Vext Science, Inc.

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE PERIOD ENDED June 30, 2025

Dated as of August 19, 2025

(All amounts expressed in U.S. dollars, unless otherwise stated)

TABLE OF CONTENTS

PREFACE

1.1 Definitions

In this document, the terms “we”, “us”, “our”, “the Company”, “Vext Science”, and “Vext” refer to Vext Science, Inc. and its consolidated subsidiaries.

1.2 Cautionary note regarding forward looking statements

This Management’s Discussion and Analysis (“MD&A”) contains certain statements that may constitute “forward-looking statements”. Forward-looking statements include, but are not limited to, statements regarding future expansion, business goals, anticipated business developments and the timing thereof, market trends, receipt of regulatory approvals, regulatory compliance, sufficiency of working capital, business and financing plans, and other forward-looking statements including, but not limited to, information concerning intentions, plans and future actions of the Company.

In connection with the forward-looking information contained in this MD&A, the Company has made assumptions about the Company’s ability to expand operations, profitably license its brands and operate in the future without any regulation or law imposed which would prevent the Company from operating its business. The Company has also assumed that no significant events occur outside of the Company's normal course of business.

The forward-looking information in this MD&A reflects the current expectations, assumptions and/or beliefs of the Company based on information currently available to the Company. Although the Company believes that such statements are reasonable, it can give no assurance that such expectations will prove to be correct. Forward-looking statements are typically identified by words such as: believe, expect, anticipate, intend, estimate, postulate, and similar expressions, or which by their nature refer to future events. The Company cautions that any forward-looking statements by the Company are not guarantees of future performance, and that actual results may differ materially from those in forward looking statements as a result of various factors, including, but not limited to, the Company’s ability to continue its projected growth, to raise the necessary capital or to be fully able to implement its business strategies.

1.3 Management’s responsibility for the financial statements

The information provided in this report is the responsibility of management. In the preparation of these statements, estimates are sometimes necessary to decide the future values for certain assets or liabilities. Management believes such estimates have been based on careful judgments and have been properly reflected in the accompanying financial statements.

1.4 Review and approval by the board of directors

The board of directors of the Company approved the contents of this MD&A on August 19, 2025.

1.5 Quarterly comparisons in the MD&A

Unless otherwise indicated, all comparisons of results for Q2 2025 (three months ended June 30, 2025) are compared against results for Q2 2024 (three months ended June 30, 2024).

1.6 MD&A background

This MD&A has been prepared by reference to the MD&A disclosure requirements established under National Instrument 51-102 – *Continuous Disclosure Obligations* of the Canadian Securities Administrators (the "CSA") and CSA Staff Notice 51-352 (Revised) – *Issuers with U.S. Marijuana Related Activities* ("Staff Notice 51-352").

This MD&A has been prepared for the quarter ended June 30, 2025, and it presents an analysis of the consolidated financial position of Vext for the quarter ended June 30, 2025. The following information should be read in conjunction with the condensed consolidated interim financial statements of the Company for the quarter ended June 30, 2025, including the notes contained therein.

1.7 Currency and exchange rates

All references to dollars ($) in this MD&A are expressed in thousands of United States dollars, unless otherwise indicated.

1.8 Use of market and industry data

Unless otherwise indicated, information contained in this MD&A concerning the industry and markets in which the Company operates, including its general expectations and market position, market opportunity and market share is based on information from independent industry organizations, and other third-party resources (including industry publications, surveys and forecasts), and management estimates.

The management estimates in this MD&A are derived from publicly available information released by independent industry analysts and third-party sources, as well as data from the Company's internal research, and are based on assumptions made by the Company based on such data and its knowledge of such industry and markets, which the Company believes to be reasonable. The Company's internal research has not been verified by any independent source, and it has not independently verified any third-party information. While the Company is not aware of any misstatement regarding any industry or market data included in this MD&A, such information is inherently imprecise. In addition, projections, assumptions and estimates of the Company's future performance and the future performance of the industry in which the Company operates are necessarily subject to a high degree of uncertainty and risk due to a variety of factors, including those described under the "Key Risks, Risk Management and Financial Instruments".

1.9 Accounting framework

The condensed consolidated interim financial statements are prepared in accordance with International Financial Reporting Standards Accounting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). The condensed consolidated interim financial statements include the financial statements of the Company and its direct subsidiaries, indirect subsidiaries that are not wholly owned by the Company and other entities consolidated other than on the basis of ownership as of June 30, 2025. Refer to Section 2.2 in this MD&A for details around the Company's subsidiaries.

1.10 Accounting estimates and assumptions

In preparing these condensed consolidated interim financial statements, management has made judgments and estimates that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates.

The significant judgments made by management in applying the Company's accounting policies and the key sources of estimation uncertainty were the same as those described in the Company's annual consolidated financial statements for the year ended December 31, 2024.

COMPANY AND INDUSTRY OVERVIEW

2.1 About Vext

Vext Science, Inc. (CSE: VEXT; OTCQX: VEXTF) is a prominent U.S.-based player in the cannabis industry, boasting a comprehensive expertise ranging from cultivation to retail operations, primarily concentrated in Arizona and Ohio.

Headquartered in Arizona, Vext owns and manages cutting-edge cultivation facilities, fully equipped manufacturing units, and dispensaries across both Arizona and Ohio. The Company is renowned for its flagship brand, Vapen™, producing THC concentrates, edibles, and distillate cartridges in Arizona. These premium products, crafted from Vext's own top-tier flower, are distributed within Arizona and Ohio.

Operated through its wholly owned subsidiaries, Vext functions in the U.S. as an agricultural technology, services, and property management enterprise. Employing a full vertical integration model, it oversees all facets of cultivation, extraction, manufacturing (including THC and CBD cartridges, concentrates, and edibles), retail dispensary operations, and wholesale distribution of high-margin cannabis THC and hemp CBD products. Notable licensed cannabis brands under Vext's umbrella include Vapen, Pure Touch, Appalachian Pharm, Herbal Wellness, Revibe, and others.

Established in British Columbia, Canada, on December 11, 2015, Vext commenced trading on the Canadian Securities Exchange ("CSE") under the symbol "VEXT" on May 13, 2019. Subsequently, on July 12, 2019, it also began trading on the OTCQX Best Market under the ticker symbol "VEXTF".

On December 31, 2018, Vext finalized a share exchange agreement, acquiring all outstanding shares of New Gen Holdings, Inc. ("New Gen") in exchange for certain shares of the Company. New Gen, incorporated in Wyoming on July 8, 2014, oversees several wholly owned subsidiaries, providing exclusive operating services to for-profit entities Herbal Wellness Center Inc. ("HWC") and Organica Patient Group, LLC ("Organica"). Both companies, holding licenses for cultivating, extracting, and dispensing premium cannabis brands and products in Arizona, have been under New Gen's management since inception.

Arizona, ranked as the fourteenth most populous state in the USA, has witnessed a significant growth in its population. The state has implemented legal cannabis programs, including the legalization of medical marijuana in 2010 under Proposition 203, with the first dispensaries operating under a compassionate care model in 2012. Furthermore, adult-use marijuana was legalized in 2020 through Proposition 207 (the *Smart and Safe Act*), with legal sales commencing in January 2021. Notably, both of Vext's Arizona dispensaries are situated in Phoenix, the fifth largest city in the United States.

As of January 1, 2022, as a result of the passage of Arizona’s adult-use marijuana program, Vext transitioned from a not-for-profit operating and accounting framework to a for-profit framework in the State of Arizona, concurrently with Vext’s acquisitions (collectively, the “Acquisitions”) of HWC and Organica.

Prior to the Acquisitions, Vext operated (but did not control) two dispensaries owned by HWC and Organica pursuant to a management services agreement between subsidiaries of Vext and each of HWC and Organica (together, the “Management Services Agreements”), whereby it provided exclusive management, administration and operation services to HWC and Organica. Prior to the Acquisitions, substantially all of the Company’s revenue in the State of Arizona was derived from managements fees, professional fees, equipment and property leasing payable pursuant to the Management Services Agreements and the Company was dependent on sales from HWC and Organica and had accumulated significant receivables from HWC and Organica ($29,024,302 as at January 1, 2022) which were classified as current assets and represented the Company’s right to receive cash.

On January 1, 2022, concurrent with the Acquisitions, Vext restructured its operations in the State of Arizona from management of the dispensaries and cultivation centers to ownership and control. Subsequent to the Acquisitions, revenue represented actual sales from the dispensaries owned by HWC and Organica as opposed to management fees, professional fees, equipment and property leasing. Vext's characterization, classification, and presentation of operating expenses changed to reflect the dispensary acquisitions. Subsequent to the Acquisitions, the Company was no longer dependent on HWC and Organica as customers. In connection with the Acquisitions, the receivables payable by HWC and Organica to the Company pursuant to the Management Services Agreements were recharacterized as intercompany balances.

On January 2, 2023, Vext expanded its operations in Ohio by acquiring ownership of one licensed dispensary in Ohio, operated as Herbal Wellness Center Ohio by Jackson Pharm, LLC.

Subsequently, on October 3, 2023, Vext further solidified its presence in Ohio by acquiring ownership of one licensed cultivation and one licensed processing facility through Appalachian Pharm Processing, LLC ("Appalachian Pharm Processing"), and Appalachian Pharm Products, LLC ("Appalachian Pharm Products"), respectively. Concurrently, Vext acquired all remaining equity interests of APP1803, LLC that it did not already own, including an option to purchase one licensed dispensary operating in Ohio: CannAscend Ohio Columbus, LLC ("CannAscend"). This expansion continued on October 16, 2023, with Vext entering a definitive agreement to acquire two additional dispensaries in Ohio currently operated by Big Perm's Dispensary Ohio, LLC ("Big Perm"), subject to regulatory approval.

On February 29, 2024, Vext further expanded its operations in Ohio by acquiring CannAscend which included ownership of one licensed dispensary in Ohio, operated as Herbal Wellness Center Ohio Columbus by APP 1803, LLC.

Ohio, the seventh most populous state in the USA, with a population of approximately twelve million, launched its medical marijuana program in September 2016. Notable milestones include legalizing medical marijuana in June 2016, with the law taking effect on September 8, 2016, and the opening of the first medical marijuana dispensaries in January 2019. Additionally, in November 2023, voters in Ohio approved an adult-use marijuana program which became effective on August 6, 2024.

On August 6, 2024, the Company began adult-use sales in the State of Ohio at all of its retail locations.

On April 1, 2025, Vext further expanded its operations in Ohio by completing the acquisition of two cannabis dispensaries from Big Perm's Dispensary Ohio, LLC, operated as Herbal Wellness Center Athens and Herbal Wellness Center Jeffersonville.

(Expressed in thousands of United States Dollars, except percentages, share, and per share amounts)

2.2 Subsidiaries

As of June 30, 2025, Vext's subsidiaries are as follows:

Name	Jurisdiction	Ownership
Vext Science, Inc.	**BC, Canada**	
Subsidiaries:		
New Gen Holdings, Inc.	Wyoming, USA	100%
Step 1 Consulting, LLC	Delaware, USA	100%
New Gen Admin Services, LLC	Arizona, USA	100%
New Gen Agricultural Services, LLC	Arizona, USA	100%
New Gen Real Estate Services, LLC	Arizona, USA	100%
Hydroponics Solutions, LLC	Arizona, USA	100%
New Gen Phoenix (PHX), LLC	Arizona, USA	100%
New Gen Eloy, LLC	Arizona, USA	100%
New Gen Prescott (PV), LLC	Arizona, USA	100%
Pure Touch Botanicals, LLC	Arizona, USA	100%
Vapen, LLC	Arizona, USA	100%
Vapen CBD, LLC	Arizona, USA	100%
RDF Management, LLC	Arizona, USA	100%
Firebrand, LLC	Arizona, USA	100%
Herbal Wellness Center, LLC	Arizona, USA	100%
Organica Patient Group, LLC	Arizona, USA	100%
ReVibe Cannabis, LLC	Arizona, USA	100%
Vapen Kentucky, LLC	Kentucky, USA	100%
New Gen Ohio, LLC	Ohio, USA	100%
New Gen Ohio Real Estate, LLC	Ohio, USA	100%
New Gen Athens, LLC	Ohio, USA	100%
New Gen Columbus, LLC	Ohio, USA	100%
Jackson Pharm, LLC dba Herbal Wellness Center Ohio Jackson	Ohio, USA	100%
Appalachian Pharms Processing, LLC	Ohio, USA	100%
Appalachian Pharms Products, LLC	Ohio, USA	100%
APP 1803, LLC dba Herbal Wellness Center Ohio Columbus	Ohio, USA	100%
Herbal Wellness Center Athens, LLC	Ohio, USA	100%
Herbal Wellness Center Jeffersonville, LLC	Ohio, USA	100%

2.3 Industry overview and current operating environment

Arizona

Arizona's legal cannabis market has entered a phase of contraction and stabilization following several years of rapid expansion. After peaking in 2023 with nearly $1.49 billion in combined adult-use and medical sales, the market saw a (10%) overall decline in 2024, with medical sales falling sharply by (40%). [1,2]

Early 2025 data indicates that this downward trend has continued. According to AZ Mirror, Q2 2025 combined sales fell (13.7%) year-over-year, and first half of the year combined sales declined (7.6%) from 2024. [2] Nonetheless, anecdotal market reports and price trends suggest that retail pricing is beginning to find a floor, providing greater stability heading into the second half of 2025. [3]

According to Headset, as of July 2025, the average item price in Arizona has seen a slight decrease from the previous month, moving from $17.59 to $17.21. Despite this decrease in item price, total monthly sales have slightly increased, reaching approximately $85.53 million in July 2025. This represents a modest monthly sales growth of +0.7% and a unit growth of +3.0%. However, year-over-year comparisons reveal a different trend, with a (13.1%) decline in sales and a (3.6%) drop in units sold, indicating potential challenges in market expansion or consumer spending behaviors. [4]

Refer to Section 4.1.2 of this MD&A for a detailed analysis into the Company's operations in Arizona.

[1] MJBizDaily – https://mjbizdaily.com/arizona-sets-record-with-nearly-1-billion-in-marijuana-sales-in-2023

[2] AZ Mirror – https://azmirror.com/briefs/arizonas-cannabis-industry-records-second-consecutive-year-of-declining-sales, https://azmirror.com/briefs/marijuana-sales-in-arizona-plummet-as-recreational-market-growth-stalls/

[3] GreenGrowth CPAs – https://greengrowthcpas.com/arizona-cannabis-market-key-trends-and-strategies-2025/

[4] Headset - https://www.headset.io/markets/arizona (retrieved August 2025)

Ohio

Ohio's cannabis industry is currently in a state of flux and expansion as it continues its transition into a recreational market in 2025, with the potential for significant growth alongside various challenges and uncertainties. According to Marijuana Moment, Ohio's combined sales, could reach around $1 billion in annual sales in 2025, its first full year of recreational cannabis sales. Recreational sales are a significant driver, showing steady month-over-month increases and exceeding $300 million in the past six months. Average sales per dispensary are also on an upward trend, increasing from $5.2 million per month in 2024 to $5.8 million as of July 2025. [1, 2]

As of August 2025, Ohio has approximately 160 legal dispensaries, and this number is projected to increase to 200 by early 2026 and over 350 by mid-2027. However, despite the increase, Ohio still lags behind other states in per capita dispensary numbers, highlighting the ongoing need for expanded retail infrastructure to address consumer demand and counter the prevalence of intoxicating hemp products sold in other channels. [1]

The Ohio cannabis industry is grappling with a slow and sometimes unclear rollout of recreational marijuana program rules and regulations. There's uncertainty surrounding potential legislative amendments that could impact licensed businesses. Despite challenges and uncertainties, industry participants remain optimistic about Ohio's cannabis market and its potential for growth. According to Cure8, Ohio is positioned as a potential top-10 market nationally in 2025. [2,3]

Refer to Section 4.1.3 of this MD&A for a detailed analysis into the Company's operations in Ohio.

[1] Marijuana Moment - https://www.marijuanamoment.net/as-ohio-hits-one-year-of-legal-marijuana-sales-it-has-potential-to-be-a-national-model-if-key-regulatory-hurdles-are-overcome-op-ed/

[2] Crain's Cleveland Business - https://www.crainscleveland.com/crains-forum-cannabis/ohios-marijuana-industry-will-be-shaped-these-rules-policies-2025

[3] Cure 8 - https://cure8.tech/which-u-s-states-are-dominating-the-cannabis-market-in-2025/

GROWTH STRATEGY, COMPETITIVE ADVANTAGE AND STRATEGIC PRIORITIES

3.1 Growth strategy

The Company is focusing on its growth & expansion opportunities in Ohio by making investments into vertical integration. The Company's vertically integrated Ohio facilities were online and operational prior to the implementation of the legislation to legalize adult use in Ohio, which occurred on August 6, 2024. The Company intends to continue to expand its operations in Ohio up to the limit of eight (8) total retail locations. Emphasis is placed on entering markets with limited licenses that allow for vertical operations. Furthermore, the Company actively seeks out attractive acquisition opportunities, with a principal focus on further consolidating its position in its current core markets.

Marketing and sales strategies are principally focused on attracting new and existing patients and customers to the Company's owned dispensaries and promoting its owned brands to these customers. Vext sees ample opportunity to continue to grow in its current markets, specifically Ohio.

3.2 Competitive advantages

- **Product strength:**

  The Company has developed and supports the Herbal Wellness Center retail brand and Vapen brand of products. These products are recognized for their high quality and competitive price structure. In Arizona and Ohio, the Vapen brand is available in Company owned and other dispensary locations. Vapen branded products encompass edibles, concentrates and extracts. The Company manufactures white label products in Arizona and Ohio utilizing the Company’s expertise and equipment.

- **Distribution channels:**

  The Company has a well-developed distribution process at both retail and wholesale levels in Arizona and Ohio.

- **Supply chain:**

  The Company has a well-established supply chain. The Company uses multiple suppliers, both international and domestic. Suppliers are proven and reliable to meet the needs of the Company and keep cost structures competitive.

- **Operations:**

  The Company has operations that are designed for efficient and quality-controlled production and financial returns. The Company has completed and brought online new manufacturing centers and cultivation to maximize throughput. The operations team brings a wealth of expertise in manufacturing, distribution, and retail operations, spanning both the cannabis industry and other sectors.

- **Research and innovation:**

  In-house research and development (R&D) facilities enable consistent production and the continuous development of new products. The Company has made significant investments in equipment and facilities, enabling efficient production and cost structures that support maintaining or growing margins in different macroeconomic situations.

3.3 Accomplishments and future priorities:

Key achievements in 2025 include:

- Continued growth of Revenue, Adjusted EBITDA, and Operating Cash Flow being driven by the growth in total cannabis sales in Ohio.

- Maintained tight operational controls in Arizona, resulting in profitable operations despite substantial, multi-year revenue declines in the state's cannabis market.

- Completed the acquisition of two additional Ohio dispensary locations on April 1, 2025.

- Prioritized the core markets of Arizona and Ohio by acquiring or divesting all Joint Venture or Joint Operations.

- Continued to reduce overall debt.

Objectives for 2025 and beyond:

In 2025, the Company's primary focus is generating free cash flow to reduce debt and create additional opportunities. This will be achieved primarily through the following initiatives:

- **Ohio Adult-Use Expansion:** Continuing to grow Ohio revenue by serving both the medical and adult-use markets and opening new locations to reach the maximum of eight dispensaries.

- **Arizona Focus:** Prioritizing optimization of the Arizona vertical footprint, driving efficiency and growth with existing assets.

(Expressed in thousands of United States Dollars, except percentages, share, and per share amounts)

COMMENTARY ON OVERALL PERFORMANCE

4.1 Summary of operations

4.1.1 Financial performance overview

Revenue

June 30, 2025	% Change 2025 vs. 2024	June 30, 2024
$13,407	59.1%	$8,427

- The increase in 2025 Revenue is attributed to increases in Ohio sales, including the impact of adult use sales in 2025, offset by declines in Arizona sales.

- Consolidated Ohio sales increased by +155% in Q2 2025 compared to Q2 2024. We anticipate Ohio sales will continue to increase as the customer count increases and the Company adds more retail locations.

Net loss after taxes

June 30, 2025	2025 % of Revenue	% Change 2025 vs. 2024	June 30, 2024	2024 % of Revenue
$(1,478)	(11.0)%	(66.3)%	$(4,390)	(75.5)%

- The improvement in Q2 2025 Net loss after taxes was primarily driven by 1) a $3.4M improvement to Gross Profit before fair value adjustments driven by increased Ohio sales and 2) the $1.0M impact of the Miscellaneous income, primarily related to non-recurring income from Vapen Kentucky and Vapen Oklahoma.

- Q2 Operating Expenses as a percentage of Revenue declined from 63% in 2024 to 40% in 2025. The Company was able to increase revenue by +59% while only increasing Operating Expenses by +1% when comparing Q2 2025 vs. 2024.

4.1.2 Arizona

Operations update

The following is an overview of the Company's vertically integrated operations in Arizona:

Retail	**Herbal Wellness Center, Central Phoenix** 4126 W Indian School Road, Phoenix, Arizona **Herbal Wellness Center, North Phoenix** 1720 E Deer Valley Road, Phoenix, Arizona	Vext's two retail dispensaries, among the first licensed in Arizona, serve both recreational and medical patients. Their strategic locations in high-traffic Phoenix metro areas provide a strong market presence. These licenses offer relocation flexibility within Arizona, subject to local zoning regulations and approval. While Vext does not foresee relocating these dispensaries in the near future, this option provides adaptability should shifts in population or customer base warrant a change in location.
Cultivation	Phoenix - 10,000 square feet under canopy (used for R&D) Eloy (Phase I) – 17,000 square feet under canopy	Vext's cultivation focuses almost exclusively on supplying its own retail dispensaries, minimizing wholesale flower sales. This vertically integrated approach, aligning production with retail demand, results in stronger profit margins compared to operators who are more reliant on the wholesale market. The Eloy facility also offers expansion potential, with an estimated 17,000 square feet of additional canopy space available in a Phase II development, should Vext's production needs increase. Currently, this space is leased to a non-cannabis business, generating revenue to offset some fixed property costs.
Manufacturing	Fully built-out 9,000 sq. ft. manufacturing facility	Vext owns a manufacturing facility that produces its branded products and provides contract manufacturing services. Vext's branded products enjoy a strong market presence and are sold primarily through its own dispensaries, as well as through other dispensaries across Arizona.

(Expressed in thousands of United States Dollars, except percentages, share, and per share amounts)

Primary Focus	We are continuing our focus on customer traffic and cost control in retail, manufacturing and cultivation operations.
Retail Performance	Our retail operations comprise two stores in Arizona. We benchmark individual store performance against the respective state's average sales per retail location. For Q2 2025, sales at our Central Phoenix store decreased (3.7%), and sales at our North Phoenix store decreased by (3.4%) when compared to Q1 2025. Available State data indicated the State average sales per store declined by (6.2%) when comparing Q2 2025 to Q1 2025. Our combined Arizona sales in Q2 2025 decreased slightly by (0.8%) compared to Q1 2025 as a result of increased wholesale revenue.
Cultivation and Manufacturing Update	Our average crop yield and potency at Eloy have remained at their significantly improved levels compared to the legacy Arizona cultivation facilities, and are now above industry averages. We will continue to monitor our retail sell through and adjust our cultivation capacity at the Phoenix cultivation.
Operating Expenses	Controllable operating expenses in Q2 2025 increased by +15.8% compared to Q1 2025, primarily due to labor costs and commission expenses. Controllable operating expenses as a percentage of revenue increased to 16.5% in Q2 2025 from 13.5% in Q2 2024. We anticipate controllable operating expenses as a percentage of revenue to decline as the already strong Eloy cultivation outcomes continue to improve.
Wholesale market	Vext's operations in Arizona are not built on wholesale operations being a significant portion of revenue, so we continue to be well positioned in these market conditions.

For commentary on the overall Arizona market, please refer to Section 2.3 of this MD&A.

4.1.3 Ohio

Operations update

The following is an overview of the Company's operations in Ohio:

Retail	**Herbal Wellness Center, Jackson** Jackson, Ohio **Herbal Wellness Center, Columbus** Columbus, Ohio **Herbal Wellness Center, Athens** Athens, Ohio **Herbal Wellness Center, Jeffersonville** Jeffersonville, Ohio **Dispensary #5** Portsmouth, Ohio Big Perm (pending regulatory approval)	Since 2023, the Company has expanded its dispensary operations in Ohio, starting with the acquisition of Buckeye Botanical in Jackson, followed by CannAscend in Columbus on February 29, 2024, followed by the acquisition of dispensaries #3 and #4 from Big Perm on April 1, 2025. All acquired dispensaries were rebranded to Herbal Wellness Center upon acquisition. The Company is currently awaiting regulatory approval for the ownership transfer of dispensary #5, which is currently fully operational as a medical and adult-use dispensary.
Cultivation	Jackson, Ohio - 25,000 sq. ft. fully built out operating cultivation facility	Tier One cultivation facility in Jackson, Ohio - Tier One cultivators are allowed to expand from an initial cultivation area of up to 25,000 square feet to 50,000 square feet.
Manufacturing	Jackson, Ohio - Fully built out and operating manufacturing facility	Vext leases a manufacturing facility that produces its branded products. Vext's branded products enjoy a strong market presence and are sold primarily through its own dispensaries, as well as through other dispensaries across Arizona.

(Expressed in thousands of United States Dollars, except percentages, share, and per share amounts)

Primary focus	• Adult-use sales began on August 6, 2024. • Further expansion into the State up to the limit of eight (8) total retail locations. • Continue construction on new retail facilities to facilitate expansion. • Expansion of cultivation capacity in anticipation of adult-use sales demand.
Retail Performance	• During Q2 2025, our consolidated Ohio retail locations experienced an increase of +86% in total sales compared to Q1 2025. This growth was primarily driven by the consolidation of the two (2) additional dispensaries which began in Q2 2025 upon completion of the acquisition from Big Perm. • Excluding the two additional dispensaries, the Company's Ohio retail locations experienced an increase of +9.6% in Q2 2025 vs. Q1 2025.
Cultivation and Manufacturing Update	• We have successfully increased our plant counts and yields from our cultivation facility to support the growth of our own retail demand, as well preparing to meet increased demand state-wide as adult use sales continue to grow.
Operating Expenses	• Controllable operating expenses in Ohio increased +44.2% compared to Q1 2025 on a nominal basis, primarily as a result of the additional two (2) retail locations from the Big Perm acquisition. As a percentage of revenue, Ohio operating expense remained relatively flat at 12% in Q2 2025 compared to 11% in Q1 2025. • We are anticipating total Operating expenses to increase slightly as a result of new Ohio retail locations opening, and continue to decrease as a percentage of sales as our investments into additional inventory are monetized through adult use sales.
Wholesale Market	• Net third-party wholesale sales declined (28.5%) comparing Q2 2025 to Q1 2025. This was driven by the Big Perm acquisition and the associated wholesale sales now being consolidated as retail sales. • The Company anticipates third-party wholesale sales to further decline as the Company expands from four (4) retail locations to the state limit of eight (8) in Ohio.

For commentary on the overall Ohio market, please refer to Section 2.3 of this MD&A.

4.2 Material events that occurred subsequent to the period

- As at August 19, 2025, the Company has no known subsequent events.

4.3 Additional commentary around financial performance

The Company has reviewed its financial position and results of operations for the three months ended June 30, 2025 and, the following determinations have been made by management:

a. There have been no inherent losses in the carrying value of the Company's assets since June 30, 2025. Management is confident that both current and long-term assets are fully collectible and realizable at their recorded values.

b. As of the date of this MD&A, the Company has no obligations to third parties that require or will require renegotiation.

c. While there are uncertainties regarding future events, the Company's outlook for adjusted EBITDA remains on track. Based on macroeconomic conditions and pressures on consumer discretionary spending, revenue in Arizona is expected to decline in 2025. Conversely, revenue in Ohio is expected to sharply increase in 2025 as a result of a full year of adult use sales.

d. The Company has secured funding for all its planned expansion initiatives in the markets discussed in this MD&A. Management exercises caution in utilizing its current liquid assets, and therefore, the previously disclosed expansion plans do not depend on additional external capital.

(Expressed in thousands of United States Dollars, except percentages, share, and per share amounts)

SELECT FINANCIAL PERFORMANCE

5.1 Financial results of operations

Financial results of operations for the three months ended June 30, 2025 and 2024

	For the Three Months Ended June 30, 2025	For the Three Months Ended June 30, 2024	$ Change	% Change
Revenue	$ 13,407	$ 8,427	$ 4,980	59.1 %
Net cost of goods sold	8,535	6,873	1,662	24.2%
Gross profit	4,872	1,554	3,318	213.5%
Total operating expenses	5,349	5,314	35	0.7%
Share of loss in joint ventures/joint operations	—	(118)	118	(100.0%)
Loss on disposal of assets	(32)	—	(32)	—%
Change in fair value of debt	685	104	581	558.7%
Foreign exchange gain/(loss)	(3)	1	(4)	(400.0%)
Interest expense	(931)	(851)	(80)	9.4%
Interest income	42	49	(7)	(14.3%)
Miscellaneous income	980	58	922	1589.7%
Net income (loss) before income tax	264	(4,517)	4,781	(105.8%)
Income tax expense	(1,742)	127	(1,869)	(1471.7%)
Net loss after income tax	(1,478)	(4,390)	2,912	(66.3%)
Remeasurement of financial liabilities measured at fair value through profit or loss	—	2,493	(2,493)	—%
Total comprehensive income (loss)	$ (1,478)	$ (1,897)	$ 419	(22.1%)
Basic earnings (loss) per subordinate voting share	$ (0.01)	$ (0.01)	$ 0.01	—%
Diluted earnings (loss) per subordinate voting share	$ (0.01)	$ (0.01)	$ 0.01	—%

Revenue:

The following table is a comparison of the category breakdown for the three months ended June 30, 2025 compared to the same period of 2024.

	June 30, 2025	June 30, 2024	$ Change
Retail	$ 10,815	$ 8,156	$ 2,659
Wholesale	2,592	271	2,321
Revenue	$ 13,407	$ 8,427	$ 4,980

Revenue increased by $4,980 or +48.5% when comparing three months ended June 30, 2025 vs 2024. Increases in Ohio revenue, including the third and fourth Ohio retail locations that consolidated in April 2025, were offset by declines in Arizona revenue. The Ohio operations also benefited from the start of adult use sales in Q3 2024.

(Expressed in thousands of United States Dollars, except percentages, share, and per share amounts)

Gross profit:

The following table shows the comparison by category breakdown for three months ended June 30, 2025 compared to the same period of 2024.

	June 2025		June 2024
Cost of goods sold	$ 8,201	Cost of goods sold	$ 6,645
Amortization	2,261	Amortization	2,169
General & administrative	2,889	General & administrative	3,014
Subtotal expenses	13,351	Subtotal expenses	11,828
Gross profit	5,206	Gross profit	1,782
With the effect of biological inventory gross profit changes:	$ 4,872	With the effect of biological inventory gross profit changes:	$ 1,554

Gross profit for the three months ended June 30, 2025, was $5,206 compared to $1,782 for the same period in 2024. The primary drivers of the improvement to Gross profit were declines in General & administrative, which were offset by increases in Cost of goods sold as a result of the increased Ohio footprint. We are anticipating that the Arizona margin will continue to be challenged due to excess cultivation capacity, which we anticipate will eventually decline due to consolidation and capitulation by cultivators faced with shrinking margins. Ohio margins have improved with the implementation of adult-use statute and an expanded potential customer base.

(Expressed in thousands of United States Dollars, except percentages, share, and per share amounts)

Financial results of operations for the six months ended June 30, 2025 and 2024

	For the Six Months Ended		$	%
	June 30, 2025	June 30, 2024	Change	Change
Revenue	$ 24,968	$ 16,817	$ 8,151	48.5 %
Net cost of goods sold	17,817	13,929	3,888	27.9%
Gross profit	7,151	2,888	4,263	147.6%
Total operating expenses	9,770	9,885	(115)	(1.2%)
Share of loss in joint ventures/joint operations	(904)	(281)	(623)	221.7%
Loss on disposal of assets	(32)	(1)	(31)	3100.0%
Change in fair value of debt	838	(357)	1,195	(334.7%)
Change in fair value of purchase option	—	(2,022)	2,022	(100.0%)
Foreign exchange gain/(loss)	(5)	1	(6)	(600.0%)
Interest expense	(1,705)	(1,741)	36	(2.1%)
Interest income	97	138	(41)	(29.7%)
Miscellaneous income	1,038	68	970	1426.5%
Net loss before income tax	(3,292)	(11,192)	7,900	(70.6%)
Income tax expense	(1,519)	468	(1,987)	(424.6%)
Net loss after income tax	(4,811)	(10,724)	5,913	(55.1%)
Remeasurement of financial liabilities measured at fair value through profit or loss	—	2,493	(2,493)	—%
Total comprehensive income (loss)	$ (4,811)	$ (8,231)	$ 3,420	(41.6%)
Basic earnings (loss) per subordinate voting share	$ (0.02)	$ (0.03)	$ 0.01	(33.3%)
Diluted earnings (loss) per subordinate voting share	$ (0.02)	$ (0.03)	$ 0.01	(33.3%)

Revenue:

The following table is a comparison of the category breakdown for the six months ended June 30, 2025 compared to the same period of 2024.

	June 30, 2025	June 30, 2024	$ Change
Retail revenue	$ 18,897	$ 13,290	$ 5,607
Wholesale revenue	6,071	3,527	2,544
Revenue	$ 24,968	$ 16,817	$ 8,151

Revenue increased by $8,151 or +48.5% when comparing six months ended June 30, 2025 vs 2024. Increases in Ohio revenue, including the third and fourth Ohio retail locations that consolidated in April 2025, were offset by declines in Arizona revenue. The Ohio operations also benefited from the start of adult use sales in Q3 2024.

(Expressed in thousands of United States Dollars, except percentages, share, and per share amounts)

Gross profit:

The following table shows the comparison by category breakdown for six months ended June 30, 2025 compared to the same period of 2024.

	June 2025		June 2024
Cost of goods sold	$ 15,804	Cost of goods sold	$ 13,097
Amortization	4,327	Amortization	4,042
General & administrative	5,148	General & administrative	5,587
Subtotal expenses	25,279	Subtotal expenses	22,726
Gross profit	9,164	Gross profit	3,720
With the effect of biological inventory gross profit changes:	$ 7,151	With the effect of biological inventory gross profit changes:	$ 2,888

Gross profit for the six months ended June 30, 2025, was $7,151 compared to $2,888 for the same period in 2024. The primary drivers of the improvement to Gross profit were revenue growth in the Ohio market and declines in General & administrative expenses, which were offset by increases in Cost of goods sold and Amortization as a result of the increased Ohio footprint. We are anticipating that the Arizona margin will continue to be challenged due to excess cultivation capacity, which we anticipate will eventually decline due to consolidation and capitulation by cultivators faced with shrinking margins. Ohio margins have improved with the implementation of adult-use statue and an expanded potential customer base.

5.2 Summary of quarterly results and reconciliation of non-IFRS Measures (Cash Flow Margin, EBITDA, Adjusted EBITDA and Adjusted EBITDA Margin)

The following financial data was derived from the Company's financial statements for each of the Company's most recent eight completed financial quarters:

Certain financial information included in this MD&A are considered "non-IFRS financial measures" (equivalent to "non-GAAP financial measures", as such term is defined in National Instrument 52-112 - Non-GAAP and Other Financial Measures Disclosure ("NI 52-112")), "non-IFRS ratios" (equivalent to "non-GAAP ratios", as such term is defined in NI 52-112) or "supplementary financial measures" (as such term is defined in NI 52-112), which are described in further detail below. These financial measures do not have a standardized definition under IFRS, nor are they calculated or presented in accordance with IFRS and may not be comparable to similar measures presented by other companies. The Company has provided these financial measures as supplemental information and in addition to the financial measures that are calculated and presented in accordance with IFRS. The Company believes that these supplemental financial measures provide a valuable additional measure to use when analyzing the operating performance of the business. These supplemental financial measures should not be considered superior to, as a substitute for or as an alternative to, and should only be considered in conjunction with, the IFRS financial measures presented herein.

(Expressed in thousands of United States Dollars, except percentages, share, and per share amounts)

The Company defines Cash Flow Margin by dividing Net cash provided by operating activities by Revenue. The Company believes that this measure provides investors with insight into the Company's ability to generate cash from its revenue base. It is used by the Company to assess operating efficiency and liquidity performance without the impact of financing or investing activities. The calculation of Cash Flow Margin is as follows:

	2025		2024				2023	
	Q2	**Q1**	**Q4**	**Q3**	**Q2**	**Q1**	**Q4**	**Q3**
Net cash provided by operating activities	$ 4,175	$ 3,082	$ 4,015	$ (243)	$ (592)	$ 109	$ 615	$ 360
Revenue	13,407	11,561	10,194	8,987	8,427	8,390	8,415	8,099
Cash Flow Margin	**31.1 %**	**26.7 %**	**39.4 %**	**(2.7)%**	**(7.0)%**	**1.3 %**	**7.3 %**	**4.4 %**

The Company defines EBITDA as earnings before interest, taxes, depreciation and amortization. The Company defines "Adjusted EBITDA" as net income (loss) from operations, as reported, before interest and tax, adjusted to exclude extraordinary items, non-recurring items, other non-cash items, including stock-based compensation expense, depreciation and amortization, foreign exchange and acquisition related costs, if applicable. The Company defines "Adjusted EBITDA Margin" as Adjusted EBITDA divided by Revenue. The Company believes that these measures are useful financial metrics as they assist in determining the ability to generate cash from operations. Investors should be cautioned that EBITDA and Adjusted EBITDA should not be construed as an alternative to net earnings or cash flows as determined under IFRS. The reconciling items between net earnings, EBITDA, and Adjusted EBITDA are as follows:

(Expressed in thousands of United States Dollars, except percentages, share, and per share amounts)

	2025		2024				2023	
	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3
Revenue	13,407	11,561	10,194	8,987	8,427	8,390	8,415	8,099
Gross profit before FV adjustments	5,206	3,958	4,151	3,745	1,781	1,939	3,042	3,187
Gross profit margin % before FV adj.	38.8%	34.2%	40.7%	41.7%	21.1%	23.1%	36.1%	39.4%
Change in FV of biological	334	1,679	1,934	(224)	228	605	1,208	382
Operating expense	5,349	4,421	5,109	5,259	5,314	4,571	8,615	4,527
Other (income) expense	(741)	1,415	4,303	1,445	757	3,437	(14,720)	1,180
Income taxes (recovery)	1,742	(223)	2,020	(239)	(127)	(341)	2,311	(1,064)
Net Income after taxes	**$ (1,478)**	**$ (3,334)**	**$ (9,215)**	**$ (2,496)**	**$ (4,391)**	**$ (6,333)**	**$ 5,628**	**$ (1,838)**
Basic earnings per subordinate voting share	$ (0.01)	$ (0.01)	$ (0.04)	$ (0.01)	$ (0.01)	$ (0.03)	$ 0.03	$ (0.01)
Diluted earnings per subordinate voting share	$ (0.01)	$ (0.01)	$ (0.04)	$ (0.01)	$ (0.01)	$ (0.03)	$ 0.03	$ (0.01)
Interest (net)	889	765	901	827	802	801	826	957
Income taxes (recovery)	1,742	(223)	2,020	(239)	(127)	(341)	2,311	(1,064)
Depreciation and amortization	4,110	3,742	3,872	3,834	3,887	3,587	3,510	2,350
EBITDA	**$ 5,263**	**$ 950**	**$ (2,422)**	**$ 1,926**	**$ 171**	**$ (2,286)**	**$ 12,275**	**$ 405**
Share-based compensation	66	(24)	56	393	234	13	112	74
Accretion	—	(45)	374	—	—	—	(1)	(6)
Share (profit)/loss on joint ventures	—	904	3,248	121	118	163	(65)	48
(Gain)/loss on asset disposal	32	—	143	2	—	1	800	—
Change in FV of debt	(685)	(153)	(318)	612	(104)	461	1,634	126
Loan costs EWB amortized	44	44	44	44	45	44	155	44
FV of APP1803 option	—	—	—	—	—	2,022	2,634	—
RSU taxes	—	—	177	—	—	4	4	4
Foreign exchange	3	2	1	—	(1)	(1)	2	—
Miscellaneous income	(980)	—	—	—	—	—	—	—
Change in FV of biological	334	1,679	1,934	(224)	228	605	1,208	382
FV increment on acquired inventory sold	—	—	—	—	393	930	—	—
Gain on acquisition of control and bargain purchase	—	—	—	—	—	—	(20,550)	—
Reserves on Notes Receivable & Investments in Joint Operations	—	—	—	—	—	—	1,403	—
Executive Chairman Severance	—	—	—	—	—	—	940	—
Adjusted EBITDA	**$ 4,077**	**$ 3,357**	**$ 3,237**	**$ 2,874**	**$ 1,084**	**$ 1,956**	**$ 551**	**$ 1,077**
Adjusted EBITDA Margin	30.4%	29.0%	31.8%	32.0%	12.9%	23.3%	6.5%	13.3%
Annual Adjusted EBITDA	**$7,434**	**2025**	**$9,151**	**2024**			**$5,573**	**2023**

(Expressed in thousands of United States Dollars, except percentages, share, and per share amounts)

BALANCE SHEET ANALYSIS

6.1 Financial position:

Financial position at June 30, 2025

	June 30, 2025	December 31, 2024	$ Change
ASSETS			
Current assets	**$ 17,809**	$ 26,396	$ (8,587)
Non-current assets	**115,076**	110,571	4,505
Total Assets	**$ 132,885**	$ 136,967	$ (4,082)
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities	**$ 18,988**	$ 17,861	$ 1,127
Long-term liabilities	**42,856**	43,370	(514)
Shareholders' equity	**71,041**	75,736	(4,695)
Total liabilities and shareholders' equity	**$ 132,885**	$ 136,967	$ (4,082)

The following discussion of the Company's financial position is based on the Company's condensed consolidated interim financial statements as at June 30, 2025.

6.2 Select Balance Sheet highlights

2025 vs. 2024:

Current assets

	June 30, 2025	December 31, 2024	$ Change
Cash	$ 4,551	$ 4,625	$ (74)
Amounts receivable, net	1,386	1,014	372
Inventory	8,834	11,740	(2,906)
Prepaid expenses, deposits, and other receivables	1,411	6,640	(5,229)
Notes receivable – current portion	213	800	(587)

- Please refer to Section 6.3 of this MD&A for details on cash.
- The increase in Amounts receivable, net was primarily driven by increased wholesale sales in Ohio.
- The decrease in Inventory was driven by increased wholesale sales in Ohio and continued sell through of Arizona inventory.

(Expressed in thousands of United States Dollars, except percentages, share, and per share amounts)

- The decrease in Prepaid expenses, deposits, and other receivables was driven by the completion of the acquisition of two additional dispensaries in Ohio on April 1, 2025 (the "Big Perm Acquisition").

- The decrease in Notes receivable - current was primarily driven by the acquisition of the remaining interests in Vapen Kentucky.

Non-current assets

		June 30, 2025		December 31, 2024		$ Change
Property, plant and equipment	$	36,608	$	35,943	$	665
Investment in joint ventures		—		357	$	(357)
Intangible assets		68,407		64,263	$	4,144

- The increase in Property, plant and equipment and Intangible assets driven by the Big Perm Acquisition.

- The decrease in Investment in joint ventures was primarily driven by the termination of the Vapen Oklahoma operation and the Happy Travels operation.

Current liabilities

		June 30, 2025		December 31, 2024		$ Change
Payables and accrued liabilities	$	13,458	$	11,912	$	1,546
Notes payable – current portion		2,412		4,644		(2,232)
Uncertain tax position		2,000		—		2,000

- The increase in Payables and accrued liabilities was primarily driven by liabilities assumed as part of the Big Perm Acquisition.

- The decrease in Notes payable - current portion was primarily related to continued repayment on the Company's Standby Facility, which matured on May 28, 2025.

- The increase in Uncertain tax position is related to the Company’s originally filed tax returns for the periods 2019-2022 being under audit by the United States Internal Revenue Service to determine the applicability of Internal Revenue Code (IRC) Section 280E.

Long-term liabilities

		June 30, 2025		December 31, 2024		$ Change
Notes payable – non-current portion	$	29,312	$	31,083	$	(1,771)
Deferred tax liabilities		10,525		9,327		1,198

- The decreases in Notes payable - non-current portion, was related to normal course repayments or amortization.

- The increase in Deferred tax liabilities is related to the Big Perm Acquisition.

(Expressed in thousands of United States Dollars, except percentages, share, and per share amounts)

Working capital position

As at June 30, 2025, the Company's working capital position was $(1,179) compared to December 31, 2024 of $8,535. The decrease of $(9,714) was primarily driven by the Big Perm Acquisition, repayment of the Standby Facility, and the uncertain tax position (see Note 21 for further details).

6.3 Cash from activities

The following table summarizes the sources and uses of cash for the three months ended June 30, 2025 compared to the same period of 2024:

	June 30, 2025	June 30, 2024	$ Change
Cash provided by operating activities	**$ 7,257**	$ (483)	$ 7,739
Net cash used in investing activities	**(3,770)**	(4,222)	452
Net cash used in financing activities	**(3,561)**	(625)	(2,936)
Net change in cash	**$ (74)**	$ (5,330)	$ 5,256

2025 vs. 2024	
OPERATING ACTIVITIES	**$7,739** change The change in operating cash flow was primarily driven by a $5.9 million improvement in Net loss and a $1.2 million improvement in non-cash working capital items. These changes were driven by increased sales in the Ohio operation. Some cash costs related to these inventory items began occurring in 2024 as the Company began increasing production at the Ohio cultivation facility during 2024.
INVESTING ACTIVITIES	**$452** change The change in investing cash flow was primarily driven by cash paid related to the CannAscend acquisition in 2024, offset by increased acquisitions of property, plant and equipment acquisitions related to the Vapen Kentucky acquisition.
FINANCING ACTIVITIES	**$(2,936)** change The change in financing cash flow was primarily driven by repayment of the Company's Standby Facility and other Loans.

(Expressed in thousands of United States Dollars, except percentages, share, and per share amounts)

6.4 Liquidity and capital resources

The Company's condensed consolidated interim financial statements follow IFRS Accounting Standards applicable to a going concern. This means the Company expect to remain operational for the foreseeable future, realizing assets and meeting liabilities during the normal course of business. The Company's ability to continue operations depends on generating adequate revenue and securing necessary financing. The Company intends to meet the future financial needs through continued operations.

As of June 30, 2025, the Company's working capital was $(1,179) down from $8,535 at December 31, 2024. Despite this decrease, management believes this working capital remains sufficient to sustain operations beyond one year. The primary reason for the decline was completion of the Big Perm Acquisition (which included a final cash payment and a transfer of current assets into non-current assets) and cash used to repay the Standby Facility. These two items combined for cash outflows of nearly $(3,800) in 2025, and will not impact future periods. The Company's working capital calculation was also negatively impacted in Q2 2025 by $(2,000) related to the uncertain tax position (see Note 21 for further details). While IFRS requires all uncertain tax positions to be classified as Current liabilities, we note that if a settlement with the IRS cannot be reached, the Company has an unconditional right to appeal the proposed tax treatment, a process that could take in excess of two (2) years, before any enforcement attempts could be made.

The Company has secured loans against its real property. These loans were essential in acquiring Appalachian Pharm processing, Appalachian Pharm Products, and APP 1803. As of June 30, 2025, the outstanding secured debt of approximately $25.7 million represents a roughly 50% loan-to-appraised value ratio. The EWB loans require the Company to maintain certain annual financial covenants including a debt coverage ratio and a debt to tangible net worth ratio. The Company was in compliance with all financial covenants as of December 31, 2024.

Key points

1. Working capital, while decreased, is sufficient to sustain operations.

2. Secured debt is structured responsibly, with favorable terms.

3. The Company has been able to obtain equity financing to assist with capital expenditures.

6.5 Use of proceeds from financing activities

During the year ended December 31, 2024, the Company completed the following financings:

1. The Company obtained a $2.0 million unsecured credit facility (the "Standby Facility"), the proceeds of which were expected to be used for general corporate purposes. On November 28, 2024, all obligations owing under the Standby Facility were converted into a term loan, maturing on May 28, 2025. As of June 30, 2025, the Company had repaid the Standby Facility in full.

2. The following table sets out a comparison of how the Company used the aggregate net proceeds of the Standby Facility, an explanation of variances and the impact of variances on the ability of the Company to achieve its business objectives and milestones:

Intended Use	Actual Use	Explanation of Variance and Impact
General Corporate purposes	General Corporate purposes ($2,000)	N/A

(Expressed in thousands of United States Dollars, except percentages, share, and per share amounts)

ADDITIONAL INFORMATION

7.1 Related Party Transactions

Related parties and related party transactions impacting the condensed consolidated interim financial statements not disclosed elsewhere in such financial statements are summarized below and include transactions with the following individuals or entities:

Key management personnel

Key management personnel include those persons having authority and responsibility for planning, directing, and controlling the activities of the Company as a whole. The Company has determined that key management personnel consist of members of the Company's Board of Directors and corporate officers, including the Company's, Chief Executive Officer, Chief Operating Officer, Chief Financial Officer, and Corporate Secretary.

Remuneration attributed to key management personnel for the six months ended June 30, 2025 and June 30, 2024 is summarized as follows:

	June 30, 2025	June 30, 2024
Share-based compensation	**$ 13**	$ 114
Eric Offenberger, CEO, COO, and Director	—	(3)
Trevor Smith, CFO	2	24
Mark Opzoomer, Director	3	31
Spiro A. Phanos, Director	2	20
Terry L. Creighton, Director	2	20
David Johns, Director	2	14
Nalee Pham, Corporate Secretary	2	8
Salaries and wages included in cost of goods sold	**108**	108
Eric Offenberger, CEO, COO, and Director	20	19
Trevor Smith, CFO	54	44
David Johns, Director	1	12
Nalee Pham, Corporate Secretary	33	33
Salaries, wages and commissions included in operating expenses	**242**	304
Eric Offenberger, CEO, COO, and Director	148	136
Trevor Smith, CFO	54	44
David Johns, Director	7	91
Nalee Pham, Corporate Secretary	33	33
Consulting fees included in operating expenses	**114**	78
Mark Opzoomer, Director	51	42
Spiro A. Phanos, Director	21	18
Terry L. Creighton, Director	21	18
David Johns, Director	21	—
Total	**$ 477**	$ 604

All key management personnel remuneration are recorded at actual current costs and are paid as part of their ongoing contractual commitment with the Company in the form of an Employment Agreement or a Director Retainer Agreement.

(Expressed in thousands of United States Dollars, except percentages, share, and per share amounts)

Balances with related parties:

During Q1 2025, the Company terminated the joint operation agreement with Happy Travels, began wind down proceedings on joint venture Vapen Oklahoma, and acquired the remaining interests in joint venture Vapen Kentucky.

Product Revenue		**June 30, 2025**		June 30, 2024
Happy Travel LLC	**$**	—	$	—
Vapen Oklahoma - Processing		—		2
Total	**$**	—	**$**	**2**

Cash Contributions for Operating Expenses		**June 30, 2025**		June 30, 2024
Vapen Kentucky	$	—	$	79
Happy Travel LLC		—		151
Vapen Oklahoma - Processing		—		10
Total	**$**	—	**$**	**240**

The current portion of balances due from related parties is as follows:

		June 30, 2025		June 30, 2024
11.5% per annum interest bearing, due on December 31, 2025 from Jason T. Nguyen, Director	**$**	**1,357**	$	1,347

The Promissory Note issued by Mr. Nguyen is recorded at present value of the principal amount owed. This related party balance due has ongoing contractual and other commitments related to the settlement agreement announced on January 16, 2024.

Effective December 31, 2023, the Company amended the terms of the existing promissory note issued by Mr. Nguyen in favor of the Company, in the principal amount of $1,328,383 (the "Promissory Note"), to provide for, among other things, the following: (i) an extension to the maturity date of the Promissory Note to the earlier of (x) December 31, 2025, (y) the date in which Mr. Nguyen sells any shares of the Company (subject to limited exceptions), and (z) any change of control of the Company; (ii) an increased interest rate equal to 11.5% per annum, compounded quarterly; (iii) quarterly scheduled interest payments; (iv) a mandatory prepayment of no less than 50% of the Promissory Note in the event the volume weighted average trading price of the subordinate voting shares of the Company reaches a specified threshold, enforceable at the discretion of the Company; and (v) the pledge by Mr. Nguyen of all shares of the Company legally or beneficially owned by Mr. Nguyen as security for the obligations of Mr. Nguyen under the Promissory Note.

Due to related parties:

David Johns (Director) was one of the sellers of the App Pharma entities and as such holds a portion of the promissory notes payable for App Pharms Products and App Pharms Processing. During the three months ended June 30, 2025, $15 in interest was accrued on these notes payable. Interest began on January 1, 2024. During the period ended June 30, 2025 and year ended December 31, 2024, the portion of the promissory notes payable due is as follows:

(Expressed in thousands of United States Dollars, except percentages, share, and per share amounts)

		June 30, 2025		December 31, 2024
Promissory Note - App Pharms Processing (current)	$	28	$	28
Promissory Note - App Pharms Products (current)		9		9
Total Current Promissory Note Payable (Director)		**37**		**37**
Promissory Note - App Pharms Processing (non-current)	$	532	$	539
Promissory Note - App Pharms Products (non-current)		164		166
Total Non-current Promissory Note Payable (Director)		**696**		**705**
Total Promissory Note Payable (Director)		**733**		**742**
Interest Payable		5		60
Total Interest Payable (Director)	**$**	**5**	**$**	**60**

Amounts due to related parties as at June 30, 2025 and December 31, 2024 included the following:

		June 30, 2025		December 31, 2024
Payables and Accrued Liabilities				
Jason T. Nguyen, Director and former Executive		237		474
Total	**$**	**237**	$	474

All amounts due to related parties were recorded at actual current costs. For Mr. Nguyen, amounts due were related to severance due with ongoing commitments outlined in the Company's press release dated January 16, 2024.

(Expressed in thousands of United States Dollars, except percentages, share, and per share amounts)

7.2 Outstanding share data

The following share capital data is current as at the date of this MD&A:

Class of Security	Number Outstanding
Subordinate voting shares	180,306,047
Multiple voting shares*	672,747
RSUs	260,418
Stock options	5,862,534
Special advisory warrants	280,000

*One multiple voting share can be converted into 100 subordinate voting shares in accordance with the Company's articles.

7.3 Proposed transactions

Other than being disclosed in this MD&A, the Company does not have any other proposed transactions at this time.

7.4 Off-balance sheet transactions

There are no off-balance sheet transactions.

7.5 Other information

Additional information on the Company is available on the Company's profile on SEDAR+ at www.sedarplus.ca.

(Expressed in thousands of United States Dollars, except percentages, share, and per share amounts)

KEY RISKS, RISK MANAGEMENT AND FINANCIAL INSTRUMENTS

8.1 Risk management and financial instruments

The fair value of the Company's amounts receivable, current notes receivable, advances to joint operation, deposits and other receivables, payables, accrued liabilities, approximate their carrying value, due to their short-term nature. The fair value of other financial assets and financial liabilities at amortized cost is determined in accordance with generally accepted pricing models based on discounted cash flow analysis or using prices from observable current market transactions.

The Company's financial instruments are exposed to certain financial risks, including credit risk, liquidity risk, interest rate risk, price risk, and currency risk.

Credit risk

Credit risk is the risk of an unexpected loss if a customer or third party to a financial instrument fails to meet its contractual obligations.

The Company records an allowance for expected credit losses related to accounts receivable that are considered to be non-collectible. The allowance is based on the Company's knowledge of the financial condition of its customers, current business environment, customer and industry concentrations, historical experience and future outlook. To reduce credit risk, cash is only held at major financial institutions. The Company performed an analysis of the accounts receivable and assessed the aging. A determination was made to create an allowance for doubtful accounts based upon the aging.

The following table sets forth the accounts receivables balances as at December 31, 2024, and June 30, 2025 including balances aged over 6 months, 9 months and 1 year as of such dates:

As of	Current	Aged 6 Months	Aged 9 Months	Aged 1 Year	Total
December 31, 2024	93%	3%	1%	3%	$1,276
June 30, 2025	90%	6%	3%	1%	$1,648

The Company has historically viewed its accounts receivables as having minimal risk of credit loss for the following reasons:

(i) For accounts receivables owed by related parties, the Company has the ability to influence the economic decisions of such related parties through the joint venture arrangements or other agreements and, in certain instances, could force a capital call to repay such balances.

(ii) For accounts receivables owed by licensed entities, such liabilities cannot currently be discharged through liquidation proceedings or a sale. Rather, such liabilities attach to the license and the Company maintains the ability to collect on the license to repay such balances.

(iii) The Company routinely obtains personal guarantees from the principals of entities that purchase the Company's products.

The Company did record an allowance of approximately $465 in 2023, which included an amount owed by Happy Travels and a non-licensed arm's length party. The allowance was reduced to $285 at December 31, 2024 as a result of the Company writing down all Happy Travels related accounts in connection with the Company withdrawing from the joint operation agreement with Green Goblin Inc.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due.

The Company manages liquidity risk through its capital management as outlined in Note 19 of the 2024 Annual Financial Statements. As at June 30, 2025, the Company had cash, accounts receivable and short-term notes receivable of $6,150 to settle its current liabilities of $18,988. With the Company's expansion into Ohio driving continued revenue growth, which is anticipated to significantly increase Cash From Operations, Management believes the Company has sufficient funds to support ongoing operating expenditures and meet its liabilities as they fall due.

Market risk

Market risk is the risk of loss that may arise from changes in market factors such as interest rates, commodity and equity prices, and foreign exchange rates.

a) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market rates.

As of June 30, 2025, approximately $13.1 million of the Company's borrowings include a variable interest rate component. As a result, the Company is subject to interest rate risk with respect to such floating-rate debt. For the year ended June 30, 2025, a hypothetical 100 basis point increase in the variable interest rate would increase the annual interest expense by approximately $131.

b) Price risk

The Company is not exposed to significant price risk as it does not hold investments in publicly traded securities.

c) Currency risk

The Company's expenditures are predominantly in U.S. dollars, and any future equity raised is expected to be predominantly in U.S. dollars.

8.2 Risk and uncertainties

Uninsured or uninsurable risk

The Company may become subject to liability for risks against which it cannot insure or against which it may elect not to insure due to the high cost of insurance premiums or other factors. The payment of any such liabilities would reduce the funds available for the Company's usual business activities. Payment of liabilities for which the Company does not carry insurance may have a material adverse effect on its financial position and operations.

Description of the U.S. legal cannabis industry

In accordance with Staff Notice 51-352, below is a discussion of the current federal and state-level U.S. regulatory regimes in those jurisdictions where, as of June 30, 2025, the Company was currently directly involved or had ancillary involvement. 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.

Legal and regulatory matters

United States federal overview:

In the United States, forty (40) states, Washington D.C. and Puerto Rico have legalized medical marijuana, and twenty-four (24) states and Washington D.C. have legalized "adult use" or "recreational" marijuana. At the federal level, however, cannabis currently remains a Schedule I drug under the CSA. 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 federally illegal, the U.S. federal government's approach to enforcement of such laws has at least until recently trended toward non-enforcement. On August 29, 2013, the DOJ issued a memorandum known as the "Cole Memorandum" to all U.S. Attorneys' offices (federal prosecutors). The Cole Memorandum generally directed U.S. Attorneys not to prioritize the enforcement of federal marijuana laws against individuals and businesses that rigorously comply with state regulatory provisions in states with strictly regulated medical or recreational cannabis programs. While not legally binding, and merely prosecutorial guidance, the Cole Memorandum laid a framework for managing the tension between state and federal laws concerning state regulated marijuana businesses. However, on January 4, 2018, the Cole Memorandum was revoked by Attorney General Jeff Sessions, a long-time opponent of state- regulated medical and recreational cannabis. While this did not create a change in federal law, as the Cole Memorandum was not itself law, 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. In addition to his revocation of the Cole Memorandum, Attorney General Sessions also issued a one-page memorandum known as the "Sessions Memorandum". The Sessions Memorandum confirmed the rescission of the Cole Memorandum and explained the rationale of the DOJ in doing so: the Cole Memorandum, according to the Sessions Memorandum, was "unnecessary" due to existing general enforcement guidance adopted in the 1980s, as set forth in the U.S. Attorney's Manual (the "USAM"). The USAM enforcement priorities, like those of the Cole

Memorandum, are also based on the federal government's limited resources, and include "law enforcement priorities set by the Attorney General," the "seriousness" of the alleged crimes, the "deterrent effect of criminal prosecution," and "the cumulative impact of particular crimes on the community". While the Sessions Memorandum emphasizes that marijuana is a Schedule I controlled substance, and reiterates the statutory view that cannabis is a "dangerous drug and that marijuana activity is a serious crime", it does not otherwise indicate that the prosecution of marijuana-related offenses is now a DOJ priority. Furthermore, the Sessions Memorandum explicitly describes itself as a guide to prosecutorial discretion. Such discretion is firmly in the hands of U.S. Attorneys in deciding whether to prosecute marijuana-related offenses.

Arizona overview:

Arizona has authorized the cultivation, extraction and dispensing of medical marijuana products by licensed dispensaries located throughout the State. As of June 30, 2025, there are 170 active dispensaries (of which 140 are also active medical marijuana dispensaries) in the state which cover all categories of production and sale of cannabis and cannabis related products. In 2010, Arizona became the 14th state to legalize medicinal cannabis for adults over 21 under Proposition 205: *the Arizona Medical Marijuana Act,* A.R.S. Title 36, Section 28.1 (the "AMMA"). On November 20, 2020, Arizona passed Proposition 207 (Responsible Adult Use of Marijuana Act) which legalized recreational marijuana use for adults. Arizona is one of the 40 states to have some form of medical marijuana law in place, while another 24 states have legalized Marijuana for adult recreational use. The AMMA is regularly used as an example for other states as an effective way to regulate a legal cannabis industry. In Arizona, the dispensaries can now operate as for-profit entities and engage with management companies to provide real estate rental, administrative, general management and advisory services, financing, and logistics to medical marijuana businesses (the dispensaries) licensed under the provisions of the AMMA and to provide material support.

Medical use

Arizona Medical Marijuana cardholders are entitled to purchase not more than 2.5 ounces of product every two weeks. Purchases are tracked by cardholder and all dispensaries are required to report cardholder sales to the state to ensure that cardholders do not exceed their allotted purchase amount. Vext and its subsidiaries are following Arizona's medical marijuana regulatory requirements and programs where applicable.

Adult use

On November 3, 2020, Arizona voters passed Proposition 207, the "Smart and Safe Act", allowing adults to possess up to one ounce (28 grams) of marijuana (with no more than five grams being marijuana concentrate). Possession and cultivation of cannabis for adult use became legal on November 30, 2020. State-licensed sales of adult use cannabis began January 22, 2021. Vext and its subsidiaries are following Arizona's adult use marijuana regulatory requirements and programs where applicable.

Ohio overview:

Ohio has authorized the cultivation, processing, and dispensing of medical marijuana products by licensed dispensaries throughout the state. As of June 30, 2025 there were 157 operating dispensaries registered in Ohio. In 2016, Ohio became the 25th state to legalize medical cannabis under House Bill 523: the Ohio Medical Marijuana Control Program (OMMCP). On November 3, 2023, Ohio voters passed Issue 2, an initiative to legalize recreational marijuana use for adults, pursuant to which proposed adult use legislation is set to take effect in 2024. On August 6, 2024, adult use sales began in the State of Ohio. Ohio is one of the 40 states to have some form of medical marijuana law in place, and one of 24 states that has legalized marijuana for adult recreational use.

Medical use

Ohio medical marijuana cardholders are entitled to purchase up to a 90-day supply of product. Purchases are tracked by cardholders, and dispensaries are required to report sales data to the state to ensure compliance with purchase limits. Vext and its subsidiaries adhere to all Ohio medical marijuana regulatory requirements and programs.

Adult use

The Ohio Division of Cannabis Control has issued dual-use permits to most existing medical marijuana cultivators, processors and dispensaries, enabling the sale of cannabis to adults aged 21 and over. Adult use sales officially started on August 6, 2024, including at retail outlets operated by Vext and its subsidiaries. Ohio's adult-use ballot initiative outlined the following: adults 21 and over will be able to possess up to 2.5 ounces of marijuana (with no more than 15 grams being marijuana concentrate). Non-medical consumers may purchase no more than ten whole day units of cannabis combined across all forms pursuant to the Ohio Administrative Code. Home cultivation of a limited number of plants will also be permitted. Pursuant to O.R.C. 3780.10, the Division will review the number of cannabis operator licenses 24 months after the first issuance of an adult use operator license, and on a biannual basis thereafter.
Market participants are currently operating under the existing medical marijuana program rules. On August 2, 2024, The Division issued proposed rules for adult-use operations to the joint committee on agency rule review, including provisions related to ownership and dispensary operations and security. Vext and its subsidiaries are closely monitoring the development of Ohio's adult-use regulations and are poised to adapt operations accordingly.

Regulatory risks

The U.S. cannabis industry 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 impact on actual results.

Participants in the U.S. cannabis industry will incur ongoing costs and obligations related to regulatory compliance. Failure to comply with regulations may result in additional costs for corrective measures, penalties, or 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. Further, the Company may be subject to a variety of claims and lawsuits. Adverse outcomes in some or all these claims may result in significant monetary damages or injunctive relief that could adversely affect its ability to conduct its business. 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 the Company’s financial statements could also occur for the period in which the effect of an unfavorable final outcome becomes probable and reasonably estimable.

The U.S. cannabis 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 growth uneconomic. The industry is also subject to numerous legal challenges, which may significantly affect the financial condition of the Company, and which cannot be reliably predicted.

The Company expects to derive most of its revenues from the U.S. cannabis industry, which industry is illegal under U.S. federal law (other than its business related to high CBD/low THC products, known as "hemp"). As a result of the conflicting views between state legislatures and the federal government regarding cannabis, cannabis businesses in the U.S. are subject to inconsistent legislation and regulation. The Company is expected to remain focused in those U.S. states that have legalized the medical and/or adult-use of cannabis. Almost half of the U.S. states have enacted legislation to legalize and regulate the sale and use of medical cannabis without limits on THC, while other states have legalized and regulate the sale and use of medical cannabis with strict limits on the levels of THC. However, the U.S. federal government has not enacted similar legislation and the cultivation, sale and use of cannabis remains illegal under federal law pursuant to the CSA. The federal government of the U.S. has specifically reserved the right to enforce federal law in regard to the sale and disbursement of adult-use or medical use marijuana even if state law sanctioned such sale and disbursement. It is presently unclear whether the U.S. federal government intends to enforce federal laws relating to cannabis where the conduct at issue is legal under applicable state law. This risk was further heightened by the revocation of the Cole Memorandum in January 2018.

Further, 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 will make it extremely difficult or impossible to transact business in the cannabis industry. If the U.S. federal government begins to enforce 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, then the Company's business would be materially and adversely affected. U.S. 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.

Nature of the Company's involvement in the U.S. cannabis industry

Currently, the Company is engaged in the branding and procurement for companies that manufacture and distribute cannabis in the medical and adult-use cannabis marketplace. As at June 30, 2025, the Company's assets and revenues are primarily attributable to the cannabis use in the State of Arizona and the State of Ohio.

As previously stated, violations of any federal laws and regulations could result in significant fines, penalties, administrative sanctions, convictions, or settlements arising from civil proceedings conducted by either the 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, including its reputation and ability to conduct business, the listing of its securities on any stock exchange, its financial position, operating results, profitability or liquidity or the market price of its 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. The approach to the enforcement of cannabis laws may be subject to change or may not proceed as previously outlined.

The Company's involvement in the U.S. cannabis industry will be (i) only in those states that have enacted laws legalizing cannabis; and (ii) only in those states where the Company can comply with state (and local) laws and regulations and has the licenses, permits or authorizations to properly carry on each element of its business.

The Company has received legal advice from U.S. attorney's regarding compliance with applicable state regulatory frameworks and potential exposure and implications arising from U.S. federal law. The Company will continue to monitor, evaluate, and re-assess the regulatory framework in each state in which it may hold license, and the federal laws applicable thereto, on an ongoing basis; and will update its continuous disclosure regarding government policy changes or new or amended guidance, laws, or regulations regarding cannabis in the U.S.

Heightened scrutiny

For the reasons set forth above, the Company's activities in the U.S. may become the subject of heightened scrutiny by regulators, stock exchanges and other authorities in Canada. As a result, the Company may be subject to significant direct and indirect interaction with public officials. There can be no assurance that this heightened scrutiny will not in turn lead to the imposition of certain restrictions on the Company's activities in the U.S. or any other jurisdiction, in addition to those described herein.

Change in laws, regulations and guidelines

The Company's business operations will directly and indirectly be affected by a variety of laws, regulations and guidelines relating to the manufacture, management, transportation, storage, and disposal of cannabis, but also including laws and regulations relating to consumable products health and safety, the conduct of operations and the protection of the environment. These laws and regulations are broad in scope and subject to evolving interpretations, which could require participants to incur substantial costs associated with compliance or alter certain aspects of its business plans. In addition, violations of these laws, or allegations of such violations, could disrupt certain aspects of the Company's business plans and result in a material adverse effect on certain aspects of its operations.

Unfavorable publicity or consumer perception

The legal cannabis industry in the U.S. is at an early stage of its development. Cannabis has been, and will continue to be, a controlled substance for the foreseeable future. Consumer perceptions regarding legality, morality, consumption, safety, efficacy, and quality of cannabis are mixed and evolving. Consumer perception can be significantly influenced by scientific research or findings, regulatory investigations, litigation, media attention and other publicity regarding the consumption of cannabis products. There can be no assurance that future scientific research, findings, regulatory proceedings, litigation, media attention or other research findings or publicity will be favorable to the cannabis market or any particular product, or consistent with earlier publicity. Future research reports, findings, regulatory opinion, and support for medical and adult-use cannabis use has traditionally been inconsistent and varies from jurisdiction to jurisdiction. While public opinion and support appears to be rising for legalizing medical and adult-use cannabis, it remains a controversial issue subject to differing opinions surrounding the level of legalization (for example, medical marijuana as opposed to legalization in general). The Company's ability to gain and increase market acceptance of its business activities may require substantial expenditures on proceedings, litigation, media attention or other publicity that are perceived as less favorable than, or that question, earlier research reports, findings or publicity could have a material adverse effect on the demand for cannabis and on the business, results of operations, financial condition, and cash flows of the Company. Further, adverse publicity reports or other media attention regarding cannabis in general or associating the consumption of cannabis with illness or other negative effects or events, could have such a material adverse effect. Public investor relations, strategic relationships, and marketing initiatives. There can be no assurance that such initiatives will be successful, and their failure may have an adverse effect on the Company.

Local, state, and federal laws and regulations governing marijuana for medicinal and recreational purposes are broad in scope and are subject to evolving interpretations, which could require the Company to incur substantial costs associated with bringing the Company's operations into compliance. In addition, violations of these laws, or allegations of such violations, could disrupt the Company's operations and result in a material adverse effect on its financial performance. It is beyond the Company's scope to predict the nature of any future change to the existing laws, regulations, policies, interpretations, or applications, nor can the Company determine what effect such changes, when and if promulgated, could have on the Company's business.

Unfavorable tax classification of the Company

Section 280E of the U.S. Internal Revenue Code of 1986, as amended (the "Code"), provides that "no deduction or credit shall be allowed for any amount paid or incurred during the taxable year in carrying on any trade or business if such trade or business (or the activities which comprise such trade or business) consists of trafficking in controlled substances (within the meaning of schedule I and II of the Controlled Substances Act) which is prohibited by Federal law or the law of any State in which such trade or business is conducted." This provision has been applied by the United States Internal Revenue Service ("IRS") to cannabis operations, prohibiting taxpayers with cannabis operations from deducting expenses directly associated with cannabis businesses for U.S. federal income tax purposes. Section 280E and related IRS enforcement activity has had a significant impact on the operations of cannabis companies in the United States. As a result, an otherwise profitable business may, in fact, operate at a loss, after taking into account its United States income tax expenses. The Company has taken a position that Section 280E does not preclude it from deducting ordinary and necessary business expenditures on its tax returns.

As of the date of this MD&A, the Company and certain of its subsidiaries are currently under examination by the relevant taxing authorities for various tax years. Certain of these examinations include a review of the Company's tax positions based on legal interpretations that challenge the Company's tax liability under Section 280E of the Code. The Company believes that its reserves for uncertain tax positions are appropriate, and that it has meritorious defenses for its tax filings and will vigorously defend them during any audit process, appellate process and through litigation in courts, as necessary.

Other risks

The following are certain additional risk factors relating to the business of the Company. These risks and uncertainties are not the only ones facing the Company. Additional risks and uncertainties, including those present in the Company's other continuous disclosure documents filed from time to time on the Company's profile on SEDAR+ at www.sedarplus.ca, and those not presently known to the Company or currently deemed immaterial by the Company, may also impair the operations of the Company. If any such risks actually occur, shareholders of the Company could lose all or part of their investment and the business, financial condition, liquidity, results of operations and prospects of the Company could be materially adversely affected and the ability of the Company to implement its growth plans could be adversely affected.

Other regulatory risks

The activities and products of the Company are subject to regulation by governmental authorities, including, the U.S. Food and Drug Administration, and others. Achievement of the Company's business objectives is contingent, in part, upon compliance with regulatory requirements enacted by these governmental authorities and obtaining all regulatory approvals, where necessary, for the sale of its products. The Company cannot predict the time required to secure all appropriate regulatory approvals for its products, or the extent of testing and documentation that may be required by governmental authorities. Any delays in obtaining, or failure to obtain regulatory approvals would significantly delay the development of markets and products and could have a material adverse effect on the business, results of operations and financial condition of the Company.

Reliance on third-party service providers

Third party service providers to the Company may withdraw or suspend their service to the Company under threat of prosecution. Since under US federal law the possession, use, cultivation and transfer of cannabis and any related drug paraphernalia is illegal, and any such acts are criminal acts under federal law, companies that provide goods and/or services to companies engaged in cannabis-related activities may, under threat of federal civil and/or criminal prosecution, suspend or withdraw their services. Any suspension of service and inability to procure goods or services from an alternative source, even on a temporary basis, that causes interruptions in the Company's operations could have a material and adverse effect on the Company's business.

Reliance on management

The success of the Company is dependent upon the ability, expertise, judgment, discretion, and good faith of its senior management. While employment agreements are customarily used as a primary method of retaining the services of key employees, these agreements cannot assure the continued services of such employees. Any loss of the services of such individuals could have a material adverse effect on the Company's business, operating results, or financial condition.

Additional financing

In order to execute the anticipated growth strategy, the Company may require some additional equity and/or debt financing to support ongoing operations, to undertake capital expenditures or to undertake acquisitions or other business combination transactions. There can be no assurance that additional financing will be available when needed or on terms which are acceptable. The Company's inability to raise financing to support on-going operations or to fund capital expenditures or acquisitions could limit its growth and may have a material adverse effect upon future profitability.

If additional funds are raised through further issuances of equity or convertible debt securities, existing shareholders could suffer significant dilution, and any new equity securities issued could have rights, preferences, and privileges superior to those of holders of subordinated voting shares. Any debt financing secured in the future could involve restrictive covenants relating to capital raising activities and other financial and operational matters, which may make it more difficult for the Company to obtain additional capital and to pursue business opportunities, including potential acquisitions.

Cannabis industries are highly competitive

There is potential that the Company will face intense competition from other companies, some of which can be expected to have longer operating histories and more financial resources and manufacturing and marketing experience than the Company. Increased competition by larger and better financed competitors could materially and adversely affect the business.

Operating risk and insurance coverage

The Company carries insurance to protect its assets, operations, and employees. While the Company believes insurance coverage can adequately address all material risks to which it may be exposed and is adequate and customary in its current state of operations, such insurance is subject to coverage limits and exclusions and may not be available for the risks and hazards to which the Company is exposed. In addition, no assurance can be given that such insurance will be adequate to cover the Company's liabilities or will be generally available in the future or, if available, that premiums will be commercially justifiable. If the Company were to incur substantial liability and such damages were not covered by insurance or were in excess of policy limits, or if the Company were to incur such liability at a time when it is not able to obtain liability insurance, its business, results of operations and financial condition could be materially adversely affected.

Key personnel risk

The Company's success will depend on its directors and officers developing the business and managing operations, and on its ability to attract and retain key quality assurance, scientific, sales, public relations and marketing staff or consultants. The loss of any key person or the inability to find and retain new key people could have a material adverse effect on the business. Competition for qualified technical, sales and marketing staff, as well as for officers and directors, can be intense and no assurance can be provided that the Company will be able to attract or retain key personnel in the future, which may adversely impact operations.

Global economy risk

The ongoing economic slowdown and downturn of global capital markets has generally made raising capital by equity or debt financing more difficult. The Company will be dependent upon the capital markets to raise additional financing in the future, while it establishes a client base for its product. Access to financing has been negatively impacted by the ongoing global economic downturn. As such, the Company is subject to liquidity risks in meeting its development and future operating cost requirements in instances where cash positions are unable to be maintained or appropriate financing is unavailable. These factors may impact the Company's ability to raise equity or obtain loans and other credit facilities in the future and on terms favorable to the Company and its management. If uncertain market conditions persist, the Company's ability to raise capital could be jeopardized, which could have an adverse impact on its operations and, if applicable, the trading price of its subordinated voting shares on any stock exchange.

Dividend risk

The Company has not paid dividends in the past and does not anticipate paying dividends in the near future. The Company expects to retain its earnings to finance further growth and, when appropriate, retire debt.

Securities and dilution

There is no assurance that sources of financing will be available on acceptable terms, if at all. If the Company seeks additional equity financing, the issuance of additional shares will dilute the interests of their current shareholders. Failure to obtain such additional financing could result in delay or indefinite postponement of the Company's strategic goals.

Future capital requirements

The Company's future capital requirements will depend on many factors, including inorganic growth initiatives, securing new contracts, the rate of expansion and the status of competitive products. Depending on these factors, the Company may require additional financing which may or may not be available on acceptable terms. If additional funds are raised by issuing equity securities, dilution to the existing shareholders may result. If adequate funds are not available, the Company may not be able to achieve its growth objectives and operational targets, which could have a material adverse effect on the Company's business.