



CANNARA BIOTECH INC.

Condensed Interim Consolidated Financial Statements

For the three and nine-month periods ended

May 31, 2025 and 2024

(Unaudited)

CANNARA BIOTECH INC.

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(Unaudited)

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CANNARA BIOTECH INC.

Condensed Interim Consolidated Statements of Financial Position

As at May 31, 2025 and August 31, 2024

(Unaudited - in Canadian dollars)

	May 31, 2025	August 31, 2024 (Audited)
Assets		
Current assets		
Cash	\$ 14,407,569	\$ 6,620,387
Accounts receivable	14,087,899	13,036,873
Biological assets (note 4)	7,403,862	6,649,591
Inventory (note 5)	41,588,100	33,423,515
Assets held for sale (note 3)	4,951,165	4,897,564
Prepaid expenses and other assets	1,563,702	2,845,914
	84,002,297	67,473,844
Deposits	132,073	256,323
Deposits on property, plant and equipment	600,781	99,381
Property, plant and equipment (note 6)	84,934,015	84,340,705
Right-of-use asset (note 7)	418,189	595,218
Deferred tax assets	—	1,954,502
	\$ 170,087,355	\$ 154,719,973
Liabilities and Shareholders' Equity		
Current liabilities		
Accounts payable and accrued liabilities	\$ 12,281,496	\$ 9,842,023
Excise tax payable	7,039,352	6,097,043
Sales tax payable	1,836,795	1,423,245
Deferred lease revenue	69,720	85,830
Revolving credit facilities (note 8)	6,759,298	6,259,298
Current portion of convertible debenture (note 8)	4,009,287	1,000,000
Current portion of long-term debt	300,963	—
Current portion of deferred grant income	63,536	48,988
Current portion of lease liabilities (note 7)	290,540	279,612
Current portion of term loan (note 8)	1,965,961	1,965,961
	34,616,948	27,002,000
Lease liabilities (note 7)	178,408	368,537
Convertible debenture (note 8)	2,003,270	5,442,350
Deferred grant income	894,104	944,962
Deferred income tax Liabilities	1,838,573	—
Term loan (note 8)	31,962,646	33,010,635
	71,493,949	66,768,484
Shareholders' equity		
Share capital	89,764,540	88,523,025
Contributed surplus	11,964,206	12,326,377
Deficit	(3,135,340)	(12,897,913)
Total equity	98,593,406	87,951,489
Contingencies (note 14)		
Subsequent events (note 18)		
	\$ 170,087,355	\$ 154,719,973

See accompanying notes to condensed interim consolidated financial statements.

CANNARA BIOTECH INC.

Condensed Interim Consolidated Statement of Net Income and Comprehensive Income
For the three and nine-month periods ended May 31, 2025 and 2024
(Unaudited)

	Three-month periods ended		Nine-month periods ended	
	May 31, 2025	May 31, 2024	May 31, 2025	May 31, 2024
Revenue				
Revenue from sale of goods (note 15)	\$ 37,832,038	\$ 26,240,815	\$ 109,504,685	\$ 78,844,064
Excise taxes	(11,529,208)	(8,019,293)	(33,701,579)	(23,358,345)
Net revenue from sale of goods	26,302,830	18,221,522	75,803,106	55,485,719
Lease revenues (note 15)	965,202	1,253,615	2,878,765	3,077,321
Other income	64,853	69,779	307,585	148,373
	27,332,885	19,544,916	78,989,456	58,711,413
Cost of revenues				
Cost of goods sold (note 5)	15,171,570	13,710,390	46,024,931	37,627,777
Lease operating costs	103,572	87,479	292,409	259,596
Gross profit before fair value adjustments	12,057,743	5,747,047	32,672,116	20,824,040
Changes in fair value of inventory sold	(6,511,629)	(5,137,341)	(19,285,605)	(17,161,049)
Unrealized gain on changes in fair value of biological assets (note 4)	7,336,649	6,348,550	21,630,725	15,671,119
Gross profit	12,882,763	6,958,256	35,017,236	19,334,110
Operating expenses				
General and administrative (note 11)	2,568,985	2,545,676	7,968,297	7,518,167
Research and development	176,944	349,820	520,079	879,952
Selling, marketing and promotion	2,567,020	1,603,608	7,136,432	4,554,745
Professional and legal fees	320,652	300,838	853,830	889,955
Share-based compensation (note 10)	262,772	404,172	879,344	1,616,878
Amortization (notes 6 and 7)	223,172	239,105	785,522	874,897
Gain on disposal of asset held for sale (note 3)	—	(2,039,007)	—	(2,039,007)
Gain on disposal of right-of-use assets (note 7)	(3,861)	—	(3,861)	—
Loss on disposal of property, plant and equipment (note 6)	2,352	—	3,561	5,380
	6,118,036	3,404,212	18,143,204	14,300,967
Operating income	6,764,727	3,554,044	16,874,032	5,033,143
Net finance expense (note 12)	972,377	1,530,658	3,318,384	4,349,098
Income before income taxes	5,792,350	2,023,386	13,555,648	684,045
Deferred income tax expense	1,650,181	—	3,793,075	—
Net income	\$ 4,142,169	\$ 2,023,386	\$ 9,762,573	\$ 684,045
Basic earnings per share	\$ 0.05	\$ 0.02	\$ 0.11	\$ 0.01
Diluted earnings per share	\$ 0.04	\$ 0.02	\$ 0.11	\$ 0.01
Weighted average number of common shares:				
basic	91,433,135	90,018,952	90,674,078	90,084,981
diluted	92,606,863	91,523,135	92,031,603	91,338,653

See accompanying notes to condensed interim consolidated financial statements.

CANNARA BIOTECH INC.

Condensed Interim Consolidated Statements of Changes in Equity
For the nine-month periods ended May 31, 2025 and 2024
(Unaudited - in Canadian dollars)

	Shares	Share capital	Contributed surplus	Deficit	Accumulated other comprehensive gain (loss)	Total equity
As at August 31, 2024	90,018,952	\$ 88,523,025	\$ 12,326,377	\$ (12,897,913)	\$ —	\$ 87,951,489
Net income	—	—	—	9,762,573	—	9,762,573
Share-based compensation (note 10)						
Employee compensation	—	—	874,050	—	—	874,050
Other services	—	—	5,294	—	—	5,294
Settlement of restricted shares units (note 10)	1,414,183	1,241,515	(1,241,515)	—	—	—
As at May 31, 2025	91,433,135	\$ 89,764,540	\$ 11,964,206	\$ (3,135,340)	\$ —	\$ 98,593,406

	Shares	Share capital	Contributed surplus	Deficit	Accumulated other comprehensive loss	Total equity
As at August 31, 2023	90,305,852	\$ 88,803,613	\$ 10,349,568	\$ (19,339,846)	\$ (69,291)	\$ 79,744,044
Net income	—	—	—	684,045	—	684,045
Share-based compensation (note 10)						
Employee compensation	—	—	1,616,878	—	—	1,616,878
Repurchase and cancellation of common shares under NCIB (note 9)	(286,900)	(280,588)	—	3,449	—	(277,139)
As at May 31, 2024	90,018,952	\$ 88,523,025	\$ 11,966,446	\$ (18,652,352)	\$ (69,291)	\$ 81,767,828

See accompanying notes to condensed interim consolidated financial statements.

CANNARA BIOTECH INC.

Condensed Interim Consolidated Statements of Cash Flows
For the three and nine-month periods ended May 31, 2025 and 2024
(Unaudited - in Canadian dollars)

	Three-month periods ended		Nine-month periods ended	
	May 31, 2025	May 31, 2024	May 31, 2025	May 31, 2024
Cash provided by (used in):				
Operating:				
Net income	\$ 4,142,169	\$ 2,023,386	\$ 9,762,573	\$ 684,045
Items not involving cash:				
Changes in fair value of inventory sold	6,511,629	5,137,341	19,285,605	17,161,049
Unrealized gain on changes in fair value of biological assets (note 4)	(7,336,649)	(6,348,550)	(21,630,725)	(15,671,119)
Amortization of property, plant and equipment (note 6)	1,194,959	1,443,951	4,240,409	4,395,295
Amortization of right-of-use assets (note 7)	69,755	69,026	212,915	188,211
Gain on disposal of asset held for sale	—	(2,039,007)	—	(2,039,007)
Gain on disposal of right-of-use assets	(3,861)	—	(3,861)	—
Loss on disposal of property, plant and equipment	2,352	—	3,561	5,380
Loss (gain) on convertible debenture extension (note 8)	—	—	26,764	(11,218)
Interest on lease liabilities (note 12)	11,380	15,862	38,204	41,108
Interest expense (note 12)	838,099	1,021,451	2,735,854	3,026,554
Interest income (note 12)	(62,187)	(45,313)	(191,365)	(135,116)
Income taxes expense	1,650,181	—	3,793,075	—
Share-based compensation (note 10)	262,772	404,172	879,344	1,616,878
Accretion and amortization of financing costs and other (note 12)	88,117	329,700	185,763	829,504
Net change in non-cash operating working capital items (note 17)	6,533,139	2,313,361	(2,151,828)	(2,595,172)
	13,901,855	4,325,380	17,186,288	7,496,392
Financing:				
Repayment of convertible debenture (note 8)	(1,000,000)	—	(1,000,000)	—
Repayment of term loan (note 8)	(491,490)	(491,490)	(982,981)	(1,474,471)
Proceeds from credit facilities (note 8)	—	2,200,000	500,000	5,700,000
Repayment of credit facilities (note 8)	—	(2,440,702)	—	(2,440,702)
Payment of debt financing issuance costs	—	(30,000)	(190,620)	(30,000)
Net purchase of shares under NCIB (note 9)	—	—	—	(277,139)
Interest paid on debt instruments (note 8)	(747,841)	(152,798)	(2,466,216)	(2,315,273)
Payment of debt guarantee fees	—	—	—	(375,000)
Payment of interest on letter of credit	—	(53,018)	(108,319)	(159,824)
Lease payments	(96,067)	(79,424)	(265,041)	(177,990)
Other long-term debt payments	(77,877)	—	(179,037)	—
	(2,413,275)	(1,047,432)	(4,692,214)	(1,550,399)
Investing:				
Deposits on property, plant and equipment	(536,610)	(76,285)	(1,192,741)	(325,752)
Acquisitions of property, plant and equipment (note 6)	(1,670,103)	(3,006,568)	(3,699,974)	(6,650,117)
Disposal of asset held for sale (note 3)	—	2,100,000	—	2,100,000
Disposal of property, plant and equipment	15,911	—	18,979	4,975
Interest received	54,466	38,654	166,844	118,762
	(2,136,336)	(944,199)	(4,706,892)	(4,752,132)
Net change in cash	9,352,244	2,333,749	7,787,182	1,193,861
Cash, beginning of period	5,055,325	3,130,629	6,620,387	4,270,517
Cash, end of period	\$ 14,407,569	\$ 5,464,378	\$ 14,407,569	\$ 5,464,378

See accompanying notes to condensed interim consolidated financial statements.

CANNARA BIOTECH INC.

Notes to Condensed Interim Consolidated Financial Statements
For the three and nine-month periods ended May 31, 2025 and 2024
(Unaudited - in Canadian dollars)

1. Nature of operations

Cannara Biotech Inc. ("Cannara" or the "Company") is a vertically integrated producer of premium-grade cannabis and cannabis-derivative products primarily for the Canadian market. The Company is domiciled in Canada and was incorporated under the laws of British Columbia on October 19, 2017. Its head office is located at 333 Décarie, Suite 200, Ville St-Laurent, Québec, H4N 3M9. The Company's common shares are listed under the symbol "LOVE" on the TSX Venture Exchange (the "TSXV") in Canada, "LOVFF" on the OTCQB Venture Market in the United States and "8CB0" on the Frankfurt Stock Exchange in Germany.

Cannara owns and operates two Quebec-based mega cultivation 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 210,000 square feet of licensed cannabis production area and approximately 415,000 square feet of leased warehouse space ("Farnham Facility"). The second facility, acquired in June 2021, is a hybrid greenhouse facility that has been designed to replicate the indoor cultivation environment. The facility is comprised of 24 independent growing zones totaling 600,000 square feet, a 225,000 square feet cannabis 2.0 processing center and a 200,000 square feet rooftop greenhouse located in Valleyfield, Quebec ("Valleyfield Facility"). 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.

The Company continues to invest in capital expenditures at its Valleyfield Facility, activating 11 growing zones as at May 31, 2025, measuring a total of 275,000 square feet of active growing capacity and, subsequent to period end, the 12th growing zone was activated, bringing total active capacity to 300,000 square feet. The Company sells its products under three flagship brands: Tribal, Nugz and Orchid CBD.

The Company generated a net income of approximately \$9.8 million during the nine-month period ended May 31, 2025 (2024 – \$0.7 million) and has a deficit of approximately \$3.1 million as at May 31, 2025 (August 31, 2024 - \$12.9 million). The Company expects that its existing cash resources of \$14.4 million as at May 31, 2025, along with the forecasted cash flows and available undrawn credit facilities (note 8), will enable it to fund its planned operating expenses for at least the next twelve months from May 31, 2025.

The ability of the Company to ultimately achieve recurrent profits from operations is dependent upon the continued success of its product and brand pipeline in addition to maintaining the consistency of its grow operations and lean cost structure. The Company expects to finance its operations through its sales, existing cash, available undrawn credit facilities and/or a combination of public or private equity and debt financing or other sources such as funds from the disposal of assets held for sale.

CANNARA BIOTECH INC.

Notes to Condensed Interim Consolidated Financial Statements
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(Unaudited - in Canadian dollars)

2. Basis of preparation and significant accounting policies

(a) Statement of compliance

These condensed interim consolidated financial statements have been prepared in accordance with IFRS® Accounting Standards as issued by the International Accounting Standards Board and International Accounting Standard ("IAS") 34, *Interim Financial Reporting*, as issued by the International Accounting Standards Board ("IASB").

These condensed interim consolidated financial statements were approved by the Board of Directors and authorized for issuance on July 25, 2025.

(b) Basis of preparation

The condensed interim consolidated financial statements were prepared using the same accounting policies as set forth in Notes 2 and 3 in the consolidated audited financial statements of the Company for the year ended August 31, 2024. These condensed interim consolidated financial statements do not include all the notes required in annual consolidated financial statements. Therefore, these condensed interim consolidated financial statements should be read in conjunction with the audited consolidated financial statements and notes thereto of the Company for the year ended August 31, 2024.

The preparation of the Company's condensed interim consolidated financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of expenditures, assets and liabilities. Actual results could differ from those estimates.

On an ongoing basis, estimates and judgements are evaluated. The Company bases its estimates on the most probable set of economic conditions and planned course of action, historical experience, known trends and events, and various other factors believed to be reasonable under the circumstances, the results of which form the basis for making judgements about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions. Uncertainty about these assumptions and estimates could result in an outcome that requires material adjustments to the carrying amount of the asset or liability affected in future periods. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which these estimates are revised and in any future periods affected.

The critical accounting judgments and key sources of estimation uncertainty are consistent with those in the audited consolidated financial statements and notes thereto to the Company for the year ended August 31, 2024.

CANNARA BIOTECH INC.

Notes to Condensed Interim Consolidated Financial Statements
For the three and nine-month periods ended May 31, 2025 and 2024
(Unaudited - in Canadian dollars)

3. Assets held for sale

In January 2024, management committed to a plan to sell a parcel of land at its Valleyfield site that was unused in addition to the building under construction adjacent to the land parcel that was previously intended to be leased out.

As at May 31, 2025, a total of \$4,951,165 for the building under construction and the land on which it is being constructed remain in assets held for sale and continues to be actively marketed for sale.

Management has entered into a binding letter of intent to sell the building and its related land for approximately \$5.5 million, with the transaction expected to close in July 2025.

4. Biological assets

The Company's biological assets consist of cannabis plants up to the point of harvest. The changes in the carrying values of biological assets are as follows:

Carrying amount, August 31, 2023	\$	5,774,121
Production costs capitalized		20,128,710
Change in fair value due to biological transformation, less cost to sell		25,550,941
Transferred to inventory upon harvest		(44,804,181)
Carrying amount, August 31, 2024	\$	6,649,591
Production costs capitalized		16,427,292
Change in fair value due to biological transformation, less cost to sell		21,630,725
Transferred to inventory upon harvest		(37,303,746)
Carrying amount, May 31, 2025	\$	7,403,862

As at May 31, 2025, it is expected that the Company's biological assets will yield approximately 10,904 kilograms of dried cannabis when harvested (As at August 31, 2024 - 9,150 kilograms of dried cannabis).

CANNARA BIOTECH INC.

Notes to Condensed Interim Consolidated Financial Statements
For the three and nine-month periods ended May 31, 2025 and 2024
(Unaudited - in Canadian dollars)

4. Biological assets (continued)

The estimates used in determining the fair value of cannabis plants are as follows:

- expected average retail selling price per gram of harvested cannabis;
- expected cost to complete and cost to sell;
- expected yield per cannabis plant;
- stage of completion in the production process (days remaining until harvest); and
- expected plant loss based on their various stages of growth.

The valuation of biological assets is based on an income approach in which the fair value at the point of harvesting is estimated based on selling prices less the costs to sell. For in-process biological assets, the fair value at point of harvest is adjusted based on the stage of growth at period-end. Stage of growth is determined by reference to the time incurred as a percentage of total weeks of growth as applied to estimated total fair value per gram (less costs to complete and costs to sell) to arrive at an in-process fair value for estimated biological assets, which have not yet been harvested.

Because there is no actively traded commodity market for cannabis plants and dried product, the valuation of the biological assets is obtained using valuations techniques where the inputs are based upon unobservable market data and are classified as level 3 in the fair market value hierarchy. There has been no transfer between levels as at May 31, 2025.

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Notes to Condensed Interim Consolidated Financial Statements
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(Unaudited - in Canadian dollars)

4. Biological assets (continued)

Management's identified significant unobservable inputs, their values and sensitivity analysis are presented in the table below. The Company's estimates are, by their nature, subject to change, and differences from the anticipated yield will be reflected in the gain or loss on biological assets in future periods. The income approach calculates the present value of expected future cash flows from the Company's biological assets using the following inputs for the period ended May 31, 2025:

Unobservable inputs	Input values	Sensitivity analysis
<p><i>Selling price</i> Represents the average expected retail selling price per gram of dried cannabis, excluding excise taxes, where applicable, which is expected to approximate future retail selling prices. The average selling price varies depending on the estimated products.¹</p>	<p>Weighted average of \$2.71 per gram of dried cannabis packaged (August 31, 2024 – \$2.88 per gram for retail selling price and \$1.50 for wholesale price)</p>	<p>An increase or decrease of 5% applied to the selling price would result in a change of approximately \$770,000 to the valuation.</p>
<p><i>Yield per plant</i> Represents the average number of grams of dried cannabis expected to be harvested from each cannabis plant from the two facilities.</p>	<p>90 grams per plant (August 31, 2024 – 85 grams per plant)</p>	<p>An increase or decrease of 15% applied to the average yield per plant would result in a change of approximately \$1,110,000 to the valuation.</p>
<p><i>Stage of completion</i> Calculated by taking the average number of days in the cultivation cycle over the total estimated duration of a cultivation cycle which is currently approximately 12 to 13 weeks from clone to harvest.</p>	<p>Weighted average stage of completion is 49% (August 31, 2024 - 47%)</p>	<p>An increase or decrease of 5% applied to the average stage of growth per plant would result in a change of approximately \$370,000 to the valuation.</p>

¹ During the first quarter of 2025, management reviewed its selling price assumptions used in its model using a unique selling price approach to reflect the expected retail selling price per gram of dried flower for plants to be harvested. This change in estimate was applied prospectively.

CANNARA BIOTECH INC.

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(Unaudited - in Canadian dollars)

5. Inventory

Inventory consists of the following:

				May 31, 2025
	Capitalized cost	Fair value adjustment ¹		Total
Raw materials - cultivation and supplies	\$ 6,324,897	\$ –	\$	6,324,897
Harvested cannabis				
Dried cannabis and work-in-progress	10,354,883	9,156,282		19,511,165
Finished goods	2,115,525	1,037,414		3,152,939
Derivative products				
Derivatives products and work-in-progress	5,954,777	2,892,665		8,847,442
Finished goods	2,466,913	420,502		2,887,415
Finished goods – cannabis accessories	864,242	–		864,242
	\$ 28,081,237	\$ 13,506,863	\$	41,588,100

				August 31, 2024
	Capitalized cost	Fair value adjustment ¹		Total
Raw materials - cultivation and supplies	\$ 3,947,915	\$ –	\$	3,947,915
Harvested cannabis				
Dried cannabis and work-in-progress	8,462,992	8,667,986		17,130,978
Finished goods	1,763,282	773,295		2,536,577
Derivative products				
Derivative products and work-in-progress	5,594,497	1,821,557		7,416,054
Finished goods	1,685,110	184,648		1,869,758
Finished goods – cannabis accessories	522,233	–		522,233
	\$ 21,976,029	\$ 11,447,486	\$	33,423,515

¹ Fair value adjustment represent the fair value adjustment transferred from biological assets at harvest.

The amount of inventory expensed as cost of goods sold during the three and nine-month periods ended May 31, 2025 was \$15,171,570 and \$46,024,931 (2024 – \$13,710,390 and \$37,627,777), including an impairment loss on inventory of \$204,596 and \$1,035,679 (2024 – \$283,244 and \$1,206,613) for cannabis whose cost exceeds its net realizable value.

CANNARA BIOTECH INC.

Notes to Condensed Interim Consolidated Financial Statements
For the three and nine-month periods ended May 31, 2025 and 2024
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6. Property, plant and equipment

	Land	Buildings	Facility production equipment	Computer equipment and software	Vehicles	Furniture and fixtures	Construction in progress	Total
Cost								
Balance as at August 31, 2024	\$ 2,330,099	\$ 76,710,294	\$ 16,346,551	\$ 1,733,228	\$ 42,140	\$ 2,528,937	\$ 4,708,667	\$ 104,399,916
Additions	—	149,769	3,267,820	231,465	16,075	108,703	1,202,459	4,976,291
Transfer	—	451,145	274,873	—	—	—	(726,018)	—
Disposal	—	—	(6,104)	—	(3,700)	—	—	(9,804)
Balance as at May 31, 2025	\$ 2,330,099	\$ 77,311,208	\$ 19,883,140	\$ 1,964,693	\$ 54,515	\$ 2,637,640	\$ 5,185,108	\$ 109,366,403
Accumulated amortization								
Balance as at August 31, 2024	\$ —	\$ (13,193,888)	\$ (4,662,315)	\$ (1,264,345)	\$ (24,865)	\$ (913,798)	\$ —	\$ (20,059,211)
Amortization	—	(2,586,542)	(1,342,242)	(254,551)	(6,581)	(186,136)	—	(4,376,052)
Disposal	—	—	1,827	—	1,048	—	—	2,875
Balance as at May 31, 2025	\$ —	\$ (15,780,430)	\$ (6,002,730)	\$ (1,518,896)	\$ (30,398)	\$ (1,099,934)	\$ —	\$ (24,432,388)
Net book value								
Balance as at May 31, 2025	\$ 2,330,099	\$ 61,530,778	\$ 13,880,410	\$ 445,797	\$ 24,117	\$ 1,537,706	\$ 5,185,108	\$ 84,934,015

As at May 31, 2025, the remaining assets included in construction in progress represents mainly the unused portion of the Valleyfield Facility, related capital expenditures for the activation and redesign of one new growing zone and for the build-out of a portion of the post-processing area. The costs are transferred to other categories as the assets become available or ready for use.

As part of its real estate segment, the Company used the non-cannabis licensed area of the Farnham building to generate lease revenues. As at May 31, 2025, a carrying value of \$10,156,926 related to the Farnham building is recognized as an investment property (As at August 31, 2024 - \$10,156,926). The fair value of the Farnham building is not reliably measured on a continuous basis, as such the fair value of the building is not known, and it was measured using the cost model as per IAS 16, Property, plant and equipment.

CANNARA BIOTECH INC.

Notes to Condensed Interim Consolidated Financial Statements
For the three and nine-month periods ended May 31, 2025 and 2024
(Unaudited - in Canadian dollars)

6. Property, plant and equipment (continued)

	Land	Buildings	Facilities production equipment	Computer equipment and software	Vehicles	Furniture and fixtures	Construction in progress	Total
Cost								
Balance as at August 31, 2023	\$ 2,452,085	\$ 75,479,394	\$ 14,490,667	\$ 1,626,042	\$ 40,440	\$ 2,407,859	\$ 6,731,664	\$ 103,228,151
Additions	—	708,622	1,678,004	107,186	3,700	86,446	3,573,475	6,157,433
Transfer	—	522,278	202,991	—	—	34,632	(759,901)	—
Disposal	—	—	(25,111)	—	(2,000)	—	—	(27,111)
Reclass to asset held for sale	(121,986)	—	—	—	—	—	(4,836,571)	(4,958,557)
Balance as at August 31, 2024	\$ 2,330,099	\$ 76,710,294	\$ 16,346,551	\$ 1,733,228	\$ 42,140	\$ 2,528,937	\$ 4,708,667	\$ 104,399,916
Accumulated amortization								
Balance as at August 31, 2023	\$ —	\$ (9,503,932)	\$ (2,831,044)	\$ (948,334)	\$ (17,025)	\$ (668,119)	\$ —	\$ (13,968,454)
Amortization	—	(3,689,956)	(1,836,031)	(316,011)	(8,327)	(245,679)	—	(6,096,004)
Disposal	—	—	4,760	—	487	—	—	5,247
Balance as at August 31, 2024	\$ —	\$ (13,193,888)	\$ (4,662,315)	\$ (1,264,345)	\$ (24,865)	\$ (913,798)	\$ —	\$ (20,059,211)
Net book value								
Balance as at August 31, 2024	\$ 2,330,099	\$ 63,516,406	\$ 11,684,236	\$ 468,883	\$ 17,275	\$ 1,615,139	\$ 4,708,667	\$ 84,340,705

During the three and nine-month periods ended May 31, 2025, the Company recognized \$1,429,898 and \$4,376,052 (2024 - \$1,443,951 and \$4,395,295) as amortization expense, of which \$153,417 and \$572,607 (2024 - \$170,079 and \$686,686) have been recognized in the consolidated statement of net income and comprehensive income and \$1,276,481 and \$3,803,445 (2024 - \$1,273,872 and \$3,708,609) have been included in the calculation of the biological assets and inventory valuation and for which some lots were ultimately used for research and development.

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7. Right-of-use assets and lease liabilities

(a) Right-of-use assets

		May 31, 2025	August 31, 2024
Cost			
Balance, beginning of period	\$	987,986	\$ 312,974
Additions		47,636	675,012
Disposal		(23,500)	–
Balance, end of period	\$	1,012,122	\$ 987,986
Accumulated depreciation			
Balance, beginning of period	\$	(392,768)	\$ (135,957)
Amortization		(212,915)	(256,811)
Disposal		11,750	–
Balance, end of period	\$	(593,933)	\$ (392,768)
Net book value			
Balance, end of period	\$	418,189	\$ 595,218

(b) Lease liabilities

		May 31, 2025	August 31, 2024
Maturity analysis - contractual undiscounted cash flows:			
Less than one year	\$	319,779	\$ 323,762
One to five years		185,137	390,461
Total undiscounted lease liabilities	\$	504,916	\$ 714,223
Current	\$	290,540	\$ 279,612
Non-current		178,408	368,537
Lease liabilities included in the condensed interim consolidated statement of financial position	\$	468,948	\$ 648,149
Balance as at August 31, 2024			\$ 648,149
Additions			47,636
Lease payments			(265,041)
Interest on lease liabilities			38,204
Balance as at May 31, 2025			\$ 468,948

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8. Financing

(a) Revolving credit facilities

	May 31, 2025	August 31, 2024
Net carrying value, beginning of period	\$ 6,259,298	\$ 3,000,000
Proceeds from revolving credit facilities	500,000	5,700,000
Repayment of credit facilities	—	(2,440,702)
Net carrying value, end of period	\$ 6,759,298	\$ 6,259,298

	2025	Expiry date
Revolving credit facility A	\$ 1,298	2025-07-13
Revolving credit facility B	6,258,000	2025-07-27
Revolving credit facility C	500,000	2025-07-13
Net carrying value, end of period	\$ 6,759,298	

The Company has access to a \$10 million revolving credit facility which is intended to be used for general working capital purposes. Each tranche drawn on the revolving credit facility has either a 30, 60 or 90-day term depending on management's decision and can be renewed by the Company at the end of the period.

The revolving credit facilities bear variable interest rates based on prime rate or the Canadian overnight repo rate average ("CORRA") plus an applicable margin based on the credit agreement. As at May 31, 2025, the weighted average interest rate on the revolving credit facilities was 6.22% (As at August 31, 2024 – 8.28%). This reduction reflects the Company's achievement of certain covenant thresholds, which lowered the applicable interest rate margin.

As part of the term loan extension (note 8 (b)), the availability period of the revolving credit facilities was also extended until December 31, 2027, under the same security, guarantees, and covenant terms as the term loan. The revolving credit facilities are classified as a current liability, as they are actively managed and expected to be settled by the Company within its normal operating cycle.

For the three and nine-month periods ended May 31, 2025, the Company recognized \$108,892 and \$355,838 as interest expense for the revolving credit facilities (2024 – \$155,243 and \$392,779). As at May 31, 2025, accrued interest of \$38,001 was included in account payables and accrued liabilities (As at August 31, 2024 – \$92,019).

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8. Financing (continued)

(b) Term loan

	May 31, 2025	August 31, 2024
Net carrying value, beginning of period	\$ 34,976,596	\$ 36,854,235
Repayment of term loan	(982,981)	(1,965,961)
Addition of term loan issuance costs	(190,620)	(198,267)
Amortization of deferred financing costs	125,612	286,589
Net carrying value, end of period	\$ 33,928,607	\$ 34,976,596
Term loan ⁽ⁱ⁾	\$ 34,404,320	\$ 35,387,301
Less: unamortized financing costs	(475,713)	(410,705)
	33,928,607	34,976,596
Short-term portion of term loan	(1,965,961)	(1,965,961)
	\$ 31,962,646	\$ 33,010,635

- (i) The term loan bears a variable interest rate based on prime and/or CORRA rates plus an applicable margin based on the credit agreement. As at May 31, 2024, the interest rate was 5.77% (As at August 31, 2024 – 8.45%). This reduction reflects the Company's achievement of certain covenant thresholds, which lowered the applicable interest rate margin. The term loan is reimbursable quarterly. On February 21, 2025, the Company extended the term of the term loan until December 31, 2027. As part of this extension, the Company incurred \$190,620 in fees that were recorded as deferred financing fees.

The term loan is secured by a first-ranking mortgage against the Farnham and Valleyfield facilities and was previously guaranteed, with limited recourse, in part by a related party for a fee based on the outstanding loan amount (note 16 (b)). As of March 1, 2025, the Company met the required covenant thresholds to remove this limited recourse guarantee, resulting in annual interest expense savings of approximately \$375,000.

As part of the financing agreement, the lender also issued a \$5.5 million letter of credit to a provincial service provider to fund certain deposit requirements as part of the Valleyfield acquisition in 2021. A fee is charged in exchange of this service (note 12).

For the three and nine-month periods ended May 31, 2025, the Company recognized \$545,485 and \$1,872,336 as interest expense for the term loan (2024 – \$802,474 and \$2,445,684). As at May 31, 2025, accrued interest of \$105,232 was included in account payables and accrued liabilities (August 31, 2024 – \$264,869).

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8. Financing (continued)

(b) Term loan (continued)

The Company has to respect financial covenants such as (a) maintaining a certain liquidity coverage at all the times, (b) a fixed charge coverage ratio equal to or more than 1.25 to 1.0, (c) a funded debt to EBITDA ratio equal to or less than 3.5 to 1.0 at each quarter-end. As at May 31, 2025, the Company met all of the imposed covenants.

(c) Convertible debenture

The roll forward of the financial liability component of the convertible debentures is as follows:

	May 31, 2025	August 31, 2024
Net carrying value, beginning of period	\$ 6,442,350	\$ 5,753,133
Loss (gain) on modification of convertible debenture	26,764	(11,218)
Interest expense	483,292	317,692
Accretion and amortization of deferred issuance costs	60,151	382,743
Repayments	(1,000,000)	—
Net carrying value, end of period	\$ 6,012,557	\$ 6,442,350
Short-term portion of convertible debenture	(4,009,287)	(1,000,000)
	\$ 2,003,270	\$ 5,442,350

On January 27, 2025, the Company modified the maturity of the \$5,700,000 convertible debenture from September 30, 2025 to March 31, 2028. The impact of the convertible debenture modification resulted in a loss of \$26,764 which was recognized in net finance expense. The convertible debenture bears interest at an annual rate of 10.75%, compounded semi-annually.

On September 30, 2025, all interest accrued until that date can be paid in cash or in common shares at the choice of the Company. Any interest incurred following September 30, 2025 are payable in cash on a quarterly basis.

As part of the amended agreement, the first partial repayment of \$1,000,000 was made during the third quarter of 2025. A second partial repayment of \$2,350,000 is due on September 30, 2025 and the remaining balance will be due at the end of the term.

On January 21, 2025, pursuant to an agreement signed with a related party, a new unsecured convertible debenture is anticipated to be issued on or about September 29, 2025 in the principal amount equal to the amount required to fund the second partial repayment on the original convertible debenture. The new unsecured convertible debenture will bear the same maturity date and interest rate as the original convertible debenture.

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8. Financing (continued)

(c) Convertible debenture (continued)

During the three and nine-month periods ended May 31, 2025, the Company recognized \$174,590 and \$483,292 as interest expense (2024 - \$63,734 and \$188,091). As at May 31, 2025, accrued interest of \$1,318,854 was included in the carrying amount of the convertible debenture (August 31, 2024 - \$835,562).

9. Share Capital

(a) Authorized

The Company has authorized an unlimited number of voting and participating common shares.

(b) Transactions on share capital

NCIB

During the nine-month period ended May 31, 2024, under its Normal Course Issuer Bid ("NCIB"), the Company purchased 286,900 common shares having an average book value of \$280,588 for cash consideration of \$277,139. The excess of the book value over the purchase price value of the shares of \$3,449 was charged to deficit. All shares purchased were cancelled.

The 1-year NCIB period ended in December 2023.

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9. Share Capital (continued)

(c) Earnings per share

The calculation of basic earnings per share was calculated based on the net income attributable to common shareholders of the Company divided by the weighted average number of common shares outstanding during the period, while the diluted earnings per share was adjusted for the effects of potential dilutive common shares such as share options, restricted share units and convertible debentures.

The calculations for basic and diluted earnings per share for the three and nine-month periods ended May 31, 2025 and 2024 was as follows:

	Three-month periods ended		Nine-month periods ended	
	May 31, 2025	May 31, 2024	May 31, 2025	May 31, 2024
Net income	\$ 4,142,169	\$ 2,023,386	\$ 9,762,573	\$ 684,045
Issued common shares, beginning of the period	91,433,135	90,018,952	90,018,952	90,305,852
Repurchase and cancellation of common shares under NCIB	—	—	—	(220,871)
Effect of restricted share units Settled for common shares	—	—	655,126	—
Weighted average number of common shares, basic	91,433,135	90,018,952	90,674,078	90,084,981
Impact of dilutive securities:				
Restricted share units	814,049	1,504,183	1,357,525	1,253,672
Stock options	359,679	—	—	—
Weighted average number of common shares, diluted	92,606,863	91,523,135	92,031,603	91,338,653
Earnings per share – basic	\$ 0.05	\$ 0.02	\$ 0.11	\$ 0.01
Earnings per share – diluted	\$ 0.04	\$ 0.02	\$ 0.11	\$ 0.01

For the three and nine-month periods ended May 31, 2025, the Company excluded the following instruments from the weighted average number of diluted common shares calculation as their effect would have been anti-dilutive: 3,051,571 share options and 5,051,571 share options respectively, and 2,611,111 shares potentially to be issued under the convertible debenture that may potentially dilute earnings per share in the future (2024 – 4,549,927 share options and 3,166,667 shares under the convertible debenture).

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10. Share-based compensation

(a) Stock option plan

The Company has established a share option plan whereby certain personnel may be granted options to acquire shares under the terms of the employee share option plan or shares may be granted to third parties in exchange for services. The number and characteristics of share options granted under the employee share option plan are determined by the Board of Directors of the Company but cannot exceed 10% of the Corporation's issued and outstanding common shares, including previously granted stock options; and such number of common shares as, when combined with all other common shares subject to grants made under the Company's other share compensation arrangements (including the RSU Plan) would not exceed 10% of the outstanding common shares. The characteristics of share options granted to third parties for services are determined on a case-by-case basis.

The share options granted under the employee share option plan vest 25% after the first anniversary of the grant date with the remainder vesting in 36 monthly consecutive equal instalments or as approved by the Board of Directors and expire seven years from the date of issue. The plan provides for the issuance of common shares at an exercise price determined by the Board of Directors which is not lower than the fair value of the common shares on the grant date. Outstanding options under the plan are granted with service requirements (or service conditions) and become exercisable upon vesting. The share options granted to third parties for services have vesting terms determined on a case-by-case basis.

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10. Share-based compensation (continued)

(a) Stock option plan (continued)

The activity of outstanding share options for the nine-month periods ended May 31, 2025 and 2024 was as follows:

	Number	May 31, 2025 Weighted average exercise price	Number	May 31, 2024 Weighted average exercise price
Outstanding, beginning of period	4,539,687	\$ 1.59	3,831,945	\$ 1.65
Granted	824,400	1.22	749,000	1.30
Forfeited	(85,771)	1.80	(5,473)	1.80
Expired	(226,745)	1.80	(25,545)	1.80
Outstanding, end of period	5,051,571	1.51	4,549,927	1.67
Exercisable, end of period	3,511,757	\$ 1.59	2,838,372	\$ 1.62

During the first quarter of 2025, the Company granted 525,000 options at an exercise price of \$1.00 and 115,000 options at an exercise price of \$1.80 to certain employees subject to certain vesting conditions in accordance with the employee share option plan.

During the third quarter of 2025, the Company granted 100,000 options at an exercise price of \$1.25 and 84,400 options at an exercise price of \$1.80 to certain employees subject to certain vesting conditions in accordance with the employee share option plan.

During the second quarter of 2024, the Company granted 99,000 options at an exercise price of \$1.80 and 625,000 options at an exercise price of \$1.20 to certain employees subject to certain vesting conditions in accordance with the Company's employee share option plan. In addition, the board of directors approved the extension of the expiry date from 5 to 7 years for 2,435,000 stock options exercisable at \$1.80 per share and 750,000 stock options exercisable at \$1.00 per share of the key management and the members of the board of directors. These options now expire between December 17, 2025 and September 29, 2029. The impact of the extension resulted in an additional charge of \$516,237 which was included in the share-based compensation expense of the period.

During the third quarter of 2024, the Company granted 25,000 options at an exercise price of \$1.80 to certain employees subject to certain vesting conditions in accordance with the Company's employee share option plan.

During the three and nine-month periods ended May 31, 2025, the Company recorded a share-based compensation expense of \$97,489 and \$256,713 in the consolidated statement of net income and comprehensive income (2024 – \$182,494 and \$1,094,835).

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10. Share-based compensation (continued)

(a) Stock option plan (continued)

The estimated fair value of the share options at the grant date was measured using the Black-Scholes option pricing model and the following weighted average inputs and assumptions:

	Nine-month periods ended	
	May 31, 2025	May 31, 2024
Share price ⁽ⁱ⁾	\$ 0.84	\$ 0.85
Exercise price	\$ 1.22	\$ 1.30
Risk-free interest rate ⁽ⁱⁱ⁾	3.09%	3.52%
Expected life ⁽ⁱⁱⁱ⁾	7 years	7 years
Expected price volatility ^(iv)	74%	88%
Fair value of the option	\$ 0.55	\$ 0.62
Expected dividend yield ^(v)	Nil	Nil

- (i) The share price is based on the market price on the date of the grant.
- (ii) The risk-free interest rate was based on the Bank of Canada government bonds rates in effect at grant date for time periods approximately equal to the expected life of the option.
- (iii) The expected life of the options reflects the assumption of future exercise patterns that may occur.
- (iv) Expected price volatility was estimated based on historical volatility of the Company's shares.
- (v) The expected dividend yield has been estimated at nil as the Company has never paid cash dividends and does not expect to do so in the foreseeable future.

The number of outstanding stock options that could be exercised for an equal number of common shares is as follows:

Expiry date range	Average exercise price \$	Number outstanding	Number exercisable	Weighted average number of years remaining
June 2025 to May 2026	\$ 1.80	142,100	142,100	0.66
June 2026 to May 2027	1.80	31,000	28,297	1.64
June 2027 to May 2028	1.80	595,518	525,912	2.24
June 2028 to May 2029	1.80	732,500	517,694	3.43
June 2029 to May 2030	1.00 to 1.80	2,060,000	2,047,493	4.33
May 2030 and after	1.80 to 1.80	1,490,453	250,261	6.07
		5,051,571	3,511,757	4.35 years

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10. Share-based compensation (continued)

(b) Restricted Share Units

The Company has established a Restricted Share Units Plan that provides for a maximum number of common shares available and reserved for issuance to 10% of the aggregate number of common shares issued and outstanding from time to time; and (ii) such number of common shares as, when combined with all other common shares subject to grants made under the Company's other share compensation arrangements (including the Stock Option Plan) would not exceed 10% of the outstanding common shares. Under the Restricted Share Units Plan, the Company may grant to certain personnel restricted share units without performance conditions ("RSU") or restricted share units with performance conditions ("PSU"). The restricted share units are time-based awards, and the numbers of share units granted will vest upon the continuous employment of the Participants on the second anniversary of the grant or as approved by the Board of Directors, without exceeding five years, and when applicable, if the performance conditions are met. Pursuant to the terms of the Restricted Share Units Plan, Participants will receive for no consideration, upon vesting of the RSUs or PSUs, common shares of the Company issued from treasury.

The outstanding RSUs for the nine-month periods ended May 31, 2025 and 2024 are as follows:

	Number	May 31, 2025 Weighted average fair value	Number	May 31, 2024 Weighted average fair value
Outstanding, beginning of period	1,504,183	\$ 0.88	789,183	\$ 0.90
Granted	112,500	0.82	715,000	0.85
Settled	(1,414,183)	0.88	—	—
Outstanding, end of period	202,500	\$ 0.84	1,504,183	\$ 0.87

Vesting date	Number outstanding
December 6, 2025	90,000
November 22, 2026	90,000
April 25, 2027	22,500
	202,500

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10. Share-based compensation (continued)

(b) Restricted Share Units continued

During the first quarter of 2025, the Company granted 90,000 RSUs without performance conditions and exercisable for no consideration.

During the second quarter of 2025, the Company settled 1,414,183 RSUs for common shares. As a result, the book value of the RSUs totalling \$1,241,515 was reclassified from contributed surplus to share capital.

During the third quarter of 2025, the Company granted 22,500 RSUs without performance conditions and exercisable for no consideration.

During the second quarter of 2024, the Company granted 715,000 RSUs without performance conditions and exercisable for no consideration.

The outstanding PSUs for the nine-month periods ended May 31, 2025 and 2024 are as follows:

	Number	May 31, 2025 Weighted average fair value	Number	May 31, 2025 Weighted average fair value
Outstanding, beginning of period	–	\$ –	–	\$ –
Granted	625,000	0.68	–	–
Outstanding, end of period	625,000	\$ 0.68	–	\$ –

	Number outstanding
Vesting date	
January 1, 2026	625,000
	625,000

During first quarter of 2025, the Company granted 625,000 PSUs with performance conditions which are exercisable for no consideration.

During the three and nine-month periods ended May 31, 2025, the Company recorded a share-based compensation expense of \$165,283 and \$622,631 in the consolidated statement of net income and comprehensive income for the RSUs and PSUs (2024 – \$221,678 and \$522,043).

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11. General and administrative

	Three-month periods ended		Nine-month periods ended	
	May 31, 2025	May 31, 2024	May 31, 2025	May 31, 2024
Salaries and benefits	\$ 1,166,419	\$ 1,163,970	\$ 3,571,279	\$ 3,372,774
Administrative and regulatory expense	1,068,550	1,005,360	3,127,041	2,893,193
Facility expense	334,016	376,346	1,269,977	1,252,200
General and administrative	\$ 2,568,985	\$ 2,545,676	\$ 7,968,297	\$ 7,518,167

12. Net finance expense

	Three-month periods ended		Nine-month periods ended	
	May 31, 2025	May 31, 2024	May 31, 2025	May 31, 2024
Interest income	\$ 62,187	\$ 45,313	\$ 191,365	\$ 135,116
Foreign exchange gain	28,743	—	—	—
Gain on convertible debenture extension	—	—	—	11,218
Finance income	90,930	45,313	191,365	146,334
Interest on term loan	545,485	802,474	1,872,336	2,445,684
Interest on credit facilities	108,892	155,243	355,838	392,779
Interest on convertible debentures	174,590	63,734	483,292	188,091
Interest on lease liabilities	11,380	15,862	38,204	41,108
Interest on other long-term debt	9,132	—	24,388	—
Fees related to letter of credit	48,682	52,423	146,498	158,552
Debt guarantee fees	37,414	93,750	224,914	281,250
Accretion and amortization of financing costs	88,117	329,700	185,763	829,504
Other finance expense	39,615	49,953	145,358	139,631
Loss on convertible debenture extension	—	—	26,764	—
Foreign exchange loss	—	12,832	6,394	18,833
Finance expense	1,063,307	1,575,971	3,509,749	4,495,432
Net finance expense	\$ 972,377	\$ 1,530,658	\$ 3,318,384	\$ 4,349,098

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13. Financial instruments

Fair value measurements

The fair value of cash, accounts receivable, accounts payable and accrued liabilities approximate their carrying amounts due to the short-term maturity of those instruments.

The fair value of the revolving credit facilities, long-term debt, convertible debentures and term loan approximate their carrying amounts, as the interest rate approximates the current market rate.

14. Contingencies

In the normal course of business, the Company may be involved in various legal and regulatory proceedings. The Company believes that the resolution of these proceedings will not have a material favourable or unfavourable effect on its condensed interim consolidated statement of financial position or financial performance. As at May 31, 2025, there are no material claims in favor or against the Company.

15. Segment disclosures

(a) Reportable segments

The Company operates in two segments: (1) Indoor cannabis operations which encompasses the cultivation, processing and sale of dried cannabis and cannabis derivatives ("Cannabis operations") and (2) Real estate operations related to the Farnham and Valleyfield building ("Real estate operations").

The chief operating decision-maker assesses performance based on segment operating results which were defined as segment operating income (loss) before share-based compensation, amortization, net finance expense, gain on disposal of asset held for sale, loss on disposal of property, plant and equipment, gain on disposal of right-of-use assets and income tax. The accounting policies of the segments are the same as those described in Note 3 of the audited financial statements of the Company for the year ended August 31, 2024.

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15. Segment disclosures (continued)

(a) Reportable segments (continued)

	Three-month period ended May 31, 2025				Three-month period ended May 31, 2024			
	Cannabis operations	Real estate operations	Other	Total	Cannabis operations	Real estate operations	Other	Total
Revenue								
Revenue from sale of goods	\$ 37,832,038	\$ –	\$ –	\$ 37,832,038	\$ 26,240,815	\$ –	\$ –	\$ 26,240,815
Excise taxes	(11,529,208)	–	–	(11,529,208)	(8,019,293)	–	–	(8,019,293)
Net revenue from sale of goods	26,302,830	–	–	26,302,830	18,221,522	–	–	18,221,522
Lease revenue	–	965,202	–	965,202	–	1,253,615	–	1,253,615
Other income	64,853	–	–	64,853	69,779	–	–	69,779
	26,367,683	965,202	–	27,332,885	18,291,301	1,253,615	–	19,544,916
Cost of revenues								
Cost of goods sold	15,171,570	–	–	15,171,570	13,710,390	–	–	13,710,390
Lease operating costs	–	103,572	–	103,572	–	87,479	–	87,479
Segment gross profit before fair value adjustments	11,196,113	861,630	–	12,057,743	4,580,911	1,166,136	–	5,747,047
Changes in fair value of inventory sold	(6,511,629)	–	–	(6,511,629)	(5,137,341)	–	–	(5,137,341)
Unrealized gain on changes in fair value of biological assets	7,336,649	–	–	7,336,649	6,348,550	–	–	6,348,550
Segment gross profit	12,021,133	861,630	–	12,882,763	5,792,120	1,166,136	–	6,958,256
Operating expenses	5,633,601	–	–	5,633,601	4,799,943	–	–	4,799,943
Segment operating income	6,387,532	861,630	–	7,249,162	992,178	1,166,136	–	2,158,314
Share-based compensation	–	–	262,772	262,772	–	–	404,172	404,172
Amortization	–	–	223,172	223,172	–	–	239,105	239,105
Gain on disposal of asset held for sale	–	–	–	–	–	–	(2,039,007)	(2,039,007)
Gain on disposal of right-of-use assets	–	–	(3,861)	(3,861)	–	–	–	–
Loss on disposal of property, plant and equipment	–	–	2,352	2,352	–	–	–	–
Net finance expense	–	–	972,377	972,377	–	–	1,530,658	1,530,658
Net income (loss) before income taxes	\$ 6,387,532	\$ 861,630	\$ (1,456,812)	\$ 5,792,350	\$ 992,178	\$ 1,166,136	\$ (134,928)	\$ 2,023,386

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15. Segment disclosures (continued)

(a) Reportable segments (continued)

	Nine-month period ended May 31, 2025				Nine-month period ended May 31, 2024			
	Cannabis operations	Real estate operations	Other	Total	Cannabis operations	Real estate operations	Other	Total
Revenue								
Revenue from sale of goods	\$ 109,504,685	\$ –	\$ –	\$ 109,504,685	\$ 78,844,064	\$ –	\$ –	\$ 78,844,064
Excise taxes	(33,701,579)	–	–	(33,701,579)	(23,358,345)	–	–	(23,358,345)
Net revenue from sale of goods	75,803,106	–	–	75,803,106	55,485,719	–	–	55,485,719
Lease revenue	–	2,878,765	–	2,878,765	–	3,077,321	–	3,077,321
Other income	307,585	–	–	307,585	148,373	–	–	148,373
	76,110,691	2,878,765	–	78,989,456	55,634,092	3,077,321	–	58,711,413
Cost of revenues								
Cost of goods sold	46,024,931	–	–	46,024,931	37,627,777	–	–	37,627,777
Lease operating costs	–	292,409	–	292,409	–	259,596	–	259,596
Segment gross profit before fair value adjustments	30,085,760	2,586,356	–	32,672,116	18,006,315	2,817,725	–	20,824,040
Changes in fair value of inventory sold	(19,285,605)	–	–	(19,285,605)	(17,161,049)	–	–	(17,161,049)
Unrealized gain on changes in fair value of biological assets	21,630,725	–	–	21,630,725	15,671,119	–	–	15,671,119
Segment gross profit	32,430,880	2,586,356	–	35,017,236	16,516,385	2,817,725	–	19,334,110
Operating expenses	16,478,638	–	–	16,478,638	13,842,820	–	–	13,842,820
Segment operating income	15,925,242	2,586,356	–	18,538,598	2,673,566	2,817,725	–	5,491,291
Share-based compensation	–	–	879,344	879,344	–	–	1,616,878	1,616,878
Amortization	–	–	785,522	785,522	–	–	874,897	874,897
Gain on disposal of asset held for sale	–	–	–	–	–	–	(2,039,007)	(2,039,007)
Gain on disposal of right-of-use assets	–	–	(3,861)	(3,861)	–	–	–	–
Loss on disposal of property, plant and equipment	–	–	3,561	3,561	–	–	5,380	5,380
Net finance expense	–	–	3,318,384	3,318,384	–	–	4,349,098	4,349,098
Income (loss) before income tax	\$ 15,952,242	\$ 2,586,356	\$ (4,982,950)	\$ 13,555,648	\$ 2,673,566	\$ 2,817,725	\$ (4,807,246)	\$ 684,045

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15. Segment disclosures (continued)

(b) Entity-wide disclosures

All property, plant and equipment are located in Canada.

(c) Sources of lease revenues

As at May 31, 2025, the Company has leased 414,114 square feet of the total 625,000 available square feet at its Farnham Facility and realized 100% of its lease revenue with two lessees:

- The lease term for Tenant A is up to September 30, 2027. Lease revenues from this tenant for the three and nine-month periods ended May 31, 2025 amounted to \$181,917 and \$539,149 (2024 – \$485,688 and \$783,386).
- The lease term for Tenant B is up to October 31, 2026 and could be extended for another period of two years at the option of the tenant at the end of the term. Lease revenues from this tenant for the three and nine-month periods ended May 31, 2025 amounted to \$783,285 and \$2,339,616 (2024 – \$767,927 and \$2,293,935).

Income is generated from customers domiciled in Canada.

(d) Source of cannabis and cannabis accessories revenues

	<u>Three-month periods ended</u>		<u>Nine-month periods ended</u>	
	May 31, 2025	May 31, 2024	May 31, 2025	May 31, 2024
Revenue from Canadian retailers	\$ 35,282,793	\$ 24,967,061	\$ 103,794,663	\$ 74,436,119
Excise taxes	(11,529,208)	(8,019,293)	(33,701,579)	(23,358,345)
	23,753,585	16,947,768	70,093,084	51,077,774
Revenue from wholesale	2,498,305	1,199,891	5,534,620	3,903,356
Revenue from online merchandise	50,940	73,863	175,402	261,242
Revenue from Israel wholesale	–	–	–	243,347
	\$ 26,302,830	\$ 18,221,522	\$ 75,803,106	\$ 55,485,719

For the three and nine-month periods ended May 31, 2025, the Company has generated 83% and 86% of its cannabis revenues from three provincial distributors (Quebec, Ontario and Alberta) (2024 – 89% and 88%).

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16. Related parties

(a) Key management personnel compensation

Key management personnel are the people who have the authority and responsibility for planning, directing and controlling the business activities of the Company and include all of its directors and chief executives.

The compensations of key management personnel, including directors' fees, salaries and benefits were as follows:

	Three-month periods ended		Nine-month periods ended	
	May 31, 2025	May 31, 2024	May 31, 2025	May 31, 2024
Salaries and benefits	\$ 243,750	\$ 225,000	\$ 731,250	\$ 675,000
Share-based compensation	196,071	357,093	759,048	1,394,010
Board of Directors' fees	37,500	25,000	112,500	75,000
	\$ 477,321	\$ 607,093	\$ 1,602,798	\$ 2,144,010

(b) Other transactions 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.

The following provides the transaction amounts by nature with related parties:

	Three-month periods ended		Nine-month periods ended	
	May 31, 2025	May 31, 2024	May 31, 2025	May 31, 2024
Nature of transactions:				
Other expenses	\$ 7,302	\$ 7,200	\$ 14,502	\$ 14,400
Acquisition of property, plant and equipment ⁽ⁱ⁾	53,560	—	53,560	—
Interest on debt financing ⁽ⁱ⁾	174,590	63,734	483,292	188,091
Debt financing guarantee fees ^{(i) (iii)}	37,414	93,750	224,914	281,250
	\$ 272,866	\$ 164,684	\$ 776,268	\$ 483,741

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16. Related parties (continued)

(b) Other transactions with related parties (continued)

	May 31, 2025	August 31, 2024
Balances due to related parties are as follows:		
Accounts payable and accrued liabilities ⁽ⁱ⁾	\$ (295,215)	\$ (62,500)
Accounts payable to key management personnel ⁽ⁱⁱ⁾	(204,808)	(102,211)
Accounts payable to Board of Directors members	(37,500)	(20,730)
Convertible debenture, including accrued interest ⁽ⁱ⁾	(6,018,854)	(6,535,562)
Lease liabilities ⁽ⁱ⁾	(383,909)	(562,206)

- (i) The Company has a Board of Director member who is a shareholder in an entity with which the Company entered into various transactions with for the financing of the Farnham and Valleyfield Facilities in addition to a head office lease arrangement. During the three and nine-month periods ended May 31, 2025, the Company paid \$62,547 and \$186,171 in rent for the head office lease (2024 - \$61,445 and \$173,550).
- (ii) Accounts payable relate to accrued salary and vacation for key management personnel. Related party transactions have been recorded at the exchange amount, which is the amount agreed to and established by the related parties.
- (iii) A related party had provided certain guarantees on the debt financing (Note 8) for a fee. As of March 1, 2025, the Company met covenant thresholds to remove these guarantees, saving approximately \$375,000 annually in interest expense.

17. Cash flow information

Net change in non-cash working capital items:

	Three-month periods ended		Nine-month periods ended	
	May 31, 2025	May 31, 2024	May 31, 2025	May 31, 2024
Accounts receivable	\$ 1,485,825	\$ (356,306)	\$ (1,026,505)	\$ (1,220,360)
Biological assets	(4,589,575)	(5,084,847)	(12,836,762)	(14,885,916)
Inventory	2,083,900	5,542,972	6,398,669	9,711,518
Prepaid expenses and other assets	2,701,498	(1,211,763)	1,282,212	164,729
Deposits	(85,750)	—	124,250	111
Accounts payable and accrued liabilities	1,698,778	1,846,151	2,602,869	2,374,821
Excise tax payable	3,408,856	729,917	942,309	537,729
Sales tax receivable	134,903	675,948	413,550	415,732
Deferred lease revenue	(300,194)	54,404	(16,110)	232,008
Deferred grant income	(5,102)	88,601	(36,310)	69,192
Deferred revenue	—	28,284	—	5,264
	\$ 6,533,139	\$ 2,313,361	\$ (2,151,828)	\$ (2,595,172)

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17. Cash flow information (continued)

Supplemental information in the condensed interim consolidated statement of cash flows:

	Three-month periods ended		Nine-month periods ended	
	May 31, 2025	May 31, 2024	May 31, 2025	May 31, 2024
Variation of property, plant and equipment included in accounts payable and accrued liabilities	488,587	2,421,885	(506,627)	1,111,800
Addition to right-of-use assets and lease liabilities	—	—	47,636	667,594
Financed property, plant and equipment	—	—	480,000	—
Settlement of RSUs for common shares	—	—	1,241,515	—

18. Subsequent events

Stock options

Subsequent to quarter-end, the Company granted 7,500 stock options at an exercise price of \$1.80 to employees and consultants subject to certain vesting conditions in accordance with the Company's employee share option plan.

Revolving credit facilities

Subsequent to quarter-end, the Company extended all tranches of the revolving credit facilities that came to expiry for a 30-day period. Funds were used for general working capital purposes

Letter of credit

The Company obtained a \$100,000 letter of credit as a collateral for certain services with a supplier.