Vext Science, Inc.

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED December 31, 2024

Dated as of March 28, 2025

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

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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 have occurred 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 March 28, 2025.

1.5 Annual Comparisons in the MD&A

Unless otherwise indicated, all comparisons of results for 2024 (twelve months ended December 31, 2024) are compared against results for 2023 (twelve months ended December 31, 2023).

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 year ended December 31, 2024, and it presents an analysis of the consolidated financial position of Vext for the year ended December 31, 2024. The following information should be read in conjunction with the audited annual consolidated financial statements of the Company for the year ended December 31, 2024, including the notes contained therein (the "2024 Annual Financial Statements").

1.7 Currency and Exchange Rates

All references to dollars ($) in this MD&A are expressed in 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 2024 Annual Financial Statements are prepared in accordance with International Financial Reporting Standards Accounting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”). The 2024 Annual 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 December 31, 2024. Refer to Section 2.2 in this MD&A for details around the Company’s subsidiaries.

1.10 Accounting Estimates and Assumptions

New Accounting Pronouncements

The following IFRS standards have been recently issued by the IASB. Pronouncements that are irrelevant or not expected to have a significant impact have been excluded.

IFRS 18 Presentation and Disclosure in Financial Statements

In April 2024, the IASB issued IFRS 18 Presentation and Disclosure in Financial Statements, which is intended to give investors more transparent and comparable information about companies’ financial performance, thereby enabling better investment decisions. IFRS 18 introduces new sets of requirements to improve companies’ reporting of financial performance and give investors a better basis for analyzing and comparing companies through

- Improved comparability in the statement of profit or loss or income statement;
- Enhanced transparency of management-defined performance measures; and
- More useful grouping of information in the financial statements.

IFRS 18 also requires companies to provide more transparency about operating expenses, helping investors to find and understand the information they need. IFRS 18 is effective for annual reporting periods beginning on or after January 1, 2027, but companies can apply it earlier. IFRS 18 replaces IAS 1. It carries forward many requirements from IAS 1 unchanged.

Amendments to IFRS 9 Financial Instruments and IFRS 7 Financial Instruments: Disclosures

In May 2024, the IASB issued amendments to the classification and measurement requirements in IFRS 9. The amendments will address diversity in accounting practice by making the requirements more understandable and consistent. These include:

- Clarifying the classification and assessment of contractual cash flows of financial assets with environmental, social and corporate governance ("ESG").
- Settlement of liabilities through electronic payment systems - the amendments clarify the date on which a financial asset or financial liability is derecognized. The IASB also decided to develop an accounting policy option to allow a company to de-recognize a financial liability before it delivers cash on the settlement date if specified criteria are met.

With these amendments, the IASB has also introduced additional disclosure requirements to enhance transparency for investors regarding investments in equity instruments designated at fair value through other comprehensive income and financial instruments with contingent features, for example features tied to ESG-linked targets. The amendments are effective for annual reporting periods beginning on or after January 1, 2026.

Annual improvements to IFRS Accounting Standards

In July 2024, the IASB issued narrow amendments to IFRS Accounting Standards and accompanying guidance as part of its regular maintenance of the Standards. The amended Standards are:

- IFRS 1 First-time Adoption of International Financial Reporting Standards;
- IFRS 7 Financial Instruments: Disclosures and its accompanying Guidance on implementing IFRS 7;
- IFRS 9 Financial Instruments;
- IFRS 10 Consolidated Financial Statements; and
- IAS 7 Statement of Cash Flows.

The amendments are effective for annual periods beginning on or after January 1, 2026, with earlier application permitted. Annual improvements are limited to changes that either clarify the wording in an IFRS Accounting Standard or correct relatively minor unintended consequences or oversights in the Accounting Standards. They also correct minor conflicts between the requirements of the Accounting Standards.

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.

2.2 Subsidiaries and Affiliates

As of December 31, 2024, Vext's subsidiaries and affiliates 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%
Herbal Wellness Center KY	Kentucky, USA	100%
Herbal Wellness Center KY I	Kentucky, USA	100%
Herbal Wellness Center KY II	Kentucky, USA	100%
Herbal Wellness Center KY III	Kentucky, USA	100%
New Gen RE 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%
Joint Ventures:		
Vapen Kentucky, LLC	Kentucky, USA	50%
Vapen Oklahoma, LLC	Oklahoma, USA	25%
Joint Operations:		
Happy Travels, LLC	California, USA	50%

2.3 Industry Overview and Current Operating Environment

Arizona

Quarter Update	Consumer-facing businesses, especially those in the cannabis sector, are facing significant sales headwinds. Several factors are contributing to this: • Reduced discretionary spending: Consumers have less disposable income due to ongoing effects from inflation and elevated interest rates, leading to cutbacks in non-essential purchases. • Limited access to credit: Cannabis consumers cannot use traditional banking methods for purchases, further constraining their spending power. • Rising cost of living: Increasing rent and limited savings disproportionately impact lower-income consumers, a key demographic for the cannabis market. These challenges are reflected in the recent Arizona market performance. The fourth quarter of 2024 saw an approximate (16%) decrease in total sales compared to the fourth quarter of 2023.
Retail/Brands	As of December 31, 2024, there were 168 operating dispensaries in Arizona. As of December 31, 2023, there were 168 operating dispensaries. Using available data from the State of Arizona, the average dispensary in December 2024 had net sales of $591,933, compared to $700,675 in December 2023. This represents a decrease of (15.5%) on an average per dispensary basis. Acquisition multiples for dispensaries in Arizona are still relatively high. Acquisitions involving all cash are seeing some easing of price multiples, but they are still high given overall market valuations. Arizona laws capping the number of dispensaries and communities zoning requirements have kept dispensary valuations high for the foreseeable future. There is excess cultivation capacity, brands and a wide variety of products in Arizona, which will continue to put downward pressure on pricing and increase the proportion of in-house products sold on dispensary shelves as operators work to improve mix and preserve margin.
Wholesale	The market continues to have an oversupply of cultivators and flower products, which has been impacting wholesale flower pricing. Retail pricing to end consumers has been impacted, but not as dramatically as in the wholesale channel. The majority of dispensary operations are vertically operated and primarily focused on selling their own products in their own retail locations to maximize their margins. While Arizona licensing is vertical and limited, some license owners have decided to “lease” the right to cultivate to non-license holders. These non-license holding cultivation operators do not have retail operations to sell their own product and are solely reliant on the wholesale channel. This phenomenon has put further downward pressure on wholesale pricing and leaves operators without retail doors vulnerable to market conditions. Branding has a limited impact on the market, as retailers control the end user experience. Pricing is key and the house brands allow greater flexibility in pricing.

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 (Organica License), 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. All company-owned facilities are designed and equipped for operational efficiency. 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.

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

Ohio

Quarter Update	Ohio's adult use cannabis market saw a surge in activity after legal sales began on August 6, 2024. According to the State of Ohio, in the fourth quarter of 2024, adult use sales exceeded $242 million, with over 32,000 pounds of cannabis flower and more than 4 million manufactured products sold. Despite these strong sales figures, prices across most product categories declined, with over half experiencing double-digit decreases. Sales volume for plant material, which made up 52% of all adult use sales, nearly doubled, rising from 1,284 pounds in the week ending August 10, 2024 to 2,158 pounds in the first week of January 2025.
Retail/Brands	Similar to Arizona's experience, Ohio's adult use cannabis market is seeing pricing declines and compression. Consumers are prioritizing prices, giving dispensaries greater flexibility with margins and in-house (white label) branding. Despite this trend, Ohio's licensing structure, which prevents some dispensaries from vertical integration, creates wholesale opportunities. In this environment, wholesale success depends on competitive pricing, product availability, and desired product categories, rather than brand recognition. Vext will continue to prioritize in-house products with a strategic mix of third-party products.
Wholesale	Ohio wholesale sales increased +15% in Q4 2024 compared to Q3 2024. The Company anticipates continued growth and new opportunities as additional dispensary licenses are issued and the adult use market continues to expand. Ohio's phased licensing structure, which separates cultivation, manufacturing and dispensary licenses, ensures that wholesale will remain a critical component of the state's cannabis supply chain.
Regulatory Update	Proposed amendments to Ohio's voter-approved cannabis laws are currently under debate. These include a 50% excise tax increase on adult use cannabis, lower permissible THC levels, and restrictions on home cultivation. The Ohio Division of Cannabis Control continues to regulate and license both medical and adult use cannabis operations. Following the launch of the adult use program on August 6, 2024, Ohio has completed the lottery for the 10"B" dispensary licenses. Vext has received approval under the 10"B" license program to develop three additional dual-use dispensaries. Licenses are now in the permitting, planning and construction phases, with new dispensaries expected to open throughout 2025 and into 2026. The Company plans to maximize its dispensary count to eight locations, pending licensing and local permitting approvals.

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 **Dispensary #3 & #4** Athens, Ohio and Jeffersonville, Ohio Big Perm pending acquisition **Dispensary #5** Portsmouth, Ohio currently under construction	Since 2023, the company has expanded its dispensary operations in Ohio, starting with the acquisition of Buckeye Botanical in Jackson (rebranded Herbal Wellness Center) and followed by CannAscend in Columbus on February 29, 2024 (also rebranded Herbal Wellness Center). The Company is currently awaiting regulatory approval for the ownership transfer of dispensaries #3 and #4, for which the purchase price was reduced from $9.4 million to $7.7 million. See Section 4.2 for more information. Construction is underway for a fifth location in Portsmouth, with an anticipated second-quarter 2025 opening. In early February 2025, the company relocated its Jackson, Ohio, dispensary to a new, centrally located facility that effectively doubled its retail and inventory space and added a drive-thru service.
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. On October 3, 2023, we completed the transfer of ownership of Appalachian Pharm Processing, together with its subsidiaries and affiliated companies, and began consolidating their operations in Q4 2023.
Manufacturing	Jackson, Ohio - Fully built out and operating manufacturing facility	On October 3, 2023, we completed the transfer of ownership of Appalachian Pharm Processing, together with its subsidiaries and affiliated companies, and began consolidating their operations in Q4 2023.

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

GROWTH STRATEGY, COMPETITIVE ADVANTAGE AND STRATEGIC PRIORITIES

3.1 Growth Strategy

The Company's primary focus remains on managing its retail presence and market share in the Arizona market while it continues to experience volatility as the oversupply of product & brands normalizes. The Company is focusing 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 2024 include:

- Successfully transitioned to the adult-use cannabis program in Ohio in August.
- Overcame initial inventory surpluses in Ohio to achieve positive cash flow from operations for the year.
- Significantly improved cultivation yields and potency in both Arizona and Ohio, enabling competitive pricing for consumers.
- Maintained tight operational controls in Arizona, resulting in profitable operations despite substantial, multi-year revenue declines in the state's cannabis market.
- Entered into an agreement to acquire two dispensary locations with favorable financing terms in Ohio (Big Perm Acquisition).
- Continued to reduce overall debt and improve the Company's working capital.

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 through several key initiatives:

- **Big Perm Acquisition:** Finalizing the acquisition to gain full ownership and consolidated reporting of the two Big Perm dispensaries.
- **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.
- **Kentucky:** Evaluating the existing Kentucky market in light of the state's medical cannabis program to determine the best path forward for Vext. See Subsequent Event disclosures in Section 4.2 for more information.
- **Strategic Growth:** Identifying additional dispensary locations in existing markets to drive accretive growth.
- **Joint Venture/Operations:** Winding down of the Oklahoma Joint Venture and the Happy Travels Joint Operations. See Subsequent Event disclosures in Section 4.2 for more information.

COMMENTARY ON OVERALL PERFORMANCE

4.1 Summary of Operations

4.1.1 Financial Performance Overview

Sales

2024	% Change 2024 vs. 2023	2023	% Change 2023 vs. 2022	2022
$35,997,581	3.4%	$34,812,311	(1.7)%	$35,410,636

- The increase in 2024 Sales is attributed to increases in Ohio sales, including the timing impact of Ohio acquisitions, offset by declines in Arizona sales. The decline in 2023 Sales is attributed to declines in Arizona sales, mostly offset by inclusion of new Ohio sales.

- Consolidated Ohio sales increased by +142% in 2024 compared to 2023. We anticipate Ohio sales will continue to increase as the customer count increases and the Company adds more retail locations.

Net Income (loss) after taxes

2024	2024 % of Revenue	% Change 2024 vs. 2023	2023	2023 % of Revenue	% Change 2023 vs. 2022	2022	2022 % of Revenue
$(22,435,176)	(62.3)%	(610.1)%	$4,398,447	12.6%	(59.7)%	$10,919,280	30.8%

- In addition to the non-cash charges described below, the Company had Wages & Benefits and General and Administrative costs of $10.7M in 2024, compared to $13.5M in 2023 and $9.4M in 2022. The change in these costs reflect the upfront investments made into the Ohio operations in advance of adult use sales commencing. Going forward, we anticipate these costs to remain stable, even as Ohio sales continue to increase.

- As a result of the Ohio acquisitions, Depreciation and Amortization expenses increased from $6.4M in 2022 to $9.5M in 2023 to $15.1M in 2024. This is a direct result of the Eloy cultivation facility becoming operational and the Ohio acquisitions.

- In 2023, the Company had a $20.6M gain on acquisition of control and bargain purchase related to the Appalachian Pharms (Ohio) acquisition. No comparable amounts exist in 2024 or 2022.

4.1.2 Arizona

Operations Update

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 Q4 2024, our Central Phoenix store increased +3.5%, and our North Phoenix store increased by +2.8% when compared to Q3 2024. Available State data indicated the State average per store improved by +4.3% when comparing Q4 2024 to Q3 2024. While our stores slightly lagged state-wide averages in Q4 2024, when compared on a six month basis our retail locations were up +2.4%, compared to a state-wide decline of (-6.4%). Our combined Arizona sales in Q4 2024 declined slightly by -2.7% compared to Q3 2024 as a result of declining wholesale sales and decreased non-cannabis sales from Arizona to Vext joint ventures.
Cultivation and Manufacturing Update	The Company continues with operations at the Eloy cultivation facility and completed nine (9) harvests in Q4 2024. Our average crop yield and potency at Eloy have improved significantly 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 Q4 2024 increased slightly by +3.5% compared to Q3 2024 primarily due to increases to repairs and maintenance and an increase in hourly employee costs. 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

Primary focus	• Adult-use sales began on August 6, 2024. • Consolidation of the two additional retail locations currently under contract, and 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 Q4 2024, our consolidated Ohio retail locations experienced an increase of +39.6% in total sales compared to Q3 2024. This growth came after the launch of adult-use sales on August 6, 2024 (nearly 40% into the third quarter) and has continued to grow in the weeks since. • While we are still waiting to complete the acquisition of the Big Perm dispensaries, the two retail locations also grew in excess of +50% in Q4 2024 vs. Q3 2024 as a result of the beginning of adult use sales.
Cultivation and Manufacturing Update	• Net third-party wholesale sales increased +33% comparing the fourth quarter of 2024 to third quarter 2024. • Now that adult use sales have commenced, we anticipate inventory will continue to sell through and wholesale demand should show growth in future periods. • We are continuing to increase our plant counts and increase 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	• Ohio operating expenses increased on a nominal basis, but declined almost 10% as percentage of sales. The Company had already ramped up production in prior quarters in anticipation of adult use sales. We are anticipating total Operating expenses to stay relatively flat in future periods, and continue to decrease as a percentage of sales as our investments into additional inventory are monetized through adult use sales.
Wholesale Market	• Q4 2024 wholesale activity improved more than +20% compared to Q3 2024, and we believe Ohio's regulations for manufacturing and cultivation present a strong growth potential for wholesale cannabis, allowing us to capitalize on the expanding adult-use market. • The amount of our net third-party wholesale sales in future periods could be reduced by increases in the demand of our owned Retail channels, whether through organic growth at our existing locations, completion of previously announced acquisitions, or expansion of new licenses issued.

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

4.1.4 Joint Ventures and Joint Operations

In addition to our operations in Arizona, we consider Ohio to be one of the most promising markets in the United States.

STATE	FOOTPRINT	VAPEN PRODUCTS IN MARKET	PRODUCT TYPE	VEXT RELATIONSHIP	VEXT ECONOMIC INTEREST	CURRENT STATUS	EXPECTED SHORT TERM DEVELOPMENTS
Ohio	Retail	NA	THC	LOI (Big Perm)	NA	Current license holder received Certification of Operation and is fully functional	See Section 4.2 below
	Retail	NA	THC	LOI (Big Perm)	NA	Current license holder received Certification of Operation and is fully functional	See Section 4.2 below
Kentucky	Processing and/or Wholesale	Yes	CBD	Joint Venture	50%	Operating and selling wholesale product	See Section 4.2 below
Oklahoma	Processing and/or Wholesale	Yes	THC	Joint Venture	25%	Operations expected to wind down in 2025	See Section 4.2 below
California	Processing and/or Wholesale	Yes	THC	Joint Operation	~50%	Company withdrew from agreement on January 31, 2025	See Section 4.2 below

4.2 Material Events That Occurred Subsequent to the Period

- On March 28, 2025, the Company received regulatory approval from the Ohio Division of Cannabis Control on the Big Perm acquisition. The Company expects to complete the transaction imminently.

- Management of the Company has decided to impair its investment in the Oklahoma Joint Venture (“Vapen Oklahoma”) and wind down operations in 2025. As a result of this decision, the Company incurred a non-cash impairment charge of $1,404,091 in the fourth quarter of 2024. This decision is based on current market conditions and product oversupply in Oklahoma, which have continued to negatively impact the operation's profitability despite positive developments in 2023. Upon liquidation of the Vapen Oklahoma, Vext will recognize a gain/loss on the disposal of joint venture assets and the settlement of liabilities. This gain/loss is not currently estimable but is expected to be immaterial. Vext does not anticipate any further charges related to the wind-down of operations. Further details regarding the liquidation plan, including estimated costs and proceeds, will be disclosed as they become available.

- Effective January 31, 2025, the Company withdrew from its joint operation agreement with Green Goblin, Inc. (“GG”), thereby terminating its 50% interest in the joint operation. This decision was driven by prevailing market conditions in California and the Company’s strategic focus on core markets. The Company will no longer recognize revenues, profits, or expenses associated with the joint operation from this date forward. As a result of this decision, the Company incurred a non-cash impairment charge of $1,540,363 in the fourth quarter of 2024.

Furthermore, the Company has initiated legal proceedings in the Superior Court of Maricopa County, Arizona, against several defendants, including GG, concerning the joint operation. This lawsuit seeks to recover over contributions and other amounts due to the Company under the joint operation agreement. At the date of this MD&A, the outcome of this litigation and the potential for recovery remain uncertain.

- Effective March 16, 2025, the Company acquired the remaining 50% membership interest in Vapen Kentucky from Emerald Point Hemp, LLC, utilizing non-cash consideration.

  Additionally, Vapen Kentucky has been granted a processing license for medical cannabis under the Kentucky Medical Cannabis Program. The Company is currently assessing strategic options regarding this license and will make a decision in the near future.

- Subsequent to the year ended December 31, 2024, the Company issued an aggregate of 138,009 Subordinated Voting Shares upon settlement of 160,418 RSUs, which were settled for a combination of Subordinated Voting Shares and cash equivalent to the amount the Company was permitted to withhold under the Company's restricted share unit plan for the remittance of tax related to the settlement of such restricted share units

4.3 Additional Commentary Around Financial Performance

The Company has reviewed its financial position and results of operations for the twelve months ended December 31, 2024 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 December 31, 2024 except as disclosed in Section 4.2. 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 2024 expansion plans do not depend on additional external capital.

SELECT FINANCIAL PERFORMANCE

5.1 Financial Results of Operations

Financial Results of Operations for the three months ended December 31, 2024 and 2023

	For the Three Months Ended		$	%
	December 31, 2024	**December 31, 2023**	Change	Change
SALES	$ 10,193,721	$ 8,415,253	$ 1,778,468	21.1 %
NET COST OF GOODS SOLD	7,976,938	6,581,028	1,395,910	21.2%
GROSS PROFIT	2,216,783	1,834,225	382,558	20.9%
OPERATING EXPENSES	5,109,147	8,615,401	(3,506,254)	(40.7%)
Accretion on debt	(373,953)	989	(374,942)	(37911.2%)
Share of loss in joint ventures/joint operations	(3,248,283)	65,285	(3,313,568)	(5075.5%)
Disposal of assets loss	(143,298)	(800,154)	656,856	(82.1%)
Change in fair value of debt	317,930	(4,268,229)	4,586,159	(107.4%)
Foreign exchange gain/(loss)	(1,294)	(1,881)	587	(31.2%)
Interest expense	(942,577)	(917,719)	(24,858)	2.7%
Interest income	41,167	91,657	(50,490)	(55.1%)
Gain on acquisition of control and bargain purchase	—	20,550,163	(20,550,163)	(100.0%)
Miscellaneous income	47,314	—	47,314	—%
Net (loss) before taxes	(7,195,358)	7,938,935	(15,134,293)	(190.6%)
Income tax expense	(2,019,604)	(2,310,796)	291,192	(12.6%)
Net income (loss) after tax	(9,214,962)	5,628,139	(14,843,101)	(263.7%)
Total comprehensive income (loss)	$ (9,214,962)	$ 5,628,139	$ (14,843,101)	(263.7%)
Basic earnings (loss) per subordinate voting share	$ (0.04)	$ 0.04	$ (0.07)	(200.0%)
Diluted earnings (loss) per subordinate voting share	$ (0.04)	$ 0.04	$ (0.07)	(200.0%)

Sales:

The following table is a comparison of the category breakdown for the three months ended December 31, 2024 compared to the same period of 2023.

	December 31, 2024	**December 31, 2023**	**$ Change**
Retail	$ 7,811,613	$ 6,788,774	$ 1,022,839
Wholesale, Manufacturing & Other	2,382,108	1,626,479	755,629
Total Sales	$ 10,193,721	$ 8,415,253	$ 1,778,468

Sales increased by $1,778,468 or +21.1% when comparing three months ended December 31, 2024 vs 2023. Declines in Arizona revenue were offset by the addition of Ohio cultivation, manufacturing, and a second Ohio retail location in 2024. The Ohio additions also benefited from the start of adult use sales in Q3 2024.

Gross Profit:

The following table shows the comparison by category breakdown for three months ended December 31, 2024 compared to the same period of 2023.

	December 2024		December 2023
Cost of goods sold	$ 6,042,549	Cost of goods sold	$ 5,373,475
Wages and benefits	1,539,284	Wages and benefits	2,382,951
Amortization	2,183,164	Amortization	1,911,650
General & administrative	1,322,686	General & administrative	4,089,992
Subtotal expenses	$ 11,087,683	Subtotal expenses	$ 13,758,068
Gross profit	4,151,172	Gross profit	3,041,778
With the effect of biological inventory gross profit changes:	$ 2,216,783	With the effect of biological inventory gross profit changes:	$ 1,834,225

Gross profit for the three months ended December 31, 2024, was $4,151,172 compared to $3,041,778 for the same period in 2023. The primary drivers of the improvement to Gross profit was the consolidation of the Ohio cultivation, manufacturing and second Retail location. Declines in Wages and benefits were offset by increases in General & administrative and 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 should improve with the implementation of adult-use statue and an expanded potential customer base.

Financial Results of Operations for the twelve months ended December 31, 2024 and 2023

	For the Twelve Months Ended December 31, 2024	December 31, 2023	$ Change	% Change
SALES	$ 35,997,581	$ 34,812,311	$ 1,185,270	3.4 %
NET COST OF GOODS SOLD	27,019,836	22,773,885	4,245,951	18.6 %
GROSS PROFIT	8,977,745	12,038,426	(3,060,681)	(25.4)%
OPERATING EXPENSES	20,157,744	19,881,551	276,193	1.4 %
Accretion on debt	(373,953)	19,003	(392,956)	(2,067.9)%
Share of loss in joint ventures/joint operations	(3,650,904)	(87,550)	(3,563,354)	4,070.1 %
Disposal of assets loss	(146,654)	(810,872)	664,218	(81.9)%
Change in fair value of debt	(650,876)	(4,805,097)	4,154,221	(86.5)%
Change in fair value of purchase option	(2,022,211)	—	(2,022,211)	— %
Foreign exchange gain/(loss)	619	(5,367)	5,986	(111.5)%
Interest expense	(3,550,764)	(3,811,646)	260,882	(6.8)%
Interest income	220,245	157,234	63,011	40.1 %
Gain on acquisition of control and bargain purchase	—	20,550,163	(20,550,163)	(100.0)%
Miscellaneous income	232,314	—	232,314	— %
Net (loss) before taxes	(21,122,183)	3,362,743	(24,484,926)	(728.1)%
Income tax (expense)/recovery	(1,312,993)	1,035,704	(2,348,697)	226.8 %
Net income (loss) after taxes	(22,435,176)	4,398,447	(26,833,623)	(610.1)%
Remeasurement of financial liabilities measured at fair value through profit or loss	$ 2,493,071	$ —	$ 2,493,071	— %
Total comprehensive gain/(loss)	$ (19,942,105)	$ 4,398,447	$ (24,340,552)	(553.4)%
Basic earnings (loss) per subordinated voting share	$ (0.08)	$ 0.03	$ (0.11)	(366.7)%
Diluted earnings (loss) per subordinated voting share	$ (0.08)	$ 0.03	$ (0.11)	(366.7)%

Sales:

The following table is a comparison of the category breakdown for the twelve months ended December 31, 2024 compared to the same period of 2023.

	December 31, 2024	December 31, 2023	$ Change
Retail	$ 27,810,841	$ 31,161,935	$ (3,351,094)
Wholesale, Manufacturing & Other	8,186,740	3,650,376	4,536,364
Total Sales	$ 35,997,581	$ 34,812,311	$ 1,185,270

Sales increased by $1,185,270 which is a +3.4% increase comparing twelve months ended December 31, 2024 vs 2023. Increased sales are primarily due to consolidation of a second Ohio retail for 10 months in 2024 and increases in Ohio cultivation & processing sales for 5 months of adult use sales, offset by declines in Arizona retail & wholesale sales. 2024 Wholesale sales included sales to Ohio retail locations under contract, not yet consolidated (Cannascend for 2 months, Big Perm for 12 months).

Gross Profit:

The following table shows the comparison by category breakdown for twelve months ended December 31, 2024 compared to the same period of 2023.

	December 2024			December 2023	
Cost of goods sold	$	24,476,693	Cost of goods sold	$	21,124,352
Wages and benefits		5,195,698	Wages and benefits		5,126,592
Amortization		8,340,333	Amortization		4,854,860
General & administrative		5,530,666	General & administrative		8,329,335
Subtotal expenses	$	43,543,390	Subtotal expenses	$	39,435,139
Gross profit		11,520,888	Gross profit		13,687,959
With the effect of biological inventory gross profit changes:	$	8,977,745	With the effect of biological inventory gross profit changes:	$	12,038,426

Gross profit for the twelve months ended December 31, 2024, was $11,520,888 compared to $13,687,959 for the same period in 2023. Declines in Gross profit were primarily driven by declines in Arizona sales, with partial offset by increases in Ohio Gross profit. We are anticipating that the Arizona margin will continue to be challenged due to excess cultivation capacity, which we anticipate will decline due to consolidation and capitulation by cultivators faced with shrinking margins. Ohio margins should improve with the implementation of adult-use statue and an expanded potential customer base.

Financial Results of Operation for the Twelve Months Ended December 31, 2023 and 2022

	For the Twelve Months Ended		$	%
	December 31, 2023	**December 31, 2022**	Change	Change
REVENUES	**$ 34,812,311**	$ 35,410,636	$ (598,325)	(1.7%)
NET COST OF GOODS SOLD	22,773,885	12,312,187	10,461,698	(85.0%)
GROSS PROFIT	12,038,426	23,098,449	(11,060,023)	(47.9%)
OPERATING EXPENSES	19,881,551	13,815,199	6,066,352	(43.9%)
OTHER INCOME (EXPENSE)				
Accretion on debt	19,003	(12,372)	31,375	253.6%
Share of (loss) in joint ventures	(87,550)	(466,199)	378,649	81.2%
Disposal of assets gain/(loss)	(810,872)	20,397	(831,269)	4075.4%
Loss on fair value of debt and purchase option	(4,805,097)	(200,170)	(4,604,927)	(2300.5%)
Foreign exchange gain/(loss)	(5,367)	1,186	(6,553)	552.5%
Interest expense	(3,811,646)	(2,040,180)	(1,771,466)	(86.8%)
Interest income	157,234	111,992	45,242	(40.4%)
Gain on acquisition of control and bargain purchase	20,550,163	—	20,550,163	—%
Net income before taxes	**3,362,743**	6,697,904	(3,335,161)	(49.8%)
Income tax recovery (expense)	1,035,704	4,221,376	(3,185,672)	75.5%
Net income after tax	**$ 4,398,447**	$ 10,919,280	$ (6,520,833)	(59.7%)
Total comprehensive income	**$ 4,398,447**	$ 10,919,280	$ (6,520,833)	(59.7%)
Basic earnings per subordinate voting share	**$ 0.03**	$ 0.08	$ (0.05)	(66.0%)
Diluted earnings per subordinate voting share	**$ 0.03**	$ 0.08	$ (0.05)	(65.9%)

Sales:

The following table is a comparison of the category breakdown for the twelve months ended December 31, 2023 compared to the same period of 2022.

	December 31, 2023	**December 31, 2022**	**$ Change**
Retail	$ 31,161,935	$ 28,875,669	$ 2,286,266
Wholesale, Manufacturing & Other	3,650,376	6,534,967	(2,884,591)
Total Revenue	$ 34,812,311	$ 35,410,636	$ (598,325)

Sales decreased by $(598,325) or (1.7%) when comparing twelve months ended December 31, 2023 vs December 31, 2022. Decreased sales are primarily from decreases in the wholesale and third party manufacturing businesses in Arizona, offset by new consolidated additions of Ohio retail sales and three months of Ohio cultivation and processing sales.

Gross Profit:

The following table shows the comparison by category breakdown for twelve months ended December 31, 2023 compared to the same period of 2022.

	December 2023			December 2022	
Cost of goods sold	$	21,124,352	Cost of goods sold	$	14,483,833 *
Wages, benefits and commissions		5,126,592	Wages, benefits and commissions		3,471,062
Amortization		4,854,860	Amortization		3,328,578
General & administrative		8,329,335	General & administrative		4,898,820
Subtotal expenses	$	39,435,139	Subtotal expenses	$	26,182,293
Gross profit	$	13,687,959	Gross profit	$	20,926,803 *
With the effect of biological inventory gross profit changes:	$	12,038,426	With the effect of biological inventory gross profit changes:	$	23,098,449

*Cost of goods sold was revalued from historic cost to wholesale as part of the acquisition of the two dispensaries, which temporarily inflated gross profit. This one time entry was amortized back into cost of goods sold in Q2 2022, see EBITDA table.

Pursuant to the Company's dispensaries conversion to for-profit status, biological assets were recorded in the books of record at Fair Value Less Cost to Sell (FVLCS) which resulted in Unrealized and Realized Gain of $(3,521,452) and $5,170,985 realized loss, respectively.

Gross profit for the twelve months ended December 31, 2023, was $12,038,426 compared to $23,098,449 for the same period in 2022, a decrease of $(11,060,023) or (47.9)%. The decrease in gross profit is primarily related to the pick-up of inventory when the dispensaries were acquired in the for-profit switch. The gross profit margins began to normalize with the third quarter of 2022. We have also seen a significant reduction in contract manufacturing and wholesale in the Arizona market. This began in third quarter 2022 and has continued to decline through the fourth quarter of 2023. We believe that business fall off is nearing the bottom and will show some slight rebound as brands and product supplies better aligns with overall market demand in Arizona.

5.2 Summary of Quarterly Results and Reconciliation of non-IFRS Measures (EBITDA and Adjusted EBITDA)

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

The Company defines EBITDA and Adjusted EBITDA as per the table below. It should be noted that these performance measures are not defined under IFRS and may not be comparable to similar measures used by other entities. 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:

	2024				2023			
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Revenue	10,193,721	8,986,909	8,426,928	8,390,023	8,415,253	8,099,285	9,187,122	9,110,651
Gross profit before FV adjustments	4,151,172	3,744,583	1,781,495	1,938,797	3,041,778	3,186,541	2,789,521	4,642,093
Gross profit margin % before FV adj.	41%	42%	21%	23%	36%	39%	30%	51%
Change in FV of biological	1,934,389	(223,731)	227,503	604,982	1,207,553	381,800	119,802	(59,623)
Operating expense	5,109,147	5,259,190	5,313,879	4,570,687	8,615,401	4,527,143	1,992,529	3,887,819
Other (income) expense	4,302,994	1,444,736	757,392	3,437,062	(14,720,111)	1,180,174	1,282,800	1,881,902
Income taxes (recovery)	2,019,604	(238,844)	(127,244)	(340,522)	2,310,796	(1,064,372)	(1,141,064)	(1,141,064)
Net Income after taxes	**$ (9,214,962)**	**$ (2,496,768)**	**$ (4,390,035)**	**$ (6,333,412)**	**$ 5,628,139**	**$ (1,838,204)**	**$ 535,454**	**$ 73,059**
Basic earnings per subordinate voting share	$ (0.04)	$ (0.01)	$ (0.01)	$ (0.03)	$ 0.03	$ (0.01)	$ —	$ —
Diluted earnings per subordinate voting share	$ (0.04)	$ (0.01)	$ (0.01)	$ (0.03)	$ 0.03	$ (0.01)	$ —	$ —
Interest (net)	901,410	826,598	801,832	800,680	826,062	956,561	1,010,812	860,978
Income taxes (recovery)	2,019,604	(238,844)	(127,244)	(340,522)	2,310,796	(1,064,372)	(1,141,064)	(1,141,064)
Depreciation and amortization	3,871,894	3,833,678	3,886,756	3,587,409	3,510,216	2,350,373	1,859,779	1,845,036
EBITDA	**$ (2,422,054)**	**$ 1,924,664**	**$ 171,309**	**$ (2,285,845)**	**$ 12,275,213**	**$ 404,358**	**$ 2,264,981**	**$ 1,638,009**
Share-based compensation	55,662	392,912	233,868	13,065	111,794	73,623	68,862	130,332
Accretion	373,953	—	—	—	(989)	(5,983)	(6,004)	(6,026)
Share (profit)/loss on joint ventures	3,248,283	121,335	118,370	162,916	(65,285)	47,777	13,854	91,205
(Gain)/loss on asset disposal	143,298	1,912	—	1,444	800,154	—	—	—
Loan costs WPCU loan	—	—	—	—	—	—	342	742,036
Change in FV of debt	(317,930)	612,086	(104,150)	460,870	1,634,445	126,366	219,518	190,984
Loan costs EWB amortized	44,287	44,287	44,827	44,286	155,068	44,287	43,969	45,451
FV of APP1803 option	—	—	—	2,022,211	2,633,784	—	—	—
RSU taxes	177,266	—	—	4,199	3,789	4,274	4,274	75,825
Foreign exchange	1,294	(445)	(910)	(559)	1,881	448	310	2,726
ERC tax credit	—	—	—	—	—	—	(1,680,793)	—
Change in FV of biological	1,934,389	(223,731)	227,503	604,982	1,207,553	381,800	119,802	(59,623)
FV increment on acquired inventory sold	—	—	393,417	929,505	—	—	—	—
Gain on acquisition of control and bargain purchase	—	—	—	—	(20,550,163)	—	—	—
Reserves on Notes Receivable & Investments in Joint Operations	—	—	—	—	1,403,377	—	—	—
Executive Chairman Severance	—	—	—	—	940,000	—	—	—
Adjusted EBITDA	**$ 3,238,448**	**$ 2,873,020**	**$ 1,084,234**	**$ 1,957,074**	**$ 550,621**	**$ 1,076,950**	**$ 1,049,115**	**$ 2,850,919**
Adjusted EBITDA % of Revenue	31.8%	32.0%	12.9%	23.3%	6.5%	13.3%	11.4%	31.3%
Annual Adjusted EBITDA	**$ 9,152,776**	**2024**			**$ 5,527,605**	**2023**		

BALANCE SHEET ANALYSIS

6.1 Financial Position:

Financial Position at December 31, 2024

		December 31, 2024		December 31, 2023		$ Change
ASSETS						
Current assets	**$**	**26,395,764**		41,284,349		(14,888,585)
Non-current assets		**110,570,930**		108,275,457		2,295,473
Total Assets	**$**	**136,966,694**	$	149,559,806	$	(12,593,112)
LIABILITIES AND SHAREHOLDERS' EQUITY						
Current liabilities	**$**	**17,860,536**		13,981,477		3,879,059
Long-term liabilities		**43,370,481**		40,596,054		2,774,427
Shareholders' equity		**75,735,677**		94,982,275		(19,246,598)
Total liabilities and shareholders' equity	**$**	**136,966,694**	$	149,559,806	$	(12,593,112)

		December 31, 2023		December 31, 2022		$ Change
ASSETS						
Current assets	**$**	**41,284,349**		51,925,898		(10,641,549)
Non-current assets		**108,275,457**		68,591,076		39,684,381
Total Assets	**$**	**149,559,806**	$	120,516,974	$	29,042,832
LIABILITIES AND SHAREHOLDERS' EQUITY						
Current liabilities	**$**	**13,981,477**		15,733,153		(1,751,676)
Long-term liabilities		**40,596,054**		32,865,299		7,730,755
Shareholders' equity		**94,982,275**		71,918,522		23,063,753
Total liabilities and shareholders' equity	**$**	**149,559,806**	$	120,516,974	$	29,042,832

The following discussion of the Company's financial position is based on the Company's consolidated statement of financial position as at December 31, 2024.

6.2 Select Balance Sheet Highlights

2024 vs. 2023:

Current Assets

	December 31, 2024	December 31, 2023	$ Change
Cash	$ 4,624,920	$ 8,720,132	$ (4,095,212)
Amounts receivable, net	1,014,376	1,260,551	(246,175)
Biological assets	1,576,540	1,017,836	558,704
Prepaid expenses, deposits, and other receivables	6,640,051	5,982,500	657,551
Notes receivable - current	799,980	6,689,325	(5,889,345)
Loans to joint operation	—	470,835	(470,835)
Purchase option	—	4,903,211	(4,903,211)

- Please refer to Section 6.3 of this MD&A for details on cash.

- The decrease in Amounts receivable, net was primarily driven by the anticipated termination of the Vapen Oklahoma operation.

- The increase in Biological assets was driven by an increase in plant counts at the OH cultivation facility to meet increased adult use demand.

- The increase in Prepaid expenses, deposits, and other receivables was driven by increased deposits related to the Ohio cultivation and the pending Big Perm acquisition.

- The decrease in Notes receivable - current & Purchase option was driven by the completion of the acquisition of CannAscend and write-off of Happy Travels.

- The decrease in Loans to joint operation was the result of the Company terminating its agreement with Green Goblin Inc.

Non-current Assets

	December 31, 2024	December 31, 2023	$ Change
Property, plant and equipment	$ 35,943,429	$ 38,542,792	$ (2,599,363)
Investment in joint ventures	356,843	1,714,068	(1,357,225)
Right-of-use asset	3,525,444	2,626,104	899,340
Intangible assets	$ 64,262,947	$ 61,992,346	$ 2,270,601
Goodwill	5,135,153	2,069,268	3,065,885

- The decrease in Property, plant and equipment was driven by normal course depreciation of assets.

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

- The increase in Right-of-use asset was driven by three (3) additional retail leases in Ohio, of which one (1) relates to the CannAscend Columbus acquisition.

- The increases in Intangible assets & Goodwill was driven by the completion of the acquisition of CannAscend.

Current Liabilities

	December 31, 2024	December 31, 2023	$ Change
Payables and accrued liabilities	$ 11,912,036	$ 6,761,764	$ 5,150,272
Due to related parties	474,334	961,655	(487,321)
Notes payable – current portion	4,643,584	5,787,177	(1,143,593)
Lease liability – current portion	830,582	470,881	359,701

- The increase in Payables and accrued liabilities was primarily an increase in Trade Payables and Accrued liabilities, including those assumed as part of the acquisition of CannAscend.

- The decrease in Due to related parties was related to Executive Chairman severance payments.

- The decrease in Notes payable - current portion was related to a reclass to Notes payable - non-current portion, offset by draws on the Company's line of credit announced on May 29, 2024.

- The increase in Lease liability - current portion was driven by three (3) additional retail leases in Ohio, of which one (1) relates to the CannAscend Columbus acquisition.

Long-term Liabilities

	December 31, 2024	December 31, 2023	$ Change
Notes payable – non-current portion	$ 31,083,115	$ 30,054,393	$ 1,028,722
Lease liability – non-current portion	2,960,050	2,284,293	675,757
Deferred tax liabilities	9,327,316	8,257,368	1,069,948

- The increase in Notes payable - non-current portion was related to a reclass from Notes payable - current portion and new promissory notes related to real property acquisitions of a retail locations in Ohio.

- The increase in Lease liability - non-current portion was driven by three (3) additional retail leases in Ohio, of which one (1) relates to the CannAscend Columbus acquisition.

- The increase in Deferred tax liabilities was driven by the completion of the acquisition of CannAscend.

Working Capital Position

As at December 31, 2024, the Company's working capital position was $8,535,228 compared to December 31, 2023 of $27,302,872. The decrease of $(18,767,644) was primarily driven by reductions in 1) Cash, 2) Notes receivable - current, and 3) Purchase option as a result of the acquisition of CannAscend. The completion of the CannAscend acquisition included a cash payment of approximately $2.9 million, reclassification of the approximately $4.8 million in related Notes Receivable, and removal of the $4.9 million related purchase option. There was also an increase of approximately $5.2 million in Payables and accrued liabilities primarily as a result of the CannAscend acquisitions and an increase of $1.4 million in Notes payable - current as a result of the Company's line of credit.

2023 vs 2022:

Current Assets

	December 31, 2023	December 31, 2022	$ Change
Cash	$ 8,720,132	$ 5,933,837	$ 2,786,295
Amounts receivable, net	1,260,551	3,295,537	(2,034,986)
Prepaid expenses, deposits, and other receivables	5,982,500	9,945,716	(3,963,216)
Notes receivable – current	6,689,325	18,111,849	(11,422,524)
Purchase option	4,903,211	—	4,903,211

- Please refer to Section 6.3 of this MD&A for details on cash.
- The primary decreases in 1) Amounts Receivable, net, 2) Prepaid expenses, deposits, and other receivables, 3) Notes receivable - current are from the purchases of Buckeye Botanical (closed January 3, 2023) and of Appalachian Pharm Processing (closed on October 3, 2023).
- The increase in Purchase option is related to the option to purchase CannAscend, which was part of the APP1803 acquisition. The Company exercised this Purchase Option on February 29, 2024 and began consolidating CannAscend in the Q1 2024 financial statements.

Non-current Assets

	December 31, 2023	December 31, 2022	$ Change
Property, plant and equipment	$ 38,542,792	$ 35,650,655	$ 2,892,137
Right-of-use asset	2,626,104	796,940	1,829,164
Intangible assets	61,992,346	27,838,374	34,153,972
Goodwill	2,069,268	461,752	1,607,516
Deferred tax asset	2,496	756,253	(753,757)

- The increase in 1) Property, plant and equipment, 2) Right-of-use asset, 3) Intangible assets, and 4) Goodwill, as well as the decrease in Deferred tax asset, was driven by the purchases of Buckeye Botanical (closed January 3, 2023) and of Appalachian Pharm Processing (closed on October 3, 2023). These balances were driven by changes in Current Assets detailed above, plus the Gain on bargain purchase.

Current Liabilities

	December 31, 2023	December 31, 2022	$ Change
Notes payable – current portion	$ 5,787,177	$ 5,799,834	$ (12,657)

- The decrease in Notes payable - current portion was primarily due the current portion of the $4.6 million non-convertible debentures that was converted into subordinate voting shares pursuant to the Conversion Transaction. The Conversion Transaction was announced on December 27, 2023 and closed on March 6, 2024.

Long-term Liabilities

	December 31, 2023	December 31, 2022	$ Change
Notes payable – non-current portion	$ 30,054,393	$ 31,459,356	$ (1,404,963)
Lease liability – non-current portion	2,284,293	737,030	$ 1,547,263
Deferred tax liabilities	8,257,368	668,913	$ 7,588,455

- The decrease in Note payable - non-current portion was primarily related to the Non-current portion of the Conversion Transaction announced on December 27, 2023 and closed on March 6, 2024 & by the sale of the Prescott Valley cultivation and subsequent debt pay down. The decrease was offset by new Notes payable from the acquisition of Appalachian Pharm Processing.

- The increase in Lease liability - non-current portion was driven by the acquisition of Appalachian Pharm Processing, which included new leases related to the cultivation and processing facility in Ohio.

- The increase in Deferred tax liabilities were primarily driven by the purchases of Buckeye Botanical, and of Appalachian Pharm Processing.

Working Capital Position

As at December 31, 2023, the Company's working capital position was $27,302,872 compared to December 31, 2022 of 36,192,745. The decrease of $(8,889,873) was primarily driven by reductions in 1) Prepaid expenses, deposits, and other receivables and 2) Notes receivable - current as a result of the acquisitions of Buckeye Botanical and Appalachian Pharm Processing. The completion of those acquisitions resulted in a reclassification of the related assets from Current Assets to Non-current Assets. There was also an increase in Notes payable - current portion as a result of those acquisitions.

6.3 Cash from Activities

The following table summarizes the sources and uses of cash for the twelve months ended December 31, 2024 compared to and the same period of 2023:

		December 31, 2024	December 31, 2023	$ Change
Cash provided by operating activities	$	**3,288,554**	4,424,704	(1,136,150)
Net cash used in investing activities		**(5,437,202)**	(4,824,002)	(613,200)
Net cash (used in) provided by financing activities		**(1,946,564)**	3,185,590	(5,132,154)
Net change in cash	$	**(4,095,212)**	2,786,292	(6,881,504)

2024 vs. 2023

OPERATING ACTIVITIES	**$(1,136,150)** change The change in operating cash flow was primarily driven by declines in Net income offset by non-cash items such as Gain on bargain purchase +$20M, Deferred tax liabilities +4.3M, Amortization +$3.5M, and Depreciation +$2.0M related to the Ohio acquisitions and Share of loss on joint ventures +$2.0M related to the anticipated termination of Vapen Oklahoma. Additional cash offsets include +$4.1M increase in Inventory, driven by an increase in Ohio now that adult use sales are permitted, and a +$1.5M increase in Payables and accrued liabilities.
INVESTING ACTIVITIES	**$(613,200)** change The change in investing cash flow was primarily driven by cash paid related to the CannAscend acquisition, offset by declines in property, plant and equipment acquisitions related to the Eloy cultivation facility. The Eloy cultivation facility is operational and had its first harvest in Q1 2024.
FINANCING ACTIVITIES	**$(5,132,154)** change The change in financing cash flow was primarily driven by the difference between 2024's Standby Facility of +$1.7M compared to the 2023 Private Placement raise completed on October 12, 2023 of +$11.5M. 2024 had normal course loan & lease payments made, while 2023 had additional loan pay down activity related to the Ohio acquisition & sale of the Prescott Valley cultivation facility.

The following table summarizes the sources and uses of cash for the twelve months ended December 31, 2023 compared to and the same period of 2022:

	December 31, 2023	December 31, 2022	$ Change
Cash provided by operating activities	**$ 4,424,704**	$ 5,722,655	**$ (1,297,951)**
Net cash used in investing activities	**(4,824,002)**	(30,313,171)	**25,489,169**
Net cash provided by financing activities	**3,185,590**	24,057,262	**(20,871,672)**
Net change in cash	**$ 2,786,292**	$ (533,254)	**$ 3,319,546**

2023 vs. 2022

OPERATING ACTIVITIES	**$(1,297,951)** change The change in operating cash flow was primarily driven by 1) a decline in net income and 2) the impact of the Gain on Acquisition of Appalachian Pharm entities / Bargain Purchase Gain. These declines were offset by the 1) unwinding of deferred tax liabilities, 2) improvements to Non-cash working capital items, 3) Change in fair value of purchase option, and 4) realized change in fair value of inventory sold. Most of the offsets were also related to the acquisition of Appalachian Pharm entities and Buckeye Botanical.
INVESTING ACTIVITIES	**$25,489,169** change The change in investing cash flow was primarily driven by 1) 2022 issuance of Notes receivable to Appalachian Pharm entities, 2) the sale of the Prescott Valley cultivation facility, and 3) acquiring less property plant and equipment in 2023 (outside of the Appalachian Pharm entities). These improvements were partially offset by loans to joint operators and cash advanced to Appalachian Pharm entities and Buckeye Botanical prior to the completion of their respective acquisitions.
FINANCING ACTIVITIES	**$(20,871,672)** change The change in financing cash flow was primarily driven by 1) new loans in 2022 related to the Ohio acquisitions, and 2) loan payments made in conjunction to the sale of the Prescott Valley cultivation facility on October 18, 2023. These reductions were offset by the 2023 Private Placement (as defined below) raise completed on October 12, 2023.

6.4 Liquidity and Capital Resources

Our 2024 Annual Financial Statements follow International Financial Reporting Standards Accounting Standards (IFRS) applicable to a going concern. This means we 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. We intend to meet our future financial needs through continued operations.

As of December 31, 2024, our working capital was $8,535,228, down from $27,302,872 at December 31, 2023. Despite this decrease, management believes this working capital remains sufficient to sustain operations beyond one year. The primary reason for the decline was the completion of the acquisition of CannAscend, providing the Company with a second consolidated dispensary in Ohio.

The Company has secured loans against our real property. As of December 31, 2024, the outstanding secured debt of approximately $27.7 million represents a roughly 50% loan-to-appraised value ratio. The EWB loans require the Company to maintain certain 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.

In October 2023, the Company closed a private placement financing of 67,647,058 subordinate voting shares at a price of $0.17 per share for aggregate gross proceeds of $11.5 million (the “2023 Private Placement”). In connection with the 2023 Private Placement, the Company entered into a shareholders agreement with certain management shareholders and other subscribers under the 2023 Private Placement (collectively, the “Subject Shareholders”), pursuant to which the Company and the Subject Shareholders agreed to a number of rights and restrictions applicable to the Company and the Subject Shareholders.

In December 2023, we agreed to the terms of a conversion transaction pursuant to which approximately $4.6 million of secured shareholder notes would be converted into equity. This conversion will reduce both ongoing interest expenses and a future balloon payment. Such conversion transaction was completed on March 6, 2024, after receipt of applicable regulatory approval.

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.
4. The recent debt conversion improves our financial position.

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. As of December 31, 2024, the Company has already begun repaying the Standby Facility, which is due in full by May 28, 2025.

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 ($2,000,000)	N/A

During the year ended December 31, 2023, the Company completed the following financings:

1. The Company completed the 2023 Private Placement through the issuance of 67,647,058 subordinate voting shares of the Company at a price of $0.17 per subordinate voting share, including the full exercise of a $1.5 million over-allotment option as outlined in the Company's news release of October 2, 2023.

2. The following table sets out a comparison of how the Company used the aggregate net proceeds of the 2023 Private Placement, 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
Potential acquisitions	Purchase of Big Perm's Dispensary Ohio, LLC ($7,700,000) Transaction expenses of advisors ($395,000)	N/A
Construction and improvements	Cultivation buildout (tenant improvements) ($2,912,217)	N/A

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 Executive Chairman, Chief Executive Officer, Chief Operating Officer, Chief Financial Officer, and Corporate Secretary.

Remuneration attributed to key management personnel for the twelve months ended December 31, 2024 and December 31, 2023 is summarized as follows:

	December 31, 2024	December 31, 2023
Share-based compensation	**$ 245,098**	$ 252,042
Eric Offenberger, CEO, COO, and Director	(3,051)	175,400
Trevor Smith, CFO	53,085	27,548
Mark Opzoomer, Director	52,256	35,800
Stephan Bankosz, CFO (former)	—	13,294
Spiro A. Phanos, Director	38,904	—
Terry L. Creighton, Director	38,904	—
David Johns, Director	40,958	—
Nalee Pham, Corporate Secretary	24,042	—
Salaries and wages included in cost of goods sold	**218,516**	335,367
Jason Nguyen, Director	—	184,034
Eric Offenberger, CEO, COO, and Director	37,166	37,855
Stephan Bankosz, CFO (former)	—	74,898
Trevor Smith, CFO	90,198	32,842
David Johns, Director	24,864	5,738
Nalee Pham, Corporate Secretary	66,288	—
Salaries, wages and commissions included in operating expenses	**611,375**	727,688
Jason Nguyen, Director	—	300,266
Eric Offenberger, CEO, COO, and Director	272,553	277,604
Stephan Bankosz, CFO (former)	—	74,898
Trevor Smith, CFO	90,198	32,842
David Johns, Director	182,336	42,078
Nalee Pham, Corporate Secretary	66,288	—
Consulting fees included in operating expenses	**157,011**	84,750
Mark Opzoomer, Director	85,000	84,750
Spiro A. Phanos, Director	36,000	—
Terry L. Creighton, Director	36,011	—
Total	**$ 1,231,999**	$ 1,399,847

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.

Balances with related parties:

The Company sells non cannabis consumables to its joint ventures ("JVs"), Vapen Oklahoma and Vapen Kentucky, and joint operations ("JOs"), Happy Travels, at cost plus a nominal handling fee. Prior to October 3, 2023, the Ohio operations were also purchasing consumables from Vext subsidiaries. These transactions are recorded at their fair value, which is considered to be cost plus handling. There are no ongoing purchase commitments from the JVs or JOs. The collectability of these receivables is dependent on the individual JV's or JO's cash flow generation. Unlike typical trade receivables, the Company, as a direct contributor, may be called upon to cover any cash shortfalls within the JV or JO, depending on the specific operation. The Company has a strategic interest in certain JVs and JOs and may choose to acquire them in the future. When assessing the fair value of such acquisitions, any outstanding receivables from the JV or JO are considered as part of the overall purchase consideration. The value of "cash" remitted to JVs and JOs, including payroll or other contributions, is recorded at the amount of cash paid.

Combined the sales and contributions are treated as a note receivable from the operating entities.

Product Sales	**December 31, 2024**	December 31, 2023
Vapen Kentucky	$ —	$ 54,844
Happy Travel LLC	—	23,725
Vapen Oklahoma - Processing	10,420	137,277
Total	$ 10,420	$ 215,846

Cash Contributions for Operating Expenses	**December 31, 2024**	December 31, 2023
Vapen Kentucky	$ 72,744	$ 227,664
Happy Travel LLC	30,174	905,425
Vapen Oklahoma - Processing	32,245	1,749
Total	$ 135,163	$ 1,134,838

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

	December 31, 2024	December 31, 2023
11.5% interest bearing, due on December 31, 2025 from Jason T. Nguyen, Director	**$ 1,347,114**	$ 1,328,383

The Promissory Note issued by Mr. Nguyen is recorded at present value of the principle 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 twelve months ended December 31, 2024, $59,505 in interest was accrued on these notes payable. Interest began on January 1, 2024. During the twelve months ended December 31, 2024 and December 31, 2023 the portion of the promissory notes payable due is as follows:

		December 31, 2024		December 31, 2023
Promissory Note - App Pharms Processing (current)	$	28,358	$	45,372
Promissory Note - App Pharms Products (current)		8,732		16,587
Total Current Promissory Note Payable (Director)		**37,090**		61,959
Promissory Note - App Pharms Processing (non-current)		538,793		521,778
Promissory Note - App Pharms Products (non-current)		165,901		158,046
Total Non-current Promissory Note Payable (Director)		**704,694**		679,824
Total Promissory Note Payable (Director)	**$**	**741,784**	$	741,783
Interest Payable		**59,505**		—
Total Interest Payable (Director)	**$**	**59,505**	**$**	**—**

Amounts due to related parties as at December 31, 2024 and December 31, 2023 included the following:

	December 31, 2024	December 31, 2023
Payables and Accrued Liabilities		
Jason T. Nguyen, Director and former Executive	**474,334**	948,314
Mark Opzoomer, Director	—	13,341
Total	**474,334**	961,655

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.

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	160,418
Stock options	5,947,534
Warrants	365,909
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.

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.

<u>Credit risk</u>

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, 2022, December 31, 2023 and December 31, 2024, 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, 2022	73%	6%	3%	18%	$3,295,537
December 31, 2023	74%	11%	7%	8%	$1,260,551
December 31, 2024	93%	3%	1%	3%	$1,014,376

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 $465,583 in 2023, which included an amount owed by Happy Travels and a non-licensed arm's length party. The allowance was reduced to $285,722 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. (see Section 4.2 of this MD&A for more information).

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 December 31, 2024, the Company had cash, accounts receivable and short-term notes receivable of $6,439,276 to settle its current liabilities of $17,860,536. With the Company's expansion into Ohio and initial results from the commencement of adult use sales in Ohio, 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 December 31, 2024, approximately $14.0M 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 December 31, 2024, a hypothetical 100 basis point increase in the variable interest rate would increase the annual interest expense by approximately $139,966.

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 Canadian 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 December 31, 2024, 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 December 31, 2024, there are 168 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 December 31, 2024 there were 127 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 December 31, 2024, 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.

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.