Quebec Grown
Premium Grade Cannabis

MANAGEMENT DISCUSSION & ANALYSIS

For the three and six-month periods ended
February 28, 2025

April 25, 2025

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 April 25, 2025, and should be read in conjunction with the condensed interim consolidated financial statements and related notes thereto of the Company for the three and six-month periods ended February 28, 2025.

The Company's annual audited consolidated financial statements were prepared in accordance with International Financial Reporting Standards ("**IFRS**") as issued by the International Accounting Standards Board ("**IASB**"). Certain information and notes usually provided in the annual financial statements have been omitted or condensed. Therefore, this MD&A should also be read in conjunction with the information contained in the annual audited consolidated financial statements of the Company and the notes thereto for the year ended August 31, 2024.

Please also refer to the Company's press release announcing its results for the fiscal quarter ended February 28, 2024, issued on April 28, 2025. 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.

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

All references in this MD&A to "Q2 2025" and "second quarter of 2025" are to Cannara's fiscal quarter ended February 28, 2025, and "Q2 2025 YTD" to the six-month period ended February 28, 2025. References to "Q2 2024" and "second quarter of 2024" are to Cannara's fiscal quarter ended February 29, 2024, and "Q2 2024 YTD" to the six-month period ended February 29, 2024.

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

FORWARD-LOOKING STATEMENTS

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

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, 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. 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 equipment, 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 fund business investments or shareholder distributions.
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.
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.		Management believes that the use of this percentage allows investors and analysts to understand the efficiency of production and the cost management effectiveness.
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 and consistent 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, Nova Scotia, Manitoba and Saskatchewan retailers and consumers, and additional inquiries for product distribution across the rest of Canada. As of the date of this MD&A, Cannara has achieved 93% penetration across cannabis retail stores in the markets it operates in, with an average of 12 Cannara products per listed store[1]. With over 36,000 points of distribution (PODs), Cannara products account for an estimated 2.7% of total cannabis product retail listings nationwide reflecting a strong and growing presence in the highly competitive Canadian cannabis retail market[1].

National Distribution Performance[1]

National Retail Listings	March 2025	Q2 2025	Q1 2025
% Cannara Retail Penetration	2.7%	2.5%	2.4%

[1] As reported by Turff Analytics in September 2024 to March 2025.

COMPANY PROFILE (continued)

Since 2021, Cannara has steadily expanded its cultivation footprint at the Valleyfield Facility, activating 10 of its 24 growing zones to meet rising demand. In 2023 alone, production capacity grew by 50% with the addition of three new zones, and the 10th was activated in January 2024. As of April 2025, Cannara operates 250,000 square feet of active canopy at Valleyfield, with approximately 85,000 plants under cultivation, plus another 11,000 plants at its Farnham Facility. Combined, both sites can currently produce up to 33,500 kg of cannabis annually. With just 42% of the Valleyfield expansion plan completed, Cannara remains focused on scaling production in line with market demand. For Fiscal 2025, the Company set a goal to activate two additional growing zones, totaling 50,000 sq. ft. One zone was brought online in April 2025, with the second is scheduled for May, adding 6,000 kg of annual capacity and bringing total output potential to nearly 40,000 kg per year.

For the six-month period ended February 28, 2025, the Company generated total revenues of $51.7 million, reflecting strong year-over-year growth from $39.2 million in the prior year. Gross profit before fair value adjustments reached $20.6 million or 40% of total revenues, while adjusted EBITDA was $13.1 million, representing 25% of revenues[2]. Net income for the period totaled $5.6 million, translating to basic and diluted earnings per share of $0.06. From a cash flow perspective, the Company generated $3.3 million in cash from operating activities and achieved positive free cash flow of $0.6 million, compared to negative free cash flow of $0.7 million in the prior year[3]. These results underscore Cannara's growing operational efficiency and disciplined capital deployment as it continues scaling production and expanding national market share.

As of February 28, 2025, Cannara's distribution network services 7 provinces: Québec, Ontario, Alberta, British Columbia, Saskatchewan, Manitoba and Nova Scotia. Quebec, Ontario and Alberta currently represent the Company's main markets representing 87% of the Company's cannabis revenues it generated for Q2 2025 YTD.

The Company's market share by listed province for the periods of September 2024 to February 2025, and for the most recently completed month, is presented below. In Q2 2025, Cannara revised its national market share calculation methodology. Previously based solely on Hifyre data, the calculation now integrates Weedcrawler data for Quebec and NSLC data for Nova Scotia, while continuing to use Hifyre for the rest of Canada. Using this enhanced approach, Cannara achieved an estimated national retail market share of 3.9% for Q2 2025, maintaining steady performance through a seasonally soft post-holiday period. This reflects an estimated 0.2% increase, driven by growth in key provinces—Québec, Ontario, Alberta, and British Columbia. As of March 2025, Cannara's estimated national retail market share reached 4.0%[4].

Province	March 2025	Q2 2025	Q1 2025
National Retail Market Share	**4.0%**	**3.9%**	**3.7%**
Quebec	13.4%	12.8%	12.5%
Ontario	3.0%	2.9%	2.6%
Alberta	2.8%	2.7%	2.3%
British Columbia	1.6%	1.5%	1.5%
Saskatchewan	1.5%	1.0%	1.7%
Manitoba	0.7%	0.6%	0.9%
Nova Scotia	0.4%	0.5%	0.4%

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 total 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 retail market sales dollar estimates for the periods September 2024 to November 2024, December 2024 to February 2025, and March 2025, calculated using dataset from Weedcrawler for Quebec retail sales contributions, NSLC for Nova Scotia retail sales, and Hifyre dataset for the rest of Canada.

CANNARA'S FACILITIES

FACILITY	SIZE	CAPACITY	TYPE	ELECTRICITY	FACILITY HIGHLIGHTS
FARNHAM, QUEBEC	Licensed area: 170,000 sf Site: 625,000 sf Land: 1,430,000 sf	Active Grow Area: 28,000 sf 3,500 kg current capacity Active Cloning and Mother Area: 23,000 sf	Indoor	Power rate of approx. $0.065/kw	• Licensed area completed in 2019 • State-of-the-art • 11 independent grow rooms + cloning and mother rooms for both facilities • Automated cultivation systems • Solventless hash laboratory • Pre-roll manufacturing center • Packaging center • R&D facility
VALLEYFIELD, QUEBEC	Licensed area: 600,000 sf Roof top greenhouse: 200,000 sf Processing and cannabis 2.0 processing center: 250,000 sf Site: 1,050,000 sf Land: 3,130,000 sf	Active Grow Area: 250,000 sf (10 of 24 zones) 30,000 kg Current capacity 100,000 kg Full capacity	Indoor	Preferential contracted power rate of approx. $0.035/kw	• Purpose-built in 2020 • Onsite Hydro Quebec substation • Fully outfitted and automated • 24 independent grow rooms • Blackout & shading systems • Purpose-built cannabis greenhouse converted to replicate indoor conditions • Processing center (under construction) • BHO extraction laboratory

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 Infused Pre-rolls Live Resin Full Spectrum Extract Live Resin Vape Cartridges Accessories	Québec Ontario Saskatchewan Alberta British Columbia Manitoba 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 Milled Flower (Grind) Pre-Rolls Infused Pre-Rolls Old School Hash Ice Water Hash Fresh Frozen Hash Rosin Edibles Vape Cartridges Accessories	Québec Ontario Saskatchewan Alberta British Columbia Manitoba
ORCHID CBD	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 Pre-Rolls Infused Pre-rolls Oils Live Resin Vape Cartridges	Québec Ontario Saskatchewan Alberta British Columbia Manitoba

CANNARA'S GENETIC PORTFOLIO

Cannara has access to an extensive bank of genetics which includes exclusive strains only available from the Company in the Canadian market. By undergoing a rigorous pheno-hunting selection process, Cannara can further broaden the product mix for each one of its brands by providing consumers with unique, dedicated cannabis experiences 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:

Scalable quality

Cannara delivers award-winning cannabis flower by staying true to craft cultivation practices—hang drying, hand trimming, and slow curing—while scaling its operations significantly. With over 800,000 square feet of fully owned cultivation space across more than 40 individually controlled grow rooms, Cannara combines precision and scale without compromising quality. Its attention to detail, from cultivation through to packaging, positions the Company as one of the few capable of consistently producing premium cannabis at scale in Canada.

Price competitiveness

Cannara continues to uphold a value-based pricing strategy without compromising on quality. Leveraging Québec's low electricity, utility, and labor costs—along with the favorable acquisition cost of its facilities and full vertical integration—Cannara benefits from meaningful cost advantages and economies of scale. These structural efficiencies enable the Company to offer premium cannabis at accessible prices while targeting gross margins above 40%.

Innovation in products

Cannara continues to drive innovation and optimize its product portfolio across multiple categories, including hash, infused pre-rolls, and vapes. In the Company's Q2 2025, Cannara launched 10 new products, including the paperless Nugz Hash Wrap 1 x 1.7g pre-rolls (Indica & Sativa), Orchid CBD's first CBD-dominant infused pre-rolls (CBD Grape Rntz 3 x 0.6g), a line extension of Tribal's Trifecta infused pre-rolls (Galactic Rntz 3 x 0.6g), and a Nugz All-in-one vape line extension, G Sherb.

Building on this momentum, Cannara will launch the G Mint Trifecta infused pre-roll in Quebec in April 2025, reinforcing its leadership in the province where it is already a category leader in infused pre-rolls (>65% of Quebec's extracts category).

Following the SQDC's recent announcement to open the vape category in Quebec starting November 2025, the Company has been proactively developing innovative vape formulations. These offerings are designed to align with Cannara's reputation for quality while adhering to strict provincial regulations, including the 30% THC limit. Leveraging its leadership in live resin vape sales across the rest of Canada, Cannara is well-positioned to capture market share and lead vape category growth in Quebec upon launch.

Innovation in genetics

Cannara's commitment to innovation through an extensive pheno-hunting program continues to differentiate its product portfolio, working with 50-time award-winning Exotic Genetix, a world-renowned cannabis breeder, uncovering high-powered exotic cultivars each year. The Company screens hundreds of phenotypes from seed to identify high-yielding strains with elevated THC or CBD levels, distinctive terpene profiles, and market-resonating traits. In 2025, this disciplined R&D approach led to the discovery of three new standout genetics: Porto Leche for Tribal, and Wagyu Delight and Meat Pie for Nugz. Slated for release in Ontario and Québec in Q3 2025, these cultivars will address key gaps in Canada's flower segment while reinforcing Cannara's leadership as the nation's top mass-premium 3.5g flower provider, with an estimated national retail market share of approximately 19% within this category as at the date of this MD&A[5].

[5] As reported by Turff Analytics, Rank & Share - Canada - Flower - Mass Premium - 3.5g

CANNARA'S COMPETITIVE ADVANTAGE *(continued)*

Brand loyalty

Since its inception, Cannara has successfully built enduring brand equity through its flagship brands—Tribal, Nugz, and Orchid CBD—launched in 2019. In an industry where brand loyalty is notoriously difficult to achieve, Cannara's consistent delivery of high-quality cannabis at accessible prices has fostered strong consumer retention and engagement. The "stickiness" of its products is reflected not only in repeat purchase behavior but also in the growing popularity of Cannara's branded accessories and apparel. This lifestyle adoption signals a deeper emotional connection to the brands—an achievement few cannabis companies have replicated. As a result, Cannara is uniquely positioned to continue building lasting consumer loyalty while scaling its presence across Canada.

Community engagement and customer service

Cannara's commitment to customer service and community engagement is a key differentiator in the cannabis industry. The Company prioritizes direct, transparent communication with every customer—resolving inquiries quickly and thoughtfully to build trust and long-term loyalty. Cannara also maintains an active presence on Discord (https://discord.gg/cannara), where over 1,400 engaged consumers and retailers provide real-time feedback and share product experiences. This dynamic platform enables two-way dialogue, fuels innovation, and fosters a strong sense of community around Cannara's brands.

MARKET INSIGHTS

Canada's legal cannabis industry has matured into a multi-billion-dollar market, with an estimated $1.37 billion in retail sales for Cannara's Q2 2025[6]. While growth has slowed from the rapid expansion of early years, opportunity still exists to shape the evolution of this industry and become leading licensed producer across Canada's largest provincial markets: Ontario, Alberta, Quebec, and British Columbia in addition to secondary markets like Saskatchewan, Manitoba and Nova Scotia.

QUEBEC

The Société québécoise du cannabis (SQDC), Quebec's provincial distributor, generated estimated revenues of approximately $211.4 million for the three-month period ended February 28, 2025. During this period, Cannara captured an estimated 12.8% retail market share in Quebec, ranking as the third-largest licensed producer in the province. This marks a 2.4% increase over Q1 2025 (12.5%), reflecting continued quarter-over-quarter growth. The Company's sustained success in Quebec is driven by strong brand equity and a consistent delivery of premium-quality products. As of March 2025, Cannara's estimated retail market share in Quebec further increased to 13.4%, reinforcing its upward momentum in this core market[7].

The SQDC retail network has grown from 28 stores in fiscal 2020 to 101 locations as of this MD&A. Despite this progress, Quebec still has only one store per 100,000 people—well below Ontario and British Columbia, which each have roughly one store per 10,000. To date, the SQDC has captured an estimated 62.8% of the illicit market, a figure expected to rise as more consumers shift toward legal, traceable products with competitive pricing and a better retail experience[8].

ONTARIO

Ontario continues to lead Canada's recreational cannabis market. According to Hifyre, retail stores in the province sold approximately $526.5 million in cannabis products between December 2024 and February 2025. During this period, Cannara is estimated to have increased its market share in Ontario to 2.9%, up from 2.6% in Q1 2025, positioning the Company as the 8th largest licensed producer selling through the Ontario Cannabis Store (OCS)[6]. In Q2 2025, Cannara listed nine SKUs in the province, with products available in over 1,500 retail stores—representing more than 95% of the Ontario retail network[9]. As of March 2025, the Company's estimated market share further increased to 3.0%, reflecting growing consumer demand and retail penetration[6].

[6] As reported by Hifyre Dataset for the period of December 2024 to February 2025, and March 2025.
[7] Based on estimated sales data provided by Weed Crawler, for the period of December 2024 to February 2025, and March 2025.
[8] SQDC, Annual Report 2024.
[9] As reported by Turff Analytics, March 2025.

MARKET INSIGHTS *(continued)*

ALBERTA

Alberta is Canada's second-largest cannabis market and has been a strategic focus for Cannara since May 2023. According to Hifyre, retail stores in the province sold approximately $241.2 million in cannabis between December 2024 and February 2025. From Q1 to Q2 2025, Cannara's estimated retail market share increased by 17.4% to 2.7%, reflecting the early impact of portfolio optimization efforts initiated in the prior quarter. The Company has worked closely with the Alberta Gaming, Liquor and Cannabis Commission (AGLC) to phase out underperforming SKUs and introduce high-performing alternatives aligned with consumer demand. During Q2 2025, Cannara launched three new SKUs in the province—Tribal G Mint Trifecta infused pre-rolls, Nugz Lemon Linx All-in-One vape, and Nugz Triple Burger Fresh Frozen Hash Rosin. As of March 2025, Cannara's estimated retail market share in Alberta rose further to 2.8%, reinforcing its growing footprint in this key market[10].

BRITISH COLUMBIA

British Columbia is Canada's third-largest cannabis market, with an estimated $220.1 million in retail sales from December 2024 to February 2025. Cannara entered the B.C. market in September 2022, leveraging a significant cost advantage driven by Québec's low electricity rates and competitive labour costs—the two largest inputs in cannabis cultivation. For Q2 2025, the Company is estimated to have maintained a 1.5% retail market share in the province, consistent with Q1 2025. As of March 2025, Cannara's estimated market share in British Columbia increased modestly to 1.6%, reflecting early signs of momentum in this competitive, growth-oriented market[10].

SASKATCHEWAN

Saskatchewan generated an estimated $33.5 million in retail cannabis sales from December 2024 to February 2025. During Q2 2025, Cannara transitioned to a new private distributor to enhance its long-term distribution strategy within the province. This shift contributed to a temporary decline in market share, which decreased by 41.2% to an estimated 1.0% for the quarter. However, by March 2025, Cannara's estimated retail market share had rebounded to 1.5%, reflecting a successful transition and early signs of improved provincial performance[10].

MANITOBA

Manitoba generated an estimated $53.1 million in retail cannabis sales from December 2024 to February 2025. Cannara entered the market in May 2024 and is steadily expanding its footprint. In Q2 2025, the Company estimates a retail market share of 0.6%, down 33.3% from the previous quarter due to a temporary reallocation of supply to meet higher demand in other key regions. As of March 2025, the Company's estimated market share in Manitoba increased slightly to 0.7%[10].

NOVA SCOTIA

Nova Scotia generated an estimated $30.9 million in retail cannabis sales from December 2024 to February 2025. Cannara entered the market in March 2024 and has been gradually expanding its presence. For Q2 2025, the Company estimates a market share of 0.5%, up 25% from Q1 2025. As of March 2025, market share declined slightly to 0.4%[11]. To support future growth, Cannara has secured three new product listings with the Nova Scotia Liquor Corporation (NSLC), scheduled for launch in Q3 and Q4 of 2025.

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[10] As reported by Hifyre Dataset for the period of December 2024 to February 2025, and March 2025.
[11] Based on Nova Scotia NSLC sales data for the periods of December 2024 to February 2025 and March 2025.

CANADIAN CANNABIS MARKET TRENDS

Price Compression

Price compression remains a significant challenge in the Canadian cannabis industry, driven by intense competition among more than 1,200 Licensed Producers. Despite these headwinds, Cannara delivered strong performance in Q2 2025, generating gross cannabis revenues of $36.8 million, up $10.5 million or 40% from the same period last year. The Company also improved its gross profit margin before fair value adjustments, rising from 38% to 40%, reflecting greater operational efficiency and consistent consumer demand.

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. For Q2 2025, excise taxes represents $11.3 million and $22.2 million for Q2 2025 YTD.

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 changes to Canadian cannabis excise tax policy could have a material impact on the Company's operations.

BUSINESS REVIEW & OUTLOOK

Cannara proactively monitors and evaluates 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:

Core Objectives

1. Meet market demand by expanding production capacity and enhancing sales efforts.
2. Expand 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 Canadian 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, consumer response has been overwhelmingly positive, driving the need to expand production capacity to meet growing demand. In Fiscal 2022, the Company increased production by 66%, activating a total of 10 grow zones and reaching 250,000 square feet of cultivation capacity at Valleyfield, along with an additional 28,000 square feet at Farnham. Combined, these facilities were capable of generating 33,500 kilograms of cannabis annually. Over the next three years, the Company plans to activate an additional 14 grow zones, reaching a total of 628,000 square feet of cultivation capacity.

For Fiscal 2025, the Company set a target to activate 2 additional growing zones, adding 50,000 square feet of capacity. These new rooms, coming online in April and May, will increase total annual production by approximately 6,000 kilograms, bringing the Company's total output to just under 40,000 kilograms, effectively achieving its fiscal 2025 production objectives. The Valleyfield facility has 24 grow zones once fully built, giving Cannara the flexibility to scale production in alignment with demand. Additionally, the Company will continue to invest in sales and marketing initiatives to further strengthen its presence across Canadian provinces and enhance brand recognition and loyalty for its three flagship brands: Tribal, Nugz, and Orchid CBD.

BUSINESS REVIEW & OUTLOOK (*continued*)

2. Expand Product Portfolio

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. Launch highlights of Cannara's product portfolio for Q2 2025 include:

- Nugz Hash Wrap (Indica & Sativa)
- Nugz G Sherb All-in-one vape
- Tribal Aerolith dry flower vaporizer
- Tribal Supernova Cuban Linx All-in-one vape
- Tribal Bubble Up Full Spectrum Extract
- Tribal Galactic Rntz Trifecta infused pre-rolls
- Orchid CBD Grape Rntz infused pre-rolls

For Q3 and Q4 2025, the Company has secured a combined 16 new product listings to launch in Ontario and Quebec including three new genetics Meat Pie, Waygu Delight, and Porto Leche:

- Nugz Meat Pie 3.5g dried flower (Quebec)
- Nugz Waygu 7g dried flower and 7 x 0.5g multipack pre-rolls (Ontario)
- Tribal Porto Leche 3.5g dried flower and 5 x 0.6g multipack pre-roll
- Tribal G Mint Trifecta infused pre-rolls (unique sub 30% THC offering for Quebec as per provincial regulations)
- Nugz Neon Bubble Bath infused pre-rolls & all-in-one vape (Ontario)
- Nugz Guava Jam 7 x 0.5g multipack pre-rolls (Ontario)

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. Cannara's fiscal year 2025 pheno-hunt program is ongoing to unlock further exotic genetics to support and grow its product portfolio in fiscal year 2026.

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 and has established itself in 3 secondary markets. The table below presents the Company's national market share for the most recent completed quarter, along with a comparison to the previous quarter. Cannara's recent performance across various provinces highlights its continued successful performance across all markets demonstrating its ability to capture market share from its competitors.

BUSINESS REVIEW & OUTLOOK *(Continued)*

Q2 2025 vs Q1 2025 Market Share by Province[12]

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	Q2 2025	Q1 2025	Variance
Quebec	**12.8%**	12.5%	+2.4%
Ontario	**2.9%**	2.6%	11.5%
Alberta	**2.7%**	2.3%	+17.4%
British Columbia	**1.5%**	1.5%	0%
Saskatchewan	**1.0%**	1.7%	-41.2%
Manitoba	**0.6%**	0.9%	-33.3%
Nova Scotia	**0.5%**	0.4%	+25.0%

Q2 2025 vs Q2 2024 Market Share by Province[13]

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

Province	Q2 2025	Q2 2024	Variance
Quebec	**12.8%**	9.0%	+42.2%
Ontario	**2.9%**	2.9%	0%
Alberta	**2.7%**	2.0%	+35.0%
British Columbia	**1.5%**	1.0%	+50.0%
Saskatchewan	**1.0%**	0.5%	+100.0%
Manitoba	**0.6%**	N/A	N/A
Nova Scotia	**0.5%**	N/A	N/A

The Company is also evaluating opportunities to expand into new provinces, as demonstrated by its entry into Nova Scotia and Manitoba in fiscal year 2024. Our priority remains to grow market share in existing markets, with the evaluation of entry into the provincial markets of New Brunswick and Newfoundland ongoing.

Cannara remains focused on its core markets in Canada, driving growth through expanded distribution, attracting new customers, and launching innovative products to further increase its market share. Supported by strategic entries into emerging secondary markets such as Manitoba and Nova Scotia, Cannara is well-positioned to capitalize on the projected growth of the Canadian cannabis market, which is expected to reach a total value of US $6.58 billion by 2029[14].

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[12] As reported by Hifyre data for the periods of December 2024 to February 2025 and September 2024 to November 2024 in all listed provinces excluding Quebec where Weed Crawler was deemed more accurate, and Nova Scotia where NSLC wholesale data was deemed to be more accurate.
[13] As reported by Hifyre data for the periods of December 2024 to February 2025 and December 2023 to February 2024 in all listed provinces excluding Quebec where Weed Crawler was deemed to be more accurate, and Nova Scotia where NSLC wholesale data was deemed to be more accurate.
[14] Statista Market Insights, March 2024, USD$.

BUSINESS REVIEW & OUTLOOK *(continued)*

4. Grow Positive Adjusted EBITDA and Operating Cash Flow

Cannara remains focused on consistently delivering positive Adjusted EBITDA and operating cash flow, driven by its strategic emphasis on premium-grade cannabis products offered at disruptive retail pricing. This is made possible by the Company's lean operational model and the cost efficiencies of its two facilities, which benefit from Quebec's low electricity rates and competitive labor costs.

To further strengthen its position, Cannara has developed an in-house pre-roll manufacturing center, a solventless hash lab, and a butane hash oil (BHO) extraction lab. These initiatives provide a significant competitive advantage by enabling full vertical integration and maximizing the value of all cannabis raw inputs.

The Company's agility and disciplined approach to profitability have led to the development of high-demand SKUs designed to generate strong gross margins. For the three-month period ended February 28, 2025, Cannara reported Adjusted EBITDA of $7.1 million, up from $3.5 million in the same period last year. Operating cash flow was negative $2.6 million (2024: negative $2.4 million), reflecting strategic investments in raw material packaging to secure bulk pricing and reduce stock-out risk, as well as advance payments of excise tax obligations[15].

For the six-month period ended February 28, 2025, Adjusted EBITDA reached $13.1 million compared to $8.7 million in the prior year, while operating cash flow was $3.3 million, slightly above the $3.2 million generated in 2024[13].

SECOND QUARTER OF 2025 AND SUBSEQUENT EVENT HIGHLIGHTS

OPERATIONAL

During the quarter, the Company maintained a strong focus on execution, scaling its operations and supply chain to support continued growth in sales and market share across Canada. As part of its 2025 expansion plan, Cannara advanced the activation of two additional grow rooms at its Valleyfield facility. These rooms are scheduled to come online in April and May 2025, adding 6,000 kilograms of annual production capacity and bringing the Company's total output to nearly 40,000 kilograms per year. With these additions, Cannara has achieved its cultivation expansion objective for fiscal 2025. The Company expects its momentum to continue throughout the year as it drives forward its national sales and marketing strategies.

March 2025 - Appointment of Justin Cohen as Director

On March 24, 2025, the Company announced the appointment of Mr. Justin Cohen to its Board of Directors as an independent director. Mr. Cohen also joins the Audit Committee. A seasoned executive with a strong track record in brand development, digital transformation, and commercial strategy, Mr. Cohen brings a wealth of experience from leadership roles at Psycho Bunny, Keurig Dr Pepper, Google, ALDO Group, and Sony Music. His appointment aligns with Cannara's strategic focus on strengthening its flagship brands—Tribal, Nugz, and Orchid CBD—and scaling national market presence through enhanced consumer engagement and operational excellence.

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 February 28, 2025, the weighted average interest rate on the revolving credit facilities was 6.77%. During Q2 2025, the Company extended all tranches of the revolving credit facilities for a 90-day term. Subsequent to quarter-end, all tranches were renewed for a 30-day term.

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[15] Adjusted EBITDA is a non-GAAP measure. A reconciliation of adjusted EBITDA from net income is included in the section "Selected Financial Information" of this MD&A.

SECOND QUARTER OF 2025 AND SUBSEQUENT EVENT HIGHLIGHTS *(continued)*

FINANCING (*continued*)

February 2025 - Extension of BMO Credit Facility

On February 24, 2025, the Company announced it had completed an agreement to amend and restate its existing credit agreement with BMO acting as administrative agent, lead arranger, syndication agent and sole bookrunner (the "**Restated Credit Facility**").

The key changes represented by the Restated Credit Facility are described below. All terms are as defined in the Restated Credit Facility.

- **Term Extension**: The maturity date of the Restated Credit Facility has been extended to December 31, 2027

- **Debt Structure Adjustments**: The Restated Credit Facility provides for a streamlined debt structure, consolidating the Company's borrowing facilities as follows: (i) a term loan facility provided by Bank of Montreal with a total commitment of $34.8 million (ii) a $10 million revolving credit facility which is intended to be used for general working capital purposes and (iii) $5.5 million letter of credit to a provincial service provider to support the supply of electricity.

- **Updated Financial Covenants**: The Restated Credit Facility also reflects revised covenants which provide the Company with the flexibility and liquidity to continue its track record of strong growth and support execution of its long-term strategy.

A copy of the Restated Credit Facility has been filed under the Company's profile on SEDAR+ at www.sedarplus.ca.

February 2025 - Amendment of Olymbec Convertible Debenture

On February 24, 2025, the Company concurrently announced that the terms of its convertible debenture originally issued on June 21, 2021, as amended on August 31, 2023, and January 30, 2024, in the total initial principal amount of $5.7 million (the "**Olymbec Convertible Debenture**"), had been amended in January 2025 by Olymbec Investments Inc. ("**Olymbec**") to extend the convertible debenture term (the "**Third Convertible Debenture Amendment**"). The key changes represented by the Third Convertible Debenture Amendment are as follows:

- **Term Extension**: The maturity date of the Olymbec Convertible Debenture has been extended to March 31, 2028.

- **Right to Demand Partial Repayment**: Olymbec shall have the right to demand a first partial repayment of up to $1 million of the Olymbec Convertible Debenture subject to BMO's approval. Olymbec shall also have the right to demand a second partial repayment on September 30, 2025, of an amount equal to half of the principal amount then outstanding.

- **Javaa Convertible Debenture**: Pursuant to an agreement signed with Javaa Private Equity Inc. ("**Javaa**"), concurrently with the execution of the Third Convertible Debenture Amendment, a new unsecured convertible debenture (the "**Javaa Convertible Debenture**") is anticipated be issued on or about September 29, 2025, by the Company to Javaa, in the principal amount equal to the amount required to satisfy Olymbec's demand for the second partial repayment pursuant to the Third Convertible Debenture Amendment. The Javaa Convertible Debenture will have an initial maturity date of March 31, 2028, at the same interest rate as the Olymbec Convertible Debenture.

- **Interest**: As previously disclosed, the Olymbec Convertible Debenture bears interest at 10.75% per annum, compounded semi-annually effective January 31, 2025. Interest accrued before September 30, 2025, may be paid in cash, shares, or a combination at $1.80 per share, subject to TSXV approval. Thereafter, interest will be paid quarterly in cash at the same rate.

All other terms and conditions of the Olymbec Convertible Debenture remain in full force and effect. A copy of the Olymbec Convertible Debenture (as amended and restated) has been filed under the Company's profile on SEDAR+ at www.sedarplus.ca.

SECOND QUARTER OF 2025 AND SUBSEQUENT EVENT HIGHLIGHTS (*continued*)

CAPITAL TRANSACTIONS

During Q2 2025, the Company issued 625,000 common shares for RSUs that vested.

Subsequent to quarter-end, the Company granted 100,000 stock options at an exercise prise of $1.25 and 84,400 stock options at an exercise price of $1.80 to employees and consultants subject to certain vesting and conditions in accordance with the Company's employee share option plan. The Company also granted 22,500 RSUs without performance conditions and exercisable for no consideration.

SELECTED FINANCIAL INFORMATION

Selected Financial Highlights	Three-month periods ended February 28, 2025	Three-month periods ended February 29, 2024	Six-month periods ended February 28, 2025	Six-month periods ended February 29, 2024
Financial Summary				
Net revenue[1]	$ 26,459,029	$ 19,661,375	$ 51,413,839	$ 39,087,903
Other income	127,128	21,828	242,732	78,594
Total revenues	26,586,157	19,683,203	51,656,571	39,166,497
Gross profit, before fair value adjustments	10,832,609	7,141,276	20,614,373	15,076,993
Gross profit	11,955,588	4,140,498	22,134,473	12,375,854
Operating expenses	6,078,362	6,100,045	12,025,168	10,896,755
Operating income (loss)	5,877,226	(1,959,547)	10,109,305	1,479,099
Net finance expense	1,147,842	1,487,073	2,346,007	2,818,440
Net income (loss) before income taxes	4,729,384	(3,446,620)	7,763,298	(1,339,341)
Net income (loss)	3,314,541	(3,446,620)	5,620,404	(1,339,341)
Adjusted EBITDA[2]	7,086,199	3,500,320	13,083,519	8,671,132
Percentages of Total revenues				
Gross profit, before fair value adjustments as a percentage of Total revenues[3]	41%	36%	40%	38%
Gross profit as a percentage of Total revenues[4]	45%	21%	43%	32%
Operating income (loss) as a percentage of Total revenues[5]	22%	-10%	20%	4%
Net income (loss) before income taxes as a percentage of Total revenues[6]	18%	-18%	15%	-3%
Net income (loss) as a percentage of Total revenues[7]	12%	-18%	11%	-3%
Adjusted EBITDA as a percentage of Total revenues[8]	27%	18%	25%	22%
Earnings per share				
Basic earnings (loss) per share	$ 0.04	$ (0.04)	$ 0.06	$ (0.01)
Diluted earnings (loss) per share	$ 0.04	$ (0.04)	$ 0.06	$ (0.01)

	February 28, 2025	August 31, 2024
Cash	$ 5,055,325	$ 6,620,387
Accounts receivable	15,566,003	13,036,873
Biological assets	6,248,399	6,649,591
Inventory	39,177,929	33,423,515
Working capital[9]	43,158,520	40,471,844
Total assets	161,407,308	154,719,973
Total current liabilities	32,051,900	27,002,000
Total non-current liabilities	35,166,943	39,766,484
Net assets	94,188,465	87,951,489
Free cash flow for the quarter ended[10]	(4,018,763)	2,693,427

1 Net revenue includes revenue from sale of goods, net of excise taxes 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 (loss) 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 (loss) 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 (loss), 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.

Reconciliation of adjusted EBITDA		Three-month periods ended			Six-month periods ended		
		February 28, 2025		February 29, 2024		February 28, 2025	February 29, 2024
Net income	$	3,314,541	$	(3,446,620)	$	5,620,404	(1,339,341)
Adjustments:							
Changes in fair value of inventory sold		6,855,245		5,799,042		12,773,976	12,023,708
Unrealized gain on changes in fair value of biological assets		(7,978,224)		(2,798,264)		(14,294,076)	(9,322,569)
Amortization, including amortization in cost of good sold		1,562,366		1,327,162		3,045,450	2,349,439
Write-down of inventory to net realizable value		474,418		199,792		831,083	923,369
Loss on disposal of property, plant and equipment		-		-		1,209	5,380
Share-based compensation		295,168		932,135		616,572	1,212,706
Net finance expense		1,147,842		1,487,073		2,346,007	2,818,440
Income taxes		1,414,843		-		2,142,894	-
Adjusted EBITDA*	$	7,086,199	$	3,500,320	$	13,083,519	$ 8,671,132
Adjusted EBITDA as a percentage of Total revenues **		27%		18%		25%	22%

**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.

Reconciliation of free cash flow		Three-month periods ended				Six-month periods ended		
		February 28, 2025		February 29, 2024		February 28, 2025		February 29, 2024
Cash from in operating activities	$	(2,550,030)	$	2,388,100	$	3,284,433	$	3,171,012
Adjustment:								
Capital expenditures		1,468,733		1,119,398		2,686,002		3,893,016
Free cash flow*	$	(4,018,763)	$	1,268,702	$	598,431	$	(722,004)

**Non-GAAP financial measure*

SELECTED FINANCIAL INFORMATION (*continued)*

Q2 2025 vs Q2 2024 Comparable Period Highlights

- Gross cannabis revenues before excise taxes increased to $36.8 million in Q2 2025 from $26.3 million in Q2 2024, a $10.5 million or 40%, 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;
- Total revenues, net of excise taxes, increased to $26.5 million in Q2 2025 from $19.7 million in Q2 2024, a $6.8 million or 35% increase;
- Gross profit, before fair value adjustments, rose to $10.8 million in Q2 2025 from $7.1 million in Q2 2024, representing a 52% increase. This growth was driven by expanded production capacity following the activation of the 10th grow zone in Q1 2025, as well as higher yields achieved through the Company's phenohunt program, which identified higher-yielding genetics. In addition, continuous R&D enhancements to cultivation practices contributed to improved operational efficiency, resulting in lower overall production costs;
- Gross profit percentage before fair value adjustments increased to 41% in Q2 2025 from 36% in Q2 2024, driven by increased production capacity and improved yields from enhanced cultivation practices;
- Operating income reached $5.9 million in Q2 2025, compared to an operating loss of $2.0 million in Q2 2024. The improvement was driven by higher sales, lower production costs, and increased fair value adjustments resulting from improved yields and margins, partially offset by higher sales and marketing expenses year-over-year;
- Net income was $3.3 million in Q2 2025, compared to a net loss of $3.4 million in Q2 2024. Q2 2025 results include a $1.4 million deferred tax expense, reflecting the Company's expectation of generating more taxable income than its available tax losses. This marks a positive milestone and underscores the continued success and profitability of the Company;
- Adjusted EBITDA increased by 102%, from $3.5 million in Q2 2024 to $7.1 million in Q2 2025;
- The Company generated negative operating cash flow of $2.6 million in Q2 2025, compared to positive $2.4 million in Q1 2025. The decline reflects strategic investments in raw material packaging to secure bulk pricing and reduce stock-out risk, along with advance payments of excise tax obligations;
- Free cash flow for Q2 2025 fell by $5.3 million, from $1.3 million in Q2 2024 to negative $4.0 million in Q1 2025;
- Generated earnings per share of $0.04 in Q2 2025 compared to a loss per share of $0.04 in Q2 2024.

Q2 2025 YTD vs Q2 2024 YTD Highlights

- Gross cannabis revenues before excise taxes rose to $71.7 million for the year-to-date period ending Q2 2025, up from $52.6 million in the same period in 2024, an increase of $19.1 million or 36%. This growth reflects deeper market penetration across existing provinces, successful entry into new markets, and the expansion of the Company's product portfolio through the launch of new genetics and SKUs that have strengthened sales performance;
- Total revenues, net of excise taxes, increased to $51.7 million in Q2 2025 YTD from $39.2 million in Q2 2024 YTD, a $12.5 million or 32% increase;
- Gross profit, before fair value adjustments, increased to $20.6 million in Q2 2025 YTD from $15.1 million in Q2 2024 YTD, $5.5 million or 37% increase. This increase is attributable to increase production capacity with a 10th growing zone activated in Q2 2024, combined with higher yields from production, resulted in lower production costs;
- Gross profit percentage before fair value adjustments in Q2 2025 YTD was 40% an increase of 2% compared to 38% in Q2 2024 YTD;
- Operating income of $10.1 million in Q2 2025 YTD compared to an operating income of $1.5 million in Q2 2024 YTD, due to increase in sales and reduction in production costs offset by increased sales and marketing costs compared to the prior year period;
- Net income was of $5.6 million in Q2 2025 YTD compared to net loss of $1.3 million in Q2 2024 YTD. Q2 2025 YTD results include a $2.1 million deferred tax expense, reflecting the Company's expectation of generating more taxable income than its available tax losses;
- Adjusted EBITDA increased by 51 %, from $8.7 million in Q2 2024 YTD to $13.1 million in Q2 2025 YTD;
- The Company generated operating cash flow amounting to $3.3 million in Q2 2025 YTD compared to $3.2 million in Q2 2024 YTD;
- Free cash flow for Q2 2025 YTD increased by $1.3 million, from negative $0.7 million in Q2 2024 YTD to $0.6 million in Q2 2025 YTD;
- Generated earnings per share of $0.06 in Q2 2025 YTD compared to loss per share of $0.01 in Q2 2024 YTD.

SELECTED FINANCIAL INFORMATION (*continued)*

Q2 2025 vs Q1 2025 Quarter over Quarter Highlights

- Gross cannabis revenues before excise taxes increased by 5%, from $34.9 million in Q1 2025 to $36.8 million in Q2 2025. This growth was driven by the organic performance of Cannara's products in Quebec and other provinces, supported by focused sales and marketing efforts to expand distribution outside of Quebec and increase wholesale revenues;
- Total net revenues, net of excise taxes, increased by 6% QoQ, rising from $25.1 million in Q1 2025 to $26.6 million in Q2 2025. The growth reflects Cannara's continued market share gains across its key provinces;
- Gross profit before fair value adjustments increased by 11% QoQ, rising from $9.8 million in Q1 2025 to $10.8 million in Q2 2025. The improvement reflects higher sales driven by ongoing market share gains, as well as cost efficiencies from economies of scale that contributed to enhanced gross margins;
- Gross profit percentage before fair value adjustments increased from 39% in Q1 2025 to 41% in Q2 2025. Gross profit increased as cannabis sold during the period resulted from cannabis harvested with higher cultivation yields compared to the previous quarter where inventory sold was affected by lower overall cultivation yields. The Company continues to invest and improve its efficiency and effectiveness of its cultivation with a goal of maximizing its cultivation yield and quality.
- Operating income of $5.9 million in Q2 2025 compared to an operating income of $4.2 million in Q1 2025, a $1.6 million increase resulting from increased in sales during the quarter as operating expenses remain similar;
- Net income increased by $1.0 million or by 44% to $3.3 million in Q2 2025 compared to a net income of $2.3 million in Q1 2025;
- Adjusted EBITDA increased by $1.1 million or 18% to $7.1 million in Q2 2025, compared to $6.0 million in Q1 2025.
- Cash flow from operating activities declined from $5.8 million in Q1 2025 to negative $2.6 million in Q2 2025. This was primarily due to strategic investments in raw material packaging to benefit from bulk pricing and minimize stock-out risk, as well as advance payments of excise tax obligations;
- Free cash flow for Q2 2025 was negative $4.0 million, down from positive $4.6 million in Q1 2025. The $8.6 million swing reflects the same operational cash outflows related to inventory and excise tax strategy, highlighting the Company's proactive steps to support future growth and supply stability.

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 Financial Highlights	Three-month period ended February 28, 2025				Three-month period ended February 29, 2024			
	Cannabis operations	Real estate operations	Other	Total	Cannabis operations	Real estate operations	Other	Total
Gross revenue	$ 36,773,886	$ 959,445	$ -	$ 37,733,331	$ 26,274,164	$ 914,310	$ -	$ 27,188,474
Excise taxes	(11,274,302)	-	-	(11,274,302)	(7,527,099)	-	-	(7,527,099)
Net Revenue	25,499,584	959,445	-	26,459,029	18,747,065	914,310	-	19,661,375
Other income	127,128	-	-	127,128	21,828	-	-	21,828
	25,626,712	959,445	-	26,586,157	18,768,893	914,310	-	19,683,203
Gross profit, before fair value adjustments	9,977,304	855,305	-	10,832,609	6,326,648	814,628	-	7,141,276
%[1]	39%	89%	-	41%	34%	89%	-	36%
Gross profit	11,100,283	855,305	-	11,955,588	3,325,870	814,628	-	4,140,498
%[2]	43%	89%	-	45%	18%	89%	-	21%
Operating expenses	5,501,557	-	-	5,501,557	4,941,310	-	-	4,941,310
Segment operating income (loss)[3]	5,598,726	855,305	-	6,454,031	(1,615,440)	814,628	-	(800,812)
%[4]	22%	89%	-	24%	-9%	89%	-	-4%
Net finance expense	-	-	1,147,842	1,147,842	-	-	1,487,073	1,487,073
Other	-	-	576,805	576,805	-	-	1,158,735	1,158,735
Segment net income (loss) before income taxes	5,598,726	855,305	(1,724,647)	4,729,384	(1,615,440)	814,628	(2,645,808)	(3,446,620)

[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 (loss) is determined as segment operating income before non-cash and other items which are included in “Other” segment.
[4] Segment operating income (loss) % is determined as segment operating income divided by segment total revenues.

Selected Segment Financial Highlights				Six-month period February 28, 2025				Six-month period February 29, 2024
	Cannabis operations	Real estate operations	Other	Total	Cannabis operations	Real estate operations	Other	Total
Gross revenue	$ 71,672,647	$ 1,913,563	$ -	$ 73,586,210	$ 52,603,249	$ 1,823,706	$ -	$ 54,426,955
Excise taxes	(22,172,371)	-	-	(22,172,371)	(15,339,052)	-	-	(15,339,052)
Net Revenue	49,500,276	1,913,563	-	51,413,839	37,264,197	1,823,706	-	39,087,903
Other income	242,732	-	-	242,732	78,594	-	-	78,594
	49,743,008	1,913,563	-	51,656,571	37,342,791	1,823,706	-	39,166,497
Gross profit, before fair value adjustments	18,889,647	1,724,726	-	20,614,373	13,425,404	1,651,589	-	15,076,993
%[1]	38%	90%	-	40%	36%	91%	-	38%
Gross profit	20,409,747	1,724,726	-	22,134,473	10,724,265	1,651,589	-	12,375,854
%[2]	41%	90%	-	43%	29%	91%	-	32%
Operating expenses	10,845,037	-	-	10,845,037	9,042,877	-	-	9,042,877
Segment operating income[3]	9,564,710	1,724,726	-	11,289,436	1,681,388	1,651,589	-	3,332,977
%[4]	19%	90%	-	22%	5%	91%	-	9%
Net finance expense	-	-	2,346,007	2,346,007	-	-	2,818,440	2,818,440
Other	-	-	1,180,131	1,180,131	-	-	1,853,878	1,853,878
Segment net income (loss) before income taxes	9,564,710	1,724,726	(3,526,138)	7,763,298	1,681,388	1,651,589	(4,672,318)	(1,339,341)

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 three and six-month periods ended February 28, 2025, the segment generated $25.5 million and $49.5 million in cannabis-related and cannabis accessories revenues, net of excise taxes, compared to $18.7 million and $37.3 million for the same periods of the prior year, an increase of $6.8 million or 36% and $12.2 million or 33%. Compared to Q1 2025, the segment increased its net revenues by 6%, from $24 million to $25.5 million. 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.

For the three and six-month periods ended February 28, 2025, the Company incurred $15.6 million and $30.9 million in costs of goods sold, compared to $12.4 million and $23.9 million for the same periods of the prior year. In Q2 2025, cost of goods sold decreased by $0.4 million or 3% compared to Q1 2025 as a result of the cost management in the operations and better cannabis yields combined by the mix of product sold which resulted in a reduction of the overall cost of inventory sold during the period.

The segment generated a gross profit before fair value adjustments of $10.0 million or 39% of segment net revenue and $18.9 million or 38% of segment net revenue for the three and six-month periods ended February 28, 2025, compared to $6.3 million or 34% and $13.4 million or 36% of segment total revenue for the same periods of the prior year. Compared to Q1 2025, gross profit before fair value adjustments increased by $1.1 million or 11%.

The change in fair value of inventory sold recognized during the three and six-month periods ended February 28, 2025 amounted to $6.9 million and $12.8 million compared to $5.8 million and $12.0 million for the same periods of the prior year. Compared to Q1 2025, the change in fair value of inventory sold increased by $1.0 million.

For the three and six-month periods ended February 28, 2025, the Company recognized an unrealized gain on changes in fair value of biological assets of $8.0 million and $14.3 million on the lots in the cultivation cycle that have not yet been harvested compared to $2.8 million and $9.3 million for the same periods of the prior year. Compared to Q1 2025, the unrealized gain on changes in fair value of biological assets in Q2 2025 increased by $1.7 million. The increase in fair value of biological assets is the result of revisions to the assumptions used in the fair value model, which are adjusted to reflect changes in the operations.

The segment generated $11.1 million or 43% and $20.4 million or 41% in gross profit three and six-month periods ended February 28, 2025 compared to $3.3 million or 18% and $10.7 million or 29% for the same periods of the prior year. This change is attributable to the increased sales combined with a reduction in the production cost. Compared to Q1 2025, gross profit increased by $1.8 million or 19%.

For the three and six-month periods ended February 28, 2025, the segment incurred $5.5 million and $10.8 million in operating expenses compared to $4.9 million and $9.0 million for the same periods of the prior year resulting in an increase of $0.6 million or 12% and $1.8 million or 20%. 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 Q1 2025, operating expenses in Q1 2025 slightly increased by $0.2 million or 4%.

Overall, the segment generated net income of $5.6 million and $9.6 million for the three and six-month periods ended February 28, 2025, compared to net loss of $1.6 million and net income of $1.7 million for the same periods of the prior year. Net income increased by $1.6 million or 40% compared to the previous quarter.

SELECTED SEGMENT RESULTS OF OPERATIONS *(continued)*

Real estate operations

As part of the Company's capital management strategy, the Company has leased out all unoccupied space in the Farnham Facility. As of February 28, 2025, the Company leased 414,114 square feet of the total 625,000 available square feet to two tenants.

For the three and six-month periods ended February 28, 2025, the Company generated lease revenues of $1.0 million and $1.9 million compared to $0.9 million and $1.8 million for the same periods of the prior year. To realize these lease revenues during the three and six-month periods ended February 28, 2025, the Company incurred $0.1 million and $0.2 million in lease operating costs compared to $0.1 million and $0.2 million in the same periods of the prior year. The lease revenues generated and operating costs incurred are similar quarter over quarter.

Other

For the three and six-month periods ended February 28, 2025, the segment incurred $1.1 million and $2.3 million in net finance expense, respectively, compared to $1.5 million and $2.8 million for the same periods in the prior year. The year-over-year reduction reflects lower interest expenses resulting from both a decrease in the Bank of Canada's benchmark interest rate and the repayment of principal on outstanding debt. Compared to Q1 2025, net finance expense in Q2 2025 remained stable.

For the three and six-month periods ended February 28, 2025, the segment recorded $0.6 million and $1.2 million in other expenses, respectively, compared to $1.2 million and $1.9 million in the same periods of the prior year. The higher expenses in Q2 2024 were primarily due to additional stock option and RSU grants, which increased stock-based compensation. Compared to Q1 2025, other expenses in Q2 2025 remained stable.

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 earnings (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:

	February 28, 2025	November 30, 2024	August 31, 2024	May 31, 2024	February 29, 2024	November 30, 2023	August 31, 2023	May 31, 2023
Current assets	$ 75,210,420	$ 73,245,207	$ 67,473,844	$ 62,020,524	$ 58,224,875	$ 52,762,707	$ 51,695,836	$ 45,657,986
Non-current assets	86,196,888	87,758,733	87,246,129	86,747,778	87,599,787	92,059,206	89,826,418	89,716,638
Total assets	161,407,308	161,003,940	154,719,973	148,768,302	145,824,662	144,821,913	141,522,254	135,374,624
Current liabilities	$ 32,051,900	$ 36,504,270	$ 27,002,000	26,777,902	60,090,241	22,261,932	21,182,827	18,522,090
Non-current liabilities	35,166,943	33,920,914	39,766,484	40,222,572	6,394,151	40,700,914	40,595,383	41,876,538
Total liabilities	67,218,843	70,425,184	66,768,484	67,000,474	66,484,392	62,962,846	61,778,210	60,398,628
Net assets	$ 94,188,465	$ 90,578,756	$ 87,951,489	$ 81,767,828	$ 79,340,270	$ 81,859,067	$ 79,744,044	$ 74,975,996

	February 28, 2025	November 30, 2024	August 31, 2024	May 31, 2024	February 29, 2024	November 30, 2023	August 31, 2023	May 31, 2023
Total revenues	$ 26,586,157	$ 25,070,414	$ 23,438,170	$ 19,544,916	$ 19,683,203	$ 19,483,294	$ 18,278,613	$ 15,936,828
Gross profit before fair value adjustments	10,832,609	9,781,764	7,040,411	5,747,047	7,141,276	7,935,717	6,894,634	6,120,878
%[1]	41%	39%	30%	29%	36%	41%	38%	38%
Gross profit	11,955,588	10,178,885	10,854,593	6,958,256	4,140,498	8,235,356	9,844,782	8,594,235
Operating income (loss)	5,877,226	4,232,079	5,045,008	3,554,044	(1,959,547)	3,438,646	5,831,306	4,282,277
Net income (loss)	3,314,541	2,305,863	5,754,439	2,023,386	(3,446,620)	2,107,279	4,631,879	2,928,643
Basic and diluted earnings (loss) per share	$ 0.04	$ 0.03	$ 0.06	$ 0.02	$ (0.04)	$ 0.02	$ 0.05	$ 0.03
Adjusted EBITDA[2]	7,086,199	5,997,320	3,688,234	2,776,397	3,500,320	5,170,812	4,906,640	3,887,634
%[3]	27%	24%	16%	14%	18%	27%	27%	24%
Cash provided by operating activities	(2,550,030)	5,834,463	3,186,518	4,325,380	2,388,100	782,912	2,887,872	2,540,852
Free cash flow[4]	(4,018,763)	4,617,194	2,693,427	1,242,527	1,268,702	(1,990,706)	1,107,464	(36,833)

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.

CASH FLOW ANALYSIS

	Three-month periods ended		Six-month periods ended	
	February 28, 2025	February 29, 2024	February 28, 2025	February 29, 2024
Cash provided (used) by operating activities	$ (2,550,030)	$ 2,763,684	$ 3,284,433	$ 3,171,013
Cash used in financing activities	(1,259,113)	(1,197,180)	(2,278,939)	(502,968)
Cash used in investing activities	(1,396,717)	(1,075,260)	(2,570,556)	(3,807,933)

Operating activities

For the three and six-month periods ended February 28, 2025, the Company generated negative operating cash flow of $2.6 million and positive operating cash flow of $3.3 million, respectively, compared to positive operating cash flow of $2.7 million and $3.2 million for the same periods in the prior year. The decline in Q2 2025 operating cash flow is primarily due to the timing of certain operational expenditures, including the advance payment of excise tax obligations and strategic investments in raw material packaging to secure bulk pricing and mitigate stock-out risk. These proactive measures are expected to support future margin stability and operational efficiency.

Financing activities

For the three and six-month periods ended February 28, 2025, cash used in financing activities was negative $1.3 million and negative $2.3 million compared to cash used in financing activities of $1.2 million and $0.5 million in the same periods of the prior year, as a result of the cash drawn on the credit facilities in the same periods of the prior year.

Investing activities

For the three and six-month periods ended February 28, 2025, cash used in investing activities totaled $1.4 million and $2.6 million, respectively, compared to $1.1 million and $3.8 million for the same periods in the prior year. The consistent level of investment reflects the Company's ongoing commitment to expanding its Valleyfield facility to support operational growth. In the current year, capital expenditures have been primarily directed toward opening additional cultivation zones and enhancing post-harvest capabilities.

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 $43.2 million as at February 28, 2025 (August 31, 2024 - $40.5 million).

As at February 28, 2025, the Company's working capital was composed of:

- cash on hand of $5.1 million (August 31, 2024- $6.6 million);
- accounts receivable, biological assets, inventory, assets held for sale, prepaid expenses and other assets of $70.2 million. (August 31, 2024 - $60.9 million);
- accounts payable and accrued liabilities, excise tax payable, sales tax payable, deferred revenue, deferred lease revenue and deferred grant income of $17.2 million (August 31, 2024- $17.5 million); and
- credit facilities, and current portion of convertible debenture, long-term debt, lease liabilities and term loan of $14.9 million (August 31, 2024 - $9.5 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 February 28, 2025 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 February 28, 2025.

Reconciliation of working capital

Working capital is a non-IFRS 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 February 28, 2025		As at August 31, 2024
Total current assets	$	75,210,420	$	58,224,875
Total current liabilities		32,051,900		60,090,241
Working capital*	$	43,158,520	$	(1,865,366)

**Non-IFRS financial measure*

Financing

Type of loan	Interest Rate	Maturity		Balance as at February 28, 2025		Balance as at August 31, 2024
Revolving credit facility A[(1)]	6.95%	March 31, 2025	$	1,298	$	1,298
Revolving credit facility B[(1)]	6.76%	March 26, 2025		6,258,000		6,258,000
Revolving credit facility C[(1)]	6.92%	March 8, 2025		500,000		-
Term loan [(1)]	6.95%	December 31, 2027 [(3)]		34,335,123		34,976,596
Convertible debenture [(2)]	10.75%	March 31, 2028 [(3)]		6,834,824		6,442,350

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 credit facilities and the term loan bear a variable interest rate or CORRA plus an applicable margin based on the credit agreement. As at February 28, 2025, the average interest rate was 6.77% on the credit facilities and 6.95% on the term loan. The Company has to respect financial covenants including maintaining a certain minimum liquidity coverage, and respecting certain financial ratios, in accordance with its amended and restated credit Facility, a copy of which has been filed on SEDAR+. As at February 28, 2025, the Company met all of the imposed covenants.

2 The $5,700,000 convertible debenture bore an interest at 10.75%. Under the amended agreement signed in January 2025, certain partial repayments are due in the next year and the terms about the interest repayment has been modified. Interest accrued until September 30, 2025 can be paid in cash or in common shares at the choice of the Company and afterwards, they would be payable quarterly in cash.

3 In January 2025, the Company executed amendments to extend the maturity dates of its term loan from December 31, 2025 to December 31, 2027, and its convertible debentures from September 30, 2025 to March 31, 2028.

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	$	11,503,687	$	11,503,687	$	-	$	11,503,687
Revolving credit facilities		6,759,298		6,759,298		-		6,759,298
Lease liabilities [2]		553,635		338,770		282,755		621,525
Convertible debenture		6,834,824		4,942,147		1,902,117		6,844,264
Term loan [1]		34,335,123		2,457,451		32,438,359		34,895,810

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 the items described below.

The Company holds a letter of credit of $5.5 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.

During Q2 2025, the Company also signed a side convertible debenture agreement with a related party of the Company to fund the second partial repayment of the convertible debenture. The agreement is under the same conditions as the current convertible debenture, bearing interest at 10.75%, compounded semi-annually, and maturing on March 31, 2028.

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 three and six-month periods ended February 28, 2025, the Company recognized $0.3 million and $0.5 million as interest expense on the convertible debentures and debt financing guarantee fees compared to $0.2 million and $0.3 million for the same periods of the prior year. The Company also paid $61,000 and $123,000 in rent and incurred nil and $7,000 in other expenses for the three and six-month periods ended February 28, 2025, compared to $50,000 and $112,000 in rent and $7,000 and $7,000 in other expenses for the same periods of the prior year.

As at February 28, 2025, accrued interest of $1.1 million on the $5.7 million convertible debenture was included in the carrying amount of the convertible debenture (as at August 31, 2024 – accrued interest of $836,000), and accrued fees on the debt financing guarantee fees amounted to $250,000 as were included in accounts payable and accrued liabilities (as at August 31, 2024 - $63,000). The Company also recognized $444,000 as lease liabilities as at February 28, 2025, regarding a lease arrangement for the head office (August 31, 2024 – $562,000).

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

Key management personnel compensation

For the three and six-month periods ended February 28, 2025, salaries and benefits incurred for key management personnel amounted to $244,000 and $488,000 (2024 - $240,000 and $450,000); share-based compensation attributable to key management and directors was $269,000 and $563,000 (2024 - $805,000 and $1 million) and director fees were $32,500 and $75,000 (2024 - $25,000 and $50,000). As at February 28, 2025, the Company owed $188,000 (August 31, 2024 - $102,000) to key management personnel and $32,500 (August 31, 2024 – $21,000) to directors for accrued salaries and vacation expenses.

TRANSACTIONS AND BALANCES WITH RELATED PARTIES (*continued)*

Key management personnel compensation *(continued)*

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 February 28, 2025, none of the receivables were past due. The allowance for expected credit loss was nominal as at February 28, 2025. The Company's maximum credit exposure corresponds to the carrying amount of these financial assets.

Liquidity risk

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

As at February 28, 2025, the Company had current assets of $75.2 million and current liabilities of $32.1 million, for a working capital balance of $43.2 million. The Company expects that its existing cash resources of $5.1 million as at February 28, 2025, 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 February 28, 2025.

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 the second quarter of 2025, the Company generated 86% of its cannabis revenues from three provincial distributors, compared to 86% of its cannabis revenues earned from three provincial distributors during the same period of the prior year.

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.

SUMMARY OF OUTSTANDING SHARE DATA

Summary of Outstanding Share Data as of April 25, 2024:

Authorized:	Unlimited number of voting and participating common shares without par value.
Issued and outstanding:	91,433,135 common shares
	5,095,060 stock options
	202,500 RSUs
	625,000 PSUs
	3,166,667 contingently issuable common shares upon conversion of convertible debentures

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