara's core SKU portfolio with newly launched SKUs being available in market subsequent to quarter end.

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[5] Based on Hifyre Data for 2024
[6] Based on estimated sales data provided by Weed Crawler, for the period of June 2024 to August 2024.
[7] Based on estimated sales data provided by Weed Crawler, for the period of October 2024.
[8] SQDC, Annual Report 2024.
[9] Based on Hifyre Data for the period of June 2024 to August 2024.
[10] Based on Hifyre Data for the period of October 2024.
[11] Turff Analytics, October 2024.

## MAIN MARKET INSIGHTS *(continued)*

### BRITISH COLUMBIA

British Columbia represents Canada's third-largest cannabis marketplace, generating $223.3 million in revenue from June 2024 to August 2024. Cannara entered the British Columbia market in September 2022 with a significant cost advantage compared to producers in other parts of the country as Quebec offers some of the lowest electricity rates and competitive labour rates across Canada; the two largest cost inputs in cannabis cultivation. The Company estimates that it had a 1.4% market share in British Columbia for Q4 2024, an increase of 25.6% from Q3 2024 as a result of increased retailer distribution. Subsequent to quarter-end, as of October 2024, the Company further increased its market share by 3.4% to 1.5%[12].

### SASKATCHEWAN

Saskatchewan generated $53 million in revenue from June 2024 to August 2024. Cannara entered the Saskatchewan market in September 2021. The Company estimates that it had a 1.5% market share in Saskatchewan for Q4 2024. Subsequent to quarter-end, as of October 2024, the Company's market share increased by 28.1% to 1.9%[12].

### MANITOBA

Manitoba generated $57.4 million in revenue from June 2024 to August 2024. Cannara entered the Manitoba market in May 2024. The Company estimates that it had a 0.8% market share in Manitoba for Q4 2024. Subsequent to quarter-end, as of October 2024, the Company increased its market share by 38% to 1.1%[12].

## CANADIAN CANNABIS MARKET TRENDS

### Price Compression

Price compression remains a significant challenge within the Canadian cannabis market, driven by intense competition among approximately 1,200 Licensed Producers. Despite this competitive pressure, Cannara has demonstrated resilience, recording gross cannabis revenues before excise taxes of $110.2 million for the year ended August 31, 2024, from $72.6 million for the year ended August 31, 2023, a $37.6 million or 52% increase. Net of excise taxes, Cannara reported $77.6 million in net revenues for the year ended August 31, 2024, from $53.5 million for the same period of the prior year, a $24.2 million or 45% increase.

### Current Developments Related to the *Excise Tax Act*.

Given the impacts of price compression, excise tax has grown to become a larger component of net revenue, as it is predominantly computed as a fixed price on grams sold rather than as a percentage of the selling price. Currently, excise tax represents over 30% of the Company's gross cannabis revenues, constituting a significant portion of our costs and cash outflows.

It has been reported that the Standing Committee on Finance has recommended to Canada's Finance Minister that the current excise tax regime be replaced with a 10% ad valorem tax regime. We welcome the possibility of excise tax reform to strengthen the Canadian cannabis industry as a whole. Any such changes to Canadian cannabis excise tax policy could have a positive impact on the Company's operations.

## BUSINESS REVIEW & OUTLOOK

Throughout fiscal year 2024, Cannara proactively monitored and evaluated product performance and market growth opportunities in an effort to continue to grow market share, revenue, and uphold its commitment to long-term business growth and stability. The Company plans to allocate resources toward both ongoing and new initiatives throughout the 2025 fiscal year, focusing on the following core objectives:

[12] Based on Hifyre Data for the periods of June 2024 to August 2024 and October 2024.

**BUSINESS REVIEW & OUTLOOK *(continued)***

**Core Objectives**

1. Meet market demand by expanding production capacity and enhancing sales efforts.
2. Expand our product portfolio to drive revenue through strong consumer preference and product performance, including the identification and cultivation of new trend-setting flower genetics.
3. Increase national market share and maintain industry stewardship.
4. Grow positive Adjusted EBITDA and operating cash flow.

**1. Meet Market Demand**

Since the beginning of the Company's retail launch, reaction from consumers have been very positive, requiring the Company to expand its production capacity in order to satisfy demand. During fiscal year 2023, the Company activated 3 additional growing zones of 25,000 square feet at its Valleyfield Facility. The 10$^{th}$ growing zone was activated in January 2024, reaching a total of 250,000 square feet of active canopy, or approximately 100,000 plants under cultivation.

For fiscal year 2025, the Company has set an objective of activating 2 additional growing zones which will add a further 50,000 square feet of cultivation capacity. The Valleyfield Facility has a total of 24 growing zones built out, providing Cannara the ability to organically increase production capacity in lockstep with increasing demand. Furthermore, the Company plans to enhance its investment in sales and marketing strategies to deepen its market penetration across Canadian provinces in fiscal year 2025. This initiative aims to expand market share and strengthen brand loyalty among Canadian consumers for its three flagship brands: Tribal, Nugz, and Orchid CBD.

**2. Expand Product Portfolio**

Fiscal year 2024 marked a period of strategic product portfolio growth for Cannara, as the company focused on refining and expanding its product portfolio within high-growth categories such as dried flower, pre-rolls, infused pre-rolls, milled flower, and vapes. Using a data-driven approach, Cannara removed 15 underperforming products and launched 72 new products, leading to a 94% increase in its in-market portfolio—from a product portfolio consisting of 67 unique products to 124 in Q4 2024. By growing successful product lines and strengthening its position within priority categories, Cannara is effectively capturing additional market share and reinforcing its leadership through disciplined category management and targeted innovation. Highlights of Cannara's product portfolio for fiscal year 2024 include:

- Canada's #1 Live Resin Vape Product Line (Tribal, 35% of Category Sales – Live Resin 510)
- Ontario's #1 Rosin Product Line (Nugz, 25% of Category Wholesale Sales)
- Quebec's #1 Infused Pre-roll Product Line (Nugz, 63% of Category Sales)
- Canada's #1 CBD Flower and Pre-roll Product Line (Orchid CBD; 16% of Category Sales)

For fiscal year 2025, the Company expects to launch over 20 new products across Canada which includes new products formats such as all-in-one vape devices under the Tribal and Nugz brands, and premium infused pre-rolls under Tribal.

The Company is constantly researching new genetics to support its product portfolio. Unique formats and exclusive genetic cultivars of cannabis continue to resonate with Canadian consumers and serve to set licensed producers apart from one another. The Company's rigorous pheno-hunting program drives its new genetic releases, hand-selecting only a few winning plants out of hundreds of different varieties of cannabis strains and phenotypes. Selection criteria focus on cultivar-brand fit, potency of cannabinoids and terpenes, bud structure, yield potential, and anticipated market appeal. 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's fiscal year 2025 pheno-hunt program is ongoing to unlock further exotic genetics to support its product portfolio into fiscal year 2026.

**BUSINESS REVIEW & OUTLOOK *(continued)***

### 3. Increase National Market Share

The Canadian cannabis industry continues its rapid evolution, driven by the relatively recent federal legalization of adult-use cannabis just over six years ago. As a result of Cannara's facilities, brand and genetic portfolio, and its competitive advantages, market response has solidified the Company's presence in Canada's four largest markets, Ontario, Alberta, Quebec and British Columbia

Nationally, Cannara has grown its market share by over 35% to 3.2% in Q4 2024 (vs. 2.3% Q4 2023) [13]. Our recent performance across various provinces highlights significant trends and fluctuations within the Canadian cannabis market, indicating both the dynamic nature of the industry and our strategic responses to these changes.

**Q4 2024 vs Q3 2024 Market Share by Province[14]**

The table below presents the Company's provincial market share for the most recent completed quarter, along with a comparison to the previous quarter.

| Province | Q4 2024 | Q3 2024 | Variance |
|---|---|---|---|
| **Quebec** | 11.9% | 9.7% | + 22.7% |
| **Ontario** | 2.3% | 2.6% | -12.5% |
| **Alberta** | 1.8% | 2.4% | -24.8% |
| **British Columbia** | 1.4% | 1.2% | + 25.6% |
| **Saskatchewan** | 1.5% | 1.2% | + 27.2% |
| **Manitoba** | 0.8% | N/A | N/A |

**October 2024 vs Q4 2024 Market Share by Province[15]**

The table below presents the Company's provincial market share for the latest completed month as of the date of this MD&A, along with a comparison to the most recent completed quarter.

| Province | October 2024 | Q4 2024 | Variance |
|---|---|---|---|
| **Quebec** | 12.6% | 11.9% | + 5.9% |
| **Ontario** | 2.6% | 2.3% | + 15.0% |
| **Alberta** | 2.3% | 1.8% | + 30.8% |
| **British Columbia** | 1.5% | 1.4% | + 3.4% |
| **Saskatchewan** | 1.9% | 1.5% | + 28.1% |
| **Manitoba** | 1.1% | 0.8% | + 38.0% |

The Company is also evaluating opportunities to expand into new provinces, as demonstrated by its entry into Nova Scotia and Manitoba in 2024. 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. In May 2024, Cannara further expanded by securing 35 SKU listings in Manitoba, reinforcing its dedication to increasing product accessibility and strengthening its market presence across Canada.

The Canadian cannabis market is projected to grow significantly, with a total market value expected to reach an estimated US $6.58 billion by 2029[16]. The anticipated market growth presents Cannara with an opportunity to increase revenue by leveraging consumer insights from its strong presence in Canada's largest provinces to establish dominance in new markets like Manitoba and Nova Scotia, with plans for further expansion into smaller provinces.

[13] As reported by Hifyre data for the periods of June 2023 to August 2023 and June 2024 to August 2024.
[14] As reported by Hifyre data for the periods of March 2024 to May 2024 and June 2024 to August 2024 in all listed provinces excluding Quebec where Weed Crawler was deemed more accurate.
[15] As reported by Hifyre data for the periods of June 2024 to August 2024 and October 2024 in all listed provinces excluding Quebec where Weed Crawler was deemed more accurate.
[16] Statista Market Insights, March 2024, US Dollars

## BUSINESS REVIEW & OUTLOOK *(continued)*

### 4. Grow Positive Adjusted EBITDA and Operating Cash Flow

Cannara's objective is to continue to report increasing positive Adjusted EBITDA and operating cash flow resulting from the Company's focus on premium-grade cannabis products at disruptive retail pricing, its lean operational model, as well as its two facilities benefiting from Quebec's low electricity cost and competitive labour rates. Additionally, the development of an in-house pre-roll manufacturing centre, a solventless hash lab and a butane hash oil ("**BHO**") extraction lab, provides Cannara with a significant competitive advantage by allowing the Company to fully vertically integrate the use of all cannabis raw inputs. Furthermore, the Company's agility and commitment to profitability has driven the Company to pursue the development of high demand SKUs that will generate healthy gross margins. During YTD 2024, the Company generated Adjusted EBITDA and operating cash flows of $15.1 million and $10.7 million compared to $13.7 million and $5.9 million for YTD 2023, a 10.2% and 80.7% increase respectively compared to the same period of prior year.

## OTHER KEY FISCAL 2024 AND SUBSEQUENT EVENT HIGHLIGHTS

### OPERATIONAL

***Change in Auditor***

On August 16, 2024, the Company filed a notice in change of auditor, announcing that that KPMG LLP ("**KPMG**") would resign on its own initiative 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.

***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.

### FINANCING

The Company has access to a revolving credit facility for working capital purposes. Each tranche drawn on the revolving credit facility has either a 30-day, 60-day 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 a variable interest rate 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 average interest rate on the revolving credit facilities was 8.28%. On May 31, 2024, the Company amended its credit agreement with BMO to remove an EBITDA covenant requirement in addition to extending the maturity of the loans from May 31, 2025, to December 31, 2025.

Subsequent to year-end, the Company extended all tranches of the revolving credit facilities for a 90-day term and drew an additional $500,000 on the revolving credit facilities. Funds were used for working capital purposes.

In October 2024, the Company obtained a reduction of $162,543 for the required amount of the letter of credit issued to a provincial service provider to fund certain deposit requirements. The revised amount of the letter of credit is now $5.5 million.

## OTHER KEY FISCAL 2024 AND SUBSEQUENT EVENT HIGHLIGHTS (*continued*)

### CAPITAL TRANSACTIONS

On November 11, 2022, Cannara obtained the approval from the TSX-V for a normal course issuer bid (the "**NCIB**") to be transacted through the facilities of the TSX-V. Pursuant to the NCIB, Cannara may purchase up to 1,500,000 of its common shares, or approximately 1.5% of its float for cancellation over a 12-month period. Purchases were made at prevailing market prices commencing December 3, 2022, and ending December 2, 2023. In connection with the NCIB, the Company established a share purchase plan with its designated broker to facilitate the purchase of shares under the NCIB at times when the Company would ordinarily not be permitted to purchase its shares due to regulatory restrictions or self-imposed blackout periods.

During the year ended August 31, 2024, the Company purchased 286,900 common shares having an average book value of $280,588 for cash consideration of $277,139. The excess of the book value over the purchase price value of the shares of $3,449 was credited to deficit. All shares purchased were cancelled.

During the year ended August 31, 2024, the Company granted a total of 625,000 stock options at an exercise price of $1.20, 124,000 stock options at an exercise price of $1.80 and 715,000 RSUs without performance conditions and exercisable for no consideration to employees and board members, which are subject to certain vesting conditions in accordance with the Company's employee share option and RSU plan. During the second quarter of 2024, the Company also extended the term of 2,435,000 stock options exercisable at $1.80 per share and 750,000 stock options exercisable at $1.00 per share by 2 years.

Subsequent to year-end, the Company granted a total of 525,000 stock options at an exercise price of $1.00, 115,000 stock options at an exercise price of $1.80 as well as 625,000 RSUs with certain performance conditions and 90,000 RSUs without performance conditions to employees and board members subject to certain vesting conditions in accordance with the Company's employee share option plan and RSU plan.

## SELECTED FINANCIAL INFORMATION

| Selected Financial Highlights | Three-month periods ended August 31, 2024 | Three-month periods ended August 31, 2023 | Years ended August 31, 2024 | Years ended August 31, 2023 | Years ended August 31, 2022 |
|---|---|---|---|---|---|
| **Financial Summary** | | | | | |
| Net revenue [1] | $ 23,091,623 | $ 18,138,453 | $ 81,654,663 | $ 57,067,911 | $ 35,482,601 |
| Other income | 346,547 | 140,160 | 494,920 | 494,891 | 515,157 |
| Total revenues | 23,438,170 | 18,278,613 | 82,149,583 | 57,562,802 | 35,997,758 |
| Gross profit, before fair value adjustments | 7,040,411 | 6,894,634 | 27,864,451 | 21,069,539 | 14,144,868 |
| Gross profit | 10,854,593 | 9,844,782 | 30,188,703 | 27,533,334 | 17,487,636 |
| Operating expenses | 5,809,585 | 4,013,476 | 20,110,552 | 15,645,541 | 12,546,901 |
| Operating income | 5,045,008 | 5,831,306 | 10,078,151 | 11,887,793 | 4,940,735 |
| Net finance expense | 1,245,071 | 1,199,427 | 5,594,169 | 4,942,375 | 2,635,316 |
| Net income before income taxes | 3,799,937 | 4,631,879 | 4,483,982 | 6,945,418 | 2,305,419 |
| Net income | 5,754,439 | 4,631,879 | 6,438,484 | 6,945,418 | 2,305,419 |
| Adjusted EBITDA [2] | 3,688,234 | 4,906,640 | 15,135,763 | 13,731,997 | 5,693,732 |
| **Percentages of Total revenues** | | | | | |
| Gross profit, before fair value adjustments as a percentage of Total revenues [3] | 30% | 38% | 34% | 37% | 39% |
| Gross profit as a percentage of Total revenues [4] | 46% | 54% | 37% | 48% | 49% |
| Operating income as a percentage of Total revenues [5] | 22% | 32% | 12% | 21% | 14% |
| Net income before income taxes as a percentage of Total revenues [6] | 16% | 25% | 5% | 12% | 6% |
| Net income as a percentage of Total revenues [7] | 25% | 25% | 8% | 12% | 6% |
| Adjusted EBITDA as a percentage of Total revenues [8] | 16% | 27% | 18% | 24% | 16% |
| **Earnings per share** | | | | | |
| Basic earning per share | $ 0.06 | $ 0.05 | $ 0.07 | $ 0.08 | $ 0.03 |
| Diluted earning per share | $ 0.06 | $ 0.05 | $ 0.07 | $ 0.08 | $ 0.03 |

| | August 31, 2024 | August 31, 2023 | August 31, 2022 |
|---|---|---|---|
| Cash | $ 6,620,387 | $ 4,270,517 | $ 12,114,691 |
| Accounts receivable | 13,036,873 | 10,592,705 | 8,526,918 |
| Biological assets | 6,649,591 | 5,774,121 | 5,712,456 |
| Inventory | 33,423,515 | 27,997,589 | 13,266,987 |
| Working capital [9] | 40,471,844 | 30,513,009 | 29,127,599 |
| Total assets | 154,719,973 | 141,522,254 | 125,617,047 |
| Total current liabilities | 27,002,000 | 21,182,827 | 11,861,085 |
| Total non-current liabilities | 39,766,484 | 40,595,383 | 47,020,201 |
| Net assets | 87,951,489 | 79,744,044 | 66,735,761 |
| Free cash flow [10] | 3,213,950 | (3,968,308) | (15,958,360) |

1 Net revenue included revenue from sale of goods, net of excise taxes, services revenues and lease revenues.
2 Adjusted EBITDA is a non-GAAP financial measure.
3 Gross profit before fair value adjustments as a percentage of Total revenues is a supplementary financial ratio. For more details see the Non-GAAP and Other Financial Measures section of this MD&A.
4 Gross profit as a percentage of Total revenues is a supplementary financial ratio. For more details see the Non-GAAP and Other Financial Measures section of this MD&A.
5 Operating income as a percentage of Total revenues is a supplementary financial ratio. For more details see the Non-GAAP and Other Financial Measures section of this MD&A.
6 Net income before income taxes as a percentage of Total revenues is a supplementary financial ratio. For more details see the Non-GAAP and Other Financial Measures section of this MD&A.
7 Net income as a percentage of Total revenues is a supplementary financial ratio. For more details see the Non-GAAP and Other Financial Measures section of this MD&A.
8 Adjusted EBITDA as a percentage of Total revenues is a non-GAAP financial ratio. For more details see the Non-GAAP and Other Financial Measures section of this MD&A.
9 Working capital is a non-GAAP financial measure. For more details see the Non-GAAP and Other Financial Measures section of this MD&A.
10 Free cash flow is a non-GAAP financial measure. For more details see the Non-GAAP and Other Financial Measures section of this MD&A.

## SELECTED FINANCIAL INFORMATION (*continued*)

### *Reconciliation of adjusted EBITDA*

Adjusted EBITDA is a non-GAAP Measure and can be reconciled with net income, the most directly comparable IFRS financial measure, as detailed below.

Adjusted EBITDA as a percentage of total revenues is a non-GAAP financial ratio, determined as adjusted EBITDA divided by total revenues.

| | Three-month periods ended | | Years ended | | |
|---|---|---|---|---|---|
| **Reconciliation of adjusted EBITDA** | **August 31, 2024** | **August 31, 2023** | **August 31, 2024** | **August 31, 2023** | **August 31, 2022** |
| Net income | $ 5,754,439 | $ 4,631,879 | $ 6,438,484 | $ 6,945,418 | $ 2,305,419 |
| Adjustments: | | | | | |
| Changes in fair value of inventory sold | 6,065,640 | 4,666,241 | 23,226,689 | 14,637,819 | 7,830,905 |
| Unrealized gain on changes in fair value of biological assets | (9,879,822) | (7,616,389) | (25,550,941) | (21,101,614) | (11,173,673) |
| Amortization, including amortization of cost of good sold | 1,573,061 | 890,248 | 5,707,653 | 3,808,749 | 3,345,288 |
| Write-down of inventory to net realizable value | 524,416 | 725,814 | 1,731,029 | 2,612,177 | 372,711 |
| Gain on disposal of asset held for sale | - | - | (2,039,007) | - | - |
| Loss on disposal of property, plant and equipment | - | 69,841 | 5,380 | 133,088 | 47,813 |
| Gain on sublease | - | - | - | - | (12,876) |
| Share-based compensation | 359,931 | 339,579 | 1,976,809 | 1,753,985 | 342,829 |
| Net finance expense | 1,245,071 | 1,199,427 | 5,594,169 | 4,942,375 | 2,635,316 |
| Income taxes | (1,954,502) | - | (1,954,502) | - | - |
| **Adjusted EBITDA*** | 3,688,234 | 4,906,640 | 15,135,763 | 13,731,997 | 5,693,732 |
| **Adjusted EBITDA as a percentage of Total revenues**** | 16% | 27% | 18% | 24% | 16% |

**Non-GAAP financial measure*
***Non-GAAP financial ratio*

### *Reconciliation of free cash flow*

Free cash flow is a non-GAAP measure and can be reconciled with Cash from operating activities, the most directly comparable IFRS financial measure, as detailed below.

| | Three-month periods ended | | Years ended | | |
|---|---|---|---|---|---|
| **Reconciliation of free cash flow** | **August 31, 2024** | **August 31, 2023** | **August 31, 2024** | **August 31, 2023** | **August 31, 2022** |
| Cash from operating activities | $ 3,186,518 | $ 2,887,872 | $ 10,682,910 | $ 5,911,161 | $ (6,078,891) |
| Adjustment: | | | | | |
| Capital expenditures | 493,091 | 1,780,408 | 7,468,960 | 9,879,469 | 9,879,469 |
| **Free cash flow*** | 2,693,427 | 1,107,464 | 3,213,950 | (3,968,308) | (15,958,360) |

**Non-GAAP financial measure*

## SELECTED FINANCIAL PERFORMANCE

**YTD 2024 vs YTD 2023 Highlights**

- Gross cannabis revenues before excise taxes increased by 52% from $72.6 million for YTD 2023 to $110.2 million for YTD 2024. The increase in gross cannabis revenues is the result of the Company's continued efforts to invest in its own production assets, increasing both cultivation and production capabilities internally, to deliver more quality cannabis products to consumers across Canada year over year;
- Net revenues, net of excise taxes, increased by 43% from $57.1 million for YTD 2023 to $81.7 million for YTD 2024;
- Gross profit, before fair value adjustments, increased by 32% from $21.1 million for YTD 2023 to $27.9 million for YTD 2024 as a result of higher total revenues offset by increases in costs of goods sold in Q3 and Q4 2024 as a result of lower-than-expected yields in Q2 2024 as explained further in section Q4 2024 vs Q4 2023 Highlights;
- Gross profit percentage before fair value adjustments slightly decreased from 37% for YTD 2023 to 34% for YTD 2024. The resulting decrease in gross profit percentage before fair value adjustments was mainly due from the yield impact that occurred in Q2 2024 in addition to a reduction in the Company's overall selling price when comparing to prior year. During the current year, the Company introduced some new category of products (infused pre-rolls and value vape cartridges) that had lower overall margins but high demand and sales velocity;
- For YTD 2024, operating income amounted to $10.1 million compared to an operating income of $11.9 million for YTD 2023 as a result of several variations including:
  - $4.1 million positive variation as a result of a larger net fair value adjustment that was taken in 2023 compared to 2024 as the Company increased its biological assets by opening two more grow rooms in 2023 compared to 2024;
  - $3.8 million in additional sales and marketing spend for 2024 compared to 2023 which assisted in promoting the Company's brands fostering customer loyalty in addition to investing in sales resources and distribution capabilities outside of Quebec;
  - $2.1 million in additional salaries and general and administrative spend in 2024 to support the growth of the Company's operations;
  - $2 million gain on disposal of an asset held for sale in 2024.
- Net income was $6.4 million for YTD 2024 compared to $6.9 million for YTD 2023. YTD 2024 net income includes a deferred income tax recovery of $1.9 million realized in Q4 2024;
- Adjusted EBITDA increased by 10%, from $13.7 million for YTD 2023 to $15.1 million for YTD 2024;
- The Company increased its operating cash flow by 81% from $5.9 million for YTD 2023 to $10.7 million for YTD 2024;
- Free cash flow for YTD 2024 was $3.2 million compared to negative free cash flow of ($4.0 million) for YTD 2023; a $6.8 million increase in free cash flow when comparing to prior year as a result of higher operating cash flow and lower capital expenditures; and
- Generated earnings per share of $0.07 for YTD 2024 compared to $0.08 for YTD 2023.

**Q4 2024 vs Q4 2023 Highlights**

- Gross cannabis revenues before excise taxes increased to $31.4 million in Q4 2024 from $23.8 million in Q4 2023, a $7.6 million or 32%, increase. The increase is attributable to increased market penetration in existing markets, entry into new markets and the addition of new genetics and products in its portfolio increasing overall sales generation;
- Net revenues, net of excise taxes, increased to $23.1 million in Q4 2024 from $18.1 million in Q4 2023, a $4.9 million or 27% increase;
- Gross profit, before fair value adjustments, increased to $7.0 million in Q4 2024 from $6.9 million in Q4 2023, a 2% increase. The lower-than-expected increase in gross profit is attributable to higher cost of goods sold in the current quarter due to lower yields obtained from its cultivation harvests during the second quarter of 2024 which increased overall inventory costs. During Q3 2024, the Company reversed these changes and focused on stabilizing its production yields, successfully restoring them to previous levels and in Q4 2024, saw a further improvement in overall yields. Cannara is dedicated to advancing research and development, harnessing our expertise to strengthen the knowledge and core competencies in large-scale cannabis production. Through these ongoing investments, Cannara aims to consistently elevate cultivation techniques, maximize production yields, and enhance the overall quality of products;
- Gross profit percentage before fair value adjustments in Q4 2024 was 30% compared to 38% in Q4 2023, the direct result of the cultivation yield impact in Q2 2024 which increased costs of inventory sold in Q3 and Q4 2024 as explained above;

**SELECTED FINANCIAL PERFORMANCE (*continued*)**

**Q4 2024 vs Q4 2023 Highlights *(continued)***

- Operating income of $5.0 million in Q4 2024 compared to an operating income of $5.8 million in Q4 2023, due to the higher fair value adjustment realized in Q4 2024 offset by an increase in operating expenses of $1.3 million in Q4 2024 compared to Q4 2023. The increase in operating expenses is mainly related to an additional spend of $1.1 million in selling and marketing compared to the same period of prior year in order to further build its distribution network and sales team outside of Quebec with a focus of increasing national market share;
- Net income was of $5.8 million in Q4 2024 compared to $4.6 million in Q4 2023. The increase in net income is mainly attributable to a deferred income tax recovery of $1.9 million realized in the quarter for the recognition of its deferred tax assets. As at August 31, 2024, management revised its estimates of future taxable profits, based on several factors including the Company's results for the years ended August 31, 2024 and 2023 and its going forward business model. This resulted in the recognition of $1,954,502 of previously unrecognized deferred tax assets as management determined that it is probable that sufficient future taxable profits will be available from the Canadian operations to utilize the benefits in the foreseeable future;
- Adjusted EBITDA decreased by 25%, from $4.9 million in Q4 2023 to $3.7 million in Q4 2024;
- The Company generated operating cash flow amounting to $3.2 million in Q4 2024 compared to $2.9 million in Q4 2023;
- Free cash flow for Q4 2024 increased by 126% to $2.7 million from $1.1 million in Q4 2023; and
- Generated earnings per share of $0.06 in Q4 2024 compared to $0.05 in Q4 2023.

**Q4 2024 vs Q3 2024 Quarter over Quarter ("QoQ") Highlights**

- Gross cannabis revenues before excise taxes increased by 20% from $26.2 million in Q3 2024 to $31.4 million in Q4 2024. This increase was achieved through the Company's sales and marketing efforts focused on increasing distribution outside of Quebec to penetrate further each market the Company operates in;
- Net revenues, net of excise taxes, increased by 20% QoQ, from $19.5 million in Q3 2024 to $23.1 million in Q4 2024
- Gross profit, before fair value adjustments, increased by 23% QoQ, from $5.7 million to $7.0 million in Q4 2024 reflecting the increased sales from prior quarter
- Gross profit percentage before fair value adjustments slightly increased from 29% in Q3 2024 to 30% in Q4 2024. Gross profit is expected to trend upwards QoQ following recovery from the lower than expected yields in Q2 2024, having sold a majority of Q2 2024 harvests in Q3 and Q4 2024;
- Operating income of $5.0 million in Q4 2024 compared to an operating income of $3.6 million in Q3 2024, a $1.5 million increase resulting from a larger gross profit and a higher fair value adjustment in Q4 2024 offset by a $2.0 million gain recorded for the disposal of an asset held for sale in Q3 2024;
- Net income increased by $3.7 million or by 184% to $5.8 million in Q4 2024 compared to a net income of $2.0 million in Q3 2024, as a result of the deferred tax recovery of $1.9 million recorded in Q4 2024;
- Adjusted EBITDA increased by $0.9 million or 33% to $3.7 million in Q4 2024, compared to $2.8 million in Q3 2024.
- Cash flow from operating activities decreased from $4.3 million in Q3 2024 to $3.2 million in Q4 2024 as a result of additional investment in working capital to support sales growth.
- Free cash flow for Q4 2024 was $2.7 million compared to $1.2 million in Q3 2024, an increase of $1.5 million or 117%.

**SELECTED SEGMENT RESULTS OF OPERATIONS**

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

The chief operating decision-maker assesses performance based on segment operating results, which were defined as segment operating income before share-based compensation, amortization, net finance expense, gain on disposal of asset held for sale and loss on disposal of property, plant and equipment.

## SELECTED SEGMENT RESULTS OF OPERATIONS *(continued)*

| Selected Segment Financial Highlights | Three-month period ended August 31, 2024 | | | | Three-month period ended August 31, 2023 | | | |
|---|---|---|---|---|---|---|---|---|
| | Cannabis operations | Real estate operations | Other | Total | Cannabis operations | Real estate operations | Other | Total |
| Gross revenue | $ 31,383,306 | $ 943,948 | $ - | $ 32,327,254 | $ 23,775,980 | $ 928,449 | $ - | $ 24,704,429 |
| Excise taxes | (9,235,631) | - | - | (9,235,631) | (6,565,976) | - | - | (6,565,976) |
| Net Revenue | 22,147,675 | 943,948 | - | 23,091,623 | 17,210,004 | 928,449 | - | 18,138,453 |
| Other income | 346,547 | - | - | 346,547 | 140,160 | - | - | 140,160 |
| | 22,494,222 | 943,948 | - | 23,438,170 | 17,350,164 | 928,449 | - | 18,278,613 |
| Gross profit, before fair value adjustments | 6,163,601 | 876,810 | - | 7,040,411 | 6,033,319 | 861,315 | - | 6,894,634 |
| %[1] | 27% | 93% | - | 30% | 35% | 93% | - | 38% |
| Gross profit | 9,977,783 | 876,810 | - | 10,854,593 | 8,983,467 | 861,315 | - | 9,844,782 |
| %[2] | 44% | 93% | - | 46% | 52% | 93% | - | 54% |
| Operating expenses | 4,948,976 | - | - | 4,948,976 | 3,475,956 | - | - | 3,475,956 |
| Segment operating income[3] | 5,028,807 | 876,810 | - | 5,905,617 | 5,507,511 | 861,315 | - | 6,368,826 |
| %[4] | 22% | 93% | - | 25% | 32% | 93% | - | 35% |
| Net finance expense | - | - | 1,245,071 | 1,245,071 | - | - | 1,199,427 | 1,199,427 |
| Other | - | - | 860,609 | 860,609 | - | - | 537,520 | 537,520 |
| Segment net income (loss) before income taxes | 5,028,807 | 876,810 | (2,105,680) | 3,799,937 | 5,507,511 | 861,315 | (1,736,947) | 4,631,879 |

1 Segment gross profit before fair value adjustments % is determined as segment gross profit before fair value adjustments divided by segment total revenues.
2 Segment gross profit % is determined as segment gross profit divided by segment total revenues.
3 Segment operating income is determined as segment operating income before non-cash and other items which are included in “Other” segment.
4 Segment operating income % is determined as segment operating income divided by segment total revenues.

## SELECTED SEGMENT RESULTS OF OPERATIONS *(continued)*

| Selected Segment Financial Highlights | Twelve-month period August 31, 2024 | | | | Twelve-month period August 31, 2023 | | | |
|---|---|---|---|---|---|---|---|---|
| | Cannabis operations | Real estate operations | Other | Total | Cannabis operations | Real estate operations | Other | Total |
| Gross revenue | $ 110,227,370 | $ 4,021,269 | $ - | $ 114,248,639 | $ 72,601,749 | $ 3,588,468 | $ - | $ 76,190,217 |
| Excise taxes | (32,593,976) | - | - | (32,593,976) | (19,122,306) | - | - | (19,122,306) |
| Net Revenue | 77,633,394 | 4,021,269 | - | 81,654,663 | 53,479,443 | 3,588,468 | - | 57,067,911 |
| Other income | 494,920 | - | - | 494,920 | 494,891 | - | - | 494,891 |
| | 78,128,314 | 4,021,269 | - | 82,149,583 | 53,974,334 | 3,588,468 | - | 57,562,802 |
| Gross profit, before fair value adjustments | 24,169,916 | 3,694,535 | - | 27,864,451 | 17,845,427 | 3,224,112 | - | 21,069,539 |
| %[1] | 31% | 92% | - | 34% | 33% | 90% | - | 37% |
| Gross profit | 26,494,168 | 3,694,535 | - | 30,188,703 | 24,309,222 | 3,224,112 | - | 27,533,334 |
| %[2] | 34% | 92% | - | 37% | 45% | 90% | - | 48% |
| Operating expenses | 18,791,795 | - | - | 18,791,795 | 12,796,917 | - | - | 12,796,917 |
| Segment operating income[3] | 7,702,373 | 3,694,535 | - | 11,396,908 | 11,512,305 | 3,224,112 | - | 14,736,417 |
| %[4] | 10% | 92% | - | 14% | 21% | 90% | - | 26% |
| Net finance expense | - | - | 5,594,169 | 5,594,169 | - | - | 4,942,375 | 4,942,375 |
| Other | - | - | 1,318,757 | 1,318,757 | - | - | 2,848,624 | 2,848,624 |
| Segment net income (loss) before income taxes | 7,702,373 | 3,694,535 | (6,912,926) | 4,483,982 | 11,512,305 | 3,224,112 | (7,790,999) | 6,945,418 |

1 Segment gross profit before fair value adjustments % is determined as segment gross profit before fair value adjustments divided by segment total revenues.
2 Segment gross profit % is determined as segment gross profit divided by segment total revenues.
3 Segment operating income is determined as segment operating income before non-cash and other items which are included in “Other” segment.
4 Segment operating income is determined as segment operating income divided by segment total revenues.

## SELECTED SEGMENT RESULTS OF OPERATIONS *(continued)*

### Cannabis operations

For the fourth quarter and year ended August 31, 2024, the segment generated $22.1 million and $77.6 million in cannabis-related and cannabis accessories revenues, net of excise taxes, compared to $17.2 million and $53.5 million for the same period of the prior year, an increase of $4.9 million or 29% and $24.2 million and 45% for the respective three and twelve-month periods. The increase in sales is attributable to the increasing demand for its products across the country. Periodically, the Company also utilizes its wholesale distribution network to generate additional revenues.

Compared to Q3 2024, cannabis-related and cannabis accessories revenues, net of excise taxes, increased by $3.9 million, a 22% QoQ variance. Main driver of growth stems from the Company's sales in Quebec where market share grew from 9.7% as of Q3 2024 to 11.9% as of Q4 2024.

Highlights for fiscal 2024 are as follows:

- Actively producing from a total of 10 growing zones out of the Valleyfield Facility, representing 250,000 square feet of active production canopy, bringing the Company's total production capacity for the full fiscal year of 2024 to approximately 33,500kg of cannabis per year in conjunction with the Farnham Facility.
- Increased its total product portfolio of cannabis products from 64 unique products at the end of fiscal 2023, to 124 unique products as at August 31 2024, representing an 94% increase to support innovation and sales growth for 2024 and beyond;
- 5,632,000 units were sold during 2024 across 3 flagship brands, which compares to 3,769,000 units sold in 2023, representing a 49.4% increase in units sold compared to prior year aligning with its annual 52% increase in cannabis-related revenues before excise tax;
- Units sold during 2024 represent approximately 14,201 kg in cannabis flower and 12,343kg of estimated equivalent of cannabis flower used for derivative products. This compares to 11,942 kg of cannabis flower and 4,810 kg of estimated equivalent of cannabis flower used for derivative products sold in 2023.
- 1,674,000 units were sold during Q4 2024 across 3 flagship brands, which compares to 1,364,000 units sold in Q3 2024, representing a 22.7% QoQ increase, aligning with its 20% increase in cannabis-related revenues before excise tax. This compared to 1,202,000 units in the same period of prior year, a 39% increase;
- Units sold during Q4 2024 represent approximately 3,927 kg in cannabis flower and 2,963 kg of estimated equivalent of cannabis flower used for derivative products. This compares to 3,227 kg of cannabis flower and 2,888 kg of estimated equivalent of cannabis flower used for derivative products sold in Q3 2024 and 3,827 kg of cannabis flower and 2,075 kg of estimated equivalent of cannabis flower used for derivative products sold in the same period of prior year.

For the fourth quarter and year ended August 31, 2024, the Company incurred $16.3 million and $54.0 million in costs of goods sold, compared to $11.3 million and $35.2 million for the same period of the prior year. In Q4 2024, cost of goods sold increased by $2.6 million or 19% compared to Q3 2024 which is inline with the 20% increase in cannabis-related revenues before excise tax.

## SELECTED SEGMENT RESULTS OF OPERATIONS *(continued)*

### Cannabis operations *(continued)*

The segment generated a gross profit before fair value adjustments of $6.2 million and $24.2 million or 27% and 31% of segment net revenue for the three-month period and year ended August 31, 2024, compared to $6.0 million and $17.8 million or 35% and 33% of segment net revenue for the same periods of the prior year. The decrease in gross profit percentage is the results of the yield impact that occurred in Q2 2024 in addition to a slight reduction in the Company's overall selling price when comparing to prior year. During the current year, the Company introduced some new category of products (infused pre-rolls and value vape cartridges) that had lower overall margins but high demand and sales velocity. Compared to Q3 2024, gross profit before fair value adjustments increased by $1.6 million or 35%.

Fair value adjustment on sale of inventory includes the fair value of biological assets in the value of inventory transferred to cost of goods sold. The change in fair value of inventory sold recognized during the fourth quarter and year ended August 31, 2024, amounted to $6.1 million and $23.2 million compared to $4.7 million and $14.6 million for the same periods of the prior year. Compared to Q3 2024, the change in fair value of inventory sold recognized increased by $1.0 million. The increase in the fair value adjustment on the sale of inventory is aligned with the increase in sales for both year over year and QoQ.

For the fourth quarter and year ended August 31, 2024, the Company recognized an unrealized gain on changes in fair value of biological assets of $9.9 million and $25.6 million on the lots in the cultivation cycle that have not yet been harvested compared to $7.6 million and $21.1 million for the same periods of the prior year. The increase in fair value of biological assets is attributable to the additional growing zone that was activated in January 2024. Compared to Q3 2024, the unrealized gain on changes in fair value of biological assets in Q4 2024 increased by $3.5 million. The increase in fair value of biological assets is the result of increasing cannabis yields achieved in the quarter and its effect on the assumptions used in the fair value model.

The segment generated $10.0 million or 44% and $26.5 million or 34% in gross profit for the three-month period and year ended August 31, 2024, compared to $9.0 million or 52% and $24.3 million or 45% for the same periods of the prior year. This change is attributable to the net impact of the changes in fair value of inventory sold and the unrealized gain on biological assets. Compared to Q3 2024, gross profit in Q4 2024 increased by $3.5 million as a result of increasing cannabis yields.

For the fourth quarter and year ended August 31, 2024, the segment incurred $4.9 million and $18.8 million in operating expenses compared to $3.5 million and $12.8 million for the same periods of the prior year resulting in an increase of $1.5 million or 42% and $6.0 million and 47%, respectively. The increase in operating expenses in mainly attributable to increase sales and marketing initiatives in addition to salaries and facility expenses to support growth of the Company. Compared to Q3 2024, operating expenses in Q4 2024 remained similar.

Overall, the segment generated net income of $5.0 million and $7.7 million for three-month period and year ended August 31, 2024, compared to $5.5 million and $11.5 million for the same periods of the prior year. Compared to Q3 2024, net income increased by $4.0 million mainly due to increased gross profits and higher fair value adjustments.

### Real estate operations

As part of the Company's capital management strategy, the Company has leased out all unoccupied space in the Farnham Facility. As of August 31, 2024, the Company leased 414,114 square feet of the total 625,000 available square feet to two tenants.

For the fourth quarter and year ended August 31, 2024, the Company generated lease revenues of $0.9 million and $4.0 million compared to $0.9 million and $3.6 million for the same periods of the prior year. To realize these lease revenues during the fourth quarter and year ended August 31, 2024, the Company incurred $0.1 million and $0.3 million in lease operating costs compared to $0.1 million and $0.4 million in the same periods of the prior year. Compared to Q3 2024, the leases revenues were lower by $0.3 million for certain chargeback, and lease operating costs remain consistent.

For the three-month period and year ended August 31, 2024, the segment generated operating income of $0.9 million and $3.7 million, compared to $0.9 million and $3.2 million for the same periods of the prior year**.** Compared to Q3 2024, segment operating income decreased by $0.3 million as a result of certain chargeback in the previous quarter.

## SELECTED SEGMENT RESULTS OF OPERATIONS *(continued)*

### Other

For the three-month period and year ended August 31, 2024, the segment incurred $1.2 million and $5.6 million in net finance expense, compared to $1.2 million and $4.9 million for the same periods of the prior year. The increase in net finance expense is mainly explained by the interests incurred on the credit facilities and increased interest costs on the convertible debenture. Compared to Q3 2024, the net finance expense of Q4 2024 decreased by $0.3 million due to a decrease in overall interest resulting from the rate cuts issues by Bank of Canada.

For the fourth quarter and year ended August 31, 2024, the segment incurred $0.9 million and $1.3 million in other expenses, compared to $0.5 million and $2.8 million for the same periods of the prior year. The variation is mainly attributable to increasing amortization and share-based compensation offset by a $2.0 million gain on disposal of an asset held for sale recorded in Q3 2024. Compared to Q3 2024, other expenses of Q4 2024 increased by $2.3 million, attributable to the gain on disposal of an asset held for sale.

## QUARTERLY FINANCIAL POSITION AND RESULTS

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

| | August 31, 2024 | May 31, 2024 | February 29, 2024 | November 30, 2023 | August 31, 2023 | May 31, 2023 | February 28, 2023 | November 30, 2022 |
|---|---|---|---|---|---|---|---|---|
| Current assets | $ 67,473,844 | $ 62,020,524 | $ 58,224,875 | $ 52,762,707 | $ 51,695,836 | $ 45,657,986 | $ 40,820,665 | $ 38,393,438 |
| Non-current assets | 87,246,129 | 86,747,778 | 87,599,787 | 92,059,206 | 89,826,418 | 89,716,638 | 88,326,738 | 87,032,849 |
| Total assets | 154,719,973 | 148,768,302 | 145,824,662 | 144,821,913 | 141,522,254 | 135,374,624 | 129,147,403 | 125,426,287 |
| Current liabilities | 27,002,000 | 26,777,902 | 60,090,241 | 22,261,932 | 21,182,827 | 18,522,090 | 15,227,812 | 11,262,823 |
| Non-current liabilities | 39,766,484 | 40,222,572 | 6,394,151 | 40,700,914 | 40,595,383 | 41,876,538 | 42,146,726 | 46,880,581 |
| Total liabilities | 66,768,484 | 67,000,474 | 66,484,392 | 62,962,846 | 61,778,210 | 60,398,628 | 57,374,538 | 58,143,404 |
| Net assets | $ 87,951,489 | $ 81,767,828 | $ 79,340,270 | $ 81,859,067 | $ 79,744,044 | $ 74,975,996 | $ 71,772,865 | $ 67,282,883 |

| | August 31, 2024 | May 31, 2024 | February 29, 2024 | November 30, 2023 | August 31, 2023 | May 31, 2023 | February 28, 2023 | November 30, 2022 |
|---|---|---|---|---|---|---|---|---|
| Total revenues | $ 23,438,170 | $ 19,544,916 | $ 19,683,203 | $ 19,483,294 | $ 18,278,613 | $ 15,936,828 | $ 13,035,756 | $ 10,311,605 |
| Gross profit before fair value adjustments | 7,040,411 | 5,747,047 | 7,141,276 | 7,935,717 | 6,894,634 | 6,120,878 | 4,030,629 | 4,023,398 |
| %[1] | 30% | 29% | 36% | 41% | 38% | 38% | 31% | 39% |
| Gross profit | 10,854,593 | 6,958,256 | 4,140,498 | 8,235,356 | 9,844,782 | 8,594,235 | 4,261,722 | 4,832,595 |
| Operating income (loss) | 5,045,008 | 3,554,044 | (1,959,547) | 3,438,646 | 5,831,306 | 4,282,277 | 631,335 | 1,142,875 |
| Net income (loss) | 5,754,439 | 2,023,386 | (3,446,620) | 2,107,279 | 4,631,879 | 2,928,643 | (618,055) | 2,951 |
| Basic and diluted income (loss) per share | $ 0.06 | $ 0.02 | $ (0.04) | $ 0.02 | $ 0.05 | $ 0.03 | $ (0.01) | $ - |
| Adjusted EBITDA[2] | 3,688,234 | 2,776,397 | 3,500,320 | 5,170,812 | 4,906,640 | 3,887,634 | 3,220,890 | 1,716,833 |
| %[3] | 16% | 14% | 18% | 27% | 27% | 24% | 25% | 17% |
| Cash provided by operating activities | 3,186,518 | 4,325,380 | 2,388,100 | 782,912 | 2,887,872 | 2,540,852 | 482,017 | 420 |
| Free cash flow[4] | 2,693,427 | 1,242,527 | 1,268,702 | (1,990,706) | 1,107,464 | (36,833) | (1,213,391) | (3,825,548) |

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

## QUARTERLY FINANCIAL POSITION AND RESULTS (*continued*)

| | Three-month periods ended | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | August 31, 2024 | May 31, 2024 | February 29, 2024 | November 30, 2023 | August 31, 2023 | May 31, 2023 | February 28, 2023 | November 30, 2022 |
| **Adjusted EBITDA reconciliation** | | | | | | | | |
| Net income (loss) | $ 5,754,439 | $ 2,023,386 | $ (3,446,620) | $ 2,107,279 | $ 4,631,879 | $ 2,928,643 | $ (618,055) | $ 2,951 |
| Adjustments: | | | | | | | | |
| Changes in fair value of inventory sold | 6,065,640 | 5,137,341 | 5,799,042 | 6,224,666 | 4,666,241 | 4,023,826 | 3,948,425 | 1,999,327 |
| Unrealized gain on changes in fair value of biological assets | (9,879,822) | (6,348,550) | (2,798,264) | (6,524,305) | (7,616,389) | (6,497,183) | (4,179,518) | (2,808,524) |
| Amortization, including amortization in cost of good sold | 1,573,061 | 1,785,153 | 1,327,162 | 1,022,277 | 890,248 | 1,187,620 | 972,614 | 758,267 |
| Write-down of inventory to net realizable value | 524,416 | 283,244 | 199,792 | 723,577 | 725,814 | 474,654 | 1,375,360 | 36,349 |
| Gain on disposal of asset held for sale | - | (2,039,007) | - | - | - | - | - | - |
| Loss on disposal of property, plant and equipment | - | - | - | 5,380 | 69,841 | - | 37,267 | 25,980 |
| Share-based compensation | 359,931 | 404,172 | 932,135 | 280,571 | 339,579 | 416,440 | 435,407 | 562,559 |
| Net finance expense | 1,245,071 | 1,530,658 | 1,487,073 | 1,331,367 | 1,199,427 | 1,353,634 | 1,249,390 | 1,139,924 |
| Income taxes | (1,954,502) | - | - | - | - | - | - | - |
| Adjusted EBITDA[1] | $ 3,688,234 | $ 2,776,397 | $ 3,500,320 | $ 5,170,812 | $ 4,906,640 | $ 3,887,634 | $ 3,220,890 | $ 1,716,833 |
| **Free cash flow reconciliation** | | | | | | | | |
| Cash provided by operating activities | $ 3,186,518 | $ 4,325,380 | $ 2,388,100 | $ 782,912 | $ 2,887,872 | $ 2,540,852 | $ 482,017 | $ 420 |
| Adjustment: | | | | | | | | |
| Capital expenditure | 493,091 | 3,082,853 | 1,119,398 | 2,773,618 | 1,780,408 | 2,577,685 | 1,695,408 | 3,825,968 |
| Free cash flow[2] | $ 2,693,427 | $ 1,242,527 | $ 1,268,702 | $ (1,990,706) | $ 1,107,464 | $ (36,833) | $ (1,213,391) | $ (3,825,548) |

[1] Adjusted EBITDA is a non-GAAP financial performance measure with no standard definition under IFRS. A reconciliation of this amount for the applicable period is presented in the table above.

[2] Free cash flow is a non-GAAP financial performance measure with no standard definition under IFRS and is defined as cash flow from operations less capital expenditures.

### *Factors Affecting the Variability of Quarterly Results*

There has been positive growth in total revenues, gross profit, operating income and free cash flow quarter over quarter as the Company continues to invest in its vertically owned platform, increasing its production capacities and efficiencies in economies of scale. Higher expenses are associated with business growth and the development of Cannara's product pipeline. First revenues generated from the sale of harvested cannabis from the Valleyfield Facility occurred in the third quarter of 2022 and continues to this day with 10 growing zones or over 250,000 square feet of active canopy. Other factors affecting the variability of quarterly results are changes in inventory levels, fluctuations in fair value adjustments and, from time to time, the average net selling price changes or inventory write-down to its realizable net value. The Company is also subject to the changes in the inflation rate that could impact cost of cultivation and packaging materials in addition to the cost of labor.

## CASH FLOW ANALYSIS

| | Three-month periods ended | | Twelve-month periods ended | |
|---|---|---|---|---|
| | August 31, 2024 | August 31, 2023 | August 31, 2024 | August 31, 2023 |
| Cash provided by operating activities | $ 3,186,518 | $ 2,887,872 | $ 10,682,910 | $ 5,911,162 |
| Cash used in financing activities | (1,594,320) | (1,026,991) | (3,144,719) | (4,193,308) |
| Cash used in investing activities | (436,189) | (1,618,336) | (5,188,321) | (9,477,610) |

### Operating activities

For the fourth quarter and year ended August 31, 2024, the Company generated positive operating cash flow of $3.2 million and $10.7 million, compared to $2.9 million and $5.9 million respectively. The increase in operating cash flow is primarily attributable to the increase in sales and gross profit generated by the Company in 2024.

### Financing activities

For the fourth quarter and year ended August 31, 2024, cash used in financing activities was $1.6 million and $3.1 million compared to $1.0 million and $4.2 million in the same periods of prior year. The variation is the result of reduced interest costs for both the three-month period and year ended August 31, 2024, due to a reduction of both overall debt level and interest rates offset by a $1.5 million credit facility withdrawal in Q4 2023.

### Investing activities

For the fourth quarter and year ended August 31, 2024, cash used in investing activities was $0.4 million and $5.2 million compared to $1.6 million and $9.5 million in the same periods of prior year. There was an overall reduction in capital expenditures as result of activating only one new growing zone in 2024 compared to three in 2023 combined with more automated production equipment being purchased in prior years. In 2024, most of the capital expenditures were related to the building in construction at the Valleyfield site. Interest received relating to interest earned on cash balances held at a Canadian financial institution amounted to $45,000 and $164,000 for the fourth quarter and year ended August 31, 2024. There is no restriction on the Company’s ability to use its cash for its operational needs while it earns interest on the unused balance.

## LIQUIDITY AND CAPITAL RESOURCES

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

The Company had a working capital of $40.5 million as at August 31, 2024 (August 31, 2023 - $30.5 million).

As at August 31, 2024, the Company’s working capital was composed of:

- cash on hand of $6.6 million (August 31, 2023- $4.3 million); and
- accounts receivable, biological assets, inventory, assets held for sale, prepaid expenses and other assets of $60.9 million (August 31, 2023 - $47.4 million)
- accounts payable and accrued liabilities, excise tax payable, sales tax payable, deferred revenue, deferred lease revenue and deferred grant income of $17.5 million (August 31, 2023- $15.1 million) and;
- credit facilities, current portion of the convertible debenture, lease liabilities and current portion of term loan of $9.5 million (August 31, 2023 - $6.1 million).

## LIQUIDITY AND CAPITAL RESOURCES (*continued*)

The Company may continue to have capital requirements more than its currently available resources. In the event the Company's plans or its assumptions change or prove inaccurate, or its capital resources in addition to projected cash flow, if any, prove to be insufficient to fund operations, the Company may be required to seek additional financing. The Company expects that its existing cash resources as at August 31, 2024 along with its forecasted cashflows, undrawn credit facilities and other sources such as proceeds from the disposal of assets held for sale, will be able to fund its planned operating expenses for at least the next twelve months from August 31, 2024.

***Reconciliation of working capital***

Working capital is a non-GAAP Measure and can be reconciled with total current assets and total current liabilities, the most directly comparable IFRS financial measure, as detailed below.

| Reconciliation of working capital | As at August 31, 2024 | August 31, 2023 |
|---|---|---|
| Total current assets | $ 67,473,844 | $ 51,695,836 |
| Total current liabilities | 27,002,000 | 21,182,827 |
| **Working capital*** | $ 40,471,844 | $ 30,513,009 |

**Non-GAAP financial measure*

### Financing

| Type of loan | Interest Rate | Maturity | Balance as at August 31, 2024 | Balance as at August 31, 2023 |
|---|---|---|---|---|
| Revolving credit facility A[(1)] | 8.28% | September 27, 2024 | $ 1,070,000 | $ 2,000,000 |
| Revolving credit facility B[(1)] | 8.28% | September 27, 2024 | 600,000 | 600,000 |
| Revolving credit facility C[(1)] | 8.28% | September 27, 2024 | 400,000 | 400,000 |
| Revolving credit facility D[(1)] | 8.28% | September 27, 2024 | 1,500,000 | - |
| Revolving credit facility E[(1)] | 8.28% | September 27, 2024 | 489,298 | - |
| Revolving credit facility F[(1)] | 8.28% | September 27, 2024 | 1,200,000 | - |
| Revolving credit facility G[(1)] | 8.28% | September 27, 2024 | 1,000,000 | |
| Term loan [(1)] | 8.45% | December 31, 2025 [(2)] | 34,976,596 | 36,854,235 |
| Convertible debenture A [(2)] | 9.25% | September 30, 2025 | 6,442,350 | 5,753,133 |

1 The credit facilities terms are 30, 60 or 90 days depending on management's decision and can be renewed at the end of the period. The base term of the term loan has been extended during the year and is now on December 31, 2025. The credit facilities and the term loan bear a variable interest rate or CORRA plus an applicable margin based on the credit agreement. As at August 31, 2024, the average interest rate was 8.28% on the credit facilities and 8.45% on the term loan. The Company has to respect financial covenants including (a) maintaining a certain liquidity coverage at all the times, and, starting on September 2023, to maintain and (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. As at August 31, 2024, the Company met all of the imposed covenants.

2 The $5,700,000 convertible debenture bears interest at 4% per annum until June 21, 2024, and will increase to 9.25% until January 31, 2025. 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.

## LIQUIDITY AND CAPITAL RESOURCES (*continued*)

### Other contractual obligations

| | Carrying amount | Less than one year | One to three years | Total contractual amount |
|---|---|---|---|---|
| Accounts payable and accrued liabilities | $ 9,842,023 | $ 9,842,023 | $ - | $ 9,842,023 |
| Revolving credit facilities | 6,259,298 | 6,259,298 | - | 6,259,298 |
| Lease liabilities (2) | 648,149 | 323,762 | 390,461 | 714,223 |
| Convertible debenture | 6,442,350 | 1,000,000 | 5,535,562 | 6,535,562 |
| Term loan (1) | 34,976,596 | 1,965,961 | 33,421,340 | 35,387,301 |

1 The contractual obligations relating to the term loan has been presented based on the contractual repayment term which is set to mature on December 31, 2025.

2 The Company is committed to future minimum annual lease with respect to a lease for the head office, several car leases and pieces of production equipment. These figures are undiscounted future payments.

## OFF-BALANCE SHEET ARRANGEMENTS

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

In October 2024, the Company obtained a reduction of $162,000 for the required amount of the letter of credit. The revised amount of the letter of credit is now $5.5 million.

## TRANSACTIONS AND BALANCES WITH RELATED PARTIES

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

### Transaction with a related party

For the year ended August 31, 2024, the Company recognized $223,000 and $693,000 as interest expense on the convertible debentures and debt financing guarantee fees compared to $156,000 and $712,000 for the same periods of the prior year. The Company also paid $61,000 and $235,000 in rent and incurred $7,000 and $22,000 in other expenses for the three-month period and year ended August 31, 2024, compared to $45,000 and $180,000 in rent and nil in other expenses for the same periods of the prior year.

As at August 31, 2024, accrued interest of $0.8 million on the $5.7 million convertible debenture was included in the carrying amount of the convertible debenture (as at August 31, 2023 – accrued interest of $0.5 million the $5.7 million was included in the carrying amount of the convertible debentures), and accrued fees on the debt financing guarantee fees amounted to $62,500 were included in accounts payable and accrued liabilities (as at August 31, 2023 - $344,000). The Company also recognized $562,000 as lease liabilities as at August 31, 2024, regarding a lease arrangement for the head office (August 31, 2023 – nil).

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

### Key management personnel compensation

For the year ended August 31, 2024, salaries and benefits incurred for key management personnel amounted to $0.9 million (August 31, 2023 - $0.8 million); share-based compensation attributable to key management and directors was $1.7 million (August 31, 2023 - $1.6 million) and director fees were $0.1 million (2023 - $0.1 million). As at August 31, 2024, the Company owed $0.1 million (August 31, 2023 - $66,000) to key management personnel and $21,000 (August 31, 2023 – $15,000) to directors for accrued salaries and vacation expenses.

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

## FINANCIAL INSTRUMENTS RISK MANAGEMENT

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

### Credit risk

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

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

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

As at August 31, 2024, none of the receivables were past due. The allowance for expected credit loss was nominal as at August 31, 2024. The Company's maximum credit exposure corresponds to the carrying amount of these financial assets.

### Liquidity risk

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

As the Company is subject to certain covenants, including maintaining certain financial ratios, in the event the Company is not able to meet its quarterly financial covenants, the term loan (note 9(b) to the audited consolidated financial statements for the year ended August 31, 2024) will become due in full at the date of non-compliance. While management believes that the future cash flows from operations and availability under existing banking arrangements will be adequate to support the Company's financial liabilities, assessing the Company's liquidity, including expected future compliance with financial covenants requires judgment. The Company does not expect a liquidity problem in the foreseeable future; however no assurances can be provided.

As at August 31, 2024, the Company had current assets of $67.5 million and current liabilities of $27 million, for a working capital balance of $40.5 million. The Company expects that its existing cash resources of $6.6 million as at August 31, 2024, along with its forecasted cashflows, undrawn credit facilities and other sources like proceeds from the disposal of assets held for sale, will be able to fund its planned operating expenses for at least the next twelve months from August 31, 2024.

### Interest rate risk

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

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

### Concentration risk

The Company has a significant concentration of its revenues generated from customers that, if eliminated, would have a significant impact on the Company's operations. During fiscal 2024, the Company focused on diversification of its revenues having generated 87% of its cannabis revenues from three provincial distributors, compared to 90% of its cannabis revenues earned from two provincial distributors during fiscal year 2023.

## CRITICAL ACCOUNTING ESTIMATES

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

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

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

Disclosure of the Company's critical accounting estimates and assumptions is presented in note 3 of the audited consolidated financial statements for the year ended August 31, 2024.

## RISK FACTORS

For a detailed discussion of business risk factors, please refer to the Company's AIF, available on SEDAR+ at www.sedarplus.ca and under the "Investor Area" section of our website at https://www.cannara.ca/en/investor-area.

## MATERIAL ACCOUNTING POLICIES

The financial information presented in this MD&A has been prepared in accordance with IFRS Accounting Standards. Our material accounting policies are set out in note 3 of the audited consolidated financial statements for the year ended August 31, 2024.

### Assets held for sale

The Company classifies non-current assets as asset held for sale when they are available for immediate sale in their present condition and the sale is highly probable.

The non-current asset classified as held for sale is measured at the lower of its carrying amount and fair value less costs to sell and is reclassed as current asset.

In January 2024, management committed to a plan to sell a parcel of land at its Valleyfield site that was unused in addition to the building under construction adjacent to the land parcel that was previously intended to be leased out. The carrying amount of these assets in the amount of $4,958,557 were reclassed as assets held for sale in the second fiscal quarter of 2024. On April 24, 2024, the Company sold the parcel of the land at the Valleyfield site for $2.1 million, generating a gain on disposal of $2.0 million. As at August 31, 2024, a total of $4,897,564 for the building under construction and the land on which it is being constructed remain assets held for sale and continue to be actively marketed for sale.

## SUMMARY OF OUTSTANDING SHARE DATA

*Summary of Outstanding Share Data as of November 25, 2024:*

| | |
|---|---|
| Authorized: | Unlimited number of voting and participating common shares without par value. |
| Issued and outstanding: | 90,018,952 common shares |
| | 5,166,600 stock options |
| | 2,219,183 RSUs |
| | 3,166,667 contingently issuable common shares upon conversion of convertible debentures |

TSXV: LOVE OTCQB: LOVFF FRA: 8CB0

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