



**Nextleaf Solutions Ltd.**  
**Management's Discussion & Analysis**  
**For the nine months ended**  
**June 30, 2025**

**NEXTLEAF SOLUTIONS LTD.**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS ("MD&A")**

The following discussion and analysis of the financial condition and results of operations of Nextleaf Solutions Ltd. ("Nextleaf" or the "Company") for the nine months ended June 30, 2025, should be read in conjunction with the Company's unaudited condensed interim consolidated financial statements for the nine months ended June 30, 2025, and the audited annual consolidated financial statements for the year ended September 30, 2024, and the notes thereto (collectively, the "financial statements"). The financial statements have been prepared in accordance with IFRS Accounting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB"). All monetary amounts in this MD&A are expressed in Canadian dollars, or as otherwise indicated.

The information contained herein is presented as at **August 28, 2025** (the "MD&A Date").

Additional information relating to the Company is filed with Canadian securities regulatory authorities ([www.sedarplus.ca](http://www.sedarplus.ca)) and on the Company's website at [www.nextleafsolutions.com](http://www.nextleafsolutions.com).

For the purposes of preparing this MD&A, Management, in conjunction with the Board of Directors, considers the materiality of information. Information is considered material if: (i) such information results in, or would reasonably be expected to result in, a significant change in the market price or value of Nextleaf's common shares; or (ii) there is a substantial likelihood that a reasonable investor would consider it important in making an investment decision; or (iii) it would significantly alter the total mix of information available to investors. Management, in conjunction with the Board of Directors, evaluates materiality with reference to all relevant circumstances, including potential market sensitivity.

#### **FORWARD-LOOKING STATEMENTS**

Certain statements contained in this MD&A constitute "forward-looking information" and "forward-looking statements." All statements other than statements of historical fact contained in this MD&A, without limitation, those regarding the future financial position and results of operations, strategy, plans, objectives, goals, targets and future developments of the Company in the markets where the Company participates or is seeking to participate, and any statements preceded by, followed by or that include the words "believe", "expect", "aim", "intend", "plan", "continue", "will", "may", "would", "anticipate", "estimate", "forecast", "predict", "project", "seek", "should" or similar expressions or the negative thereof, are forward-looking statements.

Forward-looking statements include, without limitation, the information concerning possible or assumed future results of operations of Nextleaf set out throughout this MD&A, including statements regarding: the Company's revenue, sales (medical or recreational); income and/or profitability; marketing, branding and representations; expectations regarding the market for cannabis products; expectations regarding legislation, regulations and licensing related to the import, export, processing and sale of cannabis products by the Company; the competitive landscape; distribution channels, partners, programs, or agreements; the ability to enter and participate in international market opportunities; the ability to secure dried cannabis inventory through long-term supply contracts or otherwise; intellectual property and patent value; product diversification and future corporate development; anticipated benefits of Commercial Partners Programs and B2B sales; anticipated results of research and development; production capacity expectations including discussions of plans or potential for expansion of capacity at existing or new facilities; and expectations with respect to future expenditures, capital activities, process or cost optimization and efficiencies, financial cycles, personnel, ERP systems, inventory management, quality assurance, and expense control.

These statements are not historical facts but instead represent only the Company's expectations, estimates and projections regarding future events. These statements are not guarantees of future performance and involve assumptions, risks and uncertainties that are difficult to predict. Therefore, actual results may differ materially from what is expressed, implied or forecasted in such forward-looking statements. Management provides forward-looking statements because it believes they provide useful information to readers when considering their investment objectives and cautions readers that the information may not be appropriate for other purposes. Consequently, all of the forward-looking statements made in this MD&A are qualified by these cautionary statements and other cautionary statements or factors contained herein, and there can be no assurance that the actual results or developments will be realized or, even if substantially realized, that they will have the expected consequences to, or effects on, the Company. These forward-looking statements are made as of the date of this MD&A and the Company assumes no obligation to update or revise them to reflect subsequent information, events or circumstances or otherwise, except as required by law.

The forward-looking statements in this MD&A are based on numerous assumptions regarding the Company's present and future business strategies and the environment in which the Company will operate in the future, including assumptions regarding business and operating strategies, and the Company's ability to operate on a profitable basis.

#### **RISKS AND UNCERTAINTIES**

Risk is inherent in all business activities and cannot be entirely eliminated. An investment in the Company's common shares involves risk. Investors should carefully consider the risks and uncertainties described below and in other continuous disclosure documents as filed by the Company with Canadian securities regulators which may not be a comprehensive list of risks and uncertainties as additional risks and uncertainties, including those unknown by the Company at this time, or are currently considered immaterial, may exist, and other risks may apply.

There are many external factors that can adversely affect general workforces, economies, and financial markets globally. For example, and not limited to, political conflict in other regions. It is not possible for the Company to predict the duration or magnitude of adverse results of such external factors and their effect on the Company's business or ability to raise funds.

## COMPANY OVERVIEW

Nextleaf® is an innovation-driven life science company, and licensed cannabis processor with a portfolio of federally regulated emerging consumer brands, market validated cannabis derivative products, and high-potency bulk ingredients. Nextleaf's multi-patented, highly automated, closed loop extraction and distillation technology sets the global standard for processing cannabis at scale.

With coast-to-coast distribution, Nextleaf branded products and ingredients are sold through both medical and recreational channels. Featuring the acclaimed brand *Glacial Gold*™, leading multiple categories nationally, including cannabis softgels, vapes, and oils.

Nextleaf is a global leader in cannabinoid innovation and intellectual property. The Company has been issued several U.S. patents, and issued several more patents globally on cannabinoid processing including extraction, distillation, and acetylation.

The Company sells its branded cannabinoid vapes, oils, and softgels to the British Columbia Liquor Distribution Branch ("BCLDB"), Ontario Cannabis Store ("OCS"), Nova Scotia Liquor Commission ("NSLC"), Manitoba Liquor & Lotteries ("MBLL"), National Cannabis Distribution in Saskatchewan, and across Canada through multiple medical platforms, and select pharmacies.

On May 15, 2025, Nextleaf announced its entry into the Quebec market with its inaugural Glacial Gold product: MAX Équilibre 1000:1000 Huile (35ml), a high potency, balanced THC:CBD Oil, now available online via the SQDC.ca with direct-to-door delivery. Distribution and provincial representation are supported through a partnership with Quebec Craft Cannabis.

Through its wholly-owned subsidiary Nextleaf Labs Ltd. ("Nextleaf Labs"), the Company holds a Standard Processing License from Health Canada that authorizes the sale of cannabis products directly to government distributors and authorized retailers across Canada. Nextleaf Labs has received all necessary sales amendments, removing restrictions on sale of any class of cannabis products including dried flower, pre-rolls, vapes, softgels capsules, edibles, ingestible oils, and other extracts. Nextleaf develops cannabinoid-based formulations and delivery technology through its Health Canada Research License with sensory evaluation of cannabis via human testing.

The Company's common shares are listed for trading on the Canadian Securities Exchange (the "Exchange") under the trading symbol "OILS", on the OTCQB Market in the United States under the symbol "OILFF".

The Company was incorporated under the Business Corporations Act of British Columbia (the "BCBCA") on December 8, 2016, under the name "1099582 B.C. Ltd.". The Company changed its name to "Legion Metals Corp." on March 28, 2017, and to "Nextleaf Solutions Ltd." on March 14, 2019. The Company's head office is located at #3 – 68 Schooner Street, Coquitlam, British Columbia, V3B 7B1 and its registered and records office is located at #600 – 1090 West Georgia Street, Vancouver, British Columbia, V6E 3V7.

## OVERALL PERFORMANCE

For the nine months ended June 30, 2025, and through to the MD&A Date, performance drivers are characterized by a strategic shift toward higher-margin products and enhanced supply chain efficiencies. The Company optimized its pricing strategy and product mix, prioritizing consumer packaged goods over bulk distillate sales. This transition contributed to improved gross profit margins and strengthened the Company's competitive positioning in the market. Additionally, manufacturing sourcing optimization played a significant role in reducing costs, as the Company secured more favorable supplier pricing. These initiatives, combined with continued operational improvements, contributed to a more efficient cost structure and enhanced profitability for the quarter. In addition, the Company utilized the available processing capacity by offering toll processing services, which contributed to cost efficiency.

According to Headset Sales Data (December 2024), Glacial Gold has consistently ranked as the Top Softgel Brand in Alberta and British Columbia (B.C.) through December 2024, and continues to be a Top 5 brand in Ontario. "Glacial Gold has earned its reputation as a reliable option for either experienced cannabis users or those exploring the cannabis landscape" quotes Headset data analytics platform. The report highlights significant gains in the Company's Oil category dominance in B.C., alongside brand loyalty and a strong growth trend nationally. It highlights growing interest in balanced and minor cannabinoid products, as well as the need for continual innovation within the vape and infused preroll category to remain competitive. The Company's recent efforts within the vape and oil category, particularly on minor cannabinoid formulations and convenience-based formats, have been well-received by Provincial Distribution Boards nationwide.

## FISCAL 2025 HIGHLIGHTS

- On October 1, 2024, the Company announced 12 new product listings nationally across 5 categories, 8 of which were successfully launched in Q1 2025:
  - Glacial Gold Liquid Diamonds Pure Diamonds All-in-One Vape 0.95g
  - Glacial Gold Atmosphere CBN:THC Tart Cherry Vape 1.2g
  - Glacial Gold Atmosphere CBG:THC Melon Baller Vape 1.2g
  - Glacial Gold CBN:CBD 10:10 Softgels 50-pack
  - Glacial Gold CBN:CBD 10:10 Softgels 100-pack
  - Glacial Gold RSO Full Spectrum 5:5 Softgels 100-pack
  - Glacial Gold Atmosphere CBN:THC Oil Drops 35ml
  - Glacial Gold High THC Banger Infused Pre-rolls 3x0.5g
- On October 17, 2024, the Company launched a virtual facility tour of its processing facility in Coquitlam, B.C. The on-demand, self-guided, 4-part tour was made possible by a grant from the Canadian Digital Adoption Program (CDAP). This level of transparency into cannabis processing paired with user navigated content is a first-of-its-kind offered in the Canadian cannabis industry. Nextleaf has been actively integrating digital adoption strategies across all areas of their business to support operational effectiveness, and scaling-up for future growth. In addition to the work completed under the CDAP grant, the Company has also recently invested in ERP software for integration across inventory and accounting, and an EQMS system for quality assurance.
- On December 23, 2024, the Company announced fourteen (14) new product listings under the Glacial Gold brand nationally across four (4) categories including vapes, softgels, oils, and infused prerolls. The product pipeline focuses on smokeless ingestible extracts such as softgels and oils, ready-to-consume convenience formats like All-in-One liquid diamond vapes, infused prerolls, and minor cannabinoid formulations (notably CBG and CBN) across multiple categories. These products solidify Nextleaf's market leadership in these emerging segments. This expanded distribution in the prairie provinces integrates additional partners to service Saskatchewan based retailers. Lineage Distribution, currently servicing the Company in Manitoba and the northern provinces, will now complement the existing distribution network established in Saskatchewan.
- On January 29, 2025, alongside reporting its fiscal 2024 results, Nextleaf provided an overview of its fiscal 2024 achievements, which included strategic milestones and commercial growth.
- On March 4, 2025, alongside reporting its fiscal Q1 2025 results, Nextleaf reported a temporary but strategic shift, prioritizing toll-processing activities for Commercial Partners over bulk ingredient production for B2B sales. This decision reinforces Nextleaf's commitment to its Commercial Partners Program, ensuring the continued service of long-standing relationships while covering all associated processing costs. By concentrating on higher margin activities, cost of sales was reduced and Nextleaf significantly increased profitability in Q1 2025. Nextleaf's lean manufacturing model, and business agility allow it to pivot quickly in response to market conditions.
- On May 15, 2025, Nextleaf announced 20 new listings in major markets under its acclaimed flagship brand Glacial Gold, across 4 categories including vapes, softgels, oils, and infused prerolls. The listings represent the Company's continued dominance in wellness-forward non-combustible formats such as softgels and bottled oils, their ability to deliver best-in-class value through high volume and high potency formats, and an emphasis on flavour and hardware innovation within the vape category. Notably, Glacial Gold has expanded deeper into minor cannabinoid formulations, with nearly half of new product listings containing CBG or CBN. As further detailed above, Nextleaf announced its initial market entry into the Province of Quebec.
- On May 30, 2025, alongside reporting its fiscal Q2 2025 results, Nextleaf reported on commercial expansion with 8 new product launches under house-brand Glacial Gold across 3 categories including: 2 infused prerolls, 4 vapes, and 2 bottled oils, emphasizing continued focus on high potency and high purity extracts, infused products, ready-to-consume, and convenience-based formats.

## OUTLOOK

The Company will prioritize the following strategic initiatives for the remainder of fiscal 2025 and into fiscal 2026:

- Facility Expansion & Optimization: Allowing continued investment into inventory to fulfill domestic demand in recreational and medical channels.
- Personnel: Adding operational bench strength through key hires to support ERP integration, Quality Assurance, and Manufacturing.
- Research & Development: Category expansion, and new product formats.
- Market Expansion: Quebec in partnership with Quebec Craft Cannabis.
- Trade Marketing: Strategic retail partnerships with an emphasis on education and a national sampling program.
- Website: Relaunching www.glacial.gold for improved brand awareness, conversion and customer engagement.
- Brand Building & Marketing: Implementing strategic marketing campaigns and activations to elevate brand awareness and recognition among Canadian consumers.
- Increasing Points of Distribution: Expanding the number of distribution points within core markets and strengthening retailer relationships.
- Commercial Partners Program Expansion: Achieved through ingredient supply, white labeling, contract manufacturing, and toll processing activities for new and recurring clients.
- International Exploration: Will be initiated into ingredient export opportunities through commercial partners in federally regulated jurisdictions including Europe and South America.

## CHANGE IN MANAGEMENT AND BOARD OF DIRECTORS

For the nine months ended June 30, 2025 and to the MD&A Date, the Company had the below change to its Executive Officers. There were no changes to the members of the Board of Directors.

- Effective October 1, 2024, Sam Kassem became the permanent CFO of the Company. Previously he was serving as CFO on an interim basis from September 27, 2023. Sam Kassem has been a Director of the Company since December 19, 2023.

## DISCUSSION OF OPERATIONS

For the three and nine months ended June 30, 2025 and June 30, 2024

The Company's performance during the three and nine months ended June 30, 2025 and June 30, 2024, is outlined below (amounts are rounded):

	June 30, 2025	June 30, 2024	Change \$
<b>Three months ended</b>	<b>\$</b>	<b>\$</b>	
Revenue	3,770,000	4,012,000	(242,000)
Gross profit	1,108,000	884,000	224,000
Operating expenses	(1,144,000)	(1,204,000)	60,000
Income (loss) and comprehensive income (loss)	(12,000)	(317,000)	305,000
	June 30, 2025	June 30, 2024	Change \$
<b>Nine months ended</b>	<b>\$</b>	<b>\$</b>	
Revenue	12,321,000	12,752,000	(431,000)
Gross profit	3,693,000	2,797,000	896,000
Operating expenses	(3,055,000)	(4,013,000)	958,000
Income (loss) and comprehensive income (loss)	867,000	(1,196,000)	2,063,000

See "Liquidity and Capital Resources" section below for a discussion on cash flows.

### Revenue

Refer to the "Overall Performance" section above for key operational aspects contributing to the increase in revenue over the comparative period and certain preceding quarters. Also refer to "Summary of Quarterly Results" below for further discussion.

The Company disaggregated its revenues from the sale of goods between sales of bulk distillate, branded (Glacial Gold) vape pens, oils, and softgels ("branded extract products"), and private label which includes toll processing and other services. Each type of revenue is produced by a single operating/production division.

Revenue stream	Period ended June 30, 2025				Period ended June 30, 2024			
	Bulk distillate	Branded extract products	Private label	Total	Bulk distillate	Branded extract products	Private label	Total
Wholesale	466,634	10,946,687	907,312	12,320,633	1,182,421	9,992,992	1,576,978	12,752,391
British Columbia	50,000	6,505,874	131,159	6,687,033	81,552	6,361,631	986,423	7,429,606
Rest of Canada	416,634	4,440,813	776,153	5,633,600	1,100,869	3,631,361	590,555	5,322,785
<b>Total</b>	<b>466,634</b>	<b>10,946,687</b>	<b>907,312</b>	<b>12,320,633</b>	<b>1,182,421</b>	<b>9,992,992</b>	<b>1,576,978</b>	<b>12,752,391</b>

The Company's revenue growth is driven by sustained momentum across all product categories within the consumer brand portfolio, including vapes, oils, and softgels. The Company significantly expanded its province-wide distribution, successfully launched new products in key markets, and announced entry into additional provinces to further broaden its reach.

Adjusted earnings before interest, tax, depreciation and amortization (EBITDA)

	June 30, 2025	June 30, 2024
	\$	\$
<b>Nine months ended</b>		
Income (loss) and comprehensive income (loss)	867,352	(1,196,316)
Depreciation and amortization (including within cost of sales)	435,868	525,316
Interest expense (finance costs)	38,461	43,446
Income taxes	-	-
<b>EBITDA</b>	<b>1,341,681</b>	<b>(627,554)</b>
Non-operating Items:		
Gain on settlement of accounts payable through issuance of shares	(229,396)	-
Recovery of historical loss provisions and other income	-	(4,716)
Share-based payments expense	-	1,352,893
<b>Adjusted EBITDA</b>	<b>1,112,285</b>	<b>720,623</b>

Certain components of operating expenses for the three and nine months ended June 30, 2025 and June 30, 2024, were as follows (amounts are rounded):

	June 30, 2025	June 30, 2024	Change \$
<b>Three months ended</b>			
Investor relations and marketing	341,000	174,000	167,000
Professional fees and consulting	72,000	41,000	31,000
Salaries and fees	507,000	505,000	2,000

	June 30, 2025	June 30, 2024	Change \$
<b>Nine months ended</b>			
Investor relations and marketing	835,000	555,000	280,000
Professional fees and consulting	312,000	230,000	82,000
Salaries and fees	1,313,000	1,317,000	(4,000)

**SUMMARY OF QUARTERLY RESULTS**

The following table shows results from the last eight quarters:

Period Ending	Gross Revenue \$	Income (loss) and comprehensive income (loss) \$	Basic and Diluted Earnings (loss) Per Share \$
June 30, 2025	3,769,797	(11,869)	(0.00)
March 31, 2025	4,698,331	348,789	0.00
December 31, 2024	3,852,505	530,432	0.00
September 30, 2024	3,815,146	(239,675)	(0.01)
June 30, 2024	4,011,992	(317,264)	(0.00)
March 31, 2024	4,618,706	(1,011,873)	(0.00)
December 31, 2023	4,121,693	132,821	0.00
September 30, 2023	3,295,840	387,640	0.00

Fluctuations in quarterly results may be subject to seasonal variations typically during the fourth fiscal quarter (revenue) which the industry observes during late summer, and during the first fiscal quarter (production capacity) due to the holiday season in December.

Variations in operating results for certain of the above periods were affected primarily by the following factors:

- In the third quarter of 2025 (June 30, 2025), the Company generated gross revenue of approximately \$3,800,000. Results reflected the seasonal moderation typical in summer months, but profitability strengthened. Compared with Q3 2024, gross profit rose 25% and net results improved on continued cost discipline and efficiency gains. For the nine months ended June 30, 2025, revenue was approximately \$12,300,000 versus approximately \$12,800,000 over the comparative period, while net income improved to approximately \$900,000 from a loss of approximately \$1,200,000 (net income of approximately \$200,000 when excluding share-based payments), demonstrating solid progress toward sustainable profitability.
- In the second quarter of 2025 (March 31, 2025), the Company achieved strong financial results, with gross revenue reaching approximately \$4,700,000—representing a 22% increase over the previous quarter. This growth was driven by robust market demand and the successful launch of new products across key categories, including vapes, oils, and softgels. The Company's gross profit margin also improved during the quarter, reflecting a favorable shift in product mix toward higher-margin offerings. These results underscore the effectiveness of the Company's strategy to leverage innovation and expand its portfolio, while disciplined cost management and operational efficiency continue to support enhanced profitability.
- The variance in net income for Q1 2025 (December 31, 2024), compared to Q4 2024 (September 30, 2024) was primarily driven by cost management, optimized manufacturing processes and efficiency, improved supplier sourcing, and all around financial discipline resulting in a higher gross profit margin which improved to 32%, up from 25% in the prior quarter. Cost of goods sold reduced by 12% quarter-over-quarter reflecting improved operational efficiency and cost management. The Company's focus on high-margin activities and long-term financial sustainability are also contributing factors to the performance for the quarter.
- Gross revenue in Q4 2024 (September 30, 2024) marked a 16% year-over-year increase, reflecting strong demand and expanded market reach. The 5% decline from the preceding quarter is consistent with typical seasonal fluctuations observed in the industry during late summer.
- Gross revenue from Q3 2024 (June 30, 2024) of approximately \$4,012,000 represents a 51% increase compared to Q3 2023. This significant growth highlights the success of the Company's expanded market presence and increased distribution channels. However, variations in loss for this period were primarily driven by significant share-based payment expense (non-cash expense), which totaled approximately \$914,000, thereby reducing net income. Additionally, the overall economic environment contributed to a decrease in revenue from Q2 to Q3 2024, as market conditions softened, and consumer spending slowed. Additionally, increased marketing and distribution costs, associated with ongoing market expansion, temporarily elevated operating expenses.
- Gross revenue for Q2 2024 (March 31, 2024) of approximately \$4,600,000 was an increase over the comparative period (Q2 2023) of 80% (increase of approximately \$2,042,000), and 12% over the preceding quarter (Q1 2024) (increase of approximately \$500,000). As noted above, revenue growth was attributable to expanded market presence and increased distribution channels. The loss incurred for Q2 2024 however, was attributable to share-based payments expense (non-cash expense) recognized on the grant and vesting of stock options which totaled approximately \$1,054,000.
- The variance in net income for Q1 2024 (December 31, 2023), compared to Q4 2023 (September 30, 2023) was primarily attributable to non-recurring legal fees. Additionally, the variance in net income for Q1 2024 was caused by reduced production capacity due to the holiday season in December. Gross revenue for Q1 2024 of approximately \$4,100,000 was an increase over the comparative period (Q1 2023) by 190% and increased 25% over the preceding quarter (Q4 2023).

## **LIQUIDITY AND CAPITAL RESOURCES**

The Company aims to support further advancement of its business objectives and ensure its ability to meet financial obligations as they come due when managing liquidity and capital.

### **Cash and working capital**

As of June 30, 2025, the Company held approximately \$243,000 in cash, representing a net use of approximately \$195,000 over the nine month year to date fiscal period, and a net use of approximately \$419,000 over the prior quarter.

	June 30, 2025	March 31, 2025	Change \$
	\$	\$	
<b>Working capital (Current and Prior Quarter)</b>			
Cash	243,200	661,968	(418,768)
Receivables and prepayments	1,770,500	1,750,770	19,730
Inventory	3,885,802	3,483,962	401,840
<b>Current assets</b>	<b>5,899,502</b>	<b>5,896,700</b>	<b>2,802</b>
Accounts payable and accrued liabilities	831,648	1,095,851	(264,203)
Government taxes payable	2,120,455	2,014,099	106,356
Lease liability - current	107,871	84,972	22,899
<b>Current liabilities</b>	<b>3,059,974</b>	<b>3,194,922</b>	<b>(134,948)</b>
<b>Working capital</b>	<b>2,839,528</b>	<b>2,701,778</b>	<b>137,750</b>

The Company's working capital as at June 30, 2025, increased over the preceding quarter by approximately \$138,000. This improvement was primarily driven by a net decrease in current liabilities with the reduction of accounts payable and accrued liabilities despite an increase in government taxes payable. Additionally, lease liabilities increased due to the commencement of a second facility lease in June 2025.

While the Company has demonstrated positive working capital growth, its continued ability to generate cash flow from operations remains a priority. The Company is focused on optimizing its cash conversion cycle by enhancing receivables collection, improving inventory management, and maintaining disciplined expense control. Management will continue monitoring liquidity and exploring strategic financing options to support operational growth and long-term sustainability.

**Cash flow activities** (amounts are rounded):

	June 30, 2025	June 30, 2024	Change \$
	\$	\$	
<b>Three months ended</b>			
Cash used in operating activities	(323,000)	(445,000)	122,000
Cash used in investing activities	(61,000)	(1,000)	(60,000)
Cash provided by (used in) financing activities	(35,000)	264,000	(299,000)
<b>Change in cash</b>	<b>(419,000)</b>	<b>(182,000)</b>	

	June 30, 2025	June 30, 2024	Change \$
	\$	\$	
<b>Nine months ended</b>			
Cash used in operating activities	(37,000)	(438,000)	401,000
Cash used in investing activities	(61,000)	(65,000)	4,000
Cash used in financing activities	(97,000)	253,000	(350,000)
<b>Change in cash</b>	<b>(195,000)</b>	<b>(250,000)</b>	

**SHARE CAPITAL INFORMATION**

In November 2023, the Company adopted a shareholder rights plan (the "Rights Plan"), which provides for the issuance of one right for each outstanding common share of the Company. Pursuant to the terms of the Rights Plan, any bid that meets certain criteria intended to protect the interests of all shareholders will be deemed a "permitted bid". These criteria require, among other things, that the bid be made by means of a take-over bid circular to all holders of voting shares other than the offeror under the bid and be left open for at least 105 days. In the event a take-over bid fails to meet the permitted requirements of the Rights Plan, the rights issued will entitle shareholders (excluding those involved in the bid) to purchase additional common shares of the Company at a specified exercise price, which is a substantial discount to the market price. The Rights Plan was approved by the Company's shareholders on December 19, 2023.

**Issued and Outstanding**

As at the MD&A Date, the total issued and outstanding common shares amounted to 168,228,906.

During the nine months ended June 30, 2025 and through to the MD&A Date, the Company issued:

- 2,143,590 common shares at a fair value of \$151,232 (approximately \$0.07 each, average) in settlement of accounts payable totalling \$361,101 (a gain on settlement of \$209,870 was recognized).
- 1,418,182 common shares at a fair value of \$78,000 (\$0.055 each) to certain employees and executives of the Company for services.

## Stock Options

As at the MD&A Date, the Company had 11,585,000 stock options outstanding, with a weighted average exercise price of \$0.16 each.

During the nine months ended June 30, 2025, 150,000 stock options expired unexercised at a price of \$0.50 each.

## Warrants

As at the MD&A Date, the Company had 6,875,000 warrants outstanding, with a weighted average exercise price of \$0.11 each.

## OFF-BALANCE SHEET ARRANGEMENTS

Nextleaf does not engage in off-balance-sheet arrangements.

## PROPOSED TRANSACTIONS

There are no proposed transactions as at the MD&A Date.

## TRANSACTIONS BETWEEN RELATED PARTIES

### Key management personnel compensation

The remuneration of key management for the nine months ended June 30, 2025 and June 30, 2024, is as follows:

	June 30, 2025	June 30, 2024
	\$	\$
Directors' fees (professional fees and consulting)	36,000	33,000
Salaries and fees (paid or accrued)	197,250	259,500
Salaries and fees (shares issued)	35,000	-
	<b>268,250</b>	<b>292,500</b>

During the nine months ended June 30, 2025, 636,364 common shares (2024 – 142,857 common shares) with a fair value of \$35,000 (\$0.055 each) (2024 - \$21,429 (\$0.15 each)) were issued for executive salaries. This amount was recognized within salaries and benefits for past services during the period then ended.

### Related party balances

As at June 30, 2025 and September 30, 2024, related party balances are as follows:

	June 30, 2025	September 30, 2024
	\$	\$
Prepaid expenses		
Directors' fees	-	1,000
Professional fees and consulting	-	6,875
	-	<b>7,875</b>

## CHANGES IN ACCOUNTING POLICIES

### New accounting policies

Certain pronouncements have been issued by the IASB that are effective for the Company's accounting period beginning on October 1, 2024. The adoption of these standards has not had a material impact on disclosures or amounts reported in the financial statements.

### Standards issued but not yet effective

The Company has not yet adopted certain new standards, amendments and interpretations to existing standards as outlined below, which have been published but are only effective for future accounting periods.

IFRS 18, *Presentation and Disclosure in Financial Statements* ("IFRS 18"), which will replace IAS 1, *Presentation of Financial Statements* aims to improve how companies communicate in their financial statements, with a focus on information about financial performance in the statement of profit or loss, in particular additional defined subtotals, disclosures about management-defined performance measures and new principles for aggregation and disaggregation of information. IFRS 18 is accompanied by limited amendments to the requirements in IAS 7 *Statement of Cash Flows*. IFRS 18 is effective from January 1, 2027. Companies are permitted to apply IFRS 18 before that date.

The Company has not yet determined the impact of these amendments on its financial statements.

## FINANCIAL INSTRUMENTS

The Company classifies its financial instruments as follows:

<b>Financial assets:</b>	<b>Classification:</b>	<b>Subsequent measurement:</b>
Cash	Amortized cost	Amortized cost
Trade receivables	Amortized cost	Amortized cost
Deposits	Amortized cost	Amortized cost

  

<b>Financial liabilities:</b>	<b>Classification:</b>	<b>Subsequent measurement:</b>
Accounts payable and accrued liabilities	Other financial liabilities	Amortized cost
Government taxes payable	Other financial liabilities	Amortized cost
Customer deposits	Other financial liabilities	Amortized cost
Lease liabilities	Other financial liabilities	Amortized cost

The Company's financial instruments approximate their fair values. The carrying values of cash, trade receivables, deposits, accounts payable and accrued liabilities, government taxes payable, and customer deposits all approximate their fair values due to their short-term nature. The carrying value of the Company's lease liabilities approximate fair value as they bear a rate of interest commensurate with market rates.

### Economic dependence and revenue from sale of goods

#### *Economic dependence*

Economic dependence risk refers to the potential risk of relying on a small number of customers, which can significantly impact the Company's financial performance. For the nine months ended June 30, 2025, the Company's cannabis concentrate sales (sale of bulk distillate) and product sales were derived from multiple customers. However, three major customers collectively accounted for a significant portion of total revenue, per below. Together, these customers represented approximately 77% of the Company's total revenue.

- Customer A: 52% (2024 – 50%)
- Customer B: 13%
- Customer C: 12%

#### **Credit risk**

During the nine months ended June 30, 2025, the Company did not recognize any loss provisions (2024 – a net recovery of a historical loss provision of \$4,716 was recognized).

During the nine months ended June 30, 2025, the Company recorded a gain on settlement of accounts payable totaling \$229,396 (2024 - \$nil) which included the forgiveness of accounts payable relating to the settlement involving the issuance of common shares, and other settlements.

### CRITICAL ACCOUNTING ESTIMATES

Nextleaf prepares its financial statements in conformity with IFRS which requires management to make judgments estimates and assumptions that affect the report amounts of assets, liabilities and contingent liabilities at each reporting date and the reporting amounts of income and expenses during each reporting period. Nextleaf details its significant areas of estimation uncertainty, and significant areas of judgment within its material accounting policies in Note 2 to its audited annual consolidated financial statements for the year ended September 30, 2024.

### CAUTIONARY STATEMENT REGARDING NON-GAAP PERFORMANCE MEASURES

This MD&A contains certain financial performance measures that are not recognized or defined under IFRS (termed "Non-GAAP Measures"). As a result, this data may not be comparable to data presented by other cannabis companies. For an explanation of these measures to related comparable financial information presented in the financial statements prepared in accordance with IFRS, refer to the discussion below. The Company believes that these Non-GAAP Measures are useful indicators of operating performance and are specifically used by management to assess the financial and operational performance of the Company.

These Non-GAAP Measures include but are not limited to working capital (current assets, less current liabilities), EBITDA, and adjusted EBITDA. Refer to "Discussion of Operations" above for details.

### APPROVAL

The Board of Directors of Nextleaf have approved the disclosures in this MD&A.