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 and year ended December 31, 2025.

This MD&A is provided as of April 29, 2026, unless otherwise stated, and should be read along with the Company's audited annual consolidated financial statements for the years ended December 31, 2025 and 2024 (the "**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 Consolidated Financial Statements have been audited 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 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 "Gross profit before fair value adjustments", "Gross margin before fair value adjustments", "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".

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 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; 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 December 31, 2025 and 2024.

	% Ownership December 31, 2025	% Ownership December 31, 2024
Cansortium Holdings LLC	100%	100%
Cansortium Pennsylvania, LLC	-	100%
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%	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".

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.

<u>RIV Acquisition</u>

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.

<u>Florida</u>

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.

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 December 31, 2025, the Company operated 31 dispensaries throughout the State of Florida.

<u>Texas</u>

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.

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 sale 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 years ended December 31, 2025 and 2024.

The Company recognized a gain on disposition of the Pennsylvania business. The gain on disposition is presented within comprehensive income (loss) from discontinued operations.

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.

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 December 31, 2025, 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.

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, and Wandr. 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.

Management's Discussion & Analysis of the Company for the three months ended December 31, 2025 and 2024

FINANCIAL HIGHLIGHTS
(all figures in 000's)

Financial results	Three months ended					
		December 31, 2025		December 31, 2024		Variance
Revenue	$	18,607	$	21,064	$	(2,457)
Gross profit before fair value adjustments [1]	$	2,086	$	8,563	$	(6,477)
Gross margin before fair value adjustments [1]		*11.2%*		*40.7%*		*-29.4%*
Gross profit	$	1,941	$	6,348	$	(4,407)
Gross margin		*10.4%*		*30.1%*		*-19.7%*
Selling, general and administrative expenses	$	10,788	$	11,789	$	(1,001)
EBITDA [1]	$	(36,421)	$	(30,022)	$	(6,399)
Adjusted EBITDA [1]	$	3,178	$	7,527	$	(4,349)
Net income (loss) from continuing operations	$	(52,682)	$	(25,461)	$	(27,221)
Net income (loss) from discontinued operations	$	12,195	$	70	$	12,125
Net loss per share basic and diluted - continuing operations	$	(0.08)	$	(0.08)	$	(0.00)
Net earnings per share basic and diluted - discontinued operations	$	0.02	$	0.00	$	0.02

Statement of financial position		December 31, 2025		December 31, 2024		Variance
Total assets	$	148,582	$	206,993	$	(58,411)
Total long-term liabilities		204,338		187,606		(16,732)
Total liabilities	$	229,542	$	215,975		(13,567)

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 December 31, 2025 and 2024)
(all figures in 000's)

	Three months ended		
	December 31, 2025	**December 31, 2024**	**Variance**
Revenue, net of discounts	$ 18,607	$ 21,064	$ (2,457)
Cost of goods sold	16,521	12,501	4,020
Gross profit before fair value adjustments (1)	2,086	8,563	(6,477)
Gross margin before fair value adjustments (1)	*11.2%*	*40.7%*	*-29.4%*
Realized fair value of increments on inventory sold	2,063	(1,383)	3,446
Unrealized change in fair value of biological assets	(2,208)	(832)	(1,376)
Gross profit	1,941	6,348	(4,407)
Gross margin	*10.4%*	*30.1%*	*-19.7%*
Expenses			
General and administrative	3,565	5,096	(1,531)
Sales and marketing	5,432	4,922	510
Depreciation and amortization	1,700	1,652	48
Share-based compensation	91	119	(28)
Total expenses	10,788	11,789	(1,001)
Loss from operations	(8,847)	(5,441)	(3,406)
Other expense (income), net			
Finance costs, net	5,492	5,168	324
Change in fair value of derivative liability	16	(1,392)	1,408
Loss on remeasurement of provision liabillity	(480)	-	(480)
Loss on debt settlement	479	8,725	(8,246)
Loss on disposal of assets	(29)	25	(54)
Impairment expense	36,910	64,285	(27,375)
Gain on lease modification	(253)	(223)	(30)
Bargain purchase gain on business combination	-	(44,520)	44,520
Loss on loan	-	1,201	(1,201)
Income from ERTC Credit	(3,447)	-	(3,447)
Other income	(40)	63	(103)
Total other expense, net	38,648	33,332	5,316
Loss before taxes	(47,495)	(38,773)	(8,722)
Income taxes	5,187	(13,312)	18,499
Net income (loss) from continuing operations	(52,682)	(25,461)	(27,221)
Net income (loss) from discontinued operations	12,195	70	12,125
Net loss	(40,487)	(25,391)	(15,096)
Other comprehensive income (loss)			
Foreign currency translation adjustment	-	(862)	862
Comprehensive loss	(40,487)	(26,253)	(14,234)

Revenue

Consolidated revenue from continuing operations for the three months ended December 31, 2025 decreased 11.7% to $18,607 compared to $21,064 for the same period last year. Revenue for the three months ended December 31, 2025, consisted primarily of revenue generated through the Company's 31 Florida dispensaries and three dispensaries and wholesale revenue in New York. Revenue for the three months ended December 31, 2024, consisted primarily of revenue generated through the Company's 35 Florida dispensaries.

Gross profit / Adjusted gross profit

Adjusted gross profit from continuing operations for the three months ended December 31, 2025 was $2,086, or 11.2% of revenue, versus adjusted gross profit of $8,563, or 40.7% of revenue, for the same period last year.

Gross profit from continuing operations for the three months ended December 31, 2025 was $1,941, or 10.4% of revenue, versus gross profit of $6,348 or 30.1% of revenue, for the same period last year. The variance in gross profit is the result of changes in fair value of biologic asset and decrease in revenue due to price compression in the Florida market.

Total Expenses

Consolidated selling, general and administrative ("**SG&A**") expenses for continuing operations for the three months ended December 31, 2025 and 2024 were as follows:

	Three months ended					
	December 31, 2025		**December 31, 2024**		**Variance**	
General and administrative expenses	$	3,565	$	5,096	$	(1,531)
Selling and marketing expenses		5,432		4,922		510
Depreciation and amortization		1,700		1,652		48
Share-based compensation		91		119		(28)
Total expenses	$	10,788	$	11,789	$	(1,001)

Total expenses of $10,788 for the three months ended December 31 ,2025 decreased by $1,001 compared to the same period last year. This decrease was primarily driven by a $1,531 decrease in general and administrative expenses and a decrease in share-based compensation of $28, which was partially offset by an increase in selling and marketing expenses of $510 and an increase in depreciation and amortization of $48.

General and administrative expenses

As noted above, total general and administrative expenses of $3,565 decreased by $1,531 for the three months ended December 31, 2025, compared to $5,096 for the same period last year. Decreases in general and administrative expenses were primarily attributed to decreases in legal expenditures associated with business combinations for the three months ended as compared to the same period last year.

Selling and marketing expenses

Selling and marketing expenses of $5,432 increased by $510 for the three months ended December 31, 2025, compared to $4,922 for the same period last year. This was primarily driven by an increase in facility and advertising expenses as of December 31, 2025.

Selling and marketing expenses as a percentage of revenue is 29.2% for the three months ended December 31, 2025, versus 23.4% for the same period last year.

Depreciation and amortization

Increase in depreciation and amortization expense for the three-month period ended December 31, 2025, compared to the three-month period ended December 31, 2024, is primarily driven by additional depreciation and amortization expense related to leasehold improvements for dispensaries.

Share-based compensation

Share-based compensation decreased by $28 for the three-month period ended December 31, 2025 compared to the three-month period ended December 31, 2024. Accounting treatment for stock compensation expense is front loaded for stock and option grants, our grants are in the latter years of their vesting periods and as a result, stock compensation expense decreased compared to the same period ended December 31, 2024. Option forfeitures during the three-month period ended December 31, 2025 also resulted in recapture of share-based compensation expense which reduced the expense as compared to the same period last year.

Other expense, net

Other expense, net for the three months ended December 31, 2025, and 2024 was comprised of the following:

	Three months ended		
	December 31, 2025	December 31, 2024	Variance
Finance costs, net	$ 5,492	$ 5,168	$ 324
Change in fair value of derivative liability	16	(1,392)	1,408
Change in remeasurement of provision liability	(480)	-	(480)
Loss on debt settlement	479	8,725	(8,246)
Loss (gain) on disposal of assets	(29)	25	(54)
Impairment expense	36,910	64,285	(27,375)
Gain on lease modification	(253)	(223)	(30)
Bargain purchase gain on business combination	-	(44,520)	44,520
Loss on loan	-	1,201	(1,201)
Income from ERTC Credit	(3,447)	-	(3,447)
Other expense (income)	(40)	63	(103)
Total other expense, net	$ 38,648	$ 33,332	$ 5,316

Total other expense, net for continuing operations during the three months ended December 31, 2025 consists of a net expense of $38,648, compared to a net expense of $33,332 for the three months ended December 31, 2024. Other expense for the three months ended December 31, 2025, consists of finance costs of $5,492, change in fair value of derivative liability of $16, loss on debt settlement of $479, and impairment of $36,910, offset by a gain on remeasurement of provision liability of $480, gain on disposal of assets of $29, gain on lease modification of $253, income from the Employee Retention Tax Credit ("**ERTC**") of $3,447, and other income of $40.

Other expense, net for the three months ended December 31, 2024, consists of finance costs of $5,168, change in fair value of derivative liability of $1,392, loss on debt settlement of $8,725, loss on disposal of assets of $25, impairment of $64,285, loss on loan of $1,201, and other expense of $63, offset by a change in fair value of derivative liability of $1,392, gain on lease modification of $223, and bargain purchase gain on business combination of $44,520.

Impairment expense for the three months ended December 31, 2025 of $36,910 related wholly to the Company's New York cash generating unit ("**CGU**") and was recognized on the Company's New York right-of-use assets, cannabis license intangible asset, and fixed assets. Impairment expense for the three months ended December 31, 2024 of $64,285 related wholly to the Company's Florida CGU and was recognized on the Company's Florida cannabis license intangible asset.

Income from the Company's ERTC credit for the three months ended December 31, 2025 was a result of the settlement of the Company's liability to a third-party purchaser of the Company's ERTC credits. During the year ended December 31, 2025, the Company received refunds from the Internal Revenue Service ("**IRS**") pertaining to its previous ERTC claims, which were used to settle the Company's liability. This was a one-time liability reversal, and thus no income was recorded for the same period last year.

Finance costs, net of $5,492 for the three months ended December 31, 2025, were comprised of interest expense of $2,351, accretion costs of $1,058, right-of-use interest expense of $1,897, and loan fees of $237, partially offset by $52 related to interest income.

Finance costs of $5,168 for the three months ended December 31, 2024, were primarily comprised of interest expense of $2,768, accretion costs of $1,344, and right-of-use interest expense of $1,077, which were marginally offset by $21 of interest income.

During the three months ended December 31, 2025, the Company recognized a $16 loss 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 associated with the Equity Price Guarantee of $1,392 for the same period last year.

Change on remeasurement of provision liability for the three months ended December 31, 2025 relates to the New York Special License Fee. The Company remeasured the provision liability at period end using current discount rates and updated revenue projections to estimate the timing of future payments. The provision liability was acquired via the RIV Transaction, therefore no gain or loss on remeasurement was recognized for the three months ended December 31, 2024.

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:

	Three months ended		
	December 31, 2025	**December 31, 2024**	**Variance**
Net loss - continuing and discontinued ops	$ (52,682)	$ (25,461)	$ (27,221)
Interest expense	5,492	5,168	324
Income taxes	5,187	(13,312)	18,499
Depreciation and amortization	5,333	3,320	2,013
Interest expense, income taxes, depreciation and amortization - discontinued operations	249	263	(14)
EBITDA - continuing and discontinued ops	$ (36,421)	$ (30,022)	$ (6,399)

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		
	December 31, 2025	December 31, 2024	Variance
EBITDA - continuing and discontinued ops	$ (36,421)	$ (30,022)	$ (6,399)
Change in fair value of biological assets	145	2,215	(2,070)
Change in fair market value of derivative	16	(1,392)	1,408
Change in remeasurement of provision liability	(480)	-	(480)
Impairment expense	36,910	64,285	(27,375)
Bargain purchase gain	-	(44,520)	44,520
Income from ERTC Credit	(3,447)	-	(3,447)
Gain on lease modifications	(253)	(223)	(30)
Loss on debt settlement and remeasurement	479	8,725	(8,246)
Loss on loan	-	1,201	(1,201)
Professional fees[1]	2,155	5,584	(3,429)
One-time employee costs[2]	868	927	(59)
Share-based compensation	91	119	(28)
Loss on disposal of assets	(29)	25	(54)
Other non-recurring expense	3,144	471	2,673
Adjusted EBITDA - continuing and discontinued ops	$ 3,178	$ 7,395	$ (4,217)

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

Management's Discussion & Analysis of the Company for the year ended December 31, 2025 and 2024
(all figures in 000's)

FINANCIAL HIGHLIGHTS

	Year ended					
Financial results		**December 31, 2025**		**December 31, 2024**		**Variance**
Revenue	$	86,689	$	87,392	$	(703)
Gross profit before fair value adjustments [(1)]	$	28,614	$	44,312	$	(15,698)
Gross margin before fair value adjustments [(1)]		*33.0%*		*50.7%*		*-17.7%*
Gross profit	$	28,068	$	48,542	$	(20,474)
Gross margin		*32.4%*		*55.5%*		*-23.1%*
Selling, general and administrative expenses	$	46,746	$	44,731	$	2,015
EBITDA [(1)]	$	(10,765)	$	1,025	$	(11,790)
Adjusted EBITDA [(1)]	$	12,681	$	24,796	$	(12,115)
Net income (loss) from continuing operations	$	(72,496)	$	(40,390)	$	(32,106)
Net income (loss) from discontinued operations	$	13,195	$	923	$	12,272
Net loss per share basic and diluted - continuing operations	$	(0.16)	$	(0.14)	$	(0.02)
Net earnings per share basic and diluted - discontinued operations	$	0.02	$	0.00	$	0.02

Statement of financial position		**December 31, 2025**		**December 31, 2024**		**Variance**
Total assets	$	148,582	$	206,993	$	(58,411)
Total long-term liabilities	$	204,338	$	187,606	$	(16,732)
Total liabilities	$	229,542	$	215,975	$	(13,567)

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.

RESULTS OF OPERATIONS (year ended December 31, 2025 and 2024)
(all figures in 000's)

	Year ended		
	December 31, 2025	**December 31, 2024**	**Variance**
Revenue, net of discounts	$ 86,689	$ 87,392	$ (703)
Cost of goods sold	58,075	43,080	14,995
Gross profit before fair value adjustments [1]	28,614	44,312	(15,698)
Gross margin before fair value adjustments [1]	*33.0%*	*50.7%*	*-17.7%*
Realized fair value of increments on inventory sold	187	(3,642)	3,829
Unrealized change in fair value of biological assets	(733)	7,872	(8,605)
Gross profit	28,068	48,542	(20,474)
Gross margin	*32.4%*	*55.5%*	*-23.2%*
Expenses			
General and administrative	16,883	17,576	(693)
Sales and marketing	22,185	20,221	1,964
Depreciation and amortization	7,370	6,396	974
Share-based compensation	308	538	(230)
Total expenses	46,746	44,731	2,015
Income (loss) from operations	(18,678)	3,811	(22,489)
Other expense (income), net			
Finance costs, net	20,854	19,608	1,246
Change in fair value of derivative liability	(516)	(9,684)	9,168
Change on remeasurement of provision liabillity	(5,203)	-	(5,203)
Loss on debt settlement	479	8,725	(8,246)
Loss on disposal of assets	490	237	253
Impairment expense	36,910	64,285	(27,375)
Gain on lease modification	(253)	(223)	(30)
Bargain purchase gain on business combination	-	(44,520)	44,520
Loss on loan	-	1,201	(1,201)
Income from ERTC Credit	(3,447)	-	(3,447)
Other expense	(19)	68	(87)
Total other expense, net	49,295	39,697	9,598
Income (loss) before taxes	(67,973)	(35,886)	(32,087)
Income taxes	17,718	5,427	12,291
Net income (loss) from continuing operations	(85,691)	(41,313)	(44,378)
Net income (loss) from discontinued operations	13,195	923	12,272
Net loss	(72,496)	(40,390)	(32,106)
Other comprehensive income (loss)			
Foreign currency translation adjustment	-	(862)	862
Comprehensive loss	(72,496)	(41,252)	(31,244)

Revenue

Consolidated revenue for the year ended December 31, 2025, decreased 0.8% to $86,689, compared to $87,392 for the same period last year. Revenue for the year ended December 31, 2025, 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 for the year ended December 31, 2025, was $28,614, or 33.0% of revenue, versus adjusted gross profit of $44,312, or 50.7% of revenue for the same period last year.

Gross profit for the year ended December 31, 2025, was $28,068, or 32.4% of revenue, versus gross profit of $48,542, or 55.5% of revenue for the same period last year. The decrease in gross profit for the year ended December 31, 2025 compared to the year ended December 31, 2024 is the result of decrease in fair value of biological assets and due to decrease in Florida revenue.

Total expenses

Consolidated total expenses for the year ended December 31, 2025 and 2024 are as follows:

	Year ended		
	December 31, 2025	December 31, 2024	Variance
General and administrative expenses	$ 16,883	$ 17,576	$ (693)
Selling and marketing expenses	22,185	20,221	1,964
Depreciation and amortization	7,370	6,396	974
Share-based compensation	308	538	(230)
Total expenses	$ 46,746	$ 44,731	$ 2,015

Total expenses of $46,746 for the year ended December 31, 2025 increased by $2,015 compared to the same period last year. This increase was driven by a $1,964 increase in selling and marketing expenses, $974 increase in depreciation and amortization, which were offset by a decrease of $693 of general and administrative expenses and $230 in share-based compensation.

General and administrative expenses

Decrease of $693 of general and administrative expenses for the year ended December 31, 2025 compared to the same period last year is the result of decrease in legal expenditures associated with the RIV Transaction.

Selling and marketing expenses

Selling and marketing expenses of $22,185 for the year ended December 31, 2025 increased by $1,964 compared to $20,221 for the same period last year. This was primarily driven by RIV Transaction in December of 2024.

Selling and marketing expenses as a percentage of revenue is 25.6% for the year ended December 31, 2025, versus 23.1% for the same period last year.

Depreciation and amortization

Increase in depreciation and amortization expense for the year ended December 31, 2025 compared to the year ended December 31, 2024 is the result of the inclusion of a full year of depreciation and amortization expense related to the RIV Transaction which closed in the fourth quarter of 2024.

Share-based compensation

Share-based compensation decreased by $230 for the year ended December 31, 2025 compared to the year ended December 31, 2024. As the accounting treatment for stock compensation expense is front loaded under graded vesting methodology and many of the Company's grants are in the latter years of their vesting periods, stock compensation expense decreased compared to the same period ended December 31, 2024. Option forfeitures during the year ended December 31, 2025 also resulted in recapture of share-based compensation expense which reduced the expense as compared to the same period last year.

Other expense (income)

Other expense (income) for the year ended December 31, 2025 and 2024 are as follows:

	Year ended		
	December 31, 2025	**December 31, 2024**	**Variance**
Finance costs, net	$ 20,854	$ 19,608	$ 1,246
Change in change in fair value of derivative liability	(516)	(9,684)	9,168
Gain on remeasurement of provision liability	(5,203)	-	(5,203)
Loss on debt settlement	479	8,725	(8,246)
Loss on disposal of assets	490	237	253
Impairment expense	36,910	64,285	(27,375)
Gain on lease modification	(253)	(223)	(30)
Bargain purchase gain on business combination	-	(44,520)	44,520
Loss on loan	-	1,201	(1,201)
Income from ERTC Credit	(3,447)	-	(3,447)
Other expense (income)	(19)	68	(87)
Total other expense, net	$ 49,295	$ 39,697	$ 9,598

Finance costs of $20,854 for the year ended December 31, 2025 were comprised of interest expense of $9,307, accretion costs of $3,868, right-of-use interest expense of $7,300 and loan fees of $891, partially offset by $512 of interest income.

Finance costs of $19,608 for the year ended December 31, 2024 was comprised of interest expense of $9,762, accretion costs of $5,501, right-of-use interest expense of $4,406, partially offset by $58 of interest income and $3 of other income.

During the year ended December 31, 2025, the Company recognized a $516 gain in fair value on revaluation of the derivative liability associated with the Smith Convertible Note, versus a gain on the revaluation of the derivative liability associated with the Equity Price Guarantee of $9,684 for the same period last year.

Gain on remeasurement of provision liability for the year ended December 31, 2025 relates to the New York Special License Fee. During the twelve-month period, New York legislation was revised such that the aggregate amount payable on revenue milestone payments was reduced from $15,000 to $10,000. Accordingly, the Company recognized a gain on remeasurement of its remaining obligation based on the present value of the future payments, which is the primary driver of the twelve-month gain. No gain on remeasurement of provision liability was recognized for the comparative year ended December 31, 2024 as the provision liability arose from the Company's acquisition of RIV Capital on December 19, 2024.

During the year ended December 31, 2025, the Company recognized a loss on disposal of assets related to five closures of retail dispensaries in the Florida market and one dispensary closure in the New York market.

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 loss, plus finance costs, plus income taxes, plus depreciation and amortization, as follows:

	Year ended		
	December 31, 2025	December 31, 2024	Variance
Net loss - continuing and discontinued ops	$ (72,496)	$ (40,390)	$ (32,106)
Interest expense	20,854	19,608	1,246
Income taxes	17,718	5,427	12,291
Depreciation and amortization	20,995	14,091	6,904
Interest expense, income taxes, depreciation and amortization - discontinued operations	2,164	2,289	(125)
EBITDA - continuing and discontinued ops	$ (10,765)	$ 1,025	$ (11,790)

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:

	Year ended		
	December 31, 2025	December 31, 2024	Variance
EBITDA - continuing and discontinued ops	$ (10,765)	$ 1,025	$ (11,790)
Change in fair value of biological assets	546	(4,230)	4,776
Change in fair market value of derivative	(516)	(9,684)	9,168
Change in remeasurement of provision liability	(5,203)	-	(5,203)
Impairment expense	36,910	64,285	(27,375)
Bargain purchase gain	-	(44,520)	44,520
Income from ERTC Credit	(3,447)	-	(3,447)
Gain on lease modifications	(253)	(223)	(30)
Loss on debt settlement and remeasurement	479	8,725	(8,246)
Loss on loan	-	1,201	(1,201)
Professional fees(1)	2,155	5,584	(3,429)
One-time employee costs(2)	868	927	(59)
Share-based compensation	308	538	(230)
Loss on disposal of assets	490	-	490
Other non-recurring expense(3)	3,144	1,168	1,976
Gain on disposition of Cansortium PA LLC	(12,035)	-	(12,035)
Adjusted EBITDA - continuing and discontinued ops	$ 12,681	$ 24,796	$ (12,115)

(1) Legal and professional fees associated with potential transactions and professional fees associated with prior periods.
(2) Severance and relocation costs.
(3) Pre-operational expenses and lease modifications.

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 fourth quarter of 2025. This quarterly financial information has been prepared in accordance with IFRS.

Quarter ended ($ in 000's)	Dec-31 2025	Sep-30 2025	Jun-30 2025	Mar-31 2025	Dec-31 2024	Sep-30 2024	Jun-30 2024	Mar-31 2024
Revenue	$ 18,607	$ 22,367	$ 22,811	$ 22,905	$ 21,064	$ 22,059	$ 23,128	$ 21,141
Gross profit before fair value adjustment	2,086	6,576	8,853	11,100	8,563	12,828	12,216	10,705
Gross profit	1,941	6,636	5,668	13,824	6,348	10,118	18,696	13,380
Income (loss) from operations	$ (8,847)	$ (4,523)	$ (6,606)	$ 1,297	$ (5,441)	$ (758)	$ 6,978	$ 3,032

LIQUIDITY AND CAPITAL RESOURCES

As of December 31, 2025 and December 31, 2024, the Company had $8,910 and $40,106 in cash and cash equivalents, respectively. The major components of the Company's statements of cash flows for the year ended December 31, 2025 and 2024 are as follows:

	Year ended		
	December 31, 2025	**December 31, 2024**	**Variance**
Cash provided by (used in) operating activities	$ (589)	$ 1,774	$ (2,363)
Cash provided by (used in) investing activities	(2,797)	21,996	(24,793)
Cash provided by (used in) financing activities	(27,811)	6,677	(34,488)
Net change in cash and cash equivalents	$ (31,197)	$ 30,447	$ (61,644)

Operating activities

Cash and cash equivalents used in operating activities for the year ended December 31, 2025, was $589 compared to cash and cash equivalents generated by operating activities of $1,774 for the year ended December 31, 2024. The decline in cash generated from operating activities is primarily attributable to the decrease in margins attributable to price pressures in the Florida market and additional production costs attributable to an additional cultivation site in the New York market.

Investing activities

Cash and cash equivalents used in investing activities for the year ended December 31, 2025 was $2,797, compared to $21,996 generated by investing activities for the year ended December 31, 2024. The increase in investing activities is the result of the build-out of the Buffalo Facility in New York and the buildout of the Rosa Facility in Florida as well as the bi-annual renewal fees associated with the Company's license to cultivate and distribute medical marijuana within the state of Texas. These expenditures were largely offset by the net proceeds received from the Pennsylvania Disposition.

Financing activities

Cash and cash equivalents used in financing activities for the year ended December 31, 2025 was $27,811 compared to cash and cash equivalents provided by financing activities of $6,677 for 2024. The increase of $34,488 in cash used in financing activities was primarily driven by the mandatory prepayment of the term loan associated with the Pennsylvania Disposition. Additional increases in financing activities are attributable to increase of principal and interest payments for notes payable as well as lease obligation payments due to the acquisition of RIV Capital in December of 2024.

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 December 31,		Scheduled Payments
2026	$	12,652
2027		12,453
2028		11,646
2029		11,268
2030		11,031
2031		10,814
2032		9,267
Thereafter	$	37,619
Total Future Miinimum Lease Payments	$	116,750

SUMMARY OF OUTSTANDING SHARE DATA

As of December 31, 2025, 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), 15,000,000 warrants, 21,874,875 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 year on a basic and fully diluted basis. As the Company was in a loss position from continuing operations for the years ended December 31, 2025 and 2024, respectively, earnings per share from continuing operations for those periods was calculated using the basic number of outstanding shares.

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 month and year end December 31, 2025 and 2024, key management personnel compensation consisted of the following:

	For the three months ended December 31				For the year ended December 31			
		2025		2024		2025		2024
Salary	$	633	$	1,274	$	2,687	$	3,402
Option-based compensation		47		(24)		92		7
Share-based compensation (including RSUs)		4		(34)		147		24
All other compensation (including cash-settled Board fees)		180		34		498		372
Total	$	864	$	1,250	$	3,424	$	3,805

Rosa Facility Lease

During the year ended December 31, 2025, the Company made lease payments of $362 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.

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 Admin, LLC, as administrator 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.

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

During the year ended December 31, 2025 and 2024, the Company engaged Robert O. Beasley, P.A., (the "**Law Firm**") to represent the Company in various legal matters. The Company's former CEO is a partner at the Law Firm. Services performed by the Law Firm included litigation, regulatory and general counsel services. 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 years ended December 31 2025 and 2024, the Company recognized legal expenses of $307 and $479, respectively, to the Law Firm. At December 31, 2025, the Company had a balance of $16 due to the Law Firm (December 31, 2024 - $nil).

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 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 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 December 31, 2025, the Company had cash and cash equivalents of $8,910 and working capital of $3,872. For the year ended December 31, 2025, the Company incurred a net loss of ($72,136) and experienced negative operating cash flows of ($588).

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 December 31, 2025, the Company has been pursuing strategic initiatives intended to strengthen its liquidity position and support ongoing operations. These initiatives include, among others, obtaining additional financing and pursuing strategic transactions with third parties.

On March 18, 2026, the Company entered into an amendment to its existing Credit Agreement which permitted the Company to draw an additional $6,000 on the date of the amendment in the form of a term loan (the “**Interim Financing**”). The Interim Financing bears a paid-in-kind interest rate of 13% per annum and is due to mature on December 31, 2026. In connection with the amendment to the Credit Agreement, the Company’s lender reduced the quarterly liquidity covenant from $4,500 to $2,000.

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. The 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 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 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 Consolidated Financial Statements have been set out in Note 4 of the Consolidated Financial Statements for the years ended December 31, 2025, and 2024.

Subsequent Events

On March 18, 2026, the Company entered into an amendment to its existing Credit Agreement which permitted the Company to draw an additional $6,000 on the date of the amendment in the form of a term loan (the “Interim Financing”). The Interim Financing bears a paid-in-kind interest rate of 13% per annum and is due to mature on December 31, 2026. In connection with the amendment to the Credit Agreement, the Company’s lender reduced the quarterly liquidity covenant from $4,500 to $2,000.

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

<u>Florida</u>

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.

Pennsylvania

Regulatory Framework

Pennsylvania legalized medical marijuana when it adopted the Pennsylvania Medical Marijuana Act in 2016. It is found in Chapters 1131 through 1210 of the Pennsylvania Code. Most of the regulation of Pennsylvania's medical marijuana program to date has occurred under this law and through temporary regulations, all of which are summarized below under the heading "Pennsylvania Medical Marijuana Act."

Pennsylvania Medical Marijuana Act

Under the Pennsylvania Medical Marijuana Act, the term "medical marijuana" refers to marijuana obtained for a certified medical use by a Pennsylvania resident with a serious medical condition. A serious medical condition includes 17 different conditions including cancer, HIV-positive status, AIDS, several neurological conditions and issues, and severe intractable pain.

The Pennsylvania Medical Marijuana Act provides for issuance of permits to grower/processors, dispensaries, and clinical registrants.

A dispensary may only dispense medical marijuana to a patient or caregiver in an indoor, enclosed, secure facility as approved by the Pennsylvania Department of Health. The dispensary must have an approved operation plan that includes appropriate safety, security, surveillance, inventory tracking, record keeping, and maintenance measures. It may only dispense medical marijuana to a patient or caregiver who presents a valid identification card to an employee at the facility who is authorized to dispense medical marijuana at the facility. The entire transaction must be tracked in the commonwealth's seed-to-sale electronic tracking system.

Licensing and Compliance in Pennsylvania

In Pennsylvania, the Department of Health administers and maintains the state's medical marijuana program pursuant to Pennsylvania laws and regulations. As a dispensary permit holder, Pennsylvania law requires the use of state-mandated point of sale and product tracking software to log and record all inventory and sales activities, as well as all patient interactions. All marijuana must be stored with adequate security requirements to prevent diversion. Each facility must also have security measures to prevent unauthorized access and video surveillance; as well as the ability to maintain records of all activities. Only qualified patients or registered caregivers can be dispensed cannabis pursuant to a qualified physician's active recommendation; all of which must be confirmed prior to dispensation. Each dispensary must also employ a licensed pharmacist, doctor or registered nurse practitioner. Additionally, all employees must pass state mandated criminal history background screenings.

Permits

Cansortium Pennsylvania, LLC received its original dispensary permit on September 29, 2017 and was valid for one year. The permit was subsequently renewed each year following that date, and the permit is valid through June 29, 2026. The permit allows the holder to operate up to three dispensaries in the Southcentral Region of Pennsylvania (i.e. Adams, Bedford, Blair, Cumberland, Dauphin, Franklin, Fulton, Huntingdon, Juniata, Lebanon, Mifflin, Perry and York counties). The Company no longer operates in Pennsylvania following the Pennsylvania Disposition.

Pennsylvania Department of Health Inspections

The Pennsylvania Department of Health may conduct announced or unannounced inspections or investigations to determine the medical marijuana organization's compliance with its permit. An investigation or inspection may include an inspection of a medical marijuana organization's site, facility, vehicles, books, records, papers, documents, data, and other physical or electronic information.

<u>Texas</u>

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 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 December 31, 2025, the Company had cash and cash equivalents of $8,910 and working capital of $3,961. For the year ended December 31, 2025, the Company incurred a net loss of ($72,136) and experienced negative operating cash flows of ($588). 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.