



Quebec Grown
Premium Grade Cannabis

MANAGEMENT DISCUSSION & ANALYSIS

For the three and six-month periods ended
February 28, 2026

April 13, 2026

CANNARA BIOTECH INC.

TSX: **LOVE** OTCQX: **LOVFF** FRA: **8CB0**

This Management Discussion and Analysis (“**MD&A**”) of Cannara Biotech Inc. (“**Cannara**”, the “**Company**”, “**us**”, “**we**” or “**our**”) has been prepared by management as of April 13, 2026 and should be read in conjunction with the condensed interim consolidated financial statements and related notes thereto of the Company for the three and six-month periods ended February 28, 2026 and 2025.

The Company’s annual audited consolidated financial statements were prepared in accordance with International Financial Reporting Standards (“**IFRS**”) as issued by the International Accounting Standards Board (“**IASB**”) 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 February 28, 2026, issued on April 14, 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 and under the “Investor Area” section of our website at <https://www.cannara.ca/en/investor-area>.

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

All references in this MD&A to “Q2 2026” and “second quarter of 2026” are to Cannara’s fiscal quarter ended February 28, 2026, and “Q2 2025” and “second quarter of 2025” are to Cannara’s fiscal quarter ended February 28, 2025.

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.

FORWARD-LOOKING STATEMENTS

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

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

FORWARD-LOOKING STATEMENTS (continued)

Forward-looking information is based upon a number of assumptions and is subject to a number of risks and uncertainties, many of which are beyond our control, which could cause actual results to differ materially from those that are disclosed in, or implied by, such forward-looking information. These risks and uncertainties include, but are not limited to, the following risk factors which are discussed in greater detail under “Risk Factors” in the Company’s AIF available on SEDAR+ at www.sedarplus.ca and under the “Investor Area” section of our website at <https://www.cannara.ca/en/investor-area>: compliance with laws, reliance on licenses, costs associated with numerous laws and regulations, change in laws, regulations, and guidelines, competition, competition from the illicit market, risks related to Canadian excise duty framework, insurance and uninsured or uninsurable risk, key personnel, labour costs, labour shortages, and labour relations, liquidity and future financing, conflicts of interest, litigation risk, intellectual property, IT and security risk, agricultural and cannabis operations, third-party transportation disruptions, commodity price risks, fluctuating prices of raw materials, environmental and employee health and safety regulations, restrictions on promotion and marketing, unfavorable publicity or consumer perception, significant ownership interest of management, directors, and employees, speculative nature of investment, global economy risk, risks related to the ownership of the common shares, forward-looking statements and risks, volatility of common shares market price, non-payment of dividends, future sales of common shares, unlimited issuance of common shares without shareholder approval, fluctuations in operating results, lack of research analyst coverage, limited control by shareholders over operations and risks related to internal controls over financial reporting.

This is not an exhaustive list of risks that may affect the Company’s forward-looking statements. Other risks not presently known to the Company or that the Company believes are not significant could also cause actual results to differ materially from those expressed in its forward-looking statements. Although the forward-looking information contained herein is based upon what we believe are reasonable assumptions, readers are cautioned against placing undue reliance on this information since actual results may vary from the forward-looking information. Certain assumptions were made in preparing the forward-looking information concerning the availability of capital resources, business performance, market conditions, as well as customer demand. Consequently, all of the forward-looking information contained herein is qualified by the foregoing cautionary statements, and there can be no guarantee that the results or developments that we anticipate will be realized or, even if substantially realized, that they will have the expected consequences or effects on our business, financial condition or results of operation. Unless otherwise noted or the context otherwise indicates, the forward-looking information contained herein is provided as of the date hereof, and the Company disclaims any intention to update or amend such forward-looking information whether as a result of new information, future events or otherwise, except as may be required by applicable law.

NON-GAAP AND OTHER FINANCIAL MEASURES

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

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

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

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

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

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

GLOSSARY OF NON-GAAP AND OTHER FINANCIAL MEASURES (continued)

MEASURE	DEFINITION	COMPARABILITY	UTILITY TO MANAGEMENT AND INVESTORS
Adjusted EBITDA	<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>
Free cash flow	<p>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.</p>	<p>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.</p>	<p>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.</p>
Working Capital	<p>Working capital is defined as total current assets minus total current liabilities for the corresponding period ended as at that date.</p>	<p>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.</p>	<p>Management believes that working capital is an important liquidity measure and allows investors and analysts to assess the Company's financial position.</p>
Segment gross profit before fair value adjustments as a percentage of segment total revenues	<p>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.</p>	<p>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.</p>	<p>Management believes that the use of this percentage allows investors and analysts to understand the core profitability of operations excluding volatile fair value adjustments.</p>
Segment gross profit as a percentage of segment total revenues	<p>Segment gross profit as a percentage of segment total revenues is defined as segment's gross profit divided by segment total revenues.</p>		<p>Management believes that the use of this percentage allows investors and analysts to understand the efficiency of production and the cost management effectiveness.</p>
Segment operating income as a percentage of segment total revenues	<p>Segment operating income as a percentage of segment total revenues is defined as segment's operating income divided by segment total revenues.</p>		<p>Management believes that the use of this percentage allows investors and analysts to understand the operational efficiency and the profitability from core operations.</p>
Adjusted EBITDA as a percentage of total revenues	<p>Adjusted EBITDA as a percentage of total revenues is defined as adjusted EBITDA divided by total revenues.</p>	<p>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.</p>	<p>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.</p>

COMPANY PROFILE

Cannara was incorporated under the laws of British Columbia on October 19, 2017, and is currently listed and publicly traded on the Toronto Stock Exchange (“**TSX**”) under the symbol “**LOVE**”, the OTCQX® Best Market (“**OTCQX**”) under the symbol “**LOVFF**” and the Frankfurt Stock Exchange under the symbol “**8CB0**”. 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 a 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 research and development (“**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 48,000 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 growth¹.

National Distribution Performance¹

National Retail Listings	March 2026	Q2 2026	Q2 2025
% Cannara Retail Penetration	3.0%	3.0%	2.5%

¹ As reported by Turff Analytics, April 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 Q2 2026, the Company generated \$27.2 million in total net revenues, a gross profit before fair value adjustments of \$11.6 million or 43%, an adjusted EBITDA of \$6.0 million or 22% of total revenues², a net income of \$1.7 million, operating cash flow of \$2.9 million and negative free cash flow of \$0.3 million³ in addition to a basic and diluted earning per share of \$0.02 for the quarter.

As of February 28, 2026, 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 Q2 2026.

The Company's market share by listed province for the three most recently completed quarters and for the most recently completed month, is presented below.

Province	March 2026	Q2 2026	Q1 2026	Q4 2025	Q3 2025
National Retail Market Share	4.3%	4.4%	4.1%	3.8%	3.9%
Quebec	13.7%	14.3%	13.5%	12.8%	12.3%
Ontario	3.7%	3.1%	3.1%	2.8%	2.9%
Alberta	2.5%	2.3%	2.5%	2.5%	2.6%
British Columbia	1.8%	2.0%	1.8%	1.8%	1.7%
Saskatchewan	0.9%	1.2%	0.9%	1.3%	1.5%
Manitoba	1.6%	1.9%	1.4%	1.1%	0.8%
Nova Scotia	0.5%	0.4%	0.4%	0.5%	0.4%
Newfoundland	0.1%	0.1%	0.1%	NA	NA

Cannara achieved an estimated national retail market share of 4.4% for Q2 2026, up from 4.1% in Q1 2026, 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 March 2026, Cannara maintained gains with an estimated national retail market share of 4.3%⁴, driven by a continued #1 market share in Quebec, and increased 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. Investor information may be found at www.investors.cannara.ca. The Company has designed several lines of branded apparel and accessories available for sale on its online website <https://cannarashop.ca> (not available in Quebec due to provincial restrictions).

² Adjusted EBITDA and adjusted EBITDA as a percentage of total revenues are non-GAAP measures. A reconciliation of adjusted EBITDA from net income is included in the section "Selected Financial Information" of this MD&A

³ Free cash flow is a non-GAAP measure. A reconciliation from operating cash flow is included in the section "Selected Financial Information" of this MD&A

⁴ Based on retail market sales dollar estimates for the periods March to May 2025, June to August 2025, September to November 2025, December 2025 to February 2026 and March 2026, calculated using the dataset from Weedcrawler for Quebec retail sales contributions, NSLC for Nova Scotia retail sales, and the Hifyre dataset for the rest of Canada.

CANNARA’S FACILITIES

FACILITY	SIZE	CAPACITY	TYPE	ELECTRICITY	FACILITY HIGHLIGHTS
FARNHAM, QUEBEC	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"> • State-of-the-art manufacturing and packaging facility • Nursery operations for cloning and mother stock • Pheno-hunting and R&D • Solventless hash laboratory • Pre-roll manufacturing • Transformation and Packaging
VALLEYFIELD, QUEBEC	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"> • Purpose-built for cannabis cultivation • Onsite Hydro Quebec substation • Fully outfitted and automated • 24 independent grow rooms • Blackout & shading systems • Processing center (under construction) • BHO extraction laboratory

CANNARA’S BRAND PORTFOLIO

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

Brand	Story	Product Mix	Markets
	Tribal 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	Brand	Launch Date	THC	CBD	Type	Aromas and Flavours
FLORIDA ORANGES	Nugz	February 2026	29%	<1%	Hybrid-Indica	Florida Oranges delivers a loud burst of orange zest upfront, followed by a punch of gassy undertones on the backend.
GRAN TURISMO	Tribal	February 2026	30%	<1%	Indica	Gran Turismo delivers a high-octane blend of sweet candy and tropical fruit flavours up front, driven by sharp citrus notes and gas.
WAGYU DELIGHT	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	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	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	Nugz	May 2024	29%	<1%	Indica	Guava Jam offers a sweet and tropical fruit flavour
NEON SUNSHINE	Tribal	April 2024	29%	<1%	Hybrid-Indica	Neon Sunshine leans heavily into citrus flavours and aromas, with a touch of octane to round out the experience.
BUBBLE UP	Tribal	April 2024	28%	<1%	Indica	Bubble Up provides a rare and sought-after effervescent sensation with a spicy fresh aroma.
TRIPLE BURGER	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	Tribal	November 2022	26%	<1%	Indica	Galactic Rntz’s complex aroma and flavour provides a strong gas flavour with fruity, sour undertones.
TERPLE	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	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	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	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	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 Q2 2026, the Company expanded its presence in the infused pre-roll category with the launch of Porto Leche Trifecta infused pre-rolls under Tribal.

In addition, Cannara introduced Flavour Bomb, a new resin-derived liquid diamond sub-brand under Nugz, with the launch of the Flavour Bomb Fruit Blast Taster Pack (5 x 0.5g). Since launch, this product has consistently ranked among the top three infused pre-rolls by wholesale sales dollars in Ontario⁵. Cannara expects to further expand the Flavour Bomb product offering throughout the remainder of fiscal 2026, supporting continued growth in the high-margin infused pre-roll category.

The Company also introduced additional product formats during the quarter, including the Bubble Up Supernova all-in-one live resin vape and the Porto Leche Spectral Series 510 vape battery, further enhancing its vape and accessories portfolio.

Innovation in genetics

Cannara's commitment to innovation through an extensive inhouse pheno-hunting program continues to differentiate its product portfolio. Working with award-winning cannabis breeders, the Company continues to uncover high-powered exotic cultivars each year. Cannara 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 Q2 2026, Cannara successfully launched Gran Turismo under Tribal and Florida Oranges under Nugz, with CBD Jean Guy under Orchid CBD expected to launch in Q3. These cultivars address key gaps in Canada's flower segment while reinforcing Cannara's leadership as a 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&A⁶.

⁵ OCS, Wholesale Sales \$, December - March 2026

⁶ As reported by Turff Analytics, Rank & Share - Canada - Flower - Mass Premium, March 2026.

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 \$1.38 billion in retail sales for Cannara's Q2 2026⁷. 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 \$230 million for the three-month period ended February 28, 2026, maintaining Quebec as the third largest cannabis market in Canada for that time period based on retail sales. The SQDC retail network has expanded from 28 stores in Fiscal 2020 to 110 locations as of the date of this MD&A.

During Q2 2026, Cannara captured an estimated 14.3% retail market share in Québec, ranking as the province's #1 cannabis company by retail market share, supported by the launch of the vape category in its home market. Through March 2026, Cannara maintained its #1 leadership position with an estimated 13.7% share of cannabis retail sales⁸.

ONTARIO

Ontario remains Canada's largest recreational cannabis market. Retail stores in the province sold approximately \$543 million in cannabis products between December 2025 and February 2026. In Q2 2026, the Company estimates a 3.1% retail market share in Ontario. During the quarter, Cannara had 103 active SKUs in the province, with products available in over 1,500 retail stores, representing approximately 3.4% of total store listings. In March 2026, the Company's estimated market share in the province increased to 3.7%, driven by approximately \$5.9 million in monthly Ontario retail sales as Cannara continued to advance initiatives aimed at sustainably increasing market share while supporting margin growth in Canada's largest provincial market⁹.

⁷ As reported by Hifyre Dataset for the periods of December 2025 to February 2026.

⁸ As reported by Weedcrawler Dataset for the period of December 2025 to February 2026 and March 2026.

⁹ As reported by Hifyre Dataset for the periods of December 2025 to February 2026 and March 2026.

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 \$237 million in cannabis between December 2025 and February 2026. In Q2 2026, the Company estimates a retail market share of 2.3%. As of March 2026, Cannara maintained its estimated market share in Alberta with a 2.5% share of the estimated \$79 million in provincial retail sales that month¹⁰.

BRITISH COLUMBIA

British Columbia is Canada's fourth-largest cannabis market, recently being surpassed by Quebec, with an estimated \$220 million in cannabis between December 2025 and February 2026. 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 Q2 2026, the Company maintained an estimated 2.0% retail market share¹⁰.

SASKATCHEWAN

Saskatchewan generated an estimated \$52 million in retail cannabis sales from December 2025 to February 2026. In Q2 2026, the Company estimates a retail market share of 1.2%. As of March 2026, Cannara's estimated market share in Saskatchewan was 0.9%¹⁰.

MANITOBA

Manitoba generated an estimated \$52 million in retail cannabis sales from December 2025 to February 2026. In Q2 2026, the Company estimates a retail market share of 1.9%. As of March 2026, Cannara's estimated market share in Manitoba was of 1.6%¹⁰.

NOVA SCOTIA

Nova Scotia generated an estimated \$38 million in retail cannabis sales from December 2025 to February 2026. 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 Q2 2026, the Company estimates it held a 0.4% retail market share in Nova Scotia, which remained strong through to March 2026, with a reported market share of 0.5%¹¹.

NEWFOUNDLAND & LABRADOR

Cannara expanded into Newfoundland and Labrador near the end of Q4 2025 with the launch of two of Tribal's top-performing live resin vape SKUs. Newfoundland and Labrador generated an estimated \$27 million in retail cannabis sales from December 2025 to February 2026. In Q2 2026, the Company estimates it held a 0.1% retail market share in the province, which was maintained in March 2026¹².

¹⁰ As reported by Hifyre Dataset for the periods of December 2025 to February 2026 and March 2026.

¹¹ Based on Nova Scotia NSLC sales data for the periods of December 2025 to February 2026 and March 2026.

¹² As reported by Hifyre Dataset for the periods of December 2025 to February 2026 and March 2026.

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 Producers¹³. Despite these industry headwinds, Cannara has continued to demonstrate consistent financial performance and year-over-year growth, generating gross cannabis revenues of \$37.8 million in Q2 2026, an increase of \$1.0 million, or 3%, compared to the same period last year.

Current Developments Related to the Excise Tax Act.

Given the impacts of price compression, the federal 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 allocates resources consistently towards 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 by meeting consumer preferences, 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.

¹³As 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 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 consumer 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 Q2 2026 include:

- Tribal Porto Leche Trifecta infused pre-rolls (3 x 0.6g)
- Tribal Bubble Up Supernova all-in-one live resin vape
- Tribal Gran Turismo dried flower (3.5g)
- Tribal Porto Leche Spectral 510 vape battery
- Nugz Flavour Bomb Fruit Blast Taster Pack infused pre-rolls (5 x 0.5g)
- Nugz Early Lemon Berry pre-rolls (7 x 0.5g)
- Nugz Florida Oranges dried flower (7g)
- Nugz Florida Oranges pre-rolls (7 x 0.5g)

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.

Q2 2026 vs Q1 2026 Market Share¹⁴

The table below presents the Company's market share for the most recently completed quarter compared to the previous quarter, with quarter-over-quarter ("QoQ") changes expressed in percentage points ("pp"):

Region	Q2 2026	Q1 2026	QoQ Change (pp)
National	4.4%	4.1%	+0.3
Quebec	14.3%	13.5%	+0.8
Ontario	3.1%	3.1%	0.0
Alberta	2.3%	2.5%	-0.2
British Columbia	2.0%	1.8%	+0.2
Saskatchewan	1.2%	0.9%	+0.3
Manitoba	1.9%	1.4%	+0.5
Nova Scotia	0.4%	0.4%	0.0
Newfoundland	0.1%	0.1%	0.0

Q2 2026 vs Q2 2025 Market Share¹⁵

The table below presents the Company's market share for the most recently completed quarter compared to the corresponding quarter in the prior year, with year-over-year ("YoY") changes expressed in percentage points:

Region	Q2 2026	Q2 2025	YoY Change (pp)
National	4.4%	3.9%	+0.5
Quebec	14.3%	12.8%	+1.5
Ontario	3.1%	2.9%	+0.2
Alberta	2.3%	2.7%	-0.4
British Columbia	2.0%	1.5%	+0.5
Saskatchewan	1.2%	1.0%	+0.2
Manitoba	1.9%	0.6%	+1.3
Nova Scotia	0.4%	0.5%	-0.1
Newfoundland	0.1%	N/A	N/A

¹⁴ As reported by Hifyre data for the periods of September to November 2025 and December 2025 to February 2026 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.

¹⁵ As reported by Hifyre data for the periods of December 2024 to February 2025 and December 2025 to February 2026 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 rosin¹⁶. 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 February 28, 2026, Cannara reported Adjusted EBITDA¹⁷ of \$6.0 million, compared to \$7.1 million in the same period of last year. Operating cash flow was \$2.9 million compared to negative operating cash flow of \$2.6 million in the same period of last year.

Q2 2026 AND SUBSEQUENT EVENT HIGHLIGHTS**OPERATIONAL****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 value¹⁸, 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 Q2 2026, reaching a 14.3% share of provincial retail sales¹⁹.

¹⁶ As reported by Turff Analytics, Rank & Share Last 12 months, Canada, April 2026.

¹⁷ 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.

¹⁸ As reported by Weedcrawler Dataset for the period of November to December 2025.

¹⁹ As reported by Weedcrawler Dataset for the period of December 2025 to February 2026.

Q2 2026 AND SUBSEQUENT EVENT HIGHLIGHTS (continued)**OPERATIONAL (continued)****January 2026 – U.S. uplist to OTCQX® Best Market**

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.

March 2026 – Graduation to the Toronto Stock Exchange

On January 28, 2026, Cannara announced that it had received conditional approval to uplist its common shares from the TSX Venture Exchange to the Toronto Stock Exchange. Following the completion of final listing requirements, the Company received final approval on February 26, 2026. Subsequent to quarter end, its common shares commenced trading on the TSX on March 2, 2026, under the trading symbol "LOVE," with concurrent delisting from the TSXV. To celebrate the milestone, Cannara had the honour of opening the market at the TSX on March 17, 2026.

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 February 28, 2026, the weighted average interest rate was 5.29%. Subsequent to quarter-end, all tranches that came to expiry were renewed for 90-day terms at a weighted average rate of 4.89%.

February 2026 – Strategic \$6.3 Million Non-Brokered Private Placement

On February 4, 2026, Cannara announced the completion of a strategic, non-brokered private placement with Phoenician Capital LLC, a New York City-based value investment management firm. Phoenician subscribed for 3,000,000 common shares at \$2.10 per share, representing an approximate 16% premium to the Company's closing price on the last trading day prior to the announcement. Proceeds of \$6.3 million are expected to be used for working capital and strategic investments, including continued capital investments into the Valleyfield Facility, expanding operations, and maintaining balance sheet flexibility.

March 2026 – Construction Credit Facility

Subsequent to quarter-end, the Company drew \$2 million on the \$10 million credit facility that the Company secured to finance the construction of the post-processing project at the Valleyfield Facility.

CAPITAL TRANSACTIONS

Common Shares

In Q2 2026, in connection with its non-brokered private placement with Phoenician Capital LLC, the Company issued 3,000,000 common shares at price of \$2.10 per share.

Share options

In Q2 2026, Cannara's board approved the cancellation and re-issuance of certain previously granted share 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.

Subsequent to quarter-end, the Company granted 10,000 options to certain employee at an exercise price of \$1.87, vesting in one year and expiring in 7 years.

Restricted share units ("RSU") and Performance share units ("PSU")

In Q2 2026, 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.

SELECTED FINANCIAL INFORMATION

Selected Financial Highlights	Three-month periods ended		Six-month periods ended	
	February 28, 2026	February 28, 2025	February 28, 2026	February 28, 2025
Financial Summary				
Net revenue ¹	\$ 27,146,394	\$ 26,459,029	\$ 57,226,179	\$ 51,413,839
Other income	33,048	127,128	66,438	242,732
Total revenues	27,179,442	26,586,157	57,292,617	51,656,571
Gross profit, before fair value adjustments	11,572,268	10,832,609	25,038,430	20,614,373
Gross profit	11,647,857	11,955,588	22,857,576	22,134,473
Operating expenses	8,368,576	6,078,362	16,876,154	12,025,188
Operating income	3,279,281	5,877,226	5,981,422	10,109,305
Net finance expense	459,408	1,147,842	1,120,603	2,346,007
Income before income taxes	2,819,873	4,729,384	4,860,819	7,763,298
Net income	1,662,648	3,314,541	2,702,197	5,620,404
Adjusted EBITDA ²	6,037,658	7,086,199	14,854,281	13,083,519
Percentages of Total revenues				
Gross profit, before fair value adjustments as a percentage of Total revenues ³	43%	41%	44%	40%
Gross profit as a percentage of Total revenues ⁴	43%	45%	40%	43%
Operating income as a percentage of Total revenues ⁵	12%	22%	10%	20%
Income before income taxes as a percentage of Total revenues ⁶	10%	18%	8%	15%
Net income as a percentage of Total revenues ⁷	6%	12%	5%	11%
Adjusted EBITDA as a percentage of Total revenues ⁸	22%	27%	26%	25%
Earnings per share				
Basic earnings per share	\$ 0.02	\$ 0.04	\$ 0.03	\$ 0.06
Diluted earnings per share	\$ 0.02	\$ 0.04	\$ 0.03	\$ 0.06
Balance Sheet				
	February 28, 2026		August 31, 2025	
Cash	\$ 21,902,387	\$ 14,360,016		
Accounts receivable	12,474,114	14,106,082		
Biological assets	5,514,554	6,815,941		
Inventory	48,637,424	44,516,056		
Working capital ⁹	61,343,890	47,959,368		
Total assets	181,808,271	168,646,300		
Total current liabilities	29,785,487	34,198,830		
Total non-current liabilities	31,813,572	32,226,493		
Net assets	120,209,212	102,220,977		
Free cash flow for the quarter ended ¹⁰	(286,297)	1,361,165		

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

² Adjusted EBITDA is a non-GAAP financial measure.

³ Gross profit before fair value adjustments as a percentage of Total revenues is a supplementary financial ratio. For more details see the Non-GAAP and Other Financial Measures section of this MD&A.

⁴ Gross profit as a percentage of Total revenues is a supplementary financial ratio. For more details see the Non-GAAP and Other Financial Measures section of this MD&A.

⁵ Operating income as a percentage of Total revenues is a supplementary financial ratio. For more details see the Non-GAAP and Other Financial Measures section of this MD&A.

⁶ Income before income taxes as a percentage of Total revenues is a supplementary financial ratio. For more details see the Non-GAAP and Other Financial Measures section of this MD&A.

⁷ Net income as a percentage of Total revenues is a supplementary financial ratio. For more details see the Non-GAAP and Other Financial Measures section of this MD&A.

⁸ Adjusted EBITDA as a percentage of Total revenues is a non-GAAP financial ratio. For more details see the Non-GAAP and Other Financial Measures section of this MD&A.

⁹ Working capital is a non-GAAP financial measure. For more details see the Non-GAAP and Other Financial Measures section of this MD&A.

¹⁰ Free cash flow is a non-GAAP financial measure. For more details see the Non-GAAP and Other Financial Measures section of this MD&A.

SELECTED FINANCIAL INFORMATION (continued)

Reconciliation of adjusted EBITDA

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

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

Reconciliation of adjusted EBITDA	Three-month periods ended		Six-month periods ended	
	February 28, 2026	February 28, 2025	February 28, 2026	February 28, 2025
Net income	\$ 1,662,648	\$ 3,314,541	\$ 2,702,197	\$ 5,620,404
Adjustments:				
Changes in fair value of inventory sold	5,858,294	6,855,245	12,919,868	12,773,976
Unrealized gain on changes in fair value of biological assets	(5,933,883)	(7,978,224)	(10,739,014)	(14,294,076)
Depreciation, including depreciation in cost of good sold	1,377,413	1,562,366	2,890,321	3,045,450
Write-down of inventory to net realizable value	243,635	474,418	868,120	831,083
Gain on disposal of asset held for sale	-	-	-	-
Gain on disposal of right-of-use asset	-	-	-	-
Loss on disposal of property, plant and equipment and right-of-use asset	122,008	-	122,008	1,209
Impairment on property, plant and equipment	-	-	-	-
Share-based compensation	1,090,910	295,168	2,811,556	616,572
Net finance expense	459,408	1,147,842	1,120,603	2,346,007
Income taxes	1,157,225	1,414,843	2,158,622	2,142,894
Adjusted EBITDA*	\$ 6,037,658	\$ 7,086,199	\$ 14,854,281	\$ 13,083,519
Adjusted EBITDA as a percentage of Total revenues **	22%	27%	26%	25%

*Non-GAAP financial measure

**Non-GAAP financial ratio

Reconciliation of free cash flow

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

Reconciliation of free cash flow	Three-month periods ended		Six-month periods ended	
	February 28, 2026	February 28, 2025	February 28, 2026	February 28, 2025
Cash from operating activities	\$ 2,948,216	\$ (2,550,030)	\$ 10,909,289	\$ 3,284,433
Adjustment:				
Capital expenditures	3,234,513	1,468,733	7,853,004	2,686,002
Free cash flow*	\$ (286,297)	\$ (4,018,763)	\$ 3,056,285	\$ 598,431

*Non-GAAP financial measure

SELECTED FINANCIAL INFORMATION (continued)

Q2 2026 vs Q2 2025 Comparable Period Highlights

- Gross cannabis revenues before excise taxes increased to \$37.8 million in Q2 2026 from \$36.8 million in Q2 2025, representing growth of \$1.0 million or 3%. The increase was driven by a 7% year-over-year increase in retail revenues, supported by deeper market penetration in existing markets and the addition of new genetics and products across the Company's portfolio. This strength in retail more than offset a \$1.4 million decrease in wholesale revenues. Notably, Cannara achieved this growth despite overall national cannabis retail sales remaining essentially flat year-over-year²⁰;
- Total revenues, net of excise taxes, increased to \$27.2 million in Q2 2026 from \$26.6 million in Q2 2025, a \$0.6 million or 2% increase;
- Gross profit before fair value adjustments rose to \$11.6 million in Q2 2026, from \$10.8 million in Q2 2025, a \$0.7 million or 7% increase;
- Gross profit percentage before fair value adjustments increased to 43% in Q2 2026 from 41% in Q2 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 \$3.3 million in Q2 2026, down from \$5.9 million in Q2 2025, primarily reflecting strategic investments to support Cannara's next phase of growth, including increased sales and marketing expenses to expand key distribution points that build revenue over time, additional R&D related to ongoing pheno-hunting and innovation, higher professional fees associated with various uplisting initiatives, increased G&A from adding personnel to support future growth, and a \$0.8 million increase in non-cash share-based compensation expense;
- Income before income taxes was \$2.8 million in Q2 2026, down 40% from \$4.7 million in Q2 2025, due to increases in operating expense and non-cash expense;
- Net income was \$1.7 million in Q2 2026, compared to \$3.3 million in Q2 2025;
- Adjusted EBITDA decreased by 15%, from \$7.1 million in Q2 2025 to \$6.0 million in Q2 2026;
- The Company generated operating cash flow of \$2.9 million in Q2 2026, compared to negative operating cash flow of \$2.6 million in Q2 2025;
- Free cash flow was negative \$0.3 million in Q2 2026, compared to negative \$4 million in Q2 2025, driven by stronger operating cash flow generation despite \$3.2 million of capital expenditures in Q2 2026 versus \$1.5 million in the same period of the prior year, mainly related to the Valleyfield Facility construction project;
- Generated earnings per share of \$0.02 in Q2 2026 compared to \$0.04 in Q2 2025.

Q2 2026 vs Q1 2026 QoQ Highlights

- Gross cannabis revenues before excise taxes decreased 10%, from \$41.8 million in Q1 2026 to \$37.8 million in Q2 2026, primarily due to normal post-holiday seasonality in provincial board purchasing patterns, particularly in Quebec, together with \$0.9 million reduction in wholesale channel revenues. Provincial boards typically build inventory ahead of the holiday period, with retail sell-through occurring in the following months, resulting in reduced replenishment orders in January and February. Importantly, this timing-related revenue decline did not reflect weaker consumer demand, as Cannara increased its national retail market share from 4.1% to 4.4% and grew in-market estimated retail sales by 5% in Q2 2026, while the overall Canadian cannabis retail market declined by 4% over the same period²¹;
- Total net revenues, net of excise taxes, decreased by 10%, QoQ, from \$30.1 million in Q1 2026 to \$27.2 million in Q2 2026, primarily reflecting the timing of provincial board purchases following holiday period load-ins, as well as lower wholesale channel revenues;
- Gross profit before fair value adjustments was \$11.6 million in Q2 2026, down from \$13.5 million in Q1 2026 as a result of lower sales in the quarter;
- Gross profit before fair value adjustments as a percentage of net revenues was 43% in Q2 2026, compared to 45% in Q1 2026;

²⁰ As reported by Hifyre data for the periods of December 2024 to February 2025 and December 2025 to February 2026 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.

²¹ As reported by Hifyre data for the periods of September to November 2025 and December 2025 to February 2026 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.

SELECTED FINANCIAL INFORMATION (continued)**Q2 2026 vs Q1 2026 QoQ Highlights (continued)**

- Operating income of \$3.3 million in Q2 2026 compared to an operating income of 2.7 million in Q1 2026. In the prior quarter, the higher gross profit before fair value adjustments was offset by the net impact of the fair value adjustment and non-cash share-based compensation expense, which resulted in lower operating income compared to Q2 2026;
- Net income was \$1.7 million in Q2 2026 compared to a net income of \$1.0 million in Q1 2026;
- Adjusted EBITDA decreased by \$2.8 million to \$6.0 million in Q2 2026, compared to \$8.8 million in Q1 2026;
- Cash from operating activities was \$2.9 million in Q2 2026, down from \$8.0 million in Q1 2026, driven by the net changes in working capital items;
- Free cash flow for Q2 2026 was negative \$0.3 million compared to \$3.3 million in Q1 2026, due to the reduction in cash flows from operations.

Q2 2026 YTD vs Q2 2025 YTD Highlights

- Gross cannabis revenues before excise taxes rose to \$79.6 million for Q2 2026 YTD, compared to \$71.7 million in the same period of 2025, representing growth of \$8.0 million or 11%. This increase was driven by a 12% year-over-year increase in retail sales, supported by deeper market penetration in existing provinces, expansion into new markets, and the addition of new genetics and SKUs across the Company's portfolio. Notably, the Company delivered this retail growth while total national cannabis retail sales increased only 1.2% over the same period. Wholesale revenues declined modestly by \$0.4 million year-over-year²²;
- Total revenues, net of excise taxes, increased to \$57.3 million in Q2 2026 YTD from \$51.7 million in Q2 2025 YTD, a \$5.6 million or 11% increase;
- Gross profit before fair value adjustments increased to \$25.0 million in Q2 2026 YTD from \$20.6 million in Q2 2025 YTD, a \$4.4 million or 21% increase. This increase is attributable to increase production capacity combined with the efficiencies generated from the scale of the operations and various improvements in operations from cultivation to post processing;
- Gross profit percentage before fair value adjustments in Q2 2026 YTD was 44% an increase of 4 percentage points compared to 40% in Q2 2025 YTD achieving benefits from its economies of scale;
- Operating income of \$6.0 million in Q2 2026 YTD compared to an operating income of \$10.1 million in Q2 2025 YTD, primarily due to changes in fair value adjustments, increased investment in sales and marketing and research and development, additional G&A and non-cash share-based compensation expense;
- Income before income taxes was \$4.9 million in Q2 2026 YTD compared to \$7.8 million in Q2 2025 YTD, a decrease attributable to items previously mentioned;
- Net income was \$2.7 million in Q2 2026 YTD compared to \$5.6 million in Q2 2025 YTD;
- Adjusted EBITDA increased by 14%, from \$13.1 million in Q2 2025 YTD to \$14.9 million in Q2 2026 YTD;
- The Company generated operating cash flow amounting to \$10.9 million in Q2 2026 YTD compared to \$3.3 million in Q2 2025 YTD, an increase of \$7.6 million or 232%;
- Free cash flow increased significantly to \$3.1 million in Q2 2026 year-to-date, compared to \$0.6 million in Q2 2025 year-to-date, driven by stronger operating cash flow generation despite a significant increase in capital expenditures, which rose to \$7.9 million from \$2.7 million in the prior year period;
- Generated earnings per share of \$0.03 in Q2 2026 YTD compared to earnings per share of \$0.06 in Q2 2025 YTD.

²² As reported by Hifyre data for the periods of September 2024 to February 2025 and September 2025 to February 2026 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.

CANNARA BIOTECH INC.

Management Discussion & Analysis

For the three and six-month periods ended February 28, 2026



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 February 28, 2026				Three-month period ended February 28, 2025			
	Cannabis operations	Real estate operations	Other	Total	Cannabis operations	Real estate operations	Other	Total
Gross revenue	\$ 37,815,863	\$ 983,182	\$ -	\$ 38,799,045	\$ 36,773,886	\$ 959,445	\$ -	\$ 37,733,331
Excise taxes	(11,652,651)	-	-	(11,652,651)	(11,274,302)	-	-	(11,274,302)
Net Revenue	26,163,212	983,182	-	27,146,394	25,499,584	959,445	-	26,459,029
Other income	33,048	-	-	33,048	127,128	-	-	127,128
	26,196,260	983,182	-	27,179,442	25,626,712	959,445	-	26,586,157
Gross profit, before fair value adjustments	10,743,239	829,029	-	11,572,268	9,977,304	855,305	-	10,832,609
% ¹	41%	84%	-	43%	39%	89%	-	41%
Gross profit	10,818,828	829,029	-	11,647,857	11,100,283	855,305	-	11,955,588
% ²	41%	84%	-	43%	43%	89%	-	45%
Operating expenses	6,902,670	-	-	6,902,670	5,501,557	-	-	5,501,557
Segment operating income ³	3,916,158	829,029	-	4,745,187	5,598,726	855,305	-	6,454,031
% ⁴	15%	84%	-	17%	22%	89%	-	24%
Net finance expense	-	-	459,408	459,408	-	-	1,147,842	1,147,842
Other	-	-	1,465,906	1,465,906	-	-	576,805	576,805
Segment income (loss) before income taxes	3,916,158	829,029	(1,925,314)	2,819,873	5,598,726	855,305	(1,724,647)	4,729,384

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

² Segment gross profit % is determined as segment gross profit divided by segment total revenues.

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

⁴ Segment operating income % is determined as segment operating income divided by segment total revenues.

CANNARA BIOTECH INC.

Management Discussion & Analysis

For the three and six-month periods ended February 28, 2026


SELECTED SEGMENT RESULTS OF OPERATIONS (continued)

Selected Segment Financial Highlights	Six-month period ended February 28, 2026				Six-month period ended February 28, 2025			
	Cannabis operations	Real estate operations	Other	Total	Cannabis operations	Real estate operations	Other	Total
Gross revenue	\$ 79,641,451	\$ 1,953,226	\$ -	\$ 81,594,677	\$ 71,672,647	\$ 1,913,563	\$ -	\$ 73,586,210
Excise taxes	(24,368,498)	-	-	(24,368,498)	(22,172,371)	-	-	(22,172,371)
Net Revenue	55,272,953	1,953,226	-	57,226,179	49,500,276	1,913,563	-	51,413,839
Other income	66,438	-	-	66,438	242,732	-	-	242,732
	55,339,391	1,953,226	-	57,292,617	49,743,008	1,913,563	-	51,656,571
Gross profit, before fair value adjustments	23,359,824	1,678,606	-	25,038,430	18,889,647	1,724,726	-	20,614,373
% ¹	42%	86%	-	44%	38%	90%	-	40%
Gross profit	21,178,970	1,678,606	-	22,857,576	20,409,747	1,724,726	-	22,134,473
% ²	38%	86%	-	40%	41%	90%	-	43%
Operating expenses	13,422,865	-	-	13,422,865	10,845,037	-	-	10,845,037
Segment operating income ³	7,756,105	1,678,606	-	9,434,711	9,564,710	1,724,726	-	11,289,436
% ⁴	14%	86%	-	16%	19%	90%	-	22%
Net finance expense	-	-	1,120,603	1,120,603	-	-	2,346,007	2,346,007
Other	-	-	3,453,289	3,453,289	-	-	1,180,131	1,180,131
Segment income (loss) before income taxes	7,756,105	1,678,606	(4,573,892)	4,860,819	9,564,710	1,724,726	(3,526,138)	7,763,298

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

² Segment gross profit % is determined as segment gross profit divided by segment total revenues.

³ Segment operating income is determined as segment operating income before non-cash and other items which are included in "Other" segment.

⁴ Segment operating income % is determined as segment operating income divided by segment total revenues.

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

For three and six-month periods ended February 28, 2026, the segment generated \$26.2 million and \$55.3 million in cannabis-related and cannabis accessories revenues, net of excise taxes, compared to \$25.5 million and \$49.5 million for the same periods of the prior year, an increase of \$0.7 million or 3% and \$5.8 million or 12%. Compared to Q1 2026, the segment decreased its net revenues by 10%, from \$29.1 million to \$26.2 million, primarily reflecting normal post-holiday seasonality in provincial board purchasing patterns, lower wholesale channel revenues, and a normalization of vape sales in Quebec following the initial post-launch period.

For three and six-month periods ended February 28, 2026, the Company incurred \$15.5 million and \$32.0 million in costs of goods sold, compared to \$15.7 million and \$30.9 million for the same periods of the prior year. In Q2 2026, cost of goods sold decreased by \$1.1 million or 6%, compared to Q1 2026.

The segment generated a gross profit before fair value adjustments of \$10.7 million or 41% of segment total revenue and \$23.4 million or 42% of segment total revenue for the three and six-month periods ended February 28, 2026, compared to \$10.0 million or 39% and \$18.9 million or 38% of segment total revenue for the same periods of the prior year. Compared to Q2 2025, gross profit before fair value adjustments decreased by \$1.9 million or 15%, primarily due to lower sales in the quarter due to seasonality impact.

The change in fair value of inventory sold recognized during the three and six-month periods ended February 28, 2026 amounted to \$5.9 million and \$12.9 million compared to \$6.9 million and \$12.8 million for the same periods of the prior year. Compared to Q1 2026, the change in fair value of inventory sold decreased by \$1.2 million.

For three and six-month periods ended February 28, 2026, the Company recognized an unrealized gain on changes in fair value of biological assets of \$5.9 million and \$10.7 million on the lots in the cultivation cycle that have not yet been harvested compared to \$8.0 million and \$14.3 million for the same periods of the prior year. Compared to Q1 2026, the unrealized gain on changes in fair value of biological assets increased by \$1.1 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 \$10.8 million or 41% and \$21.2 million or 38% in gross profit for three and six-month periods ended February 28, 2026 compared to \$11.1 million or 43% and \$20.4 million or 41% for the same periods of the prior year. Compared to Q1 2026, gross profit decreased by \$1.8 million.

For three and six-month periods ended February 28, 2026, the segment incurred \$6.9 million and \$13.4 million in operating expenses compared to \$5.5 million and \$10.8 million for the same periods of the prior year resulting in an increase of \$1.4 million or 25% and \$2.6 million or 24%. The increase in operating expenses is mainly attributable to increase in sales and marketing and research and development initiatives in addition to salaries, professional fees and facility expenses to support the continued growth of the Company. Compared to Q1 2026, operating expenses in Q2 2026 increased by \$0.4 million or 6%.

Overall, the segment generated net income of \$3.9 million and \$7.8 million for the three and six-month periods ended February 28, 2026, compared to net income of \$5.6 million and \$9.6 million for the same periods of the prior year. Compared to Q1 2026, the segment net income increased by \$0.1 million.

SELECTED SEGMENT RESULTS OF OPERATIONS (continued)**Real estate operations**

As part of the Company's capital management strategy, the Company has leased out all unoccupied space in the Farnham Facility. As of February 28, 2026, the Company leased over 65% of the Farnham Facility to two tenants.

For the three and six-month periods ended February 28, 2026, lease revenues were \$1.0 million and \$2.0 million, compared with \$1.0 million and \$1.9 million for the same periods of the prior year. To realize these lease revenues during the three and six-month periods ended February 28, 2026, the Company incurred \$0.2 million and \$0.3 million in lease operating costs during their respective period. The lease revenues generated and operating costs incurred are similar quarter over quarter.

Other

For three and six-month periods ended February 28, 2026, the segment incurred \$0.5 million and \$1.1 million in net finance expense, respectively, compared to \$1.1 million and \$2.3 million for the same periods of the prior year. The year-over-year reduction reflects lower interest expenses resulting from both a decrease in the Bank of Canada's benchmark interest rate and the repayment of principal on outstanding debt. Compared to Q1 2026, finance expense decreased by \$0.2 million or 31%.

For three and six-month periods ended February 28, 2026, the segment recorded \$1.5 million and \$3.5 million in other expenses, respectively, compared to other expenses of \$0.6 million and \$1.2 million in the same periods of the prior year. The increase was primarily attributable to higher non-cash share-based compensation expense related to equity grants issued in Q1 2026. Compared to Q1 2026, other expenses decreased by \$0.5 million, mainly reflecting lower share-based compensation expense as the related accretion is front-end weighted and declines over the vesting period.

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, net income attributable to Shareholders of the Company, related basic and diluted earnings per share attributable to Shareholders of the Company, adjusted EBITDA and cash provided by operating activities and free cash flow for the eight completed fiscal quarters to date:

	February 28, 2026	November 30, 2025	August 31, 2025	May 31, 2025	February 28, 2025	November 30, 2024	August 31, 2024	May 31, 2024
Current assets	\$ 91,129,377	\$ 85,036,041	\$ 82,158,198	\$ 84,002,297	\$ 75,210,420	\$ 73,245,207	\$ 67,473,844	\$ 62,020,524
Non-current assets	90,678,894	88,807,315	86,488,102	86,085,058	86,196,888	87,758,733	87,246,129	86,747,778
Total assets	181,808,271	173,843,356	168,646,300	170,087,355	161,407,308	161,003,940	154,719,973	148,768,302
Current liabilities	\$ 29,785,487	\$ 31,496,002	\$ 34,198,830	\$ 34,616,948	\$ 32,051,900	36,504,270	27,002,000	26,777,902
Non-current liabilities	31,813,572	31,133,208	32,226,493	36,877,001	35,166,943	33,920,914	39,766,484	40,222,572
Total liabilities	61,599,059	62,629,210	66,425,323	71,493,949	67,218,843	70,425,184	66,768,484	67,000,474
Net assets	\$ 120,209,212	\$ 111,214,146	\$ 102,220,977	\$ 98,593,406	\$ 94,188,465	\$ 90,578,756	\$ 87,951,489	\$ 81,767,828
Total revenues	\$ 27,179,442	\$ 30,113,175	\$ 28,327,201	\$ 27,332,885	\$ 26,586,157	\$ 25,070,414	\$ 23,438,170	\$ 19,544,916
Gross profit before fair value adjustments % ¹	11,572,268 43%	13,466,162 45%	11,799,344 42%	12,057,743 44%	10,832,609 41%	9,781,764 39%	7,040,411 30%	5,747,047 29%
Gross profit	11,647,857	11,209,719	12,199,748	12,882,763	11,955,588	10,178,885	10,854,593	6,958,256
Operating income	3,279,281	2,702,141	5,321,923	6,764,727	5,877,226	4,232,079	5,045,008	3,554,044
Net income	1,662,648	1,039,549	3,313,620	4,142,169	3,314,541	2,305,863	5,754,439	2,023,386
Basic and diluted earnings per share	\$ 0.02	\$ 0.01	\$ 0.04	\$ 0.05	\$ 0.04	\$ 0.03	\$ 0.06	\$ 0.02
Adjusted EBITDA ²	6,037,658	8,816,623	7,447,030	7,600,525	7,086,199	5,997,320	3,688,234	2,776,397
Adjusted EBITDA % ³	22%	29%	26%	28%	27%	24%	16%	14%
Cash provided by operating activities	2,948,216	7,961,073	2,827,138	13,901,855	(2,550,030)	5,834,463	3,186,518	4,325,380
Free cash flow ⁴	(286,297)	3,342,582	1,361,165	11,695,141	(4,018,763)	4,617,194	2,693,427	1,242,527

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

² Adjusted EBITDA is a non-GAAP financial performance measure with no standard definition under IFRS. A reconciliation of this amount for the applicable period is presented in the table below.

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

⁴ Free cash flow is a non-GAAP financial performance measure with no standard definition under IFRS and is defined as cash flow from operations less capital expenditures.

CASH FLOW ANALYSIS

	Three-month periods ended		Six-month periods ended	
	February 28, 2026	February 28, 2025	February 28, 2026	February 28, 2025
Cash from (used in) operating activities	\$ 2,948,216	\$ (2,550,030)	\$ 10,909,289	\$ 3,284,433
Cash from (used in) financing activities	5,443,546	(1,259,113)	4,198,323	(2,278,939)
Cash used in investing activities	(3,006,331)	(1,396,717)	(7,565,241)	(2,570,556)

Operating activities

For three and six-month periods ended February 28, 2026, the Company generated positive operating cash flow of \$2.9 million and \$10.9 million, respectively, compared to negative operating cash flow of \$2.6 million and positive operating cash flow of \$3.3 million in the same periods of the prior year. The improvement was primarily attributable to more favourable period-over-period movements in non-cash working capital, particularly accounts receivable, excise tax payable, inventory and biological assets, supported by the Company’s continued profitable growth.

Financing activities

For the three and six-month periods ended February 28, 2026, cash from financing activities totaled \$5.4 million and \$4.2 million, respectively, compared to cash used in financing activities of \$1.3 million and \$2.3 million in the same periods of the prior year. The increase was primarily attributable to the completion of a \$6.3 million non-brokered private placement during Q2 2026, partially offset by the repayment of debt and lease liabilities, interest paid, and other scheduled financing outflows.

Investing activities

For the three and six-month periods ended February 28, 2026, cash used in investing activities totaled \$3.0 million and \$7.6 million, respectively, compared to \$1.4 million and \$2.6 million in the same periods of the prior year. The higher level of investment reflects Cannara’s ongoing commitment to expanding its Valleyfield facility to support future growth, with fiscal 2026 capital expenditures focused on opening additional cultivation zones and strengthening post-harvest capabilities.

LIQUIDITY AND CAPITAL RESOURCES

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

The Company had a working capital of \$61.3 million as at February 28, 2026 (August 31, 2025 – \$48.0 million).

As at February 28, 2026, the Company’s working capital was composed of:

- cash on hand of \$21.9 million (August 31, 2025 – \$14.4 million);
- accounts receivable, biological assets, inventory, assets held for sale, prepaid expenses and other assets of \$69.2 million (August 31, 2025 – \$67.8 million);
- accounts payable and accrued liabilities, excise tax payable, sales tax payable, deferred lease revenue and deferred grant income of \$20.7 million (August 31, 2025 – \$20.8 million); and
- credit facilities, and current portion of convertible debenture, long-term debt, lease liabilities and term loan of \$9.1 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 the date of this MD&A along with its forecasted cash flows, undrawn credit facilities and cash reserves will be able to fund its planned operating expenses for at least the next twelve months from February 28, 2026.

Reconciliation of working capital

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

Reconciliation of working capital	As at February 28, 2026		As at August 31, 2025	
Total current assets	\$	91,129,377	\$	82,158,198
Total current liabilities		29,785,487		34,198,830
Working capital*	\$	61,343,890	\$	47,959,368

*Non-IFRS financial measure

Financing

Type of loan	Interest Rate	Maturity	Balance as at	
			February 28, 2026	August 31, 2025
Revolving credit facility A ⁽¹⁾	5.33%	March 30, 2026	\$ 6,258,000	\$ 6,258,000
Revolving credit facility B ⁽¹⁾	4.81%	March 16, 2026	500,000	500,000
Term loan ⁽¹⁾	4.81%	December 31, 2027	27,163,466	28,029,108

¹ The credit facilities terms are 30, 60 or 90 days depending on management's decision and can be renewed at the end of the period. The credit facilities and the term loan bear a variable interest rate or CORRA plus an applicable margin based on the credit agreement. As at February 28, 2026, the average interest rate was 5.29% on the credit facilities and 4.81% on the term loan. The Company has to respect financial covenants including maintaining a certain minimum liquidity coverage, and respecting certain financial ratios, in accordance with its amended and restated credit Facility, a copy of which has been filed on SEDAR+. As at February 28, 2026, 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	\$	11,919,434	\$	11,919,434	\$	-	\$ 11,919,434
Revolving credit facilities		6,758,000		6,758,000		-	6,758,000
Long-term debt		56,576		57,309		-	57,309
Lease liabilities ⁽²⁾		246,849		233,935		24,596	258,531
Term loan ⁽¹⁾		27,163,466		1,965,961		25,505,205	27,471,166

¹ The contractual obligations relating to the term loan has been presented based on the contractual repayment term which is set to mature on December 31, 2027.

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

OFF-BALANCE SHEET ARRANGEMENTS

At the date of this MD&A, the Company had no material off-balance sheet arrangements that have, or are reasonably likely to have, a current or future effect on the financial performance or financial condition of the Company, other than the items described below.

The Company holds a \$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 six-month periods ended February 28, 2026, the Company recognized \$54,000 as interest expense on the convertible debenture compared to \$309,000 interest expense on the convertible debenture and \$187,500 on debt financing guarantee fees in the same period of the prior year. The Company also paid \$62,000 and \$126,000 in rent and incurred \$162,000 and \$255,000 in other expenses and capital expenditures for the three and six-month periods ended February 28, 2026, compared to \$61,000 and \$124,000 in rent and nil and \$7,000 in other expenses in the same periods of the prior year. As at February 28, 2026, the Company owed \$42,000 to a related party (August 31, 2025 – nil).

The Company also recognized \$203,000 as lease liabilities as at February 28, 2026, 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 and six-month periods ended February 28, 2026, salaries and benefits incurred for key management personnel amounted to \$300,000 and \$600,000 (2025 – \$244,000 and \$488,000); share-based compensation attributable to key management and directors was \$868,000 and \$2,265,000 (2025 - \$269,000 and \$563,000) and director fees were \$44,000 and \$88,000 (2025 – \$42,500 and \$75,000). As at February 28, 2026, the Company owed \$136,000 (August 31, 2025 – \$552,000) to key management personnel for accrued salaries and vacation expenses, and \$44,000 (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 February 28, 2026.

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 aging of balances, historical loss experience, and forward-looking information on customer creditworthiness. As at February 28, 2026, 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 February 28, 2026, the Company had current assets of \$91.1 million and current liabilities of \$29.8 million, for a working capital balance of \$61.3 million. The Company expects that its existing cash resources of \$21.9 million as at February 28, 2026, along with its forecasted cashflows, undrawn credit facilities and construction loan, will fund its planned operating expenses for at least the next twelve months from February 28, 2026.

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 Q2 2026, the Company generated 89 % of its cannabis revenues from three provincial distributors, compared to 87% in the same period of the prior year. As at February 28, 2026, these three customers, together, represented approximately \$10.2 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 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 April 13, 2026:

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

Issued and outstanding: 98,782,148 common shares

8,635,000 share options

242,500 RSUs

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