



Quebec Grown  
Premium Grade Cannabis

## MANAGEMENT DISCUSSION & ANALYSIS

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For the three-month period ended  
November 30, 2025

January 23, 2026

CANNARA BIOTECH INC.

TSXV: LOVE OTCQX: LOVFF FRA: 8CB0

## CANNARA BIOTECH INC.

### Management Discussion & Analysis

For the three-month period ended November 30, 2025



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 January 23, 2026, and should be read in conjunction with the condensed interim consolidated financial statements and related notes thereto of the Company for the three-month periods ended November 30, 2025, and 2024.

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") and the financial information herein was derived from those statements.

Please also refer to the Company's press release announcing its results for the fiscal quarter ended November 30, 2025, issued on January 26, 2026. Quarterly reports, and the Company's Annual Information Form for the year ended August 31, 2025 (the "AIF") can be found on SEDAR+ at [www.sedarplus.ca](http://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 "Q1 2026" and "first quarter of 2026" are to Cannara's fiscal quarter ended November 30, 2025, and "Q1 2025" and "first quarter of 2025" are to Cannara's fiscal quarter ended November 30, 2024.

Additional information filed by Cannara with the Canadian Securities Administrators, including quarterly and annual reports, the AIF and other material contracts can be found online at [www.sedarplus.ca](http://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](http://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 reported 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 *(continued)*

MEASURE	DEFINITION	COMPARABILITY	UTILITY TO MANAGEMENT AND INVESTORS
<b>Adjusted EBITDA</b>	<p>Adjusted EBITDA is defined as net income before changes in fair value of inventory sold, unrealized gains and losses 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 or loss on disposal of property, plant and equipment, share-based compensation, net finance expense and income taxes.</p> <p>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.</p>	<p>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.</p>	<p>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.</p>
<b>Free cash flow</b>	Free cash flow is defined as cash flow from operations less capital expenditures payments, defined as deposits on property, plant and equipment plus 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.
<b>Working Capital</b>	Working capital is defined as total current assets minus total current liabilities for the corresponding period 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.
<b>Segment gross profit, before fair value adjustments as a percentage of segment total revenues</b>	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.		Management believes that the use of this percentage allows investors and analysts to understand the core profitability of operations excluding volatile fair value adjustments.
<b>Segment gross profit as a percentage of segment total revenues</b>	Segment gross profit as a percentage of segment total revenues is defined as segment's gross profit 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 efficiency of production and the cost management effectiveness.
<b>Segment operating income as a percentage of segment total revenues</b>	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.
<b>Adjusted EBITDA as a percentage of total revenues</b>	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 OTCQX® Best Market ("OTCQX") under the symbol "LOVFF" and the Frankfurt Stock Exchange under the symbol "8CBO". The Company's headquarters are located in Montreal, Quebec.

Cannara is a vertically integrated Canadian producer of premium-grade cannabis and cannabis-derivative products. The Company's core focus is to deliver premium-quality products at competitive retail price points. Leveraging Quebec's low-cost electricity and scaled operating platform, Cannara owns and operates two Quebec-based facilities totaling over 1,600,000 square feet.

Cannara's first purpose-built, modern indoor cultivation facility is located in Farnham, Quebec, and comprises approximately 605,000 square feet, including 190,000 square feet of operational licensed area and 415,000 square feet of leased warehouse space ("Farnham Facility"). The Farnham Facility supports Cannara's cultivation nursery operations, pheno-hunting and R&D, as well as manufacturing, product transformation, and packaging.

The Company's second facility ("Valleyfield Facility") is a purpose-built hybrid greenhouse located in Salaberry-de-Valleyfield, Quebec. The Valleyfield Facility was originally constructed at a cost in excess of \$250 million and was acquired by Cannara in 2021 for \$27 million, plus the funding of certain deposit requirements. Valleyfield is Cannara's primary cultivation hub and is intended to be used exclusively for cultivation, post-harvest processing, and solvent-based extraction, supporting scaled, consistent production across the Company's diverse cannabis product portfolio.

Designed to replicate key indoor growing conditions within a greenhouse environment, the Valleyfield Facility is engineered to deliver consistency in premium flower cultivation. The site spans over one million square feet and includes 24 independent grow zones totaling approximately 600,000 square feet, a 225,000 square-foot cannabis processing center, and a 200,000 square-foot rooftop greenhouse.

Cannara operates through its wholly owned subsidiaries, Cannara Biotech (Québec) Inc. and Cannara Biotech (Valleyfield) Inc., each of which holds active licences 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, consistent product, exciting genetics, transparent harvest dates, quality input ingredients, 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, with over 44,000 points of distribution ("PODs"), Cannara products account for an estimated 3% of total cannabis product retail listings nationwide reflecting both outperformance with market share exceeding PODs and a strong increasing presence in the highly competitive Canadian cannabis retail market with significant potential for further growth<sup>1</sup>.

**National Distribution Performance<sup>1</sup>**

National Retail Listings	December 2025	Q1 2026	Q1 2025
% Cannara Retail Penetration	3.0%	2.9%	2.7%

<sup>1</sup> As reported by Turff Analytics, January 2026.

**COMPANY PROFILE (continued)**

Since 2021, Cannara has executed a disciplined, demand-driven expansion of its cultivation footprint at the Valleyfield Facility, bringing 12 of 24 grow zones into production to support sustained market demand over the past four years. As of the date of this MD&A, Cannara has approximately 300,000 sq. ft. of active canopy at Valleyfield with over 100,000 plants in production currently delivering approximately 50,000 kg of annualized production. With 50% of Valleyfield's planned grow zone capacity now activated, Cannara intends to continue scaling in a measured manner, aligning incremental capacity additions with demand visibility and operational execution.

Looking ahead, the Company has now reached maximum post-processing capacity. As a result, the Fiscal 2026 capital program will prioritize the development of the processing center at the Valleyfield Facility, enabling Cannara to scale post-processing and support the future activation of additional grow zones.

In Q1 2026, the Company generated \$30.1 million in total net revenues, a gross profit before fair value adjustments of \$13.5 million or 45%, an adjusted EBITDA of \$8.8 million or 29% of total revenues<sup>2</sup>, a net income of \$1.0 million, operating cash flow of \$8.0 million and free cash flow of \$3.3 million<sup>3</sup> in addition to a basic and diluted earning per share of \$0.01 for the quarter.

As of November 30, 2025, Cannara's distribution network services 8 provinces: Quebec, Ontario, Alberta, British Columbia, Saskatchewan, Manitoba, Nova Scotia and Newfoundland. Quebec, Ontario and Alberta currently represent the Company's main markets, comprising 89% of the Company's cannabis revenues for Q1 2026.

The Company's market share by listed province for the periods of September 2024 to November 2025, and for the most recently completed month, is presented below.

Province	December 2025	Q1 2026	Q4 2025	Q3 2025	Q2 2025	Q1 2025
<b>National Retail Market Share</b>	<b>4.4%</b>	<b>4.1%</b>	<b>3.8%</b>	<b>3.9%</b>	<b>3.9%</b>	<b>3.7%</b>
Quebec	14.7%	13.5%	12.8%	12.3%	12.8%	12.5%
Ontario	3.4%	3.1%	2.8%	2.9%	2.9%	2.6%
Alberta	2.5%	2.5%	2.5%	2.6%	2.7%	2.3%
British Columbia	2.0%	1.8%	1.8%	1.7%	1.5%	1.5%
Saskatchewan	1.2%	0.9%	1.3%	1.5%	1.0%	1.7%
Manitoba	2.0%	1.4%	1.1%	0.8%	0.6%	0.9%
Nova Scotia	0.4%	0.4%	0.5%	0.4%	0.5%	0.4%
Newfoundland	0.1%	0.1%	NA	NA	NA	NA

Cannara achieved an estimated national retail market share of 4.1% for Q1 2026, up from 3.8% in Q4 2025, driven by notable gains in Quebec partly resulting from the Company's successful launch of vape products in the province in addition to organic growth in Canada's top market, Ontario. As of December 2025, Cannara's estimated national retail market share was 4.4%<sup>4</sup>, driven by continued success of its vape products in Quebec and further growth in other key provinces.

Additional information about Cannara may be found at [www.cannara.ca](http://www.cannara.ca).

Investor information may be found at [www.investors.cannara.ca](http://www.investors.cannara.ca).

The Company has designed several lines of branded apparel and accessories available for sale on its online website <https://cannarashop.ca> (not available in Quebec due to provincial restrictions).

<sup>2</sup> 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

<sup>3</sup> 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

<sup>4</sup> Based on retail market sales dollar estimates for the periods September to November 2024, December 2024 to February 2025, March to May 2025, June to August 2025, September to November 2025 and December 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 BIOTECH INC.

### Management Discussion & Analysis

For the three-month period ended November 30, 2025



### CANNARA'S FACILITIES

FACILITY	SIZE	CAPACITY	TYPE	ELECTRICITY	FACILITY HIGHLIGHTS
<b>FARNHAM, QUEBEC</b>	Licensed area: 190,000 sf Site: 605,000 sf Land: 1,430,000 sf	Cultivation Nursery, Pheno- hunt and R&D Center: 60,000 sf  Manufacturing and Packaging Area: 130,000 sf	Indoor	Power rate of approx. \$0.082/kw	<ul style="list-style-type: none"> <li>• State-of-the-art manufacturing and packaging facility</li> <li>• Nursery operations for cloning and mother stock</li> <li>• Pheno-hunting and R&amp;D</li> <li>• Solventless hash laboratory</li> <li>• Pre-roll manufacturing</li> <li>• Transformation and Packaging</li> </ul>
<b>VALLEYFIELD, QUEBEC</b>	Licensed area: 600,000 sf Roof top greenhouse: 200,000 sf Processing and cannabis 2.0 processing center: 225,000 sf Site: 1,025,000 sf	Active Grow Area: 300,000 sf (12 of 24 zones)  50,000 kg Current capacity  100,000 kg Full capacity	Hybrid Indoor	Preferential contracted power rate of approx. \$0.065/kw	<ul style="list-style-type: none"> <li>• Purpose-built for cannabis cultivation</li> <li>• Onsite Hydro Quebec substation</li> <li>• Fully outfitted and automated</li> <li>• 24 independent grow rooms</li> <li>• Blackout &amp; shading systems</li> <li>• Processing center (under construction)</li> <li>• BHO extraction laboratory</li> </ul>

### 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 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	Quebec Ontario Saskatchewan Alberta British Columbia Manitoba Nova Scotia Newfoundland
	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	Quebec Ontario Saskatchewan Alberta British Columbia Manitoba Nova Scotia
	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	Quebec Ontario Saskatchewan Alberta British Columbia Manitoba Nova Scotia

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 includes:

Genetic	Pheno #	Brand	Launch Date	THC	CBD	Type	Aromas and Flavours
WAYGU DELIGHT	346	Nugz	June 2025	29%	<1%	Indica	Wagyu Delight has complex meat and pastry flavours that give way to the subtle sweetness of blueberry on the exhale
PORTO LECHE	29	Tribal	June 2025	28%	<1%	Hybrid – Indica	Porto Leche hits high notes of rich berry and grape flavours upfront, followed by a smooth, creamy finish reminiscent of sweet milk
MEAT PIE	76	Nugz	April 2025	25%	<1%	Indica	Meat Pie boasts bold diesel and spicy herb notes upfront, layered with fruity undertones and a distinct meaty finish
GUAVA JAM	18	Nugz	May 2024	29%	<1%	Indica	Guava Jam offers a sweet and tropical fruit flavour
NEON SUNSHINE	78	Tribal	April 2024	29%	<1%	Hybrid – Indica	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%	<1%	Indica	Bubble Up provides a rare and sought-after 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.
TERPLE	8	Tribal	March 2022	22%	<1%	Hybrid – Sativa	Terple's aroma and flavour are 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	15%	8%	Hybrid - Sativa	CBD Runtz is an award-winning CBD rich strain that offers an abundance of terpenes, a fruity and sweet aroma that delivers a candy-like flavour.
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 keeps growing in Canada, which reinforces Cannara's plan to continue to focus on Canada and 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 one of Canada's largest fully owned cultivation footprints and dozens of individually controlled grow rooms, Cannara combines precision and scale without compromising quality. Its meticulous approach, 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 Quebec'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 average gross margins above 40%.

**Innovation in products**

Cannara continues to lead through innovation and portfolio optimization. In Q1 2026, Cannara launched its first premium 1g ceramic-tipped pre-roll line under Tribal, featuring three genetics. Cannara also introduced a new cured resin all-in-one vape, El Guapo (Guava Jam + Porto Leche) under Nugz, as well as the Tribal Porto Leche live resin vape. Subsequent to quarter-end, the Company built on its category leadership in infused pre-rolls by launching a new line of THC diamond-infused extracts under Nugz, beginning with Flavour Bomb 40's Fruit Blast Taster Pack infused pre-rolls.

At the end of Q1 2026, the Company launched five full-spectrum live resin and live rosin vape cartridges as part of Quebec's vape category launch, including Tribal Cuban Linx and Bubble Up, Orchid CBD Jean Guy, and two Nugz live rosin vapes, Jungle Driver and Garlic Juice. These products were developed to deliver strong flavour and aroma without fillers, distillate, or additives, while remaining at 30% THC to support a national rollout through SQDC stores and online at SQDC.ca. Based on retail sales, Cannara captured an estimated 29.7% share of the Quebec vape category during November and December 2025<sup>5</sup>.

**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 Meat Pie and Wagyu Delight for Nugz. In 2026, Cannara is launching Gran Turismo for Tribal, Florida Oranges for Nugz, and CBD Jean Guy for Orchid CBD. These cultivars addressed key gaps in Canada's flower segment while reinforcing Cannara's leadership as the nation's top mass-premium flower provider, with an estimated national retail market share of approximately 10% within this category as at the date of this MD&A<sup>6</sup>.

<sup>5</sup> As reported by Weedcrawler Dataset for the period of September to November 2025.

<sup>6</sup> As reported by Turff Analytics, Rank & Share - Canada - Flower - Mass Premium, December 2025.

**CANNARA'S COMPETITIVE ADVANTAGE (continued)****Brand loyalty**

Since its launch in 2020, Cannara has successfully built enduring brand equity through its same three flagship brands, Tribal, Nugz and Orchid CBD. 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 1,700 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.

**MARKET INSIGHTS**

Canada's legal cannabis industry has matured into a multi-billion-dollar market, with an estimated \$1.2 billion in retail sales for Cannara's Q1 2026<sup>7</sup>. 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, Nova Scotia and most recently, Newfoundland.

**QUEBEC**

The Société québécoise du cannabis (SQDC), Quebec's provincial distributor, generated estimated revenues of approximately \$231 million for the three-month period ended November 30, 2025, moving Quebec up to the third largest cannabis market in Canada. The SQDC retail network has expanded from 28 stores in fiscal 2020 to 109 locations as of the date of this MD&A. Despite this growth, Quebec remains underpenetrated, with just one store per 100,000 residents, compared to approximately one store per 10,000 in Ontario and British Columbia<sup>8</sup>.

During Q1 2026, Cannara captured an estimated 13.5% retail market share in Quebec. As of December 2025, Cannara achieved the number one market share position in the province, with an estimated 14.7% share of cannabis retail sales, representing an increase of more than a 100-basis point month-over-month. When vape cartridges became permitted for sale in Quebec in November 2025, Cannara secured five of the 25 total SKUs accepted for listing at the SQDC during the initial category rollout. Preliminary data indicates a successful launch, with Cannara capturing an estimated 29.7% category share by retail sales value across November and December 2025.<sup>9</sup>

**ONTARIO**

Ontario remains Canada's largest recreational cannabis market. Retail stores in the province sold approximately \$557 million in cannabis products between September and November 2025. In Q1 2026, the Company estimates a 3.1% retail market share in Ontario. During the quarter, Cannara had 100 active SKUs in the province, with products available in over 1,500 retail stores, representing approximately 3.2% of total store listings. In December 2025, the Company's estimated market share in the province increased to 3.4%, driven by approximately \$6.4 million in monthly Ontario retail sales—its highest level to date—as Cannara continued to advance initiatives aimed at sustainably increasing market share while supporting margin growth in Canada's largest provincial market.<sup>10</sup>

<sup>7</sup> As reported by Hifyre Dataset for the periods of September to November 2025.

<sup>8</sup> As reported by Weedcrawler Dataset for the period of September to November 2025.

<sup>9</sup> As reported by Weedrawler Dataset for the periods of September to November 2025, November 2025 and December 2025.

<sup>10</sup> As reported by Hifyre Dataset for the periods of September to November 2025 and December 2025.

**MARKET INSIGHTS (continued)****ALBERTA**

Alberta is Canada's second-largest cannabis market, and Cannara has delivered steady performance in the province since launching in May 2023. According to Hifyre retail sales data, retail stores in the province sold approximately \$249 million in cannabis between September and November 2025. In Q1 2026, the Company estimates a retail market share of 2.5%. As of December 2025, Cannara maintained its estimated market share in Alberta with a 2.5% share of the estimated \$86.3 million in provincial retail sales that month<sup>11</sup>.

**BRITISH COLUMBIA**

British Columbia is Canada's fourth-largest cannabis market, recently being surpassed by Quebec, with an estimated \$225 million in retail sales from September to November 2025. Cannara continues to leverage structural cost advantages supported by Quebec's low electricity rates and competitive labour costs to deliver compelling value in BC's mass-premium segment. In Q1 2026, the Company maintained an estimated 1.8% retail market share, despite a five-week disruption in cannabis distribution beginning September 22, 2025, when the BC Liquor Distribution Branch joined the BC General Employees' Union strike. With distribution fully resumed and market conditions normalized, Cannara's estimated BC retail market share increased to approximately 2.0% in December 2025, supported in part by the launch of Tribal's new genetic Porto Leche<sup>11</sup>.

**SASKATCHEWAN**

Saskatchewan generated an estimated \$52 million in retail cannabis sales from September to November 2025. In Q1 2026, the Company estimates a retail market share of 1.0%. As of December 2025, Cannara's estimated market share in Saskatchewan increased slightly to 1.2%<sup>11</sup>.

**MANITOBA**

Manitoba generated an estimated \$55 million in retail cannabis sales from September to November 2025. In Q1 2026, the Company estimates a retail market share of 1.4%. As of December 2025, Cannara's estimated market share in Manitoba was of 2.0%, partially attributed to improved distribution following the completion of the onboarding of a new private distributor for the province<sup>11</sup>.

**NOVA SCOTIA**

Nova Scotia generated an estimated \$38 million in retail cannabis sales from September to November 2025. Cannara entered the market in March 2024 and has continued to expand its catalogue, with six active SKUs now listed across its three brands. In Q1 2026, the Company estimates it held a 0.4% retail market share in Nova Scotia, which remained through to December 2025<sup>12</sup>.

**NEWFOUNDLAND & LABRADOR**

Cannara expanded into Newfoundland and Labrador near the end of Q4 FY2025 with the launch of two of Tribal's top-performing live resin vape SKUs. Newfoundland and Labrador generated an estimated \$28 million in retail cannabis sales from September to November 2025. In Q1 2026, the Company estimates it held a 0.1% retail market share in the province, which was maintained in December 2025<sup>13</sup>.

<sup>11</sup> As reported by Hifyre Dataset for the periods of September to November 2025 and December 2025.

<sup>12</sup> Based on Nova Scotia NSLC sales data for the periods of September to November 2025 and December 2025.

<sup>13</sup> As reported by Hifyre Dataset for the periods of September to November 2025 and December 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 1,000 Licensed Producers<sup>14</sup>. Despite these headwinds, Cannara delivered strong performance in Q1 2026, generating gross cannabis revenues of \$41.8 million, up \$6.9 million or 20% from the same period last year.

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

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

It has been reported that the Standing Committee on Finance has recommended to Canada's Finance Minister that the current excise tax regime be replaced with a 10% ad valorem tax regime. We welcome the possibility of excise tax reform to strengthen the Canadian cannabis industry as a whole. Any changes to Canadian cannabis excise tax policy could have a material impact on the Company's operations. This recommendation remains a subject of discussion at the government level and has not been implemented into law at this moment.

**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 allocated resources consistently toward both ongoing and new initiatives, 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.

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<sup>14</sup>As reported by Health Canada, *Licensed cultivators, processors and sellers of cannabis under the Cannabis Act*, November 2025.

**BUSINESS REVIEW & OUTLOOK (continued)****1. Meet Market Demand**

Since entering the Canadian recreational cannabis market, Cannara has steadily expanded its cultivation footprint to meet growing consumer demand while maintaining a disciplined focus on profitable growth. As of this MD&A, the Valleyfield Facility has 12 of its 24 grow zones online, totaling approximately 300,000 square feet of active canopy.

Cannara's approach to expansion remains measured and margin-focused. While the Valleyfield Facility has only realized half of its full 24-zone capacity, the Company's strategy is to scale production gradually, in line with market demand, rather than pursuing rapid volume growth at the expense of profitability. This disciplined approach, coupled with investments in sales and marketing, positions Cannara to strengthen brand recognition and loyalty across its three flagship brands — Tribal, Nugz and Orchid CBD — while protecting margins in an increasingly competitive landscape.

Looking forward, with the Farnham facility now operating at maximum existing post-processing capacity, Cannara's Fiscal 2026 capital investment strategy will prioritize the build-out of a new processing center at the Valleyfield Facility to support growing post-processing activities and enable additional grow zone activations while maintaining and improving operational efficiency. The project is currently on track and on budget, with completion expected by the end of Fiscal 2026. In parallel, the Company will fit out three additional grow zones to be ready for activation heading into Fiscal 2027, positioning Cannara to remain agile in scaling cultivation and post-processing capacity to meet evolving consumer demand across key markets.

**2. Expand Product Portfolio**

By growing successful product lines and strengthening its position within priority categories, Cannara is effectively capturing market share and reinforcing its leadership through disciplined category management and targeted innovation. Launch highlights of Cannara's product portfolio for Q1 2026 include:

- Tribal Bubble Up Genetic Pro 510 vape battery
- Tribal Bubble Up ceramic tip 1g pre-roll
- Tribal Cuban Linx ceramic tip 1g pre-roll
- Tribal Neon Sunshine ceramic tip 1g pre-roll
- Tribal Neon Sunshine Supernova all-in-one live resin vape
- Tribal Neon Sunshine Trifecta infused pre-rolls
- Tribal Porto Leche live resin vape cart
- Tribal Porto Leche live resin full spectrum extract
- Nugz El Guapo all-in-one cured resin vape

In Q1 2026, Cannara entered Quebec's new vape cartridge category with five approved SKUs, including three live resin and two solventless live rosin vapes, developed by the Company's R&D team to comply with Quebec's regulatory framework, including sub-30% THC and no distillate or fillers:

- Tribal Bubble Up live resin vape
- Tribal Cuban Linx live resin vape
- Orchid CBD Jean Guy live resin vape
- Nugz Garlic Juice live rosin vape
- Nugz Jungle Driver live rosin vape

The Company continually researches new genetics to strengthen its product portfolio. Its rigorous pheno-hunting program selects a few top-performing cultivars from hundreds, focusing on brand fit, potency, yield, and market appeal. The fiscal 2026 pheno-hunt is ongoing to deliver new exotic genetics for fiscal 2027 launches.

**BUSINESS REVIEW & OUTLOOK (continued)**
**3. Increase National Market Share**

The Canadian cannabis industry continues to evolve rapidly following federal legalization just over six years ago. Cannara's facilities, brands, and genetic portfolio have established a strong presence in Canada's four largest markets: Ontario, Alberta, Quebec and British Columbia, along with four secondary markets. The table below shows national market share for the most recent quarter compared to the prior quarter. Cannara's performance across provinces highlights its ongoing success and ability to capture market share from competitors.

**Q1 2026 vs Q4 2025 Market Share<sup>15</sup>**

The table below presents the Company's market share for the most recent completed quarter in comparison to the previous quarter.

Region	Q1 2026	Q4 2025	Variance
<b>National</b>	<b>4.1%</b>	<b>3.8%</b>	<b>7.9%</b>
Quebec	13.5%	12.8%	5.5%
Ontario	3.1%	2.8%	10.7%
Alberta	2.5%	2.5%	0.0%
British Columbia	1.8%	1.8%	0.0%
Saskatchewan	0.9%	1.3%	-30.8%
Manitoba	1.4%	1.1%	27.3%
Nova Scotia	0.4%	0.5%	-20.0%
Newfoundland	0.10%	NA	NA

**Q1 2026 vs Q1 2025 Market Share<sup>16</sup>**

The table below presents the Company's market share for the most recent completed quarter in comparison to the same quarter in prior year

Region	Q1 2026	Q1 2025	Variance
<b>National</b>	<b>4.1%</b>	<b>3.7%</b>	<b>10.8%</b>
Quebec	13.5%	12.5%	8.0%
Ontario	3.1%	2.6%	19.2%
Alberta	2.5%	2.3%	8.7%
British Columbia	1.8%	1.5%	20.0%
Saskatchewan	0.9%	1.7%	-47.1%
Manitoba	1.4%	0.9%	55.6%
Nova Scotia	0.4%	0.4%	0.0%
Newfoundland	0.1%	NA	NA

<sup>15</sup> As reported by Hifyre data for the periods of June to August 2025 and September to November 2025 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.

<sup>16</sup> As reported by Hifyre data for the periods of September to November 2024 and September to November 2025 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.

**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 reinforce its position as a vertically integrated leader in premium cannabis, Cannara has developed a purpose-built manufacturing platform that fuels its award-winning brands and top-performing products—including Canada's #1 infused pre-roll (Nugz G Sherb), Canada's #1 live resin premium vapes both in 510 cartridge and all-in-one formats, and Canada's #1 solventless hash rosin<sup>17</sup>. Most recently in Quebec, Cannara demonstrated the strength of this operational platform by capturing an estimated 29.7% share of the province's newly launched vape category as of December 31, 2025<sup>18</sup>. Cannara's vertical stack includes a high-throughput pre-roll automation centre, a dedicated solventless hash lab, and one of few operational butane hash oil (BHO) extraction facilities in Canada. Engineered for efficiency, consistency, and profitability, this platform enables full lifecycle utilization of biomass ensuring that every part of the plant is converted into high-value finished goods across multiple categories.

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 November 30, 2025, Cannara reported Adjusted EBITDA<sup>19</sup> of \$8.8 million, up from \$6.0 million in the same period of last year. Operating cash flow was \$8.0 million compared to \$5.8 million in the same period of last year.

**Q1 2026 AND SUBSEQUENT EVENT HIGHLIGHTS****OPERATIONAL****October 2025 – DTC Eligibility to Facilitate U.S. Investor Access**

On October 7, 2025, Cannara announced that its common shares were now eligible for electronic clearing and settlement in the United States through The Depository Trust Company ("DTC"). DTC eligibility expands access and reduces costs for U.S. investors purchasing Cannara shares while enhancing trading liquidity. With this eligibility, Cannara's shares can now be traded through a wider network of U.S. brokerage firms, enabling faster transactions and broader market access.

**December 2025 – KIND Budtender Awards**

In December 2025, Cannara received industry recognition for its product innovation at the KIND Awards, Canada's largest consumer-facing cannabis awards program, which is based exclusively on the votes of retail owners, managers, and budtenders from across the country. Drawing on input from more than 800 industry professionals, the awards reflect peer-based recognition of product quality and performance. Cannara was awarded Pre-Roll of the Year for the Tribal Cuban Linx Trifecta and Concentrate of the Year for the Nugz Bubble Up Hash Rosin.

**January 2026 – Quebec Vape Category Launch Drives Market Leadership**

In January 2026, Cannara reported strong initial results from the launch of the Quebec provincial vape cartridge category. Based on estimated retail sales data for November and December 2025, Cannara captured a 29.7% share of the vape category by retail sales value<sup>20</sup>, despite having only 5 of 25 approved SKUs in market. The successful launch also propelled Cannara to the #1 overall cannabis market share position in Quebec for December 2025, reaching a 14.7% share of provincial retail sales, representing a 100-basis-point month-over-month increase<sup>21</sup>.

<sup>17</sup> As reported by Turff Analytics, Rank & Share – Last 12 months, Canada, December 2025.

<sup>18</sup> As reported by Weedcrawler Dataset for the period of November to December 2025.

<sup>19</sup> 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.

<sup>20</sup> As reported by Weedcrawler Dataset for the period of November to December 2025.

<sup>21</sup> As reported by Weedcrawler Dataset for the period of December 2025.

**Q1 2026 AND SUBSEQUENT EVENT HIGHLIGHTS (continued)****OPERATIONAL (continued)****January 2026 – U.S. uplist to OTCQX® Best Market (“OTCQX”)**

Cannara's common shares are now available for trading on OTCQX under the symbol "LOVFF, an uplist from the OTCQB market. OTCQX, the highest-level market of the OTC Markets in the United States, is designed for established, investor-focused U.S. and international companies. Trading on OTCQX is expected to enhance a company's visibility and accessibility among U.S. investors. To qualify for OTCQX, companies must meet high financial reporting standards, follow best practices with respect to corporate governance, and demonstrate compliance with applicable securities laws.

**FINANCING**

The Company has access to a revolving credit facility for working capital purposes. Each tranche carries a 30-, 60-, or 90-day term, as determined by management, and can be renewed at maturity. The facility bears a variable interest rate based on either the prime rate or the Canadian Overnight Repo Rate Average ("CORRA"), plus an applicable margin. As of November 30, 2025, the weighted average interest rate was 5.29%. In Q1 2026, the tranche that came to expiry was renewed for 90-day terms.

**October 2025 – Olymbec Debenture Conversion**

On October 2, 2025, Cannara announced the completion of the issuance of 3,462,763 common shares to Olymbec Investments Inc. ("Olymbec") at an issue price of \$1.80 per common share, in full payment of approximately \$6.2 million of indebtedness consisting of \$4.7 million in principal and approximately \$1.5 million in accrued interest under the Olymbec Convertible Debenture. The transaction reduced Cannara's debt leverage and interest obligations while preserving liquidity to support the execution of its long-term growth strategy.

**CAPITAL TRANSACTIONS****Share options**

In Q1 2026, the Company granted 44,600 share options to employees and member of the board of directors at an exercise price of \$1.80 per share, vesting in one year and expiring after seven years.

Subsequent to quarter-end, Cannara's board approved the cancellation and re-issuance of certain previously granted stock options to address an administrative oversight that resulted in the Company temporarily exceeding issuance limits under its Share Option Plan and RSU Plan. A total of 544,600 share options were cancelled and re-issued with substantially identical terms, including exercise prices, vesting schedules, and expiry dates, resulting in no net increase in outstanding options.

**Restricted share units ("RSU")**

Subsequent to quarter-end, the Company issued 90,000 common shares in settlement of vested RSUs. In addition, performance conditions attached to certain restricted share unit awards were satisfied, resulting in vesting above the original target level. As a result, the Company issued 781,250 common shares in settlement of vested PSUs.

The Company also approved the acceleration of vesting for 15,000 RSUs for which common shares were issued upon vesting.

CANNARA BIOTECH INC.

## Management Discussion & Analysis

For the three-month period ended November 30, 2025



## **SELECTED FINANCIAL INFORMATION**

Selected Financial Highlights	Three-month periods ended	
	November 30, 2025	November 30, 2024
<b>Financial Summary</b>		
Net revenue <sup>1</sup>	\$ 30,079,785	\$ 24,954,810
Other income	33,390	115,604
Total revenues	30,113,175	25,070,414
Gross profit, before fair value adjustments	13,466,162	9,781,764
Gross profit	11,209,719	10,178,885
Operating expenses	8,507,578	5,946,806
Operating income	2,702,141	4,232,079
Net finance expense	661,195	1,198,165
Income before income taxes	2,040,946	3,033,914
Net income	1,039,549	2,305,863
Adjusted EBITDA <sup>2</sup>	8,816,623	5,997,320
<b>Percentages of Total revenues</b>		
Gross profit, before fair value adjustments as a percentage of Total revenues <sup>3</sup>	45%	39%
Gross profit as a percentage of Total revenues <sup>4</sup>	37%	41%
Operating income as a percentage of Total revenues <sup>5</sup>	9%	17%
Income before income taxes as a percentage of Total revenues <sup>6</sup>	7%	12%
Net income as a percentage of Total revenues <sup>7</sup>	3%	9%
Adjusted EBITDA as a percentage of Total revenues <sup>8</sup>	29%	24%
<b>Earnings per share</b>		
Basic earnings per share	\$ 0.01	\$ 0.03
Diluted earnings per share	\$ 0.01	\$ 0.03
<b>Consolidated balance sheet</b>		
	November 30, 2025	August 31, 2025
Cash	\$ 16,516,956	\$ 14,360,016
Accounts receivable	15,221,605	14,106,082
Biological assets	5,914,066	6,815,941
Inventory	46,052,183	44,516,056
Working capital <sup>9</sup>	53,540,039	47,959,368
Total assets	173,843,356	168,646,300
Total current liabilities	31,496,002	34,198,830
Total non-current liabilities	31,133,208	32,226,493
Net assets	111,214,146	102,220,977
Free cash flow for the quarter ended <sup>10</sup>	3,342,582	1,361,165

<sup>1</sup> Net revenue includes revenue from sale of goods, net of excise taxes and lease revenues.

<sup>2</sup> Adjusted EBITDA is a non-GAAP financial measure.

<sup>3</sup> 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  
6 MD&A.

- Income before income taxes as a percentage of total revenues is a supplementary financial ratio. For more details see the Non-GAAP and Other Financial Measures section of this MD&A.

Net income as a percentage of total revenues is a supplementary financial ratio. For more details see the Non-GAAP and Other Financial Measures section of this MD&A.

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.

<sup>10</sup> Working capital is a non-GAAP financial measure. For more details see the Non-GAAP and Other Financial Measures section of this MD&A.

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.

**CANNARA BIOTECH INC.**

## Management Discussion &amp; Analysis

For the three-month period ended November 30, 2025

**SELECTED FINANCIAL INFORMATION (continued)*****Reconciliation of adjusted EBITDA***

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

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

Reconciliation of adjusted EBITDA	Three-month periods ended	
	November 30, 2025	November 30, 2024
Net income	\$ 1,039,549	\$ 2,305,863
Adjustments:		
Changes in fair value of inventory sold	7,061,574	5,918,731
Unrealized gain on changes in fair value of biological assets	(4,805,131)	(6,315,852)
Depreciation, including depreciation in cost of good sold	1,512,908	1,483,084
Write-down of inventory to net realizable value	624,485	356,665
Loss on disposal of property, plant and equipment	-	1,209
Share-based compensation	1,720,646	321,404
Net finance expense	661,195	1,198,165
Income taxes	1,001,397	728,051
Adjusted EBITDA*	\$ 8,816,623	\$ 5,997,320
Adjusted EBITDA as a percentage of Total revenues **	29%	24%

\*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	
	November 30, 2025	November 30, 2024
Cash from operating activities	\$ 7,961,073	\$ 5,834,463
Adjustment:		
Capital expenditures	4,618,491	1,217,269
Free cash flow*	\$ 3,342,582	\$ 4,617,194

\*Non-GAAP financial measure

**SELECTED FINANCIAL INFORMATION (continued)****Q1 2026 vs Q1 2025 Comparable Period Highlights**

- Gross cannabis revenues before excise taxes increased to \$41.8 million in Q1 2026 from \$34.9 million in Q1 2025, a \$6.9 million or 20% increase. The increase is attributable to increased market penetration in existing markets, the launch of vape carts in Quebec and the addition of new genetics and products in its portfolio increasing overall sales generation;
- Total revenues, net of excise taxes, increased to \$30.1 million in Q1 2026 from \$25.1 million in Q1 2025, a \$5.0 million or 20% increase;
- Gross profit before fair value adjustments rose to \$13.5 million in Q1 2026, up 38% from \$9.8 million in Q1 2025. This strong growth was driven by expanded production capacity following the activation of the 11<sup>th</sup> and 12<sup>th</sup> grow zones in Q3 and Q4 2025 in addition to enhancements made to cultivation in the second half of 2025 which resulted in improved yields;
- Gross profit percentage before fair value adjustments increased to 45% in Q1 2026 from 39% in Q1 2025, driven by increased production capacity as well as cultivation and post-processing operational improvements and optimization. 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 was \$2.7 million in Q1 2026 compared to \$4.2 million in Q1 2025. The higher gross profit in Q1 2026 was offset by a net fair value adjustment of \$(2.3) million compared to \$0.4 million in Q1 2026 in addition to slightly higher payroll costs and sales and marketing expenses as operations expand;
- Income before income taxes was \$2.0 million in Q1 2026, down 33% from \$3.0 million in Q1 2025 resulting from a higher share-based compensation expense recorded in the period;
- Net income was \$1.0 million in Q1 2026, compared to \$2.3 million in Q1 2025, mostly attributable to the net fair value adjustments and higher share-based compensation expense mentioned above.
- Adjusted EBITDA increased by 47%, from \$6.0 million in Q1 2025 to \$8.8 million in Q1 2026;
- The Company generated operating cash flow of \$8.0 million in Q1 2026, compared to \$5.8 million in Q1 2025;
- Free cash flow was \$3.3 million in Q1 2026, down from \$4.6 million in Q1 2025, primarily due to the capital expenditures in the quarter related to the Valleyfield Facility construction project ongoing;
- Generated earnings per share of \$0.01 in Q1 2026 compared to \$0.03 in Q1 2025.

**Q1 2026 vs Q4 2025 Quarter over Quarter (“QoQ”) Highlights**

- Gross cannabis revenues before excise taxes increased by 7%, from \$39.1 million in Q4 2025 to \$41.8 million in Q1 2026. This growth was driven by the organic performance of Cannara's products in Quebec and other provinces, supported by the launch of vape carts in Quebec in November 2025;
- Total net revenues, net of excise taxes, increased by 6% QoQ, rising from \$28.3 million in Q4 2025 to \$30.1 million in Q1 2026. The growth reflects Cannara's continued market share gains in key markets;
- Gross profit before fair value adjustments was \$13.5 million, up 14% QoQ;
- Gross profit percentage before fair value adjustments increased from 42% in Q4 2025 to 45% in Q1 2026;
- Operating income was \$2.7 million in Q1 2026 compared to \$5.3 million in Q4 2025 as a result of a \$2.6 million variation in net fair value adjustment on biological assets and inventory;
- Income before income taxes was \$2.0 million in Q1 2026 compared to \$4.5 million in Q4 2025. The decrease stems from the variation in net fair value adjustments in addition to higher share-based compensation expense incurred in the period, both non-cash items
- Net income was \$1.0 million in Q1 2026 compared to a net income of \$3.3 million in Q4 2025;
- Adjusted EBITDA increased by \$1.4 million to \$8.8 million in Q1 2026, compared to \$7.4 million in Q4 2025 as a result of higher gross margin achieved in the period;
- Cash from operating activities was \$8.0 million in Q1 2026, up from \$2.8 million in Q4 2025, reflecting the Company's increasing sales and improved margins.
- Free cash flow for Q1 2026 was \$3.3 million compared to \$1.4 million in Q4 2025.

### 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 gain or loss on disposal of property, plant and equipment and right-of-use assets.

Selected Segment Financial Highlights	Three-month period ended November 30, 2025				Three-month period ended November 30, 2024			
	Cannabis operations	Real estate operations	Other	Total	Cannabis operations	Real estate operations	Other	Total
Gross revenue	\$ 41,825,588	\$ 970,044	\$ -	\$ 42,795,632	\$ 34,898,761	\$ 954,118	\$ -	\$ 35,852,879
Excise taxes	(12,715,847)	-	-	(12,715,847)	(10,898,069)	-	-	(10,898,069)
Net Revenue	29,109,741	970,044	-	30,079,785	24,000,692	954,118	-	24,954,810
Other income	33,390	-	-	33,390	115,604	-	-	115,604
	29,143,131	970,044	-	30,113,175	24,116,296	954,118	-	25,070,414
Gross profit, before fair value adjustments	12,616,585	849,577	-	13,466,162	8,912,343	869,421	-	9,781,764
% <sup>1</sup>	43%	88%	-	45%	37%	91%	-	39%
Gross profit	10,360,142	849,577	-	11,209,719	9,309,464	869,421	-	10,178,885
% <sup>2</sup>	36%	88%	-	37%	39%	91%	-	41%
Operating expenses	6,520,195	-	-	6,520,195	5,343,480	-	-	5,343,480
Segment operating income <sup>3</sup>	3,839,947	849,577	-	4,689,524	3,965,984	869,421	-	4,835,405
% <sup>4</sup>	13%	88%	-	16%	16%	91%	-	19%
Net finance expense	-	-	661,195	661,195	-	-	1,198,165	1,198,165
Other	-	-	1,987,383	1,987,383	-	-	603,326	603,326
Segment net income (loss) before income taxes	3,839,947	849,577	(2,648,578)	2,040,946	3,965,984	869,421	(1,801,491)	3,033,914

<sup>1</sup> Segment gross profit, before fair value adjustments, % is determined as segment gross profit, before fair value adjustments, divided by segment total revenues.

<sup>2</sup> Segment gross profit % is determined as segment gross profit divided by segment total revenues.

<sup>3</sup> Segment operating income is determined as segment operating income before non-cash and other items which are included in “Other” segment.

<sup>4</sup> Segment operating income % is determined as segment operating income divided by segment total revenues.

**SELECTED SEGMENT RESULTS OF OPERATIONS (continued)****Cannabis operations**

For Q1 2026, the segment generated \$29.1 million in cannabis-related and cannabis accessories revenues, net of excise taxes, compared to \$24.0 million for the same period of the prior year, an increase of \$5.1 million or 21%. Compared to Q4 2025, the segment increased its net revenues by 7%, from \$27.2 million to \$29.1 million. The increase in sales is attributable to the increasing demand for its products across the country and the launch of its vape carts in the Quebec market. Periodically, the Company also utilizes its wholesale distribution network to generate additional revenues.

For Q1 2026, the Company incurred \$16.5 million in costs of goods sold, compared to \$15.2 million for the same period of the prior year. Compared to Q4 2025, cost of goods sold were similar.

The segment generated a gross profit before fair value adjustments of \$12.6 million or 43% of segment net revenue for Q1 2026, compared to \$8.9 million or 37% for the same period of the prior year. Compared to Q4 2025, gross profit before fair value adjustments increased by \$1.7 million or 16% reflecting the benefits of the Company's economies of scale.

The change in fair value of inventory sold recognized during Q1 2026 amounted to \$7.1 million compared to \$5.9 million for the same period of the prior year. Compared to Q4 2025, the change in fair value of inventory sold decreased by \$0.5 million or 7%.

For Q1 2026, the Company recognized an unrealized gain on changes in fair value of biological assets of \$4.8 million on the lots in the cultivation cycle that have not yet been harvested compared to \$6.3 million for the same period of the prior year. Compared to Q4 2025, the unrealized gain on changes in fair value of biological assets in Q4 2025 decreased by \$3.2 million. The change 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 \$10.4 million or 36% in gross profit in Q1 2026 compared to \$9.3 million or 39% for the same period of the prior year. This change is attributable to the increased sales combined with benefits achieved from economies of scale offset by the change in fair value of biological assets. Compared to Q4 2025, gross profit decreased by \$0.9 million or 8%.

For Q1 2026, the segment incurred \$6.5 million in operating expenses compared to \$5.3 million for the same period of the prior year resulting in an increase of \$1.2 million or 22%. The increase in operating expenses is mainly attributable to increase sales and marketing initiatives in addition to salaries and facility expenses to support growth of the Company. Compared to Q4 2025, operating expenses increased by \$0.3 million, which remain stable as a percentage of total net revenues.

Overall, the segment generated net income of \$3.8 million for Q1 2026, compared to net income of \$4.0 million for the same period of the prior year. Compared to Q4 2025, net income decreased by \$1.3 million mainly due to the net impact of the fair value adjustment.

**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 November 30, 2025, the Company leased out over 65% of its Farnham Facility to two tenants.

For Q1 2026, lease revenues were \$1.0 million, compared with \$1.0 million for the same period of prior year. To realize these lease revenues during these periods, the Company incurred \$0.1 million in lease operating costs during their respective period, which remain consistently stable over time. The lease revenues generated and operating costs incurred are also similar quarter over quarter.

**Other**

For Q1 2026, the segment incurred \$0.7 million in net finance expense, compared to \$1.2 million for the same period 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 Q4 2025, net finance expense in Q4 2025 decreased by \$0.1 million or 22%.

For three-month period ended November 30, 2025, the segment recorded \$2.0 million in other expenses, respectively, compared to other expenses of \$0.6 million in the same period of the prior year. The increase is attributable to incentive grants in the period which resulted in higher share-based compensation. Compared to Q4 2025, other expenses increased by \$1.3 million due to increased depreciation expense.

### 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:

	November 30, 2025	August 31, 2025	May 31, 2025	February 28, 2025	November 30, 2024	August 31, 2024	May 31, 2024	February 29, 2024
Current assets	\$ 85,036,041	\$ 82,158,198	\$ 84,002,297	\$ 75,210,420	\$ 73,245,207	\$ 67,473,844	\$ 62,020,524	\$ 58,224,875
Non-current assets	88,807,315	86,488,102	86,085,058	86,196,888	87,758,733	87,246,129	86,747,778	87,599,787
<b>Total assets</b>	<b>173,843,356</b>	<b>168,646,300</b>	<b>170,087,355</b>	<b>161,407,308</b>	<b>161,003,940</b>	<b>154,719,973</b>	<b>148,768,302</b>	<b>145,824,662</b>
Current liabilities	\$ 31,496,002	\$ 34,198,830	\$ 34,616,948	\$ 32,051,900	\$ 36,504,270	\$ 27,002,000	\$ 26,777,902	\$ 60,090,241
Non-current liabilities	31,133,208	32,226,493	36,877,001	35,166,943	33,920,914	39,766,484	40,222,572	6,394,151
<b>Total liabilities</b>	<b>62,629,210</b>	<b>66,425,323</b>	<b>71,493,949</b>	<b>67,218,843</b>	<b>70,425,184</b>	<b>66,768,484</b>	<b>67,000,474</b>	<b>66,484,392</b>
<b>Net assets</b>	<b>\$ 111,214,146</b>	<b>\$ 102,220,977</b>	<b>\$ 98,593,406</b>	<b>\$ 94,188,465</b>	<b>\$ 90,578,756</b>	<b>\$ 87,951,489</b>	<b>\$ 81,767,828</b>	<b>\$ 79,340,270</b>
	November 30, 2025	August 31, 2025	May 31, 2025	February 28, 2025	November 30, 2024	August 31, 2024	May 31, 2024	February 29, 2024
Total revenues	\$ 30,113,175	\$ 28,327,201	\$ 27,332,885	\$ 26,586,157	\$ 25,070,414	\$ 23,438,170	\$ 19,544,916	\$ 19,683,203
Gross profit before fair value adjustments	13,466,162	11,799,344	12,057,743	10,832,609	9,781,764	7,040,411	5,747,047	7,141,276
% <sup>1</sup>	45%	42%	44%	41%	39%	30%	29%	36%
Gross profit	11,209,719	12,199,748	12,882,763	11,955,588	10,178,885	10,854,593	6,958,256	4,140,498
Operating income (loss)	2,702,141	5,321,923	6,764,727	5,877,226	4,232,079	5,045,008	3,554,044	(1,959,547)
Net income (loss)	1,039,549	3,313,620	4,142,169	3,314,541	2,305,863	5,754,439	2,023,386	(3,446,620)
Basic and diluted earnings (loss) per share	\$ 0.01	\$ 0.04	\$ 0.05	\$ 0.04	\$ 0.03	\$ 0.06	\$ 0.02	\$ (0.04)
Adjusted EBITDA <sup>2</sup>	8,816,623	7,447,030	7,600,525	7,086,199	5,997,320	3,688,234	2,776,397	3,500,320
% <sup>3</sup>	29%	26%	28%	27%	24%	16%	14%	18%
Cash provided by operating activities	7,961,073	2,827,138	13,901,855	(2,550,030)	5,834,463	3,186,518	4,325,380	2,388,100
Free cash flow <sup>4</sup>	3,342,582	1,361,165	11,695,141	(4,018,763)	4,617,194	2,693,427	1,242,527	1,268,702

<sup>1</sup> Gross profit before fair value adjustments % is determined as Gross profit before fair value adjustments divided by Total revenues.

<sup>2</sup> 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.

<sup>3</sup> Adjusted EBITDA % is a non-GAAP financial ratio and is determined as Adjusted EBITDA divided by Total revenues.

<sup>4</sup> 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	
	November 30, 2025	November 30, 2024
Cash provided by operating activities	\$ 7,961,073	\$ 5,834,463
Cash used in financing activities	(1,245,223)	(1,019,826)
Cash used in investing activities	(4,558,910)	(1,173,839)

### Operating activities

For three-month period ended November 30, 2025, the Company generated positive operating cash flow of \$8.0 million, compared to \$5.8 million in the same period of the prior year. This increase was primarily driven by business scale-up, with significant year-over-year growth in total revenues and gross profit before fair value adjustments.

### Financing activities

For the three-month period ended November 30, 2025, cash used in financing activities remained stable, totaling \$1.2 million compared to \$1.0 million in the same period of the prior year as a result of lower interest paid.

### Investing activities

For the three-month period ended November 30, 2025, cash used in investing activities totaled \$4.6 million, compared to \$1.2 million in the same period of the prior year, attributable to the capital spend for the construction of the post-processing center at the Valleyfield Facility.

## LIQUIDITY AND CAPITAL RESOURCES

As of the date of this MD&A, the operations were financed primarily through cash generated from the sale of cannabis products, recurrent lease revenues, funds raised in equity financings secured in previous quarters, debt raised against immovable 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 operational cashflow to fund the Company's operations and working capital requirements.

The Company had a working capital of \$53.5 million as at November 30, 2025 (August 31, 2025 - \$48.0 million).

As at November 30, 2025, the Company's working capital was composed of:

- cash on hand of \$16.5 million (August 31, 2025- \$14.4 million);
- accounts receivable, biological assets, inventory, prepaid expenses and other assets of \$68.5 million (August 31, 2025- \$67.8 million);
- accounts payable and accrued liabilities, excise tax payable, sales tax payable and deferred grant income of \$22.2 million (August 31, 2024- \$20.8 million); and
- credit facilities, and current portion of long-term debt, lease liabilities and term loan of \$9.3 million (August 31, 2025- \$13.4 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 November 30, 2025 along with its forecasted cash flows and available undrawn credit facilities and term loan will be able to fund its planned operating expenses for at least the next twelve months from November 30, 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 November 30, 2025	As at August 31, 2025
Total current assets	\$ 85,036,041	\$ 82,158,198
Total current liabilities	31,496,002	34,198,830
<b>Working capital*</b>	<b>\$ 53,540,039</b>	<b>\$ 47,959,368</b>

*\*Non-IFRS financial measure*

#### **Financing**

Type of loan	Interest Rate	Maturity	Balance as at November 30, 2025	Balance as at August 31, 2025
Revolving credit facility A <sup>(1)</sup>	5.29%	December 28, 2025	\$ 6,258,000	\$ 6,258,000
Revolving credit facility B <sup>(1)</sup>	5.31%	December 14, 2025	500,000	500,000
Term loan <sup>(1)</sup>	5.31%	December 31, 2027	27,583,205	28,029,108

<sup>1</sup> 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 November 30, 2025, the average interest rate was 5.29% on the credit facilities and 5.31% 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 November 30, 2025, the Company met all of the imposed covenants.

### **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	\$ 12,212,455	\$ 12,212,455	\$ -	\$ 12,212,455
Revolving credit facilities	6,758,000	6,758,000	-	6,758,000
Long-term debt	139,872	229,983	-	229,983
Lease liabilities <sup>(2)</sup>	322,579	289,761	50,988	340,749
Term loan <sup>(1)</sup>	27,583,205	1,965,961	25,996,695	27,962,656

<sup>1</sup> 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, 2027.

<sup>2</sup> The Company is committed to future minimum annual lease with respect to a lease for the head office and several leases for 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 \$5.1 million letter of credit to cover deposit requirements with a provincial supplier, which is expected to gradually decrease as electricity is consumed at the Valleyfield Facility, and a \$0.1 million letter of credit as collateral for services with another supplier.

### **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. Transactions with related parties are conducted in the normal course of business and on terms equivalent to those that prevail in arm's length transactions. These transactions have been measured at the amounts of consideration agreed between the parties and are settled under standard commercial terms.

#### **Transaction with a related party**

For the three-month period ended November 30, 2025, the Company recognized \$54,000 million as interest expense on the convertible debenture compared to \$150,000 on the convertible debenture and debt financing guarantee fees in the same period of the prior year. The Company also paid \$63,000 in rent and incurred \$93,000 in other expenses and/or capital expenditures during Q1 2026, compared to \$61,000 in rent and \$7,000 in other expenses in the same period of the prior year.

The Company also recognized \$264,000 as lease liabilities as at November 30, 2025, regarding a lease arrangement for the head office (August 31, 2025 – \$324,000).

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-month period ended November 30, 2025, salaries and benefits incurred for key management personnel amounted to \$300,000 (2025 - \$244,000); share-based compensation attributable to key management and directors was \$1.4 million (2025 - \$0.3 million) and director fees were \$43,800 (2025 - \$42,500). As at November 30, 2025, the Company owed \$101,000 (August 31, 2025 - \$552,000) to key management personnel for accrued salaries and vacation expenses, and \$43,800 (August 31, 2025 – \$40,000) to members of the board for director's fees.

**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 represents the potential for financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Company is exposed to credit risk primarily through its cash balances, accounts receivable, prepaid expenses and other deposits.

Cash balances expose the Company to credit risk arising from potential default by the financial institutions that hold its funds or execute currency transactions. This risk is mitigated by placing funds only with large, well-established financial institutions that carry investment-grade credit ratings. All counterparties met these criteria as at November 30, 2025.

The carrying amount of accounts receivable in the consolidated statement of financial position is presented net of an allowance for expected credit losses, which is estimated by management based on the ageing of balances, historical loss experience, and forward-looking information on customer creditworthiness. As at November 30, 2025, none of the receivables were past due, and the allowance for expected credit losses was nominal.

The Company's maximum exposure to credit risk corresponds to the carrying amount of its financial assets recognized on the consolidated statement of financial position.

**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 monitoring its compliance with financial covenants and assessing capital requirements on an ongoing basis, as well as by maintaining cash flow forecasts and long-term operating and strategic plans.

As at November 30, 2025, the Company had current assets of \$85.0 million and current liabilities of \$31.5 million, for a working capital balance of \$53.5 million. The Company expects that its existing cash resources of \$16.5 million as at November 30, 2025, along with its forecasted cashflows, undrawn credit facilities and term loan, will be able to fund its planned operating expenses for at least the next twelve months from November 30, 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. In Q1 2026, the Company generated 89% of its cannabis revenues from three provincial distributors, compared to 88% in the prior year. As at November 30, 2025, these three customers, together, represented approximately \$13.9 million of accounts receivable at quarter-end. These customers are provincial government entities, and accordingly, management considers the related credit risk to be minimal given their high credit quality and consistent payment history.

## **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, 2025.

## RISK FACTORS

For a detailed discussion of business risk factors, please refer to the Company's AIF, available on SEDAR+ at [www.sedarplus.ca](http://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, 2025.

## **SUMMARY OF OUTSTANDING SHARE DATA**

*Summary of Outstanding Share Data as of January 23, 2025:*

Authorized: Unlimited number of voting and participating common shares without par value.

Issued and outstanding: 95,782,148 common shares

8,645,000 share options

242,500 RSUs



TSXV: **LOVE** OTCQX: **LOVFF** FRA: **8CBO**

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