FLUENT Corp.

SELECTED FINANCIAL INFORMATION AND MANAGEMENT'S DISCUSSION AND ANALYSIS

The following management's discussion and analysis ("**MD&A**") provides information concerning the financial condition and results of operations of FLUENT Corp. (the "**Company**") for the three months ended March 31, 2026.

This MD&A is provided as of May 31, 2026, unless otherwise stated, and should be read along with the Company's unaudited condensed interim consolidated financial statements for the three months ended March 31, 2026 and 2025 (the "**Interim Consolidated Financial Statements**"), including the accompanying notes, which have been prepared in accordance with International Financial Reporting Standards ("**IFRS**") as issued by the International Accounting Standards Board ("**IASB**"). The Interim Consolidated Financial Statements have not been reviewed by the Company's auditors.

This MD&A was prepared with reference to National Instrument 51-102 – *Continuous Disclosure Obligations* of the Canadian Securities Administrators.

The Interim Consolidated Financial Statements include the accounts of the Company and its wholly owned subsidiaries and the Company's interests in affiliated companies (see "Basis of consolidation" section within this MD&A). All intercompany balances and transactions have been eliminated on consolidation.

This MD&A includes non-IFRS financial measures, such as "Adjusted gross profit", "Adjusted gross margin", "EBITDA", and "Adjusted EBITDA", as defined below. The management of the Company believes that these non-IFRS financial measures, in addition to conventional measures prepared in accordance with IFRS, provide information that is helpful to understand the results of operations and financial condition of the Company. The objective is to present readers with a view of the Company from the management's perspective by interpreting the material trends and activities that affect the operating results, liquidity, and financial position of the Company. These measures are not necessarily comparable to similarly titled measures used by other companies. Reconciliations of these non-IFRS financial measures are presented in this MD&A.

"Gross profit before fair value adjustments" is gross profit plus (minus) the changes in fair value of biological assets. "Gross margin before fair value adjustments" is "gross profit before fair value adjustments" divided by revenue. "EBITDA" is net income (loss), plus (minus) interest expense (income) and finance transactions costs, plus taxes, plus depreciation and amortization. "Adjusted EBITDA" is equal to EBITDA plus (minus) the changes in fair value of biological assets, plus (minus) the changes in fair market value of derivatives, plus (minus) certain one-time non-operating expenses, as determined by management.

FLUENT Corp. was incorporated under the laws of the Province of Ontario, Canada pursuant to the *Business Corporations Act* (Ontario) ("**OBCA**") on August 31, 2018, under the name "Cansortium Inc." On February 5, 2025, the Company amended the Articles to change its name from "Cansortium Inc." to "FLUENT Corp." The Company's registered office is located at 365 Bay Street, Suite 800, Toronto, Ontario, M5H 2V1. The Company's common shares are listed on the Canadian Securities Exchange ("**CSE**") under the trading symbol "FNT.U" and on the OTCQB under the trading symbol "CNTMF".

By their nature, the Interim Consolidated Financial Statements do not include all of the information required for full annual financial statements. Accordingly, this MD&A should be read in conjunction with the Company's audited consolidated financial statements for the years ended December 31, 2025, and 2024, and the notes thereto (the "**Annual Consolidated Financial Statement**s"), and the related MD&A (the "**Annual MD&A**"), each dated April 29, 2026. Generally, information contained within the Annual MD&A is not discussed in this MD&A if it remains substantially unchanged.

Additional information relating to the Company, including the Company's audited year-end financial results and unaudited quarterly financial results, are available under the Company's profile on SEDAR+ (www.sedarplus.ca).

Unless otherwise noted, all financial information in this MD&A is presented in thousands of dollars, and all amounts are expressed in United States ("**U.S.**") dollars.

Cautionary Note Regarding Forward-Looking Statements

This MD&A contains forward-looking statements that relate to the Company's current expectations and views of future events. All statements, other than statements of historical facts, made by the Company that address activities, events or developments that the Company expects or anticipates will or may occur in the future are forward-looking statements.

In some cases, these forward-looking statements can be identified by words or phrases such as “may”, “might”, “will”, “expect”, “anticipate”, “estimate”, “intend”, “plan”, “indicate”, “seek”, “believe”, “predict” or “likely”, or the negative of these terms, or other similar expressions intended to identify forward-looking statements. The Company has based these forward-looking statements on its current expectations and projections about future events, financial outlook, and financial trends that it believes might affect its financial condition, results of operations, business strategy and financial needs. These forward-looking statements may include, among other things, statements relating to the Vireo Arrangement (as defined herein) and the Legacy Transaction (as defined herein), including the timing of completion of such transactions and the satisfaction or waiver of the conditions to completing each such transaction; future financial conditions, results of operations, plan, objectives, performance, or business developments.

Forward-looking statements are based on certain assumptions and analyses made by the Company considering the experience and perception of historical trends, current conditions and expected future developments and other factors it believes are appropriate and are subject to risks and uncertainties. In making the forward-looking statements included in this MD&A, the Company has made various material assumptions, including but not limited to the performance of the Company’s business and operations; the receipt and/or maintenance by the Company of required licenses and permits in a timely manner or at all; the intention to grow the business and operations of the Company; the expected growth in the number of the people using medical cannabis products; expectations of market size and growth in the United States; the competitive conditions and increasing competition of the cannabis industry; applicable laws, regulations and any amendments thereof; the competitive and business strategies of the Company; the Company’s operations in the United States, the characterization and consequences of those operations under federal United States law, and the framework for the enforcement of medical and adult use cannabis and cannabis-related offenses in the United States; the completion of additional cultivation and retail facilities; the general economic, financial market, regulatory and political conditions in which the Company operates; the United States regulatory landscape and enforcement related to cannabis, including political risks; anti-money laundering laws and regulation; other governmental and environmental regulation; public opinion and perception of the cannabis industry; the enforceability of contracts; reliance on the expertise and judgment of senior management of the Company; proprietary intellectual property and potential infringement by third parties; the concentrated voting control of the Company by certain shareholders of the Company and the unpredictability caused by the capital structure; risks inherent in an agricultural business; risks relating to energy costs; risks associated to cannabis products manufactured for human consumption including potential product recalls; reliance on key inputs, suppliers and skilled labor; cybersecurity risks; ability and constraints on marketing products; fraudulent activity by employees, contractors and consultants; tax and insurance related risks; risk of litigation; conflicts of interest; security risks; risks related to future acquisitions or dispositions; sales by existing shareholders; limited research and data relating to cannabis; the medical benefits, viability, safety, efficacy and social acceptance of cannabis; the availability of financing opportunities, the ability to make payments on existing indebtedness; risks related to pricing pressures in the states in which the Company operates; risks associated with economic, political and social conditions; risks related to contagious disease; the ability of the parties to satisfy, in a timely manner, the conditions to the completion of the Vireo Arrangement and the Legacy Transaction; and other risks described in this MD&A and described from time to time in documents filed by the Company with Canadian securities regulatory authorities. Although the Company believes that the assumptions underlying these statements are reasonable, they may prove to be incorrect, and the Company cannot assure that actual results will be consistent with these forward-looking statements. Whether actual results, performance or achievements will conform to the Company’s expectations and predictions is subject to several known and unknown risks, uncertainties, assumptions, and other factors, including risks described in the public documents of the Company available at www.sedarplus.ca.

The Company’s forward-looking statements are based on the reasonable beliefs, expectations, and opinions of management on the date of this MD&A (or as of the date they are otherwise stated to be made). Although the Company has attempted to identify important factors that could cause actual results to differ materially from those contained in forward-looking statements, there may be other factors that cause results that were not anticipated, estimated, or intended. There is no assurance that such statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. Accordingly, readers should not place undue reliance on forward-looking statements. The Company does not undertake to update or revise any forward-looking statements except to the extent required by applicable securities laws.

Basis of Consolidation

This MD&A includes the accounts of the Company and its wholly and majority-owned subsidiaries. Subsidiaries over which the Company has control are fully consolidated from the date control commences until the date control ceases. Control exists when the Company is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. In assessing control, potential voting rights that are currently exercisable are taken into account. Non-controlling interests in the equity of consolidated subsidiaries are shown separately in the consolidated statement of operations and in the consolidated statement of changes in shareholders' equity. All intercompany balances and transactions are eliminated on consolidation. The information below lists the Company's subsidiaries that are consolidated in the Condensed Interim Consolidated Financial Statements and the ownership interest held as of March 31, 2026 and December 31, 2025.

	% Ownership March 31, 2026	% Ownership December 31, 2025
Cansortium Holdings LLC	100%	100%
Cansortium Pennsylvania, LLC	-	-
Cansortium Puerto Rico, LLC	100%	100%
Cansortium Texas, LLC	100%	100%
Cansortium Canada Holdings Inc.	100%	100%
Fluent Servicing, LLC	100%	100%
Cansortium Brazil Ltda.	-	100%
Cansortium Florida, LLC	100%	100%
Cansortium Colombia S.A.S.	50%	50%
Spirit Lake Road Nursery, LLC	100%	100%
Cavern Capital Holdings LLC	100%	100%
Fluent Hemp LLC	100%	100%
Cansortium International Inc.	100%	100%
Trick Tail Capital LLC	100%	100%
RIV Capital Inc.	100%	100%
2683922 Ontario Inc.	100%	100%
RIV Capital US Corp.	100%	100%
RIV Capital US Services LLC	100%	100%
Allgro Holdings LLC	100%	100%
Etain, LLC	100%	100%

On December 31, 2025, the Company completed the sale of its Pennsylvania operations for cash proceeds of $12,500. Further details provided under "Business Overview".

On May 1, 2026, the Company announced that it entered into a definitive agreement to sell Cansortium Texas, LLC ("Cansortium Texas"). The transaction is subject to applicable regulatory approvals and the satisfaction of certain other customary closing conditions. Further details are provided under "Subsequent Events"

Business Overview

The Company, through its subsidiaries, is licensed to produce and sell medical cannabis in Florida and Texas and was licensed to sell medical cannabis in Pennsylvania, prior to the disposition of its Pennsylvania operations on December 31, 2025.

The Company, through one of its subsidiaries, is also licensed to sell hemp-derived cannabis products in Florida, although that accounts for a negligible amount of business activity during the reporting period.

Through its acquisition of RIV Capital Inc. on December 19, 2024, the Company is licensed to produce and sell both medical and adult-use cannabis in New York.

The Company discontinued its operations in Puerto Rico, Canada and Colombia during 2019. The Company discontinued its operations in Brazil during 2022.

In the United States, licensing for medical or recreational cannabis cultivation, production, sale, and use is determined at a state level basis and not federally. Cultivation, sale and use of cannabis is illegal under federal law in the United States pursuant to the U.S. Controlled Substances Act of 1970. Each state which allows the production, sale and/or use of cannabis has its own

legislation, rules, regulations, and policies with respect to the licensing of medical or recreational cannabis-related activities. The Company believes that its operations are in full compliance with all applicable state and local laws, regulations, and licensing requirements.

RIV Acquisition

On May 30, 2024, the Company and RIV Capital Inc. ("**RIV Capital**") entered into a definitive arrangement agreement pursuant to which the Company would acquire all of the issued and outstanding common shares of RIV Capital in exchange for common shares of the Company (the "**RIV Transaction**"). RIV Capital, through its subsidiary Etain LLC, is a vertically integrated cannabis company licensed in New York state to cultivate, manufacture, process, and distribute both medical and adult-use cannabis in both retail and wholesale markets. Through the RIV Transaction, the Company was able to gain access to cannabis operations in New York state and had access to RIV Capital's cash balance, which has enabled the Company to continue its growth objectives.

On December 19, 2024, following receipt of requisite shareholder and regulatory approvals, the RIV Transaction was effected and RIV Capital shareholders received 1.245 Fluent common shares in exchange for each RIV Capital common share held.

Florida

Most of the Company's existing business takes place in the State of Florida.

In the State of Florida, the Department of Health, Office of Medical Marijuana Use (the "**OMMU**") issues licenses to Medical Marijuana Treatment Centers to cultivate, process and sell medical cannabis (referred to as an "MMTC License"). The Company operates under an MMTC License issued to Spirit Lake Road Nursery, LLC, a wholly owned indirect subsidiary of the Company.

As of the date of this MD&A, the Company operates cultivation facilities in Zolfo Springs, FL (the "**Sweetwater Facility**"), Polk City, FL (the "**Polk Facility**"), Ruskin, FL (the "**Ruskin Facility**"), Tampa, FL (the "**Rosa Facility**"), and a cultivation and production facility in Tampa, FL (the "**Tampa Facility**"). The Tampa Facility produces various products ranging from topicals, inhalation vaporizers, oral, smoking and edibles.

The Tampa Facility is approximately 22,000 sq. ft. of indoor cultivation which includes 20,160 sq. ft. of flowering canopy. In the second quarter of 2022, the Company added 24,225 sq. ft. of building to the existing Tampa Facility with approximately 9,000 sq. ft. of new cultivation area and approximately 15,000 sq. ft. of new production and office space.

The Sweetwater Facility commenced operations in the fourth quarter of 2020 and includes 26,000 sq. ft. of indoor cultivation, production, administrative space, and a 40,000 sq. ft. greenhouse, on 15 acres. Current cultivation is 15,400 sq. ft. of indoor flowering canopy, with its first harvesting occurring in March 2021. Additionally, the Sweetwater Facility has expansion capacity for up to seven additional greenhouses.

The Polk Facility commenced operations in the third quarter of 2022 and includes a 27,000 sq. ft. greenhouse, on 72 acres with its first harvesting occurring in December 2022. Additionally, the Polk Facility has expansion capacity for up to five acres of additional greenhouses.

The Ruskin Facility commenced operations in the first quarter of 2024 and includes a 13,824 sq. ft. of indoor flowering canopy, with its first harvesting occurring in second quarter of 2024. Subsequent to the three-month period ended March 31, 2026, the Company discontinued operations at the Ruskin Facility and vacated the lease on April 1, 2026.

The Rosa Facility commenced operations on May 8, 2025 and includes approximately 9,300 sq. ft. of indoor canopy and completed its first harvest in September 2025.

As of March 31, 2026, the Company operated 32 dispensaries throughout the State of Florida.

Texas

The Company owns and operates approximately 1,300 sq. ft. of cultivation space in climate and humidity-controlled C-containers which include 1,920 sq. ft. of flowering canopy over 2 levels. The Company completed construction of its first pick-up and education center in Houston, Texas which opened in the first quarter of 2026. The Company has rights to expand the cultivation facility up to 400,000 additional sq. ft. as demand requires.

See “Subsequent Events” discussion within this MD&A for details regarding the Company’s pending disposition of its Texas operations through the Legacy Transaction.

Pennsylvania

Throughout 2024 and 2025, the Company operated three dispensaries in the south-central region of Pennsylvania for the sale of medical cannabis. The Company’s dispensing permit allowed for the purchase of finished products from permitted processors in the Commonwealth of Pennsylvania.

On December 31, 2025, the Company completed the sale of its Pennsylvania operations for cash proceeds of $12,500 (the "**Pennsylvania Disposition**"). Pursuant to the terms of the definitive agreement entered into in connection with the Pennsylvania Disposition, the purchase price was subject to adjustment pursuant to a customary working capital adjustment. The working capital adjustment did not result in a change to the purchase price.

The Pennsylvania Disposition included all of the assets and liabilities held within the Company's wholly owned subsidiary, Cansortium Pennsylvania, LLC, and comprises the entire Pennsylvania cannabis operating segment. The Company determined that the Pennsylvania operating segment constitutes a component of the Company as it represents a separate major geographical area of operation. Accordingly, the results of the Pennsylvania cannabis operating segment have been presented as results from discontinued operations for the comparative three-month period ending March 31, 2025.

New York

As of the date of this MD&A, the Company operates a cultivation and production facility in Buffalo, NY (the "**Buffalo Facility**"), and a cultivation and production facility in Chestertown, NY (the "**Chestertown Facility**").

The Chestertown Facility was constructed in 2015, and originally comprised of approximately 20,000 square feet, including approximately 8,100 square feet of rooms dedicated for flowering and includes two smaller extraction labs and a larger production floor for the manufacture of cannabis products (dried flower, pre-rolls, vaporizers, capsules, tinctures, powders, lozenges, lotions, and oral sprays).

In 2023, the Chestertown Facility completed a significant expansion, adding more than 40,000 square feet of additional cultivation, lab, and manufacturing space, including approximately 28,800 square feet of additional flowering rooms spanning eight new hybrid greenhouse bays, as well as additional production space to meet the anticipated demands of the adult-use market in New York.

Subsequent to the three-month period ended March 31, 2026, the Company provided 90-day notice to employees that it would wind-down operations at its Chestertown Facility.

On August 23, 2022, RIV Capital entered into a lease agreement with Laborers Way 1 LLC, an affiliate of leading California-based developer Zephyr (the "**Zephyr Lease**"), for the development and operation of the Buffalo Facility. Under the lease agreement, the Company leases two buildings totalling approximately 75,000 square feet, including a 68,000 square foot indoor cultivation facility.

On August 20, 2025, the Company announced the commencement of operations at the Buffalo Facility. Sales from the first harvest at the Buffalo Facility occurred in December 2026.

As of March 31, 2026, the Company operated three co-located adult-use and medical cannabis dispensaries in the State of New York. Under the New York Marijuana Regulation and Tax Act ("MRTA") the Company may open an additional five medical dispensaries. Subsequent to the three-month period ended March 31, 2026, the Company ceased operations at its Manhattan and Kingston retail locations in New York.

Products and Brands

The Company's cannabis products are offered in oral drops, capsule, topical, syringe, dried flower, pre-roll, ground flower, cartridge, concentrate and edible forms, along with accessories. The Company's products have shifted from marketing mainly under the FLUENT™ brand name, launched in May 2019, to a house of brands that includes Bag-O, FLUENT, Hyer Kind, Knack, MOODS, Wandr, as well as licensing of the Connected and Alien Labs brands. Prior to the launch of the FLUENT brand the Company operated under the Knox Medical brand.

Throughout 2025, in Pennsylvania, the Company's product portfolio included a variety of third-party branded medical cannabis products.

FINANCIAL HIGHLIGHTS

(all figures in 000's)

	Three months ended		
Financial results	**March 31, 2026**	**March 31, 2025**	**Variance**
Revenue	$ 17,888	$ 22,905	$ (5,017)
Gross profit before fair value adjustments [(1)]	$ 5,505	$ 11,100	$ (5,595)
Gross margin before fair value adjustments [(1)]	*30.8%*	*48.5%*	*-17.7%*
Gross profit	$ 1,652	$ 13,824	$ (12,172)
Gross margin	*9.2%*	*60.4%*	*-51.1%*
Selling, general and administrative expenses	$ 9,874	$ 12,527	$ (2,653)
EBITDA [(1)]	$ (2,285)	$ 6,982	$ (9,267)
Adjusted EBITDA [(1)]	$ 1,270	$ 4,052	$ (2,782)
Net income (loss) from continuing operations	$ (14,923)	$ (9,054)	$ (5,869)
Net income (loss) from discontinued operations	$ -	$ 304	$ (304)
Net loss per share basic and diluted - continuing operations	$ (0.02)	$ (0.02)	$ (0.00)
Net earnings per share basic and diluted - discontinued operations	$ -	$ 0.00	$ (0.00)

Statement of financial position	**March 31, 2026**	**December 31, 2025**	**Variance**
Total assets	$ 140,036	$ 148,582	$ (8,546)
Total long-term liabilities	205,638	204,338	$ 1,300
Total liabilities	$ 235,829	$ 229,542	$ 6,287

Notes:

(1) Adjusted gross profit, adjusted gross margin, EBITDA and Adjusted EBITDA are non-IFRS financial measures that do not have any standardized meaning prescribed by IFRS and may not be comparable to similar measures presented by other companies. Refer to the reconciliation to IFRS and quarterly results of operations sections below for reconciliation to IFRS. EBITDA and Adjusted EBITDA represent both continuing and discontinued operations.

QUARTERLY RESULTS OF OPERATIONS (three months ended March 31, 2026 and 2025)
(all figures in 000's)

	Three months ended		
	March 31, 2026	**March 31, 2025**	**Variance**
Revenue, net of discounts	$ 17,888	$ 22,905	$ (5,017)
Cost of goods sold	12,383	11,805	578
Gross profit before fair value adjustments [(1)]	5,505	11,100	(5,595)
Gross margin before fair value adjustments [(1)]	*30.8%*	*48.5%*	*-17.7%*
Realized fair value of increments on inventory sold	(340)	(301)	(39)
Unrealized change in fair value of biological assets	(3,513)	3,025	(6,538)
Gross profit	1,652	13,824	(12,172)
Gross margin	*9.2%*	*60.4%*	*-51.1%*
Expenses			
General and administrative	3,617	4,888	(1,271)
Sales and marketing	4,533	5,761	(1,228)
Depreciation and amortization	1,634	1,853	(219)
Share-based compensation	90	25	65
Total expenses	9,874	12,527	(2,653)
Loss from operations	(8,222)	1,297	(9,519)
Other expense (income), net			
Finance costs, net	5,141	4,341	800
Change in fair value of derivative liability	(985)	(457)	(528)
Loss on disposal of assets	129	-	129
Gain on disposition of finance lease	(238)	-	(238)
Other expense (income)	(197)	12	(209)
Total other expense, net	3,850	3,896	(46)
Loss before taxes	(12,072)	(2,599)	(9,473)
Income taxes	2,851	6,455	(3,604)
Net income (loss) from continuing operations	(14,923)	(9,054)	(5,869)
Net income (loss) from discontinued operations	-	304	(304)
Net loss	(14,923)	(8,750)	(6,173)
Comprehensive loss	(14,923)	(8,750)	(6,173)

Revenue

Consolidated revenue from continuing operations for the three months ended March 31, 2026 decreased 21.9% to $17,888 compared to $22,905 for the same period last year. Revenue for the three months ended March 31, 2026, consisted primarily of revenue generated through the Company's 31 Florida dispensaries and three dispensaries and wholesale revenue in New York.

Gross profit / Adjusted gross profit

Adjusted gross profit from continuing operations for the three months ended March 31, 2026 was $5,505, or 30.8% of revenue, versus adjusted gross profit of $11,100, or 48.5% of revenue, for the same period last year.

Gross profit from continuing operations for the three months ended March 31, 2026 was $1,652, or 9.2% of revenue, versus gross profit of $13,824 or 60.4% of revenue, for the same period last year. The variance in gross profit is the result of changes in fair value of biologic assets and decrease in revenue due to price compression in the Florida markets.

Total Expenses

Consolidated selling, general and administrative ("**SG&A**") expenses for continuing operations for the three months ended March 31, 2026 and 2025 were as follows:

	Three months ended		
	March 31, 2026	March 31, 2025	Variance
General and administrative expenses	$ 3,617	$ 4,888	$ (1,271)
Selling and marketing expenses	4,533	5,761	(1,228)
Depreciation and amortization	1,634	1,853	(219)
Share-based compensation	90	25	65
Total expenses	$ 9,874	$ 12,527	$ (2,653)

Total expenses of $9,874 for the three months ended March 31 ,2026 decreased by $2,653 compared to the same period last year. This decrease was primarily driven by a decrease of $1,271 of general and administrative expenses, accompanied by a $1,228 decrease in selling and marketing expenses, and a $219 decrease of depreciation and amortization expenses. These reductions in expenditure were slightly offset by a marginal increase in share-based compensation of $65 when compared to the same period last year.

General and administrative expenses

As noted above, total general and administrative expenses of $3,617 decreased by $1,271 for the three months ended March 31, 2026, compared to $4,888 for the same period last year. Decreases in general and administrative expenses were primarily attributed to decreases in salaries and benefits associated with a reduced headcount due to store closures in the second half of 2025.

Selling and marketing expenses

Selling and marketing expenses of $4,533 decreased by $1,228 for the three months ended March 31, 2026, compared to $5,761 for the same period last year. This was primarily driven by a decrease in salaries and benefits associated with a reduction in headcount due to store closures in the second half of 2025.

Selling and marketing expenses as a percentage of revenue is 25.3% for the three months ended March 31, 2026, versus 25.2% for the same period last year.

Depreciation and amortization

Decrease in depreciation and amortization expense for the three-month period ended March 31, 2026, compared to the three-month period ended March 31, 2025, is primarily driven by a reduction in depreciation calculation for New York assets due to the impairment recognized in the fourth quarter of fiscal 2025.

Share-based compensation

Share-based compensation increased by $65 for the three-month period ended March 31, 2026 compared to the three months ended March 31, 2025, driven primarily by options granted to certain employees and directors in July 2025 and September 2025 that did not contribute any expense in the comparative three-month period ended March 31, 2025.

Other expense, net

Other expense, net for the three months ended March 31, 2026 and 2025 was comprised of the following:

	Three months ended		
	March 31, 2026	March 31, 2025	Variance
Finance costs, net	$ 5,141	$ 4,341	$ 800
Change in fair value of derivative liability	(985)	(457)	(528)
Loss on disposal of assets	129	-	129
Gain on disposition of finance lease	(238)	-	(238)
Other expense (income)	(197)	12	(209)
Total other expense, net	$ 3,850	$ 3,896	$ (46)

Total other expense, net for continuing operations during the three months ended March 31, 2026 consists of a net expense of $3,850, compared to a net expense of $3,896 for the three months ended March 31, 2025. Other expense for the three months ended March 31, 2026, consists of finance costs of $5,141, and a net loss on disposal of assets of $129, offset by the change in fair value of derivative liability of $985, gain on disposition of finance lease of $238, and other income of $197.

Total other expense, net for continuing operations for the three months ended March 31, 2025, consists of finance costs of $4,341 and other expense of $12, offset by a change in fair value of derivative liability of $457.

Finance costs, net of $5141 for the three months ended March 31, 2026, were comprised of interest expense of $1,943, accretion costs of $1,179, right-of-use interest expense of $1,834, and loan fees of $192, partially offset by $7 related to interest income.

Finance costs of $4,341 for the three months ended March 31, 2025, were primarily comprised of interest expense of $2,265, accretion costs of $831, and right-of-use interest expense of $1,479, which were offset by $234 of interest income.

During the three months ended March 31, 2026, the Company recognized a $985 gain in fair value on revaluation of the derivative liability associated with the Smith Convertible Note (as defined below), versus a gain on the revaluation of the derivative liability of $457 for the same period last year.

EBITDA

EBITDA is a non-IFRS financial measure that does not have any standardized meaning prescribed by IFRS and may not be comparable to similar measures presented by other companies. The Company calculates EBITDA from net income (loss), plus (minus) interest expense (income), plus taxes, plus depreciation and amortization, as follows:

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	Three months ended		
	March 31, 2026	March 31, 2025	Variance
Net loss - continuing and discontinued ops	$ (14,923)	$ (8,750)	$ (6,173)
Interest expense	5,141	4,341	800
Income taxes	2,851	6,455	(3,604)
Depreciation and amortization	4,646	4,383	263
Interest expense, income taxes, depreciation and amortization - discontinued operations	-	553	(553)
EBITDA - continuing and discontinued ops	$ (2,285)	$ 6,982	$ (9,267)

Adjusted EBITDA

Adjusted EBITDA is a non-IFRS financial measure that does not have any standardized meaning prescribed by IFRS and may not be comparable to similar measures presented by other companies. The Company calculates adjusted EBITDA from EBITDA plus (minus) unrealized loss (gain) on embedded derivatives, plus (minus) certain one-time non-operating expenses, as determined by management. The reconciliation from EBITDA to Adjusted EBITDA is as follows:

	Three months ended		
	March 31, 2026	March 31, 2025	Variance
EBITDA - continuing and discontinued ops	$ (2,285)	$ 6,982	$ (9,267)
Change in fair value of biological assets	3,853	(2,724)	6,577
Change in fair market value of derivative	(985)	(457)	(528)
Loss on disposal of assets, net	129	-	129
Gain on disposition of finance lease	(238)	-	(238)
Professional fees[(1)]	656	81	575
One-time employee costs[(2)]	247	133	114
Share-based compensation	90	25	65
Other non-recurring expense, net	(197)	12	(209)
Adjusted EBITDA - continuing and discontinued ops	$ 1,270	$ 4,052	$ (2,782)

(1) Legal and professional fees associated with potential transactions and professional fees associated with prior periods.
(2) Severance and relocation costs.

HISTORICAL QUARTERLY RESULTS

The following table sets forth a summary of unaudited quarterly financial information for continuing operations for the last eight consecutive fiscal quarters up to and including the first quarter of 2026. This quarterly financial information has been prepared in accordance with IFRS.

Quarter ended ($ in 000's)	Mar-31 2026	Dec-31 2025	Sep-30 2025	Jun-30 2025	Mar-31 2025	Dec-31 2024	Sep-30 2024	Jun-30 2024
Revenue	$ 17,888	$ 18,607	$ 22,367	$ 22,811	$ 22,905	$ 21,064	$ 22,059	$ 23,128
Gross profit before fair value adjustment	5,505	2,086	6,576	8,853	11,100	8,563	12,828	12,216
Gross profit	1,652	1,941	6,636	5,668	13,824	6,348	10,118	18,696
Income (loss) from operations	(8,222)	$ (52,682)	$ (4,523)	$ (6,606)	$ 1,297	$ (5,441)	$ (758)	$ 6,978

LIQUIDITY AND CAPITAL RESOURCES

As of March 31, 2026 and December 31, 2025, the Company had $8,334 and $8,910 in cash and cash equivalents, respectively. The major components of the Company's statements of cash flows for the three months ended March 31, 2026 and 2025 are as follows:

	Three months ended		
	March 31, 2026	March 31, 2025	Variance
Cash provided by (used in) operating activities	$ (1,945)	$ (1,451)	$ (494)
Cash provided by (used in) investing activities	(1,067)	(4,179)	3,112
Cash provided by (used in) financing activities	2,436	(3,732)	6,168
Net change in cash and cash equivalents	$ (576)	$ (9,362)	$ 8,786

Operating activities

Cash and cash equivalents used in operating activities for the three months ended March 31, 2026, was $1,945 compared to cash and cash equivalents used in operating activities of $1,451 for the three months ended March 31, 2025. The decline in cash generated from operating activities is primarily attributable to the decrease in margins attributable to price pressures in the Florida market.

Investing activities

Cash and cash equivalents used in investing activities for the three months ended March 31, 2026 was $1,067, compared to $4,179 used in investing activities for the three months ended March 31, 2025. The decrease in investing activities is the result of the completion of the build-out of the Buffalo Facility in New York and the completion of the buildout of the Rosa Facility in Florida. The reduction in purchases of property and equipment were offset partially by the bi-annual renewal fees associated with the Company's license to cultivate and distribute medical marijuana within the state of Texas.

Financing activities

Cash and cash equivalents provided by financing activities for the three months ended March 31, 2026 was $2,436, compared to cash and cash equivalents used in financing activities of $3,732 for 2025. The increase of $6,168 in cash provided by financing activities was primarily driven by an amendment to the Company's term loan, providing an additional $5,740, net of transaction costs. The positive cash flow provided by financing activities were offset partially by principal and interest payments for notes payable and lease obligations.

CONTRACTUAL OBLIGATIONS AND OFF-BALANCE SHEET ARRANGEMENTS

The Company leases certain business facilities from third parties under lease agreements that specify minimum rentals. The leases expire through 2035 and contain certain renewal provisions. Future minimum lease payments under non-cancelable leases having an initial or remaining term of more than one year are as follows:

For the twelve months ending March 31,		Scheduled Payments
2027	$	12,452
2028		11,889
2029		11,359
2030		10,906
2031		10,792
2032		10,651
2033		8,531
Thereafter		35,689
Total Future Miinimum Lease Payments	$	112,269

SUMMARY OF OUTSTANDING SHARE DATA

As of March 31 2026, the share capital of the Company is comprised of 613,261,139 common shares, 2,450,188 proportionate voting shares (each proportionate voting share is convertible into ten common shares), 17,533,150 stock options, 210,000 restricted stock units, and 0 exchangeable shares.

Earnings (loss) per share is calculated using the weighted average number of shares outstanding during the period on a basic and fully diluted basis. Out-of-the money options and warrants are excluded as dilutive instruments. As the Company was in a loss position from continuing operations for the three months ended March 31, 2026 and 2025, respectively, earnings per share from continuing operations for those periods was calculated using the basic number of outstanding shares.

	Three months ended March 31,	
	2026	**2025**
Weighted average number of shares - basic	637,763,019	473,275,109
Weighted average warrants	-	-
Weighted average convertible debt	36,392,300	31,396,370
Weighted average options	-	-
Weighted average restricted stock units	210,000	5,220,771
Weighted average exchangeable shares	-	153,069,395
Weighted Average Number of Shares - Diluted	**674,365,319**	**662,961,645**

TRANSACTIONS WITH RELATED PARTIES

Key management personnel are those persons having the authority and responsibility for planning, directing and controlling activities for the Company, directly and indirectly. The key management personnel of the Company are the members of the Company's executive management team and Board of Directors (the "**Board**"). For the three months ended March 31, 2026 and 2025, key management personnel compensation consisted of the following:

		For the three months ended March 31,		
		2026		**2025**
Salary	$	317	$	711
Option-based compensation		51		1
Share-based compensation (including RSUs)		2		15
All other compensation (including cash-settled Board fees)		180		138
Total	$	550	$	865

Rosa Facility Lease

During the three months ended March 31, 2026, the Company made lease payments of $93 to Nittany Management, LLC ("**Nittany**"), which is owned by William Smith, a director and the Executive Chairman of the Company. The lease agreement dated January 8, 2024 (the "**Rosa Lease**") is for the Company's Rosa Facility located in Tampa, Florida, which is used for cultivation. The Rosa Lease is for a ten-year term, and the annual base rent paid by the Company is $30, with 3% increases each year. The terms of the Rosa Lease were reviewed by disinterested directors of the Board and were found to be comparable to market terms.

On May 28, 2024, the Company made an amendment to the Rosa Lease, under which the Company is required to pay an additional $1,360 to Nittany, subject to 13% simple interest. The payment serves as consideration for a waiver by Nittany of the Company's breach of the Rosa Lease by failing to obtain Nittany's consent before altering structural support systems, HVAC systems and other parts of the building. The Company is required to make at least six installment payments per year in the amount of at least $45 each with payments first applied to outstanding interest, then to principal.

Shares for Debt Conversions – Director Fees

On February 7, 2025, the Company issued an aggregate of 1,657,063 common shares at a price of $0.07 per common share in settlement of $116 in accrued fees payable to certain directors for the period of October 1, 2024 to December 31, 2024. The common shares were issued to the following current and former directors of the Company: Roger Daher, Mark Eckenrode, Richard Mavrinac, John Mazarakis, William Smith, and Dawn Sweeney.

On July 24, 2025, the Company issued an aggregate of 2,750,000 common shares at a price of $0.05 per share in settlement of $138 in accrued fees payable to certain directors for the period of April 1, 2025 to June 30, 2025. The common shares were issued to the following current directors of the Company: Roger Daher, Mark Eckenrode, William Smith, Richard Mavrinac, and Dawn Sweeney.

On July 1, 2025, the Board passed a resolution that all compensation payable to the directors of the Company would be settled in cash on a go forward basis.

Legal Fees paid to Robert O. Beasley, P.A.

The Company's former CEO is a partner at Robert O. Beasley, P.A. (the "Law Firm") which the Company engaged to represent the Company on various legal matters, including litigation, regulatory and general counsel services during the three months ended March 31, 2025. Services were provided in accordance with normal commercial terms; the Company's former CEO did not participate in the legal services rendered by the Law Firm. During the three months ended March 31, 2025, such period in which the Law Firm was a related party to the Company, the Company recognized legal expenses of $23 to the Law Firm. The Law Firm is not a related party for the three months ended March 31, 2026.

The Smith Transaction

On November 26, 2024, in connection with the closing of a senior secured credit agreement (as may be amended, restated, replaced, the "**Credit Agreement**") of up to $96,500 with Chicago Atlantic Financial Services, LLC, as successor administrative agent for certain lenders, the Company and William Smith, a director and the Executive Chair of the Company, and certain companies controlled by Mr. Smith (the "**Smith Group**"), entered into an amended and restated termination agreement, which provided for, among other things, a $500 cash fee and the issuance of a secured subordinated convertible note in an initial aggregate principal amount of $6,500 due May 26, 2029 (the "**Smith Convertible Note**"), bearing interest of 15%, with all accrued but unpaid interest compounded quarterly, and without a Company right to prepay the Smith Convertible Note after year two. The Smith Convertible Note is subordinated in the right of payment to the Credit Agreement and the principal and accrued interest thereunder is convertible, at the discretion of the Smith Group, into common shares of the Company at a price of $0.21 per share.

Interim CEO Private Placement

On August 28, 2025, the Company completed a private placement, whereby the Company's Interim CEO, David E Vautrin, purchased 3,500,000 common shares of the Company at a price of $0.06 per share for aggregate gross proceeds of $210.

KEY ACCOUNTING POLICIES

(a) Basis of preparation

The Interim Consolidated Financial Statements of the Company have been prepared in accordance with IFRS as issued by the IASB and interpretations of the IFRS Interpretations Committee ("IFRIC").

(b) Material uncertainty related to going concern

The Interim Consolidated Financial Statements have been prepared assuming that the Company will continue as a going concern. The going concern basis of accounting contemplates the realization of assets and the settlement of liabilities in the normal course of business.

As of March 31, 2026, the Company had cash and cash equivalents of $8,334 and working capital deficit of ($5,805). For the three months ended March 31, 2026, the Company incurred a net loss of ($14,923) and experienced negative operating cash flows of ($1,945).

These conditions indicate the existence of events and circumstances that may cast significant doubt on the Company's ability to continue as a going concern.

Subsequent to the three-month period ended March 31, 2026, the Company has been pursuing strategic initiatives intended to strengthen its liquidity position and support ongoing operations. These initiatives include entering into the Arrangement Agreement (as defined herein) with Vireo Growth Corp ("Vireo") in connection with the Vireo Arrangement, and entering into the Legacy Transaction (as defined herein) for the sale of 100% of the Company's issued and outstanding equity interests in Cansortium Texas for gross proceeds of $30,000. While management believes these initiatives may provide a pathway to additional capital and improved liquidity, their success is subject to various conditions not wholly within the Company's control.

Accordingly, these events and conditions indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. These Interim Consolidated Financial Statements do not include any adjustments that might result from the outcome of this uncertainty. Such adjustments could be material.

(c) Functional and presentation of currency

The Interim Consolidated Financial Statements are presented in thousands of U.S. dollars unless otherwise stated. The functional currency of the Company's U.S. and Canadian subsidiaries is the U.S. dollar.

(d) Critical accounting judgments, estimates and assumptions

The preparation of the Company's Interim Consolidation Financial Statements requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, and revenue and expenses. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the review affects both current and future periods.

Critical judgments, estimates and assumptions that have the most significant effect on the amounts recognized on the Interim Consolidated Financial Statements have been set out in Note 4 of the Annual Consolidated Financial Statements for the years ended December 31, 2025, and 2024.

Subsequent Events

Vireo Arrangement

On April 29, 2026, the Company and Vireo announced that they entered into a definitive arrangement agreement (the "Arrangement Agreement") pursuant to which Vireo agreed to acquire all of the issued and outstanding common shares of the Company (after conversion of all (i) proportionate voting shares of the Company and (ii) non-voting, non-participating exchangeable shares of the Company) in exchange for Vireo Shares (as defined below) (the "Vireo Arrangement"). Pursuant to the terms of the Arrangement Agreement, each shareholder of the Company will receive 0.0705359 of a subordinate voting share of Vireo (each whole share, a "Vireo Share") in exchange for each common share of the Company held.

The Vireo Arrangement will be effected by way of a court-approved plan of arrangement pursuant to the OBCA requiring the approval of (i) at least two-thirds of the votes cast by the shareholders of the Company; and (ii) if applicable, a simple majority of the votes cast by shareholders of the Company excluding for this purpose the votes attached to shares of the Company owned and/or controlled by any shareholder of the Company required to be excluded under Multilateral Instrument 61-101 – *Protection of Minority Security Holders in Special Transactions*, voting at an annual general and special meeting of shareholders to consider the Vireo Arrangement, which is scheduled for July 28, 2026 (the "Special Meeting").

In connection with the Vireo Arrangement, Vireo has entered into voting support agreements with certain directors, officers and key shareholders of the Company, with such holders representing approximately 38.3% of the issued and outstanding common shares of the Company (on an as-converted basis), pursuant to which they have agreed to, among other things, vote their shares of the Company in favor of the Vireo Arrangement.

Closing of the Vireo Arrangement is subject to the receipt of all required court, shareholder, regulatory, and other third-party approvals, the completion of the Equitization (as defined below), and the satisfaction of certain other closing conditions customary in transactions of this nature, which are expected to be completed during the fourth quarter of 2026.

In connection with the Vireo Arrangement, the Company entered into a credit equitization agreement (the "Equitization Agreement") with certain lenders to its existing Credit Agreement. Pursuant to the terms of the Equitization Agreement, among other things, the parties have agreed to exchange an aggregate of $30,000 outstanding indebtedness owing under the Credit Agreement for common shares of the Company (the "Equitization"). Such common shares of the Company will, subject to the terms of the Equitization Agreement, be issuable to such lenders immediately prior to the closing of the Vireo Arrangement and will be exchanged into Vireo Shares upon completion of the Vireo Arrangement.

On May 19, 2026, the Company entered into a consulting services agreement with Vireo, pursuant to which Vireo will provide certain advisory services for the Company's Florida business. The Company will pay a consulting fee of $25 per month, with fees for the first two months waived.

Legacy Transaction

On May 1, 2026, the Company entered into a definitive purchase agreement (the "Purchase Agreement") with Legacy Therapeutics, LLC ("Legacy"), pursuant to which Legacy agreed to acquire 100% of the issued and outstanding equity interests in Cansortium Texas (the "Legacy Transaction"). The Legacy Transaction contemplates the sale of the Company's Texas business operations, which includes Cansortium Texas's license, cultivation, manufacturing and delivery business in Schulenburg, Texas, and the Houston retail operations.

Pursuant to the terms of the Purchase Agreement, the aggregate purchase price payable by Legacy is $30,000, of which $25,000 will be payable at closing and an amount equal to $2,500 will be payable on each of the first and second anniversaries of the closing date. The Legacy Transaction is subject to the satisfaction of certain customary closing conditions and applicable regulatory approvals.

Additional Subsequent Events

On April 23, 2026, the U.S. Department of the Treasury and Internal Revenue Service ("IRS") announced their intention to issue guidance addressing the federal tax consequences associated with the rescheduling of medical cannabis under the U.S. Controlled Substances Act. The announcement follows the final order issued by the U.S. Department of Justice to reschedule medical cannabis from a Schedule I substance to a Schedule III substance under the U.S. Controlled Substances Act.

As a result of the rescheduling, the Company's medical cannabis operations are expected to no longer be subject to the limitations under IRC Section 280E upon the effective date of the applicable guidance. Accordingly, the Company expects a reduction in future federal income tax expense associated with its medical cannabis operations as associated uncertain tax position liability. The Company is currently evaluating the full financial statement impact of the regulatory change, including the impact on current and deferred income taxes.

Subsequent to the three months ended March 31, 2026, the Company:

- discontinued operations at the Ruskin cultivation facility in Florida and vacated the lease on April 1, 2026;
- provided 90-day notice to employees that it plans to cease operations at its Chestertown facility in New York; and
- ceased operations at its Manhattan and Kingston retail locations in New York.

UNITED STATES REGULATORY ENVIRONMENT

Federal Regulatory Environment

In accordance with the Canadian Securities Administrators ("**CSA**") Staff Notice 51-352 (Revised) – *Issuers with U.S. Marijuana-Related Activities* ("**Staff Notice 51-352**") dated February 8, 2018, and Staff Notice 51-357 – *Staff Review of Reporting Issuers in the Cannabis Industry* dated October 10, 2018 below is a discussion of the current federal and state-level U.S. regulatory regimes in those jurisdictions where the Company is currently directly involved through its subsidiaries, in the cannabis industry. In accordance with Staff Notice 51-352, the Company will evaluate, monitor and reassess this disclosure, and any related risks, on an ongoing basis and the same will be supplemented, amended and communicated to investors in public filings, including in the event of government policy changes or the introduction of new or amended guidance, laws or regulations regarding marijuana regulation.

The U.S. Drug Enforcement Administration ("**DEA**") currently classifies cannabis as a Schedule I controlled substance under the Controlled Substances Act (21 U.S.C. § 811). A Schedule I controlled substance is defined as a substance that has no currently accepted medical use in the United States, a lack of safety for use under medical supervision and a high potential for abuse. Schedule I controlled substances are federally illegal and the manufacturing, sale and use of cannabis is a violation of federal law.

Due to conflicting and changing views between state legislatures and the federal government regarding cannabis, cannabis businesses are subject to inconsistent laws and regulations. The Obama Administration attempted to address the inconsistent treatment of cannabis under state and federal law in the Cole Memorandum that Deputy Attorney General James Cole sent to all U.S. Attorneys in August 2013. The Cole Memorandum noted that, in jurisdictions that have enacted laws legalizing cannabis in some form and that have also implemented strong and effective regulatory and enforcement systems to control the cultivation, processing, distribution, sale and possession of cannabis, conduct in compliance with such laws and regulations was not a prosecution or enforcement priority for the Department of Justice ("**DOJ**").

On January 4, 2018, former U.S. Attorney General Jeff Sessions formally rescinded the Cole Memorandum. The rescission of the Cole Memorandum and other Obama-era prosecutorial guidance did not create a change in federal law as the Cole Memorandum was never legally binding; however, the revocation removed the DOJ's guidance to U.S. Attorneys that state-regulated cannabis industries substantively in compliance with the Cole Memorandum's guidelines should not be a prosecutorial priority. The federal government of the United States has always reserved the right to enforce federal law regarding the sale and disbursement of medical or recreational marijuana, even if state law sanctioned such sale and disbursement. Although this rescission does not necessarily indicate that marijuana industry prosecutions are now affirmatively a priority for the DOJ, there can be no assurance that it will not enforce such laws in the future.

In October 2022, President Biden announced that cannabis scheduling under federal law would be reviewed, noting that cannabis is scheduled as more dangerous than fentanyl and methamphetamine, two substances that are driving an overdose epidemic in the country. In December 2022, President Biden signed the Medical Marijuana and Cannabidiol Research Expansion Act into law, which provides for significantly broader opportunities to study cannabis.

On August 29, 2023, and in response to President Biden's directive to review cannabis's scheduling, the Department of Health and Human Services ("**HHS**") formally presented its recommendation to the DEA that cannabis be rescheduled to Schedule III from Schedule I. Section 280E of the Internal Revenue Code does not apply to those trafficking in Schedule III controlled substances, which would most likely reduce the tax burden of most U.S. cannabis companies. The DEA, which has final jurisdiction over scheduling decisions, started the review process for rescheduling.

On May 16, 2024, then-U.S. Attorney General Merrick Garland submitted to the Federal Register a notice of proposed rulemaking to consider moving marijuana from a Schedule I to a Schedule III drug under the Controlled Substances Act. The notice initiated a 60-day comment period for members of the public to submit comments regarding the rule where more than 43,000 comments were received. After reviewing the public comments, the DEA determined that a hearing was necessary and selected Administrative Law Judge John J. Mulrooney to oversee it. Expert testimony was expected to begin in early 2025. However, that hearing was postponed on January 15, 2025. On December 18, 2025, President Trump signed an executive order, which directs the Attorney General to expedite the movement of marijuana from Schedule I to Schedule III under the Controlled Substances Act. The executive order does not legalize marijuana for recreational use, and it remains a federally controlled substance. The order is not self-executing and requires a formal administrative rulemaking process.

On April 23, 2026, the U.S. Department of Justice issued a Final Order implementing the rescheduling of medical cannabis, and the Department of the Treasury and IRS announced they will issue guidance on the federal tax impact of the Department of Justice's Final Order. Under this order, certain licensed or FDA-related medical marijuana products move from Schedule I to Schedule III under the Controlled Substances Act, while unlicensed and non-approved cannabis remain Schedule I. This would be applicable to cannabis sold in adult-use markets in the U.S.

This shift is expected to provide meaningful tax relief for state-licensed medical cannabis businesses by limiting the application of IRS Code Section 280E, allowing deductions and credits for qualifying activities starting in 2026. However, adult-use and recreational cannabis was excluded from the rescheduling and thus remains subject to Schedule I treatment for the time being.

As an industry best practice, and in light of the federal approach to regulating cannabis, the Company abides by the following to ensure compliance with the guidance provided by the Cole Memorandum:

- ensure that its operations are compliant with all licensing requirements as established by the applicable state, county, municipality, town, township, borough, and other political/administrative divisions;
- ensure that its cannabis related activities adhere to the scope of the licenses obtained (for example: in the states where cannabis is permitted for recreational adult use, the products are only sold to individuals who meet the requisite age requirements);
- implement policies and procedures to ensure that cannabis products are not distributed to minors;
- implement policies and procedures to ensure that revenue is not distributed to criminal enterprises, gangs or cartels;
- implement adequate inventory tracking systems and necessary procedures to ensure that such compliance system is effective in tracking inventory and preventing diversion of cannabis or cannabis products into those states where cannabis is not permitted by state law, or cross any state lines in general;
- ensure that its state-authorized cannabis business activity is not used as a cover or pretense for trafficking of other illegal drugs, and is not engaged in any other illegal activity or any activities that are contrary to any applicable anti-money laundering statutes; and
- ensure that its products comply with applicable regulations and contain necessary disclaimers about the contents of the products to prevent adverse public health consequences from cannabis use and to prevent impaired driving.

In addition, the Company conducts background checks to ensure that certain individuals working at its operating subsidiaries are of good character, and have not been involved with other illegal drugs, engaged in illegal activity or activities involving violence, or use of firearms in cultivation, manufacturing or distribution of cannabis. The Company also conducts ongoing reviews of its cannabis business activities, the premises on which they operate and the policies and procedures that are related to possession of cannabis or cannabis products outside of the licensed premises.

As of the date of this MD&A, 99% of the Company's assets are exposed to U.S. marijuana related activities. By these measures 99% of the Company's assets and operations were related to U.S. marijuana related activities.

There have been efforts at reforming U.S. federal cannabis law. As of the date of this MD&A, there were several proposed congressional bills addressing a spectrum of issues regarding the cannabis industry, from banking and tax reform to full legalization. However, none have passed into law.

There does exist a legislative safeguard for the medical cannabis industry, appended to the federal budget bill. Every year since 2015, Congress has adopted a so-called "rider" provision to the Consolidated Appropriations Acts (formerly referred to as the Rohrabacher-Farr Amendment and currently referred to as the Rohrabacher-Blumenauer Amendment) to prevent the federal government from using congressionally appropriated funds to enforce federal law against regulated medical cannabis actors operating in compliance with state and local law. Since fiscal year 2015, Congress has
renewed the Rohrabacher-Farr Amendment, and as of the issuance of this MD&A, remains in effect. However, there is no guarantee that the Rohrabacher-Farr Amendment will be renewed by Congress in subsequent fiscal years, and the Rohrabacher-Farr Amendment does not legalize the use of cannabis on the U.S. federal level.

The large and ever-growing size of the cannabis industry, in addition to participation by state and local governments and investors, suggests that a large-scale federal enforcement operation would more than likely create unwanted political backlash for the Department of Justice and the current administration. Regardless, cannabis remains illegal at the federal level. The U.S. federal government has always reserved the right to enforce federal law over the sale and disbursement of medical or adult-use cannabis, even if state law authorizes such sale and disbursement. There is no guarantee that state laws legalizing and regulating the sale and use of cannabis will remain in place or that local governmental authorities will not limit the applicability of state laws within their respective jurisdictions. Unless cannabis is removed from Schedule I of the Controlled Substances Act, there is a risk that federal authorities may enforce current U.S. federal law criminalizing cannabis.

The Company will continue to monitor compliance on an ongoing basis in accordance with our compliance program and standard operating procedures. While the Company's operations comply with all applicable state laws, regulations and licensing requirements, such activities remain illegal under federal law. For the reasons described above and the risks further described in the section entitled "Risk Factors," there are significant risks associated with our business. Readers of this MD&A are strongly encouraged to carefully read all the risk factors described under the heading "Risks Specifically Related to the United States Regulatory System," below.

U.S. Legal Advice

The Company and its subsidiaries are in compliance with U.S. state laws and the related licensing frameworks. The Company and its subsidiaries use reasonable commercial efforts to confirm, through the advice of U.S. counsel in each state in which the Company operates, the monitoring and review of its business practices, and regular monitoring of changes to U.S. federal enforcement priorities, that its businesses are in compliance with applicable licensing requirements and regulatory frameworks. Other than as disclosed herein, the Company's U.S. based subsidiaries have not received non-compliance orders, citations or notices of violation that may have an impact on such entity's licenses, business activities and/or operations. The Company's U.S. based subsidiaries have obtained legal advice regarding (a) compliance with applicable state regulatory frameworks and (b) potential exposure and implications arising from U.S. federal law.

Compliance Program

The Company's Compliance Department oversees, maintains, and implements the compliance program and personnel in conjunction with the Chief Legal Officer. The Chief Legal Officer serve as liaisons to the various state and local regulators It is the responsibility of the Chief Legal Officer to work with all operational department heads to ensure operations and employees strictly comply with applicable laws, regulations and licensing requirements to ensure that the operations do not endanger the health, safety, or welfare of the communities that the Company operates in. The Chief Legal Officer works closely with the operations and security directors to ensure that operations and all employees are following and complying with the Company's written standard operating procedures.

The Company has developed policies and standard operating procedures that establish minimum standards and requirements for operations in each market, encompassing operational aspects such as cultivation, manufacturing, packaging of product, the handling of confidential or personal information and method by which an employee may dispense cannabis to an authorized individual. Upon the Company's entry into a new market, the Chief Legal Officer work with each department director to adapt these policies and standard operating procedures into a unique set of operating procedures for each respective market, tailored to each market's regulatory requirements.

Working with the operations, human resources, and security departments, the Chief Legal Officer and the compliance team reviews and monitors training for all employees, including on the following topics:

- compliance with applicable state and local laws
- safe cannabis use
- dispensing procedures
- cultivation and processing procedures
- security and safety policies and procedures

- inventory control
- point of sale and seed to sale tracking software
- quality control
- transportation procedures

The Company's compliance protocols emphasize quality assurance, as evidenced by its efforts to obtain Good Manufacturing Practices (or similar) certification in its facilities, security and inventory controls, as well as patient safety. These efforts ensure strict monitoring of cannabis and inventory in all phases of the process. Only authorized and properly trained employees are permitted to access any seed-to-sale system or dispense cannabis to an authorized individual.

The Company is in compliance with U.S. state law and the related licensing framework in each state in which it has active marijuana operations. The Company uses reasonable commercial efforts to ensure that its business is in compliance with applicable licensing requirements and the regulatory frameworks enacted by these states, through the duties of the Chief Legal Officer, who monitors and reviews the Company's business practices and changes to U.S. federal enforcement priorities.

The Chief Legal Officer monitors compliance notifications from various state regulators and ensures timely response and corrective action if necessary. No notifications have been received other than as set out below. The Company maintains comprehensive recordkeeping and retention procedures for any action involving the products it cultivates, processes, and/or dispenses. In addition, the Company maintains accurate records of all activities it is licensed to conduct in each market and does so in compliance with applicable laws and regulations. Adherence to the Company's compliance protocols in each market is mandatory and ensures that all operations remain compliant with the regulation(s) set forth by the applicable regulatory bodies, as well as all requirements of licensure.

Each facility is monitored and supervised under a uniform set of policies and procedures that also requires daily, weekly, monthly and quarterly reporting on applicable activities that occur at each facility. These reports, completed by or under the supervision of the applicable facility manager include germination, cloning, plant destruction, harvest details, extraction rates, product formulation details, logistics, transportation, delivery, sales and customer complaints. Each facility also utilizes a password protected, role-based, seed-to-sale inventory tracking and reporting software system. The Chief Legal Officer has full administrative access to the seed-to-sale tracking and reporting software. The seed-to-sale software program gives the Chief Legal Officer real time access to the source data, which reports all daily activities of each subsidiary to conduct independent analysis and verification of the standard reports submitted by each subsidiary.

In addition to the standard reports submitted by each facility and the seed-to-sale software program access, the Chief Legal Officer and staff perform scheduled and unscheduled site visits and audits of each facility. The scheduled and unscheduled site visits and audits are performed at least quarterly and are used to verify source data on all reported subsidiary activities, debrief and interview key employees, and conduct an overall review of the operating conditions of all Company facilities.

State Regulatory Environment

Florida

Regulatory Framework

Florida regulates medical marijuana as set forth in the Florida Constitution, Florida Statutes, implementing regulations of the Florida Administrative Code, and other applicable laws. The OMMU is responsible for oversight and implementation of medical marijuana laws in Florida.

Florida Statutes

Section 381.986, Florida Statutes, governs the cultivation, processing, dispensing, and ordering of marijuana for medical use in Florida by qualified Florida-licensed physicians for medical use by qualified patients. Under this law, "medical use" means "acquisition, possession, use, delivery, transfer, or administration of marijuana authorized by a physician certification." Legally permitted routes of administration include oil-based products, edibles, and smoking.

Only Florida-licensed physicians who undergo the required training can recommend marijuana for medical use in Florida. Qualified patients must be permanent Florida residents and must be diagnosed with one of the qualifying medical conditions set forth in Section 381.986(2), Florida Statutes.

Chapter 64-4, Florida Administrative Code

As required by Florida Statutes, OMMU implements regulations governing the use of medical marijuana in the state, including the licensing of businesses to cultivate, process, and dispense medical marijuana to qualified patients. These regulations are found in Chapter 64-4, Florida Administrative Code and a series of emergency rules found in the Florida Administrative Register.

U.S. Attorney Statements

To the knowledge of management of the Company, there have not been any statements or guidance made by federal authorities or prosecutors regarding the risk of enforcement action in Florida.

Licensing and Compliance in Florida

In Florida, OMMU administers and maintains the state's medical marijuana program pursuant to the Florida Constitution and Florida Statutes. Florida law currently requires each Medical Marijuana Treatment Center ("**MMTC**") to be vertically integrated, which means the MMTC must control all aspects of the operations from "seed to sale", i.e., cultivation, processing, distribution, sale, and delivery. Additionally, as a condition to becoming operational, each MMTC is statutorily required to comply with all disclosures made to obtain the license.

MMTCs must maintain adequate security and surveillance at all of their sites, comply with all applicable laws relating to the MMTC License, and are subject to regular unannounced audits by OMMU. All inventory movements must be logged in a seed-to-sale tracking system ("**STS System**") that is integrated with an STS System operated and monitored by OMMU. Processing, or manufacturing, activities must occur in a facility that has been audited for compliance with Good Manufacturing Practices by a third-party auditor.

Licenses

The Company, through its direct and indirect wholly owned subsidiaries, is licensed to cultivate, process and sell medical cannabis and to own and operate individual dispensary locations as well as deliver product directly to customer's homes throughout the State of Florida. There is no limit on the number of facilities that can be operated under a single MMTC license.

In the State of Florida, the OMMU issues licenses to produce and sell medical cannabis i.e. the MMTC License (formerly a Dispensing Organization License).

The MMTC License held by the Company's Florida subsidiary was renewed for a two-year term effective August 20, 2024. The Company follows all regulatory requirements regarding the reporting of inventory movement and sales, as well as all other data reporting and record retention requirements in Pennsylvania.

Dispensary Requirements

MMTCs may dispense up to a 70-day supply of medical marijuana in non-smokable forms or up to a 35-day supply in smokable forms at any time. At all times, the MMTC employee must ensure the privacy of information in regard to the patient records as required by Florida legislation and applicable privacy laws. All dispensations must be logged in the MMTC's STS system.

Transportation Requirements

When transporting cannabis to dispensaries or to patients for delivery, a manifest must be prepared, and transportation must be done using an approved vehicle. The cannabis must be stored in a separate, locked area of the vehicle and always there must be two people in a delivery vehicle. The manifest for all deliveries must be generated in the MMTC's STS system.

OMMU Inspections

The OMMU conducts announced and unannounced inspections of MMTC's to determine compliance with the laws and regulations. The OMMU also must inspect an MMTC upon receiving a complaint or notice that the MMTC has dispensed cannabis containing mold, bacteria, or other contaminants that may cause an adverse effect to humans or the environment. The OMMU conducts at least a biennial inspection of each MMTC to evaluate the MMTC's records, personnel, equipment, security, sanitation practices, and quality assurance practices.

New York

Regulatory Framework

In July 2014, the New York Legislature and Governor enacted the Compassionate Care Act to provide a comprehensive, safe and effective medical cannabis program. The Compassionate Care Act provides access to the program for those who suffer from qualifying conditions and have a physician's recommendation. In 2021, the MRTA was signed into law. The MRTA legalized adult-use cannabis and established the New York Office of Cannabis Management, which continues to promulgate rules and regulations.

The Office of Cannabis Management ("**OCM**") is the regulatory agency that oversees the adult-use and medical cannabis program in New York. There is currently one principal medical license category in New York: Registered Organization (a vertically integrated license). The Company's New York subsidiary holds a Registered Organization Adult-use Cultivator Processor Distributor Retail Dispensary ("**ROD**") license.

Under its ROD license, the Company operates two cultivation and manufacturing facilities, as well as three co-located medical and adult-use cannabis dispensaries. Under the MRTA the Company may open an additional five medical dispensaries.

All operating facilities are, as of the date hereof, active with the State of New York.

The Company follows all regulatory requirements regarding the reporting of inventory movement and sale, as well as all other data reporting and record retention requirements mandated by New York.

Texas

Regulatory Framework

Texas initially limited the scope of authorization of cannabis for medical purposes to the cultivation, processing, and dispensing of low-THC (as defined below) cannabis prescribed to epilepsy patients.

In May 2019, the Texas legislature passed a bill that significantly expanded the Texas Compassionate Use Act. It was subsequently signed into law by the Governor. The May 2019 law increased legal access to medical cannabis products containing up to 0.5 percent tetrahydrocannabinol ("**THC**") for patients coping with a broader list of chronic medical conditions and diseases including epilepsy, a seizure disorder, multiple sclerosis, spasticity, amyotrophic lateral sclerosis, autism and terminal cancer.

Compassionate Use Act

The Texas Legislature enacted the Texas Compassionate Use Act, found in Chapter 169 of the Texas Occupations Code and Chapter 487 of the Texas Health and Safety Code, in 2015. The Texas Compassionate Use Act directs the Texas Department of Public Safety ("**DPS**") to create a secure registry of Texas-licensed physicians who are authorized to treat qualifying conditions by prescribing low-THC cannabis to qualified, registered patients who have been diagnosed with epilepsy, a seizure disorder, multiple sclerosis, spasticity, amyotrophic lateral sclerosis (ALS), autism, terminal cancer, or an incurable neurodegenerative disease. In addition, the bill required DPS to license at least three dispensing organizations by September 1, 2017, should they meet the requirements. The license authorizes the organizations to cultivate, process and dispense low-THC cannabis to prescribed patients.
The act defines low-THC cannabis as:

the plant *Cannabis Sativa L.*, and any part of that plant or any compound, manufacture, salt, derivative, mixture, preparation, resin, or oil of that plant that contains:
(A) not more than 0.5 percent by weight of tetrahydrocannabinols; and
(B) not less than 10 percent by weight of cannabidiol.

Under the act, medical use of low-THC cannabis means "ingestion by a means of administration other than by smoking of a prescribed amount of low-THC cannabis by a person for whom low-THC cannabis is prescribed."

Administrative Rules

DPS adopted the rules implementing the Texas Compassionate Use Act in 2017. These rules, the Compassionate Use/Low-THC Cannabis Program Administrative Rules, are found in 37 Texas Administrative Code 1, Chapter 12. They specify licensing requirements and standards that licensees must satisfy for a variety of subjects, including building design and construction, records, testing, production (including limitations on the use of pesticides and other products that could harm patient health), packaging, labeling, restrictions on eligible persons who can receive low-THC cannabis, criminal history disqualifiers for licensees and their employees, sanitation, and waste disposal.

Each dispensing organization may operate a single dispensary, which must be co-located with its cultivation and processing facilities. All other dispensing may only occur via delivery, which may include same-day pickup at an arranged location such as a doctor's office.

Production is limited under the rules; DPS will only issue sufficient licenses to provide the patient population of Texas with the most current scientifically accepted dosage. The amount of production permitted is recalculated every year as provided in the rules. As of December 31, 2024, DPS has issued three dispensing organization licenses.

The Company complies with all applicable requirements regarding the reporting of inventory movement and sale, as well as other data reporting and retention requirements mandated by DPS.

U.S. Attorney Statements

To the knowledge of management of the Company, there have not been any statements or guidance made by U.S. federal authorities or prosecutors regarding the risk of enforcement action in Texas.

Licensing and Compliance in Texas

In Texas the DPS administers the state's compassionate use program. State law currently requires each license holder to be vertically integrated, which requires the license holder to control all aspects of the operations from "seed to sale". State law requires strict limits on THC content which subsequently requires regular testing and maintenance of records.

On May 22, 2025 the Texas Legislature passed Senate Bill 3, which effectively bans most THC-containing products in the state other than low-THC cannabis available through the state's compassionate use program. Assuming Governor Greg Abbott does not veto the bill, it will become law effective September 1, 2025.

In June 2025, Texas became the 40th U.S. state to legalize broader medical cannabis under new legislations (HB46) expanding the Texas Compassionate Use Program (TCUP)

In July 2025, the Senate State Affairs Committee, introduced a new bill (Senate Bill 5) essentially replicating SB'3 ban on THC containing hemp consumable and that passed the Senate committee unanimously 10-0.

Licenses

The Company's subsidiary in Texas obtained a Dispensing Organization License from the Department of Public Safety on September 1, 2017. This license allows the Company's subsidiary in Texas to cultivate and produce cannabis as well as operate a dispensary at the cultivation site. The license also allows for home delivery of the product. The current license was renewed in

October 2025 and expires on October 1, 2027. As of the date of this MD&A, the Company's subsidiary in Texas holds one (1) of the three licenses issued by the Department of Public Safety in Texas.

Department Inspections

DPS performs regular inspections of the facility. All requested records are given onsite or electronically as requested.

On January 17, 2019, the Company's subsidiary in Texas received a notice of violation from the Texas Department of Public Safety Regulatory Services Division for failure to adequately respond to the Department's requests for records on inventory and testing at its cultivation facility, in violation of Texas law. On February 1, 2019, the Department issued a violation remediation letter confirming that the matter had been resolved to its satisfaction and that no further action would be taken.

General Statement Regarding State License Renewal Requirements

Each U.S. state imposes strict license renewal requirements that vary based on unique state laws. The Company generally must complete the renewal application process within a prescribed period of time prior to the expiration date and pay an application fee. The state licensing body can deny or revoke licenses and renewals for a variety of reasons, including (a) submission of materially inaccurate, incomplete or fraudulent information, (b) failure of the Company or any of its directors or officers to comply, or have a history of non-compliance, with any applicable law or regulation, including laws relating to minimum age of customers, safety and non-diversion of cannabis or cannabis products, taxes, child support, workers compensation and insurance coverage, or failure to otherwise remain in good standing, (c) failure to submit or implement a plan of correction for any identified violation, (d) attempting to assign registration to another entity without state approval, (e) insufficient financial resources, (f) committing, permitting, aiding or abetting of any illegal practices in the operation of a facility, (g) failure to cooperate or give information to relevant law enforcement related to any matter arising out of conduct at a licensed facility and (h) lack of responsible operations, as evidenced by negligence, disorderly or unsanitary facilities or permitting a person to use a registration card belonging to another person. Certain jurisdictions also require licensees to attend a public hearing or forum in connection with their license renewal application.

Risks Specifically Related to the United States Regulatory System

The Company operates in a new industry which is highly regulated, highly competitive and evolving rapidly. As such, new risks may emerge, and management may not be able to predict all such risks or be able to predict how such risks may result in actual results differing from the results contained in any forward-looking statements.

The Company's business incurs ongoing costs and obligations related to regulatory compliance. Failure to comply with regulations may result in additional costs for corrective measures, penalties or in restrictions of operations. In addition, changes in regulations, more vigorous enforcement thereof or other unanticipated events could require extensive changes to operations, increased compliance costs or give rise to material liabilities, which could have a material adverse effect on the business, results of operations and financial condition of the Company and, therefore, on the Company's prospective returns. Further, the Company may be subject to a variety of claims and lawsuits. Adverse outcomes in some or all of these claims may result in significant monetary damages or injunctive relief that could adversely affect our ability to conduct our business. The litigation and other claims are subject to inherent uncertainties and management's view of these matters may change in the future. A material adverse impact on our financial statements also could occur for the period in which the effect of an unfavorable final outcome becomes probable and reasonably estimable.

The industry is subject to extensive controls and regulations, which may significantly affect the financial condition of market participants. The marketability of any product may be affected by numerous factors that are beyond the control of the Company and which cannot be predicted, such as changes to government regulations, including those relating to taxes and other government levies which may be imposed. Changes in government levies, including taxes, could reduce the Company's earnings and could make future capital investments or the Company's operations uneconomic. The industry is also subject to numerous legal challenges, which may significantly affect the financial condition of market participants, and which cannot be reliably predicted.

The Company's subsidiaries are expected to continue to derive revenues from the cannabis industry in certain states of the United States, which industry is illegal under United States federal law. While the Company's and its applicable subsidiaries' business activities are compliant with applicable state and local law, such activities remain illegal under United States federal law. The Company is involved in the cannabis industry in the United States where local and state laws permit such activities or provide limited defenses to criminal prosecutions. Currently, the Company and its subsidiaries are directly engaged in the manufacture and possession of cannabis in the medical cannabis marketplace in the United States.

42 states and the district of Columbia in the United States have enacted comprehensive legislation to regulate the sale and use of medical cannabis in some form. Notwithstanding the permissive regulatory environment of medical cannabis at the state level, cannabis continues to be categorized as a Schedule 1 controlled substance under the Controlled Substances Act. As such, cannabis-related practices, or activities, including without limitation, the cultivation, manufacture, importation, possession, use or distribution of cannabis, are illegal under United States federal law. Strict compliance with state laws with respect to cannabis will neither absolve the Company of liability under United States federal law, nor will it provide a defense to any federal proceeding which may be brought against the Company. Any such proceedings brought against the Company may adversely affect the Company's operations and financial performance.

Because of the conflicting views between state legislatures and the federal government of the United States regarding cannabis, investments in cannabis businesses in the United States are subject to inconsistent legislation, regulation, and enforcement. Unless and until the United States Congress amends the United States Controlled Substances Act with respect to cannabis or the Drug Enforcement Agency reschedules or de-schedules cannabis (and as to the timing or scope of any such potential amendments there can be no assurance), there is a risk that U.S. federal authorities may enforce current U.S. federal law, which would adversely affect the current and future operations and investments of the Company in the United States. As a result of the tension between state and U.S. federal law, there are a number of risks associated with the Company's existing and future operations and investments in the United States.

For the reasons set forth above, the Company's existing interests in the United States cannabis market may become the subject of heightened scrutiny by regulators, stock exchanges, clearing agencies and other authorities in the United States and Canada.

On February 8, 2018, following discussions with the CSA and recognized Canadian securities exchanges, the TMX Group announced the signing of a Memorandum of Understanding ("**TMX MOU**") with Cboe Canada Inc. (formerly Aequitas NEO Exchange Inc.), the Canadian Securities Exchange, the Toronto Stock Exchange, and the TSX Venture Exchange. The TMX MOU outlines the parties' understanding of Canada's regulatory framework applicable to the rules, procedures, and regulatory oversight of the exchanges and the Canadian Depository for Securities ("**CDS**") as it relates to issuers with cannabis-related activities in the United States. The TMX MOU confirms, with respect to the clearing of listed securities, that CDS relies on the exchanges to review the conduct of listed issuers. As a result, there is no CDS ban on the clearing of securities of issuers with cannabis-related activities in the United States. However, there can be no guarantee that this approach to regulation will continue in the future. If such a ban were to be implemented, it would have a material adverse effect on the ability of holders of common shares of the Company to make and settle trades. In particular, the common shares of the Company would become highly illiquid as until an alternative was implemented, investors would have no ability to affect a trade of the common shares through the facilities of a stock exchange.

The operations of the Company and its subsidiaries are, and will continue to be, subject to evolving regulation by governmental authorities. The Company's and its subsidiaries' operations are directly in the medical cannabis industry in the United States, where local state law permits such activities. The legality of the production, extraction, distribution and use of cannabis differs among North American jurisdictions.

The Company's and its subsidiaries' operations have been focused in states that have legalized the medical use of cannabis. Over two thirds of the U.S. states have enacted legislation to legalize and regulate the sale and use of medical cannabis. Some U.S. states have legalized recreational use of cannabis. However, the U.S. federal government has not enacted similar legislation for medical or recreational cannabis. As such, the cultivation, manufacture, distribution, sale and use of cannabis remains illegal under U.S. federal law.

Additionally, there can be no assurance that state laws legalizing and regulating the sale and use of cannabis will not be repealed or overturned, or that local governmental authorities will not limit the applicability of state laws within their respective jurisdictions. It is also important to note that local and city ordinances may strictly limit and/or restrict the distribution of cannabis

in a manner that could make it extremely difficult or impossible to transact business in the cannabis industry. If the federal government begins to enforce U.S. federal laws relating to cannabis in states where the sale and use of cannabis is currently legal, or if existing state laws are repealed or curtailed, the Company's businesses would be materially and adversely affected. Federal actions against any individual or entity engaged in the marijuana industry or a substantial repeal of marijuana related legislation could adversely affect the Company, its business, and its investments.

In light of the political and regulatory uncertainty surrounding the treatment of U.S. cannabis-related activities, including the rescission of the Cole Memorandum discussed above, on February 8, 2018 the CSA published Staff Notice 51-352 setting out the CSA's disclosure expectations for specific risks facing issuers with cannabis-related activities in the United States. Staff Notice 51-352 confirms that a disclosure-based approach remains appropriate for issuers with U.S. cannabis-related activities. Staff Notice 51-352 includes additional disclosure expectations that apply to all issuers with U.S. cannabis-related activities, including those with direct and indirect involvement in the cultivation and distribution of cannabis, as well as issuers that provide goods and services to third parties involved in the U.S. cannabis industry. The Company views this staff notice favourably, as it provides increased transparency and greater certainty regarding the views of its exchange and its regulator of existing operations and strategic business plan as well as the Company's ability to pursue further investment and opportunities in the United States.

The Company's and its subsidiaries' current or future operations in the medical and recreational cannabis industry are likely illegal under the applicable federal laws of the United States. There can be no assurances the federal government of the United States or other jurisdictions will not seek to enforce the applicable laws against the Company or its subsidiaries. The consequences of such enforcement would be materially averse to the Company and the Company's business and could result in the forfeiture or seizure of all or substantially all of the Company's assets.

The concepts of "medical cannabis" and "retail cannabis" do not exist under United States federal law because the U.S. Controlled Substances Act classifies "marijuana" as a Schedule I drug. Under United States federal law, a Schedule I drug or substance has a high potential for abuse, no accepted medical use in the United States, and a lack of accepted safety for the use of the drug under medical supervision. As such, cannabis-related practices or activities, including without limitation, the manufacture, importation, possession, use or distribution of cannabis remain illegal under United States federal law. Although the Company's and its subsidiaries' activities are compliant with applicable United States state and local law, strict compliance with state and local laws with respect to cannabis may neither absolve the Company and its subsidiaries of liability under United States federal law, nor may it provide a defense to any federal proceeding which may be brought against the Company or any subsidiary. Any such proceedings brought against the Company may adversely affect the Company's and its subsidiaries' operations and financial performance.

Violations of any United States federal laws and regulations could result in significant fines, penalties, administrative sanctions, convictions or settlements arising from civil proceedings conducted by either the United States federal government or private citizens, or criminal charges, including, but not limited to, disgorgement of profits, cessation of business activities or divestiture. This could have a material adverse effect on the Company and its subsidiaries, including their reputations and ability to conduct business, their holding (directly or indirectly) of medical cannabis licenses in the United States, the listing of their securities on various stock exchanges, their financial position, operating results, profitability or liquidity or the market price of any publicly traded shares. In addition, it is difficult for the Company to estimate the time or resources that would be needed for the investigation of any such matters or its final resolution because, in part, the time and resources that may be needed are dependent on the nature and extent of any information requested by the applicable authorities involved, and such time or resources could be substantial.

Many factors could cause the Company's actual results, performances, and achievements to differ materially from those expressed or implied by the forward-looking statements, including without limitation, the following factors:

- the activities of the Company and its subsidiaries are subject to evolving regulation that is subject to changes by governmental authorities in Canada, the U.S. and internationally and such authorities could impose restrictions on the Company's and its subsidiaries' ability to operate;
- third parties with which the Company does business, including banks and other financial intermediaries, may perceive that they are exposed to legal and reputational risk because of the Company's and its subsidiaries' cannabis business activities;

- the Company's ability to repatriate returns generated from operations and investments in the U.S. may be limited by anti-money laundering laws;
- under Section 280E of the Internal Revenue Code, certain normal business expenses incurred in the business of selling marijuana and its derivatives are not deductible in calculating income tax liability. Therefore, certain of the subsidiaries will be precluded from claiming certain deductions otherwise available to non-marijuana businesses. As a result, an otherwise profitable, business may in fact operate at a loss after taking into account its income tax expenses. There is no certainty that the Company and the subsidiaries will not be subject to Section 280E of the Internal Revenue Code in the future, and accordingly, there is no certainty that the impact that Section 280E of the Internal Revenue Code has on the Company's margins will ever be reduced;
- federal prohibitions result in marijuana businesses being potentially restricted from accessing the U.S. federal banking system, and the Company and its subsidiaries may have difficulty depositing funds in federally insured and licensed banking institutions. This may lead to further related issues, such as the potential that a bank will freeze the Company's or any subsidiary's accounts and risks associated with uninsured deposit accounts. There is no certainty that Company or any subsidiaries will be able to maintain its existing accounts or obtain new accounts in the future; and
- although the TMX MOU confirms that there is currently no CDS ban on the clearing of securities of issuers with cannabis-related activities in the United States, there can be no guarantee that this approach to regulation will continue in the future.

The Company and its subsidiaries are subject to a variety of laws and regulations domestically and in the United States that involve money laundering, financial recordkeeping and proceeds of crime, including the U.S. Currency and Foreign Transactions Reporting Act of 1970 (commonly known as the Bank Secrecy Act), as amended by Title III of the Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism Act of 2001 (USA PATRIOT Act), the Proceeds of Crime (Money Laundering) and Terrorist Financing Act (Canada), as amended and the rules and regulations thereunder, and any related or similar rules, regulations or guidelines, issued, administered or enforced by governmental authorities in the United States, Canada and internationally. Further, under U.S. federal law, banks or other financial institutions that provide a cannabis business with a chequing account, debit or credit card, small business loan, or any other service could be found guilty of money laundering, aiding and abetting, or conspiracy.

Despite these laws, FinCEN issued a memorandum on February 14, 2014 outlining the pathways for financial institutions to bank marijuana businesses in compliance with federal enforcement priorities (the "**FinCEN Memorandum**"). The FinCEN Memorandum states that in some circumstances, it is permissible for banks to provide services to cannabis-related businesses without risking prosecution for violation of federal money laundering laws. It refers to and incorporates supplementary Cole Memorandum guidance issued to federal prosecutors relating to the prosecution of money laundering offenses predicated on cannabis-related violations of the United States Controlled Substances Act on the same day.

Notwithstanding former Attorney General Sessions' revocation of the Cole Memorandum, the status of the FinCEN Memorandum has not been affected, nor has the Department of the Treasury given any indication that it intends to rescind the FinCEN Memorandum itself. Though it was originally intended for the Cole Memorandum and the FinCEN Memorandum to work in tandem, the FinCEN Memorandum appears to remain in effect as a standalone document which explicitly lists the eight enforcement priorities originally cited in the rescinded Cole Memorandum. Although the FinCEN Memorandum remains intact, indicating that the Department of the Treasury and FinCEN intend to continue abiding by its guidance, it is unclear whether the current administration will continue to follow the guidelines of the FinCEN Memorandum.

The Company and its subsidiaries' operations, and any proceeds thereof, are considered proceeds of crime due to the fact that cannabis remains illegal federally in the United States. This restricts the ability of the Company and its subsidiaries to declare or pay dividends, effect other distributions or subsequently repatriate such funds back to Canada. Furthermore, while the Company has no current intention to declare or pay dividends on its shares in the foreseeable future, the Company may decide or be required to suspend declaring or paying dividends without advance notice and for an indefinite period of time.

Potential Change to U.S. Regulatory System

In December 2025, President Trump issued an executive order which directs the Attorney General to expedite the movement of marijuana from Schedule I to Schedule III under the Controlled Substances Act. If the DEA successfully reschedules cannabis, there may be new regulatory compliance obligations placed upon cannabis operators in the United States. Under the FFDCA (as defined below), Schedule III cannabis and cannabis-derived products bearing health claims (e.g., under a medical marijuana state regime) would be treated as a "new drug" requiring approval by the FDA (as defined below) before they could be dispensed, by prescription only. The FDA can also enforce against cannabis products unlawfully marketed as conventional foods or dietary supplements or that are otherwise misbranded or adulterated under the FFDCA.

Even if cannabis is rescheduled to Schedule III under the Controlled Substances Act, the current state-legal medical and adult-use cannabis business activities would remain illegal under U.S. federal law at the outset. Rescheduling would allow a potential pathway for federally legal medical cannabis, although this would require approval by the FDA of cannabis and cannabis-derived products, as well as alignment of state regimes with federal requirements.

Therefore, there is a risk that U.S. federal authorities through, among others, the DOJ, its sub-agency the DEA, and the IRS**,** may enforce federal law. This enforcement could entail active investigations, auditing, and shutting down cannabis growing facilities, processors, and retailers. If any such action occurs, the Company may be deemed to be producing, cultivating or dispensing cannabis and drug paraphernalia in violation of U.S. federal law. Since federal law criminalizing the cultivation, production, extraction, distribution, transportation, possession or use of marijuana applies despite state laws that legalize such actions, enforcement of federal law regarding marijuana is a significant risk and would greatly harm the Company's business, prospects, revenue, results of operation and financial condition. There can be no assurances that the U.S. federal government will not seek to enforce the applicable laws against the Company. The consequences of such enforcement would be materially adverse to the Company's business, including to the reputation, profitability, and market price of its securities, and have the potential to result in the forfeiture or seizure of all or substantially all of the Company's assets.

U.S. Federal trademark protection may not be available for the intellectual property of the Company due to the current classification of cannabis as a Schedule I controlled substance.

As long as cannabis remains illegal under U.S. federal law as a Schedule I controlled substance pursuant to the Controlled Substances Act, the benefit of certain federal laws and protections that may be available to most businesses, such as federal trademark protection regarding the intellectual property of a business, may not be available to the Company. As a result, the Company's intellectual property may never be adequately or sufficiently protected against use or misappropriation by third parties. In addition, since the regulatory framework of the cannabis industry is in a constant state of flux, the Company can provide no assurance that it will ever obtain any protection of its intellectual property in the United States, whether on a federal, state, or local level.

Ability to Access Private and Public Capital

The Company has historically relied on access to private and public capital in order to support its continuing operations and the Company expects to continue to rely almost exclusively on the capital markets to finance its business in the U.S. legal cannabis industry. Although such business carries a higher degree of risk, and is not legal pursuant to U.S. federal law, Canadian based issuers involved in the U.S. cannabis industry have been successful in completing public financings. However, there is no assurance the Company will be successful, in whole or in part, in raising funds in the future, particularly if the U.S. federal authorities change their position toward enforcing the Controlled Substances Act. Further, access to funding from U.S. residents may be limited due their unwillingness to be associated with activities which violate U.S. federal laws.

Service Providers

As a result of any adverse change to the approach in enforcement of United States cannabis laws, adverse regulatory or political change, additional scrutiny by regulatory authorities, adverse change in public perception in respect of the consumption of marijuana or otherwise, third party service providers to the Company could suspend or withdraw their services, which are necessary for the Company's operations. Such suspension or withdrawal by such third-party service providers may have a material adverse effect on the Company's business.

Enforceability of Contracts

It is a fundamental principle of law that a contract will not be enforced if it involves a violation of law or public policy. Because cannabis remains illegal at the federal level in the United States, judges in multiple states have previously refused to enforce contracts for the repayment of money when the loan was used in connection with activities that violate federal law, even where there was no violation of state law. It is not certain that the Company will be able to legally enforce contracts it enters into if necessary. The Company cannot be assured that it will have a remedy for breach of contract, and such lack of a remedy could have a material adverse effect on the Company's business.

Admissibility to the U.S.

Admissibility into the United States for those individuals involved with cannabis remains uncertain since the sale, possession, production and distribution of marijuana or the facilitation of the aforementioned remain illegal under U.S. federal law.

U.S. Customs practices continue to evolve and U.S. Customs and Border Protection ("**CBP**") released a statement on October 11, 2018 (the "**CBP Statement**") confirming that CBP enforces the laws of the United States and U.S. laws have not changed following Canada's legalization of marijuana. Requirements for international travelers wishing to enter the United States are governed by and conducted in accordance with U.S. federal law, which supersedes state laws. Although medical and recreational marijuana may be legal in some U.S. States and Canada, the sale, possession, production and distribution of marijuana or the facilitation of the aforementioned remain illegal under U.S. federal law. Consequently, crossing the border or arriving at a U.S. port of entry in violation of this law may result in denied admission, seizure, fines, and apprehension.

The CBP Statement also stated that CBP officers are thoroughly trained on admissibility factors and the *Immigration and Nationality Act*, which broadly governs the admissibility of travelers into the United States. Determinations about admissibility and whether any regulatory or criminal enforcement is appropriate are made by a CBP officer based on the facts and circumstances known to the officer at the time. Generally, any arriving alien who is determined to be a drug abuser or addict, or who is convicted of, admits having committed, or admits committing, acts which constitute the essential elements of a violation of (or an attempt or conspiracy to violate) any law or regulation of a State, the United States, or a foreign country relating to a controlled substance, is inadmissible to the United States.

The CBP Statement then continued to state that a Canadian citizen working in or facilitating the proliferation of the legal marijuana industry in Canada, coming to the U.S. for reasons unrelated to the marijuana industry will generally be admissible to the U.S. However, if a traveler is found to be coming to the U.S. for reason related to the marijuana industry, they may be deemed inadmissible.

The Company's and its subsidiaries' operations in the United States may be subject to heightened scrutiny.

Government policy changes or public opinion may also result in a significant influence over the regulation of the cannabis industry in Canada, the United States or elsewhere. A negative shift in the public's perception of medical cannabis in the United States or any other applicable jurisdiction could affect future legislation or regulation. Among other things, such a shift could cause state jurisdictions to abandon initiatives or proposals to legalize medical cannabis, thereby limiting the number of new state jurisdictions into which the Company could expand. Any inability to fully implement the Company's expansion strategy may have a material adverse effect on the Company's business, financial condition and results of operations.

Unlike in Canada which has federal legislation uniformly governing the cultivation, distribution, sale and possession of medical and recreational adult use cannabis under the *Cannabis Act* (Canada), investors are cautioned that in the United States, cannabis is largely regulated at the state level. To the Company's knowledge, there are to date a total of 46 states, plus the District of Columbia, that have legalized cannabis in some form. Notwithstanding the permissive regulatory environment of medical cannabis at the state level, cannabis continues to be categorized as a controlled substance under the Controlled Substances Act in the United States and as such, may be in violation of federal law in the United States.

Since 2014, the United States Congress has passed appropriations bills which included provisions to prevent the federal government from using congressionally appropriated funds to enforce federal marijuana laws against regulated medical marijuana actors operating in compliance with state and local law (currently the "**Leahy Amendment**", but also referred to as the Rohrabacher-Farr Amendment).

The Leahy Amendment was set to expire with the 2018 fiscal year on December 31, 2018 ("**2018 Fiscal Year**"), however, Congress approved a nine-week continuing resolution from the 2018 Fiscal Year (the "**Continuing Resolution**"). The Continuing Resolution has the purpose of providing ongoing and consistent protection for the medical cannabis industry until December 7, 2018. Congress has been negotiating the 2019 Fiscal Year appropriations since February 2018. The much relied upon appropriations protecting the medical cannabis industry were renewed in both the House and Senate versions of the 2019 Fiscal Year Appropriations bills, with the expectation that the language will be included in the final 2019 Fiscal Year Appropriations Bill. However, it should be noted that there is no assurance that the final 2019 Fiscal Year Appropriations Bill will include appropriations protecting the medical cannabis industry. Until Congress agrees on the 2019 Fiscal Year Appropriations Bill, Congress may pass additional continuing resolutions from the 2018 Fiscal Year, which resolutions would provide ongoing and consistent protection for the medical cannabis industry.

On December 22, 2018, Congress failed to pass the 2019 Fiscal Year Appropriations Bill, including the Leahy Amendment, causing a shutdown of the federal government. During a federal government shutdown, certain "nonessential" governmental programs are stalled; however, federal law enforcement and prosecution actions are exempted from furlough, thus Drug Enforcement Administration agents and federal prosecutors can operate without any restriction otherwise imposed by the spending bill regarding interference with the cannabis industry. Accordingly, during a shutdown, there can be no assurance that the federal government will not seek to prosecute cases involving medical cannabis business that are otherwise compliant with state law.

Medical cannabis has largely been shielded from federal enforcement actions by acts of the United States Congress in the form of what is commonly called the "Rohrabacher-Blumenauer Amendment," which prevents federal prosecutors from using federal funds to impede the implementation of medical cannabis laws enacted at the state-level, subject to the United States Congress restoring such funding. This amendment has always applied solely to medical cannabis programs and has no effect on the pursuit of recreational cannabis activities. The amendment has historically been passed as an amendment to omnibus appropriations bills, which by their nature expire at the end of a fiscal year or other defined term. Most recently, the amendment was renewed in the Commerce-Justice-Science (CJS) appropriations package for 2026 (H.R. 6938) and its effective through September 30, 2026.

In July 2020, the House of Representatives passed the "Blumenauer-McClintock-Norton-Lee amendment," to the CJS appropriations bill for 2021 (H.R. 7617). That amendment proposed extending the Rohrabacher-Blumenauer Amendment's protections for state medical cannabis programs to include recreational programs in states where recreational cannabis is legal. The amendment was not included in the final spending bill and at this time the protections afforded by the Rohrabacher-Blumenauer Amendment apply only to medical cannabis programs.

Should the Rohrabacher-Blumenauer Amendment language not be extended beyond September 30, 2026, there can be no assurance that the federal government will not seek to prosecute cases involving medical cannabis businesses that are otherwise compliant with state law.

Regulatory Action and Approvals from the Food and Drug Administration

The Company's cannabis-based products are supplied to patients diagnosed with certain medical conditions. However, the Company's cannabis-based products are not approved by the Food and Drug Administration ("**FDA**") as "drugs" or for the diagnosis, cure, mitigation, treatment, or prevention of any disease. Accordingly, the FDA may regard any promotion of the cannabis-based products as the promotion of an unapproved drug in violation of the Federal Food, Drug and Cosmetic Act ("**FFDCA**").

In recent years, the FDA has issued letters to a number of companies selling products that contain cannabidiol ("**CBD**") oil derived from industrial hemp warning them that the marketing of their products violates the FFDCA. FDA enforcement action against the Company could result in a number of negative consequences, including fines, disgorgement of profits, recalls or seizures of products, or a partial or total suspension of the Company's production or distribution of its products. Any such event could have a material adverse effect on the Company's business, prospects, financial condition, and operating results.

Re-classification of Cannabis in and Removal of Industrial Hemp from the Controlled Substances Act in the United States

On December 28, 2018, the Agricultural Improvement Act of 2018 (commonly known as the "**Farm Bill**") was signed into law. The Farm Bill, among other things, removed industrial hemp and its cannabidiols, including CBD derived from industrial hemp, from

the Controlled Substances Act and will amend the Agricultural Marketing Act of 1946 to allow for industrial hemp production and sale in the United States. Under the Farm Bill, industrial hemp is defined as "the plant Cannabis sativa L. and any part of that plant, including the seeds thereof and all derivatives, extracts, cannabinoids, isomers, acids, salts, and salts of isomers, whether growing or not, with a delta-9 tetrahydrocannabinol concentration of not more than 0.3 percent on a dry weight basis." The U.S. Department of Agriculture will promulgate regulations for the industrial hemp industry, the timing of which cannot be assured. Additionally, the Farm Bill does not legalize CBD derived from "marihuana" (as such term is defined in the Controlled Substances Act), which is and will remain a Schedule I controlled substance under the Controlled Substances Act. It is not yet known what role the FDA will have in regulating industrial hemp and CBD derived from industrial hemp.

Hemp products, including psychoactive hemp-derived products, are subject to state and federal regulation in respect to the production, distribution and sale of products intended for human ingestion or topical application. Hemp is categorized as Cannabis sativa L., a subspecies of the cannabis genus. Numerous unique, chemical compounds are extractable from hemp, including CBD, THC and its various isomers (e.g., delta-8 THC, delta-9 THC, delta-10 THC, etc.), and other cannabinoids such as THC-A and THC-O (collectively, "THC Variants"). Hemp, as defined in the Farm Bill, is distinguishable from cannabis, which also comes from the Cannabis sativa L. subspecies, by its absence of more than trace amounts (0.3% or less) of the psychoactive compound Delta-9 THC.

As a result of the Farm Bill, U.S. federal law dictates that CBD and THC Variants derived from hemp are not controlled substances; however, products derived from hemp may still be considered a controlled substance under applicable state law. Individual states take varying approaches to regulating the production and sale of hemp and hemp-derived CBD and THC Variants. Some states explicitly authorize and regulate the production and sale of hemp-derived CBD and THC Variants or otherwise provide legal protection for authorized individuals to engage in commercial hemp activities. Other states, however, maintain laws that do not distinguish between cannabis and hemp and/or hemp-derived CBD or THC Variants which results in hemp being classified as a controlled substance under certain state laws.

In addition, the Farm Bill preserves the authority and jurisdiction of the FDA under the FFDCA to regulate the manufacture, marketing, and sale of food, drugs, dietary supplements, and cosmetics, including products that contain hemp extracts and derivatives, such as CBD and THC Variants. The Food and Drug Administration has not evaluated or approved CBD or THC Variants, and therefore does not consider them to be GRAS (Generally Recognized as Safe) for use in foods. The FDA has also found that because CBD and THC are in certain drugs approved by FDA, they cannot be used in foods or dietary supplements. Accordingly, per the FDA, foods and dietary supplements containing CBD and THC Variants do not comply with the FFDCA. FDA enforcement of its position has thus far been minimal and limited to sending warning letters to a relatively small number of companies.

The approach to the enforcement of cannabis laws may be subject to change or may not proceed as previously outlined.

Additional Risk Factors

An investment in the securities of the Company is speculative, involving a high degree of risk. There are several risk factors that could cause the Company's actual results, performance, and achievements to differ materially from those described herein. If any of these risks occur, the Company's business may be harmed, and its financial condition and results of operations may suffer significantly. Such risk factors include, but are not limited to, the risks discussed in this MD&A.

The Credit Agreement

The Credit Agreement requires the Company to satisfy certain positive and negative covenants, including items such as restrictions on its ability to dispose of assets, make certain investments or incur additional debt as well as to maintain certain minimum cash thresholds. These covenants may prevent the Company from taking actions that it believes would be in the best interest of its business and may make it difficult for it to execute its business strategy successfully or effectively compete with businesses that are not subject to the same restrictions. The Company's ability to comply with these covenants may be affected by economic, financial and industry conditions beyond its control, including credit or capital market disruptions. The breach of any of these covenants could result in a default that would permit the lenders under the notes to declare all amounts outstanding to be due and payable, together with accrued and unpaid interest. There is no assurance that the Company will be able to secure additional financing to repay the loan should cash flows from operations be insufficient to repay the indebtedness, whether it is in default or not. If the Company is unable to repay the indebtedness, the lenders could proceed against the collateral securing

the indebtedness. This could have serious consequences to the Company's financial position and results of operations and could cause it to become bankrupt or insolvent.

Liquidity Risks

The Company is exposed to counterparty risks and liquidity risks, including, but not limited to, through: (i) financial institutions that may hold the Company's cash and cash equivalents; (ii) companies that will have payables to the Company; (iii) the Company's insurance providers; and (iv) the Company's lenders. These factors may impact the Company's ability to obtain loans and other credit facilities in the future and, if obtained, on favourable terms. If these risks materialize, the Company's operations could be adversely impacted, and the market price of the Company's shares could be adversely affected.

Profitability

The Company has incurred losses in recent periods and has negative net income, including the fiscal years ended December 31, 2025 and December 31, 2024. The Company may not be able to achieve or maintain profitability and may continue to incur significant losses in the future. In addition, the Company expects to continue to invest in the business and incur operating expenses as it implements initiatives to continue to improve the business. If the Company's revenues do not increase to offset these expenses, the Company will not be profitable. If the Company's revenue declines or fails to grow at a rate faster than its expenses, and the Company is unable to secure funding under terms that are favorable or acceptable, or at all, the Company will not be able to achieve and maintain profitability in future periods. As a result, the Company may continue to generate losses. The Company may not achieve profitability in the future and, even if it does become profitable, the Company might not be able to sustain that profitability. There is no assurance that future revenues will be sufficient to generate the funds required to continue operations without external funding.

Negative Operating Cash Flow and Ability to Continue as a Going Concern

The Company has negative cash flow from operating activities and has historically incurred net losses. There is no assurance that sufficient revenues will be generated in the near future. To the extent that the Company has negative operating cash flows in future periods, it may need to deploy a portion of its existing working capital to fund such negative cash flows. The Company may be required to raise additional funds through the issuance of additional equity securities or through loan financing. There is no assurance that additional capital or other types of financing will be available if needed or that these financings will be on terms at least as favourable to the Company as those previously obtained, or at all. The Company's ability to successfully raise additional capital and maintain liquidity may by impaired by factors outside of its control, such as a shift in consumer preferences or a downturn in the economy.

The Company's Interim Consolidated Financial Statements have been prepared assuming that the Company will continue as a going concern. The going concern basis of accounting contemplates the realization of assets and the settlement of liabilities in the normal course of business. As at March 31, 2026, the Company had cash and cash equivalents of $8,334 and a working capital deficit of ($5,805). For the three months ended March 31, 2026, the Company incurred a net loss of ($16,817) and experienced negative operating cash flows of ($1,771). These conditions indicate the existence of events and circumstances that may cast significant doubt on the Company's ability to continue as a going concern. The Company's continuation as a going concern is dependent upon its continued operations, which in turn is dependent upon, among other things, the Company's ability to meet its financial requirements. There is no assurance that the Company will be successful in its plans to fund its operations and debt obligations as they become due and payable.

Artificial Intelligence

The Company's use of, or failure to effectively implement, artificial intelligence ("**AI**") and automated systems could lead to operational disruptions, data inaccuracies, erroneous outputs, or legal liabilities. AI technologies are complex, rapidly changing, and may not operate as intended. The regulatory landscape for AI is nascent; new laws may impose costly compliance requirements, differ across jurisdictions, and restrict the Company's ability to use certain AI technologies. Furthermore, the use of generative AI by the Company's employees or third-party service providers could result in privacy and data security concerns, or the unintended disclosure of trade secrets or intellectual property.

The Company may incorporate AI technologies into its business operations, such as its cultivation monitoring, supply chain forecasting, and retail customer engagement platforms. If the algorithms of the AI technologies used are flawed, or if the data used to train them is biased or inaccurate, it could lead to suboptimal cultivation yields, inventory imbalances, or discriminatory marketing practices. The Company aims to use AI technologies responsibly, and identify and mitigate associated ethical, legal, and technical risks, but the Company may not detect or resolve issues before they occur.

Risk Factors Relating to the Vireo Arrangement

The completion of the Vireo Arrangement is subject to the satisfaction or waiver of several conditions precedent

The completion of the Vireo Arrangement is subject to a number of conditions precedent, some of which are outside of the control of the Company, including, among other things, receipt of approval by shareholders of the Company, court approvals, completion of the required filings with the CSE for the listing of Vireo Shares issuable pursuant to the Vireo Arrangement, regulatory approvals, there not having occurred a material adverse effect in respect of the Company or Vireo, shareholders of the Company not having validly exercised dissent rights with respect to more than 6% of the issued and outstanding shares of the Company, and the satisfaction of certain other customary closing conditions. In addition, the regulatory approval processes may take a lengthy period of time to complete, which could delay completion of the Vireo Arrangement.

There can be no certainty, nor can the Company provide any assurance, that all conditions precedent to the Vireo Arrangement will be satisfied or waived, nor can there be any certainty of the timing of their satisfaction or waiver.

The Arrangement Agreement may be terminated by the parties in certain circumstances

The Arrangement Agreement may be terminated by the parties in certain circumstances, in which case the Vireo Arrangement will not be completed. Accordingly, there is no certainty, nor can the Company provide any assurance, that the Arrangement Agreement will not be terminated by any of the Company or Vireo before the completion of the Vireo Arrangement. If the Arrangement Agreement is terminated and the Board decides to seek another merger or business combination, there can be no assurance that it will be able to find a party willing to agree to an equivalent or more attractive price than the price to be paid pursuant to the Vireo Arrangement.

The failure to complete the Vireo Arrangement could negatively impact the Company and have an adverse impact on the market price of the common shares of the Company and/or on the current and future business, financial condition and prospects of the Company

If the Vireo Arrangement is not completed for any reason, including a failure to satisfy the conditions precedent or a termination of the Arrangement Agreement, there are risks that such failure to complete the Vireo Arrangement could adversely impact the market price of the common shares of the Company to the extent that the current market price of the common shares of the Company reflects a market assumption that the Vireo Arrangement will be completed. Depending on the reasons for the Vireo Arrangement not being completed, such failure to complete the Vireo Arrangement could have an adverse impact on the current and future business, operations, results of operations, financial condition and prospects of the Company.

The market value of the Vireo Shares to be issued in connection with the Vireo Arrangement has and may continue to fluctuate between the date of the Arrangement Agreement and the completion of the Vireo Arrangement

Pursuant to the Vireo Arrangement, at the effective time of the Vireo Arrangement (the "Effective Time"), each shareholder of the Company will be entitled to receive 0.0705359 Vireo Shares in exchange for each common share of the Company (after conversion of all (i) proportionate voting shares of the Company and (ii) non-voting, non-participating exchangeable shares of the Company) held at the Effective Time, subject to adjustment in accordance with the Arrangement Agreement (the "Consideration"). Because the Consideration is fixed and will not increase or decrease due to fluctuations in the market price of the Vireo Shares or the common shares of the Company, the market value represented by the Consideration has and may continue to fluctuate. The market value of each of the Vireo Shares and the common shares of the Company could fluctuate significantly prior to the effective date of the Vireo Arrangement (the "Effective Date") in response to various factors and events, including, without limitation, the differences between the parties' actual financial or operating results and those expected by investors and analysts, changes in analysts' projections or recommendations, changes in, or market perceptions of changes in, the business, operations or prospects of the Company and/or Vireo, market assessments of the likelihood the Vireo Arrangement will be consummated, cannabis regulatory developments in the United States, changes in general economic or market conditions, changes in interest rates and general macro-economic conditions, broad market fluctuations and other factors over which neither

Vireo nor the Company has control. If the market price of the Vireo Shares declines, the value of the Consideration to be received by shareholders of the Company at the Effective Time will decline as well. As a result of such fluctuations, historical market prices are not indicative of future market prices or the market value of the Vireo Shares that shareholders of the Company will receive on the Effective Date. There can be no assurance that the market value of the Consideration that shareholders of the Company receive on the Effective Date will equal or exceed the market value of the common shares of the Company held by such shareholders of the Company after the date hereof and prior to the Effective Date. There can also be no assurance that the trading price of the Vireo Shares will not decline or experience volatility following the completion of the Vireo Arrangement.

The parties will incur substantial costs in connection with the proposed Vireo Arrangement, even if the Vireo Arrangement is not completed. In certain circumstances, the Company may be required to pay the Termination Fee

The Company and Vireo have incurred and expect to incur additional material non-recurring expenses in connection with the Vireo Arrangement and completion of the transactions contemplated by the Arrangement Agreement, including costs relating to obtaining required shareholder and regulatory approvals. Additional unanticipated costs may be incurred by Vireo in the course of coordinating the businesses of the Company and Vireo after completion of the Vireo Arrangement. If the Vireo Arrangement is not completed, the Company will need to pay certain costs relating to the Vireo Arrangement incurred prior to the date the Vireo Arrangement was abandoned, such as legal, accounting, financial advisory and printing fees. In addition, if the Vireo Arrangement is not completed for certain reasons as set out in the Arrangement Agreement, the Company may be required to pay a termination fee in the amount of $2,000 (the "Termination Fee") to Vireo. Such costs may be significant and could have an adverse effect on the Company's cash resources, cash flows and financial condition.

If the Arrangement Agreement is terminated and the Company is required to pay the Termination Fee to Vireo pursuant to the terms of the Arrangement Agreement, third parties may be discouraged from making a proposal to acquire the Company, even if such proposal could provide greater value to the shareholders of the Company than the Vireo Transaction. Even if the Arrangement Agreement is terminated without payment of the Termination Fee, the Company may, in the future, be required to pay the Termination Fee in certain circumstances. Accordingly, if the Vireo Arrangement is not consummated and the Arrangement Agreement is terminated, the Company may not be able to consummate an alternative transaction that could provide greater value than what is provided for under the Vireo Arrangement without paying the Termination Fee. In addition, payment of the Termination Fee, may have a significant adverse effect on the cash resources and financial results of the Company.

The Arrangement Agreement contains provisions that restrict the ability of the Company and the Board to pursue alternatives to the Vireo Arrangement

Under the Arrangement Agreement, the Company is restricted, subject to certain exceptions, from soliciting, initiating, knowingly encouraging or otherwise facilitating, discussing or negotiating, or furnishing information with regard to, any acquisition proposal or any inquiry, proposal or offer relating to any acquisition proposal from any person. Such restrictions may prevent the Company from pursuing attractive business opportunities that may arise prior to the completion of the Vireo Arrangement. If the Board determines in good faith, after consultation with its outside financial and legal advisors, and after taking into account all the terms and conditions of an acquisition proposal and all factors and matters considered appropriate in good faith by the Board, that such acquisition proposal would, if consummated in accordance with its terms (but not assuming away any risk of non-completion), result in a transaction that is more favourable, from a financial point of view, to the shareholders of the Company than the Vireo Arrangement (including any adjustments to the terms and conditions of the Vireo Arrangement proposed by Vireo pursuant to the Arrangement Agreement), and the Board recommends such acquisition proposal to the shareholders of the Company or if the Company approves, accepts, executes or enters into an acquisition agreement with respect to a superior proposal, Vireo would be entitled to terminate the Arrangement Agreement and receive the Termination Fee.

The Vireo Arrangement may divert the attention of the Company's management, impact the Company's ability to attract or retain key personnel or impact the Company's third party business relationships

The Vireo Arrangement could cause the attention of the Company's management to be diverted from the day-to-day operations of the Company. These disruptions could be exacerbated by a delay in the completion of the Vireo Arrangement and could result in lost opportunities or negative impacts on performance, which could have an adverse effect on the current and future business, operations, financial condition and results of operations or prospects of the Company if the Vireo Arrangement is not completed, and on Vireo following the Effective Date. Because the completion of the Vireo Arrangement is subject to uncertainty, officers and employees of the Company may experience uncertainty about their future roles, which may adversely affect the Company's ability to attract or retain key management and personnel in the period until the completion or termination of the Vireo Arrangement.

In addition, third parties with which the Company currently has business relationships, including industry partners, customers and suppliers, may experience uncertainty associated with the Vireo Arrangement, including with respect to current or future relationships with the Company or Vireo following completion of the Vireo Arrangement, as applicable. Such uncertainty could have an adverse effect on the current and future business, operations, results of operations, financial condition and prospects of the Company and Vireo following completion of the Vireo Arrangement.

The anticipated benefits of the Vireo Arrangement may not be realized

Achieving the benefits of the Vireo Arrangement depends in part on the ability of Vireo following completion of the Vireo Arrangement to effectively capitalize on its scale, to realize the anticipated capital and operating synergies, to profitably sequence the growth prospects of its asset base and to maximize the potential of its improved growth opportunities and capital funding opportunities as a result of integrating the businesses and operations of the Company and Vireo.

The ability to realize the benefits of the Vireo Arrangement will depend in part on successfully consolidating functions and integrating operations, procedures and personnel in a timely and efficient manner, as well as on Vireo's ability to realize the anticipated growth opportunities and synergies from integrating the Company's and Vireo's respective businesses, following completion of the Vireo Arrangement. The integration of the Company's and Vireo's businesses requires the dedication of substantial effort, time and resources on the part of Vireo's management which may divert Vireo's management's focus and resources from other strategic opportunities available to it following completion of the Vireo Arrangement and from operational matters during this process.

In addition, the integration process could result in disruption of existing relationships with suppliers, employees, customers and other constituencies of the Company and Vireo. There can be no assurance that Vireo's management will be able to integrate the operations of the business or assets successfully or achieve any of the synergies or other benefits that are anticipated as a result of the Vireo Arrangement. Many operational and strategic decisions and certain staffing decisions with respect to integration have not yet been made. These decisions and the integration of the companies and assets may present challenges to Vireo's management, including the integration of systems and personnel of the companies which may be geographically separated, unanticipated liabilities, and unanticipated costs. It is possible that the integration process could result in the loss of key employees, the disruption of the respective ongoing businesses or inconsistencies in standards, controls, procedures and policies that adversely affect the ability of their respective management to maintain relationships with clients, suppliers, employees or to achieve the anticipated benefits of the Vireo Arrangement. The performance of Vireo's operations after completion of the Vireo Arrangement could be adversely affected if Vireo cannot identify, attract and retain key employees to assist in the integration and operation of the Company and Vireo.

The consummation of the Vireo Arrangement may pose special risks, including one-time write-offs, restructuring charges and unanticipated costs. Although each of the Company and Vireo and their respective advisors have conducted due diligence on the various operations, there can be no guarantee that Vireo will be aware of any and all liabilities of the Company. As a result of these factors, it is possible that certain benefits expected from the Vireo Arrangement may not be realized. Any inability of management to successfully integrate the operations could have a material adverse effect on the business, financial condition and results of operations of Vireo.

The exercise of dissent rights may impact cash resources or result in the Vireo Arrangement not being completed

Shareholders entitled to vote at the Special Meeting have the right to exercise certain dissent and appraisal rights and demand payment of the fair value of their shares of the Company in connection with the Vireo Arrangement in accordance with the OBCA, as modified by the Plan of Arrangement and the Interim Order of the Ontario Superior Court of Justice (Commercial List). If shareholders of the Company exercise dissent rights in respect of a significant number of shares of the Company, a substantial aggregate cash payment may be required if ordered by the Ontario Superior Court of Justice (Commercial List), to be made by the Company that could have an adverse effect on Vireo's cash resources, cash flows and financial condition if the Vireo Arrangement is completed. If, as of the Effective Date, the aggregate number of shares of the Company in respect of which shareholders of the Company have validly exercised dissent rights exceeds 6% of the shares of the Company then outstanding, Vireo is entitled, in its discretion, not to complete the Vireo Arrangement.

The Company and Vireo may be the target of legal claims, securities class actions, derivative lawsuits and other claims, which may delay or prevent the Vireo Arrangement from being completed

The Company and Vireo may be the target of securities class actions and derivative lawsuits which could result in substantial costs and may delay or prevent the Vireo Arrangement from being completed. Securities class action lawsuits and derivative lawsuits are often brought against companies that have entered into an agreement to acquire a public company or to be acquired. Third parties may also attempt to bring claims against the Company and Vireo seeking to restrain the Vireo Arrangement or seeking monetary compensation or other remedies. Even if the lawsuits are without merit, defending against these claims can result in substantial costs and divert management time and resources. Additionally, if a plaintiff is successful in obtaining an injunction prohibiting consummation of the Vireo Arrangement, then that injunction may delay or prevent the Vireo Arrangement from being completed.

In addition, political and public attitudes towards the Vireo Arrangement could result in negative press coverage and other adverse public statements affecting the Company and Vireo. Adverse press coverage and other adverse statements could lead to investigations by regulators, legislators and law enforcement officials or in legal claims or otherwise negatively impact the ability of Vireo to take advantage of various business and market opportunities. The direct and indirect effects of negative publicity, and the demands of responding to and addressing it, may have a material adverse effect on the Company and Vireo's business, financial condition and results of operations.