Vext Science, Inc.

MANAGEMENT’S DISCUSSION AND ANALYSIS FOR THE PERIOD ENDED December 31, 2023

Dated as of May 9, 2024

(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 Vext Science, Inc.

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

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

1.3 Management’s Responsibility for the Financial Statements

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

1.4 Review and Approval by the Board of Directors

The board of directors of the Company, on the recommendation of its Audit Committee, approved the contents of this MD&A on May 9, 2024.

1.5 Annual Comparisons in the MD&A

Unless otherwise indicated, all comparisons of results for 2023 (twelve months ended December 31, 2023) are compared against results for 2022 (twelve months ended December 31, 2022).

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 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, 2023, and it presents an analysis of the consolidated financial position of Vext for the year ended December 31, 2023. The following information should be read in conjunction with the audited annual consolidated financial statements of the Company for the year ended December 31, 2023, including the notes contained therein (the "2023 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 2023 Annual Financial Statements are prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). The 2023 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, 2023. 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.

Disclosure of Accounting Policies (Amendments to IAS 1)

The IASB has issued amendments to IAS 1 Presentation of Financial Statements which require entities to disclose their "material" accounting policy information rather than their "significant" accounting policies.

The amendments explain that accounting policy information is material if omitting, misstating or obscuring that information could reasonably be expected to influence decisions that the primary users of the financial statements make on the basis of those financial statements. The amendments also clarify that accounting policy information may be material because of its nature, even if the related amounts are immaterial. This amendment is effective for annual periods beginning on or after January 1, 2023. Earlier application is permitted. The adoption of these amendments did not have a significant impact on the Company's financial statements.

Definition of Accounting Estimates (Amendments to IAS 8)

The IASB has issued amendments to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors which introduce a definition of accounting estimates and provide other clarifications to help entities distinguish accounting policies from accounting estimates. Under the amendments, accounting estimates are defined as "monetary amounts in financial statements that are subject to measurement uncertainty". The amendments also emphasize that a change in an accounting estimate that results from new information or new developments is not an error correction, and that changes in an input or a measurement technique used to develop an accounting estimate are considered changes in accounting estimates if those changes in an input or measurement technique are not the result of an error correction. This amendment is effective for annual periods beginning on or after January 1, 2023. Earlier application is permitted. The adoption of these amendments did not have a significant impact on the Company's financial statements.

Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IFRS 1 and IAS 12)

The IASB has issued amendments to IFRS 1 First-time Adoption of International Financial Reporting Standards and IAS 12 Income Taxes which clarify that the initial recognition exemption set out in IAS 12 does not apply to transactions that give rise to equal taxable and deductible temporary differences. The aim of the amendments is to reduce diversity in the reporting of deferred tax on leases and decommissioning obligations. This amendment is effective for annual periods beginning on or after January 1, 2023. Earlier application is permitted. The adoption of these amendments did not have a significant impact on the Company's financial statements.

Standards not yet adopted

Classification of Liabilities as Current or Non-Current (Amendments to IAS 1)

The IASB has published Classification of Liabilities as Current or Non-Current (Amendments to IAS 1) which clarifies the guidance on whether a liability should be classified as either current or non-current.

The amendments:

- clarify that the classification of liabilities as current or non-current should only be based on rights that are in place "at the end of the reporting period".

- clarify that classification is unaffected by expectations about whether an entity will exercise its right to defer settlement of a liability.

- make clear that settlement includes transfers to the counterparty of cash, equity instruments, other assets or services that result in extinguishment of the liability.

This amendment is effective for annual periods beginning on or after January 1, 2024. Earlier application is permitted. These amendments did not have a significant impact on the Company's financial statements.

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 not only distributed within Arizona and Ohio but also through strategic partnerships in other states.

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 Organics ($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.

At the time of the Acquisitions, HWC and Organica were loss-making and had an aggregate negative working capital of $(15,807,304). Vext completed the Acquisitions for aggregate consideration of $35,435,080 (the "Purchase Price"), which was equal to the assets given up by Vext to obtain control over HWC and Organica.

Vext did not obtain a third-party valuation report or fairness opinion; however, after conducting market research including engaging a third-party valuator to assist management with the estimate of value for the transaction and evaluation of comparable transactions and appraisal reports for the real property owned by HWC and Organica, management of the Company determined that the deemed consideration given up and constituting the Purchase Price were favorable to Vext.

Vext allocated an aggregate of $30,236,974 of the Purchase Price towards the licenses ($26,068,630) and brand names ($4,168,344) associated with HWC and Organica. Vext determined that the fair values of the licenses and brand names were $47,698,000 and $7,534,000, respectively, based on independent estimates of value prepared for management of Vext.

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. Additionally, Vext acquired APP1803, LLC, exercising 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 by the Ohio Board of Pharmacy. Post-approval, Vext will offer administrative, operational, and support services to Big Perm, ensuring compliance with Ohio's regulations regarding medical marijuana.

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 set to become effective in 2024.

Throughout the period covered by this MD&A, Vext continued its expansion strategy by funding joint ventures and operating agreements with partners across various states in the United States. As of the date of this MD&A, these relationships have initiated commercial operations in Kentucky, Oklahoma, and California.

A more detailed description of the Company's business can be found in the Company's 2019 Annual Information Form, which is available on the Company's profile on SEDAR+ at www.sedarplus.ca.

2.2 Subsidiaries and Affiliates

As of December 31, 2023, 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%
New Gen Ohio, LLC	Ohio, USA	100%
Herbal Wellness Center Ohio, LLC (Jackson Pharm, LLC)	Ohio, USA	100%
Appalachian Pharms Processing, LLC	Ohio, USA	100%
Appalachian Pharms Products, LLC	Ohio, USA	100%
APP 1803, LLC	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%

Subsequent to December 31, 2023, Vext closed its acquisition of 100% of the equity interests in CannAscend, an Ohio limited liability company.

2.3 Industry Overview and Current Operating Environment

Arizona

Quarter Update	Consumer-facing companies continue to experience sales challenges as discretionary incomes remained under pressure, inflationary pressures are wide spread throughout the economy, and US consumer credit card debt continues to increase to all time highs with rising interest rates. The US cannabis consumer cannot utilize credit cards or debit facilities to compliantly purchase cannabis products. During Q4 2023 in Arizona, there was a slight increase in total dollars spent of +1.8%; however, an additional 12 dispensaries began operations, which translated into lower sales in the overall market on a per store basis (19.1%) from Q3 2023.
Retail/Brands	As of December 31, 2023, there were 168 operating dispensaries in Arizona. As of December 30, 2022 there were 140 operating dispensaries. This represents an increase of +20.0%. Using available data from the State of Arizona, the average dispensary in December 2022 had net sales of $871,958 compared to $667,109 in December 2023. This represents a decrease of (23.5%) on an average per dispensary basis. Acquisition multiples for dispensaries in Arizona are still relatively high. Arizona laws capping the number of dispensaries and communities zoning requirements should keep dispensary valuations high for the foreseeable future. There is excess cultivation capacity and concentrate brands and 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. As of the end of December 2023 per Alpine IQ, there were 606 brands being sold in Arizona (-10.5% from Q3 2023), with 177 different flower brands (-17.7% from Q3 2023), indicating many brands are leaving the Arizona market.
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. 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.

Arizona

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 were part of the original licensing of dispensaries in Arizona, allowing them to serve both recreational and medical patients. Strategically located in high-traffic areas within the Phoenix metro area, the dispensaries have a significant market presence.
Cultivation	Phoenix - 10,000 square feet under canopy Eloy (Phase I) – 17,000 square feet under canopy	Vext produces almost exclusively for its own needs, with a goal of minimizing any wholesale flower sales, and matching any expansion to the requirements of its own retail storefronts. This results in better profit margins. Phase I of the Eloy cultivation facility is operational as of Q4 2023. The Eloy facility also has estimated space for an additional 17,000 square feet of canopy in a Phase II expansion, should Vext require the capacity. Currently, Vext is leasing the space to a non-cannabis company, off-setting some fixed property expenses. On November 16, 2023, the Company announced it completed the sale of the Prescott Valley cultivation facility for proceeds of $6.5 million.
Manufacturing	Fully built-out 9,000 sq. ft. manufacturing facility	The Company owns a manufacturing facility that supports the production of its Vapen branded products and offers contract manufacturing services. All facilities are Company-owned and equipped to ensure efficient operations. The Company's manufactured products have gained a strong market presence and are sold in both Company-owned and non-owned dispensaries in 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	The Ohio market continues to mature and expand. We still view Ohio as one of the most attractive opportunities in US cannabis. There are 23 total Tier one cultivation licenses in Ohio, of which 21 are operational as of December 31, 2023. There are 46 total manufacturers (processors) licenses in Ohio, of which 44 are operational as of December 31, 2023.
Retail/Brands	The active patient count at December 31, 2023 was 175,484, which is down (6%) from September 30, 2023. There were 112 active dispensaries at December 31, 2023, up +4.6% from September 30, 2023.
Wholesale	With the addition of additional dispensaries and our cultivation, we are seeing increased sales in the wholesale channel. As a result of the Company's acquisition of Appalachian Pharm Processing, together with its subsidiaries and affiliated companies, being completed on October 3, 2023, we have begun consolidating wholesale revenue in Q4 2023.
Regulatory Update	The State of Ohio in its budget process is moving all marijuana regulation to the Department of Commerce. Currently, the manufacturing and cultivation is regulated by the Department of Commerce, and the dispensary segment is regulated by the Ohio Board of Pharmacy. We view this shift to consolidate all regulatory functions under the Department of Commerce as a positive to make operations more streamlined and efficient. On November 7, 2023, Issue 2, the Marijuana Legalization Initiative, was approved by voters in Ohio. Per the ballot measure, the adult use market is expected to commence by Q3 2024. The adult use vote and the establishment of regulation within the Department of Commerce only furthers our belief that capital investment in Ohio is well warranted. We will continue to integrate and improve the capital investment for existing operations and look for opportunities to increase our retail footprint in Ohio. Under the new adult use statue, there is a maximum of eight (8) dispensaries per ownership group. Per the adult use statue, our Tier 1 cultivation will be granted an additional three (3) adult-use retail licenses. Combined with our existing one (1) dispensary and the three (3) pending acquisitions discussed below, we expect to have a total of seven (7) dispensaries in Ohio.

Ohio

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

Retail	**Herbal Wellness Center, Jackson** Jackson, Ohio **Dispensary #2** CannAscend acquisition **Dispensary #3 & #4** Big Perm pending acquisition	Starting in 2023, we have expanded our successful dispensary operations into Ohio by acquiring Buckeye Botanical in Jackson, Ohio. The dispensary has been rebranded as Herbal Wellness Center. On February 29, 2024, the Company completed the acquisition of CannAscend in Columbus, Ohio. The dispensary has been rebranded as Herbal Wellness Center. For Dispensary #3 & #4, we are still awaiting regulatory approval and eligibility to submit an application for license transfer.
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 have begun 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 have begun 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 plans to have all its Ohio facilities online and operational prior to the implementation of the legislation to legalize adult use in Ohio. 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, and with recent legalization in Kentucky, the Company sees a favorable opportunity to convert its hemp operations in the state into THC operations to improve returns.

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. Vapen manufactures white label products in Arizona, Ohio, Oklahoma, and CA (San Diego) 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. Joint ventures, as noted in Section 4.1.4 of this MD&A, are expected to further expand the distribution capability of the Company and provide it with both incremental returns on existing intellectual property, as well as optionality in emerging markets that could prove to be worthy of larger vertically integrated footprints as they develop. The cost of expanding distribution is shared with partners in each location.

- **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.

- **Financial Strength:**

  The Company has a proven track record of operating profitably, while prudently accessing the capital markets to support growth and expansion into different geographic markets.

- **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 in 2023

1. **Regulatory Success:** Obtained regulatory approval for the acquisition and consolidation of Appalachian Pharm Processing and Appalachian Pharm Products.

2. **Capital Raise:** Secured $11 million in private placement funding, facilitating the option to purchase two additional Ohio retail outlets.

3. **Asset Optimization:** Successfully divested the Prescott Valley, Arizona cultivation location at full appraised value.

4. **Ohio Market Expansion:** Benefited from voter approval of the Ohio adult-use referendum, effective in 2024.

5. **Strategic Acquisition:** Completed the transfer of control and received state approval for ownership of Buckeye Botanical in Ohio.

6. **Operational Growth:** Brought the Eloy, Arizona cultivation asset online.

7. **Genetic Development:** Converted the Phoenix, Arizona cultivation facility for phenotype hunting, supplying genetics to Arizona and Ohio operations.

8. **Mature Market Efficiency:** Implemented operational efficiencies in Arizona to address the challenges of a mature cannabis market.

Objectives for 2024 and Beyond

1. **Ohio Consolidation:** Finalize the acquisition of the Columbus, Ohio dispensary (the "Columbus Dispensary"), which was completed on February 29, 2024, and rebranded the dispensary as Herbal Wellness Center.

2. **Adult-Use Transition:** Successfully transition existing Ohio dispensaries to serve both medical and adult-use markets.

3. **Arizona Focus:** Prioritize optimizing the vertical footprint in Arizona, driving efficiency and growth with existing assets.

4. **Kentucky Expansion:** Participate in the Kentucky licensing process, aiming to convert the existing CBD production joint venture into a vertically integrated medical cannabis operation.

5. **Big Perm Acquisition:** Complete the transaction to gain full ownership and control of two Big Perm dispensaries.

6. **Strategic Growth:** Identify additional dispensary locations in existing markets to drive accretive growth.

COMMENTARY ON OVERALL PERFORMANCE

4.1 Summary of Operations

4.1.1 Financial Performance Overview

Revenue

2023	% Change 2023 vs. 2022	2022	% Change 2022 vs. 2021	2021
$34,812,311	(1.7)%	$35,410,636	(4.9)%	$37,243,709

- The decrease in annual sales is attributed to declines in Arizona revenue with offset from inclusion of Ohio retail revenue and three months of Ohio cultivation & processing revenue.

- We anticipate that Arizona sales will continue to decline in 2024. For 2023, the State of Arizona reported a decline of (3.8%) in annual sales, combined with a +20% increase in the number of stores, resulting in a average per store decline of (15.0%). The Company's Arizona retail sales were down a combined (7.2%), representing less than half of the state-wide average. While Arizona sales have declined, the Company has gained market share.

- After normalizing for consolidation, Ohio sales were relatively flat in Q4 2023. However, Ohio medical sales are expected to decline in 2024 before recreational sales are permitted as the patient count declines from non-renewals. The anticipated sharp increase from recreational sales is expected to result in overall growth in 2024 & beyond.

Net Income

2023	2023 % of Revenue	% Change 2023 vs. 2022	2022	2022 % of Revenue	% Change 2022 vs. 2021	2021	2021 % of Revenue
$4,398,447	12.6%	(18.2)%	$10,919,280	30.8%	17.4%	$4,986,719	13.4%

- Q4 2023 Net Income included a $20M gain on acquisition of control and bargain purchase related to the Appalachian Pharms (Ohio) acquisition.

- As a result of the Ohio acquisitions, Depreciation and Amortization expenses increased from $6.4M in 2022 to $9.5M in 2023. The Q4 2023 run rate of $3.5M annualized to $14M per year, more than double the 2022 rate.

- The Company had $5.8M in changes to fair value of debt & transaction costs in 2023 compared to $0.2M in 2022.

4.1.2 Arizona

Operations Update

Primary Focus	• Our continued commercial and operational focus is cost control and price discipline.
Retail Performance	• Our Herbal Wellness Center dispensaries experienced a decline of (7.2%) in net sales in 2023. • We have seen a +19% increase in the number of units that are being sold, a decrease of guests of (7.9%), an increase in orders of +32.5%; however, owing to existing market conditions there has been a decrease in average basket size by (-30.0%). • Consumers continue to have less disposable income, and our stores are having a similar impact of customers switching to recreational purchases vs medical. • The average basket size takes the biggest impact from the recreational purchaser as the transaction price with taxes is approximately +17% greater and the quantity available for purchase is impacted. During the fourth quarter of 2023, we saw a decrease of approximately (0.8%) compared to the third quarter of 2023. This continued a year-long trend in Arizona. • We will continue to focus our strategy on retail operations and ensuring that our cultivation capacity is matched to our sell through in our dispensaries. • We have adjusted our staffing levels within the wholesale operation to respond to market trends and the ongoing mix shift toward in-house products. All dispensary owners in Arizona are pushing more of their own brands through their own retail doors. • Marketing and advertising will continue to be targeted on attracting customers into our retail locations with tailored offers that meet their individual profile, and balancing marketing spend with returns on that spend.
Cultivation and Manufacturing Update	• The Company has begun operations at the Eloy cultivation facility and has completed harvests in Q1 2024. • On October 18, 2023, we announced a definitive agreement to sell the Prescott Valley cultivation facility to a third party for $6.5 million in cash. The transaction closed on November 15, 2023. • We will continue to monitor our retail sell through and adjust our cultivation capacity at the Phoenix cultivation.

<table>
<tr><td>Operating Expenses</td><td>Operating Expenses increased 31% year over year, mostly due to:
Amortization Charges: Non-cash amortization expenses related to acquisitions completed in 2023 rose compared to the previous year.
Depreciation Expenses: Non-cash depreciation charges increased due to:
Ohio acquisitions and cultivation operations coming online.
Eloy cultivation facility becoming operational.
Consulting, Accounting, and Legal: Costs incurred for acquisition and valuation purposes.
Bad Debt Reserves: Increased bad debt reserves impacted on operating expenses.
Jackson, Ohio Dispensary Acquisition: Costs associated with acquiring and operating the dispensary in Jackson, Ohio.
Appalachian Pharm Processing and Appalachian Pharm Products: Full consolidation of with the fourth quarter.</td></tr>
<tr><td>Wholesale market</td><td>In line with the previous nine months, the wholesale markets in Arizona continue to face pressure from overcapacity.
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.</td></tr>
</table>

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	• Consolidation of the two additional retail locations currently under contract (the Columbus store consolidated on February 29, 2024). Expansion of cultivation capacity in anticipation of retail count increasing from one (1) to four (4) and adult-use sales beginning in late 2024.
Retail Performance	• Our consolidated dispensary in Ohio experienced continued sales pressure in Q4 2023. • Comparing Q4 2023 to Q3 2023, sales were down (5.9%) as a result of orders being down (1.6%), and average basket being down (4.4%). • We continue to increase the number of products that are manufactured and grown at Appalachian Pharm facilities. We believe this will support additional growth in sales and margin.
Cultivation and Manufacturing Update	• Appalachian Pharm operations continue to grow. The cultivation operations began full commercial activity in the second quarter of 2023. The Ohio team had flower sales to 77 customers in the fourth quarter of 2023. The focus will be on expanding the active customers and volume with adult use in 2024. • The existing manufacturing operation continued to increase. On an equal comparison of 2023 vs. 2022, sales were up +15.4%, units were up +31%, customers were up +46%, orders were up +26% and average ticket was up +50% comparing the activity in 2023 vs 2022.
Operating Expenses	• Operating expenses at the manufacturing facility demonstrated improved efficiency in the 3rd and 4th quarters of 2023 as we achieved full production. We anticipate a modest increase in expenses in 2024, proportionally aligned with the growth driven by adult-use legalization.
Wholesale Market	• The recent shift to adult-use cannabis in Ohio has led to some contraction in the retail medical market, as some patients transition to adult-use purchases. However, we view this as an opportunity for our wholesale business. 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.

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. We are also particularly encouraged by the developments in Kentucky regarding a medical marijuana program. We believe that our existing relationships will grant Vext a competitive advantage in obtaining licenses for this program.

STATE	FOOTPRINT	VAPEN PRODUCTS IN MARKET	PRODUCT TYPE	VEXT RELATIONSHIP	VEXT ECONOMIC INTEREST	CURRENT STATUS	EXPECTED SHORT TERM DEVELOPMENTS
Ohio	Cultivation, Processing and/or Wholesale	Yes	THC	Investment	NA	Vapen actively being sold at dispensaries in the market	License change was approved in October 2023
	Retail	Yes	THC	Operating	100%	Current license holder received Certification of Operation and is fully functional	Currently operating as Herbal Wellness Center Ohio
	Retail	Yes	THC	Operating	100%	Current license holder received Certification of Operation and is fully functional	Currently operating as Herbal Wellness Center Ohio
	Retail	NA	THC	LOI (Big Perm)	NA	Current license holder received Certification of Operation and is fully functional	Awaiting approval from Ohio Board of Pharmacy for ownership change
	Retail	NA	THC	LOI (Big Perm)	NA	Current license holder received Certification of Operation and is fully functional	Awaiting approval from Ohio Board of Pharmacy for ownership change
Kentucky	Processing and/or Wholesale	Yes	CBD	Joint Venture	50%	Operating and selling wholesale product	Working on securing base load supply contracts
Nevada	Processing and/or Wholesale	Yes	THC	Service Agreement	Licensing Fee	Vapen actively being sold at dispensaries in the market	Expanding on-shelf presence for Vapen brand

STATE	FOOTPRINT	VAPEN PRODUCTS IN MARKET	PRODUCT TYPE	VEXT RELATIONSHIP	VEXT ECONOMIC INTEREST	CURRENT STATUS	EXPECTED SHORT TERM DEVELOPMENTS
Oklahoma	Processing and/or Wholesale	Yes	THC	Joint Venture	25%	Expanding SKUs and on-shelf presence	Expanding outdoor cultivation and increasing product quality
California	Processing and/or Wholesale	Yes	THC	Joint Operation	~50%	Vapen actively being sold at dispensaries in the market	Expanding on-shelf presence for Vapen brand

4.2 Material Events That Occurred Subsequent to the Year

- Subsequent to December 31, 2023, 11,312,980 warrants were expired and 135,000 stock options were forfeited.
- Subsequent to December 31, 2023, the Company issued an aggregate of 266,132 subordinate voting shares upon settlement of 282,158 RSUs, which were settled for a combination of subordinate 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.
- The App Pharms Products and App Pharms Processing Promissory Notes accrue interest, from after January 1, 2024, at the rate of 8.00% per annum, payable quarterly until maturity. The principal amount on the Ohio Promissory Notes is repayable in equal quarterly installments commencing on January 1, 2025, based on a 20 year amortization schedule as of such initial repayment date and matures on December 31, 2026. The Company has the right to prepay any or all of the principal balance under the Ohio Promissory Notes, plus accrued and unpaid interest, at any time without penalty or bonus.
- On February 28, 2024, the Company granted an aggregate of 641,673 RSUs to non-executive directors of the Company, of which 25% vest immediately and 25% every six months after the grant date.
- On March 1, 2024, the Company announced that it has completed the acquisition of a cannabis dispensary in Columbus, Ohio (the "Columbus Dispensary"), as part of the previously disclosed acquisition of the Acquired Companies. As part of the closing, Vext will pay to CannAscend Ohio Columbus, LLC, additional aggregate consideration of approximately $2,879,322 plus approximately $148,000 for certain pre-closing tax liability of the Columbus Dispensary, subject to adjustments based on pre-closing operations. The purchase option asset on the Company's consolidated statement of financial position will be recognized as part of the transaction as will the note receivable from CannAscend. A preliminary estimate of the consideration paid and net assets acquired is as follows:

Net assets acquired		
Cash	$	88,538
Inventory		336,537
Prepaid expenses		23,831
Property and equipment		910,175
Accounts payable		(379,509)
Total identifiable net assets acquired	$	979,572
Consideration		
Cash	$	3,027,322
Settlement of pre-exisisting relationships		5,089,480
Fair value of purchase option [1]		7,536,995
		15,653,797
Goodwill and other intangible assets	$	14,674,225

[1] Fair value of the purchase option represents the October 3, 2023 value, as the valuation at the transaction date has not been completed.

- On March 6, 2024, upon receipt of regulatory approval, the Company completed the previously announced debenture conversion transaction. The Company issued to the holders of the non-convertible debentures an aggregate of 27,700,625 subordinate voting shares in full satisfaction of the outstanding $4.6 million principal amount, together with accrued and unpaid interest up to December 31, 2023 and a 2.5% conversion incentive fee, at a deemed price of $0.175 per share.

- On April 8, 2024, the Company completed the acquisition of real property associated with a cannabis dispensary in Athens, Ohio. The Company paid an aggregate consideration of $2,600,000, consisting of $900,000 in cash and the issuance of a promissory note in the principal amount of $1,700,000 (the “Promissory Note”). The Promissory Note bears interest at the rate of 7.0% per annum and is repayable over a period of 10 years, maturing on April 4, 2034.

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, 2023 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, 2023. 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 remain stable in 2024.

d. The Company has secured funding for all its planned expansion initiatives in the markets discussed in this MD&A. As a result, the capital requirements for operating in these expanded markets have been fulfilled. Management exercises caution in utilizing its current liquid assets, and therefore, the previously disclosed 2023 expansion plans do not depend on additional external capital. Considering the current macroeconomic conditions, as projects near completion, the Company anticipates a significant reduction in capital spending.

SELECT FINANCIAL PERFORMANCE

5.1 Financial Results of Operations

Financial Results of Operations for the three months ended December 31, 2023 and 2022

	For the Three Months Ended		$	%
	December 31, 2023	**December 31, 2022**	Change	Change
REVENUES	**$ 8,415,253**	$ 8,180,603	$ 234,650	2.9 %
NET COST OF GOODS SOLD	6,581,028	3,840,400	2,740,628	71.4 %
GROSS PROFIT	1,834,225	4,340,203	(2,505,978)	(57.7) %
OPERATING EXPENSES	8,615,401	3,408,042	5,207,359	152.8 %
OTHER INCOME (EXPENSE)				
Accretion on debt	989	—	989	— %
Share of (loss) in joint ventures	65,285	(40,256)	105,541	(262.2) %
Disposal of assets gain/(loss)	(800,154)	13,127	(813,281)	(6,195.5) %
Loss on fair value of debt and purchase option	(4,268,229)	—	(4,268,229)	— %
Foreign exchange gain/(loss)	(1,881)	350	(2,231)	(637.4) %
Loan payable modification	—	(200,170)	200,170	(100.0) %
Interest expense	(917,719)	(744,050)	(173,669)	23.3 %
Interest income	91,657	111,843	(20,186)	(18.0) %
Gain on acquisition of control and bargain purchase	20,550,163	—	20,550,163	— %
Net income before taxes	**7,938,935**	**73,005**	**7,865,930**	**10,774.5 %**
Income tax (expense)/recovery	(2,310,796)	6,209,576	(8,520,372)	137.2 %
Net income after taxes	**$ 5,628,139**	**$ 6,282,581**	**$ (654,442)**	**(10.4)%**
Total comprehensive income	**$ 5,628,139**	**$ 6,282,581**	**$ (654,442)**	**(10.4)%**
Basic earnings per subordinate voting shares	$ 0.03	$ 0.05	$ (0.02)	(40.0) %
Diluted earnings per subordinate voting shares	$ 0.03	$ 0.05	$ (0.02)	(40.0) %

Sales:

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

	December 31, 2023	**December 31, 2022**	**$ Change**
Retail	$ 6,788,774	$ 7,179,592	$ (390,818)
Wholesale, Manufacturing & Other	1,626,479	1,001,011	625,468
Total Revenue	$ 8,415,253	$ 8,180,603	$ 234,650

Sales increased by $234,650 which is a 2.9% increase comparing 2023 vs 2022. Increased sales are primarily due to the addition of new sales in Ohio retail and three months of Ohio cultivation & processing sales, offset by declines in Arizona retail & wholesale sales.

Gross Profit:

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

	December 2023		December 2022
Cost of goods sold	$ 5,373,475	Cost of goods sold	$ 4,087,792
Wages and benefits	2,382,951	Wages and benefits	257,440
Amortization	1,911,650	Amortization	965,748
General & administrative	4,089,992	General & administrative	1,226,343
Subtotal expenses	$ 13,758,068	Subtotal expenses	$ 6,537,323
Gross profit	$ 3,041,778	Gross profit	$ 4,092,811
With the effect of biological inventory gross profit changes:	$ 1,834,225	With the effect of biological inventory gross profit changes:	$ 4,340,203

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 Loss of $(643,697) and a Realized Gain of $1,851,250.

Gross profit for the three months ended December 31, 2023, was $1,834,225 compared to $4,340,203 for the same period in 2022. Gross profit in the fourth quarter of 2023 includes the impact of the first Ohio retail location, which consolidated in early 2023, as well as three months of the Ohio cultivation & processing facility, which was consolidated in November 2023. The other prominent driver of gross profit change in the quarter was due to increased costs related to the newly acquired Ohio cultivation and processing assets in Q4 2023. We are anticipating that the margin profile will begin to improve in the second half of 2024 in both Arizona and Ohio. 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 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)	(62.5%)
Diluted earnings per subordinate voting share	**$ 0.03**	$ 0.08	$ (0.05)	(62.5%)

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.

Financial Results of Operations for the Three Months Ended December 31, 2022 and 2021

	For the Three Months Ended		$	%
	December 31, 2022	December 31, 2021	Change	Change
REVENUES	$ 8,180,603	$ 9,307,944	$ (1,127,341)	(12.1)%
NET COST OF GOODS SOLD	3,840,400	5,354,653	(1,514,253)	(28.3)%
GROSS PROFIT	4,340,203	3,953,291	386,912	9.8 %
OPERATING EXPENSES	3,408,042	1,631,582	1,776,460	108.9 %
OTHER INCOME (EXPENSE)				
Accretion on debt	—	(170,546)	170,546	(100.0)%
Foreign exchange gain	350	(2,868)	3,218	(112.2)%
Disposal of assets gain / (loss)	13,127	—	13,127	— %
Loss on Investment	—	(212,675)	212,675	(100.0)%
Interest (expense)	(744,050)	(435,335)	(308,715)	70.9 %
Interest income	111,843	178,185	(66,342)	(37.2)%
Loan payable modification	(200,170)	—	(200,170)	— %
Share of profit (loss) of joint venture	(40,256)	(130,860)	90,604	(69.2)%
Net income before taxes	73,005	1,547,610	(1,474,605)	(95.3)%
Income tax expense	6,209,576	(462,523)	6,672,099	(1,442.5)%
Net income after taxes	6,282,581	1,085,087	5,197,494	479.0 %
Unrealized gain on foreign exchange translation	$ —	$ (92,826)	$ 92,826	(100.0)%
Total comprehensive income	$ 6,282,581	$ 992,261	$ 5,290,320	533.2 %
Basic earnings per subordinate voting share	$ 0.05	$ 0.01	$ 0.04	400.0 %
Diluted earnings per subordinate voting share	$ 0.05	$ 0.01	$ 0.04	400.0 %

Sales:
The following table is a comparison of the category breakdown for the three months ending December 31, 2022 compared to December 31, 2021.

Sales:

Source	**December 2022**
Retail	$ 7,179,592
Wholesale/Manufacturing	1,001,011
	$ 8,180,603

Source	**December 2021**
Management Fees	$ 2,250,000
Professional Services	3,380,581
Product Sales	2,655,417
Equipment Sales	792,296
Property Leasing	229,650
	$ 9,307,944

Sales decreased by $(1,127,341) which is a 12% decrease comparing fourth quarter 2022 vs fourth quarter 2021. Decreased sales are primarily due to the market reacting to the current economy. This resulted in the consumers being challenged with inflation and having less disposable income.

Cost of Goods Sold:

The following table shows the comparison by category breakdown for three months ending December 31, 2022 compared to December 31, 2021.

Cost of Goods Sold

	December 2022		December 2021
Cost of goods sold	$ 4,087,792	Cost of goods sold	$ 5,354,653
Wages and benefits	257,440	Wages and benefits	258,393
Amortization	965,748	Amortization	77,829
General & administrative	1,226,343	General & administrative	1,152,898
Subtotal expenses	$ 6,537,323	Subtotal expenses	$ 6,843,773
Gross profit	$ 4,092,811	Gross profit	$ 3,953,291
With the effect of biological inventory gross profit changes:	$ 4,340,203	With the effect of biological inventory gross profit changes:	$ 3,953,291

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 $(1,106,793) and $859,401 realized loss, respectively.

Gross profit increased from $3,953,291 for three months ending December 31, 2021, to $4,340,203 for the same period in 2022 due to the change into for-profit reporting. With the capital investment in cultivation and manufacturing facilities, the Company required less product in the wholesale market and improved efficiency which is resulting in a higher margin compared to same period 2021.

Operating expenses for the three months ended December 31, 2022, were $3,408,041 compared to $1,631,582 for the comparative period in 2021, an increase of $1,776,459 or 108.9%. The change is primarily in amortization related to the acquisition of a for profit model. Depreciation increase is related to the capital investment that is being translated into higher margins.

Financial Results of Operations for the Year Ended December 31, 2022 and 2021

	For the year ended December 31, 2022	December 31, 2021	$ Change	% Change
REVENUES	**$ 35,410,636**	$ 37,243,709	$ (1,833,073)	(4.9%)
NET COST OF GOODS SOLD	**12,312,187**	20,812,003	(8,499,816)	(40.8%)
GROSS PROFIT	**23,098,449**	16,431,706	6,666,743	40.6%
OPERATING EXPENSES	**13,815,199**	7,221,140	6,594,059	91.3%
OTHER INCOME (EXPENSE)				
Accretion on debt	**(12,372)**	(1,223,083)	1,210,711	(99.0%)
Other Income	—	75,000	(75,000)	(100.0%)
Foreign exchange gain	**1,186**	(10,726)	11,912	(111.1%)
Gain / (loss) on asset disposal	**20,397**	—	20,397	—%
Gain on derecognition of ROU asset	—	3,195	(3,195)	(100.0%)
Interest (expense)	**(2,040,180)**	(1,009,446)	(1,030,734)	102.1%
Interest income	**111,992**	739,487	(627,495)	(84.9%)
Change in fair value of debt	**(200,170)**	—	(200,170)	—%
Loss on Investment	—	(425,350)	425,350	(100.0%)
Share of profit (loss) of joint venture	**(466,199)**	(539,557)	73,358	(13.6%)
Net income before taxes	**6,697,904**	6,820,086	(122,182)	(1.8%)
Income tax expense	**4,221,376**	(1,833,367)	6,054,743	(330.3%)
Net income after tax	**10,919,280**	4,986,719	5,932,561	119.0%
Unrealized gain on foreign exchange translation	**$ —**	$ 145,522	$ (145,522)	(100.0%)
Total comprehensive income	**$ 10,919,280**	$ 5,132,241	$ 5,787,039	112.8%
Basic earnings per subordinate voting share	**$ 0.08**	$ 0.04	$ 0.04	100.0%
Diluted earnings per subordinate voting share	**$ 0.08**	$ 0.03	$ 0.05	166.7%

For the year ended December 31, 2022, gross revenue was $35,410,636 compared to $37,243,709 for the comparative period ending December 31, 2021, representing a decrease of $(1,833,073) or (4.9%). The Company recognized sales in 2021 as a management entity of the dispensaries, whereas in 2022 the Company recognized the actual sales from the dispensaries and related operations.

For the year ended December 31, 2022, the Company recorded cost of goods sold of $12,312,187 compared to $20,812,003 for the comparative period in 2021, representing a decrease of $(8,499,816) or (40.8%). Operating expenses for the year ended December 31, 2022, were $13,815,199 compared to $7,221,140 for the comparative period, an increase of $6,594,059 or 91.3%. The shift in cost of goods sold to operating expenses from 2021 to 2022 is attributed to the change in business model from managing non-profit dispensaries to operating for-profit dispensaries.

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:

	2023				2022			
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Revenue	$ 8,415,253	$ 8,099,285	$ 9,187,122	$ 9,110,651	$ 8,180,603	$ 7,673,101	$ 8,765,798	$ 10,791,133
Gross profit before FV adjustments	3,041,778	3,186,541	2,789,521	4,642,093	4,092,811	4,624,430	5,671,215	6,538,345
Gross profit margin % before FV adj.	36%	39%	30%	51%	50%	60%	65%	61%
Change in FV of biological	1,207,553	381,800	119,802	(59,623)	(247,392)	(252,041)	(456,060)	(1,216,152)
Operating expense	8,615,401	4,527,143	1,992,529	3,887,819	4,152,091	4,206,798	3,672,301	3,836,557
Other (income) expense	(14,720,111)	1,180,174	1,282,800	1,881,902	115,106	55,715	180,040	181,933
Income taxes (recovery)	2,310,796	(1,064,372)	(1,141,064)	(1,141,064)	(6,209,576)	190,425	322,725	1,475,051
Net Income after taxes	**$ 5,628,139**	**$ (1,838,204)**	**$ 535,454**	**$ 73,059**	**$ 6,282,582**	**$ 423,533**	**$ 1,952,209**	**$ 2,260,956**
Basic earnings per subordinate voting share	$ 0.03	$ (0.01)	$ —	$ —	$ 0.05	$ —	$ 0.01	$ 0.03
Diluted earnings per subordinate voting share	$ 0.03	$ (0.01)	$ —	$ —	$ 0.05	$ —	$ 0.01	$ 0.02
Interest (net)	826,062	956,561	1,010,812	860,978	632,207	620,687	337,407	337,888
Income taxes (recovery)	2,310,796	(1,064,372)	(1,141,064)	(1,141,064)	(6,209,576)	190,425	322,725	1,475,051
Depreciation and amortization	3,510,216	2,350,373	1,859,779	1,845,036	1,774,672	1,579,906	1,543,028	1,536,845
EBITDA	**$ 12,275,213**	**$ 404,358**	**$ 2,264,981**	**$ 1,638,009**	**$ 2,479,885**	**$ 2,814,551**	**$ 4,155,369**	**$ 5,610,740**
Accretion	(989)	(5,983)	(6,004)	(6,026)	—	—	—	12,372
Share (profit)/loss on joint ventures	(65,285)	47,777	13,854	91,205	40,256	53,014	190,783	182,145
Share-based compensation	111,794	73,623	68,862	130,332	601,493	660,488	104,762	85,696
(Gain)/loss on asset disposal	800,154	—	—	—	(13,127)	2,893	(10,164)	—
Refinance of loan payable	—	—	—	—	200,170	—	—	—
Loan costs WPCU loan	—	—	342	742,036	—	—	—	—
FV of WPCU loan	1,634,445	126,366	219,518	190,984	—	—	—	—
Loan costs EWB amortized	155,068	44,287	43,969	45,451	—	—	—	—
FV of APP1803 option	2,633,784	—	—	—	—	—	—	—
RSU taxes	3,789	4,274	4,274	75,825	119,900	—	—	—
Foreign exchange	1,881	448	310	2,726	(350)	(45)	(580)	(212)
ERC tax credit	—	—	(1,680,793)	—	—	—	—	—
Relative FV adjustment to inventory	—	—	—	—	—	—	863,000	(863,000)
Change in FV of biological	1,207,553	381,800	119,802	(59,623)	(247,392)	(252,041)	(456,060)	(1,216,152)
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	**$ 550,621**	**$ 1,076,950**	**$ 1,049,115**	**$ 2,850,919**	**$ 3,180,835**	**$ 3,278,860**	**$ 4,847,110**	**$ 3,811,589**
Adjusted EBITDA % of Revenue	6.5%	13.3%	11.4%	31.3%	38.9%	42.7%	55.3%	35.3%
Annual Adjusted EBITDA	**$ 5,527,605 2023**				**$ 15,118,394 2022**			

For all quarters preceding 2023:

The Company’s revenue is generated from its owned dispensaries. The Company currently has two dispensaries in Arizona and one in Ohio doing business as Herbal Wellness Center, as well as related wholesale sales. The Company’s other business activities are conducted by way of either participating as a member of joint ventures or by way of investment in entities conducting business in selected markets. At the date of this MD&A, most revenues have been historically generated from the Company’s Arizona operations. For further details around the general trends of the Company's business, see Section 2.3 of this MD&A.

	2022				2021			
	Q4	**Q3**	**Q2**	**Q1**	**Q4**	**Q3**	**Q2**	**Q1**
Revenue	$ 8,180,603	$ 7,673,101	$ 8,765,798	$ 10,791,133	$ 9,307,944	$ 9,399,700	$ 9,375,774	$ 9,160,291
Gross profit before FV adjustments	4,092,811	4,624,430	5,671,215	6,538,345	3,953,292	4,101,313	4,217,215	4,159,887
Gross profit margin % before FV adj.	50%	60%	65%	61%	43%	44%	45%	45%
Change in FV of biological	(247,392)	(252,041)	(456,060)	(1,216,152)	—	—	—	—
Operating expense	4,152,091	4,206,798	3,672,301	3,836,557	2,059,278	2,452,651	1,885,446	2,313,613
Other (income) expense	115,106	55,715	180,040	181,933	346,404	140,248	105,684	308,297
Income taxes (recovery)	(6,209,576)	190,425	322,725	1,475,051	462,523	538,308	433,636	398,900
Net Income after taxes	**$ 6,282,582**	**$ 423,533**	**$ 1,952,209**	**$ 2,260,956**	**$ 1,085,087**	**$ 970,106**	**$ 1,792,449**	**$ 1,139,077**
Basic earnings per subordinate voting shares	$ 0.05	$ —	$ 0.01	$ 0.03	$ 0.01	$ 0.01	$ 0.01	$ 0.01
Diluted earnings per subordinate voting shares	$ 0.05	$ —	$ 0.01	$ 0.02	$ 0.01	$ 0.01	$ 0.01	$ 0.01
Interest (net)	632,207	620,687	337,407	337,888	233,420	33,840	(38,175)	(13,876)
Income taxes (recovery)	(6,209,576)	190,425	322,725	1,475,051	462,523	538,308	433,636	398,900
Depreciation and amortization	1,774,672	1,579,906	1,543,028	1,536,845	939,471	886,920	743,999	718,394
EBITDA	**$ 2,479,885**	**$ 2,814,551**	**$ 4,155,369**	**$ 5,610,740**	**$ 2,720,501**	**$ 2,429,174**	**$ 2,931,909**	**$ 2,242,495**
Accretion	—	—	—	12,372	170,546	785,192	208,946	58,399
Share (profit)/loss on joint ventures	40,256	53,014	190,783	182,145	130,860	2,602	102,938	303,157
Share-based compensation	601,493	660,488	104,762	85,696	132,822	171,479	220,410	424,953
(Gain)/loss on asset disposal	(13,127)	2,893	(10,164)	—	—	—	—	—
Office and general*	—	—	—	—	—	—	—	—
Gain on derecognition of ROU	—	—	—	—	—	—	(3,195)	—
(Gain)/loss on investment	—	—	—	—	212,675	212,675	—	—
Refinance of loan payable	200,170	—	—	—	—	—	—	—
Other income	—	—	—	—	—	(75,000)	—	—
RSU taxes	119,900	—	—	—	—	—	—	—
Foreign exchange	(350)	(45)	(580)	(212)	2,869	(29)	2,746	5,140
Relative FV adjustment to inventory		—	863,000	(863,000)	—	—	—	—
Change in FV of biological	(247,392)	(252,041)	(456,060)	(1,216,152)	—	—	—	—
Adjusted EBITDA	**$ 3,180,835**	**$ 3,278,860**	**$ 4,847,110**	**$ 3,811,589**	**$ 3,370,272**	**$ 3,526,093**	**$ 3,463,754**	**$ 3,034,144**
Adjusted EBITDA % of Revenue	39%	43%	55%	35%	36%	38%	37%	33%
Annual Adjusted EBITDA	**$15,118,394**	**2022 Total**			**$13,394,263**	**2021 Total**		

BALANCE SHEET ANALYSIS

6.1 Financial Positions:

Financial Position at December 31, 2023

	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

	December 31, 2022	December 31, 2021	$ Change
ASSETS			
Current assets	$ 51,925,898	$ 31,162,117	$ 20,763,781
Non-current assets	68,591,076	52,541,991	16,049,085
Total Assets	$ 120,516,974	$ 83,704,108	$ 36,812,866
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities	$ 15,733,153	$ 9,736,012	$ 5,997,141
Long-term liabilities	32,865,299	14,574,533	18,290,766
Shareholders' equity	71,918,522	59,393,563	12,524,959
Total liabilities and shareholders' equity	$ 120,516,974	$ 83,704,108	$ 36,812,866

The following discussion of the Company's financial position is based on the Company's consolidated statement of financial position as at December 31, 2023.

6.2 Select Balance Sheet Highlights

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 will consolidate 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.

2022 vs 2021:

Current Assets

	December 31, 2022	December 31, 2021	$ Change
Amounts receivable, net	$ 3,295,537	$ 21,890,638	$ (18,595,101)
Prepaid expenses, deposits, and other receivables	9,945,716	497,012	9,448,704
Notes receivable – current	18,111,849	1,082,873	17,028,976

- The primary decrease in Amounts Receivable, net is from the acquisitions of HWC and Organica on January 1, 2022.

- The increase in Prepaid expenses, deposits, and other receivables was driven primarily by advances towards the acquisitions of APP Pharm, LLC and Buckeye Botanicals.

- The change in Notes receivable - current was from amounts owed by the Appalachian Pharm cultivation facility in advance of recognition of ownership by Vext of the assets, including those reclassed from Notes receivable non-current.

Non-current Assets

	December 31, 2022	December 31, 2021	$ Change
Note receivable non-current	$ —	$ 13,272,694	$ (13,272,694)
Property, plant and equipment	35,650,655	28,817,265	6,833,390
Intangible assets	27,838,374	6,710,475	21,127,899

- The decrease in Note receivable non-current was the result of a reclassification to Notes receivable – current for the Ohio cannabis licenses, which are expected to have approval by December 31, 2023.

- The increase in Property, plant and equipment was driven by the fixed assets included in the acquisitions of HWC and Organica, and the construction in progress for the Eloy, Arizona cultivation facility.

- The increase in Intangible assets is due to the value of the cannabis licenses related to the acquisitions of HWC and Organica.

Current Liabilities

	December 31, 2022	December 31, 2021	$ Change
Payables and accrued liabilities	$ 9,497,734	$ 3,091,428	$ 6,406,306
Notes payable – current portion	5,799,834	2,019,584	3,780,250
Loan payable – current portion	156,719	4,400,000	(4,243,281)

- The increase in payables and accrued liabilities was primarily due to new income tax payables & sales tax payables related to the acquisitions of HWC and Organica.

- The increase in Notes payable – current portion was driven by two new promissory notes with gross proceeds of $22,185,000 that originated on July 8, 2022.

- The decrease in Loan payable – current portion was driven by a refinancing of the Company's existing $4,400,000 principal amount on November 3, 2022.

Long-term Liabilities

	December 31, 2022	December 31, 2021	$ Change
Notes payable – non-current portion	$ 31,459,356	$ 7,431,841	$ 24,027,515
Deferred tax liabilities	668,913	6,892,000	(6,223,087)

- The increase in Notes payable - non-current portion was related to the Ohio acquisition. Please see Note 16 on the 2023 Annual Financial Statements.

- The decrease in Deferred tax liabilities is due to true-up of tax obligations related to prior periods.

6.3 Cash from Activities

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 used in 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.

The following table summarizes the sources and uses of cash for the twelve months ended December 31, 2022 compared to and the same period of 2021:

	December 31, 2022	December 31, 2021	$ Change
Cash provided by operating activities	$ 5,722,655	$ 11,257,400	**$ (5,534,745)**
Net cash used in investing activities	(30,313,171)	(27,296,816)	**(3,016,355)**
Net cash used in financing activities	24,057,262	20,761,126	**3,296,136**
Net change in cash	$ (533,254)	$ 4,721,710	**$ (5,254,964)**

2022 vs. 2021

OPERATING ACTIVITIES	**$(5,534,745)** change The change in operating cash flow was primarily driven by biological asset recording and reduction in sales revenue from the current economic condition.
INVESTING ACTIVITIES	**$(3,016,355)**change The change in investing cash flow was primarily driven by Deposits & Notes Receivable issued for the Ohio acquisitions (Buckeye Botanical, Appalachian Pharm entities) offset by a reduction in capital outlay for the cultivation and dispensary facility purchases.
FINANCING ACTIVITIES	**$3,296,136** change The change in financing cash flow was primarily driven by new loans in 2022 related to the Ohio acquisitions (Buckeye Botanical, Appalachian Pharm entities) offset by 2022 Note payments, the prospectus offerings completed in 2021, 2021 Note proceeds raised, and additional private placements in 2021.

6.4 Liquidity and Capital Resources

Our 2023 Annual Financial Statements follow International Financial Reporting 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, 2023, our working capital was $27,302,872, down from $36,192,745 in 2022. Despite this decrease, management believes this working capital remains sufficient to sustain operations beyond one year. The primary reason for the decline was the transfer of Appalachian Pharm Processing & APP1803 note receivables and Buckeye Botanicals prepaid expenses to fund a new cultivation facility (New Gen Ohio, LLC).

The Company has secured loans against our real property. These loans were essential in acquiring Appalachian Pharm Processing, Appalachian Pharm Products, and APP 1803. As of December 31, 2023, the outstanding debt of approximately $28 million represents a roughly 50% loan-to-appraised value ratio. This secured debt is held by a traditional financial institution at competitive interest rates. The loans require the Company to maintain certain financial covenants including a debt coverage ratio and a debt to tangible net worth ratio. The Company obtained a waiver on the debt covenants prior to December 31, 2023.

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, 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 ($9,800,000) Transaction expenses of advisors ($395,000)	N/A
Construction and improvements	Cultivation buildout (tenant improvements) ($2,912,217)	N/A

During the year ended December 31, 2022, the Company completed the following financings:

1. The Company obtained a $22.185 million secured credit facility (the “EWB Loan”), the proceeds of which were expected to be used to refinance current secured debt and working capital for potential acquisitions, capital expenditures and general and administrative expenses.

2. The Company obtained a $11 million secured loan (the “Ohio Loan”), the proceeds of which were intended to be used for construction and improvements associated with the cultivation facility of Appalachian Pharm Products and other general corporate purposes.

3. The following table sets out a comparison of how the Company used the aggregate net proceeds of the EWB Loan and the Ohio Loan (equal to $31,861,842), 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
Refinance current secured debt		The Company determined to refinance and extend the secured debt in order to free up capital for additional acquisition opportunities.
Potential acquisitions	Purchase of Buckeye Botanical ($6,900,000) Purchase of App Pharm entities ($3,000,000) Payment of final transfer amount for Strawberry Field dispensary ($2,900,000) Transaction expenses of advisors ($489,800)	N/A
Capital expenditures	Purchase of Prescott Valley Property ($2,458,471) Purchase of Phoenix Property ($2,048,944)	N/A
G&A	$1,500,000	N/A
Construction and improvements	Cultivation buildout (tenant improvements) ($12,414,895)	N/A
Unallocated Working Capital	$149,730	N/A

ADDITIONAL INFORMATION

7.1 Related Party Transactions

Related parties and related party transactions impacting the 2023 Annual 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, 2023 and December 31, 2022 is summarized as follows:

	December 31, 2023	December 31, 2022
Share-based compensation	**$ 252,042**	$ 1,150,812
Eric Offenberger, CEO, COO, and Director	175,400	1,022,803
Trevor Smith, CFO	27,548	—
Mark Opzoomer, Director	35,800	35,506
Stephan Bankosz, CFO (former)	13,294	29,957
David Eaton, Director (former)	—	37,648
Vahan Ajamian, CFO (former)	—	6,594
David Johns, Director	—	18,304
Salaries and wages included in cost of goods sold	**383,497**	416,170
Jason Nguyen, Executive Chairman	184,034	267,296
Eric Offenberger, CEO, COO, and Director	37,855	53,775
Stephan Bankosz, CFO (former)	74,898	95,099
Trevor Smith, CFO	32,842	—
David Johns, General Manager Ohio Operations	5,738	—
Erin Hansen, Controller	48,130	—
Salaries, wages and commissions included in operating expenses	**775,818**	925,561
Jason Nguyen, Executive Chairman	300,266	436,115
Eric Offenberger, CEO, COO, and Director	277,604	394,347
Stephan Bankosz, CFO (former)	74,898	95,099
Trevor Smith, CFO	32,842	—
David Johns, General Manager Ohio Operations	42,078	—
Erin Hansen, Controller	48,130	—
Consulting fees included in operating expenses:	**84,750**	144,753
Vahan Ajamian, CFO (former)	—	96,753
Jonathan Shelton, Director (former)	—	4,000
Mark Opzoomer, Director	84,750	40,000
David Eaton, Director (former)	—	4,000
Total	**$ 1,496,107**	$ 2,637,296

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, 2023**		December 31, 2022
Vapen Kentucky	**$**	**54,844**	$	60,495
Appalachian Pharm Processing, LLC		—		352,533
Happy Travel LLC		**23,725**		133,200
Vapen Oklahoma - Processing		**137,277**		277,204
Total	**$**	**215,846**	$	823,432
Cash Contributions for Operating Expenses				
Vapen Kentucky	**$**	**227,664**	$	449,502
Appalachian Pharm Processing, LLC		—		1,200,393
Happy Travel LLC		**905,425**		1,183,695
Vapen Oklahoma - Processing		**1,749**		165,475
Total	**$**	**1,134,838**	$	2,999,065

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

		December 31, 2023		December 31, 2022
Non-interest bearing, due on December 31, 2023 from Jason T. Nguyen, Executive Chairman and Director	**$**	**1,328,383**	$	1,328,383

The Promissory Note issued by the Executive Chairman and Director 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 favour 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 (or the COO) 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 year ended December 31, 2023 $0 in interest was accrued on these notes payable. Interest begins January 1, 2024. During the years ended December 31, 2023 and December 31, 2022 the portion of the promissory notes payable due is as follows:

	December 31, 2023	December 31, 2022
Promissory Note - App Pharms Products (current)	$ 45,372	$ —
Promissory Note - App Pharms Processing (current)	16,587	—
Total Current Promissory Note Payable (General Manager Ohio Operations)	**$ 61,959**	$ —
Promissory Note - App Pharms Products (non-current)	$ 521,778	$ —
Promissory Note - App Pharms Processing (non-current)	158,046	—
Total Non-current Promissory Note Payable (General Manager Ohio Operations)	**$ 679,824**	$ —
Total Promissory Note Payable (General Manager Ohio Operations)	**$ 741,783**	**$ —**

Amounts due to related parties (or former related parties) as at December 31, 2023 and December 31, 2022 included the following:

	December 31, 2023	December 31, 2022
Payables and Accrued Liabilities		
Jason T. Nguyen, Executive Chairman and Director	**$ 948,314**	$ 85,000
Denise Lok, CFO (former)	—	3,866
Mark Opzoomer, Director	**13,341**	40,000
Eric Offenberger, CEO, COO, and Director	—	150,000
	$ 961,655	$ 278,866

All amounts due to related parties were recorded at actual current costs. For Mr. Nguyen and Mr. Offenberger, amounts due were related to performance bonuses due with no ongoing commitment. For Ms. Lok & Mr. Opzoomer, amounts due were related to consulting fees payable with no ongoing commitment.

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	178,175,866
Multiple voting shares*	672,747
RSUs	641,673
Stock options	4,892,334
Warrants	365,909
Special advisory warrants	1,000,000

*One multiple voting share can be converted into 100 subordinate voting shares.

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 doubtful accounts 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, and historical experience. 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, 2021, December 31, 2022 and December 31, 2023, 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
12/31/2021	*	*	*	*	$21,890,638
12/31/2022	73%	6%	3%	18%	$3,295,537
12/31/2023	74%	11%	7%	8%	$1,260,551

We note that the non-current accounts receivables (ie. 6+ months) owed by related parties as of December 31, 2021, December 31, 2022 and December 31, 2023 represented 99%, 99%, 0%, respectively, of all non-current accounts receivables as of such dates. For further details on amounts owing by related parties, see Section 7.1 of this MD&A.

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. While the Company did record an allowance for expected credit loss as in the annual financial statements for the year ended December 31, 2022, in subsequent interim periods the Company determined no allowance was necessary. The Company did record an allowance of approximately $465,583 in the 2023 Annual Financial Statements related to accounts receivables owed by Happy Travels and a non-licensed arm's length party.

*Before January 2022, the Company's revenue came primarily from support services provided to two Arizona-based nonprofit cannabis dispensaries. Accounts receivable from this arrangement represented approximately 91% of our total receivables balance. In January 2022, this balance became part of the consideration for acquiring the dispensaries (as detailed previously in the MD&A). The Company never had concerns about the collectability or value of this receivable balance. Approximately 8.5% of accounts receivable were related to joint ventures and operations, also discussed earlier. These balances were deemed appropriately valued and collectible through operations or acquisition. Non-related receivables from management service agreements totaled less than $25,000 and were also deemed collectible. We are not presenting 2021 accounts receivable data. Instead, we are focusing on the aging analysis between 2022 and 2023 as this period offers the most relevant insights following the acquisitions.

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 20 of the 2023 Annual Financial Statements. As at December 31, 2023, the Company had cash, accounts receivable and short-term notes receivable of $16,670,008 to settle its current liabilities of $13,981,477. 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, 2023, $28,401,120 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 period ended December 31, 2023, a hypothetical 100 basis point increase in the variable interest rate would increase the annual interest expense by approximately $284,011.

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, 2023, 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. 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, 2023 there were 112 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 1, an initiative to legalize recreational marijuana use for adults, pursuant to which proposed adult use legislation is set to take effect in 2024. Ohio is one of the 40 states to have some form of medical marijuana law in place, while a growing number of states are legalizing 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

While the regulatory framework is still under development, Ohio's adult-use 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). Home cultivation of a limited number of plants may also be permitted. Vext and its subsidiaries are closely monitoring the development of Ohio's adult-use regulations and are poised to adapt operations accordingly. It is anticipated that adult use sales will begin before the end of the third quarter 2024.

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, 2023, the Company’s assets and revenues are primarily attributable to the medical marijuana 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 annual information form for the year ended December 31, 2019, those described in the Company's other continuous disclosure documents filed 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.