Vext Science, Inc.

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE PERIOD ENDED June 30, 2026

Dated as of August 20, 2026

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

TABLE OF CONTENTS

1.0 Preface
- 1.1 Definitions
- 1.2 Cautionary note regarding forward looking statements
- 1.3 Management's responsibility for the Financial Statements
- 1.4 Review and approval by the board of directors
- 1.5 Quarterly comparisons in the MD&A
- 1.6 MD&A background
- 1.7 Currency and exchange rates
- 1.8 Use of market and industry data
- 1.9 Accounting framework
- 1.10 Accounting estimates and assumptions

2.0 Company and Industry Overview
- 2.1 About Vext
- 2.2 Industry overview and current operating environment

3.0 Growth Strategy, Competitive Advantage and Strategic Priorities
- 3.1 Growth strategy
- 3.2 Competitive advantages
- 3.3 Progress against stated objectives and priorities

4.0 Commentary on Overall Performance
- 4.1 Summary of operations
  - 4.1.1 Financial performance overview
  - 4.1.2 Ohio
  - 4.1.3 Arizona
- 4.2 Material events that occurred subsequent to the period
- 4.3 Additional commentary around financial performance

5.0 Select Financial Performance
- 5.1 Financial results of operations
- 5.2 Summary of quarterly results and reconciliation of non-IFRS Measures (Cash Flow Margin, EBITDA, Adjusted EBITDA, and Adjusted EBITDA Margin)

6.0 Balance Sheet Analysis
- 6.1 Financial position
- 6.2 Select Balance Sheet highlights
- 6.3 Cash from activities
- 6.4 Liquidity and capital resources
- 6.5 Use of proceeds from financing activities

7.0 Additional Information
- 7.1 Related Party Transactions
- 7.2 Outstanding share data
- 7.3 Proposed transactions
- 7.4 Off-Balance Sheet transactions
- 7.5 Other information

8.0 Key Risks, Risk Management and Financial Instruments
- 8.1 Risk management and financial instruments
- 8.2 Risks and uncertainties

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, receipt of regulatory approvals, regulatory compliance, sufficiency of working capital, business and financing plans, the wind-down of Arizona cultivation and the sale of the associated Eloy real property, the expected impact of the April 2026 DEA rescheduling on Section 280E and the Company's uncertain tax positions, 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 reflects the current expectations, assumptions and/or beliefs of the Company based on information currently available to the Company. 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 are not guarantees of future performance, and that actual results may differ materially. 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 August 20, 2026.

1.5 Quarterly comparisons in the MD&A

Unless otherwise indicated, all comparisons of results for Q2 2026 (three months ended June 30, 2026) are compared against results for Q2 2025 (three months ended June 30, 2025), and all comparisons of results for the (six months ended June 30, 2026) are made against results for the (six months ended June 30, 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 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 period ended June 30, 2026, and it presents an analysis of the consolidated financial position of Vext for the three and six months ended June 30, 2026. The following information should be read in conjunction with the condensed consolidated interim financial statements of the Company for the period ended June 30, 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 June 30, 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, except for judgments associated with the announced wind-down of Arizona cultivation and the classification of the related Eloy real property as an asset held for sale (see Sections 4.1.3 and 6.2).

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 (2) integrated cannabis dispensaries in Arizona and one manufacturing facility, and six (6) 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 Pharm Cultivation and Appalachian Pharm Processing.

On March 30, 2026, the Company announced its planned exit from cultivation operations at its Eloy, Arizona facility. The final Eloy harvest was completed in May 2026 and cultivation activity at the facility has ceased. Following the wind-down, the Company’s Arizona cannabis activity consists of retail dispensing and manufacturing operations rather than cultivation, and the Company sources product for its Arizona retail dispensaries from third-party Arizona-licensed producers. The Eloy real property has been classified as an asset held for sale as at June 30, 2026 and the Company is pursuing its sale. See “Section 4.1.3 — Arizona” and “Section 4.2 — Material events that occurred subsequent to the period” for further information.

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

Subsidiaries

As of June 30, 2026, Vext's subsidiaries are as follows:

Name	Jurisdiction	Ownership
Vext Science, Inc.	**BC, Canada**	
Subsidiaries:		
Herbal Wellness Center, Inc.	Arizona, USA	100%
Hydroponics Solutions, LLC	Arizona, USA	100%
New Gen AZ, 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%
Vapen KY, LLC	Kentucky, USA	100%
APP 1803, LLC dba Herbal Wellness Center Ohio Columbus	Ohio, USA	100%
Appalachian Pharm Processing, LLC	Ohio, USA	100%
Appalachian Pharm Products, LLC	Ohio, USA	100%
Herbal Wellness Center Athens, LLC	Ohio, USA	100%
Herbal Wellness Center Fairfield, LLC	Ohio, USA	100%
Herbal Wellness Center Jeffersonville, LLC	Ohio, USA	100%
Herbal Wellness Center Portsmouth, LLC	Ohio, USA	100%
Herbal Wellness Center Roberts, 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 RE Jackson, LLC	Ohio, USA	100%
New Gen RE Ohio, 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 half of 2026. Based on sales data published by the Ohio Division of Cannabis Control ("DCC"), Ohio statewide combined medical and non-medical cannabis sales were approximately $1.07 billion in calendar 2025 (of which non-medical, or adult-use, was approximately $835 million), up from approximately $682 million in 2024. For the six months ended June 30, 2026, statewide combined sales were approximately $655 million, an increase of roughly 28% over the same period of 2025, with non-medical sales up approximately 49% and medical sales down approximately 29% as consumers continued to migrate from medical to adult-use. Adult-use represented approximately 86% of statewide sales in the first half of 2026, and monthly statewide sales reached approximately $122 million in June 2026. The number of operating non-medical dispensaries in Ohio continued to expand during the period, 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 half of 2026, including changes to product identification specifications and permitted product sizes that affected the Company's retail assortment during the quarter (see Section 4.1.2). 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 (DCC), Historical Sales Data (Medical and Non-Medical), reported cumulative by week ending; monthly and period totals derived by the Company from the DCC weekly series. Ohio Senate Bill 56 (135th General Assembly).

Arizona

The Arizona adult-use and medical cannabis market continued to experience compression during the first half of 2026. According to the Arizona Department of Revenue ("ADOR"), Arizona statewide taxable cannabis sales for the January through May 2026 period declined approximately 5.8% compared with the same period of 2025 on a like-for-like basis, continuing the multi-quarter contraction in the state market. The number of operating dispensaries in Arizona was approximately 169 to 170 during the first half of 2026, essentially unchanged from the prior year, so the decline reflects lower average revenue per operating dispensary rather than a change in store count.

Pricing in the Arizona wholesale market remained under pressure throughout the period, with sustained oversupply at the cultivation level continuing to compress wholesale unit economics. According to Cannabis Benchmarks, the Arizona wholesale spot price for flower reached its lowest level in May 2026 since that firm began tracking the state in October 2015, with both indoor- and greenhouse-grown flower at all-time lows. This pricing environment was a principal factor in the Company's decision to exit cultivation operations at its Eloy facility and to reposition its Arizona business to convert the oversupplied wholesale market into a sourcing advantage — protecting retail margin while offering competitive prices. Refer to Section 4.1.3 of this MD&A for a detailed analysis of the Company's operations in Arizona, including the make-versus-buy sourcing rationale and a comparison of the Company's Arizona store performance against the state average.

Sources: Arizona Department of Revenue, Cannabis Tax & Excise Statistics (by period covered); Arizona Department of Health Services, Marijuana Establishment data. May 2026 figures preliminary; June 2026 partial at time of data retrieval.

GROWTH STRATEGY, COMPETITIVE ADVANTAGE AND STRATEGIC PRIORITIES

3.1 Growth strategy - Own Operate Allocate

The Company describes its business in three words, in the order management runs it: Own, Operate, Allocate. The Company owns its brands, its dispensaries and its real estate; operates them with sourcing discipline, competitive pricing and merchandising; and allocates capital on a single test — fund whatever earns the highest return, and exit when the math no longer works. The paragraphs below describe what the Company does; the results in Sections 4, 5 and 6 are the evidence.

Own

The Company owns the assets it depends on. It owns its retail brand (Herbal Wellness Center) and its product brands (including Vapen, Firebrand, ReVibe and Prism), operates two dispensaries in Arizona and six in Ohio, and runs cultivation and manufacturing in Jackson, Ohio. The Company owns its real property rather than financing it through sale-leaseback arrangements, and carries its secured debt at a conservative loan-to-appraised-value ratio. Owning the real estate keeps the balance sheet under the Company's control and preserves the option to monetize an asset on the Company's timing — as it is now doing with the Eloy, Arizona property.

Operate

The Company runs its stores as a retail operator, not as an outlet for its own production. On independent survey data, the cannabis consumer chooses primarily on price and potency rather than on brand — roughly two-thirds of consumers report no brand preference, and price and THC potency rank as the leading purchase drivers. The Company therefore competes on sourcing discipline, competitive pricing and merchandising execution at the shelf rather than on brand marketing. Sourcing discipline means making product when making is cheaper and buying when buying is cheaper — and the same discipline runs in both states the Company operates. In Ohio, improving cultivation yields together with continued investment in manufacturing flow and added production capability support the Company's cost structure, so making is the advantage; in Arizona, structural wholesale oversupply has made buying the advantage. Either way, controlling the cost structure is what lets the Company price with discipline — competitively for a price-driven consumer, without giving up margin. Merchandising means routing that price-driven consumer through a tiered assortment — using the owned product portfolio and house brands as a margin tool — and capturing the full margin between wholesale cost and retail price inside stores the Company controls. The Company's decision to exit Arizona cultivation and source from the third-party wholesale market is a direct application of this discipline (see Section 4.1.3): where the market price of flower has fallen below the cost of growing it, the Company buys rather than makes, and uses the difference to hold margin while pricing competitively for that consumer.

Consumer purchase-behavior data (no brand preference; price and THC potency as leading purchase drivers) per New Frontier Data and BDSA/Deloitte industry survey data, as cited in management commentary.

Allocate

Every dollar competes for the highest return, and the Company will exit an activity when the return no longer clears the bar. In the current period this meant winding down Arizona cultivation, classifying the Eloy real property as held for sale, and directing expected proceeds and operating cash flow toward the reduction of secured debt. The Company funds its expansion primarily from the cash it generates from operations rather than from dilutive equity issuance; before changes in working capital, the Company generated approximately $2.2 million of cash from operations in the quarter.

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

3.2 Competitive advantages

Own — an owned balance sheet.

The Company owns its dispensaries, brands and real property and has not sold and leased back its real estate. Its secured debt sits at a conservative loan-to-appraised-value ratio, and the planned sale of the Eloy property is expected to reduce it further.

Operate — sourcing discipline and cash generation.

The Company sources on a make-vs-buy basis and merchandises through a tiered brand assortment. Before changes in working capital, it generated approximately $2.2 million of cash from operations in the quarter, notwithstanding a deliberate Ohio inventory build, underlying cash generation that funds debt reduction and expansion without reliance on dilutive capital markets.

Allocate — capital that moves to the return.

The Company invests where the return clears the bar and exits where it does not. In Ohio it is investing behind retail and cultivation, where vertical integration continued to improve, yields reached approximately 101.07 g/plant in the quarter, and the Company is investing in manufacturing flow and added production capability, an ongoing reconfiguration of the Ohio manufacturing floor, a new beverage line, and board-approved pre-roll and infused pre-roll equipment, to support its Ohio cost structure and broaden its assortment, which supports price discipline at retail. In Arizona it exited cultivation in response to structural wholesale oversupply and repositioned around retail sourcing, converting the oversupplied wholesale market into a margin advantage.

Technology as an enabler.

The Company uses data and analytics tools to sharpen pricing, assortment and inventory decisions; the tools inform decisions, and people make them. Management intends to describe the measurable impact of these tools in future disclosure as the results become quantifiable.

3.3 Progress against stated objective and priorities

Management reports its results against the objectives it set out in the prior period, including where it fell short. The table below tracks the objectives stated in the Company's Q1 2026 MD&A against status as at June 30, 2026.

Objective (as stated in the Q1 2026 MD&A)	Status at June 30, 2026
Expand the Ohio retail footprint	Opened the sixth Ohio dispensary (Fairfield) during the quarter; a seventh (Columbus) is expected in Q1 2027. On track.
Complete the exit from Arizona cultivation	Final Eloy harvest completed in May 2026; cultivation has ceased. Delivered.
Strengthen the balance sheet and reduce secured debt	Eloy real property classified as held for sale; expected proceeds earmarked against secured debt. In progress.
Grow the Ohio wholesale presence and product assortment	Continued; assortment broadened to include pre-rolls and infused flower products. Ongoing.
Determine the tax impact of the April 2026 DEA order	Monitoring; U.S. Treasury / IRS guidance had not been issued as at the date of this MD&A. Pending (external).

Following the transition to new Ohio product-identification specifications and product sizes, the Company raised retail flower pricing more aggressively than the market would bear and did not adjust it until May 2026, which cost customer volume in the intervening weeks. The Company corrected pricing in May, and customer counts recovered thereafter, most notably in Columbus (see Section 4.1.2). Management views the episode as a pricing error caught and corrected within the quarter.

Priorities for the remainder of 2026

Own

Complete the sale of the Eloy real property on acceptable terms and apply the proceeds to secured debt.

Operate

Continue to expand the Ohio retail footprint as licensing and permitting allow (including progressing the seventh Ohio dispensary in Columbus and a future eighth location), grow the Ohio wholesale presence and product assortment (including pre-rolls and infused flower products), and hold price and sourcing discipline in Arizona.

Allocate

Fund expansion from operating cash flow, reduce secured debt, and determine the financial impact of the April 2026 DEA order on Section 280E and on legacy uncertain tax positions as guidance is issued.

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

COMMENTARY ON OVERALL PERFORMANCE

4.1 Summary of operations

4.1.1 Financial performance overview

Revenue

June 30, 2026	% Change 2026 vs. 2025	June 30, 2025
$12,123	**(9.6%)**	**$13,407**

- Consolidated revenue for the quarter was $12,123, a decrease of $(1,284) or (9.6%) compared with the second quarter of 2025. The decrease reflects the Company's deliberate contraction of its Arizona business, lower Arizona retail volume as the Company competes on price into a contracting state market, together with substantially reduced Arizona wholesale/cultivation activity ahead of the Eloy exit, partially offset by continued growth in Ohio, including the opening of the Fairfield dispensary.

- On a sequential basis, revenue was essentially flat versus the first quarter of 2026 ($12,161), as Ohio growth offset the continued step-down in Arizona.

Net loss after income tax

June 30, 2026	2026 % of Revenue	% Change 2026 vs. 2025	June 30, 2025
$(315)	**(2.6)%**	**(78.7)%**	**$(1,478)**

- The improvement in net loss after income tax for the quarter (a $1,163 improvement year-over-year) was driven primarily by a higher gross margin, gross profit rose to $6,710 (55.3%) from $4,872 (36.3%), reflecting the Company's retail-first mix, improved Ohio flower pricing and cultivation yields, and a favorable change in the fair value of biological assets. This was partly offset by higher operating expenses associated with the larger Ohio retail platform (including the Fairfield opening).

- A significant portion of the year-over-year improvement in net loss also reflects a lower income tax expense in the current period ($(249) versus $(1,742) in the second quarter of 2025). Both the current and prior-year income tax provisions are affected by the non-deductibility of expenses under Section 280E; see Sections 4.2 and 8.0 regarding the April 2026 DEA order and the Company's uncertain tax positions.

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

4.1.2 Ohio

Ohio is the clearest example of the Operate discipline in action: the Company competes on sourcing discipline, competitive pricing, and merchandising execution at the shelf.

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

Retail	**Herbal Wellness Center, Jackson** Jackson, Ohio **Herbal Wellness Center, Columbus** Columbus, Ohio **Herbal Wellness Center, Athens** Athens, Ohio **Herbal Wellness Center, Jeffersonville** Jeffersonville, Ohio **Herbal Wellness Center, Portsmouth** Portsmouth, Ohio **Herbal Wellness Center, Fairfield** Fairfield, Ohio *Dual-use provision license (#7)* Columbus, Ohio Announced March 2026, expected Q1 2027 *Dual-use provision license (#8)* To be determined	The Company operated six Herbal Wellness Center dispensaries in Ohio as at June 30, 2026, having opened its Fairfield location during the quarter. All dispensaries operate under the Herbal Wellness Center brand. A seventh Ohio dispensary (Columbus) is expected to open in the first quarter of 2027.
Cultivation	Jackson, Ohio - Operating cultivation facility Announced March 2026 intention to expand the cultivation facility from 25,000 sq. ft. to 50,000 sq. ft.	Tier One cultivation facility in Jackson, Ohio. Cultivation yields improved to approximately 101.07 g/plant in the second quarter of 2026, supporting the retail-first supply strategy and the Company's focus on growing its Ohio wholesale presence and product assortment.
Manufacturing	Jackson, Ohio - Fully built out and operating manufacturing facility	Vext produces its branded products in Ohio. Branded products are sold primarily through the Company's own dispensaries, as well as through other dispensaries across Ohio.

Ohio was the principal driver of the Company's performance in the quarter, with retail revenue growing on the strength of the expanded store base and improved pricing execution, and cultivation throughput increasing on higher yields. The year-over-year and sequential improvement reflects the following contributing factors:

Retail expansion and the Fairfield opening.

The Company opened its sixth Ohio dispensary, in Fairfield, during the quarter. As a new store in a market where the Company had no prior presence, Fairfield is in an acquisition-led ramp phase, with new customers representing a majority of weekly transactions.

Yield-driven supply and inventory build.

Improved Ohio cultivation yields (approximately 101.07 g/plant) and the transition to new Ohio product-identification specifications and product sizes contributed to a deliberate build in Ohio inventory during the quarter (see Section 6.2). The Company switched certain flower formats from a 2.83g to a 3.5g configuration and had sufficient sell-through to absorb the transition.

Retail pricing correction.

Earlier in the year the Company raised retail flower pricing more aggressively than the market would bear following the size and product-identification changes, and did not adjust pricing until May 2026. Following that adjustment, the Company saw customer counts recover, most notably in Columbus, where weekly customer volume rebounded to the highest levels of the period. Management is continuing to fine-tune pricing by store, tightening slightly where volume has recovered, and pricing more competitively where customer reactivation or new-customer acquisition remains the priority.

Cost structure and price discipline.

The Company is investing to support and improve its Ohio cost structure as retail and cultivation volumes grow. Alongside the yield improvement, an ongoing reconfiguration of the Ohio manufacturing floor is intended to improve production flow, and the Company is adding production capability, including pre-roll and infused pre-roll equipment approved by the board subsequent to quarter-end (see Section 4.2), and a new beverage line under a signed agreement expected to come into service late in the third quarter or early in the fourth quarter of 2026 (see Section 4.2). These investments serve two purposes: they support a competitive cost structure, the internal, make-side counterpart to the buy-side sourcing advantage the Company is capturing in Arizona (Section 4.1.3), and they broaden the Company's assortment into higher-value formats (beverages, pre-rolls and infused pre-rolls) that the Company merchandises across price tiers. In Ohio the Company works to control cost by producing more efficiently; in Arizona it controls cost by sourcing from an oversupplied wholesale market. Both routes lead to the same place, a cost structure that funds a competitive price without sacrificing margin, which is what allows the Company to exercise price discipline for a price- and potency-driven consumer.

Tiered assortment and merchandising.

The Company merchandises its Ohio shelf through a tiered brand assortment, using its owned product portfolio and expanding format range, including pre-rolls, infused pre-rolls and beverages, as a margin tool across price points rather than competing on a single opening-price item. This is the Operate discipline described in Section 3.1 applied at the store level.

The state-level Ohio market has continued to grow year-over-year, statewide sales rose approximately 28% in the first half of 2026 (Section 2.2), while the operating dispensary count has expanded, increasing competition in certain submarkets including Columbus. Against this backdrop, the Company's Ohio retail platform grew revenue through the expanded store base, pricing execution and the tiered assortment. For commentary on the overall Ohio market, please refer to Section 2.2 of this MD&A.

Ohio retail performance against the state benchmark

The Company benchmarked the monthly performance of its Ohio dispensaries against the state average revenue per operating dispensary, derived from DCC statewide sales and the operating dispensary count. The clearest read is the direction of travel by store. The Company's Jackson location tracked up over the period, moving from roughly the state-average store in 2023 to approximately 1.2 times the state average in 2026, and is the Company's strongest Ohio location. The Company's Columbus location tracked in the opposite direction: a large store in the medical era (well above the state average in early 2023), it has compressed toward the state average as the Columbus metropolitan area drew additional dispensaries and competition, the same dynamic noted above. Athens has held near the state average; the Company's Jeffersonville and Portsmouth locations have built from later openings toward, but still below, the average; and Fairfield began its ramp from a low base following its June 2026 opening. Index levels are approximate and depend on the operating-dispensary count used; the directional trajectories are driven by each store's own sales and are the more robust read.

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

Source: Company store-level monthly net sales; DCC statewide sales (derived monthly from the weekly cumulative series); state average per dispensary estimated as statewide sales divided by an estimated operating-dispensary count (anchored to approximately 204 operating dispensaries in March 2026). See the Ohio Cannabis Sales workbook for detail.

4.1.3 Arizona

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

Retail	**Herbal Wellness Center, Central Phoenix** Phoenix, Arizona **Herbal Wellness Center, North Phoenix** Phoenix, Arizona	Vext's two Arizona retail dispensaries serve both recreational and medical patients in high-traffic Phoenix metro areas. Following the Eloy cultivation exit, the dispensaries are free to source and price competitively as merchandisers rather than as an outlet for internally cultivated product.
Cultivation	Eloy — cultivation ceased; final harvest completed May 2026 Phoenix — 10,000 sq. ft. under canopy (historically used for R&D)	The Company completed the wind-down of Arizona cultivation during the quarter. The Eloy real property has been classified as an asset held for sale as at June 30, 2026 (see Section 6.2).
Manufacturing	Fully built-out 9,000 sq. ft. manufacturing facility	Vext operates a manufacturing facility in Arizona producing its portfolio of Company-owned brands, including Vapen, Firebrand, ReVibe, and Prism, as well as white-label manufactured goods. The scope of the Arizona manufacturing operation upon full wind-down — including tolling and white-label packaging of Herbal Wellness Center products — is being finalized.

Consistent with the Company's strategy, Arizona revenue declined year-over-year, reflecting both the market-wide softness in the Arizona cannabis market and the Company's deliberate contraction of its Arizona footprint. Rather than chase volume, the Company used the oversupplied wholesale market as a sourcing advantage, buying finished product below the cost of producing it, to protect retail margin while offering competitive prices to a consumer who buys primarily on price and potency. Arizona wholesale and cultivation activity was substantially reduced ahead of the Eloy exit.

Arizona retail performance against the state benchmark

The Company benchmarked the monthly performance of its two Arizona dispensaries against the estimated state average revenue per operating dispensary, derived from Arizona Department of Revenue taxable-sales data and the reported operating dispensary count of approximately 169 to 170. On this basis, the Company's Central Phoenix location has consistently operated above the state per-store average, indexing at approximately 1.15–1.20 times the state average during 2026, down from a peak of roughly 1.6 times in 2023 as the Company deliberately moderated the store to protect margin, but still a clear outperformer. The Company's North Phoenix (Organica) location indexed at approximately 0.77 times the state average in 2026, having declined from roughly 1.2 times in 2023; this location operates in a more competitive trade area and was historically required to channel internally cultivated product. With cultivation now exited, both locations can source and price to the market rather than being obligated to move internally grown product. Notably, in June 2026, the Central Phoenix location's monthly customer count rose to its highest level since October 2023, indicating that a competitive-price posture, funded by the Company's wholesale sourcing advantage rather than by sacrificing margin, is drawing traffic even as revenue is deliberately managed.

Source: Company store-level monthly sales; Arizona Department of Revenue taxable-sales by period covered; state per-store average estimated as statewide taxable sales divided by operating dispensary count. July 2026 excluded. See the AZ Cannabis Taxable Sales workbook for detail.

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. The final Eloy harvest was completed in May 2026 and cultivation activity has ceased. Following the wind-down, the Company sources product for its Arizona retail dispensaries primarily from third-party Arizona-licensed producers, capturing margin through merchandising, assortment, and pricing execution rather than through the integrated production-to-retail model that historically defined the Arizona platform.

The Eloy real property has been classified as an asset held for sale as at June 30, 2026, and the Company is pursuing its sale. Management expects the sale proceeds to be applied toward the settlement of the associated secured indebtedness, advancing the Company's deleveraging objective. See Section 6.2 and Section 4.2 for further information.

Sourcing discipline make versus buy

The exit from Arizona cultivation is a sourcing decision, not a retreat. The test the Company applied is straightforward: make product when making is cheaper, and buy when buying is cheaper. Arizona's wholesale market makes buying decisively cheaper, and the evidence is independent of the Company. According to Cannabis Benchmarks, the Arizona wholesale spot price for flower fell in May 2026 to its lowest level since that firm began tracking the state in October 2015, with both indoor- and greenhouse-grown flower at all-time lows; the Arizona index had declined approximately 22.1%, or $126 per pound, since late 2025 alone. Arizona has ranked among the lowest-priced wholesale markets in the country for several years, its spot price fell below California's, historically one of the lowest, as early as February 2023, a condition Cannabis Benchmarks attributes to structural oversupply and the absence of cultivation limits in the state. Against a U.S. benchmark spot price of approximately $1,040 per pound (about $2.29 per gram) in late May 2026, the decline described above implies an Arizona spot price on the order of $440 per pound, less than half the national benchmark.

At those levels, wholesale flower in Arizona has fallen to or below the cost of producing it indoors for many cultivators. Independent estimates place indoor production cost from roughly $150 per pound for the most efficient operations to as much as $1,000 per pound for less efficient ones, and even best-in-class indoor operators have publicly reported cash production costs near $450 per pound. When the market will sell finished flower for less than it costs to grow, continuing to grow destroys value. The Company therefore closed its Eloy cultivation and now sources for its Arizona dispensaries from the third-party market, capturing the difference as retail margin. This is the Allocate test operating inside the Operate chapter: capital leaves an activity whose return has fallen below the bar, and the sourcing decision flows straight through to margin. Because the argument rests on the state of the Arizona wholesale market, documented by independent third parties, rather than on the Company's own cost figures, it holds regardless of any single quarter's results.

Sources: Cannabis Benchmarks, U.S. Cannabis Spot Index (May 22, 2026 and December 12, 2025); Cannabis Benchmarks Wholesale Market Observer, "Arizona Cannabis Supply Continues to Outpace Demand" and "What Will It Take for Arizona Wholesale Cannabis Prices to Rise?". Indoor cost-of-production range per Next Big Crop, "Commercial Cannabis Production Costs"; best-in-class indoor cash cost (below US$1/gram, ~US$450/lb) per Grown Rogue Inc. news release, June 9, 2020. The implied Arizona per-pound figure is derived from the published Arizona index change and the U.S. benchmark spot price; the comparison reflects third-party market pricing, not the Company's internal costs.

4.2 Material events that occurred subsequent to the period

The Company continues to monitor the evolving U.S. federal regulatory landscape for cannabis. As the outcome and timing of any final rule remain uncertain, no financial impact has been recognized in these interim financial statements. The Company will continue to evaluate the effects, if any, as further guidance is issued.

On August 14, 2026, the Company completed a six-month extension of the maturity date with East West Bank on the second promissory note originally for $17,185. The promissory note now matures on January 15, 2028. As a condition of the extension, the Company has agreed to use all net proceeds from the sale of the Eloy property to partially repay the facility by January 20, 2027. No other changes were made.

On August 19, 2026, the Company completed a financing with Wright-Patt Credit Union ("WPCU") consisting of two commercial real estate loans with aggregate gross proceeds of approximately $17.0 million (the "WPCU Loans").

The WPCU Loans bear a fixed interest rate of 8.64% and are secured by the Company's cultivation and manufacturing facility located at 16064 Beaver Pike, Jackson, Ohio (the "Jackson Property"), together with related assignments of rents and leases, and are cross-collateralized and cross-defaulted with each other. The WPCU Loans consist of: (i) an $11.0 million term loan with a 10-year term and 20-year amortization, with interest fixed for 5 years and reset at 5-year UST + 4.25%; and (ii) a $6.0 million term loan with a 7-year term and 7-year amortization, with interest fixed for the term.

Proceeds from the WPCU Loans were used to (i) refinance approximately $10.3 million of existing WPCU indebtedness, (ii) acquire the Jackson Property for $6.0 million, and (iii) fund continued development and expansion of the Company's Ohio operations.

In connection with the WPCU financing, on August 19, 2026, the Company, through its wholly owned subsidiary New Gen RE Jackson, LLC, completed the acquisition of the Jackson Property pursuant to a Membership Interest Purchase Agreement dated July 10, 2026. Under the agreement, the Company acquired 100% of the membership interest in WLPM 2 LLC, the entity that owns the Jackson Property, from an unaffiliated third-party seller. The Jackson Property consists of approximately 50 acres of land with related improvements and is the site of the Company's existing cultivation and manufacturing operations in Jackson, Ohio.

4.3 Additional commentary around financial performance

The Company has reviewed its financial position and results of operations for the three and six months ended June 30, 2026 and the following determinations have been made by management:

As of the date of this MD&A, the Company has no obligations to third parties that require or will require renegotiation, other than the secured indebtedness associated with the Eloy real property, which the Company expects to settle from the proceeds of the property's sale.

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. The Company's exit from Arizona cultivation is expected to reduce its exposure to these market forces; by transitioning to third-party product sourcing, the Company's Arizona retail locations are no longer obligated to absorb internally cultivated supply at compressed market prices. Revenue in Ohio is expected to continue to increase in 2026, against a state market that grew approximately 28% year-over-year in the first half (Section 2.2), as a result of the Fairfield opening, and improved cultivation supply.

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

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

SELECT FINANCIAL PERFORMANCE

5.1 Financial results of operations

	For the Three Months Ended June 30, 2026	June 30, 2025	$ Change	% Change
REVENUE	$ 12,123	$ 13,407	$ (1,284)	(9.6)%
NET COST OF GOODS SOLD	5,413	8,535	(3,122)	(36.6%)
GROSS PROFIT	6,710	4,872	1,838	37.7%
OPERATING EXPENSES	5,921	5,349	572	10.7%
Change in fair value of debt	(145)	685	(830)	(121.2%)
Interest expense	(856)	(931)	75	(8.1%)
Interest income	31	42	(11)	(26.2%)
Miscellaneous income	115	945	(830)	(87.8%)
Net loss before income tax	(66)	264	(330)	(125.0%)
Income tax (expense)/recovery	(249)	(1,742)	1,493	(85.7%)
Net loss after income tax	$ (315)	$ (1,478)	$ 1,163	(78.7%)
Loss per subordinated voting shares and equivalent multiple voting shares — basic and diluted	(0.00)	(0.01)	0.01	(100.0%)
Weighted average number of subordinated voting shares and equivalent multiple voting shares outstanding — basic and diluted	247,687,437	247,580,747	106,690	—%

Revenue:

The following table is a comparison of the category breakdown for the three months ended June 30, 2026 compared to the same period of 2025.

	June 30, 2026	June 30, 2025	$ Change
Retail revenue	$ 10,696	10,815	$ (119)
Wholesale revenue	1,427	2,592	(1,165)
Revenue	$ 12,123	13,407	$ (1,284)

Revenue decreased by $(1,284) or (9.6)% when comparing three months ended June 30, 2026 vs 2025. The decline in Arizona revenue was partially offset by an increase in Ohio revenue.

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

Gross profit:

The following table shows the comparison by category breakdown for three months ended June 30, 2026 compared to the same period of 2025.

		June 2026			June 2025
Cost of goods sold	$	6,787	Cost of goods sold	$	8,201
Amortization		1,313	Amortization		1,378
General & administrative		4,511	General & administrative		3,772
Subtotal expenses		12,611	Subtotal expenses		13,351
Gross profit before fair value adjustments		5,336	Gross profit before fair value adjustments		5,206
Gross profit	$	6,710	Gross profit	$	4,872

Gross profit before fair value adjustments for the three months ended June 30, 2026, was $5,336 compared to $5,206 for the same period in 2025. Gross profit before fair value adjustments remained flat year over year despite the decline in revenue, due to improvements in the cost of goods sold.

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

Financial results of operations for the six months ended June 30, 2026 and 2025

	For the Six Months Ended		$	%
	June 30, 2026	**June 30, 2025**	Change	Change
Revenue	$ 24,284	$ 24,968	$ (684)	(2.7)%
Net cost of goods sold	11,849	17,817	(5,968)	(33.5%)
Gross profit	12,435	7,151	5,284	73.9%
Total operating expenses	11,646	9,656	1,990	20.6%
Change in fair value of debt	227	838	(611)	(72.9%)
Interest expense	(1,699)	(1,819)	120	(6.6%)
Interest income	64	98	(34)	(34.7%)
Miscellaneous income	(90)	96	(186)	(193.8%)
Income (loss) before income tax	(709)	(3,292)	2,583	(78.5%)
Income tax (expense) recovery	(498)	(1,519)	1,021	(67.2%)
Net loss after income tax	$ (1,207)	$ (4,811)	$ 3,604	(74.9%)
Loss per subordinated voting shares and equivalent multiple voting shares — basic and diluted	(0.01)	(0.02)	0.01	(50.0%)
Weighted average number of subordinated voting shares and equivalent multiple voting shares outstanding — basic and diluted	247,685,665	247,535,761	149,904	0.1%

Revenue:

The following table is a comparison of the category breakdown for the six months ended June 30, 2026 compared to the same period of 2025.

	June 30, 2026	**June 30, 2025**	**$ Change**
Retail revenue	$ 21,140	$ 18,897	$ 2,243
Wholesale revenue	3,144	6,071	(2,927)
Revenue	**$ 24,284**	**$ 24,968**	$ (684)

Revenue decreased by $(684) or (2.7)% when comparing six months ended June 30, 2026 vs 2025. Increases in Ohio revenue, due to additional Ohio retail locations that consolidated, were partially offset by declines in Arizona revenue.

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

Gross profit:

The following table shows the comparison by category breakdown for six months ended June 30, 2026 compared to the same period of 2025.

		June 2026			June 30, 2025
Cost of goods sold	$	14,393	Cost of goods sold	$	15,804
Amortization		2,627	Amortization		2,561
General & administrative		8,825	General & administrative		6,800
Subtotal expenses		25,845	Subtotal expenses		25,165
Gross profit before fair value adjustments		9,891	Gross profit before fair value adjustments		9,164
Gross profit	$	12,435	Gross profit	$	7,151

Gross profit for the six months ended June 30, 2026, was $12,435 compared to $7,151 for the same period in 2025. The primary drivers of the increase to Gross profit were the result of improving margins in Ohio and fair value adjustments related to price improvement in Ohio.

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

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

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

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

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

	2026		2025				2024	
	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3
Net cash provided by operating activities	$ 1,182	$ 1,615	$ 3,196	$ 1,259	$ 4,175	$ 3,082	$ 4,016	$ (244)
Revenue	12,123	12,161	13,728	12,671	13,407	11,561	10,194	8,987
Cash Flow Margin	**9.8 %**	**13.3%**	**23.3%**	**9.9%**	**31.1%**	**26.7%**	**39.4%**	**(2.7)%**
YTD or annual net cash provided by operating activities	$ 2,797		$ 11,712				$ 3,289	
YTD or annual revenue	24,284		51,367				35,998	
Annual Cash Flow Margin	**11.5%**	**2026**	**22.8%**	**2025**			**9.1%**	**2024**

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

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

	2026		2025				2024	
	Q2	**Q1**	**Q4**	**Q3**	**Q2**	**Q1**	**Q4**	**Q3**
Revenue	$ 12,123	12,161	$ 13,728	12,671	13,407	11,561	10,194	8,987
Gross profit before FV adjustments	5,336	4,352	4,236	3,002	5,206	3,958	4,151	3,650
Gross profit margin % before FV adj.[1]	44.0%	35.8%	30.9%	23.7%	38.8%	34.2%	40.7%	40.6%
Change in FV of biological	(1,373)	(1,171)	903	(969)	334	1,679	1,934	(224)
Operating expense	5,921	5,523	11,211	5,435	5,349	4,307	5,109	5,164
Other (income) expense	855	643	1,175	1,404	(741)	1,528	4,303	1,445
Income taxes (recovery)	249	249	1,504	(243)	1,742	(223)	2,020	(239)
Net loss after income tax	**$ (315)**	**$ (892)**	**(10,557)**	**$ (2,625)**	**$ (1,478)**	**$ (3,334)**	**$ (9,215)**	**$ (2,496)**
Basic and diluted earnings per subordinate voting share	$ (0.00)	$ (0.00)	$ (0.04)	$ (0.01)	$ (0.01)	$ (0.01)	$ (0.04)	$ (0.01)
Interest (net)	825	810	1,998	647	889	832	1,276	826
Income taxes (recovery)	249	249	1,504	(243)	1,742	(223)	2,020	(239)
Depreciation and amortization	4,017	3,979	4,019	4,006	4,110	3,742	3,872	3,831
EBITDA	**$ 4,776**	**$ 4,146**	**$ (3,035)**	**$ 1,785**	**$ 5,263**	**$ 1,018**	**$ (2,047)**	**$ 1,922**
Change in FV of biological	(1,373)	(1,171)	903	(969)	334	1,679	1,934	(224)
Change in FV of debt	145	(372)	(514)	846	(685)	(153)	(318)	612
Miscellaneous (income) expense	(115)	205	(309)	(160)	(977)	906	1	(86)
Share-based compensation	2	7	(6)	11	66	25	55	393
Goodwill and Intangible Impairment	—	—	5,020	—	—	—	—	—
Share (profit)/loss on joint ventures	—	—	—	—	—	—	3,249	121
(Gain)/loss on asset disposal	—	—	—	—	—	—	143	2
Loan costs EWB amortized	—	—	—	—	—	—	44	44
RSU taxes	—	—	—	—	—	—	177	—
Adjusted EBITDA	**$ 3,435**	**$ 2,815**	**$ 2,059**	**$ 1,513**	**$ 4,001**	**$ 3,474**	**$ 3,238**	**$ 2,784**
Adjusted EBITDA Margin	28.3%	23.1%	15.0%	11.9%	29.8%	30.1%	31.8%	31.0%
YTD or annual Adjusted EBITDA	**$ 6,250**	**2026**	**$ 11,047**	**2025**			**$ 9,062**	**2024**

[1] This is a non-IFRS ratio calculated by dividing Gross profit before FV adjustments by Revenue.

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

BALANCE SHEET ANALYSIS

6.1 Financial position:

Financial position at June 30, 2026

	June 30, 2026	December 31, 2025	$ Change
ASSETS			
Current assets	$ 27,059	$ 16,784	$ 10,275
Non-current assets	90,091	103,745	$ (13,654)
Total Assets	**$ 117,150**	**$ 120,529**	$ (3,379)
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities	$ 27,975	$ 28,494	$ (519)
Long-term liabilities	34,999	36,661	$ (1,662)
Shareholders’ equity	54,176	55,374	$ (1,198)
Total liabilities and shareholders’ equity	**$ 117,150**	**$ 120,529**	$ (3,379)

The following discussion of the Company’s financial position is based on the Company’s condensed consolidated interim financial statements as at June 30, 2026.

6.2 Select Balance Sheet highlights

2026 vs. 2025:

Current assets

	June 30, 2026	December 31, 2025	$ Change
Cash	$ 4,535	$ 5,083	$ (548)
Trade and other receivables	811	1,500	(689)
Inventory	8,681	5,924	2,757
Biological assets	2,722	1,543	1,179
Assets held for sale	7,823	—	7,823

- Refer to section 6.3 for discussion of changes in cash.
- The decline in Trade and other receivable was driven by the decline in wholesale revenue and normal course collections.
- The increase in Inventory and biological assets was driven by improved Ohio cultivation yields and the Company’s retail-first supply strategy in Arizona.

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

- Assets held for sale of $7,823 represents the reclassification of the Eloy, Arizona real property from property, plant and equipment following the announced cultivation exit. The corresponding decrease in property, plant and equipment (see below) primarily reflects this reclassification.

Non-current assets

	June 30, 2026	December 31, 2025	$ Change
Property, plant and equipment	$ 25,361	$ 34,942	$ (9,581)
Intangible assets	59,188	63,124	(3,936)

- The decrease in property, plant and equipment was driven primarily by the reclassification of the Eloy real property to assets held for sale ($7,823), together with normal course depreciation.

- The decrease in intangible assets was driven by normal course amortization.

Current liabilities

	June 30, 2026	December 31, 2025	$ Change
Accounts payables and accrued liabilities	$ 6,662	$ 7,651	$ (989)
Income tax payable	1,318	4,393	(3,075)
Uncertain tax position	11,705	8,054	3,651

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

- The changes in Income tax payable and Uncertain tax position reflects progress in finalizing its tax filing position for the year ended December 31, 2025. The reclassification reflects the Company's best estimate of its final tax filing position and remains subject to change pending finalization of the 2025 tax returns.

Long-term liabilities

	June 30, 2026	December 31, 2025	$ Change
Notes payable – non-current portion	$ 22,443	$ 23,511	$ (1,068)

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

Working capital position

As at June 30, 2026, the Company's working capital position was $(916) compared to December 31, 2025 of $(11,710). The improvement of $10,793 was primarily driven by the reclassification of the Eloy real property to current assets held for sale and the increased balance of inventory in Ohio.

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 $11,705 at June 30, 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 $10,789 at June 30, 2026.

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

6.3 Cash from activities

The following table summarizes the sources and uses of cash for the six months ended June 30, 2026 compared to the same period of 2025:

	June 30, 2026	June 30, 2025	$ Change
Cash provided by operating activities	$ 2,797	$ 7,257	$ (4,460)
Net cash used in investing activities	(1,845)	(3,770)	1,925
Net cash used in financing activities	(1,500)	(3,561)	2,061
Net change in cash	$ (548)	$ (74)	$ (474)

2026 vs. 2025	
OPERATING ACTIVITIES	**$(4,460)** change The primary reason for decrease in Cash provided by operating activities was driven by a $(1,964) change in non-cash working capital items, primarily as a result of the increased inventory at Q2 2026. YTD 2025 also benefitted from a one-time $904 in cash collected from legacy Joint Ventures.
INVESTING ACTIVITIES	**$1,925** change The change in investing cash flow was the result of acquisitions in 2025. The Company has not paid any amounts for acquisitions in 2026.
FINANCING ACTIVITIES	**$2,061** change 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.

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 expects to remain operational for the foreseeable future, realizing assets and meeting liabilities during the normal course of business. The Company's ability to continue operations depends on generating adequate revenue and securing necessary financing. The Company intends to meet the future financial needs through continued operations.

As of June 30, 2026, the Company's working capital was $(916), improved from $(11,710) at December 31, 2025. Management has evaluated the Company's working capital position, including the classification of the $11,705 uncertain tax position liability as a current liability, and the reclassification of the Eloy real property to current assets held for sale, 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 $4,535, compliance with debt covenants, the uncertain timing of any cash settlement of the uncertain tax position liability, and management's assessment that a sale of the Eloy real property is likely to occur on commercially reasonable terms. 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 June 30, 2026, the outstanding secured debt of approximately $24,736 represents a roughly 50% loan-to-appraised value ratio. The EWB loans require the Company to maintain certain annual financial covenants including a debt coverage ratio and a debt to tangible net worth ratio, 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 and 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 historically financed its capital expenditures through a combination of operating cash flow and secured debt, and does not currently rely on dilutive equity issuances to fund its expansion plans.

6.5 Use of proceeds from financing activities

During the year ended December 31, 2025 and the period ended June 30, 2026, the Company has not completed any financing activities.

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

ADDITIONAL INFORMATION

7.1 Related Party Transactions

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

Key management personnel

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

Remuneration attributed to key management personnel for the period ended June 30, 2026 and June 30, 2025 is summarized as follows:

	June 30, 2026	June 30, 2025
Trevor Smith, CFO	$ 1	$ 2
Scott Everett, Corporate Secretary	1	—
Mark Opzoomer, Director	—	3
Spiro A. Phanos, Director	—	2
Terry L. Creighton, Director	—	2
David Johns, Director	—	2
Nalee Pham, Chief of Staff	—	2
Share-based compensation	2	13
Eric Offenberger, CEO, COO, and Director	162	167
Trevor Smith, CFO	110	108
Scott Everett, Corporate Secretary	101	—
David Johns, Director	—	8
Nalee Pham, Chief of Staff	—	67
Salaries and wages	373	350
Jason T. Nguyen, Director	68	68
Mark Opzoomer, Director	70	51
Spiro A. Phanos, Director	24	21
Terry L. Creighton, Director	24	21
David Johns, Director	24	21
Consulting fees included in operating expenses	210	182
Total	**$ 585**	**$ 545**

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

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

Due from related parties:

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

	June 30, 2026	December 31, 2025
Beginning Balance	$ 1,063	$ 1,347
Payments	(68)	(440)
Interest Accrued	61	156
11.5% per annum interest bearing, due on December 31, 2026	1,056	1,063
Insurance premiums	10	10
Total due from related party	**$ 1,066**	**$ 1,073**

On December 31, 2025, the Company and Jason T. Nguyen 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 $10 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:

David Johns was one of the sellers of the App Pharma entities and as such holds a portion of the promissory notes payable for App Pharm Products and App Pharm Processing (Note 14). During the period ended June 30, 2026, $14 in interest was accrued on these notes payable. Payment of interest began January 1, 2025. During the period ended June 30, 2026 and December 31, 2025, the portion of the promissory notes payable due is as follows:

	June 30, 2026	December 31, 2025
Total Current Promissory Note Payable (Director)	$ 695	$ 723
Interest Payable	14	14
Total Interest Payable (Director)	$ 14	$ 14

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

7.2 Outstanding share data

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

Class of Security	Number Outstanding
Subordinate voting shares	185,816,341
Multiple voting shares*	618,907
RSUs	66,667
Stock options	5,764,284
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 the sale of the Eloy real property classified as held for sale (Section 4.1.3), and as otherwise disclosed in this MD&A, the Company does not have any other proposed transactions at this time.

7.4 Off-balance sheet transactions

There are no off-balance sheet transactions.

7.5 Other information

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

KEY RISKS, RISK MANAGEMENT AND FINANCIAL INSTRUMENTS

8.1 Risk management and financial instruments

The Company's financial instruments are exposed to certain financial risks, including credit risk, liquidity risk, interest rate risk, price risk, and currency risk. The fair value of the Company's cash, trade and other receivables, accounts payable and accrued liabilities and amounts due to and from related parties approximate their carrying value due to their short-term nature. The fair value of notes payable approximates carrying value due to variable interest rates which represent market value.

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. The Company records an allowance for expected credit losses related to accounts receivable considered to be non-collectible; the allowance is based on the Company's knowledge of the financial condition of its customers, the current business environment, 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 at June 30, 2026, the Company has a current cash balance of $4,535. 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

A portion of the Company's borrowings includes a variable interest rate component, and as a result the Company is subject to interest rate risk with respect to such floating-rate debt. 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 June 30, 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 $11,705 at June 30, 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. 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 20 to the Interim Financial Statements and Section 4.2 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 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 re-issuance 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 June 30, 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 June 30, 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 began January 22, 2021. Vext and its subsidiaries are following Arizona's adult use marijuana regulatory requirements and programs where applicable.

Ohio overview:

Ohio has authorized the cultivation, processing, and dispensing of medical marijuana products by licensed dispensaries throughout the state. As of June 30, 2026 there were 220 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 re-issuance 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 June 30, 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 June 30, 2026, the Company operated two retail dispensaries in Arizona, six (6) retail dispensaries in Ohio (with two (2) 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 has sourced 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.

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 20 to the Interim Financial Statements.

Other risks

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

Other regulatory risks

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

Reliance on third-party service providers

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

Reliance on management

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

Additional financing

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

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

Cannabis industries are highly competitive

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

Operating risk and insurance coverage

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

Key personnel risk

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

Global economy risk

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

Dividend risk

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

Securities and dilution

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

Future capital requirements

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