



**Vext Science, Inc.**

**MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE PERIOD ENDED  
March 31, 2026**

Dated as of May 20, 2026

(All amounts expressed in United States dollars, unless otherwise stated)

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## **PREFACE**

### **1.1 Definitions**

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

### **1.2 Cautionary note regarding forward looking statements**

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

In connection with the forward-looking information contained in this MD&A, the Company has made assumptions about the Company’s ability to expand operations, profitably license its brands and operate in the future without any regulation or law imposed which would prevent the Company from operating its business. The Company has also assumed that no significant events 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. The Company disclaims any intention or obligation to update or revise such forward-looking statements, except as required by applicable law.

### **1.3 Management’s responsibility for the financial statements**

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

### **1.4 Review and approval by the board of directors**

The board of directors of the Company approved the contents of this MD&A on May 20, 2026.

### **1.5 Annual comparisons in the MD&A**

Unless otherwise indicated, all comparisons of results for Q1 2026 (three months ended March 31, 2026) are compared against results for Q1 2025 (three months ended March 31, 2025).

### **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

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CSA Staff Notice 51-352 (Revised) – *Issuers with U.S. Marijuana Related Activities* (“Staff Notice 51-352”).

This MD&A has been prepared for the quarter ended March 31, 2026, and it presents an analysis of the consolidated financial position of Vext for the quarter ended March 31, 2026. The following information should be read in conjunction with the condensed consolidated interim financial statements of the Company for the quarter ended March 31, 2026, including the notes contained therein.

### **1.7 Currency and exchange rates**

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

### **1.8 Use of market and industry data**

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

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

### **1.9 Accounting framework**

The condensed consolidated interim financial statements are prepared in accordance with IFRS® Accounting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”) and Interpretations of the International Financial Reporting Interpretations Committee (“IFRIC”). The condensed consolidated interim financial statements include the financial statements of the Company and its direct subsidiaries, indirect subsidiaries that are not wholly owned by the Company and other entities consolidated other than on the basis of ownership as of March 31, 2026. Refer to Section 2.2 in this MD&A for details around the Company’s subsidiaries.

### **1.10 Accounting estimates and assumptions**

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

The significant judgments made by management in applying the Company’s accounting policies and the key sources of estimation uncertainty were the same as those described in the Company’s 2025 Annual Financial Statements for the year ended December 31, 2025.

## COMPANY AND INDUSTRY OVERVIEW

### 2.1 About Vext

Vext Science, Inc. is a vertically integrated, multi-state operator in the cannabis industry. The Company is publicly listed on the Canadian Securities Exchange ("CSE") under the symbol "VEXT" and trades on the OTCQX Best Market in the United States under the symbol "VEXTF."

Through its subsidiary Herbal Wellness Center, Inc. and its other subsidiaries, the Company owns and operates two integrated cannabis dispensaries in Arizona and one cultivation and manufacturing facility, and five fully operational dispensaries in Ohio along with one cultivation and manufacturing facility. The Company's Arizona and Ohio dispensaries operate under the Herbal Wellness Center brand. In Ohio, the cultivation and manufacturing operations are licensed and operated as Appalachian Pharms Cultivation and Appalachian Pharm Processing.

On March 30, 2026, the Company announced its planned exit from cultivation operations at its Eloy, Arizona facility. The Eloy cultivation operations are expected to wind down through normal completion of the harvest cycle in process, with associated production ceasing during the second quarter of 2026. See "Section 4.2 — Subsequent and In-Period Events" for further information.

### Subsidiaries

**As of March 31, 2026, Vext's subsidiaries are as follows:**

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

## **2.2 Industry overview and current operating environment**

### **Ohio**

The Ohio cannabis market continued to grow on a year-over-year basis during the first quarter of 2026. Based on data published by the Ohio Division of Cannabis Control ("DCC"), Ohio statewide cannabis sales (medical and non-medical combined) for January and February 2026 totaled approximately \$194.1 million, an increase of approximately 21.6% compared with the same two-month period of 2025 (using the same January-February basis for like-for-like comparison; DCC weekly data available at the date of this MD&A covers only the first three weeks of March 2026).

On a sequential basis, the Ohio market exhibited signs of moderation, with the rate of statewide growth slowing from the elevated levels observed during the initial launch period of non-medical cannabis sales in 2024. The number of operating non-medical dispensaries in Ohio continued to expand during the first quarter of 2026, contributing to increased competition at the retail level in certain regional submarkets, including the Columbus metropolitan area.

Ohio Senate Bill 56, signed into law in September 2025, established the regulatory framework for the non-medical cannabis program. Implementation of operational rules and licensing under the framework continued during the first quarter of 2026.

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

*Sources: Ohio Division of Cannabis Control, Product Data (Medical and Non-Medical) weekly reports; Ohio Senate Bill 56 (135th General Assembly). Data retrieved May 2026.*

### **Arizona**

The Arizona adult-use and medical cannabis market continued to experience compression during the first quarter of 2026. According to the Arizona Department of Revenue ("ADOR"), Arizona statewide taxable cannabis sales for the first two months of 2026 totaled approximately \$197.2 million, a decline of approximately 7.2% from the first two months of 2025. As of the date of this filing, the State of Arizona has not updated completely March 2026 data, but if the sales trend continues, it would result in an approximate decline of 6.8% comparing the first quarter of 2026 vs. the first quarter of 2025. This would also be a decline of approximately 1.5% from the fourth quarter of 2025. The number of operating dispensaries in Arizona was approximately 169 at the end of the first quarter of 2026, unchanged from the prior quarter.

Within this market, statewide average revenue per operating dispensary for the first quarter of 2026 was approximately \$1.8 million, compared with approximately \$1.9 million for the first quarter of 2025. Pricing in the Arizona wholesale market remained under pressure throughout the quarter, with sustained oversupply at the cultivation level continuing to compress wholesale unit economics. This pricing environment was a contributing factor in the Company's announced exit from cultivation operations at its Eloy facility.

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

*Sources: Arizona Department of Revenue, Cannabis Tax & Excise Statistics; Arizona Department of Health Services, Marijuana Establishment data. Data retrieved May 2026. March 2026 data appeared to not be complete at time of data retrieval.*

## **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 navigating ongoing normalization of product oversupply. Strategically, the Company is shifting its growth and expansion focus to Ohio, with significant investments in vertical integration now yielding improved profitability.

#### **Key strategic pillars for 2026 include:**

- **Ohio Retail-First Strategy:** Prioritizing internal retail supply over wholesale to maximize margins, while targeting wholesale flower sales of 200 lbs per month for the remainder of the year, supported by recent yield improvements.
- **Operational Realignment in Arizona:** Decommissioning the Arizona cultivation facility (final harvest completed early May 2026) to improve cash flow and streamline operations.
- **Balance Sheet Strength:** Managing working capital and cash flow while maintaining a stable cash position of \$5.54 million as at March 31, 2026.
- **Tax Position Management:** Actively evaluating the impact of the April 2026 DEA ruling on Section 280E and legacy uncertain tax positions (UTP), with adjustments to be made when clarity is provided by tax authorities.

### **3.2 Competitive advantages**

- **Operational Efficiency & Cash Flow Generation:** The Company maintains a disciplined focus on capital-light growth and operational rigor. This strategy resulted in a Fiscal 2025 operating cash flow margin of 22.8%. This level of cash flow efficiency places Vext in the upper echelon of the North American cannabis sector, comparable to leading multi-state operators (MSOs) and significantly outperforming larger peers. This high-margin cash generation provides the Company with strategic flexibility to reduce debt and self-fund expansion without reliance on dilutive capital markets.
- **Product Strength & Retail-First Integration:** The Company has developed and supports the Herbal Wellness Center retail brand and Vapen brand of products. The "retail-first" strategy prioritizes selling high-margin Company-produced products through owned dispensaries before fulfilling wholesale demand. This approach has yielded strong unit economics, as evidenced by the significant narrowing of net losses and the doubling of gross profit in Q1 2026.
- **Supply Chain & Cultivation Expertise:** The Company has a well-established supply chain featuring proven and reliable suppliers. Cultivation efficiency continues to improve dramatically, with Ohio yields increasing to 77.21g/plant in Q1 2026 (+13.8% QoQ) and subsequent Q2 harvests showing significant further improvement. This vertical integration reduces reliance on volatile wholesale markets and insulates margins against input cost fluctuations.

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

### 3.3 Accomplishments and future priorities:

#### Key achievements in 2026 include:

- **Significant improvement in profitability:** Net loss narrowed to \$(892) from \$(3,334) in Q1 2025.
- **Gross profit more than doubled to \$5.52 million** (45.4% margin) driven by favorable fair value adjustments and improved Ohio flower pricing.
- **Ohio cultivation yields increased +13.8% QoQ**, with further post-quarter end improvements to 107.8g/plant.
- **Cash from operations of \$1.62 million**, demonstrating positive cash flow generation.

#### Objectives for 2026 and beyond:

- **Retail Expansion:** Continue to expand Ohio retail footprint up to eight locations as licensing and permitting allow.
- **Ohio Wholesale Growth:** Achieve the 200 lbs/month flower sales target, leveraging improved yields and supply recovery.
- **Arizona Transition:** Complete the decommissioning of the Arizona cultivation facility and realize full cash flow benefits in Q3 2026.
- **Tax Clarity:** Finalize 2025 tax returns and determine the financial impact of the April 2026 DEA order on legacy UTP balances.

## COMMENTARY ON OVERALL PERFORMANCE

### 4.1 Summary of operations

#### 4.1.1 Financial performance overview

##### Revenue

March 31, 2026	% Change 2026 vs. 2025	March 31, 2025
\$12,160	5.2%	\$11,561

- The increase in Q1 2026 Revenue is attributed to increases in Ohio sales, including the three (3) additional stores acquired after Q1 2025, offset by declines in Arizona sales.
- Consolidated Ohio sales increased by +34% in Q1 2026 compared to Q1 2025. We anticipate Ohio sales will continue to increase as the customer count increases and the Company adds more retail locations and additional cultivation capacity.

##### Net loss after income tax

March 31, 2026	2026 % of Revenue	% Change 2026 vs. 2025	March 31, 2025	2025 % of Revenue
\$(892)	(7.3)%	(73.2)%	\$(3,334)	(28.8)%

- The improvement in Q1 2026 Net loss after income tax compared to Q1 2025 was primarily driven by increased Revenue in Ohio and improvement in fair value gain related to biological assets & inventory sold, which drove a \$3.2M improvement to Gross profit. The improvement in fair value gain related to biological assets & inventory sold reflects the improving market prices for cannabis in Ohio during Q1 2026.
- As a result of the Ohio acquisitions, Q1 2026 general and administrative expenses increased by \$1.0M compared to Q1 2025. This increase was mostly offset by a \$0.7M improvement to Miscellaneous income (expense) in Q1 2026 compared to Q1 2025. Q1 2025 Miscellaneous income (expense) included a (\$0.9M) charge related to share of loss in joint ventures/joint operations from the acquisition of Vapen KY.

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**4.1.2 Ohio**

**Ohio Operations update**

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

Retail	<p><b>Herbal Wellness Center, Jackson</b> Jackson, Ohio</p> <p><b>Herbal Wellness Center, Columbus</b> Columbus, Ohio</p> <p><b>Herbal Wellness Center, Athens</b> Athens, Ohio</p> <p><b>Herbal Wellness Center, Jeffersonville</b> Jeffersonville, Ohio</p> <p><b>Herbal Wellness Center, Portsmouth</b> Portsmouth, Ohio</p> <p><i>Dual-use provisional license (#6)</i> Fairfield, Ohio Announced June 2025, expected Q2 2026</p> <p><i>Dual-use provision license (#7)</i> Columbus, Ohio Announced March 2026, expected Q4 2026</p>	<p>Since 2023, the Company has expanded its dispensary operations in Ohio, starting with the acquisition of Buckeye Botanical in Jackson, followed by CannAscend in Columbus on February 29, 2024, followed by the acquisition of dispensaries #3 and #4 from Big Perm on April 1, 2025, and #5 from Big Perm on October 1, 2025.</p> <p>All dispensaries operate under the Herbal Wellness Center brand.</p>
Cultivation	<p>Jackson, Ohio - 25,000 sq. ft. built out operating cultivation facility</p> <p>Announced March 2026 intention to expand the cultivation facility to 50,000 sq. ft.</p>	<p>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.</p>
Manufacturing	<p>Jackson, Ohio - Fully built out and operating manufacturing facility</p>	<p>Vext leases a manufacturing facility that produces its branded products. Vext's branded products enjoy a strong market presence and are sold primarily through its own dispensaries, as well as through other dispensaries across Ohio.</p>

Ohio segment revenue increased 33.9% year-over-year to \$8.2 million, the principal driver of the Company's overall revenue growth in the quarter. The year-over-year increase reflects three contributing factors:

- **Big Perm Dispensaries integration.** The Company acquired from Big Perm's Dispensary Ohio, LLC two (2) Ohio dispensaries in April 2025 and one (1) Ohio dispensary in October 2025 (the "Big Perm Acquisition"). The dispensaries' Q1 2025 results are not included in the comparable period; their Q1 2026 results represent a full quarter of operations integrated into the Company's retail platform.
- **Continued maturation of Ohio's adult-use market.** Adult-use cannabis sales in Ohio commenced August 6, 2024 and the state's combined cannabis market (medical plus adult-use, as reported by the Ohio Division of Cannabis Control) reached approximately \$1.07 billion for calendar year 2025 — the state's first full year of adult-use operations. Ohio's market has transitioned from launch-phase volume expansion to a competitive phase characterized by price compression and unit growth. Industry data indicates that average flower prices in Ohio have settled at approximately \$6.41 per gram in early 2026, with manufactured-product unit prices down

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approximately 10% year-over-year.

The state-level Ohio market has been substantially flat in terms of total monthly sales since mid-2025, while the operating dispensary count has continued to grow. The result is that average sales per operating Ohio dispensary have been declining at the state level. Against this backdrop, the Company's Ohio retail platform improved its relative competitive position during the quarter. Three of the Company's five Ohio dispensaries traded at or above the state per-store average on a comparable two-month basis (January-February) in Q1 2026, compared with none of the Company's Ohio locations in the same period of 2025. Two of the Company's Ohio dispensaries experienced modest year-over-year top-line declines on the same two-month basis; however, those declines were materially smaller than the decline in the implied state per-store average, indicating that the Company's Ohio retail locations are losing ground at a slower rate than the broader Ohio dispensary base. HWC Portsmouth remained in its ramp phase and was the only Company-operated Ohio dispensary materially below the state per-store average.

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

**4.1.3 Arizona**

**Arizona Operations update**

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

Retail	<p><b>Herbal Wellness Center, Central Phoenix</b> Phoenix, Arizona</p> <p><b>Herbal Wellness Center, North Phoenix</b> Phoenix, Arizona</p>	Vext's two retail dispensaries, among the first licensed in Arizona, serve both recreational and medical patients. Their strategic locations in high-traffic Phoenix metro areas provide a strong market presence. These licenses offer relocation flexibility within Arizona, subject to local zoning regulations and approval. While Vext does not foresee relocating these dispensaries in the near future, this option provides adaptability should shifts in population or customer base warrant a change in location.
Cultivation	<p>Phoenix - 10,000 square feet under canopy (used for R&amp;D)</p> <p>Eloy – 17,000 square feet under canopy (anticipated closure announced in March 2026, final harvest occurred in May 2026)</p>	See "Arizona Cultivation Closure" below.
Manufacturing	Fully built-out 9,000 sq. ft. manufacturing facility	Vext operates a manufacturing facility in Arizona producing its portfolio of Company-owned cannabis brands, including Vapen, Firebrand, Revibe, and Prism, as well as white-label manufactured cannabis goods. Branded product sales are primarily through the Company's own retail dispensaries.

Arizona segment revenue declined 23.7% year-over-year to \$3.9 million, reflecting market-wide softness in the Arizona cannabis market and the impact of wholesale price compression on the Company's Arizona wholesale activity. The Arizona Department of Health Services reported approximately 169 operating adult-use facilities at the end of Q1 2026, essentially unchanged from year-end 2025. On a per-operating-store basis, the implied state-level quarterly revenue was approximately \$1.8 million per store in Q1 2026, compared with approximately \$1.9 million per store in Q1 2025.

### **Arizona Cultivation Closure**

In March 2026, the Company announced its decision to wind down its Arizona cultivation operations. The decision was made in response to sustained wholesale price compression in the Arizona market and the resulting deterioration in the unit economics of internally-produced flower and manufactured product when sold either through the Company's owned retail footprint or into the third-party wholesale channel.

Following the wind-down, the Company expects to source product for its Arizona retail dispensaries primarily from third-party Arizona-licensed producers. The strategic objective is to capture margin through merchandising, assortment, and pricing execution rather than through the integrated production-to-retail model that has historically defined the Arizona platform. Management believes that Arizona wholesale market prices for flower and manufactured product have compressed to a level at which third-party purchase economics, combined with the Company's existing six-store retail footprint, will produce a more favorable contribution-margin outcome than continued internal production at scale.

The Arizona retail per-store dynamic supports the closure decision. The Company's longer-established Phoenix location has historically operated, and continues to operate well above the Arizona state per-store average. The Company's newer Arizona location is situated in a highly competitive trade area. Because that location was required to channel internally-produced product, it had limited flexibility to adjust shelf pricing to prevailing wholesale-market levels and experienced a year-over-year revenue decline materially steeper than the decline in the Arizona state per-store average. By the fourth quarter of 2025, that location's revenue had fallen below the state per-store average, and that pattern continued in Q1 2026. With the cultivation closure, that location will be free to source and price competitively as a merchandiser rather than as the end-of-line for internally-produced product, which the Company believes is the correct strategic response to the structural oversupply in the Arizona wholesale market.

The condensed consolidated interim financial statements for the three months ended March 31, 2026 do not reflect any closure-related impairment, exit-cost provisions, or other accounting consequences of the announced wind-down. The Company is in the process of finalizing the operational and accounting determinations associated with the closure and expects to recognize the related accounting impact in subsequent reporting periods.

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

## **4.2 Material events that occurred subsequent to the period**

On April 23, 2026, the United States Drug Enforcement Administration issued a final rule rescheduling certain state-licensed marijuana products to Schedule III (the "Rule"). The Rule includes a recommendation for retroactive tax treatment under Section 280E. If enacted, this would materially reduce the uncertain tax position. However, as a non-adjusting event under IAS 10, Events After the Reporting Period no adjustment has been made to the March 31, 2026 financial statements. The Company will recognize the financial effects of the Rule, including any retroactive tax relief, in future reporting periods once the retroactive recommendation is enacted or clarified by tax authorities.

## **4.3 Additional commentary around financial performance**

The Company has reviewed its financial position and results of operations for the quarter ended March 31, 2026 and, the following determinations have been made by management:

- a. As of the date of this MD&A, the Company has no obligations to third parties that require or will require renegotiation.
- b. While there are uncertainties regarding future events, the Company's outlook for adjusted EBITDA remains on track. The Arizona cannabis market continues to experience revenue compression driven by persistent cultivation

oversupply and the resulting wholesale pricing pressure, dynamics that have broadly affected all operators in the state. The Company's decision to exit Arizona cultivation is expected to meaningfully reduce its exposure to these market forces. By transitioning to third-party product sourcing, the Company's Arizona retail locations will no longer be obligated to absorb internally cultivated supply at compressed market prices, positioning the Company to be less impacted by wholesale market oversupply than vertically integrated operators who remain in cultivation. During the transition period, which management expects to conclude by the end of the second quarter of 2026, some margin pressure will persist. Management anticipates that this pressure will abate following the completion of the cultivation exit, with improvement expected to be reflected in results beginning in the third quarter of 2026. Revenue in Ohio is expected to continue to increase in 2026 as a result of a full year of stores acquired in 2025 and additional stores anticipated to open in 2026.

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

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## SELECT FINANCIAL PERFORMANCE

### 5.1 Financial results of operations

	For the Three Months Ended		\$	%
	March 31, 2026	March 31, 2025	Change	Change
<b>SALES</b>	12,160	11,561	\$ 599	5.2 %
<b>NET COST OF GOODS SOLD</b>	6,637	9,283	(2,646)	(28.5%)
<b>GROSS PROFIT</b>	5,523	2,278	3,245	142.4%
<b>OPERATING EXPENSES</b>	5,523	4,307	1,216	28.2%
Change in fair value of debt	372	153	219	143.1%
Interest expense	(843)	(888)	45	(5.1%)
Interest income	33	56	(23)	(41.1%)
Miscellaneous income	(205)	(849)	644	(75.9%)
<b>Net loss before income tax</b>	(643)	(3,557)	2,914	(81.9%)
Income tax (expense)/recovery	(249)	223	(472)	(211.7%)
<b>Net loss after income tax</b>	(894)	(3,334)	2,440	(73.2%)
<b>Loss per subordinated voting shares and equivalent multiple voting shares — basic and diluted</b>	\$ (0.00)	\$ (0.01)	\$ 0.01	(100.0%)
<b>Weighted average number of subordinated voting shares and equivalent multiple voting shares outstanding — basic and diluted</b>	247,683,873	247,490,274	193,599	0.1%

#### Revenue:

The following table is a comparison of the category breakdown for the three months ended March 31, 2026 compared to the same period of 2025.

	March 31, 2026	March 31, 2025	\$
			Change
Retail revenue	10,443	8,082	\$ 2,361
Wholesale revenue	1,717	3,479	(1,762)
<b>Revenue</b>	12,160	11,561	\$ 599

Revenue increased by \$599 or +5.2% when comparing three months ended March 31, 2026 vs 2025. Increases in Ohio revenue, including three new stores acquired during 2025, were partially offset by declines in Arizona revenue.

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**Gross profit:**

The following table shows the comparison by category breakdown for three months ended March 31, 2026 compared to the same period of 2025.

	<b>March 2026</b>		<b>March 2025</b>
Cost of goods sold	7,808	Cost of goods sold	7,603
Amortization	1,314	Amortization	1,183
General & administrative	4,112	General & administrative	3,028
Subtotal expenses	13,234	Subtotal expenses	11,814
Gross profit before fair value adjustments	4,352	Gross profit before fair value adjustments	3,958
Gross profit	5,523	Gross profit	2,278

Gross profit before fair value adjustments for the three months ended March 31, 2026, was \$4,352 compared to \$3,958 for the same period in 2025. The primary drivers of the increase to Gross profit were the result of increased revenue, including three (3) additional dispensaries in Ohio that consolidated during 2025.

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

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

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

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

	2026	2025				2024		
	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2
Net cash provided by operating activities	\$ 1,615	\$ 3,196	\$ 1,259	\$ 4,175	\$ 3,082	\$ 4,016	\$ (244)	\$ (592)
Revenue	12,160	13,728	12,671	13,407	11,561	10,194	8,987	8,427
<b>Cash Flow Margin</b>	<b>13.3%</b>	<b>23.3%</b>	<b>9.9%</b>	<b>31.1%</b>	<b>26.7%</b>	<b>39.4%</b>	<b>(2.7)%</b>	<b>(7.0)%</b>
<b>Annual net cash provided by operating activities</b>		\$ 11,712				\$ 3,289		
<b>Annual revenue</b>		51,367				35,998		
<b>Annual Cash Flow Margin</b>		<b>22.8% 2025</b>				<b>9.1% 2024</b>		

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

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	2026	2025				2024		
	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2
<b>Revenue</b>	\$ 12,160	\$ 13,728	12,671	13,407	11,561	10,194	8,987	8,427
Gross profit before FV adjustments	4,352	4,236	3,002	5,206	3,958	4,151	3,650	1,781
Gross profit margin % before FV adj.	35.8%	30.9%	23.7%	38.8%	34.0%	40.7%	40.6%	21.1%
Change in FV of biological	(1,171)	903	(969)	334	1,679	1,934	(224)	228
Operating expense	5,523	11,211	5,435	5,349	4,307	5,109	5,164	5,314
Other (income) expense	643	1,175	1,404	(741)	1,528	4,303	1,445	757
Income taxes (recovery)	249	1,504	(243)	1,742	(223)	2,020	(239)	(127)
<b>Net loss after income tax</b>	<b>(892)</b>	<b>(10,557)</b>	<b>\$ (2,625)</b>	<b>\$ (1,478)</b>	<b>\$ (3,334)</b>	<b>\$ (9,215)</b>	<b>\$ (2,496)</b>	<b>\$ (4,391)</b>
Basic and diluted earnings per subordinate voting share	\$ (0.00)	\$ (0.04)	\$ (0.01)	\$ (0.01)	\$ (0.01)	\$ (0.04)	\$ (0.01)	\$ (0.01)
Interest (net)	810	1,998	647	889	832	1,276	826	802
Income taxes (recovery)	249	1,504	(243)	1,742	(223)	2,020	(239)	(127)
Depreciation and amortization	3,979	4,019	4,006	4,110	3,742	3,872	3,831	3,887
<b>EBITDA</b>	<b>4,146</b>	<b>(3,035)</b>	<b>\$ 1,785</b>	<b>\$ 5,263</b>	<b>\$ 1,018</b>	<b>\$ (2,047)</b>	<b>\$ 1,922</b>	<b>\$ 171</b>
Change in FV of biological	(1,171)	903	(969)	334	1,679	1,934	(224)	228
Change in FV of debt	372	(514)	846	(685)	(153)	(318)	612	(104)
Miscellaneous (income) expense	205	(309)	(160)	(977)	906	1	(86)	(1)
Share-based compensation	7	(6)	11	66	(24)	55	393	234
Goodwill and Intangible Impairment	—	5,020	—	—	—	—	—	—
Share (profit)/loss on joint ventures	—	—	—	—	—	3,249	121	118
(Gain)/loss on asset disposal	—	—	—	—	—	143	2	—
Loan costs EWB amortized	—	—	—	—	—	44	44	45
RSU taxes	—	—	—	—	—	177	—	—
FV increment on acquired inventory sold	—	—	—	—	—	—	—	393
<b>Adjusted EBITDA</b>	<b>\$ 3,559</b>	<b>\$ 2,059</b>	<b>\$ 1,513</b>	<b>\$ 4,001</b>	<b>\$ 3,425</b>	<b>\$ 3,238</b>	<b>\$ 2,784</b>	<b>\$ 1,084</b>
Adjusted EBITDA Margin	29.3%	15.0%	11.9%	29.8%	29.6%	31.8%	31.0%	12.9%
<b>Annual Adjusted EBITDA</b>		<b>\$ 10,998</b>	<b>2025</b>			<b>\$ 9,062</b>	<b>2024</b>	

## BALANCE SHEET ANALYSIS

### 6.1 Financial position:

#### Financial position at March 31, 2026

	March 31, 2026	December 31, 2025	\$ Change
<b>ASSETS</b>			
<b>Current assets</b>	\$ 17,005	\$ 16,784	\$ 221
<b>Non-current assets</b>	100,174	103,745	\$ (3,571)
<b>Total Assets</b>	<b>\$ 117,179</b>	<b>\$ 120,529</b>	<b>\$ (3,350)</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>			
<b>Current liabilities</b>	\$ 27,325	\$ 28,494	\$ (1,169)
<b>Long-term liabilities</b>	35,365	36,661	\$ (1,296)
<b>Shareholders' equity</b>	54,489	55,374	\$ (885)
<b>Total liabilities and shareholders' equity</b>	<b>\$ 117,179</b>	<b>\$ 120,529</b>	<b>\$ (3,350)</b>

The following discussion of the Company's financial position is based on the Company's condensed consolidated interim financial statements as at March 31, 2026.

### 6.2 Select Balance Sheet highlights

#### 2026 vs. 2025:

#### Current assets

	March 31, 2026	December 31, 2025	\$ Change
Trade and other receivables	638	1,500	(862)
Inventory	6,349	5,924	425
Biological assets	2,225	1,543	682

- The decrease in trade and other receivables was driven by normal course collection of wholesale receivables and a decline in Q1 wholesale revenue.
- The increase to Inventory and biological assets was driven by increased market prices for flower in Ohio.

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**Non-current assets**

	<b>March 31, 2026</b>	<b>December 31, 2025</b>	<b>\$ Change</b>
Property, plant and equipment	\$ 33,592	\$ 34,942	\$ (1,350)
Intangible assets	61,156	63,124	(1,968)

- The decrease in property, plant and equipment was driven by normal course depreciation.
- The decrease in intangible assets was driven by normal course amortization.

**Current liabilities**

	<b>March 31, 2026</b>	<b>December 31, 2025</b>	<b>\$ Change</b>
Accounts payables and accrued liabilities	\$ 6,078	\$ 7,652	\$ (1,574)

- The decrease in Accounts payables and accrued liabilities was primarily driven by payment of normal course Trade payables.

**Long-term liabilities**

	<b>March 31, 2026</b>	<b>December 31, 2025</b>	<b>\$ Change</b>
Notes payable – non-current portion	\$ 22,722	\$ 23,511	\$ (789)

- The decrease in Notes payable - non-current portion was related to primarily related to the fair value adjustment of the WPCU loan and normal course repayments.

**Working capital position**

As at March 31, 2026, the Company's working capital position was \$(10,321) compared to December 31, 2025 of \$(11,710). The improvement of \$1,389 was primarily driven by a decline of \$(1,574) in accounts payable and accrued liabilities and a \$424 increase in Inventory.

The Company's working capital position continues to be most significantly affected by the IFRS-required classification of the uncertain tax position liability as a current liability. The Company's uncertain tax position liability of \$10,554 at March 31, 2026 (December 31, 2025: \$8,054) is recognized in accordance with IFRIC 23 and reflects management's estimate of the most likely amount payable in respect of uncertain tax treatments. Excluding the uncertain tax position liability, the Company's working capital position would have been \$233 at March 31, 2026.

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**6.3 Cash from activities**

The following table summarizes the sources and uses of cash for the three months ended March 31, 2026 compared to the same period of 2025:

	March 31, 2026	March 31, 2025	\$ Change
Cash provided by operating activities	\$ 1,615	\$ 3,082	\$ (1,467)
Net cash used in investing activities	(420)	(691)	271
Net cash used in financing activities	(736)	(2,190)	1,454
Net change in cash	\$ 458	\$ 201	\$ 257

2026 vs. 2025	
<b>OPERATING ACTIVITIES</b>	<p><b>\$(1,467) change</b></p> <p>The primary reason for decrease was \$(62) in aggregate working capital movements, including the \$(1,574) reduction in accounts payable and accrued liabilities, and lower cash collections related to Miscellaneous Income collections in Q1 2026 compared to 2025.</p>
<b>INVESTING ACTIVITIES</b>	<p><b>\$271 change</b></p> <p>The change in investing cash flow was immaterial in Q1 2026 vs. 2025 driven by decreased cash paid for acquisition of property, plant and equipment.</p>
<b>FINANCING ACTIVITIES</b>	<p><b>\$1,454 change</b></p> <p>The change in financing cash flow was primarily driven by the 2025 repayment of the Company's Standby Facility and normal course payments of other Loans.</p>

**6.4 Liquidity and capital resources**

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

As of March 31, 2026, the Company's working capital was \$(10,321), improved from \$(11,710) at December 31, 2025. Management has evaluated the Company's working capital position, including the classification of the \$10,554 uncertain tax position liability as a current liability, and has concluded that the going concern basis of accounting is appropriate for the preparation of these condensed consolidated interim financial statements. This conclusion is based on the Company's positive operating cash flow generation, cash balance of \$5,542, compliance with debt covenants, and the uncertain timing of any cash settlement of the uncertain tax position liability. While the working capital deficit creates a material uncertainty, management believes that the mitigating factors described above support the use of the going concern assumption.

The Company has secured loans against its real property. These loans were essential in acquiring Appalachian Pharm processing, Appalachian Pharm Products, and APP 1803. As of March 31, 2026, the outstanding secured debt of approximately \$24,438 represents a roughly 50% loan-to-appraised value ratio. The EWB loans require the Company

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to maintain certain annual financial covenants including a debt coverage ratio and a debt to tangible net worth ratio, which are tested annually as of December 31. At the last annual test (December 31, 2025), the Company was in compliance. No interim test is required, and Management is not aware of any subsequent event that would have caused non-compliance.

**Key points**

1. Working capital is improving & sufficient to sustain operations and negatively impacted by IFRS required classification of uncertain tax positions.
2. Secured debt is structured responsibly, with favorable terms.
3. The Company has been able to obtain equity financing to assist with capital expenditures.

**6.5 Use of proceeds from financing activities**

During the year ended December 31, 2025 and period ended March 31, 2026, the Company has not completed any financing activities.

## ADDITIONAL INFORMATION

### 7.1 Related Party Transactions

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

#### Key management personnel

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

Remuneration attributed to key management personnel for the period ended March 31, 2026 and March 31, 2025 is summarized as follows:

	March 31, 2026	March 31, 2025
CEO, COO, and Director	\$ —	\$ —
CFO	1	1
Corporate Secretary	1	—
Director	—	1
Director	—	1
Director	—	1
Director	—	1
<b>Share-based compensation</b>	<b>2</b>	<b>5</b>
CEO, COO, and Director	86	83
CFO	59	50
Corporate Secretary	54	45
<b>Salaries and wages</b>	<b>199</b>	<b>178</b>
Director	34	34
Director	40	21
Director	12	9
Director	12	9
Director	12	9
<b>Consulting fees included in operating expenses</b>	<b>110</b>	<b>82</b>
<b>Total</b>	<b>\$ 311</b>	<b>\$ 265</b>

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.

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**Due from related parties:**

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

	<b>March 31, 2026</b>	<b>December 31, 2025</b>
Beginning Balance	\$ 1,063	\$ 1,347
Payments	(34)	(440)
Interest Accrued	31	156
11.5% per annum interest bearing, due on December 31, 2026	1,060	1,063
Insurance premiums	9	10
<b>Total due from related party</b>	<b>\$ 1,069</b>	<b>\$ 1,073</b>

On December 31, 2025, the Company and the related party entered into a Consent and Amending Agreement, by which the Company received \$305 in payments and the maturity date of the existing promissory note was amended to the earlier of (x) December 31, 2026, (y) the date in which the related party sells any shares of the Company (subject to limited exceptions), and (z) any change of control of the Company. The Company has recorded a \$9 receivable from a related party representing insurance premiums and related costs paid by the Company on behalf of the related party. These amounts are reimbursable pursuant to the underlying arrangement and are expected to be settled in the ordinary course of business. The balance is non-interest bearing and due on demand unless otherwise specified.

**Due to related party:**

A Director was one of the sellers of the App Pharma entities and as such holds a portion of the promissory notes payable for App Pharms Products and App Pharms Processing (Note 13). During the period ended March 31, 2026, \$14 in interest was accrued on these notes payable. Payment of interest began January 1, 2025. During the period ended March 31, 2026 and December 31, 2025, the portion of the promissory notes payable due is as follows:

	<b>March 31, 2026</b>	<b>December 31, 2025</b>
Total Current Promissory Note Payable (Director)	\$ 718	\$ 723
Interest Payable	14	14
<b>Total Interest Payable (Director)</b>	<b>\$ 14</b>	<b>\$ 14</b>

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## 7.2 Outstanding share data

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

<b>Class of Security</b>	<b>Number Outstanding</b>
Subordinate voting shares	185,793,173
Multiple voting shares*	618,907
RSUs	100,000
Stock options	5,774,284
Special advisory warrants	280,000

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

## 7.3 Proposed transactions

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

## 7.4 Off-balance sheet transactions

There are no off-balance sheet transactions.

## 7.5 Other information

Additional information on the Company is available on the Company's profile on SEDAR+ at [www.sedarplus.ca](http://www.sedarplus.ca).

## **KEY RISKS, RISK MANAGEMENT AND FINANCIAL INSTRUMENTS**

### **8.1 Risk management and financial instruments**

The fair value of the Company's cash, trade and other receivables, accounts payable and accrued liabilities and due to and from related parties, 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 fair value of notes payable approximate their carrying value due to variable interest rates which represent market value.

The Company's investments are measured at fair value under the fair value hierarchy based on level 1 quoted prices in active markets for identical assets and liabilities. There are no changes to the classification of financial instruments during the period ended March 31, 2026.

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

#### **Credit risk**

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

The Company is subject to credit risk on its receivables and cash. As at March 31, 2026, wholesale business customers were responsible for the \$269 outstanding receivable balance. The Company is of the opinion that it is not exposed to significant credit risk from these customers as it continues to routinely collect accounts receivable.

The Company records an allowance for expected credit losses related to accounts receivable that are considered to be non-collectible. The allowance is based on the Company's knowledge of the financial condition of its customer, current business environment, customer and industry concentrations, and historical experience. To reduce credit risk, cash is only held at major financial institutions.

#### **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 22. As at March 31, 2026, the Company has a current cash balance of \$5,542. Current liabilities exceed current assets due to the recognition of an uncertain tax provision, which is required to be classified as a current liability although the timing of repayment is uncertain. The Company believes it will be able to meet its financial obligations as and when they fall due and, as such, has prepared the consolidated financial statements on a going concern basis.

#### **Interest rate risk**

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

As of March 31, 2026, \$12,159 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 years ended March 31, 2026 and 2025, a hypothetical 100 basis point increase in the variable interest rate would not result in a material change in interest expense.

### **Currency risk**

The Company is not exposed to material currency risk as the Company's expenditures are predominately in United States 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 March 31, 2026, 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:**

The U.S. federal regulatory framework for cannabis underwent material change between December 2025 and April 2026. The discussion below summarizes the current federal landscape as of the date of this MD&A, including specific implications for the Company's operations.

**Executive Order 14370 (December 18, 2025).** On December 18, 2025, President Trump issued Executive Order 14370, "Increasing Medical Marijuana and Cannabidiol Research" (the "Executive Order"), directing the Attorney General to take all necessary steps to complete the rulemaking process to reschedule marijuana from Schedule I to Schedule III of the Controlled Substances Act ("CSA"). The Executive Order also directed expanded federal research into medical marijuana and cannabidiol products and certain actions to clarify the regulatory framework for hemp-derived cannabinoid products.

**DEA Final Order (April 23, 2026; Effective April 28, 2026).** On April 23, 2026, the Acting Attorney General and the U.S. Drug Enforcement Administration ("DEA") issued a final order, published in the Federal Register and effective April 28, 2026 (the "Final Order"), rescheduling specified categories of marijuana from Schedule I to Schedule III of the CSA. The Final Order applies to: (i) U.S. Food and Drug Administration-approved drug products

containing delta-9-tetrahydrocannabinol derived from the cannabis plant; and (ii) marijuana subject to a qualifying state-issued medical marijuana license. The Final Order also covers certain marijuana extracts and naturally derived delta-9-tetrahydrocannabinol to the extent incorporated into the foregoing categories. The Final Order does not reschedule marijuana that is neither covered by an FDA-approved drug product nor subject to a state medical marijuana license, including state-licensed adult-use (recreational) marijuana, hemp-derived intoxicating cannabinoid products outside the FDA-approved framework, and synthetically derived tetrahydrocannabinols, all of which remain Schedule I controlled substances under federal law.

**Federal Registration.** The DEA opened its Medical Marijuana Dispensary Registration Portal on April 29, 2026, providing an expedited federal registration pathway for entities holding qualifying state medical marijuana licenses. The Company has begun submitting applications under this pathway for its qualifying state medical marijuana operations and intends to continue submitting applications as additional categories of registration become available. State licensees that submit applications by June 29, 2026 may continue to operate in conformity with applicable state-issued medical marijuana licenses while their applications are pending. The DEA must "make every effort" to process applications submitted by June 29, 2026 within six months.

**DEA Administrative Hearing (June 29, 2026).** On April 28, 2026, the DEA also published a Notice of Hearing announcing administrative proceedings, scheduled to commence June 29, 2026, to consider the broader rescheduling of all marijuana, including state-licensed adult-use marijuana, from Schedule I to Schedule III of the CSA. The outcome of these proceedings, and the timing and scope of any final rule resulting from them, cannot be predicted. The Company will continue to monitor the proceedings and the resulting rulemaking activity.

**Section 280E.** Under Section 280E of the Internal Revenue Code, businesses that traffic in Schedule I or Schedule II controlled substances are precluded from claiming federal income tax deductions and credits other than for cost of goods sold. The Final Order, by moving state-licensed medical marijuana to Schedule III, removes Section 280E's application to such activity. The Final Order expressly encouraged the Secretary of the Treasury to consider providing retrospective relief from Section 280E liability for taxable years in which a state licensee operated under a state medical marijuana license. On April 23, 2026, the U.S. Department of the Treasury and the Internal Revenue Service announced an intention to issue guidance addressing the federal tax consequences of the Final Order, including a transition rule contemplated to apply for a taxpayer's full taxable year that includes the effective date of the Final Order. As of the date of this MD&A, no such guidance has been issued.

A portion of the Company's uncertain tax position liability of \$10,554 at March 31, 2026 (December 31, 2025: \$8,054) relates to tax positions taken in respect of taxable periods that are currently under examination by relevant tax authorities and during which the Company's operations in Arizona and Ohio were conducted under each state's medical marijuana regulatory framework. To the extent that the Treasury and Internal Revenue Service issue guidance providing retrospective Section 280E relief consistent with the recommendation in the Final Order, the Company expects that such relief would reduce the recognized uncertain tax position liability with respect to those periods, and the impact on the consolidated financial statements could be material. The remaining portion of the uncertain tax position liability relates to other taxable periods and positions for which the scope of any retrospective relief, if granted, is presently uncertain. As of March 31, 2026, the Final Order is a non-adjusting event under IAS 10, Events After the Reporting Period, and no adjustment has been made to the Interim Financial Statements. The Company will recognize the financial effects of the Final Order, including any guidance issued by the Treasury and Internal Revenue Service and any retrospective relief, in the future reporting periods in which such effects become probable and reliably measurable. See Note 19 and Note 21 to the Interim Financial Statements and Section 4.2 and Section 7.3 of this MD&A.

**Continued Schedule I Status of Adult-Use Marijuana.** Notwithstanding the Final Order, marijuana that is not covered by an FDA-approved drug product or a state medical marijuana license, including state-licensed adult-use (recreational) marijuana, which represents a substantial portion of the Company's current operating activity, remains a

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Schedule I controlled substance under federal law. Activities involving the manufacture, importation, possession, use, or distribution of such marijuana remain illegal under federal law, subject only to federal prosecutorial discretion. With respect to enforcement of federal cannabis laws against state-licensed adult-use operations, the U.S. federal government's posture has historically reflected a pattern of limited enforcement against businesses in substantial compliance with applicable state regulatory regimes. The Cole Memorandum, issued on August 29, 2013 by the Department of Justice, generally directed U.S. Attorneys not to prioritize enforcement of federal marijuana laws against state-regulated businesses meeting specified criteria. The Cole Memorandum was rescinded on January 4, 2018, returning prosecutorial discretion to U.S. Attorneys without specific guidance regarding state-regulated cannabis businesses. There has been no subsequent reissuance of the Cole Memorandum or equivalent enforcement guidance, and the Final Order does not address federal prosecutorial discretion with respect to non-Schedule III marijuana activity. The Company cannot predict whether or how federal prosecutorial discretion regarding state-licensed adult-use marijuana may evolve, nor whether the DEA administrative hearing commencing June 29, 2026 will result in a final rule rescheduling adult-use marijuana to Schedule III, and if so, on what timeline.

**States Where the Company Operates.** As of March 31, 2026, 40 U.S. states, the District of Columbia and Puerto Rico have legalized medical marijuana, and 24 U.S. states and the District of Columbia have legalized adult-use marijuana. Both states in which the Company conducts cannabis operations, Arizona and Ohio, have legalized both medical and adult-use marijuana under state law. See "Arizona overview" and "Ohio overview" below for further information.

**Arizona overview:**

Arizona has authorized the cultivation, extraction and dispensing of medical marijuana products by licensed dispensaries located throughout the State. As of March 31, 2026, there are 170 active dispensaries, with 169 operating (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 203: *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

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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 March 31, 2026 there were 204 operating dispensaries registered in Ohio. In 2016, Ohio became the 25th state to legalize medical cannabis under House Bill 523: the Ohio Medical Marijuana Control Program (OMMCP). On November 3, 2023, Ohio voters passed Issue 2, an initiative to legalize recreational marijuana use for adults, pursuant to which proposed adult use legislation is set to take effect in 2024. On August 6, 2024, adult use sales began in the State of Ohio. Ohio is one of the 40 states to have some form of medical marijuana law in place, and one of 24 states that has legalized marijuana for adult recreational use.

*Medical use*

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

*Adult use*

The Ohio Division of Cannabis Control has issued dual-use permits to most existing medical marijuana cultivators, processors and dispensaries, enabling the sale of cannabis to adults aged 21 and over. Adult use sales officially started on August 6, 2024, including at retail outlets operated by Vext and its subsidiaries. Ohio's adult-use ballot initiative outlined the following: adults 21 and over will be able to possess up to 2.5 ounces of marijuana (with no more than 15 grams being marijuana concentrate). Non-medical consumers may purchase no more than ten whole day units of cannabis combined across all forms pursuant to the Ohio Administrative Code. Home cultivation of a limited number of plants will also be permitted. Pursuant to O.R.C. 3780.10, the Division will review the number of cannabis operator licenses 24 months after the first issuance of an adult use operator license, and on a biannual basis thereafter.

Market participants are currently operating under the existing medical marijuana program rules. On August 2, 2024, The Division issued proposed rules for adult-use operations to the joint committee on agency rule review, including provisions related to ownership and dispensary operations and security. Vext and its subsidiaries are closely monitoring the development of Ohio's adult-use regulations and are poised to adapt operations accordingly.

**Regulatory risks**

The U.S. cannabis industry is highly regulated, highly competitive and evolving rapidly. As such, new risks may emerge, and management may not be able to predict all such risks or be able to predict how such risks may impact on actual results.

Participants in the U.S. cannabis industry will incur ongoing costs and obligations related to regulatory compliance. Failure to comply with regulations may result in additional costs for corrective measures, penalties, or restrictions of operations. In addition, changes in regulations, more vigorous enforcement thereof or other unanticipated events could require extensive changes to operations, increased compliance costs or give rise to material liabilities, which could have a material adverse effect on the business, results of operations and financial condition of the Company. Further, the Company may be subject to a variety of claims and lawsuits. Adverse outcomes in some or all these claims may result in significant monetary damages or injunctive relief that could adversely affect its ability to conduct its business. Litigation and other claims are subject to inherent uncertainties and management's view of these matters may change in

the future. A material adverse impact on the Company's financial statements could also occur for the period in which the effect of an unfavorable final outcome becomes probable and reasonably estimable.

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

### **Bifurcated Federal Status of the Company's Operations**

As described above under "United States federal overview," the Final Order issued by the Acting Attorney General and the DEA on April 23, 2026 and effective April 28, 2026 rescheduled to Schedule III of the CSA: (i) FDA-approved drug products containing delta-9-tetrahydrocannabinol derived from the cannabis plant; and (ii) marijuana subject to a qualifying state-issued medical marijuana license. State-licensed adult-use (recreational) marijuana was not rescheduled and remains a Schedule I controlled substance under federal law. The Company conducts both medical and adult-use cannabis operations in Arizona and Ohio under state licenses, and accordingly the Company's activities fall on both sides of this federal classification line. Activities conducted under state medical marijuana licenses fall within the scope of the Final Order and are conducted in respect of a Schedule III controlled substance; activities conducted under state adult-use licenses continue to be conducted in respect of a Schedule I controlled substance and accordingly remain subject to the full range of federal regulatory and enforcement risks applicable to Schedule I substances. The DEA administrative hearing scheduled to commence June 29, 2026 is expected to consider the broader rescheduling of all marijuana, including adult-use marijuana; however, the outcome and timing of such proceedings, and the timing and scope of any final rule resulting from them, cannot be predicted.

### **Federal Enforcement Risk**

Notwithstanding the Final Order, the Company derives a substantial portion of its revenues from state-licensed adult-use cannabis operations, which remain illegal under U.S. federal law. As a result of the conflicting positions between state legislatures and the U.S. federal government regarding cannabis, cannabis businesses in the United States are subject to inconsistent legislation and regulation. The U.S. federal government has specifically reserved the right to enforce federal law with respect to the sale and distribution of state-legalized adult-use or medical-use cannabis even where such activity is sanctioned by state law. 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. With respect to state-licensed adult-use operations, the Cole Memorandum, issued by the Department of Justice in August 2013 and providing prosecutorial guidance generally to deprioritize enforcement against state-compliant cannabis businesses, was rescinded in January 2018, returning prosecutorial discretion to U.S. Attorneys without specific guidance regarding state-regulated cannabis businesses. There has been no subsequent reissuance of equivalent enforcement guidance, and the Final Order does not address federal prosecutorial discretion with respect to non-Schedule III marijuana activity. The Company cannot predict whether or how federal prosecutorial discretion regarding state-licensed adult-use marijuana may evolve.

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. Local and city ordinances may strictly limit and/or restrict the distribution of cannabis in a manner that could make it 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, the Company's business would be materially and adversely affected. U.S. federal actions against any individual or entity engaged in the cannabis industry, or a substantial repeal of state cannabis legalization, could adversely affect the Company.

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

The Company is a vertically integrated, multi-state operator in the cannabis industry. As at March 31, 2026, through its wholly-owned subsidiaries, the Company cultivates, manufactures, distributes and dispenses cannabis and cannabis products in Arizona and Ohio under licenses issued by each state's applicable cannabis regulatory authority. As at March 31, 2026, the Company operated two retail dispensaries in Arizona (with cultivation operations at the Company's Eloy, Arizona facility, the wind-down of which was announced on March 30, 2026 and is expected to complete during the second quarter of 2026), five retail dispensaries in Ohio (with a sixth Ohio dispensary expected to open in the second quarter of 2026 and additional dispensaries under evaluation), and cultivation and manufacturing operations in Ohio at the Company's Jackson, Ohio facility. Following completion of the Eloy wind-down, the Company expects to source product for its Arizona retail dispensaries from third-party Arizona-licensed producers, and the Company's Arizona cannabis activity is expected to consist of retail dispensing and manufacturing operations rather than cultivation. The Company's assets and revenues are substantially attributable to its cannabis operations in Arizona and Ohio.

As stated above, 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 their 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 enforcement of cannabis laws may be subject to change.

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 are and will continue to be directly and indirectly affected by a variety of laws, regulations and guidelines relating to the manufacture, management, transportation, storage and disposal of cannabis, as well as 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 the Company to incur substantial costs associated with compliance or to 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 its operations. Local, state and federal laws and regulations governing cannabis for medical and adult-use 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. It is beyond the Company's scope to predict the nature of any future change to existing laws, regulations, policies, interpretations or applications, nor can the Company determine what effect such changes, when and if promulgated, could have on the Company's business.

### **Unfavorable publicity or consumer perception**

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

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

### **Unfavorable tax classification of the Company**

The legal cannabis industry in the U.S. continues to be at a relatively early stage of its development. 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,

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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 prior publicity. While public opinion and support for legalizing medical and adult-use cannabis appears to be rising, cannabis remains a subject of differing opinions regarding the appropriate scope of legalization. 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 a material adverse effect on the demand for cannabis and on the business, results of operations, financial condition and cash flows of the Company.

**Section 280E of the U.S. Internal Revenue Code**

Section 280E of the U.S. Internal Revenue Code of 1986, as amended (the "Code"), provides that "no deduction or credit shall be allowed for any amount paid or incurred during the taxable year in carrying on any trade or business if such trade or business (or the activities which comprise such trade or business) consists of trafficking in controlled substances (within the meaning of schedule I and II of the Controlled Substances Act) which is prohibited by Federal law or the law of any State in which such trade or business is conducted." Section 280E has historically been applied by the United States Internal Revenue Service ("IRS") to state-licensed cannabis operations, prohibiting taxpayers with cannabis operations from deducting expenses other than cost of goods sold for U.S. federal income tax purposes. Section 280E and related IRS enforcement activity has had a significant impact on the operations of cannabis companies in the United States. As a result, an otherwise profitable business may operate at a loss after accounting for U.S. federal income tax expense.

In its U.S. federal income tax filings for prior taxable years, the Company took the position that certain ordinary and necessary business expenses are deductible notwithstanding Section 280E. The Company and certain of its subsidiaries are currently under examination by the IRS for various tax years, and certain of those examinations include a review of the Company's tax positions challenging the deductibility of expenses under Section 280E. In its consolidated financial statements, the Company has recognized an uncertain tax position liability under IFRIC 23, Uncertainty over Income Tax Treatments, reflecting management's most-likely-amount estimate of amounts payable to the relevant tax authorities in respect of uncertain tax treatments, including Section 280E-related positions. The Company believes that it has meritorious defenses for the tax filing positions it has taken and intends to defend those positions through the examination, any appellate process and, if necessary, through litigation in courts.

As described above under "United States federal overview," the Final Order issued on April 23, 2026 and effective April 28, 2026 moves state-licensed medical marijuana to Schedule III of the CSA, which removes Section 280E's application to such activity on a prospective basis. The Final Order also expressly encouraged the Secretary of the Treasury to consider providing retrospective relief from Section 280E liability for taxable years in which a state licensee operated under a state medical marijuana license. On April 23, 2026, the U.S. Department of the Treasury and the Internal Revenue Service announced an intention to issue guidance addressing the federal tax consequences of the Final Order. As of the date of this MD&A, no such guidance has been issued. A portion of the Company's recognized uncertain tax position liability relates to taxable periods during which the Company's operations in Arizona and Ohio were conducted under each state's medical marijuana regulatory framework and to positions currently under examination, and to the extent that the Treasury and Internal Revenue Service issue guidance providing retrospective Section 280E relief consistent with the recommendation in the Final Order, the Company expects that such relief would reduce the recognized uncertain tax position liability with respect to those periods. The remaining portion of the uncertain tax position liability relates to other taxable periods and positions for which the scope of any retrospective relief, if granted, is presently uncertain. See "United States federal overview — Section 280E" above and Note 19 and Note 21 to the Interim Financial Statements.

**Other risks**

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The following are certain additional risk factors relating to the business of the Company. These risks and uncertainties are not the only ones facing the Company. Additional risks and uncertainties, including those present in the Company's other continuous disclosure documents filed from time to time on the Company's profile on SEDAR+ at [www.sedarplus.ca](http://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.