

**Form 51-102F3
MATERIAL CHANGE REPORT**

Item 1 Name and Address of Company

Cannara Biotech Inc. (“**Cannara**” or the “**Company**”)

333 Decarie Blvd Suite 200, Saint-Laurent, Quebec H4N 3M9

Item 2 Date of Material Change

February 21, 2025

Item 3 News Release

The Company disseminated a news release, attached hereto as Schedule “A”, dated February 24, 2025, through Globe Newswire and a copy was subsequently filed on SEDAR+.

Item 4 Summary of Material Change

The Company announced the extension and related amendments to its existing credit agreement with the Bank of Montreal and convertible debenture originally issued on June 21, 2021, as amended on August 31, 2023, and January 30, 2024, in the total initial principal amount of \$5.7 million to Olymbec Investments Inc.

Item 5 Full Description of Material Change

5.1 Full Description of Material Change

The material change is fully described in the press release attached hereto as Schedule “A”.

5.2 Disclosure for Restructuring Transactions

Not applicable.

Item 6 Reliance on subsection 7.1(2) of National Instrument 51-102

Not applicable.

Item 7 Omitted Information

No information has been omitted on the basis that it is confidential information.

Item 8 Executive Officer

The name and business telephone number of the officer of the Company who can answer questions regarding this material change report is as follows:

Nicholas Sosiak, CPA, CA

Chief Financial Officer

514-688-0007

nicholas.sosiak@cannara.ca

Item 9 Date of Report

February 24, 2025

Schedule "A"

See attached.

For Immediate Distribution

Cannara Announces Extension of BMO Credit Facility and Convertible Debenture to Enhance Financial Flexibility and Support Execution of its Long-Term Strategy

MONTREAL, QUÉBEC – February 24, 2025 – [Cannara Biotech Inc.](#) (“**Cannara**”, “the **Company**”, “**us**” or “**we**”) ([TSXV: LOVE](#)) ([OTCQB: LOVFF](#)) ([FRA: 8CB0](#)), a vertically integrated producer of premium-grade cannabis and derivative product offerings at affordable prices with two mega facilities based in Québec spanning over 1,650,000 sq. ft., is pleased to announce the extension and related amendments to its existing credit agreement with the Bank of Montreal (“**BMO**”) and convertible debenture originally issued on June 21, 2021, as amended on August 31, 2023, and January 30, 2024, in the total initial principal amount of \$5.7 million to Olymbec Investments Inc. (“**Olymbec**”, and collectively the “**Olymbec Convertible Debenture**”), designed to optimize the Company’s financial position and enhance its ability to execute its long-term strategy.

“Securing the extension of our credit facility with BMO, one of Canada’s largest and most reputable financial institutions, and Olymbec, one of Cannara’s largest shareholders, highlights their confidence in Cannara’s long-term growth strategy and operational excellence. This support provides us with the financial flexibility to continue executing on our strategic objectives while maintaining a disciplined approach to growth,” said Nicholas Sosiak, Chief Financial Officer of Cannara.

First Amendment to Amended and Restated Credit Agreement

The Company announced today that it has completed an agreement to amend and restate its existing credit agreement with BMO acting as administrative agent, lead arranger, syndication agent and sole bookrunner (the “**Restated Credit Facility**”).

The key changes represented by the Restated Credit Facility are described below. All terms are as defined in the Restated Credit Facility.

- **Term Extension:** The maturity date of the Restated Credit Facility has been extended to December 31, 2027
- **Debt Structure Adjustments:** The Restated Credit Facility provides for a streamlined debt structure, consolidating the Company’s borrowing facilities as follows: (i) a term loan facility provided by Bank of Montreal with a total commitment of \$34.8 million (ii) a \$10 million revolving credit facility which is intended to be used for general working capital purposes and (iii) \$5.6 million letter of credit to a provincial service provider to support the supply of electricity.
- **Updated Financial Covenants:** The Restated Credit Facility also reflects revised covenants which provide the Company with the flexibility and liquidity to continue its track record of strong growth and support execution of its long-term strategy.

All other original terms and conditions of the BMO credit facility remain in full force and effect. For a full description of the BMO Restated Credit Facility, please refer to the Company’s Annual Information Form for the fiscal year ended August 31, 2024. A copy of the Restated Credit Facility will be filed under the Company’s profile on SEDAR+ at www.sedarplus.ca.

Third Convertible Debenture Amendment

The Company concurrently announced that the terms of its convertible debenture originally issued on June 21, 2021, as amended on August 31, 2023, and January 30, 2024, in the total initial principal amount of \$5.7 million (the “**Olymbec Convertible Debenture**”), have been amended by Olymbec Investments Inc. (“**Olymbec**”) to extend the convertible debenture term (the “**Third Convertible Debenture Amendment**”), subject to the approval

of the TSX Venture Exchange (the “TSXV”). The key changes represented by the Third Convertible Debenture Amendment are as follows:

- **Term Extension:** The maturity date of the Olymbec Convertible Debenture has been extended to March 31, 2028.
- **Right to Demand Partial Repayment:** Olymbec shall have the right to demand a first partial repayment of up to \$1 million of the Olymbec Convertible Debenture subject to BMO’s approval. Olymbec shall also have the right to demand a second partial repayment on September 30, 2025, of an amount equal to half of the principal amount then outstanding.
- **Javaa Convertible Debenture:** Pursuant to an agreement signed with Javaa Private Equity Inc. (“Javaa”), concurrently with the execution of the Third Convertible Debenture Amendment, a new unsecured convertible debenture (the “Javaa Convertible Debenture”) is anticipated be issued on or about September 29, 2025, by the Company to Javaa, in the principal amount equal to the amount required to satisfy Olymbec’s demand for the second partial repayment pursuant to the Third Convertible Debenture Amendment. The Javaa Convertible Debenture will have an initial maturity date of March 31, 2028, at the same interest rate as the Olymbec Convertible Debenture.
- **Interest:** As previously disclosed in Cannara’s management discussion & analysis for the three-month period ended November 30, 2024, the Olymbec Convertible Debenture bears an interest rate of 10.75% per annum, compounded semi-annually effective January 31, 2025. Interest incurred prior to September 30, 2025, will be due and payable in cash, or in common shares, or in a combination thereof, at a conversion price of \$1.80 per share, at the choice of the Company, subject to the approval of the TSXV. Following September 30, 2025, interest shall be paid quarterly in cash at an interest rate of 10.75% per annum.

All other terms and conditions of the Olymbec Convertible Debenture remain in full force and effect. For a full description of the Olymbec Convertible Debenture, please refer to the Company’s Annual Information Form for the fiscal year ended August 31, 2024.

Javaa is owned and controlled by Zohar Krivorot, the Chairman of the Board and the Chief Executive Officer of the Company. Accordingly, the future issuance of the Javaa Convertible Debenture may be considered a “related party transaction” pursuant to Multilateral Instrument 61-101 – *Protection of Minority Security Holders in Special Transactions* (“MI 61-101”). The Company intends to rely on exemptions from the valuation and the minority approval requirements of MI 61-101 provided for in subsections 5.5(a) and 5.7(1)(a) of MI 61-101, respectively, as the future Javaa Convertible Debenture is not anticipated to represent additional consideration of a market value exceeding more than 25% of the Company’s market capitalization as determined in accordance with MI 61-101.

Mr. Derek Stern, a non-independent director of the Company, holds a significant interest in Olymbec, the holder of the convertible debenture. Accordingly, the Convertible Debenture Amendments are considered a “related party transaction” pursuant to MI 61-101. The Company intends to rely on exemptions from the valuation and the minority approval requirements of MI 61-101 provided for in subsections 5.5(a) and 5.7(1)(a) of MI 61-101, respectively, as the Convertible Debenture Amendments do not represent additional consideration of a market value exceeding more than 25% of the Company’s market capitalization as determined in accordance with MI 61-101. The Third Convertible Debenture Amendment has been approved by the directors of the Company who are independent in connection with the Third Convertible Debenture Amendment.

Engagement of Market Maker Services from Integral Wealth Securities

The Company also announced it has retained Integral Wealth Securities Limited (“Integral”) to provide market-making services in accordance with TSXV policies. Integral is a private, independent Canadian Investment Regulatory Organization (CIRO) -licensed investment dealer engaged in market making, investment banking and wealth management. Headquartered in Toronto, the firm operates from seven offices across Canada. As a market maker for Cannara, Integral will strive to enhance the liquidity of, and contribute to an active and orderly market for, Cannara’s shares in accordance with the policies of the TSXV by buying and selling Cannara’s shares on the TSXV as well as other alternative Canadian trading venues.

The agreement between the Company and Integral (the “**Agreement**”) will commence on February 24th, 2024, for an initial term of one month and is renewable for successive one month periods thereafter. In consideration of the services provided by Integral, the Company will pay Integral a monthly fee of \$6,000 from the Company’s available cash for a minimum term of one month and renewable for successive one-month terms thereafter. The agreement may be terminated after the first month of the term upon providing 30 days written notice.

The agreement contains no performance factors, and no security-based compensation is payable pursuant to the agreement. Integral is an arm’s length party to the Company, and, at the time of the agreement for Integral’s services, to the knowledge of the Company, neither Integral nor its principals have an interest, directly or indirectly, in the securities of the Company nor do they have any intent or right to acquire such an interest.

Integral will be responsible for the costs it incurs in buying and selling the Company’s common shares, and no third party will be providing funds or securities for the market-making activities. The agreement with Integral is subject to acceptance by the TSXV.

Engagement of Investor Relations-Related Services from Impaq

The Company also announced it has entered into a consulting services agreement with Impaq Capital Inc. (“**Impaq**”) to provide certain investor relations-related services, including conducting financial and capital markets due diligence, proactively engaging with investment professionals, preparing monthly reports, and consulting with the Company’s management on an ad hoc basis (collectively the “**Impaq IR Agreement**”). Based in Montreal, Quebec, Impaq provides tailored outreach programs for companies to North American based investment professionals, allowing for an increased awareness for the Company. The contract is for an initial period of 3 months beginning on February 24th, 2025, and is renewable for successive one month terms thereafter. In consideration of the services to be provided by Impaq, the Company will pay Impaq a monthly fee of \$7,500.

The Impaq IR Agreement contains no performance factors, and no security-based compensation is payable pursuant to the Impaq IR Agreement. Impaq is an arm’s length party to the Company, and, at the time of the agreement for Impaq’s services, to the knowledge of the Company, neither Impaq nor its principals have an interest, directly or indirectly, in the securities of the Company, nor do they have any intent or right to acquire such interest. The agreement with Impaq is subject to acceptance by the TSXV.

Voting Results from Annual General and Special Meeting of Shareholders

The Company also announced the voting results from its annual general and special meeting of shareholders held on January 30, 2025.

Election of Directors

Shareholders voted in favor of setting the number of directors at five (5).

IN FAVOR (#)	IN FAVOR (%)	AGAINST (#)	AGAINST (%)
49,598,316	99.92%	40,988	0.08%

All of the nominees for directors listed in the Company’s Management Proxy Circular dated December 16, 2024, were elected by a majority of shareholders. The voting results for each nominee are as follows:

NOMINEES	IN FAVOR (#)	IN FAVOR (%)	WITHHELD (#)	WITHHELD (%)
Zohar Krivorot	49,437,311	99.95%	23,456	0.05%
Derek Stern	49,409,941	99.90%	50,826	0.10%
Donald Olds	49,438,711	99.96%	22,056	0.04%
Jack M. Kay	49,360,358	99.80%	100,409	0.20%
Mary Durocher	49,243,303	99.56%	217,464	0.44%

Appointment of Auditors

MNP LLP, Chartered Professional Accountants, were appointed as auditors of the Company by a majority of shareholders for Fiscal 2025. The voting results are as follows:

IN FAVOR (#)	IN FAVOR (%)	WITHHELD (#)	WITHHELD (%)
49,614,419	99.95%	24,885	0.05%

Approval of Stock Option Plan

Shareholders also approved the Company's rolling stock option plan as is required on an annual basis pursuant to TSXV policies.

IN FAVOR (#)	IN FAVOR (%)	AGAINST (#)	AGAINST (%)	WITHHELD (#)	WITHHELD (%)
49,373,955	99.82%	76,559	0.15%	10,253	0.02%

Approval of RSU Plan

Shareholders also approved the Company's RSU plan as is required on an annual basis pursuant to TSXV policies.

IN FAVOR (#)	IN FAVOR (%)	AGAINST (#)	AGAINST (%)	WITHHELD (#)	WITHHELD (%)
49,324,170	99.72%	76,344	0.15%	60,253	0.12%

CONTACT

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Zohar Krivorot
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Neither the TSX Venture Exchange nor its Regulation Services Provider (as that term is defined in the policies of the TSX Venture Exchange) accepts responsibility for the adequacy or accuracy of this release.

ABOUT CANNARA

[Cannara Biotech Inc.](#) (TSXV: LOVE) (OTCQB: LOVFF) (FRA: 8CB0), is a vertically integrated producer of affordable premium-grade cannabis and cannabis-derivative products for the Canadian markets. Cannara owns two mega facilities based in Québec spanning over 1,650,000 sq. ft., providing the Company with 100,000 kg of potential annualized cultivation output. Leveraging Québec's low electricity costs, Cannara's facilities produce premium-grade cannabis products at an affordable price. For more information, please visit cannara.ca.

CAUTIONARY STATEMENT REGARDING "FORWARD-LOOKING" INFORMATION

This news release may contain "forward-looking information" within the meaning of Canadian securities legislation ("**forward-looking statements**"). These forward-looking statements are made as of the date of this MD&A and the Company does not intend, and does not assume any obligation, to update these forward-looking statements, except as required under applicable securities legislation. All statements other than statements of historical facts included in this document constitute forward-looking information, including but not limited to statements with respect to Cannara's debt structure, financial flexibility, the issuance of the Javaa Convertible Debenture, repayments of the Olymbec Convertible Debenture, the engagement of Integral to provide market-making services and the engagement of Impaq to provide certain investor relations-related services.

Forward-looking statements relate to future events or future performance and reflect Company management's expectations or beliefs regarding future events and include, but are not limited to, the Company and its operations, its projections or estimates about its future business operations, its planned expansion activities, anticipated

product offerings, the adequacy of its financial resources, the ability to adhere to financial and other covenants under lending agreements, future economic performance, and the Company's ability to become a leader in the field of cannabis cultivation, production, and sales.

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

Forward-looking information is based upon a number of assumptions and is subject to a number of risks and uncertainties, many of which are beyond our control, which could cause actual results to differ materially from those that are disclosed in, or implied by, such forward-looking information. These risks and uncertainties include, but are not limited to, the risk factors which are discussed in greater detail under "Risk Factors" in the Company's AIF available on SEDAR+ at www.sedarplus.ca and under the "Investor Area" section of our website at <https://www.cannara.ca/en/investor-area>.

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