TSXV: LOVE OTCQX: LOVFF FRA: 8CB0

CANNARA BIOTECH INC.

Condensed Interim Consolidated Financial Statements

For the three-month periods ended

November 30, 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 November 30, 2025 and August 31, 2025
(Unaudited - in Canadian dollars)

	November 30, 2025	August 31, 2025
Assets		
Current assets		
Cash	$ 16,516,956	$ 14,360,016
Accounts receivable	15,221,605	14,106,082
Biological assets (note 3)	5,914,066	6,815,941
Inventory (note 4)	46,052,183	44,516,056
Prepaid expenses and other assets	1,331,231	2,360,103
	85,036,041	82,158,198
Deposits	159,160	159,160
Deferred financing costs	131,675	52,164
Deposits on property, plant and equipment	329,309	276,505
Property, plant and equipment (note 5)	87,906,210	85,651,268
Right-of-use asset (note 6)	280,961	349,005
	$ 173,843,356	$ 168,646,300
Liabilities and Shareholders' Equity		
Current liabilities		
Accounts payable and accrued liabilities	$ 12,212,455	$ 11,082,834
Excise tax payable	8,018,805	7,446,336
Sales tax payable	2,002,655	2,237,696
Deferred lease revenue	–	69,720
Revolving credit facilities (note 7)	6,758,000	6,758,000
Current portion of convertible debenture (note 7)	–	4,072,270
Current portion of long-term debt	139,872	221,319
Current portion of deferred grant income	125,386	63,536
Current portion of lease liabilities (note 6)	272,868	281,158
Current portion of term loan (note 7)	1,965,961	1,965,961
	31,496,002	34,198,830
Lease liabilities (note 6)	49,711	114,804
Convertible debenture (note 7)	–	2,104,285
Deferred grant income	1,398,819	878,220
Deferred income tax liabilities	4,067,434	3,066,037
Term loan (note 7)	25,617,244	26,063,147
	62,629,210	66,425,323
Shareholders' equity		
Share capital (note 8)	97,239,451	89,764,540
Contributed surplus	12,756,866	12,278,157
Retained earnings	1,217,829	178,280
Total equity	111,214,146	102,220,977
Contingencies (note 13)		
Subsequent events (note 17)		
	$ 173,843,356	$ 168,646,300

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-month periods ended November 30, 2025 and 2024
(Unaudited)

	Three-month periods ended	
	November 30, 2025	November 30, 2024
Revenue		
Revenue from sale of goods (note 14)	$ 41,825,588	$ 34,898,761
Excise taxes	(12,715,847)	(10,898,069)
Net revenue from sale of goods	29,109,741	24,000,692
Lease revenue (note 14)	970,044	954,118
Other income	33,390	115,604
	30,113,175	25,070,414
Cost of sales		
Cost of goods sold (note 4)	16,526,546	15,203,953
Lease operating costs	120,467	84,697
Gross profit before fair value adjustments	13,466,162	9,781,764
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
Gross profit	11,209,719	10,178,885
Operating expenses		
General and administrative (note 10)	3,176,544	2,672,702
Selling, marketing and promotion	2,709,659	2,228,734
Professional and legal fees	346,543	270,355
Research and development	287,449	171,689
Share-based compensation (note 9)	1,720,646	321,404
Depreciation (note 5 and 6)	266,737	280,713
Loss on disposal of property, plant and equipment	–	1,209
	8,507,578	5,946,806
Operating income	2,702,141	4,232,079
Net finance expense (note 11)	661,195	1,198,165
Income before income taxes	2,040,946	3,033,914
Income taxes expense	1,001,397	728,051
Net income and comprehensive income	$ 1,039,549	$ 2,305,863
Earnings per share (note 9):		
basic	$ 0.01	$ 0.03
diluted	$ 0.01	$ 0.03
Weighted average number of common shares (note 9):		
basic	93,716,275	90,018,952
diluted	96,179,509	91,578,396

See accompanying notes to condensed interim consolidated financial statements.

CANNARA BIOTECH INC.

Condensed Interim Consolidated Statements of Changes in Equity
For the three-month periods ended November 30, 2025 and 2024
(Unaudited - in Canadian dollars)

	Shares	Share capital	Contributed surplus	Retained earnings	Total equity
As at August 31, 2025	91,433,135	$ 89,764,540	$ 12,278,157	$ 178,280	$ 102,220,977
Net income	–	–	–	1,039,549	1,039,549
Share-based compensation (note 9)					
Employee compensation	–	–	1,714,973	–	1,714,973
Other services	–	–	5,673	–	5,673
Convertible debenture conversion into common shares (note 7)	3,462,763	7,474,911	(1,241,937)	–	6,232,974
As at November 30, 2025	94,895,898	$ 97,239,451	$ 12,756,866	$ 1,217,829	$ 111,214,146

	Shares	Share capital	Contributed surplus	Deficit	Total equity
As at August 31, 2024	90,018,952	$ 88,523,025	$ 12,326,377	$ (12,897,913)	$ 87,951,489
Net income	–	–	–	2,305,863	2,305,863
Share-based compensation (note 9)	–	–	321,404	–	321,404
As at November 30, 2024	90,018,952	$ 88,523,025	$ 12,647,781	$ (10,592,050)	$ 90,578,756

See accompanying notes to condensed interim consolidated financial statements.

CANNARA BIOTECH INC.

Condensed Interim Consolidated Statements of Cash Flows
For the three-month periods ended November 30, 2025 and 2024
(Unaudited - in Canadian dollars)

	November 30, 2025	November 30, 2024
Cash provided by (used in):		
Operating		
Net income	$ 1,039,549	$ 2,305,863
Items not involving cash:		
Changes in fair value of inventory sold	7,061,574	5,918,731
Unrealized gain on changes in fair value of biological assets (note 3)	(4,805,131)	(6,315,852)
Depreciation of property, plant and equipment (note 5)	1,512,908	1,483,084
Depreciation of right-of-use asset (note 6)	68,044	70,494
Loss on disposal of property, plant and equipment	–	1,209
Interest expense (note 11)	552,044	986,936
Interest on lease liabilities (note 6)	8,101	13,704
Interest income (note 11)	(82,701)	(61,415)
Share-based compensation (note 9)	1,720,646	321,404
Accretion on financing and amortization of financing costs (note 7)	47,968	50,054
Income taxes expense	1,001,397	728,051
Net change in non-cash operating working capital items (note 16)	(163,326)	332,200
	7,961,073	5,834,463
Financing		
Repayment of term loan (note 7)	(491,490)	(491,491)
Proceed from credit facility (note 7)	–	500,000
Payment of debt financing issuance costs	(79,511)	–
Interest paid on debt instruments (note 7)	(511,291)	(871,105)
Payment of interest on letter of credit	–	(49,435)
Lease payments (note 6)	(81,484)	(82,788)
Other long-term debt payments	(81,447)	(25,007)
	(1,245,223)	(1,019,826)
Investing		
Deposits on property, plant and equipment	(302,750)	(346,193)
Acquisitions of property, plant and equipment (note 5)	(4,315,741)	(871,076)
Proceed from disposal of property, plant and equipment	–	3,068
Interest received	59,581	40,362
	(4,558,910)	(1,173,839)
Net change in cash	2,156,940	3,640,798
Cash, beginning of period	14,360,016	6,620,387
Cash, end of period	$ 16,516,956	$ 10,261,185

See accompanying notes to condensed interim consolidated financial statements.

1. Nature of operations

Cannara Biotech Inc. ("Cannara" or the "Company") is a vertically integrated producer of premium-grade cannabis and cannabis-derivative products 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 OTCQX® Best Market ("OTCQX") 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 1,600,000 square feet. Cannara's first purpose-built, modern indoor cultivation facility is located in Farnham, Quebec and measures over 600,000 square feet, comprising approximately 190,000 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 12 of its 24 growing zones to-date, representing 300,000 square feet of active growing capacity. The Company sells its products under three flagship brands: Tribal, Nugz and Orchid CBD.

The Company generated a net income of approximately $1.0 million during the three-month period ended November 30, 2025 (2025 – $2.3 million) and has retained earnings of approximately $1.2 million as at November 30, 2025 (August 31, 2025 – $0.2 million).

The ability of the Company to continue to deliver 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 term loan, and, if necessary, additional equity or debt financing.

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 January 23, 2026.

(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, 2025. 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, 2025.

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 presented in the Company's audited consolidated financial statements and notes thereto for the year ended August 31, 2025.

(Unaudited - in Canadian dollars)

3. 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, 2024	$	6,649,591
Production costs capitalized		22,433,561
Change in fair value due to biological transformation, less cost to sell		29,622,019
Transferred to inventory upon harvest		(51,889,230)
Carrying amount, August 31, 2025	$	6,815,941
Production costs capitalized		5,976,020
Change in fair value due to biological transformation, less cost to sell		4,805,131
Transferred to inventory upon harvest		(11,683,026)
Carrying amount, November 30, 2025	$	5,914,066

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

- expected average 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 November 30, 2025.

(Unaudited - in Canadian dollars)

3. 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 November 30, 2025:

Unobservable inputs	Input values	Sensitivity analysis
Selling price Represents the average expected selling price per gram of dried cannabis, excluding excise taxes, where applicable, which is expected to approximate future selling prices. The average selling price varies depending on the estimated products for each genetic in the cultivation cycle. Management has used the selling price of packaged dried cannabis for its flower material and a wholesale price for cannabis used in derivatives products, representing a market value before transformation.	$2.08 to $3.26 per gram as selling price for packaged dried cannabis (August 31, 2025 – $2.09 to $3.31 per gram)	An increase or decrease of 5% applied to the selling price would result in a change of approximately $551,000 to the valuation.
Yield per plant Represents the average number of grams of dried cannabis expected to be harvested from each cannabis plant from the two facilities.	87 grams per plant (August 31, 2025 – 89 grams per plant)	An increase or decrease of 15% applied to the average yield per plant would result in a change of approximately $878,000 to the valuation.
Stage of completion 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.	Weighted average stage of completion is 48% (August 31, 2025 – 50%)	An increase or decrease of 5% applied to the average stage of growth per plant would result in a change of approximately $254,000 to the valuation.

As at November 30, 2025, it is expected that the Company's biological assets will yield approximately 10,257 kilograms of dried cannabis when harvested (As at August 31, 2025 – 11,108 kilograms of dried cannabis).

(Unaudited - in Canadian dollars)

4. Inventory

Inventory consists of the following:

	Capitalized cost	Fair value adjustment[1]	November 30, 2025 Total
Raw materials - cultivation and supplies	$ 7,812,032	$ –	$ 7,812,032
Harvested cannabis			
Dried cannabis and work-in-progress	11,786,722	7,441,562	19,228,284
Finished goods	2,625,240	1,186,454	3,811,694
Derivative products			
Derivatives products and work-in-progress	7,801,715	3,635,915	11,437,630
Finished goods	2,579,600	491,689	3,071,289
Finished goods – cannabis accessories	691,254	–	691,254
	$ 33,296,563	$ 12,755,620	$ 46,052,183

	Capitalized cost	Fair value adjustment[1]	August 31, 2025 Total
Raw materials - cultivation and supplies	$ 6,653,585	$ –	$ 6,653,585
Harvested cannabis			
Dried cannabis and work-in-progress	11,244,376	9,276,198	20,520,574
Finished goods	2,137,733	930,175	3,067,908
Derivative products			
Derivative products and work-in-progress	6,959,089	3,456,914	10,416,003
Finished goods	2,501,105	510,824	3,011,929
Finished goods - cannabis accessories	846,057	–	846,057
	$ 30,341,945	$ 14,174,111	$ 44,516,056

[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-month period ended November 30, 2025 was $16,526,546 (2025 – $15,203,953), including an impairment loss on inventory of $624,485 (2025 – $356,665), and $1,347,663 in fair value adjustment was recognized in change in fair value of inventory sold for cannabis that exceeded its net realizable value (2025 – $563,730).

(Unaudited - in Canadian dollars)

5. 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, 2025	$ 2,330,099	$ 77,758,451	$ 20,831,519	$ 1,943,281	$ 52,515	$ 2,659,535	$ 4,654,319	$ 110,229,719
Additions	–	5,051	1,127,489	15,473	–	11,259	2,627,453	3,786,725
Transfer	–			–	–	75,454	(75,454)	–
Balance as at November 30, 2025	$ 2,330,099	$ 77,763,502	$ 21,959,008	$ 1,958,754	$ 52,515	$ 2,746,248	$ 7,206,318	$ 114,016,444
Accumulated depreciation								
Balance as at August 31, 2025	$ –	$ (16,050,509)	$ (5,781,119)	$ (1,548,818)	$ (32,560)	$ (1,165,445)	$ –	$ (24,578,451)
Depreciation	–	(883,306)	(535,440)	(44,429)	(2,120)	(66,488)	–	(1,531,783)
Balance as at November 30, 2025	$ –	$ (16,933,815)	$ (6,316,559)	$ (1,593,247)	$ (34,680)	$ (1,231,933)	$ –	$ (26,110,234)
Net book value								
Balance as at November 30, 2025	$ 2,330,099	$ 60,829,687	$ 15,642,449	$ 365,507	$ 17,835	$ 1,514,315	$ 7,206,318	$ 87,906,210

As at November 30, 2025, the assets included in construction in progress represent mainly the assets of the unused portion of the Valleyfield Facility and capital expenditures related to the build-out of the post-processing area. These costs are transferred to other categories as the assets become available or ready for use.

As part of its real estate segment, the Company uses the non-cannabis licensed area of the Farnham building to generate lease revenues. As at November 30, 2025, a net book value of $7,517,907 related to the Farnham building is recognized as an investment property (As at August 31, 2025 – $7,984,905). The fair value of the Farnham building is not reliably measured on a continuous basis and, as such, the fair value of the building is not known, and thus it was measured using the cost model as per IAS 16, Property, plant and equipment.

(Unaudited - in Canadian dollars)

5. Property, plant and equipment (continued)

	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	–	118,089	5,444,688	269,194	16,075	130,598	2,048,537	8,027,181
Transfer	–	1,422,030	680,855	–	–	–	(2,102,885)	–
Disposal	–	–	(406,104)	–	(3,700)	–	–	(409,804)
Derecognition of fully amortized assets	–	(491,962)	(1,234,471)	(59,141)	(2,000)	–	–	(1,787,574)
Balance as at August 31, 2025	$ 2,330,099	$ 77,758,451	$ 20,831,519	$ 1,943,281	$ 52,515	$ 2,659,535	$ 4,654,319	$ 110,229,719
Accumulated amortization								
Balance as at August 31, 2024	$ –	$ (13,193,888)	$ (4,662,315)	$ (1,264,345)	$ (24,865)	$ (913,798)	$ –	$ (20,059,211)
Depreciation	–	(3,348,583)	(2,488,435)	(343,614)	(10,743)	(251,647)	–	(6,443,022)
Disposal	–	–	135,160	–	1,048	–	–	136,208
Derecognition of fully amortized assets	–	491,962	1,234,471	59,141	2,000	–	–	1,787,574
Balance as at August 31, 2025	$ –	$ (16,050,509)	$ (5,781,119)	$ (1,548,818)	$ (32,560)	$ (1,165,445)	$ –	$ (24,578,451)
Net book value								
Balance as at August 31, 2025	$ 2,330,099	$ 61,707,942	$ 15,050,400	$ 394,463	$ 19,955	$ 1,494,090	$ 4,654,319	$ 85,651,268

During the three-month period ended November 30, 2025, the Company recognized $1,531,783 as depreciation expense (2025 – $1,471,725), of which $198,693 has been recognized in the consolidated statement of net income and comprehensive income (2025 – $210,219), and $1,333,090 (2025 – $1,261,506) has been included in the calculation of the biological assets and inventory valuation and for which some lots were ultimately used for research and development.

(Unaudited - in Canadian dollars)

6. Right-of-use assets and lease liabilities

(a) Right-of-use assets

	November 30, 2025	August 31, 2025
Cost		
Balance, beginning of period	$ 1,004,704	$ 987,986
Additions	–	47,636
Disposal	–	(23,500)
Derecognition of fully amortized assets	–	(7,418)
Balance, end of period	$ 1,004,704	$ 1,004,704
Accumulated depreciation		
Balance, beginning of period	$ (655,699)	$ (392,768)
Depreciation	(68,044)	(282,099)
Disposal	–	11,750
Derecognition of fully amortized assets	–	7,418
Balance, end of period	$ (723,743)	$ (655,699)
Net book value		
Balance, end of period	$ 280,961	$ 349,005

(b) Lease liabilities

	November 30, 2025	August 31, 2025
Maturity analysis - contractual undiscounted cash flows:		
Less than one year	$ 289,761	$ 304,170
One to five years	50,988	118,063
Total undiscounted lease liabilities	$ 340,749	$ 422,233
Current	$ 272,868	$ 281,158
Non-current	49,711	114,804
Lease liabilities included in the condensed interim consolidated statement of financial position	$ 322,579	$ 395,962

Balance as at August 31, 2025	$ 395,962
Lease payments	(81,484)
Interest on lease liabilities	8,101
Balance as at November 30, 2025	$ 322,579

(Unaudited - in Canadian dollars)

7. Financing

(a) Revolving credit facilities

	November 30, 2025	August 31, 2025
Net carrying value, beginning of period	$ 6,758,000	$ 6,259,298
Proceeds from revolving credit facilities	–	500,000
Repayment of revolving credit facilities	–	(1,298)
Net carrying value, end of period	$ 6,758,000	$ 6,758,000

	November 30, 2025	Expiry date
Revolving credit facility A	$ 6,258,000	2025-12-28
Revolving credit facility B	500,000	2025-12-14
Net carrying value, end of period	$ 6,758,000	

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 November 30, 2025, the weighted average interest rate on the revolving credit facilities was 5.29% (As at August 31, 2025 – 5.75%).

The term of the revolving credit facilities is December 31, 2027, and has the same security, guarantees and covenants as the term loan (note 7 (b)). 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-month period ended November 30, 2025, the Company recognized $96,535 as interest expense for the revolving credit facilities (2025 – $129,424). As at November 30, 2025, accrued interest of $4,862 was included in account payables and accrued liabilities (As at August 31, 2025 – $6,355).

(Unaudited - in Canadian dollars)

7. Financing (continued)

(b) Term loan

	November 30, 2025	August 31, 2025
Net carrying value, beginning of period	$ 28,029,108	$ 34,976,596
Repayment of term loan	(491,490)	(6,933,154)
Additional of term loan issuance costs	–	(190,620)
Amortization of deferred financing costs	45,587	176,286
Net carrying value, end of period	$ 27,583,205	$ 28,029,108
Term loan [i]	$ 27,962,656	$ 28,454,147
Less: unamortized financing costs	(379,451)	(425,039)
	27,583,205	28,029,108
Short-term portion of term loan	(1,965,961)	(1,965,961)
	$ 25,617,244	$ 26,063,147

[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 November 30, 2025, the interest on the term loan was 5.31% (As at August 31, 2025 – 5.77%). The term loan is reimbursable quarterly, and the term is December 31, 2027. The term loan is secured by a first-ranking mortgage against the Farnham and Valleyfield Facilities.

As part of the financing agreement, the lender also issued a $5.1 million letter of credit to a provincial service provider to fund certain deposit requirements part of the Valleyfield acquisition in 2021 and $0.1 million to another supplier. A fee is charged in exchange for this service (note 11).

For the three-month period ended November 30, 2025, the Company recognized $396,444 as interest expense for the term loan (2025 – $703,865). As at November 30, 2025, accrued interest of $69,190 was included in account payables and accrued liabilities (As at August 31, 2025 – $80,982).

The Company obtained approval for a $10 million committed delayed capital expenditures debt facility to finance the Company's capital expansion projects. As at November 30, 2025, the Company had not made any draws and has incurred $131,675 of financing fees which are presented as deferred financing costs (As at August 31, 2025 – $52,164).

The Company has to respect specific financial covenants which are: (a) maintaining a certain liquidity coverage at all the times, (b) maintaining a fixed charge coverage ratio equal to or more than 1.25 to 1.0, and (c) maintaining a funded debt to EBITDA ratio equal to or less than 3.5 to 1.0 at each quarter-end. As at November 30, 2025, the Company has met all of these financial covenants.

(Unaudited - in Canadian dollars)

7. Financing (continued)

(c) Convertible debenture

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

	November 30, 2025	August 31, 2025
Net carrying value, beginning of period	$ 6,176,555	$ 6,442,350
Repayment	–	(1,000,000)
Loss on convertible debenture modification	–	26,764
Interest expense	54,038	643,375
Accretion	2,381	64,066
Conversion of debenture into common shares	(6,232,974)	–
Net carrying value, end of period	$ –	$ 6,176,555
Short-term portion of the convertible debenture	–	(4,072,270)
	$ –	$ 2,104,285

On October 1, 2025, the Company received a notice of conversion to convert the principal and accrued interest totalling $6,232,974 into 3,462,763 common shares of the Company for which the Company issued common shares from treasury. The net carrying balance of convertible debenture of $6,232,974 and the initial equity portion of $1,241,937 recorded in contributed surplus were reclassed to common shares on the conversion date.

During the three-month period ended November 30, 2025, the Company recognized $54,038 as interest expense (2025 – $149,508).

8. Share Capital

(a) Authorized

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

(b) Transactions on share capital

During the first quarter of 2026, the Company issued 3,462,763 common shares following the conversion of the convertible debenture (note 7 c)).

(Unaudited - in Canadian dollars)

8. 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 year, while the diluted earnings per share was adjusted for the effects of potential dilutive common shares such as options and convertible debentures.

The calculations for basic and diluted earnings per share for the three-month period ended November 30, 2025 and 2024 was as follows:

		November 30, 2025		November 30, 2024
Net income	$	1,039,549	$	2,305,863
Issued common shares, beginning of the period		91,433,135		90,018,952
Issued common shares for convertible debenture conversion		2,283,140		–
Weighted average number of common shares, basic		93,716,275		90,018,952
Impact of dilutive securities:				
Restricted share units		1,128,750		1,559,444
Share options		1,334,484		–
Weighted average number of common shares, diluted		96,179,509		91,578,396
Earning per share – basic	$	0.01	$	0.03
Earning per share – diluted	$	0.01	$	0.03

For the three-month ended November 30, 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: 3,058,600 share options (2025 – 5,133,203 and 2,611,111 shares as-if the convertible debenture were converted).

(Unaudited - in Canadian dollars)

9. Share-based compensation

(a) Share option plan

The Company has established a share option plan whereby certain person 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. The aggregate number of share options and restricted share units that may be granted under the Company's equity incentive plans shall not exceed 10% of the Company's 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 and expire after ten years maximum from the date of issue or as approved by the Board of Directors. 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 maximum discounted fair value of the common shares on the grant date as per TSX.V rules. Outstanding share 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.

The activity of outstanding share options for the three-month periods ended November 30, 2025 and 2024 was as follows:

	November 30, 2025		November 30, 2024	
	Number	Weighted average exercise price	Number	Weighted average exercise price
Outstanding, beginning of period	8,658,018	$ 1.48	4,539,687	$ 1.59
Granted	44,600	1.80	640,000	1.14
Forfeited	(15,000)	1.80	(29,897)	1.80
Expired	(4,018)	1.80	(16,587)	1.80
Outstanding, end of period	8,683,600	1.48	5,133,203	1.53
Exercisable, end of period	4,162,963	$ 1.56	3,350,467	$ 1.62

During the three-month period ended November 30, 2025, the Company recorded a share-based compensation expense of $1,547,664 in the consolidated statement of net income and comprehensive income (2025 – $94,723).

(Unaudited - in Canadian dollars)

9. Share-based compensation (continued)

(a) Share option plan (continued)

During the first quarter of 2026, the Company granted 44,600 share options at an exercise price of $1.80 to certain employees subject to certain, vesting in one year and expiring after seven years.

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

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:

	Three-month periods ended	
	November 30, 2025	November 30, 2024
Share price (i)	$ 1.72	$ 0.68
Exercise price	$ 1.80	$ 1.14
Risk-free interest rate (ii)	2.95%	3.18%
Expected life (iii)	7 years	7 years
Expected price volatility (iv)	72%	73%
Fair value of the option	$ 1.18	$ 0.44
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.

(Unaudited - in Canadian dollars)

9. Share-based compensation (continued)

(a) Share option plan (continued)

The number of outstanding share 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
Dec 2026 to Nov 2027	$ 1.80	121,100	121,100	0.26
Dec 2027 to Nov 2028	1.80	566,000	529,976	1.67
Dec 2028 to Nov 2029	1.80	275,000	183,725	2.56
Dec 2029 to Nov 2030	1.00 to 1.80	2,572,500	2,535,302	3.68
Dec 2030 to Nov 2031	1.00 to 1.80	1,327,500	490,767	5.48
Dec 2031 and after	1.25 to 1.80	3,821,500	302,093	9.58
		8,683,600	4,162,963	6.33 years

(b) Restricted Share Units

The Company has established a Restricted Share Units Plan where the aggregate number of restricted share units and share options that may be granted under the Company's equity incentive plans shall not exceed 10% of the Company's 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.

During the three-month period ended November 30, 2024, the Company granted 90,000 RSUs without performance conditions and 625,000 PSUs with performance conditions which are exercisable for no consideration.

During the three-month period ended November 30, 2025, the Company recorded a share-based compensation expense of $172,982 in the consolidated statement of net income and comprehensive income for the RSUs and PSUs (2025 – $226,681).

(Unaudited - in Canadian dollars)

9. Share-based compensation (continued)

(b) Restricted Share Units (continued)

The outstanding RSUs for the three-month periods ended November 30, 2025 and 2024 are as follows:

	November 30, 2025 Number	November 30, 2025 Weighted average fair value	November 30, 2024 Number	November 30, 2024 Weighted average fair value
Outstanding, beginning of period	347,500	$ 1.24	1,504,183	$ 0.88
Granted	–	–	90,000	0.68
Outstanding, end of period	347,500	$ 1.24	1,594,183	$ 0.87

Vesting date	Number outstanding
December 6, 2025	90,000
November 22, 2026	90,000
April 25, 2027	22,500
August 28, 2027	145,000
	347,500

The outstanding PSUs for the three-month periods ended November 30, 2025 and 2024 are as follows:

	November 30, 2025 Number	November 30, 2025 Weighted average fair value	November 30, 2024 Number	November 30, 2024 Weighted average fair value
Outstanding, beginning of period	625,000	$ 0.68	–	$ –
Granted	–	–	625,000	0.68
Outstanding, end of period	625,000	$ 0.68	625,000	$ 0.68

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

(Unaudited - in Canadian dollars)

10. General and administrative

	Three-month periods ended November 30, 2025	Three-month periods ended November 30, 2024
Salaries and benefits	$ 1,390,408	$ 1,151,895
Administrative and regulatory expenses	1,306,980	1,016,700
Facilities expense	479,156	504,107
General and administrative	$ 3,176,544	$ 2,672,702

11. Net finance expense

	Three-month periods ended November 30, 2025	Three-month periods ended November 30, 2024
Interest income	$ 82,701	$ 61,415
Finance income	82,701	61,415
Interest on term loan	396,444	703,865
Interest on credit facilities	96,535	129,424
Interest on convertible debenture	54,038	149,508
Interest on lease liabilities	8,101	13,704
Interest on other long-term debt	5,027	4,139
Fees related to letter of credit	32,903	50,350
Debt guarantee fees	–	93,750
Accretion and amortization of financing costs	47,968	50,054
Other finance expense	40,633	51,815
Foreign exchange loss	62,247	12,971
Finance expense	743,896	1,259,580
Net finance expense	$ 661,195	$ 1,198,165

12. 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 and term loan approximate their carrying amounts, as the interest rate approximates the current market rate.

13. 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 November 30, 2025, there are no material claims in favor or against the Company.

14. 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, depreciation, net finance expense, loss on disposal of property, plant and equipment 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, 2025.

(Unaudited - in Canadian dollars)

14. Segment disclosures (continued)

(a) Reportable segments (continued)

	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
Revenue								
Revenue from sale of goods	$ 41,825,588	$ –	$ –	$ 41,825,588	$ 34,898,761	$ –	$ –	$ 34,898,761
Excise taxes	(12,715,847)	–	–	(12,715,847)	(10,898,069)	–	–	(10,898,069)
Net revenue from sale of goods	29,109,741	–	–	29,109,741	24,000,692	–	–	24,000,692
Lease revenue	–	970,044	–	970,044	–	954,118	–	954,118
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
Cost of revenues								
Cost of goods sold	16,526,546	–	–	16,526,546	15,203,953	–	–	15,203,953
Lease operating costs	–	120,467	–	120,467	–	84,697	–	84,697
Segment gross profit before fair value adjustments	12,616,585	849,577	–	13,466,162	8,912,343	869,421	–	9,781,764
Changes in fair value of inventory sold	(7,061,574)	–	–	(7,061,574)	(5,918,731)	–	–	(5,918,731)
Unrealized gain on changes in fair value of biological assets	4,805,131	–	–	4,805,131	6,315,852	–	–	6,315,852
Segment gross profit	10,360,142	849,577	–	11,209,719	9,309,464	869,421	–	10,178,885
Operating expenses	6,520,195	–	–	6,520,195	5,343,480	–	–	5,343,480
Segment operating income	3,839,947	849,577	–	4,689,524	3,965,984	869,421	–	4,835,405
Share-based compensation	–	–	1,720,646	1,720,646	–	–	321,404	321,404
Depreciation	–	–	266,737	266,737	–	–	280,713	280,713
Loss on disposal of property, plant and equipment	–	–	–	–	–	–	1,209	1,209
Net finance expense	–	–	661,195	661,195	–	–	1,198,165	1,198,165
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

(Unaudited - in Canadian dollars)

14. Segment disclosures (continued)

(b) Entity-wide disclosures

All property, plant and equipment are located in Canada.

(c) Sources of lease revenues

As at November 30, 2025, the Company leased out over 65% of its Farnham Facility and realized 100% of its lease revenue with two lessees:

- The lease term for Tenant A is up to September 30, 2032. Lease revenues from this tenant for the three-month period ended November 30, 2025 amounted to $187,171 (2025 – $181,072).
- The lease term for Tenant B is up to October 31, 2026 and could be renewed 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-month period ended November 30, 2025 amounted to $782,873 (2024 – $773,046).

Income is generated from customers domiciled in Canada.

(d) Source of cannabis and cannabis accessories revenues

	Three-month periods ended	
	November 30, 2025	November 30, 2024
Revenue from Canadian retailers	$ 39,960,995	$ 34,101,768
Excise taxes	(12,715,847)	(10,898,069)
	27,245,148	23,203,699
Revenue from Canadian wholesale	1,818,439	739,692
Revenue from online merchandise	46,154	57,301
	$ 29,109,741	$ 24,000,692

For the three-month period ended November 30, 2025, the Company has 3 provincial distributors customers that each represent more than 10% of the cannabis revenues. Customer A accounted approximately for 50% of the revenues (2025 – 49%), Customer B for approximately 29% (2025 – 26%) and Customer C for approximately 10% (2025 – 13%).

(Unaudited - in Canadian dollars)

15. 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 and share-based compensation were as follows:

	Three-month periods ended	
	November 30, 2025	November 30, 2024
Salaries and benefits	$ 300,000	$ 243,750
Shared-based compensation	1,396,554	294,427
Board of Directors' fees	43,750	42,500
	$ 1,740,304	$ 580,677

(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	
	November 30, 2025	November 30, 2024
Nature of transactions:		
Other expenses	$ 5,601	$ 7,200
Acquisition of property, plant and equipment (i)	87,362	–
Debt financing guarantee fees (iii)	–	93,750
Interest on debt financing (i)	54,038	149,508
	$ 147,001	$ 250,458

(Unaudited - in Canadian dollars)

15. Related parties (continued)

(b) Other transactions with related parties (continued)

	November 30, 2025	August 31, 2025
Balances due to related parties are as follows:		
Accounts payable and accrued interests [(i)]	$ (92,963)	$ –
Accounts payable to key management personnel [(ii)]	(101,246)	(551,524)
Accounts payable to Board of Directors members	(43,750)	(40,000)
Convertible debenture, including accrued interest [(i)]	–	(6,178,936)
Lease liabilities [(i)]	(264,066)	(323,988)

[(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. For the three-month period ended November 30, 2025, the Company paid $62,547 in rent for the head office lease (2025 – $61,445).

[(ii)] Accounts payable relate to accrued salary and vacation for key management personnel. Related party transactions are recognized at the amounts of consideration established under contractual terms.

16. Cash flow information

Net change in non-cash working capital items:

	Three-month periods ended	
	November 30, 2025	November 30, 2024
Accounts receivable	$ (1,092,403)	$ 123,360
Biological assets	(4,710,974)	(4,102,375)
Inventory	1,839,154	2,821,469
Prepaid expenses and other assets	1,028,872	(566,204)
Accounts payable and accrued liabilities	1,921,868	1,045,809
Excise tax payable	572,469	578,390
Sales tax payable	(235,041)	170,242
Deferred lease revenue	(69,720)	277,113
Deferred grant income	582,449	(15,604)
	$ (163,326)	$ 332,200

(Unaudited - in Canadian dollars)

16. Cash flow information (continued)

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

	Three-month periods ended	
	November 30, 2025	November 30, 2024
Variation of property, plant and equipment included in accounts payable and accrued liabilities	$ 778,962	$ (1,042,246)
Financed property, plant and equipment purchase	–	480,000
Addition to right-of-use assets and lease liabilities	–	47,636
Conversion of convertible debenture into common shares	6,232,974	–

17. Subsequent events

Share options

Subsequent to quarter-end, the Company approved the cancellation and re-issuance of 544,600 share options to certain board members and employees. The Company determined that, due to an administrative oversight, the issuance of certain options resulted in the Company exceeding the limits permitted under its share plan. The affected options were cancelled and were re-issued with substantially the same terms and conditions, including the same exercise prices, with vesting schedules and expiry dates intended to remain unchanged and to continue as if originally granted.

Restricted share units

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.

Revolving credit facilities

Subsequent to quarter-end, the Company extended all tranches of the revolving credit facilities for an additional 90-day term.