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CANNARA BIOTECH INC.

Condensed Interim Consolidated Financial Statements

For the three and nine-month periods ended

May 31, 2026 and 2025
(Unaudited)

CANNARA BIOTECH INC.

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(Unaudited)

CANNARA BIOTECH INC.

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

	May 31, 2026	August 31, 2025
Assets		
Current assets		
Cash	$ 21,808,081	$ 14,360,016
Accounts receivable	18,518,401	14,106,082
Biological assets (note 3)	6,010,835	6,815,941
Inventory (note 4)	49,622,232	44,516,056
Prepaid expenses and other assets	1,730,521	2,360,103
	97,690,070	82,158,198
Deposits	159,160	159,160
Deferred financing costs	–	52,164
Deposits on property, plant and equipment	991,209	276,505
Property, plant and equipment (note 5)	92,809,696	85,651,268
Right-of-use asset (note 6)	153,203	349,005
Intangible asset (note 7)	2,682,730	–
	$ 194,486,068	$ 168,646,300
Liabilities and Shareholders' Equity		
Current liabilities		
Accounts payable and accrued liabilities	$ 10,973,144	$ 11,082,834
Excise tax payable	9,323,452	7,446,336
Sales tax payable	2,271,612	2,237,696
Deferred lease revenue	74,200	69,720
Revolving credit facilities (note 8)	6,758,000	6,758,000
Current portion of long-term debt (note 8)	202,521	221,319
Current portion of lease liabilities (note 6)	160,193	281,158
Current portion of long-term credit facility (note 8)	200,000	–
Current portion of convertible debenture (note 8)	–	4,072,270
Current portion of deferred grant income	153,839	63,536
Current portion of term loan (note 8)	2,457,451	1,965,961
	32,574,412	34,198,830
Long-term debt (note 8)	810,082	–
Lease liabilities (note 6)	18,215	114,804
Long-term credit facility (note 8)	1,643,973	–
Convertible debenture (note 8)	–	2,104,285
Deferred grant income	1,589,830	878,220
Deferred income tax liabilities	7,254,875	3,066,037
Term loan (note 8)	24,748,761	26,063,147
	68,640,148	66,425,323
Shareholders' equity		
Share capital (note 9)	104,098,909	89,764,540
Contributed surplus	14,023,897	12,278,157
Retained earnings	7,723,114	178,280
Total equity	125,845,920	102,220,977
Contingencies (note 14)		
Subsequent events (note 18)		
	$ 194,486,068	$ 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 nine-month periods ended May 31, 2026 and 2025
(Unaudited)

	Three-month periods ended		Nine-month periods ended	
	May 31, 2026	May 31, 2025	May 31, 2026	May 31, 2025
Revenue				
Revenue from sale of goods (note 15)	$ 44,060,695	$ 37,832,038	$ 123,702,146	$ 109,504,685
Excise taxes	(13,775,214)	(11,529,208)	(38,143,712)	(33,701,579)
Net revenue from sale of goods	30,285,481	26,302,830	85,558,434	75,803,106
Lease revenues (note 15)	1,006,860	965,202	2,960,086	2,878,765
Other income	535,662	64,853	602,100	307,585
	31,828,003	27,332,885	89,120,620	78,989,456
Cost of sales				
Cost of goods sold (note 3)	18,260,338	15,171,570	50,239,905	46,024,931
Lease operating costs	122,269	103,572	396,889	292,409
Gross profit before fair value adjustments	13,445,396	12,057,743	38,483,826	32,672,116
Changes in fair value of inventory sold	(6,339,037)	(6,511,629)	(19,258,905)	(19,285,605)
Unrealized gain on changes in fair value of biological assets (note 3)	7,925,269	7,336,649	18,664,283	21,630,725
Gross profit	15,031,628	12,882,763	37,889,204	35,017,236
Operating expenses				
General and administrative (note 11)	2,909,494	2,568,985	9,285,528	7,968,297
Selling, marketing and promotion	2,988,211	2,567,020	8,514,159	7,136,432
Professional and legal fees	398,905	320,652	1,231,644	853,830
Research and development	344,715	176,944	1,032,859	520,079
Share-based compensation (note 10)	794,071	262,772	3,605,627	879,344
Depreciation (notes 5 and 6)	238,302	223,172	758,027	785,522
Gain on disposal of right-of-use assets (note 6)	–	(3,861)	–	(3,861)
Loss on disposal of property, plant and equipment (note 5)	–	2,352	122,008	3,561
	7,673,698	6,118,036	24,549,852	18,143,204
Operating income	7,357,930	6,764,727	13,339,352	16,874,032
Net finance expense (note 12)	485,077	972,377	1,605,680	3,318,384
Income before income taxes	6,872,853	5,792,350	11,733,672	13,555,648
Deferred income tax expense	2,030,216	1,650,181	4,188,838	3,793,075
Net income and comprehensive income	$ 4,842,637	$ 4,142,169	$ 7,544,834	$ 9,762,573
Earnings per share (note 9)				
basic	$ 0.05	$ 0.05	$ 0.08	$ 0.11
diluted	$ 0.05	$ 0.04	$ 0.08	$ 0.11
Weighted average number of common shares:				
basic	98,782,148	91,433,135	96,294,200	90,674,078
diluted	100,522,444	92,606,863	98,360,496	92,031,603

See accompanying notes to condensed interim consolidated financial statements.

CANNARA BIOTECH INC.

Condensed Interim Consolidated Statements of Changes in Equity
For the nine-month periods ended May 31, 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	–	–	–	7,544,834	7,544,834
Share-based compensation (note 10)					
Employee compensation	–	–	3,596,066	–	3,596,066
Other services	–	–	9,561	–	9,561
Settlement of restricted shares units (note 10)	886,250	617,950	(617,950)	–	–
Convertible debenture conversion into common shares (note 8)	3,462,763	7,474,911	(1,241,937)	–	6,232,974
Private placement – common shares issuance (note 9)	3,000,000	6,300,000	–	–	6,300,000
Private placement – shares issuance cost (note 9)	–	(58,492)	–	–	(58,492)
As at May 31, 2026	98,782,148	$ 104,098,909	$ 14,023,897	$ 7,723,114	$ 125,845,920

	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	–	–	–	9,762,573	9,762,573
Share-based compensation (note 10)					
Employee compensation	–	–	874,050	–	874,050
Other services	–	–	5,294	–	5,294
Settlement of restricted shares units (note 10)	1,414,183	1,241,515	(1,241,515)	–	–
As at May 31, 2025	91,433,135	$ 89,764,540	$ 11,964,206	$ (3,135,340)	$ 98,593,406

See accompanying notes to condensed interim consolidated financial statements.

CANNARA BIOTECH INC.

Condensed Interim Consolidated Statements of Cash Flows
For the three and nine-month periods ended May 31, 2026 and 2025
(Unaudited - in Canadian dollars)

	Three-month periods ended		Nine-month periods ended	
	May 31, 2026	May 31, 2025	May 31, 2026	May 31, 2025
Cash provided by (used in):				
Operating:				
Net income	$ 4,842,637	$ 4,142,169	$ 7,544,834	$ 9,762,573
Items not involving cash:				
Changes in fair value of inventory sold	6,339,037	6,511,629	19,258,905	19,285,605
Unrealized gain on changes in fair value of biological assets (note 3)	(7,925,269)	(7,336,649)	(18,664,283)	(21,630,725)
Depreciation of property, plant and equipment (note 5)	1,569,186	1,194,959	4,323,420	4,240,409
Depreciation of right-of-use assets (note 6)	59,715	69,755	195,802	212,915
Gain on disposal of right-of-use assets	–	(3,861)	–	(3,861)
Loss on disposal of property, plant and equipment	–	2,352	122,008	3,561
Loss on convertible debenture extension	–	–	–	26,764
Interest expense (note 12)	436,904	838,099	1,374,668	2,735,854
Interest on lease liabilities (note 12)	4,951	11,380	21,112	38,204
Interest income (note 12)	(141,631)	(62,187)	(308,602)	(191,365)
Share-based compensation (note 10)	794,071	262,772	3,605,627	879,344
Accretion and amortization of financing costs and other (note 12)	50,993	88,117	170,713	185,763
Other	(7,147)	–	(7,147)	–
Income taxes expense	2,030,216	1,650,181	4,188,838	3,793,075
Net change in non-cash operating working capital items (note 17)	(2,372,250)	6,533,139	(5,235,193)	(2,151,828)
	5,681,413	13,901,855	16,590,702	17,186,288
Financing:				
Proceeds from private placement (note 9)	–	–	6,300,000	–
Equity transaction costs paid (note 8)	–	–	(42,552)	–
Repayment of convertible debenture (note 8)	–	(1,000,000)	–	(1,000,000)
Repayment of term loan (note 8)	–	(491,490)	(982,981)	(982,981)
Debt financing issuance costs paid	–	–	–	(190,620)
Proceeds from revolving credit facilities (note 8)	–	–	–	500,000
Proceed from long-term credit facility (note 8)	2,000,000	–	2,000,000	–
Credit facility issuance costs paid	–	–	(112,110)	–
Interest paid on debt instruments (note 8)	(411,818)	(747,841)	(1,045,835)	(2,466,216)
Payment of interest on letter of credit	(194,186)	–	(194,186)	(108,319)
Lease payments	(73,392)	(96,067)	(238,666)	(265,041)
Other long-term debt payments	(56,576)	(77,877)	(221,319)	(179,037)
	1,264,028	(2,413,275)	5,462,351	(4,692,214)
Investing:				
Deposits on property, plant and equipment	(720,374)	(536,610)	(1,394,260)	(1,192,741)
Acquisitions of property, plant and equipment (note 5)	(3,684,313)	(1,670,103)	(10,863,431)	(3,699,974)
Proceed from disposal of property, plant and equipment	–	15,911	140,000	18,979
Acquisition of shares	(2,769,452)	–	(2,769,452)	–
Interest received	134,392	54,466	282,155	166,844
	(7,039,747)	(2,136,336)	(14,604,988)	(4,706,892)
Net change in cash	(94,306)	9,352,244	7,448,065	7,787,182
Cash, beginning of period	21,902,387	5,055,325	14,360,016	6,620,387
Cash, end of period	$ 21,808,081	$ 14,407,569	$ 21,808,081	$ 14,407,569

See accompanying notes to condensed interim consolidated financial statements.

1. Nature of operations

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

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

Following the acquisition of Medican Organics Inc., the Company amalgamated Cannara Biotech (Valleyfield) Inc. and Medican Organic Inc. with Cannara Biotech (Quebec) Inc. Cannara conducts all of its cannabis operations through its wholly owned subsidiary, Cannara Biotech (Quebec) Inc., which holds active licences issued by Health Canada under the Cannabis Act for both of the Company's production facilities.

The Company continues to invest in capital expenditures at its Valleyfield Facility, having activated 14 of its 24 growing zones as at May 31, 2026, representing 350,000 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 $7.5 million during the nine-month period ended May 31, 2026 (2025 – $9.8 million) and has retained earnings of approximately $7.7 million as at May 31, 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.

2. Basis of preparation and significant accounting policies

(a) Statement of compliance

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

These condensed interim consolidated financial statements were approved by the Board of Directors and authorized for issuance on July 14, 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.

(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		17,504,405
Change in fair value due to biological transformation, less cost to sell		18,664,283
Transferred to inventory upon harvest		(36,973,794)
Carrying amount, May 31, 2026	$	6,010,835

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 May 31, 2026.

(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 May 31, 2026:

Unobservable inputs	Input values	Sensitivity analysis
Selling price Represents the average expected selling price per gram of dried cannabis, excluding excise taxes, where applicable, which is expected to approximate future selling prices. The average selling price varies depending on the estimated products for each genetic in the cultivation cycle. Management has used the selling price of packaged dried cannabis for its flower material and a wholesale price for cannabis used in derivatives products, representing a market value before transformation.	$1.99 to $3.37 per gram as selling price for packaged dried cannabis (August 31, 2025 – $2.09 to $3.31 per gram)	An increase or decrease of 5% applied to the selling price would result in a change of approximately $702,000 to the valuation.
Yield per plant Represents the average number of grams of dried cannabis expected to be harvested from each cannabis plant from the two facilities.	82 grams per plant (August 31, 2025 – 89 grams per plant)	An increase or decrease of 15% applied to the average yield per plant would result in a change of approximately $901,000 to the valuation.
Stage of completion Calculated by taking the average number of days in the cultivation cycle over the total estimated duration of a cultivation cycle which is currently approximately 12 to 13 weeks from clone to harvest.	Weighted average stage of completion is 48% (August 31, 2025 – 50%)	An increase or decrease of 5% applied to the average stage of growth per plant would result in a change of approximately $271,000 to the valuation.

As at May 31, 2026, it is expected that the Company's biological assets will yield approximately 10,827 kilograms of dried cannabis when harvested (As at August 31, 2025 – 11,108 kilograms of dried cannabis).

(Unaudited - in Canadian dollars)

4. Inventory

Inventory consists of the following:

	Capitalized cost	Fair value adjustment[1]	May 31, 2026 Total
Raw materials - cultivation and supplies	$ 8,257,784	$ –	$ 8,257,784
Harvested cannabis			
Dried cannabis and work-in-progress	11,005,581	8,330,775	19,336,356
Finished goods	3,556,013	1,482,286	5,038,299
Derivative products			
Derivatives products and work-in-progress	9,235,271	3,956,651	13,191,922
Finished goods	2,471,762	474,366	2,946,128
Finished goods – cannabis accessories	851,743	–	851,743
	$ 35,378,154	$ 14,244,078	$ 49,622,232

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

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

The amount of inventory expensed as cost of goods sold during the three and nine-month periods ended May 31, 2026 was $18,260,338 and $50,239,905 (2025 – $15,171,570 and $46,024,931), including an impairment loss on inventory of $267,579 and $1,135,699 (2025 – $204,596 and $1,035,679), and $677,806 and $3,114,447 in fair value adjustment was recognized in change in fair value of inventory sold for cannabis that exceed its net realizable value (2025 – $653,146 and $2,089,593).

(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	–	222,959	5,158,098	111,354	–	230,650	6,302,311	12,025,372
Transfer	–	1,389,981	202,991	–	–	75,454	(1,668,426)	–
Disposal	–	–	(444,887)	–	–	–	–	(444,887)
Balance as at May 31, 2026	$ 2,330,099	$ 79,371,391	$ 25,747,721	$ 2,054,635	$ 52,515	$ 2,965,639	$ 9,288,204	$ 121,810,204
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	–	(2,618,791)	(1,663,903)	(114,063)	(5,564)	(202,615)	–	(4,604,936)
Disposal	–	–	182,879	–	–	–	–	182,879
Balance as at May 31, 2026	$ –	$ (18,669,300)	$ (7,262,143)	$ (1,662,881)	$ (38,124)	$ (1,368,060)	$ –	$ (29,000,508)
Net book value								
Balance as at May 31, 2026	$ 2,330,099	$ 60,702,091	$ 18,485,578	$ 391,754	$ 14,391	$ 1,597,579	$ 9,288,204	$ 92,809,696

As at May 31, 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 used the non-cannabis licensed area of the Farnham building to generate lease revenues. As at May 31, 2026, a net book value of $7,354,101 related to the Farnham building is recognized as an investment property (As at August 31, 2025 – $7,984,905). The fair value of the Farnham building is not reliably measured on a continuous basis and, as such, the fair value of the building is not known, and thus it was measured using the cost model as per IAS 16, Property, plant and equipment.

(Unaudited - in Canadian dollars)

5. Property, plant and equipment (continued)

	Land	Buildings	Facilities 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 depreciation								
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 nine-month periods ended May 31, 2026, the Company recognized $1,561,429 and $4,604,936 (2025 - $1,429,898 and $4,376,052) as depreciation expense, of which $178,587 and $562,225 have been recognized in the consolidated statement of net income and comprehensive income (2025 - $153,417 and $572,607) and $1,382,842 and $4,042,711 (2025 - $1,276,481 and $3,803,445) 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.

(Unaudited - in Canadian dollars)

6. Right-of-use assets and lease liabilities

(a) Right-of-use assets

	May 31, 2026	August 31, 2025
Cost		
Balance, beginning of period	$ 1,004,704	$ 987,986
Additions	–	47,636
Disposal	–	(23,500)
Derecognition of fully amortized asset	–	(7,418)
Balance, end of period	$ 1,004,704	$ 1,004,704
Accumulated depreciation		
Balance, beginning of period	$ (655,699)	$ (392,768)
Depreciation	(195,802)	(282,099)
Disposal	–	11,750
Derecognition of fully amortized asset	–	7,418
Balance, end of period	$ (851,501)	$ (655,699)
Net book value		
Balance, end of period	$ 153,203	$ 349,005

(b) Lease liabilities

	May 31, 2026	August 31, 2025
Maturity analysis - contractual undiscounted cash flows:		
Less than one year	$ 166,593	$ 304,170
One to five years	23,260	118,063
Total undiscounted lease liabilities	$ 189,853	$ 422,233
Current	$ 160,193	$ 281,158
Non-current	18,215	114,804
Lease liabilities included in the condensed interim consolidated statement of financial position	$ 178,408	$ 395,962

Balance as at August 31, 2025	$ 395,962
Lease payments	(238,666)
Interest on lease liabilities	21,112
Balance as at May 31, 2026	$ 178,408

(Unaudited - in Canadian dollars)

7. Intangible asset

On May 5, 2026, the Company acquired 100% of the issued and outstanding shares of Medican Organic Inc. ("Medican") for cash consideration of $2.8 million. As part of the acquisition, the Company recognized an identifiable intangible asset of $2.7 million, which related to intellectual property acquired by the Company.

8. Financing

(a) Revolving credit facilities

		May 31, 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 credit facilities		–		(1,298)
Net carrying value, end of period	$	6,758,000	$	6,758,000

		May 31, 2026	Expiry date
Revolving credit facility A	$	6,258,000	2026-06-30
Revolving credit facility B		500,000	2026-06-16
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 May 31, 2026, the weighted average interest rate on the revolving credit facilities was 4.88% (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 8 (c)). The revolving credit facilities are classified as a current liability, as they are actively managed and expected to be settled by the Company within its normal operating cycle.

For the three and nine-month periods ended May 31, 2026, the Company recognized $77,559 and $254,150 as interest expense for the revolving credit facilities (2025 – $108,892 and $355,838). As at May 31, 2026, accrued interest of $61,665 was included in account payables and accrued liabilities (As at August 31, 2025 – $6,355).

(Unaudited - in Canadian dollars)

8. Financing (continued)

(b) Long-term credit facility

	May 31, 2026	August 31, 2025
Net carrying value, beginning of period	$ –	$ –
Proceeds from credit facility	2,000,000	–
Addition of credit facility issuance costs	(164,274)	–
Amortization of deferred financing costs	8,247	–
Net carrying value, end of period	$ 1,843,973	$ –
Credit facility	$ 2,000,000	$ –
Less: unamortized financing costs	(156,027)	–
	1,843,973	–
Short-term portion of credit facility	(200,000)	–
	$ 1,643,973	$ –

The Company has access to a $10 million long-term credit facility intended to finance capital expenditures related to the construction of the Valleyfield facility. Amounts may be drawn under the facility until July 31, 2026. The credit facility is reimbursable quarterly, assuming a 40-period amortization period, with a term of December 31, 2027. The credit facility has the same security, guarantees and covenants as the term loan (note 8 (c)).

The credit facility bears a variable interest rate based on prime and/or CORRA rates plus an applicable margin based on the credit agreement. As at May 31, 2026, the interest on the credit facility was 4.84%.

For the three and nine-month periods ended May 31, 2026, the Company recognized $24,109 and $24,109 as interest expense for the long-term credit facility. As at May 31, 2026, accrued interest of $24,109 was included in account payables and accrued liabilities.

(Unaudited - in Canadian dollars)

8. Financing (continued)

(c) Term loan

	May 31, 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	160,085	176,286
Net carrying value, end of period	$ 27,206,212	$ 28,029,108
Term loan	$ 27,471,166	$ 28,454,147
Less: unamortized financing costs	(264,954)	(425,039)
	27,206,212	28,029,108
Short-term portion of term loan	(2,457,451)	(1,965,961)
	$ 24,748,761	$ 26,063,147

The term loan bears a variable interest rate based on prime and/or CORRA rates plus an applicable margin based on the credit agreement. As at May 31, 2026, the interest on the term loan was 4.83% (As at August 31, 2025 – 5.77%). The term loan is reimbursable quarterly, assuming an 80-period amortization period, with a term of 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 nine-month periods ended May 31, 2026, the Company recognized $334,503 and $1,033,708 as interest expense for the term loan (2025 – $545,485 and $1,872,336). As at May 31, 2026, accrued interest of $280,151 was included in account payables and accrued liabilities (As at August 31, 2025 – $80,982).

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 May 31, 2026, the Company has met all of these financial covenants.

8. Financing (continued)

(d) Long-term debt

	May 31, 2026	August 31, 2025
Net carrying value, beginning of period	$ –	$ –
Addition of long-term debt	1,008,554	–
Unrealized foreign exchange loss	4,049	–
Net carrying value, end of period	$ 1,012,603	$ –
Long-term debt	$ 1,012,603	$ –
Short-term portion of term loan	(202,521)	–
	$ 810,082	$ –

During the third quarter of 2026, the Company entered into a financing agreement with a third party to fund the purchase of cultivation equipment. The equipment is expected to be delivered in phases over the coming months. The financing has a five-year term, bears interest at a rate of 6.75% per annum, and is repayable in equal semi-annual installments. The purchase price of the equipment and the related financing obligation are denominated in U.S. dollars.

Other long-term debt

During the third quarter of 2026, the Company also completed the payment of another equipment purchase financed in the prior years. During the three and nine-month periods ended May 31, 2026, the Company incurred $733 and $8,663 as interest expenses on the long-term debt (2025 - $9,132 and $24,388).

(Unaudited - in Canadian dollars)

8. Financing (continued)

(e) Convertible debenture

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

	May 31, 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 nine-month periods ended May 31, 2026, the Company recognized nil and $54,038 as interest expense (2025 – $174,590 and $483,292; and as at August 31, 2025, accrued interest of $1,478,936 was included in the carrying amount of the convertible debenture).

9. 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 8 (e)).

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.

(Unaudited - in Canadian dollars)

9.Share Capital (continued)

(c) Earnings per share

The calculation of basic earnings per share was calculated based on the net income attributable to common shareholders of the Company divided by the weighted average number of common shares outstanding during the 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 nine-month periods ended May 31, 2026 and 2025 was as follows:

	Three-month periods ended		Nine-month periods ended	
	May 31, 2026	May 31, 2025	May 31, 2026	May 31, 2025
Net income	$ 4,842,637	$ 4,142,169	$ 7,544,834	$ 9,762,573
Issued common shares, beginning of the period	98,782,148	91,433,135	91,433,135	90,018,952
Effect of conversion debenture exercise for common shares	–	–	3,069,555	–
Effect of restricted share units settled for common shares	–	–	494,807	655,126
Effect of private placement issuance	–	–	1,296,703	–
Weighted average number of common shares, basic	98,782,148	91,433,135	96,294,200	90,674,078
Impact of dilutive securities:				
Restricted share units	216,250	814,049	605,138	1,357,525
Share options	1,524,046	359,679	1,461,158	–
Weighted average number of common shares, diluted	100,522,444	92,606,863	98,360,496	92,031,603
Earnings per share:				
basic	$ 0.05	$ 0.05	$ 0.08	$ 0.11
diluted	$ 0.05	$ 0.04	$ 0.08	$ 0.11

For the three and nine-month periods ended May 31, 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 2,932,500 share options (2025 – 3,051,571 share options and 5,051,571 share options respectively, and 2,611,111 shares as-if the convertible debentures were converted).

(Unaudited - in Canadian dollars)

10. Share-based compensation

(a) Share option plan

The Company has established a share option plan whereby certain person may be granted options to acquire shares under the terms of the employee share option plan or shares may be granted to third parties in exchange for services. The number and characteristics of share options granted under the employee share option plan are determined by the Board of Directors of the Company. 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 shall not be lower than the market price on the grant date of such option. 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 nine-month periods ended May 31, 2026 and 2025 was as follows:

		May 31, 2026			May 31, 2025
	Number		Weighted average exercise price	Number		Weighted average exercise price

	Number		May 31, 2026 Weighted average exercise price	Number		May 31, 2025 Weighted average exercise price
Outstanding, beginning of period	8,658,018	$	1.48	4,539,687	$	1.59
Granted	54,600		1.81	824,400		1.22
Forfeited	(22,500)		1.80	(85,771)		1.80
Expired	(132,618)		1.80	(226,745)		1.80
Outstanding, end of period	8,557,500		1.55	5,051,571		1.51
Exercisable, end of period	4,929,955	$	1.41	3,511,757	$	1.59

During the three and nine-month periods ended May 31, 2026, the Company recorded a share-based compensation expense of $774,600 and $3,323,338 in the consolidated statement of net income and comprehensive income (2025 – $97,489 and $256,713).

10. Share-based compensation (continued)

(a) Share option plan (continued)

During the first quarter of 2026, the Company granted 44,600 share options at an exercise price of $1.80 to certain employees, 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 third quarter of 2026, the Company granted 10,000 share options at an exercise price of $1.87 to certain employees, vesting in one year and expiring after seven years.

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

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

(Unaudited - in Canadian dollars)

10. Share-based compensation (continued)

(a) Share option plan (continued)

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

	Nine-month periods ended May 31, 2026	Nine-month periods ended May 31, 2025
Share price (i)	$ 1.78	$ 0.84
Exercise price	$ 1.81	$ 1.22
Risk-free interest rate (ii)	3.01%	3.09%
Expected life (iii)	7 years	7 years
Expected price volatility (iv)	72%	74%
Fair value of the option	$ 1.23	$ 0.55
Expected dividend yield (v)	Nil	Nil

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

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

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

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

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

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

Expiry date range	Average exercise price $	Number outstanding	Number exercisable	Weighted average number of years remaining
June 2026 to May 2027	$ 1.80	31,000	31,000	0.64
June 2027 to May 2028	1.80	592,500	576,019	1.24
June 2028 to May 2029	1.80	727,500	669,152	2.43
June 2029 to May 2030	1.00 to 1.80	2,055,000	2,051,871	3.33
June 2030 to May 2031	1.20 to 1.80	702,500	422,319	4.53
June 2031 and thereafter	1.00 to 1.87	4,449,000	1,179,594	8.57
		8,557,500	4,929,955	5.92 years

10. Share-based compensation (continued)

(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.

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 reclassed from contributed surplus to share capital.

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

(Unaudited - in Canadian dollars)

10. Share-based compensation (continued)

(b) Restricted Share Units continued

During the three and nine-month periods ended May 31, 2026, the Company recorded a share-based compensation expense of $19,471 and $282,289 in the consolidated statement of net income and comprehensive income for the RSUs and PSUs (2025 – $165,283 and $622,631).

The outstanding RSUs for the nine-month periods ended May 31, 2026 and 2025 are as follows:

		May 31, 2026		May 31, 2025
	Number	Weighted average fair value	Number	Weighted average fair value
Outstanding, beginning of period	347,500	$ 1.24	–	$ –
Granted	–	–	625,000	0.68
Settled	(105,000)	0.83	–	–
Forfeited	(35,000)	1.80	–	–
Outstanding, end of period	207,500	$ 1.35	625,000	$ 0.68

Vesting date	Number outstanding
November 22, 2026	75,000
April 25, 2027	22,500
August 28, 2027	110,000
	207,500

The outstanding PSUs for the nine-month periods ended May 31, 2026 and 2025 are as follows:

		May 31, 2026		May 31, 2025
	Number	Weighted average fair value	Number	Weighted average fair value
Outstanding, beginning of period	625,000	$ 0.68	–	$ –
Granted	156,250	1.74	625,000	0.68
Settled	(781,250)	0.89	–	–
Outstanding, end of period	–	$ –	625,000	$ 0.68

(Unaudited - in Canadian dollars)

11. General and administrative

		Three-month periods ended				Nine-month periods ended		
		May 31, 2026		May 31, 2025		May 31, 2026		May 31, 2025
Salaries and benefits	$	1,569,310	$	1,166,419	$	4,583,652	$	3,571,279
Administrative and regulatory expense		1,060,032		1,068,550		3,466,484		3,127,041
Facility expense		280,152		334,016		1,235,392		1,269,977
General and administrative	$	2,909,494	$	2,568,985	$	9,285,528	$	7,968,297

12. Net finance expense

		Three-month periods ended				Nine-month periods ended		
		May 31, 2026		May 31, 2025		May 31, 2026		May 31, 2025
Interest income	$	141,631	$	62,187	$	308,602	$	191,365
Foreign exchange gain		–		28,743		–		–
Finance income		141,631		90,930		308,602		191,365
Interest on term loan		334,503		545,485		1,033,708		1,872,336
Interest on credit facilities		101,668		108,892		278,259		355,838
Interest on convertible debentures		–		174,590		54,038		483,292
Interest on lease liabilities		4,951		11,380		21,112		38,204
Interest on other long-term debt		733		9,132		8,663		24,388
Fees related to letter of credit		27,222		48,682		92,594		146,498
Debt guarantee fees		–		37,414		–		224,914
Accretion and amortization of financing costs		50,993		88,117		170,713		185,763
Other finance expense		85,868		39,615		220,634		145,358
Loss on convertible debenture extension		–		–		–		26,764
Foreign exchange loss		20,770		–		34,561		6,394
Finance expense		626,708		1,063,307		1,914,282		3,509,749
Net finance expense	$	485,077	$	972,377	$	1,605,680	$	3,318,384

13. Financial instruments

Fair value measurements

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

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

14. Contingencies

In the normal course of business, the Company may be involved in various legal and regulatory proceedings. The Company believes that the resolution of these proceedings will not have a material favourable or unfavourable effect on its condensed interim consolidated statement of financial position or financial performance. As at May 31, 2026, there are no material claims in favor or against the Company.

15. Segment disclosures

(a) Reportable segments

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

The chief operating decision-maker assesses performance based on segment operating results which were defined as segment operating income (loss) before share-based compensation, depreciation, net finance expense, gain or loss on disposal of property, plant and equipment or right-of-use assets 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.

(Unaudited - in Canadian dollars)

15. Segment disclosures (continued)

(a) Reportable segments (continued)

	Three-month period ended May 31, 2026				Three-month period ended May 31, 2025			
	Cannabis operations	Real estate operations	Other	Total	Cannabis operations	Real estate operations	Other	Total
Revenue								
Revenue from sale of goods	$ 44,060,695	$ –	$ –	$ 44,060,695	$ 37,832,038	$ –	$ –	$ 37,832,038
Excise taxes	(13,775,214)	–	–	(13,775,214)	(11,529,208)	–	–	(11,529,208)
Net revenue from sale of goods	30,285,481	–	–	30,285,481	26,302,830	–	–	26,302,830
Lease revenue	–	1,006,860	–	1,006,860	–	965,202	–	965,202
Other income	535,662	–	–	535,662	64,853	–	–	64,853
	30,821,143	1,006,860	–	31,828,003	26,367,683	965,202	–	27,332,885
Cost of revenues								
Cost of goods sold	18,260,338	–	–	18,260,338	15,171,570	–	–	15,171,570
Lease operating costs	–	122,269	–	122,269	–	103,572	–	103,572
Segment gross profit before fair value adjustments	12,560,805	884,591	–	13,445,396	11,196,113	861,630	–	12,057,743
Changes in fair value of inventory sold	(6,339,037)	–	–	(6,339,037)	(6,511,629)	–	–	(6,511,629)
Unrealized gain on changes in fair value of biological assets	7,925,269	–	–	7,925,269	7,336,649	–	–	7,336,649
Segment gross profit	14,147,037	884,591	–	15,031,628	12,021,133	861,630	–	12,882,763
Operating expenses	6,641,325	–	–	6,641,325	5,633,601	–	–	5,633,601
Segment operating income	7,505,712	884,591	–	8,390,303	6,387,532	861,630	–	7,249,162
Share-based compensation	–	–	794,071	794,071	–	–	262,772	262,772
Depreciation	–	–	238,302	238,302	–	–	223,172	223,172
Gain on disposal of right-of-use-assets	–	–	–	–	–	–	(3,861)	(3,861)
Loss on disposal of property, plant and equipment	–	–	–	–	–	–	2,352	2,352
Net finance expense	–	–	485,077	485,077	–	–	972,377	972,377
Net income (loss) before income taxes	$ 7,505,712	$ 884,591	$ (1,517,450)	$ 6,872,853	$ 6,387,532	$ 861,630	$ (1,456,812)	$ 5,792,350

(Unaudited - in Canadian dollars)

15. Segment disclosures (continued)

(a) Reportable segments (continued)

	Nine-month period ended May 31, 2026				Nine-month period ended May 31, 2025			
	Cannabis operations	Real estate operations	Other	Total	Cannabis operations	Real estate operations	Other	Total
Revenue								
Revenue from sale of goods	$ 123,702,146	$ –	$ –	$123,702,146	$ 109,504,685	$ –	$ –	$109,504,685
Excise taxes	(38,143,712)	–	–	(38,143,712)	(33,701,579)	–	–	(33,701,579)
Net revenue from sale of goods	85,558,434	–	–	85,558,434	75,803,106	–	–	75,803,106
Lease revenue	–	2,960,086	–	2,960,086	–	2,878,765	–	2,878,765
Other income	602,100	–	–	602,100	307,585	–	–	307,585
	86,160,534	2,960,086	–	89,120,620	76,110,691	2,878,765	–	78,989,456
Cost of revenues								
Cost of goods sold	50,239,905	–	–	50,239,905	46,024,931	–	–	46,024,931
Lease operating costs	–	396,889	–	396,889	–	292,409	–	292,409
Segment gross profit before fair value adjustments	35,920,629	2,563,197	–	38,483,826	30,085,760	2,586,356	–	32,672,116
Changes in fair value of inventory sold	(19,258,905)	–	–	(19,258,905)	(19,285,605)	–	–	(19,285,605)
Unrealized gain on changes in fair value of biological assets	18,664,283	–	–	18,664,283	21,630,725	–	–	21,630,725
Segment gross profit	35,326,007	2,563,197	–	37,889,204	32,430,880	2,586,356	–	35,017,236
Operating expenses	20,064,190	–	–	20,064,190	16,478,638	–	–	16,478,638
Segment operating income	15,261,817	2,563,197	–	17,825,014	15,925,242	2,586,356	–	18,538,598
Share-based compensation	–	–	3,605,627	3,605,627	–	–	879,344	879,344
Depreciation	–	–	758,027	758,027	–	–	785,522	785,522
Gain on disposal of right-for-use assets	–	–	–	–	–	–	(3,861)	(3,861)
Loss on disposal of property, plant and equipment	–	–	122,008	122,008	–	–	3,561	3,561
Net finance expense	–	–	1,605,680	1,605,680	–	–	3,318,384	3,318,384
Income (loss) before income taxes	$ 15,261,817	$ 2,563,197	$ (6,091,342)	$11,733,672	$ 15,952,242	$ 2,586,356	$ (4,982,950)	$13,555,648

(Unaudited - in Canadian dollars)

15. Segment disclosures (continued)

(b) Entity-wide disclosures

All property, plant and equipment are located in Canada.

(c) Sources of lease revenues

As at May 31, 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 nine-month periods ended May 31, 2026 amounted to $213,476 and $590,444 (2025 – $181,917 and $539,149).
- 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 nine-month periods ended May 31, 2026 amounted to $793,384 and $2,369,642 (2025 – $783,285 and $2,339,616).

Income is generated from customers domiciled in Canada.

(d) Source of cannabis and cannabis accessories revenues

	Three-month periods ended		Nine-month periods ended	
	May 31, 2026	May 31, 2025	May 31, 2026	May 31, 2025
Revenue from Canadian retailers	$ 42,097,713	$ 35,282,793	$ 118,925,531	$ 103,794,663
Excise taxes	(13,775,214)	(11,529,208)	(38,143,712)	(33,701,579)
	28,322,499	23,753,585	80,781,819	70,093,084
Revenue from wholesale	1,931,986	2,498,305	4,659,833	5,534,620
Revenue from online merchandise	30,996	50,940	116,782	175,402
	$ 30,285,481	$ 26,302,830	$ 85,558,434	$ 75,803,106

For the three and nine-month periods ended May 31, 2026, the Company has 3 provincial distributors customers that each represent more than 10% of the cannabis revenues. Customer A accounted approximately for 45% and 47% of the revenues (2025 – 45% and 46%), Customer B for approximately 33% and 31% (2025 – 27% and 28%) and Customer C for approximately 11% and 10% (2025 – 11% and 12%).

(Unaudited - in Canadian dollars)

16. Related parties

(a) Key management personnel compensation

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

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

	Three-month periods ended		Nine-month periods ended	
	May 31, 2026	May 31, 2025	May 31, 2026	May 31, 2025
Salaries and benefits	$ 300,000	$ 243,750	$ 900,000	$ 731,250
Share-based compensation	619,037	196,071	2,883,931	759,048
Board of Directors' fees	43,750	37,500	131,250	112,500
	$ 962,787	$ 477,321	$ 3,915,181	$ 1,602,798

(b) Other transactions with related parties

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

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

	Three-month periods ended		Nine-month periods ended	
	May 31, 2026	May 31, 2025	May 31, 2026	May 31, 2025
Nature of transactions:				
Other expenses	$ 9,950	$ 7,302	$ 18,426	$ 14,502
Acquisition of property, plant and equipment (i)	13,240	53,560	260,031	53,560
Interest on debt financing (i)	–	174,590	54,038	483,292
Debt financing guarantee fees (i) (iii)	–	37,414	–	224,914
	$ 23,190	$ 272,866	$ 332,495	$ 776,268

(Unaudited - in Canadian dollars)

16. Related parties (continued)

(b) Other transactions with related parties (continued)

		May 31, 2026		August 31, 2025
Balances due to related parties are as follows:				
Accounts payable and accrued liabilities [(i)]	$	(56)	$	–
Accounts payable to key management personnel [(ii)]		(189,676)		(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)]		(142,387)		(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 nine-month periods ended May 31, 2026, the Company paid $63,648 and $189,476 in rent for the head office lease (2025 - $62,547 and $186,171).

(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.

17. Cash flow information

Net change in non-cash working capital items:

	Three-month periods ended				Nine-month periods ended			
		May 31, 2026		May 31, 2025		May 31, 2026		May 31, 2025
Accounts receivable	$	(5,940,629)	$	1,485,825	$	(4,289,453)	$	(1,026,505)
Biological assets		(4,230,308)		(4,589,575)		(13,461,694)		(12,836,762)
Inventory		4,329,194		2,083,900		8,849,018		6,398,669
Prepaid expenses and other assets		870,377		2,701,498		629,582		1,282,212
Deposits		–		(85,750)		–		124,250
Accounts payable and accrued liabilities		(583,742)		1,698,778		319,929		2,602,869
Excise tax payable		2,131,418		3,408,856		1,877,116		942,309
Sales tax receivable		799,169		134,903		33,916		413,550
Deferred lease revenue		1,460		(300,194)		4,480		(16,110)
Deferred grant income		250,811		(5,102)		801,913		(36,310)
	$	(2,372,250)	$	6,533,139	$	(5,235,193)	$	(2,151,828)

(Unaudited - in Canadian dollars)

17. Cash flow information (continued)

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

	Three-month periods ended		Nine-month periods ended	
	May 31, 2026	May 31, 2025	May 31, 2026	May 31, 2025
Variation of property, plant and equipment included in accounts payable and accrued liabilities	193,449	488,587	526,169	(506,627)
Addition to right-of-use assets and lease liabilities	–	–	–	47,636
Financed property, plant and equipment	1,008,554	–	1,008,554	480,000
Settlement of RSUs for common shares	–	–	617,950	1,241,515
Conversion of convertible debenture into common shares	–	–	6,232,974	–

18. Subsequent events

Share options

Subsequent to quarter-end, the Company granted 40,000 share options at an exercise price of $1.90 to employees, vesting over four years and expiring after 10 years.

Revolving credit facilities

Subsequent to quarter-end, the Company extended all tranches of the revolving credit facilities for an additional 30-day term at a weighted average interest rate of 4.81%.