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CANNARA BIOTECH INC.

Condensed Interim Consolidated Financial Statements

For the three and six-month periods ended

February 28, 2026 and 2025

(Unaudited)

CANNARA BIOTECH INC.

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(Unaudited)

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CANNARA BIOTECH INC.

Condensed Interim Consolidated Statements of Financial Position
As at February 28, 2026 and August 31, 2025
(Unaudited - in Canadian dollars)

	February 28, 2026	August 31, 2025
Assets		
Current assets		
Cash	\$ 21,902,387	\$ 14,360,016
Accounts receivable	12,474,114	14,106,082
Biological assets (note 3)	5,514,554	6,815,941
Inventory (note 4)	48,637,424	44,516,056
Prepaid expenses and other assets	2,600,898	2,360,103
	91,129,377	82,158,198
Deposits	159,160	159,160
Deferred financing costs (note 7)	164,274	52,164
Deposits on property, plant and equipment	487,748	276,505
Property, plant and equipment (note 5)	89,654,794	85,651,268
Right-of-use asset (note 6)	212,918	349,005
	\$ 181,808,271	\$ 168,646,300
Liabilities and Shareholders' Equity		
Current liabilities		
Accounts payable and accrued liabilities	\$ 11,919,434	\$ 11,082,834
Excise tax payable	7,192,034	7,446,336
Sales tax payable	1,472,443	2,237,696
Deferred lease revenue	72,740	69,720
Revolving credit facilities (note 7)	6,758,000	6,758,000
Current portion of convertible debenture (note 7)	-	4,072,270
Current portion of long-term debt	56,576	221,319
Current portion of deferred grant income	125,386	63,536
Current portion of lease liabilities (note 6)	222,913	281,158
Current portion of term loan (note 7)	1,965,961	1,965,961
	29,785,487	34,198,830
Lease liabilities (note 6)	23,936	114,804
Convertible debenture (note 7)	-	2,104,285
Deferred grant income	1,367,472	878,220
Deferred income tax liabilities	5,224,659	3,066,037
Term loan (note 7)	25,197,505	26,063,147
	61,599,059	66,425,323
Shareholders' equity		
Share capital (note 8)	104,098,909	89,764,540
Contributed surplus	13,229,826	12,278,157
Retained earnings	2,880,477	178,280
Total equity	120,209,212	102,220,977
Contingencies (note 13)		
Subsequent events (note 17)		
	\$ 181,808,271	\$ 168,646,300

See accompanying notes to condensed interim consolidated financial statements.

CANNARA BIOTECH INC.

Condensed Interim Consolidated Statement of Net Income and Comprehensive Income
For the three and six-month periods ended February 28, 2026 and 2025
(Unaudited)

	Three-month periods ended		Six-month periods ended	
	February 28, 2026	February 28, 2025	February 28, 2026	February 28, 2025
Revenue				
Revenue from sale of goods (note 14)	\$ 37,815,863	\$ 36,773,886	\$ 79,641,451	\$ 71,672,647
Excise taxes	(11,652,651)	(11,274,302)	(24,368,498)	(22,172,371)
Net revenue from sale of goods	26,163,212	25,499,584	55,272,953	49,500,276
Lease revenues (note 14)	983,182	959,445	1,953,226	1,913,563
Other income	33,048	127,128	66,438	242,732
	27,179,442	26,586,157	57,292,617	51,656,571
Cost of sales				
Cost of goods sold (note 4)	15,453,021	15,649,408	31,979,567	30,853,361
Lease operating costs	154,153	104,140	274,620	188,837
Gross profit before fair value adjustments	11,572,268	10,832,609	25,038,430	20,614,373
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 (note 3)	5,933,883	7,978,224	10,739,014	14,294,076
Gross profit	11,647,857	11,955,588	22,857,576	22,134,473
Operating expenses				
General and administrative (note 10)	3,199,490	2,726,610	6,376,034	5,399,312
Selling, marketing and promotion	2,816,289	2,340,678	5,525,948	4,569,412
Professional and legal fees	486,196	262,823	832,739	533,178
Research and development	400,695	171,446	688,144	343,135
Share-based compensation (note 9)	1,090,910	295,168	2,811,556	616,572
Depreciation (notes 5 and 6)	252,988	281,637	519,725	562,350
Loss on disposal of property, plant and equipment (note 5)	122,008	–	122,008	1,209
	8,368,576	6,078,362	16,876,154	12,025,168
Operating income	3,279,281	5,877,226	5,981,422	10,109,305
Net finance expense (note 11)	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
Income taxes expense	1,157,225	1,414,843	2,158,622	2,142,894
Net income and comprehensive income	\$ 1,662,648	\$ 3,314,541	\$ 2,702,197	\$ 5,620,404
Earnings per share (note 8)				
basic	\$ 0.02	\$ 0.04	\$ 0.03	\$ 0.06
diluted	\$ 0.02	\$ 0.04	\$ 0.03	\$ 0.06
Weighted average number of common shares:				
basic	96,357,537	90,560,558	95,029,610	90,288,258
diluted	98,423,497	92,253,849	97,295,876	91,922,025

See accompanying notes to condensed interim consolidated financial statements.

CANNARA BIOTECH INC.

Condensed Interim Consolidated Statements of Changes in Equity
 For the six-month period ended February 28, 2026 and 2025
 (Unaudited - in Canadian dollars)

	Shares	Share capital	Contributed surplus	Retained earnings	Total equity
As at August 31, 2025	91,433,135	\$ 89,764,540	\$ 12,278,157	\$ 178,280	\$ 102,220,977
Net income	–	–	–	2,702,197	2,702,197
Share-based compensation (note 9)					
Employee compensation	–	–	2,802,983	–	2,802,983
Other services	–	–	8,573	–	8,573
Settlement of restricted shares units (note 9)	886,250	617,950	(617,950)	–	–
Convertible debenture conversion into common shares (note 7)	3,462,763	7,474,911	(1,241,937)	–	6,232,974
Private placement – common shares issuance (note 8)	3,000,000	6,300,000	–	–	6,300,000
Private placement – shares issuance cost (note 8)	–	(58,492)	–	–	(58,492)
As at February 28, 2026	98,782,148	\$ 104,098,909	\$ 13,229,826	\$ 2,880,477	\$ 120,209,212

	Shares	Share capital	Contributed surplus	Deficit	Total equity
As at August 31, 2024	90,018,952	\$ 88,523,025	\$ 12,326,377	\$ (12,897,913)	\$ 87,951,489
Net income	–	–	–	5,620,404	5,620,404
Share-based compensation (note 9)	–	–	616,572	–	616,572
Settlement of restricted shares units (note 9)	1,414,183	1,241,515	(1,241,515)	–	–
As at February 28, 2025	91,433,135	\$ 89,764,540	\$ 11,701,434	\$ (7,277,509)	\$ 94,188,465

See accompanying notes to condensed interim consolidated financial statements.

CANNARA BIOTECH INC.

Condensed Interim Consolidated Statements of Cash Flows

For the three and six-month periods ended February 28, 2026 and 2025

(Unaudited - in Canadian dollars)

	Three-month periods ended		Six-month periods ended	
	February 28, 2026	February 28, 2025	February 28, 2026	February 28, 2025
Cash provided by (used in):				
Operating:				
Net income	\$ 1,662,648	\$ 3,314,541	\$ 2,702,197	\$ 5,620,404
Items not involving cash:				
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 (note 3)	(5,933,883)	(7,978,224)	(10,739,014)	(14,294,076)
Depreciation of property, plant and equipment (note 5)	1,241,326	1,562,366	2,754,234	3,045,450
Depreciation of right-of-use assets (note 5)	68,043	72,666	136,087	143,160
Loss on disposal of property, plant and equipment	122,008	–	122,008	1,209
Loss on convertible debenture extension	–	26,764	–	26,764
Interest expense (note 11)	385,720	910,819	937,764	1,897,755
Interest on lease liabilities (note 11)	8,060	13,120	16,161	26,824
Interest income (note 11)	(84,270)	(67,763)	(166,971)	(129,178)
Share-based compensation (note 9)	1,090,910	295,168	2,811,556	616,572
Accretion and amortization of financing costs (note 11)	71,752	47,592	119,720	97,646
Income taxes expense	1,157,225	1,414,843	2,158,622	2,142,894
Net change in non-cash operating working capital items (note 16)	(2,699,617)	(9,017,167)	(2,862,943)	(8,684,967)
	2,948,216	(2,550,030)	10,909,289	3,284,433
Financing:				
Proceed from private placement (note 8)	6,300,000	–	6,300,000	–
Equity transaction costs paid (note 8)	(42,552)	–	(42,552)	–
Repayment of term loan (note 7)	(491,491)	–	(982,981)	(491,491)
Proceeds from credit facilities (note 7)	–	–	–	500,000
Debt financing issuance costs paid (note 7)	(32,599)	(190,620)	(112,110)	(190,620)
Interest paid on debt instruments (note 7)	(122,726)	(847,270)	(634,017)	(1,718,375)
Payment of interest on letter of credit	–	(58,884)	–	(108,319)
Lease payments	(83,790)	(86,186)	(165,274)	(168,974)
Other long-term debt payments	(83,296)	(76,153)	(164,743)	(101,160)
	5,443,546	(1,259,113)	4,198,323	(2,278,939)
Investing:				
Deposits on property, plant and equipment	(371,136)	(309,938)	(673,886)	(656,131)
Acquisitions of property, plant and equipment (note 5)	(2,863,377)	(1,158,795)	(7,179,118)	(2,029,871)
Proceed from disposal of property, plant and equipment	140,000	–	140,000	3,068
Interest received	88,182	72,016	147,763	112,378
	(3,006,331)	(1,396,717)	(7,565,241)	(2,570,556)
Net change in cash	5,385,431	(5,205,860)	7,542,371	(1,565,062)
Cash, beginning of period	16,516,956	10,261,185	14,360,016	6,620,387
Cash, end of period	\$ 21,902,387	\$ 5,055,325	\$ 21,902,387	\$ 5,055,325

See accompanying notes to condensed interim consolidated financial statements.

CANNARA BIOTECH INC.

Notes to Condensed Interim Consolidated Financial Statements
For the three and six-month periods ended February 28, 2026 and 2025
(Unaudited - in Canadian dollars)

1. Nature of operations

Cannara Biotech Inc. ("Cannara" or the "Company") is a vertically integrated producer of premium-grade cannabis and cannabis-derivative products for the Canadian market. The Company is domiciled in Canada and was incorporated under the laws of British Columbia on October 19, 2017. Its head office is located at 333 Décarie, Suite 200, Ville St-Laurent, Québec, H4N 3M9. The Company's common shares trade under the symbol "LOVE" on the Toronto Stock Exchange (the "TSX") in Canada, following its graduation from the TSX Venture Exchange (the "TSXV") on March 2, 2026, "LOVFF" on the OTCQX® Best Market ("OTCQX") in the United States, and "8CB0" on the Frankfurt Stock Exchange in Germany.

Cannara owns and operates two Quebec-based mega cultivation facilities spanning over 1,600,000 square feet. Cannara's first purpose-built, modern indoor cultivation facility is located in Farnham, Quebec and measures over 600,000 square feet, comprising approximately 190,000 square feet of licensed cannabis production area and approximately 415,000 square feet of leased warehouse space ("Farnham Facility"). The second facility, acquired in June 2021, is a hybrid greenhouse facility that has been designed to replicate the indoor cultivation environment. The facility is comprised of 24 independent growing zones totaling 600,000 square feet, a 225,000 square feet Cannabis 2.0 processing center and a 200,000 square feet rooftop greenhouse located in Valleyfield, Quebec ("Valleyfield Facility"). Cannara operates through its wholly owned subsidiaries, Cannara Biotech (Quebec) Inc. and Cannara Biotech (Valleyfield) Inc., both holding active licenses issued by Health Canada under the Cannabis Act.

The Company continues to invest in capital expenditures at its Valleyfield Facility, having activated 12 of its 24 growing zones to date, representing 300,000 square feet of active growing capacity. The Company sells its products under three flagship brands: Tribal, Nugz and Orchid CBD.

The Company generated a net income of approximately \$2.7 million during the six-month period ended February 28, 2026 (2025 – \$5.6 million) and has retained earnings of approximately \$2.9 million as at February 28, 2026 (August 31, 2025 – \$0.2 million).

The ability of the Company to continue to deliver recurrent profits from operations is dependent upon the continued success of its product and brand pipeline in addition to maintaining the consistency of its grow operations and lean cost structure. The Company expects to finance its operations through its sales, existing cash, available undrawn credit facilities and term loan, and, if necessary, additional equity or debt financing.

CANNARA BIOTECH INC.

Notes to Condensed Interim Consolidated Financial Statements
For the three and six-month periods ended February 28, 2026 and 2025
(Unaudited - in Canadian dollars)

2. Basis of preparation and significant accounting policies

(a) Statement of compliance

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

These condensed interim consolidated financial statements were approved by the Board of Directors and authorized for issuance on April 13, 2026.

(b) Basis of preparation

The condensed interim consolidated financial statements were prepared using the same accounting policies as set forth in Notes 2 and 3 in the consolidated audited financial statements of the Company for the year ended August 31, 2025. These condensed interim consolidated financial statements do not include all the notes required in annual consolidated financial statements. Therefore, these condensed interim consolidated financial statements should be read in conjunction with the audited consolidated financial statements and notes thereto of the Company for the year ended August 31, 2025.

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

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

The critical accounting judgments and key sources of estimation uncertainty are consistent with those presented in the Company's audited consolidated financial statements and notes thereto for the year ended August 31, 2025.

CANNARA BIOTECH INC.

Notes to Condensed Interim Consolidated Financial Statements
For the three and six-month periods ended February 28, 2026 and 2025
(Unaudited - in Canadian dollars)

3. Biological assets

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

Carrying amount, August 31, 2024	\$	6,649,591
Production costs capitalized		22,433,561
Change in fair value due to biological transformation, less cost to sell		29,622,019
Transferred to inventory upon harvest		(51,889,230)
Carrying amount, August 31, 2025	\$	6,815,941
Production costs capitalized		11,891,255
Change in fair value due to biological transformation, less cost to sell		10,739,014
Transferred to inventory upon harvest		(23,931,656)
Carrying amount, February 28, 2026	\$	5,514,554

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

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

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

Because there is no actively traded commodity market for cannabis plants and dried product, the valuation of the biological assets is obtained using valuations techniques where the inputs are based upon unobservable market data and are classified as level 3 in the fair market value hierarchy. There has been no transfer between levels as at February 28, 2026.

CANNARA BIOTECH INC.

Notes to Condensed Interim Consolidated Financial Statements
For the three and six-month periods ended February 28, 2026 and 2025
(Unaudited - in Canadian dollars)

3. Biological assets (continued)

Management's identified significant unobservable inputs, their values and sensitivity analysis are presented in the table below. The Company's estimates are, by their nature, subject to change, and differences from the anticipated yield will be reflected in the gain or loss on biological assets in future periods. The income approach calculates the present value of expected future cash flows from the Company's biological assets using the following inputs for the period ended February 28, 2026:

Unobservable inputs	Input values	Sensitivity analysis
<p><i>Selling price</i> Represents the average expected selling price per gram of dried cannabis, excluding excise taxes, where applicable, which is expected to approximate future selling prices. The average selling price varies depending on the estimated products for each genetic in the cultivation cycle.</p> <p>Management has used the selling price of packaged dried cannabis for its flower material and a wholesale price for cannabis used in derivatives products, representing a market value before transformation.</p>	<p>\$2.08 to \$3.40 per gram as selling price for packaged dried cannabis (August 31, 2025 – \$2.09 to \$3.31 per gram)</p>	<p>An increase or decrease of 5% applied to the selling price would result in a change of approximately \$508,000 to the valuation.</p>
<p><i>Yield per plant</i> Represents the average number of grams of dried cannabis expected to be harvested from each cannabis plant from the two facilities.</p>	<p>81 grams per plant (August 31, 2025 – 89 grams per plant)</p>	<p>An increase or decrease of 15% applied to the average yield per plant would result in a change of approximately \$818,000 to the valuation.</p>
<p><i>Stage of completion</i> Calculated by taking the average number of days in the cultivation cycle over the total estimated duration of a cultivation cycle which is currently approximately 12 to 13 weeks from clone to harvest.</p>	<p>Weighted average stage of completion is 48% (August 31, 2025 – 50%)</p>	<p>An increase or decrease of 5% applied to the average stage of growth per plant would result in a change of approximately \$250,000 to the valuation.</p>

As at February 28, 2026, it is expected that the Company's biological assets will yield approximately 9,555 kilograms of dried cannabis when harvested (As at August 31, 2025 – 11,108 kilograms of dried cannabis).

CANNARA BIOTECH INC.

Notes to Condensed Interim Consolidated Financial Statements
For the three and six-month periods ended February 28, 2026 and 2025
(Unaudited - in Canadian dollars)

4. Inventory

Inventory consists of the following:

	February 28, 2026		
	Capitalized cost	Fair value adjustment ¹	Total
Raw materials - cultivation and supplies	\$ 7,501,751	\$ -	\$ 7,501,751
Harvested cannabis			
Dried cannabis and work-in-progress	11,874,355	7,746,095	19,620,450
Finished goods	3,454,448	1,343,274	4,797,722
Derivative products			
Derivatives products and work-in-progress	8,887,556	3,807,699	12,695,255
Finished goods	2,780,929	475,929	3,256,858
Finished goods – cannabis accessories	765,388	-	765,388
	\$ 35,264,427	\$ 13,372,997	\$ 48,637,424

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

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

The amount of inventory expensed as cost of goods sold during the three and six-month periods ended February 28, 2026 was \$15,453,021 and \$31,979,567 (2025 – \$15,649,408 and \$30,853,361), including an impairment loss on inventory of \$243,635 and \$868,120 (2025 – \$474,418 and \$831,083), and \$1,088,978 and \$2,436,641 in fair value adjustment was recognized in change in fair value of inventory sold for cannabis that exceed its net realizable value (2025 – \$872,717 and \$1,436,448).

CANNARA BIOTECH INC.

Notes to Condensed Interim Consolidated Financial Statements
For the three and six-month periods ended February 28, 2026 and 2025
(Unaudited - in Canadian dollars)

5. Property, plant and equipment

	Land	Buildings	Facility production equipment	Computer equipment and software	Vehicles	Furniture and fixtures	Construction in progress	Total
Cost								
Balance as at August 31, 2025	\$ 2,330,099	\$ 77,758,451	\$ 20,831,519	\$ 1,943,281	\$ 52,515	\$ 2,659,535	\$ 4,654,319	\$ 110,229,719
Additions	–	112,025	2,647,566	81,153	–	43,968	4,424,329	7,309,041
Transfer	–	549,104	–	–	–	75,454	(624,558)	–
Disposal	–	–	(444,887)	–	–	–	–	(444,887)
Balance as at February 28, 2026	\$ 2,330,099	\$ 78,419,580	\$ 23,034,198	\$ 2,024,434	\$ 52,515	\$ 2,778,957	\$ 8,454,090	\$ 117,093,873
Accumulated depreciation								
Balance as at August 31, 2025	\$ –	\$ (16,050,509)	\$ (5,781,119)	\$ (1,548,818)	\$ (32,560)	\$ (1,165,445)	\$ –	\$ (24,578,451)
Depreciation	–	(1,745,241)	(1,082,658)	(78,395)	(3,865)	(133,348)	–	(3,043,507)
Disposal	–	–	182,879	–	–	–	–	182,879
Balance as at February 28, 2026	\$ –	\$ (17,795,750)	\$ (6,680,898)	\$ (1,627,213)	\$ (36,425)	\$ (1,298,793)	\$ –	\$ (27,439,079)
Net book value								
Balance as at February 28, 2026	\$ 2,330,099	\$ 60,623,830	\$ 16,353,300	\$ 397,221	\$ 16,090	\$ 1,480,164	\$ 8,454,090	\$ 89,654,794

As at February 28, 2026, the assets included in construction in progress represent mainly the assets of the unused portion of the Valleyfield Facility and capital expenditures related to the build-out of the post-processing area. These costs are transferred to other categories as the assets become available or ready for use.

As part of its real estate segment, the Company uses the non-cannabis licensed area of the Farnham building to generate lease revenues. As at February 28, 2026, a net book value of \$7,436,473 related to the Farnham building is recognized as an investment property (As at August 31, 2025 – \$7,984,905). The fair value of the Farnham building is not reliably measured on a continuous basis and, as such, the fair value of the building is not known, and thus it was measured using the cost model as per IAS 16, Property, plant and equipment.

CANNARA BIOTECH INC.

Notes to Condensed Interim Consolidated Financial Statements
For the three and six-month periods ended February 28, 2026 and 2025
(Unaudited - in Canadian dollars)

5. Property, plant and equipment (continued)

	Land	Buildings	Facility production equipment	Computer equipment and software	Vehicles	Furniture and fixtures	Construction in progress	Total
Cost								
Balance as at August 31, 2024	\$ 2,330,099	\$ 76,710,294	\$ 16,346,551	\$ 1,733,228	\$ 42,140	\$ 2,528,937	\$ 4,708,667	\$ 104,399,916
Additions	–	118,089	5,444,688	269,194	16,075	130,598	2,048,537	8,027,181
Transfer	–	1,422,030	680,855	–	–	–	(2,102,885)	–
Disposal	–	–	(406,104)	–	(3,700)	–	–	(409,804)
Derecognition of fully amortized assets	–	(491,962)	(1,234,471)	(59,141)	(2,000)	–	–	(1,787,574)
Balance as at August 31, 2025	\$ 2,330,099	\$ 77,758,451	\$ 20,831,519	\$ 1,943,281	\$ 52,515	\$ 2,659,535	\$ 4,654,319	\$ 110,229,719
Accumulated amortization								
Balance as at August 31, 2024	\$ –	\$ (13,193,888)	\$ (4,662,315)	\$ (1,264,345)	\$ (24,865)	\$ (913,798)	\$ –	\$ (20,059,211)
Depreciation	–	(3,348,583)	(2,488,435)	(343,614)	(10,743)	(251,647)	–	(6,443,022)
Disposal	–	–	135,160	–	1,048	–	–	136,208
Derecognition of fully amortized assets	–	491,962	1,234,471	59,141	2,000	–	–	1,787,574
Balance as at August 31, 2025	\$ –	\$ (16,050,509)	\$ (5,781,119)	\$ (1,548,818)	\$ (32,560)	\$ (1,165,445)	\$ –	\$ (24,578,451)
Net book value								
Balance as at August 31, 2025	\$ 2,330,099	\$ 61,707,942	\$ 15,050,400	\$ 394,463	\$ 19,955	\$ 1,494,090	\$ 4,654,319	\$ 85,651,268

During the three and six-month periods ended February 28, 2026, the Company recognized \$1,511,724 and \$3,043,507 (2025 – \$1,474,429 and \$2,946,154) as depreciation expense, of which \$184,945 and \$383,638 have been recognized in the consolidated statement of net income and comprehensive income (2025 – \$208,971 and \$419,190), and \$1,326,779 and \$2,659,869 (2025 – \$1,265,458 and \$2,526,964) have been included in the calculation of the biological assets and inventory valuation and for which some lots were ultimately used for research and development.

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6. Right-of-use assets and lease liabilities

(a) Right-of-use assets

	February 28, 2026	August 31, 2025
Cost		
Balance, beginning of period	\$ 1,004,704	\$ 987,986
Addition	–	47,636
Disposal	–	(23,500)
Derecognition of fully amortized assets	–	(7,418)
Balance, end of period	\$ 1,004,704	\$ 1,004,704
Accumulated depreciation		
Balance, beginning of period	\$ (655,699)	\$ (392,768)
Depreciation	(136,087)	(282,099)
Disposal	–	11,750
Derecognition of fully amortized assets	–	7,418
Balance, end of period	\$ (791,786)	\$ (655,699)
Net book value		
Balance, end of period	\$ 212,918	\$ 349,005

(b) Lease liabilities

	February 28, 2026	August 31, 2025
Maturity analysis - contractual undiscounted cash flows:		
Less than one year	\$ 233,935	\$ 304,170
One to five years	24,596	118,063
Total undiscounted lease liabilities	\$ 258,531	\$ 422,233
Current	\$ 222,913	\$ 281,158
Non-current	23,936	114,804
Lease liabilities included in the condensed interim consolidated statement of financial position	\$ 246,849	\$ 395,962
Balance as at August 31, 2025		\$ 395,962
Additions		–
Lease payments		(165,274)
Interest on lease liabilities		16,161
Balance as at February 28, 2026		\$ 246,849

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7. Financing

(a) Revolving credit facilities

	February 28, 2026	August 31, 2025
Net carrying value, beginning of period	\$ 6,758,000	\$ 6,259,298
Proceeds from revolving credit facilities	–	500,000
Repayment of revolving credit facilities	–	(1,298)
Net carrying value, end of period	\$ 6,758,000	\$ 6,758,000

	February 28, 2026	Expiry date
Revolving credit facility A	6,258,000	2026-03-30
Revolving credit facility B	500,000	2026-03-16
Net carrying value, end of period	\$ 6,758,000	

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

The revolving credit facilities bear variable interest rates based on prime rate or the Canadian overnight repo rate average ("CORRA") plus an applicable margin based on the credit agreement. As at February 28, 2026, the weighted average interest rate on the revolving credit facilities was 5.29% (As at August 31, 2025 – 5.75%).

The term of the revolving credit facilities is December 31, 2027, and has the same security, guarantees and covenants as the term loan (note 7 (b)). The revolving credit facilities are classified as a current liability, as they are actively managed and expected to be settled by the Company within its normal operating cycle.

For the three and six-month periods ended February 28, 2026, the Company recognized \$80,056 and \$176,591 as interest expense for the revolving credit facilities (2025 – \$117,522 and \$246,946). As at February 28, 2026, accrued interest of \$61,665 was included in account payables and accrued liabilities (As at August 31, 2025 – \$6,355).

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7. Financing (continued)

(b) Term loan

	February 28, 2026	August 31, 2025
Net carrying value, beginning of period	\$ 28,029,108	\$ 34,976,596
Repayment of term loan	(982,981)	(6,933,154)
Addition of term loan issuance costs	–	(190,620)
Amortization of deferred financing costs	117,339	176,286
Net carrying value, end of period	\$ 27,163,466	\$ 28,029,108
Term loan ⁽ⁱ⁾	\$ 27,471,166	\$ 28,454,147
Less: unamortized financing costs	(307,700)	(425,039)
	27,163,466	28,029,108
Short-term portion of term loan	(1,965,961)	(1,965,961)
	\$ 25,197,505	\$ 26,063,147

- (i) The term loan bears a variable interest rate based on prime and/or CORRA rates plus an applicable margin based on the credit agreement. As at February 28, 2026, the interest on the term loan was 4.81% (As at August 31, 2025 – 5.77%). The term loan is reimbursable quarterly, and the term is December 31, 2027. The term loan is secured by a first-ranking mortgage against the Farnham and Valleyfield Facilities.

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

For the three and six-month periods ended February 28, 2026, the Company recognized \$302,761 and \$699,205 as interest expense for the term loan (2025 – \$622,986 and \$1,326,851). As at February 28, 2026, accrued interest of \$275,382 was included in account payables and accrued liabilities (As at August 31, 2025 – \$80,982).

The Company obtained approval for a \$10 million committed delayed capital expenditures debt facility to finance the Company's capital expansion projects. As at February 28, 2026, the Company had not made any draws and has incurred \$164,274 of financing fees which are presented as deferred financing costs (As at August 31, 2025 – \$52,164).

The Company has to respect specific financial covenants which are: (a) maintaining a certain liquidity coverage at all the times, (b) maintaining a fixed charge coverage ratio equal to or more than 1.25 to 1.0, and (c) maintaining a funded debt to EBITDA ratio equal to or less than 3.5 to 1.0 at each quarter-end. As at February 28, 2026, the Company has met all of these financial covenants.

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7. Financing (continued)

(c) Convertible debenture

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

	February 28, 2026	August 31, 2025
Net carrying value, beginning of period	\$ 6,176,555	\$ 6,442,350
Repayment	–	(1,000,000)
Loss on modification of convertible debenture	–	26,764
Interest expense	54,038	643,375
Accretion	2,381	64,066
Conversion of debenture into common shares	(6,232,974)	–
Net carrying value, end of period	\$ –	\$ 6,176,555
Short-term portion of convertible debenture	–	(4,072,270)
	\$ –	\$ 2,104,285

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

During the three and six-month periods ended February 28, 2026, the Company recognized nil and \$54,038 as interest expense (2025 - \$159,194 and \$308,702; and as at August 31, 2025, accrued interest of \$1,478,936 was included in the carrying amount of the convertible debenture).

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8. Share Capital

(a) Authorized

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

(b) Transactions on share capital

Convertible debenture conversion

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

Private placement

During the second quarter of 2026, the Company completed a non-brokered private placement of 3,000,000 common shares at a price of \$2.10 per share for gross proceeds of \$6.3 million. Transaction costs of \$58,492 were incurred in connection with the issuance and were recorded as a reduction of share capital.

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8. Share Capital (continued)

(c) Earnings per share

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

The calculations for basic and diluted earnings per share for the three and six-month periods ended February 28, 2026 and 2025 was as follows:

	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
Issued common shares, beginning of the period	94,895,898	90,018,952	91,433,135	90,018,952
Effect of restricted share units settled for common shares	594,972	541,606	295,843	269,306
Effect of conversion debenture exercise for common shares	–	–	2,869,693	–
Effect of private placement issuance	866,667	–	430,939	–
Weighted average number of common shares, basic	96,357,537	90,560,558	95,029,610	90,288,258
Impact of dilutive securities:				
Restricted share units	543,625	1,693,291	837,804	1,633,767
Share options	1,522,335	–	1,428,462	–
Weighted average number of common shares, diluted	98,423,497	92,253,849	97,295,876	91,922,025
Earning per share:				
basis	\$ 0.02	\$ 0.04	\$ 0.03	\$ 0.06
diluted	\$ 0.02	\$ 0.04	\$ 0.03	\$ 0.06

For the three and six-month periods ended February 28, 2026, the Company excluded the following instruments from the weighted average number of diluted common shares calculation as their effect would have been anti-dilutive: 3,000,000 share options (2025 – 5,056,655 share options and 3,166,667 shares as-if the convertible debentures were converted).

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9. Share-based compensation

(a) Stock option plan

The Company has established a share option plan whereby certain person may be granted options to acquire shares under the terms of the employee share option plan or shares may be granted to third parties in exchange for services. The number and characteristics of share options granted under the employee share option plan are determined by the Board of Directors of the Company. During the quarter, the Company approved a new fixed equity incentive plan pursuant to which a maximum of 15% of the Company's issued and outstanding common shares, calculated at the time of adoption, may be reserved for issuance upon the exercise or settlement of share options and restricted share units. The characteristics of share options granted to third parties for services are determined on a case-by-case basis.

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

The activity of outstanding share options for the six-month period ended February 28, 2026 and 2025 was as follows:

	February 28, 2026		February 28, 2025	
	Number	Weighted average exercise price	Number	Weighted average exercise price
Outstanding, beginning of period	8,658,018	\$ 1.48	4,539,687	\$ 1.59
Granted	44,600	1.80	640,000	1.14
Forfeited	(15,000)	1.80	(76,842)	1.80
Expired	(62,618)	1.80	(46,190)	1.80
Outstanding, end of period	8,625,000	1.55	5,056,655	1.52
Exercisable, end of period	4,537,545	\$ 1.41	3,584,215	\$ 1.60

During the three and six-month periods ended February 28, 2026, the Company recorded a share-based compensation expense of \$1,001,074 and \$2,548,738 in the consolidated statement of net income and comprehensive income (2025 – \$64,501 and \$159,224).

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9. Share-based compensation (continued)

(a) Stock option plan (continued)

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

During the second quarter of 2026, the Company approved the cancellation and re-issuance of 544,600 share options to certain board members and employees. The Company determined that, due to an administrative oversight, the issuance of certain options resulted in the Company exceeding the limits permitted under its share plan. The affected options were cancelled and were re-issued with substantially the same terms and conditions, including the same exercise prices, with vesting schedules and expiry dates intended to remain unchanged and to continue as if originally granted. As a result, it has been treated as a modification of options under IFRS 2. The Company determined that the fair value of the modified options was not greater than the original options at the modification date and, accordingly, no incremental share-based compensation expense was recognized. The original grant-date fair value continues to be recognized over the vesting period.

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

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

	February 28, 2026	Six-month period ended February 28, 2025
Share price ⁽ⁱ⁾	\$ 1.72	\$ 0.68
Exercise price	\$ 1.80	\$ 1.14
Risk-free interest rate ⁽ⁱⁱ⁾	2.85%	3.18%
Expected life ⁽ⁱⁱⁱ⁾	7 years	7 years
Expected price volatility ^(iv)	73%	73%
Fair value of the option	\$ 1.18	\$ 0.42
Expected dividend yield ^(v)	Nil	Nil

(i) The share price is based on the market price on the date of the grant.

(ii) The risk-free interest rate was based on the Bank of Canada government bonds rates in effect at grant date for time periods approximately equal to the expected life of the option.

(iii) The expected life of the options reflects the assumption of future exercise patterns that may occur.

(iv) Expected price volatility was estimated based on historical volatility of the Company's shares.

(v) The expected dividend yield has been estimated at nil as the Company has never paid cash dividends and does not expect to do so in the immediate future.

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9. Share-based compensation (continued)

(a) Stock option plan (continued)

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

Expiry date range	Average exercise price \$	Number outstanding	Number exercisable	Weighted average number of years remaining
Mar 2026 to Feb 2027	\$ 1.80	83,500	83,500	0.35
Mar 2027 to Feb 2028	1.80	590,000	562,850	1.48
Mar 2028 to Feb 2029	1.80	702,500	628,730	2.65
Mar 2029 to Feb 2030	1.00 to 1.80	2,100,000	2,084,528	3.58
Mar 2030 to Feb 2031	1.20 to 1.80	677,500	366,943	4.77
Mar 2031 and after	1.00 to 1.80	4,471,500	810,994	8.80
		8,625,000	4,537,545	6.13 years

(b) Restricted Share Units

The Company has established a Restricted Share Unit Plan under which the aggregate number of restricted share units and share options that may be granted pursuant to the Company's equity incentive plans shall not exceed a fixed maximum of 15% of the Company's issued and outstanding common shares, calculated at the time of adoption. Under the Restricted Share Units Plan, the Company may grant to certain personnel restricted share units without performance conditions ("RSU") or restricted share units with performance conditions ("PSU"). The restricted share units are time-based awards, and the numbers of share units granted will vest upon the continuous employment of the Participants on the second anniversary of the grant or as approved by the Board of Directors, without exceeding five years, and when applicable, if the performance conditions are met. Pursuant to the terms of the Restricted Share Units Plan, Participants will receive for no consideration, upon vesting of the RSUs or PSUs, common shares of the Company issued from treasury.

During the second quarter of 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. As a result, the book value totalling \$617,950 was reclassified from contributed surplus to share capital.

During the first quarter of 2025, the Company granted 90,000 RSUs without performance conditions and 625,000 PSUs with performance conditions which are exercisable for no consideration.

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9. Share-based compensation (continued)

(b) Restricted Share Units

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

During the three and six-month periods ended February 28, 2026, the Company recorded a share-based compensation expense of \$89,836 and \$262,818 in the consolidated statement of net income and comprehensive income for the RSUs and PSUs (2025 – \$230,667 and \$457,348).

The outstanding RSUs for the six-month period ended February 28, 2026 and 2025 are as follows:

	February 28, 2026		February 28, 2025	
	Number	Weighted average fair value	Number	Weighted average fair value
Outstanding, beginning of period	347,500	\$ 1.24	1,504,183	\$ 0.88
Granted	–	–	90,000	0.68
Settled	(105,000)	0.83	(1,414,183)	0.88
Outstanding, end of period	242,500	\$ 1.42	180,000	\$ 0.77

Vesting date	Number outstanding
November 22, 2026	75,000
April 25, 2027	22,500
August 28, 2027	145,000
	242,500

The outstanding PSUs for the six-month period ended February 28, 2026 and 2025 are as follows:

	February 28, 2026		February 28, 2025	
	Number	Weighted average fair value	Number	Weighted average fair value
Outstanding, beginning of period	625,000	\$ 0.68	–	\$ –
Granted	–	–	625,000	0.68
Adjustment for achievement of performance conditions	156,250	–	–	–
Settled	(781,250)	0.89	–	–
Outstanding, end of period	–	\$ –	625,000	\$ 0.68

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10. General and administrative

	Three-month periods ended		Six-month periods ended	
	February 28, 2026	February 28, 2025	February 28, 2026	February 28, 2025
Salaries and benefits	\$ 1,623,934	\$ 1,252,965	\$ 3,014,342	\$ 2,404,860
Administrative and regulatory expense	1,099,472	1,041,791	2,406,452	2,058,491
Facility expense	476,084	431,854	955,240	935,961
General and administrative	\$ 3,199,490	\$ 2,726,610	\$ 6,376,034	\$ 5,399,312

11. Net finance expense

	Three-month periods ended		Six-month periods ended	
	February 28, 2026	February 28, 2025	February 28, 2026	February 28, 2025
Interest income	\$ 84,270	\$ 67,763	\$ 166,971	\$ 129,178
Foreign exchange gain	48,456	–	–	–
Finance income	132,726	67,763	166,971	129,178
Interest on term loan	302,761	622,986	699,205	1,326,851
Interest on credit facilities	80,056	117,522	176,591	246,946
Interest on convertible debenture	–	159,194	54,038	308,702
Interest on lease liabilities	8,060	13,120	16,161	26,824
Interest on other long-term debt	2,903	11,117	7,930	15,256
Fees related to letter of credit	32,469	47,466	65,372	97,816
Debt guarantee fees	–	93,750	–	187,500
Accretion and amortization of financing costs	71,752	47,592	119,720	97,646
Other finance expense	94,133	53,928	134,766	105,743
Loss on convertible debenture extension	–	26,764	–	26,764
Foreign exchange loss	–	22,166	13,791	35,137
Finance expense	592,134	1,215,605	1,287,574	2,475,185
Net finance expense	\$ 459,408	\$ 1,147,842	\$ 1,120,603	\$ 2,346,007

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12. Financial instruments

Fair value measurements

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

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

13. Contingencies

In the normal course of business, the Company may be involved in various legal and regulatory proceedings. The Company believes that the resolution of these proceedings will not have a material favourable or unfavourable effect on its condensed interim consolidated statement of financial position or financial performance. As at February 28, 2026, there are no material claims in favor or against the Company.

14. Segment disclosures

(a) Reportable segments

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

The chief operating decision-maker assesses performance based on segment operating results which were defined as segment operating income (loss) before share-based compensation, depreciation, net finance expense, loss on disposal of property, plant and equipment and income taxes. The accounting policies of the segments are the same as those described in Note 3 of the audited financial statements of the Company for the year ended August 31, 2025.

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14. Segment disclosures (continued)

(a) Reportable segments (continued)

	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
Revenue								
Revenue from sale of goods	\$ 37,815,863	\$ –	\$ –	\$ 37,815,863	\$ 36,773,886	\$ –	\$ –	\$ 36,773,886
Excise taxes	(11,652,651)	–	–	(11,652,651)	(11,274,302)	–	–	(11,274,302)
Net revenue from sale of goods	26,163,212	–	–	26,163,212	25,499,584	–	–	25,499,584
Lease revenue	–	983,182	–	983,182	–	959,445	–	959,445
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
Cost of revenues								
Cost of goods sold	15,453,021	–	–	15,453,021	15,649,408	–	–	15,649,408
Lease operating costs	–	154,153	–	154,153	–	104,140	–	104,140
Segment gross profit before fair value adjustments	10,743,239	829,029	–	11,572,268	9,977,304	855,305	–	10,832,609
Changes in fair value of inventory sold	(5,858,294)	–	–	(5,858,294)	(6,855,245)	–	–	(6,855,245)
Unrealized gain on changes in fair value of biological assets	5,933,883	–	–	5,933,883	7,978,224	–	–	7,978,224
Segment gross profit	10,818,828	829,029	–	11,647,857	11,100,283	855,305	–	11,955,588
Operating expenses	6,902,670	–	–	6,902,670	5,501,557	–	–	5,501,557
Segment operating income	3,916,158	829,029	–	4,745,187	5,598,726	855,305	–	6,454,031
Share-based compensation	–	–	1,090,910	1,090,910	–	–	295,168	295,168
Depreciation	–	–	252,988	252,988	–	–	281,637	281,637
Loss on disposal of property, plant and equipment	–	–	122,008	122,008	–	–	–	–
Net finance expense	–	–	459,408	459,408	–	–	1,147,842	1,147,842
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

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14. Segment disclosures (continued)

(a) Reportable segments (continued)

	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
Revenue								
Revenue from sale of goods	\$ 79,641,451	\$ –	\$ –	\$ 79,641,451	\$ 71,672,647	\$ –	\$ –	\$ 71,672,647
Excise taxes	(24,368,498)	–	–	(24,368,498)	(22,172,371)	–	–	(22,172,371)
Net revenue from sale of goods	55,272,953	–	–	55,272,953	49,500,276	–	–	49,500,276
Lease revenue	–	1,953,226	–	1,953,226	–	1,913,563	–	1,913,563
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
Cost of revenues								
Cost of goods sold	31,979,567	–	–	31,979,567	30,853,361	–	–	30,853,361
Lease operating costs	–	274,620	–	274,620	–	188,837	–	188,837
Segment gross profit before fair value adjustments	23,359,824	1,678,606	–	25,038,430	18,889,647	1,724,726	–	20,614,373
Changes in fair value of inventory sold	(12,919,868)	–	–	(12,919,868)	(12,773,976)	–	–	(12,773,976)
Unrealized gain on changes in fair value of biological assets	10,739,014	–	–	10,739,014	14,294,076	–	–	14,294,076
Segment gross profit	21,178,970	1,678,606	–	22,857,576	20,409,747	1,724,726	–	22,134,473
Operating expenses	13,422,865	–	–	13,422,865	10,845,037	–	–	10,845,037
Segment operating income	7,756,105	1,678,606	–	9,434,711	9,564,710	1,724,726	–	11,289,436
Share-based compensation	–	–	2,811,556	2,811,556	–	–	616,572	616,572
Depreciation	–	–	519,725	519,725	–	–	562,350	562,350
Loss on disposal of property, plant and equipment	–	–	122,008	122,008	–	–	1,209	1,209
Net finance expense	–	–	1,120,603	1,120,603	–	–	2,346,007	2,346,007
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

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14. Segment disclosures (continued)

(b) Entity-wide disclosures

All property, plant and equipment are located in Canada.

(c) Sources of lease revenues

As at February 28, 2026, the Company leased out over 65% of its Farnham Facility and realized 100% of its lease revenue with two lessees:

- The lease term for Tenant A is up to September 30, 2032. Lease revenues from this tenant for the three and six-month periods ended February 28, 2026 amounted to \$189,797 and \$376,968 (2025 – \$176,160 and \$357,232).
- The lease term for Tenant B is up to October 31, 2026 and could be extended for another period of two years at the option of the tenant at the end of the current term. Lease revenues from this tenant for the three and six-month periods ended February 28, 2026 amounted to \$783,285 and \$1,576,258 (2025 – \$783,285 and \$1,556,331).

Income is generated from customers domiciled in Canada.

(d) Source of cannabis and cannabis accessories revenues

	Three-month periods ended		Six-month periods ended	
	February 28, 2026	February 28, 2025	February 28, 2026	February 28, 2025
Revenue from Canadian retailers	\$ 36,866,823	\$ 34,410,102	\$ 76,827,818	\$ 68,511,870
Excise taxes	(11,652,651)	(11,274,302)	(24,368,498)	(22,172,371)
	25,214,172	23,135,800	52,459,320	46,339,499
Revenue from wholesale	909,408	2,296,623	2,727,847	3,036,315
Revenue from online merchandise	39,632	67,161	85,786	124,462
	\$ 26,163,212	\$ 25,499,584	\$ 55,272,953	\$ 49,500,276

For the six-month period ended February 28, 2026, the Company has 3 provincial distributors customers that each represent more than 10% of the cannabis revenues. Customer A accounted approximately for 49% of the revenues (2025 – 47%), Customer B for approximately 30% (2025 – 28%) and Customer C for approximately 10% (2025 – 12%).

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15. Related parties

(a) Key management personnel compensation

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

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

	Three-month periods ended		Six-month periods ended	
	February 28, 2026	February 28, 2025	February 28, 2026	February 28, 2025
Salaries and benefits	\$ 300,000	\$ 243,750	\$ 600,000	\$ 487,500
Share-based compensation	868,340	268,550	2,264,894	562,977
Board of Directors' fees	43,750	32,500	87,500	75,000
	\$ 1,212,090	\$ 544,800	\$ 2,952,394	\$ 1,125,477

(b) Other transactions with related parties

Related parties include entities related by virtue of key management personnel and directors exercising significant influence or control over the entities' financial and operating policies.

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

Nature of transactions:	Three-month periods ended		Six-month periods ended	
	February 28, 2026	February 28, 2025	February 28, 2026	February 28, 2025
Other expenses	\$ 2,875	\$ –	\$ 8,476	\$ 7,200
Acquisition of property, plant and equipment	159,429	–	246,791	–
Interest on debt financing ⁽ⁱ⁾	–	159,194	54,038	308,702
Debt financing guarantee fees ^{(i) (iii)}	–	93,750	–	187,500
	\$ 162,304	\$ 252,944	\$ 309,305	\$ 503,402

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15. Related parties (continued)

(b) Other transactions with related parties (continued)

	February 28, 2026	August 31, 2025
Balances due to related parties are as follows:		
Accounts payable and accrued liabilities ⁽ⁱ⁾	\$ (42,247)	\$ –
Accounts payable to key management personnel ⁽ⁱⁱ⁾	(135,636)	(551,524)
Accounts payable to Board of Directors members	(43,750)	(40,000)
Convertible debenture, including accrued interest ⁽ⁱ⁾	–	(6,178,936)
Lease liabilities ⁽ⁱ⁾	(203,410)	(323,988)

(i) The Company has a Board of Director member who is a shareholder in an entity with which the Company entered into various transactions with for the financing of the Farnham and Valleyfield Facilities in addition to a head office lease arrangement. During the three and six-month periods ended February 28, 2026, the Company paid \$62,547 and \$125,828 in rent for the head office lease (2025 – \$61,445 and \$123,625).

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

16. Cash flow information

Net change in non-cash working capital items:

	Three-month periods ended		Six-month periods ended	
	February 28, 2026	February 28, 2025	February 28, 2026	February 28, 2025
Accounts receivable	\$ 2,743,579	\$ (2,635,690)	\$ 1,651,176	\$ (2,512,330)
Biological assets	(4,520,412)	(4,144,812)	(9,231,386)	(8,247,187)
Inventory	2,680,670	1,493,300	4,519,824	4,314,769
Prepaid expenses and other assets	(1,269,667)	(853,082)	(240,795)	(1,419,286)
Deposits	–	210,000	–	210,000
Accounts payable and accrued liabilities	(1,018,197)	(141,718)	903,671	904,091
Excise tax payable	(826,771)	(3,044,937)	(254,302)	(2,466,547)
Sales tax payable	(530,212)	108,405	(765,253)	278,647
Deferred lease revenue	72,740	6,971	3,020	284,084
Deferred grant income	(31,347)	(15,604)	551,102	(31,208)
	\$ (2,699,617)	\$ (9,017,167)	\$ (2,862,943)	\$ (8,684,967)

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16. Cash flow information (continued)

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

	Three-month periods ended		Six-month periods ended	
	February 28, 2026	February 28, 2025	February 28, 2026	February 28, 2025
Variation of property, plant and equipment Included in accounts payable and accrued liabilities	(446,242)	47,032	332,720	(995,214)
Addition to right-of-use assets and lease liabilities	–	–	–	47,636
Financed property, plant and equipment	–	–	–	480,000
Settlement of RSUs for common shares	617,950	1,241,515	617,950	1,241,515
Conversion of convertible debenture into common shares	–	–	6,232,974	–

17. Subsequent events

Stock options

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

Revolving credit facilities

Subsequent to quarter-end, the Company extended all tranches of the revolving credit facilities for an additional 90-day term at a weighted average interest rate of 4.89%.

Subsequent to quarter-end, the Company drew \$2 million under the \$10 million capital expenditure facility for the construction of Valleyfield expansion project.