



1CM Inc.

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Year Ended August 31, 2025

(in Canadian Dollars)

Dated: December 29, 2025

Management's Discussion and Analysis of Financial Condition and Results of Operations for the Year Ended August 31, 2025

INTRODUCTION

The following management's discussion and analysis ("**MD&A**") provides a review of the financial results and condition of 1CM Inc. ("**1CM**" or the "**Company**") for the year ended August 31, 2025. This MD&A should be read in conjunction with the Company's annual audited consolidated financial statements as at and for the year ended August 31, 2025, and the accompanying notes thereto, which have been prepared in accordance with IFRS Accounting Standards ("**IFRS**") as issued by the International Accounting Standards Board ("**IASB**"). This MD&A has been prepared pursuant to the disclosure requirements under National Instrument 51-102 – Continuous Disclosure Obligations ("**NI 51-102**") of the Canadian Securities Administrators ("**CSA**").

This MD&A is prepared by management based on information available to management as at December 29, 2025. All amounts referred to herein are expressed in Canadian dollars, except for share and per share amounts, and unless otherwise noted.

Reference should also be made to the Company's filings on SEDAR+ at www.sedarplus.ca.

CAUTIONARY STATEMENT REGARDING FORWARD LOOKING STATEMENTS

This MD&A contains certain information regarding the Company that may constitute "*forward-looking information*" within the meaning of applicable securities laws. Forward-looking information and statements include all information and statements regarding the Company's intentions, plans, expectations, beliefs, objectives, future performance, and strategy, as well as any other information or statements that relate to future events or circumstances and which do not directly and exclusively relate to historical facts. Forward-looking information and statements often but not always use words such as "*believe*", "*estimate*", "*expect*", "*intend*", "*anticipate*", "*foresee*", "*plan*", "*predict*", "*project*", "*aim*", "*seek*", "*strive*", "*potential*", "*continue*", "*target*", "*may*", "*might*", "*could*", "*should*", and similar expressions and variations thereof.

Forward-looking information and statements included throughout this MD&A include, but are not limited to, statements pertaining to the following:

- the Company's continued intentions to execute strategic acquisitions extending across various markets in Canada to support the Company's retail cannabis, retail liquor, technology and proprietary branding strategies as opportunities arise;
- the Company's plans and ability to execute on plans in relation to new product offerings and operations; and
- the expected completion of the SNDL Transaction, including receipt of regulatory approvals and timing of closings.

Forward-looking information and statements included throughout this MD&A are based on a number of factors and assumptions which have been used to develop such statements and information, but which may prove to be incorrect, including, but not limited to, assumptions about:

- general business and market conditions;
- the Company's ability to execute on its business plan, and secure any licenses, permits, and authorizations which may from time to time become necessary to execute on its business plan;
- the Company's financial condition for the reasonably foreseeable future and its ability to carry out its development plans;
- the demand, and market opportunity, for the Company's product offerings;
- the Company's ability to establish, preserve and develop its brand, and attract and retain required personnel;
- the impact of current and future social and economic conditions (including, not limited to, global pandemics) on

the business and operations of the Company, and the Company's ability to capitalize on anticipated business opportunities; and

- the completion of the SNDL Transaction on terms contemplated by the amended arrangement agreement.

Forward-looking statements may include estimates, plans, expectations, opinions, forecasts, projections, guidance or other statements that are not statements of fact. These statements are based on our perception of historic trends, current conditions and expected future developments, as well as other assumptions, both general and specific, that we believe are appropriate in the circumstances. Such information and statements are, however, by their very nature, subject to inherent risks and uncertainties, of which many are beyond the control of the Company, and which give rise to the possibility that actual results could differ materially from our expectations expressed in, or implied by, such forward-looking information or forward-looking statements.

Although the Company believes that the expectations reflected in such forward-looking statements are reasonable, it can give no assurance that such expectations will prove to be correct. The Company cautions that actual performance will be affected by several factors, many of which are beyond the Company's control, and that future events and results may vary substantially from what the Company currently foresees. There can be no assurance that such information will prove to be accurate, and readers are cautioned not to place undue reliance on such forward-looking information. The forward-looking statements contained in this document speak only as of the date of this document; in addition, the Company expressly disclaims any obligation to publicly update or alter its previously issued forward-looking information, unless required to do so under applicable securities law.

CORPORATE OVERVIEW

1CM is a publicly traded company, incorporated in the Province of Ontario and domiciled in Canada. The Company's registered office is located at 625 Cochrane Drive, Suite 802, Markham, ON L3R 9R9. 1CM's common shares are listed on the Canadian Securities Exchange (CSE) under the symbol "**EPIC**," on the OTCQB Venture Market under the symbol "**MILFF**," and on the Frankfurt Stock Exchange under the symbol "**IQ70**."

1CM is a multi-jurisdictional company, focused on becoming a leader in cannabis and other complementary and substitutable retail industries including liquor. The Company aims to expand its current operations through organic growth and by way of merger and acquisition transactions. As at the date of this MD&A, the Company's main business has been operated through its Canadian retail cannabis operations. The Company also generates revenue from its liquor retail stores as noted below. The Company does not have any operations outside of Canada and does not engage in any U.S. cannabis-related activities as defined by the Canadian Securities Administrators Staff Notice 51-352.

See *Interest in Subsidiaries* for a complete list of the Company's operating and non-operating subsidiaries.

BUSINESS STRATEGY

1CM's business strategy involves consistently diversifying and expanding its retail operations, thereby allowing shareholders to benefit from its accretive growth. By capitalizing on the Company's existing expertise and experience within the industry, 1CM endeavors to grow its presence in Canadian markets, further enhancing its investments and delivering value to its current and prospective investors. The Company has been focused on expanding its Canadian retail cannabis presence and its liquor retail market presence.

In line with this strategic vision, the Company has been successfully executing on its business strategy through a series of acquisitions and letters of intent it has entered into. These acquisitions span various markets demonstrating the Company's commitment to supporting its growth plans both organically and through acquisitions as opportunities present themselves. The Company has been able to successfully enter into the liquor retail market, having acquired multiple liquor retail license permits and continues to expand its cannabis presence.

By actively pursuing and integrating these businesses, 1CM has effectively expanded its footprint in the cannabis sector and reinforced its position as a key player in the industry. This ongoing execution of strategic acquisitions not only strengthens the Company's operational capabilities but also creates a diverse and robust portfolio that further solidifies its presence and appeal to investors. In doing so, 1CM is well-positioned to capitalize on the growing opportunities in the Canadian cannabis market while continuing to deliver value to its shareholders.

During the year ended August 31, 2025, the Company entered into an arrangement agreement to sell 32 cannabis retail stores to SNDL Inc. for \$32,200,000, less selling costs. The arrangement was approved by the Company's shareholders and the Ontario Superior Court of Justice. On December 15, 2025, the arrangement was amended, and the Company is seeking court approval to vary the Final Order. This transaction allows the Company to optimize its retail portfolio and continue its strategy of opening new retail locations throughout Canada. For further details, see "SNDL Transaction" below.

OPERATIONS

The Company's retail operations, and the jurisdictions in which they operate are detailed below:

As of the date of this MD&A, the Company, through its wholly-owned subsidiaries, holds all licenses required to operate thirty-five (35) cannabis retail stores and nine (9) liquor retail stores across multiple provinces in Canada. The retail sale of adult-use cannabis is only permitted by approved store operators at licensed premises in accordance with applicable federal, provincial, and municipal laws.

The Company operates cannabis retail stores through its subsidiaries: T Cannabis NW Inc., which manages six (6) stores in Ontario; Tirthankar Limited, which oversees twenty-one (21) stores in Ontario; Cost Cannabis Inc., responsible for four (4) stores in Saskatchewan and two (2) in Alberta; Fresh Cannabis Co. Inc., which operates one (1) store in British Columbia; and 1267842 B.C. Ltd., managing one (1) store in British Columbia. The Company is in the process of opening additional stores, pending regulatory approvals.

At each of these stores, the Company educates customers on cannabis products and accessories. Staff are trained to provide detailed information on various aspects of cannabis, including strain characteristics, cannabinoid composition (THC and CBD), terpene profiles, production methods, product forms (such as dried flower, oils, capsules, sprays, concentrates, vaporizers, foods, and beverages), methods of consumption (combustion, vaporization, oral, topical), and harm reduction. This approach is designed to help customers understand the products available for purchase and how they align with their desired objectives.

To ensure minors do not access and are not exposed to cannabis products, the Company follows strict identification processes and operational procedures that comply with *the Cannabis Act, SC 2018, c. 16* (the "**Cannabis Act**") and applicable provincial regulations, including those related to promotion, storage, and purchase limits.

The Company's purchase of cannabis product inventory is determined by the applicable provincial regime. All cannabis products are purchased either directly or indirectly from licensed producers in accordance with the Cannabis Act and the applicable provincial regime ("**Licensed Producers**"). In Alberta, British Columbia, Ontario, and New Brunswick, purchases are made through a provincial wholesaler. In Saskatchewan, the Company engages directly with Licensed Producers.

The Company operates liquor retail stores under the subsidiaries Cost Cannabis Inc., which has six (6) liquor retail stores in Saskatchewan, Costcan Liquor Inc., which manages one (1) liquor retail store in Alberta, and Tirthankar Limited, which manages two (2) liquor retail stores in Ontario. The Company adheres to strict provincial liquor regulations, ensuring compliance with guidelines regarding the sale, distribution, and promotion of liquor. This includes age restrictions, responsible service practices, security measures, and inventory control to prevent the sale of liquor to minors and intoxicated individuals.

CORPORATE STRUCTURAL HISTORY AND BUSINESS UPDATES

The Company was originally incorporated as Gideon Capital Corp. on June 15, 2011 under the provisions of the *Business Corporations Act of Ontario* and was classified as a Capital Pool Company as defined in Policy 2.4 of the TSX Venture Exchange corporate finance manual.

On December 31, 2013, the Company, 2396933 Ontario Inc. ("**2396933 Ontario**"), a wholly owned subsidiary of the Company and Bathurst Resources Corp. ("**Bathurst**") completed a three-cornered amalgamation whereby Bathurst amalgamated with 2396933 Ontario and The Company issued one common share for each common share of Bathurst outstanding (the "**Bathurst Transaction**"). The Bathurst Transaction constituted a reverse take-over and the Company's Qualifying Transaction for the purposes of Policy 2.4 of the TSX Venture Exchange Corporate Finance Manual. Upon completion of the Amalgamation, the Company filed articles of amendment to change its name from Gideon Capital Corp. to Morgan Resources Corp.

From 2013 to 2016, the Company, as Morgan Resources Corp., was a mining exploration company with an option on certain volcanic-hosted sulphide properties in the Province of New Brunswick known as the Gloucester Project.

On December 22, 2017, the Company completed the acquisition of Jekyll + Hyde after the Company delisted from the NEX Board of the TSX Venture Exchange. The Company then initiated a three-cornered amalgamation of Jekyll + Hyde, Morgan Resources and Bathurst Resources Corp., a wholly owned subsidiary of Morgan Resources. Under the terms of the acquisition, the Company issued 12,166,667 common shares to the shareholders of Jekyll + Hyde.

On January 23, 2018, the Company commenced trading on the Canadian Securities Exchange under the ticker symbol CSE: JH.

On March 28, 2018, the Company filed articles of amendment to change its name to Leviathan Cannabis Group Inc. On April 15, 2018, the Company's common shares began trading under the new name and the symbol CSE: EPIC.

On July 21, 2020, the Company amended its articles and changed its name to Leviathan Natural Products Inc. after receiving shareholder approval, by way of a special resolution, at the Company's Annual and Special Meeting of Shareholders held on June 23, 2020. The Company continues to trade under the symbol CSE: EPIC.

On October 25, 2021, the Company entered into a definitive agreement to acquire all the issued and outstanding shares of Tirthankar Ltd. and related companies, which is a cannabis retail operator with more than 10 retail stores. Details are noted below in *Acquisition of Tirthankar Entities*.

On March 7, 2022, Matthew Brace, David Jarvis and Martin J. Doane resigned from Issuer's board of directors and were replaced by Tanvi Bhandari, Rupalee Mehta and Lucas Leone, Tanvi Bhandari replaced Martin J. Doane as CEO; Harshil Chovatiya was named COO and replaced Luvlina Sanghera as Secretary; and Manish Z. Kshatriya replaced Jayne Beckwith as CFO.

On March 11, 2022, the Company issued 5,000,000 common shares at a price of \$0.60 per common share for gross aggregate proceeds of \$3,000,000. On May 5, 2022, the Company issued 3,333,333 common shares at a price of \$0.60 per common share for gross proceeds of \$2,000,000.

On March 21, 2022, the Company approved the grant of stock options to purchase an aggregate 2,000,000 common shares of the Issuer (the "**Stock Options**") to a director of the Company. The Stock Options are exercisable at a price of \$0.82 per share until March 21, 2026. Upon issuance, 50% of the Stock Options will vest on March 21, 2023 and the remaining 50% vest on March 21, 2024.

On June 3, 2022 and in connection with the cancellation of 1,000,000 stock options, the Company granted 1,000,000 stock options to an officer at an exercise price of \$0.95 per share. 50% of these stock options vest on June 3, 2023 while the remaining 50% of these stock options vest on June 3, 2024. These stock options expire two years from the date of vesting.

During the year ended August 31, 2022, 5,875,000 stock options exercisable at a price of \$0.65 were forfeited and cancelled.

On August 31, 2022, the Company announced that the Board appointed Linda Marabeti Romano as the Company's Chief Financial Officer. Ms. Romano replaces Manish Z. Kshatriya, the Company's previous Chief Financial Officer who was appointed on March 7, 2022.

On September 7, 2022, the Company completed its name change from Leviathan Natural Products to 1CM Inc.

On October 31, 2022, the Company entered into Letter of Intent (LOI) with Veridia Canada Ltd. (the "**Purchaser**") regarding its possible sale of all of the issued and outstanding shares in the capital of LCG Holdings Inc. (Colombia).

On November 9, 2022 the Company closed a private placement financing by issuance of 4,000,000 common shares at a purchase price of \$1.45 per share for total gross proceeds of \$5,800,000.

On November 17, 2022, the Company completed the sale of its entire interest in Leviathan USA, Inc. and in the property located in Leviathan USA (Tennessee, USA) together with all buildings, structures, and equipment situated thereon and associated debt obligations attached to the buildings, structures, and equipment.

On January 20, 2023, the Company announced that it has entered into a strategic agreement with Greenline POS, a subsidiary of BLAZE Solutions Inc. This strategic agreement will allow 1CM to develop technologies collaboratively with Greenline's team over the next 3 years. The scope of collaboration also includes amongst other technologies, using Greenline's Loyalty platform as the source of truth for 1CM Customer Wallets, providing the infrastructure for a Loyalty Points based Cryptocurrency and NFTs which will have both utility and collectability.

On February 24, 2023, the Company appointed Harshil Chovatiya as Chief Financial Officer. Mr. Chovatiya replaces Linda Marabeti Romano, who had been serving as the Company's Chief Financial Officer since August 31, 2022.

On March 10, 2023, the Company completed the sale of its subsidiary, LCG Holdings Inc., and the subsidiary's entire interest in the property located in Carmen de Viboral, Colombia, together with all buildings, structures, and equipment situated thereon (the "**Colombian Assets**"). The aggregate purchase price for the sale of the Colombian Assets amounted to \$1,050,000, with consideration received partly as the reduction of certain debt the Company held and cash proceeds.

On March 27, 2023, the Company entered into a business collaboration agreement with Herbidus Formulations Pvt Ltd. (the "**Trost**"). The scope of collaboration includes licensing 1CM Inc.'s brands to the Trost for its manufacturing of Cannabis Ayurvedic Herbal Cigarettes ("**Rollen**" or "**pre-rolls**"), and the establishment of 2 Ayurvedic Medicine Flagship Clinics. If Trost can achieve the milestones set out in the Business Collaboration Agreement, and pending all regulatory approval, 1CM Inc. will have the ability to purchase the Trost based on a predetermined valuation formula not to exceed an enterprise value of Rs 50,00,00,000 (Approximately CDN \$8,337,815).

On April 11, 2023, the Company entered into a letter of intent to acquire Nugget Data, a cannabis technology platform founded by industry veterans, in a move that will provide significant synergies between the two companies in the technology place.

On June 9, 2023, the Company announced a \$5,000,000 non-brokered private placement to issue 3,333,333 common shares in the capital of the Company at a price of \$1.50 per common share for total gross proceeds of up to \$5,000,000. On September 21, 2023, the Company completed the non-brokered private placement.

On June 26, 2023, the Company, through its wholly-owned subsidiary, Cost Cannabis Inc., won the Saskatchewan Liquor and Gaming Authority (the “**SLGA**”) auctions for six retail liquor store permits in Regina, Saskatoon, Watrous, Creighton, Assiniboia, and Humboldt.

On June 29, 2023, the Company entered into a private retail operator agreement with Cannabis NB Ltd., a provincial crown corporation responsible for cannabis regulation in New Brunswick to open two retail cannabis stores. 1CM is the currently the only publicly traded company to operate cannabis retail stores in the province.

On July 13, 2023, the Company announced the grand opening of two new retail cannabis stores in the province of Alberta. This expansion marked the Company’s entrance into the Alberta market, making it the fifth province in which the Company operates retail cannabis locations.

On July 26, 2023, the Company announced the opening of its first liquor retail store, located in Creighton, Saskatchewan.

On July 31, 2023, the Company announced the opening of its second liquor retail store located in Lloydminster, Alberta.

On October 27, 2023, the Company announced the opening of its third liquor retail store, located in Watrous, Saskatchewan.

On January 9, 2024, the Company granted stock options to certain individuals (the “**Grantees**”) in accordance with the terms of the Company’s stock option plan. The stock options granted allow the Grantees to purchase up to an aggregate of 2,013,500 common shares in the capital of the Company at an exercise price of \$1.50 per common share for a period of ten years. The stock options granted vest after three years.

On April 12, 2024, the Company announced the termination of the Nugget Data LOI and the termination of the Business Collaboration Agreement with Trost.

On April 9, 2025, the Company entered into a proposed transaction with SNDL Inc. (“**SNDL**”). Refer to *Proposed Transactions* for the details. Additional information related to this proposed transaction is available on SEDAR+.

On June 18, 2025, the Company announced that the Ontario Superior Court of Justice (Commercial List) has approved its previously announced plan of arrangement involving SNDL. Completion of the arrangement remains subject to the satisfaction of certain closing conditions, including certain outstanding regulatory approvals.

Subsequent Events

On December 15, 2025, the Company and SNDL entered into an amended and restated arrangement agreement to complete the transaction in two stages. The first closing comprises 5 stores in Alberta and Saskatchewan for \$5,000,000 and is expected in January 2026. The second closing comprises 27 Ontario stores for \$27,200,000 and is expected by May 31, 2026. The aggregate purchase price remains unchanged at \$32,200,000. SNDL paid a \$2,000,000 non-refundable deposit towards the first closing. The Company is seeking court approval to vary the Final Order at a hearing scheduled for January 5, 2026. Completion of the arrangement remains subject to the satisfaction of certain closing conditions, including certain outstanding regulatory approvals.

On December 18, 2025, the Company repaid its outstanding bridge loan in full.

ACQUISITIONS AND DISPOSITIONS

Acquisition of One Cannabis Market Inc.

On June 9, 2022, the Company acquired all of the issued and outstanding shares of One Cannabis Market Inc. ("**OCM**") for a total consideration of 500,000 common shares of the Issuer (the "**OCM Acquisition**").

OCM is a technology company that provides solutions to consumers and business in dynamic markets. OCM's technology address challenges facing consumers seeking information in saturated markets and business looking for a single source software. In connection with the OCM Acquisition, the Company granted 500,000 stock options to an Officer of the Company at an exercise price of \$1.10 per share, vesting over a two-year period. 250,000 of these stock options expired on June 9, 2025 while the remaining 250,000 stock options expire on June 9, 2026.

Acquisition of Tirthankar Entities

On August 31, 2022, the Company completed the definitive agreement (the "**Tirthankar Agreement**") to acquire all of the issued and outstanding shares of Tirthankar Ltd. and related companies (the "**Tirthankar Entities**"), which is a cannabis retail operator with more than 15 retail stores.

Pursuant to the Tirthankar Agreement, 1CM acquired all of the issued and outstanding shares of the Tirthankar Entities in consideration for \$1.8 million cash and 15,750,000 common shares of 1CM. 1CM also issued 250,000 common shares to certain employees of the Tirthankar Entities as a retention bonus. All the common shares of 1CM issued under the Tirthankar Agreement are subject to contractual restrictions on trading.

In connection with the Tirthankar Agreement, the Company announced that Tanvi Bhandari, founder and senior officer of the Tirthankar Entities, was appointed to the Company's board of directors and as a CEO on March 7, 2022.

The Tirthankar Entities' stores operate under its retail brands "T CANNABIS" and "COST CANNABIS" offering a wide variety of cannabis brands and products, including flower, pre-rolls, concentrates, edibles, beverages, vapes, topicals, seeds, and accessories.

Sale of Woodstock Biomed Inc.

On August 31, 2022, the Company completed the sale of its 100% interest in Woodstock Biomed Inc. ("**Woodstock Biomed**") for total consideration of \$5,000,000 (the "**Woodstock Sale**"). The proceeds from the Woodstock Sale are intended to be used for general corporate purposes and working capital needs.

Acquisition of Fresh Cannabis Co.

On December 1, 2022, the Company completed the asset acquisition of Fresh Cannabis Co. Inc. ("**Fresh Cannabis**") for total cash consideration of \$375,000. Fresh Cannabis is a cannabis retail store operation located in British Columbia, Canada.

Acquisition of Greenery Cannabis Boutique Ltd.

On December 14, 2022, the Company completed the acquisition of 1267842 B.C. Ltd. (o/a Greenery Cannabis Boutique Ltd.) ("**Greenery Cannabis**") for total cash consideration of \$70,000. Greenery Cannabis is a cannabis retail store operation located in British Columbia, Canada.

Leviathan US, Inc.

On July 25, 2019, the Company's subsidiary Leviathan US, Inc. purchased a 9.75-acre property with a 37,000 square foot vacant industrial building in Carthage, Tennessee, USA for cash of US\$312,148 (the "**Tennessee Facility**").

During April 2022, the Company acquired the remaining 10% of Leviathan US, Inc. for US\$25,000

On November 17, 2022, the Company completed the sale of its subsidiary, Leviathan US, Inc., disposing of its entire interest in the property situated in Tennessee US, along with all related assets, namely buildings, structures and equipment as well as associated payable balances and mortgages. The aggregate purchase price for the sale of subsidiary amounted to \$3,332,875 (US \$2.5 million), with the consideration received as a reduction of the debt the Company holds with the purchaser.

LCG Holdings Inc. and Colombian Subsidiaries

In July 2022, the Company acquired the remaining 35% of LCG Holdings Inc. for cash consideration of \$35, resulting in the Company having 100% ownership in LCG Holdings Inc., and its two related Colombian subsidiaries.

On March 10, 2023, the Company completed the sale of its subsidiary, LCG Holdings Inc., and the subsidiary's entire interest in the property located in Carmen de Viboral, Colombia, together with all buildings, structures, and equipment situated there on (the "**Colombian Assets**"). The aggregate purchase price for the sale of the Colombian Assets amounted to \$1,050,000, with consideration received partly as the reduction of certain debt the Company held and cash proceeds.

As a result of the Company's disposition of its interest in Colombia, the Company no longer has any operational risk from Colombia.

PROPOSED TRANSACTIONS

SNDL Transaction

On April 9, 2025, the Company and SNDL Inc. ("**SNDL**") entered into an arrangement agreement (the "**Arrangement**") pursuant to which SNDL agreed to acquire 32 cannabis retail stores operating under the Cost Cannabis and T Cannabis banners in Ontario, Alberta and Saskatchewan for aggregate cash consideration of \$32,200,000, subject to certain working capital adjustments. These stores comprise 27 locations in Ontario, 3 in Saskatchewan, and 2 in Alberta.

On June 16, 2025, the Company's shareholders unanimously approved the Arrangement at the annual and special meeting. On June 18, 2025, the Ontario Superior Court of Justice (Commercial List) granted the Final Order approving the Arrangement under the Business Corporations Act (Ontario).

On December 15, 2025, the Company and SNDL entered into an amended and restated arrangement agreement (the "**A&R Agreement**") to complete the Arrangement in two stages due to the timing of Ontario regulatory approvals. The first closing comprises 5 stores in Alberta and Saskatchewan for \$5,000,000 and is expected in January 2026, subject to court approval to vary the Final Order. The second closing comprises 27 Ontario stores for \$27,200,000 and is expected by May 31, 2026, subject to receipt of Alcohol and Gaming Commission of Ontario retail store authorizations.

The aggregate purchase price remains unchanged at \$32,200,000. Pursuant to the A&R Agreement, SNDL paid a \$2,000,000 non-refundable deposit towards the first closing. The outside date for completion of the Arrangement was extended from December 31, 2025 to May 31, 2026.

The Company is seeking court approval to vary the Final Order at a hearing scheduled for January 5, 2026. Completion of the Arrangement remains subject to satisfaction of certain closing conditions, including outstanding regulatory approvals.

The Company expects net proceeds from the Arrangement of approximately \$31,200,000, after estimated transaction costs of approximately \$1,000,000 including legal, advisory, and regulatory costs. Net proceeds from the first closing are expected to be used to pay transaction costs, repay outstanding debt, and for working capital purposes. The Company repaid its outstanding bridge loan in full of approximately \$1.85 million in December 2025. Following completion of the second closing, the Company intends to effect a return of capital to shareholders, as approved by the shareholders on June 16, 2025. The Company does not anticipate announcing a return of capital until following completion of the second closing.

The remaining proceeds are expected to be used to fund the Company's continued expansion strategy, including opening new cannabis and liquor retail locations, and for general corporate purposes. The Arrangement represents a portfolio optimization, not a change in the Company's business strategy. Management remains committed to operating and expanding its retail operations across Canada. Following completion of the Arrangement, the Company will continue to operate cannabis retail stores in British Columbia and liquor retail stores in Saskatchewan, Alberta, and Ontario. The Company is actively pursuing new cannabis retail store applications which are already in the pipeline.

Additional information related to the Arrangement and A&R Agreement is available on SEDAR+ at www.sedarplus.ca.

RESULTS OF OPERATIONS

Selected Annual Information

The following selected financial data for each of the three most recently completed financial years are derived from the audited annual consolidated financial statements of the Company.

For the Year Ended August 31,	2025 \$	2024 \$	2023 \$
Revenue	73,368,301	57,222,981	35,341,440
Net comprehensive income (loss)	484,849	615,906	(548,161)
Net income (loss) from continuing operations	484,849	615,906	(913,857)
Earnings (loss) per share from continuing operations, basic and diluted	0.00	0.01	(0.01)
Net income (loss) from discontinued operations	Nil	Nil	Nil
Earnings (loss) per share from discontinued operations, basic and diluted	Nil	Nil	Nil
Total assets	41,858,020	39,866,285	34,018,765
Total non-current financial liabilities	2,036,510	6,056,643	4,972,078
Total liabilities	12,990,579	12,140,592	9,423,683
Distributions or cash dividends declared per-share for each class of share	n/a	n/a	n/a

Summary of Quarterly Financial Information:

For the quarter ended	Q4FY25 \$	Q3FY25 \$	Q2FY25 \$	Q1FY25 \$
Revenues	19,694,619	18,316,363	17,802,100	17,555,219
Cost of sales	15,464,735	14,380,709	14,194,121	13,866,190
Expenses	4,132,362	3,915,309	3,388,482	3,312,545
Net (Loss) Income	(206,110)	45,223	237,892	407,844
Basic and Diluted Earnings (Loss) per Share	0.00	0.00	0.00	0.00

For the quarter ended	Q4FY24 \$	Q3FY24 \$	Q2FY24 \$	Q1FY24 \$
Revenues	16,598,210	15,011,239	13,291,674	12,321,858
Cost of sales	13,342,850	12,258,030	10,576,336	9,862,686
Expenses	2,024,462	2,794,561	2,751,908	2,887,354
Net Income (Loss)	1,053,267	(18,438)	(13,655)	(405,268)
Basic and Diluted Earnings (Loss) per Share	0.01	(0.00)	(0.00)	(0.01)

Operations for the year ended August 31, 2025 and 2024 are detailed as follows:

Revenues and cost of sales

Revenue

Sales for the year ended August 31, 2025 amounted to \$73,368,301 as compared to \$57,222,981 for the year ended August 31, 2024.

Total sales for the years ended August 31, 2025 and 2024 were comprised of cannabis and liquor sales. During the year ended August 31, 2025, the Company's revenue and cost of goods sold in relation to cannabis amounted to \$66,592,358 and \$52,066,780, respectively (August 31, 2024 - \$52,041,313 and \$41,526,005, respectively). The Company's liquor sales during the year ended August 31, 2025 amounted to \$6,775,943 and cost of goods sold of \$5,838,975, respectively (2024 - \$5,181,668 and \$4,513,897, respectively).

The increase in sales during the year ended August 31, 2025 was related to cannabis and liquor sales increasing. The increased revenue was related to the increase in cannabis retail revenue which contributed to 90% of the revenue growth which was due to both new and existing stores, while the remaining 10% was related to the growth of liquor retail revenue. The liquor revenue growth, which contributed partially to the overall revenue growth of the Company, was predominantly due to the opening of Assiniboia during the year ended August 31, 2025 along with traction at its Creighton and Lloydminster locations.

Retail cannabis revenue has increased period over period as a result of increases in both store count, along with the maturity of retail cannabis stores. The current retail cannabis store count is 35. Cannabis revenue increased by 28% from the comparative period, of which 69% of that growth related to Ontario store growth, based on growth that was related predominantly to same store sales. This growth is due to the general organic growth of each store along with maturity of stores that were opened partway through the comparative year which incorporates full period results. The Company's revenue pricing is based on the competitive market and the increase has been due to more traffic in these stores along with the additional stores opened during the period. Management believes this increased growth can be attributed to customers appreciating the Company's competitive pricing strategy during a macroeconomic climate suffering from high inflation, and affordability affecting many Canadians. The Company's competitive pricing strategy combined with its commitment to customer service can be partially credited for the sales growth.

Cost of Sales and Gross Margin

Cost of sales for the year ended August 31, 2025 amounted to \$57,905,755 as compared to \$46,039,902 for the year ended August 31, 2024. Gross profit for the year ended August 31, 2025 amounted to \$15,462,546 as compared to \$11,183,079 for the year ended August 31, 2024. The increase in cost of sales and gross profit is directly correlated to the increase in revenue as discussed above. Gross margin has remained between 20-21%, which is consistent with the Company's objective to ensure that the gross margin accompanies new stores opened, along with maintaining competitive pricing strategies noted above. The Company's margin will fluctuate to a certain degree depending on seasonality, customer purchasing trends, and competitor pricing.

Operating Expenses

Total operating expenses for the year ended August 31, 2025 amounted to \$14,748,698 as compared to \$10,458,285 for the year ended August 31, 2024.

These operating expenses included:

- Salaries, wages and consulting fees for the year ended August 31, 2025 amounted to \$6,858,404 as compared to \$4,733,895 for the year ended August 31, 2024. Salaries, wages and consulting fees have increased as a result of retail expansion from the comparative period. The increase in revenue and store count has required the Company to hire additional employees to serve its stores and customer base. Further, there have been minimum wage increases and overall industry salary pressures, along with increased competition for retail employees which has resulted in higher pay on a per store basis. Management expects these expenses to correlate with continued revenue growth given the sales are at retail locations and the growth of the business will require additional personnel to service its retail locations.
- Office and general for the year ended August 31, 2025 amounted to \$2,405,094 as compared to \$1,967,047 for the year ended August 31, 2024. Office and general expenses have increased mainly due to the increased overall costs of expansion and additional store locations. While management expects increases in office and general expenses over the next 12 months as the Company continues to grow, management will continue to undertake cost reduction measures where available.
- Professional fees for the year ended August 31, 2025 amounted to \$1,607,348 as compared to \$364,850 for the year ended August 31, 2024. Professional fees are mainly related to legal and audit fees. The significant increase in the current period is primarily due to transaction costs associated with the proposed Arrangement with SNDL, including legal, advisory, and regulatory costs, as noted in *Proposed Transactions*. The Company expects professional fees to normalize following completion of the Arrangement, though ongoing compliance costs are expected to increase with the Company's growth.
- Operational and utilities for the year ended August 31, 2025 amounted to \$913,847 as compared to \$648,644 for the year ended August 31, 2024. The increase is related to repairs, utilities, and other costs associated with the Company's expanded retail footprint.
- Interest on lease liabilities for the year ended August 31, 2025 amounted to \$714,726 as compared to \$592,663 for the year ended August 31, 2024. The increase is due to additional store leases entered into during the current and prior periods.
- Share-based compensation for the year ended August 31, 2025 amounted to \$656,899 as compared to \$514,705 for the year ended August 31, 2024. The increase is related to the continued vesting of stock options previously granted, including options granted in January 2024 which vest over three years.
- Amortization of right-of-use assets for the year ended August 31, 2025 amounted to \$612,383 as compared to \$498,883 for the year ended August 31, 2024. The increase is due to additional store leases entered into during the current and prior periods.
- Amortization of intangible assets for the year ended August 31, 2025 amounted to \$431,007 as compared to \$497,876 for the year ended August 31, 2024. The decrease is due to the trade name intangible asset being reclassified to assets held for sale on June 18, 2025, at which point amortization ceased.

- Depreciation for the year ended August 31, 2025 amounted to \$254,118 as compared to \$269,138 for the year ended August 31, 2024. The decrease is due to certain assets being fully depreciated and property disposals during the year ended August 31, 2025.
- Interest expense for the year ended August 31, 2025 amounted to \$105,343 as compared to \$93,104 for the year ended August 31, 2024. The increase is related to interest expense on the bridge loan. The bridge loan was repaid in full subsequent to year-end.
- Investors relations and fees for the year ended August 31, 2025 amounted to \$86,680 as compared to \$97,079 for the year ended August 31, 2024. The decrease is related to reduced listing and promotional expenses during the year. This expense relates to general listing expenses and other costs the Company is required to incur as a result of being a listed public company.
- Loss on sale of building for the year ended August 31, 2025 amounted to \$101,590 (2024 - \$nil). The Company disposed of certain property during the year in relation to the exit from its New Brunswick stores.
- Accretion for the year ended August 31, 2025 amounted to \$51,342 as compared to \$180,401 for the year ended August 31, 2024. The decrease is due to the bridge loan having reached its discounted carrying value during the year.
- Gain on extinguishment of leases for the year ended August 31, 2025 amounted to \$50,083 (2024 - \$nil) related to lease modifications and terminations during the year, which were related to renewals of existing leases. The gain is the difference between carrying amounts of the right-of-use assets and lease liabilities on disposal date.
- Total operating expenses for the year ended August 31, 2025 amounted to \$14,748,698 as compared to \$10,458,285 for the year ended August 31, 2024. The increase is primarily attributable to higher salaries and wages from expanded operations, increased professional fees related to the SNDL transaction, and higher office and general costs associated with the Company's growth.

For the year ended August 31, 2025, net income amounted to \$484,849 as compared to net income of \$615,906 for the year ended August 31, 2024. The improvement in net income reflects the Company's continued revenue growth and ability to manage operating expenses relative to sales. Net income is equivalent to comprehensive income.

LIQUIDITY AND CAPITAL RESOURCES

Assets

As at August 31, 2025, the Company had total assets of \$41,858,020 (August 31, 2024 - \$39,866,285).

The increase in total assets of \$1,991,735 is primarily due to cash generated from operations, additions to liquor permits of \$1,702,200, short-term investment additions of \$669,799, and new right-of-use assets from store leases, offset by depreciation, amortization, and working capital changes in the normal course of business.

During the year ended August 31, 2025, the Company reclassified \$25,925,910 of assets to held for sale in connection with the SNDL Arrangement. This reclassification resulted in decreases in goodwill and intangibles, right-of-use assets, property and equipment, and inventory, with a corresponding increase in assets held for sale presented as a current asset.

Liabilities

As at August 31, 2025, the Company had total liabilities of \$12,990,579 (August 31, 2024 - \$12,140,592).

The increase in total liabilities of \$849,987 is primarily due to an increase in sales tax payable from higher sales volumes and an increase in income tax payable, partially offset by decreases in accounts payable and accrued liabilities from normal working capital management and repayments on the bridge loan.

During the year ended August 31, 2025, the Company reclassified \$5,266,056 of lease liabilities to liabilities associated with assets held for sale in connection with the SNDL Arrangement. Excluding this reclassification, the Company's lease liabilities increased from new store leases entered into during the year.

Working Capital and Cash Flows

As at August 31, 2025, the Company had cash of \$5,479,746 (August 31, 2024 - \$4,968,699) and working capital of \$23,750,453 (August 31, 2024 - \$5,897,563). Excluding assets and liabilities held for sale, working capital was \$3,090,599.

Cash flows from operating activities for the year ended August 31, 2025 were \$2,709,137 as compared to \$2,474,392 for the year ended August 31, 2024. The increase reflects continued profitability and improved working capital management.

Cash flows used in financing activities for the year ended August 31, 2025 were \$1,570,246 as compared to cash flows from financing activities of \$1,126,529 for the year ended August 31, 2024. The current year reflects lease payments and bridge loan repayments, while the prior year included proceeds from a private placement and bridge loan draws and repayments.

Cash flows used in investing activities for the year ended August 31, 2025 were \$627,844 as compared to \$1,711,405 for the year ended August 31, 2024. The decrease is primarily due to lower additions to intangible assets (liquor permits), partially offset by short-term investment additions and property, plant and equipment additions and disposals.

Capital Resources

The Company's bridge loan of approximately \$1,850,000 was repaid in full subsequent to year-end. Following completion of the SNDL Arrangement, the Company expects to receive net proceeds of approximately \$31,200,000 which will be used for transaction costs, return of capital to shareholders, and continued expansion

For the year ended August 31, 2025, the Company reported a net income of \$484,849 as compared to a net income of \$615,906 for the year ended August 31, 2024. As at August 31, 2025, the Company had an accumulated deficit of \$40,028,068 (August 31, 2024 - \$40,512,917) and working capital surplus of \$23,750,453 (August 31, 2024 - \$5,897,563). Management believes the Company has sufficient liquidity from existing working capital and expected cash flows from operations to fund operations for at least twelve months from the date of authorization of these consolidated financial statements. Additional sources of funding will be required to carry on operations and/or to realize on investment opportunities. The Company's future operations are dependent upon its ability to secure additional funds and to maintain positive cash flow. While the Company is striving to achieve these plans, there is no assurance that these and other strategies will be realized, or such sources of funds will be available or obtained on favourable terms or obtained at all. Historically, the Company has obtained funding from the issuance of common shares, proceeds from the exercise of share purchase warrants, and through issuances of short-term and long-term debt, however, there can be no assurances that the Company will be able to continuously achieve this. These conditions raise material uncertainties that may cast significant doubt on the Company's ability to continue as a going concern.

The Company's consolidated financial statements do not reflect the adjustments that would be necessary if the going concern assumption were not appropriate. If the going concern basis was not appropriate for these consolidated financial statements, then adjustments would be necessary to the carrying value of assets and liabilities, the reported

revenues and expenses, and the consolidated statements of financial position classifications used. Such adjustments could be material.

The Company's future funding requirements for continued expansion may be met through a combination of cash flows from operations, proceeds from the SNDL Arrangement, and if necessary, equity or debt financings. The Company's future financing efforts may be affected by volatility in market conditions. The ability to expand the Company's operations will be reliant on securing suitable acquisition opportunities, securing the necessary capital, and the ability to generate positive operating cash flow to meet its business objectives and general working capital requirements.

The Company's objectives when managing capital are to:

- a) Deploy capital to provide an appropriate return on investment to its shareholders;
- b) Maintain financial flexibility in order to preserve the Company's ability to meet financial obligations; and
- c) Maintain a capital structure that provides financial flexibility to execute on strategic opportunities.

The Company's strategy is formulated to maintain a flexible capital structure consistent with the objectives as stated above and to respond to changes in economic conditions and the risk characteristics of the underlying assets. The Board of Directors does not establish quantitative return on capital criteria for management, but rather promotes year-over-year sustainable profitable growth. The Company is not subject to any externally imposed capital requirements or covenants.

The Company's capital structure consists of equity and working capital. In order to maintain or alter the capital structure, the Company may adjust capital spending, raise new debt and issue share capital.

Equity Financings

To finance the Company's operations, in addition to the debt disclosed below, the Company has had the following transactions to provide cash inflows for the Company's working capital needs:

- On November 9, 2022, the Company closed a private placement financing by issuance of 4,000,000 common shares at a purchase price of \$1.45 per share for total gross proceeds of \$5,800,000.
- On November 17, 2022, the Company entered into an asset purchase agreement with Veridia USA, LLC and completed the sale of its entire interest in the property located in Leviathan USA (Tennessee US) together with all assets, namely buildings, structures and equipment situated thereon and the respective payable balances and mortgages attached to the assets. Consideration received for the disposition of these assets amounted to 3,332,875 (US \$2.5 million).
- On March 10, 2023, the Company completed the sale of its subsidiary, LCG Holdings Inc. (and its wholly owned subsidiaries, Grupo LCG SAS and Natural Origins SAS), and the subsidiary's entire interest in the property located in Carmen de Viboral, Colombia, together with all buildings, structures, and equipment situated there on (the "Colombian Assets"). The aggregate purchase price for the sale of the Colombian Assets amounted to \$1,050,000, with consideration received partly as the reduction of certain debt the Company held and cash proceeds.
- On June 9, 2023, the Company announced a \$5,000,000 non-brokered private placement to issue 3,333,333 common shares in the capital of the Company at a price of \$1.50 per common share for total gross proceeds of up to \$5,000,000. The Company received \$3,000,000, from these expected gross proceeds of \$5,000,000, during the year ended August 31, 2023. On September 21, 2023, the Company completed the non-brokered private placement and received the remaining \$2,000,000 during the year ended August 31, 2024.

Bridge Loan

On October 15, 2019, the Company signed an agreement with a shareholder to provide unsecured financing of up to \$5,500,000 (the “**Bridge Loan**”) bearing interest at a rate of ten percent (10%) per annum from the date of each advance, payable three times per year (on April 30, August 31, and December 31). The Company, at its discretion, is able to repay the balance of principal and/or interest owing of the Bridge Loan at any time without penalty. In October 2020, the Bridge Loan was increased to \$7,500,000. The Company determined that the interest rate provided as part of the Bridge loan was preferential and discounted the future cash flows at an effective rate of 16% per annum. The resulting discount on initial recognition was recognized directly in equity as a shareholder contribution. In February 2021, the due date of the Bridge Loan was extended to December 31, 2023 with annual interest payments payable on December 31 of each respective year.

As at August 31, 2025, the Bridge Loan balance, inclusive of accrued interest, amounted to \$1,828,987 (August 31, 2024 - \$2,172,302). During the year ended August 31, 2025, the Company made repayments of \$500,000 (August 31, 2024 - repayments of \$500,000, draws of \$500,000).

On December 18, 2025, the Bridge Loan was repaid in full.

SHARE CAPITAL

The Company is authorized to issue an unlimited number of common shares.

SHARE CAPITAL OUTSTANDING	Aug 31, 2024	Aug 31, 2025	Dec 29, 2025
Common shares	117,736,935	117,736,935	117,736,935
Stock options ^(a)	4,715,000	3,035,000	3,035,000
Warrants and other equity instruments ^(b)	-	-	-

- (a) The weighted average remaining contractual life and weighted average exercise price of stock options outstanding and the number of stock options exercisable as at August 31, 2025 are as follows:

Date of Grant	Exercise Price (\$)	Number Outstanding	Number Exercisable	Remaining Life (Years)
March 21, 2022	0.82	1,000,000	1,000,000	0.56
June 3, 2022	0.95	500,000	500,000	0.76
January 9, 2024	1.50	1,535,000	-	8.36
		3,035,000	1,500,000	

- (b) There are no warrants or any other equity instruments aside from common shares and stock options outstanding as at August 31, 2025 and 2024, and as at the date of this MD&A.

RELATED PARTY TRANSACTIONS

During the year ended August 31, 2025, the Company entered into transactions and had outstanding balances with various related parties. The details of the related party transactions are summarized as follows:

For the year ended August 31,	2025	2024
Salaries, wages and consulting fees	\$ 1,873,347	\$ 882,230
Share-based compensation	-	158,925
	\$ 1,873,347	\$ 1,041,155

- a) As at August 31, 2025, \$256,332 (August 31, 2024 - \$256,332) due to directors, officers, shareholders, and such corporations owned by these individuals with common control by way of officer or director, is included in accounts payable and accrued liabilities. As at August 31, 2025, these amounts were owing to the CEO of the Company, Tanvi Bhandari.

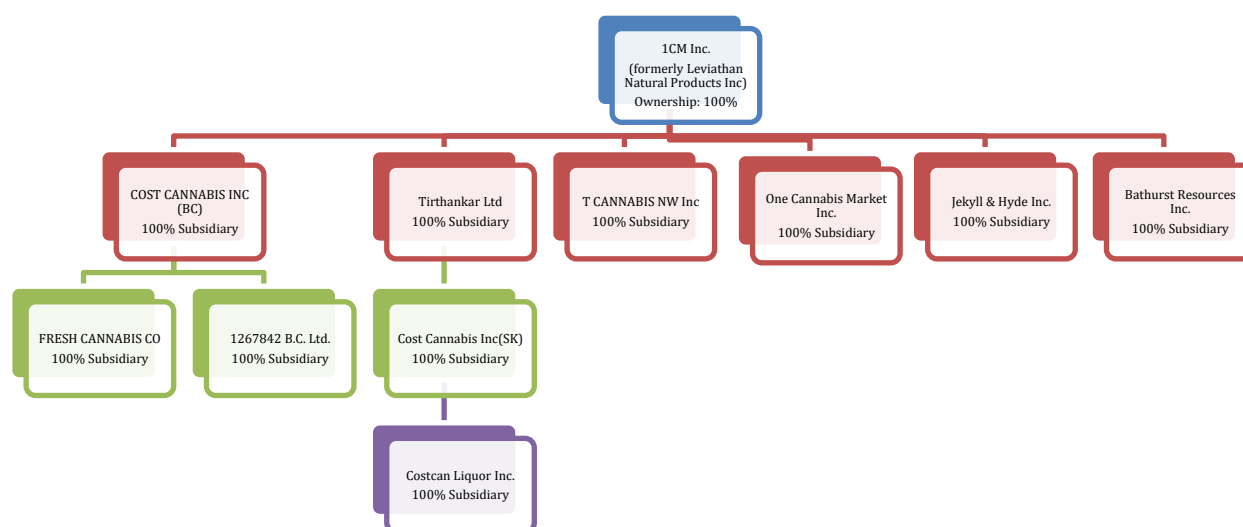
- b) As per the terms of an agreement entered into on the acquisition of Tirthankar Limited on August 31, 2022, the Company has an annual amount payable of up to 1.5% of sales along with a monthly management fee to a corporation owned by the CEO of the Company, Tanvi Bhandari. During the year ended August 31, 2025, the management fee expense in relation to the Tirthankar Agreement amounted to \$1,563,347 (August 31, 2024 - \$572,230), which has been included in salaries, wages, and consulting fees on the consolidated statement of operations and comprehensive income.
- c) Tirthankar Limited currently leases the properties located at Kenora, Cochrane, and Sioux Lookout from Smiths Falls Property Inc, a company that is owned and controlled by the CEO of the Company, Tanvi Bhandari. Lease payments related to these properties amounted to \$96,910 during the year ended August 31, 2025 (August 31, 2024 - \$93,510). The lease payments for these locations were measured at exchange value. These leases are included in assets held for sale.
- d) During the year ended August 31, 2024, the Company purchased inventory from Medical Saints Ltd., a related company by virtue of common director, Lucas Leone of \$1,368,406. As at August 31, 2025, the amount owed to the related party was \$224,422 (August 31, 2024 - \$1,131,723), on terms that allow the Company to pay the outstanding amount only when inventory is sold.
- e) The Company has an outstanding bridge loan from a shareholder which was repaid subsequent to year-end.

OFF BALANCE SHEET ARRANGEMENTS

The Company does not have any off-balance sheet arrangements.

INTEREST IN SUBSIDIARIES

The following is the Company's organization chart detailing its various subsidiaries and ownerships.



The Company's consolidated financial statements incorporate the activities of the Company's subsidiaries from the date the Company acquires control to the date control is relinquished.

The Company's direct and ultimate subsidiaries and relative ownership interests are as follows:

Subsidiary	Domicile	Ownership Interest – August 31, 2025	Ownership Interest – August 31, 2024	Date Control Acquired
Bathurst Resources Corp.	Canada	100%	100%	December 31, 2013
Jekyll and Hyde Brand Builders Inc.	Canada	100%	100%	December 22, 2017
One Cannabis Market Inc.	Canada	100%	100%	June 9, 2022
T Cannabis NW Inc.	Canada	100%	100%	August 31, 2022
Tirthankar Limited	Canada	100%	100%	August 31, 2022
T CANN MGMT CORP.	Canada	100%	100%	August 31, 2022
Cost Cannabis Inc. (SK)	Canada	100%	100%	August 31, 2022
Cost Cannabis Inc. (BC)	Canada	100%	100%	December 1, 2022
Fresh Cannabis Co. Inc.	Canada	100%	100%	December 1, 2022
1267842 B.C. Ltd.	Canada	100%	100%	December 14, 2022
Costcan Liquor Inc. (AB)	Canada	100%	100%	May 24, 2023

COMMITMENTS AND CONTINGENCIES

Commitments

During the years ended August 31, 2025, 2024 and 2023, the Company entered into various purchase agreements for retail liquor permits in Saskatchewan. These purchase agreements are cancellable at any time without penalty. As at August 31, 2025, the Company has made various deposits on these retail liquor permits in the amount of \$387,200 (August 31, 2024 - \$1,998,530), which have been recorded as prepaid expenses and deposits on the consolidated statements of financial position. As at August 31, 2025, the amount outstanding on these cancellable purchase agreements amounted to an aggregate of \$nil (August 31, 2024 - \$256,800). The Company recognizes these retail permits as intangible assets when the final payment is made as per the purchase agreement and the Company obtains control of the permit.

During the year ended August 31, 2024, the Company acquired the Watrous Liquor Permit for an aggregate purchase price of \$724,500 and the Saskatoon Liquor Permit for an aggregate purchase price of \$1,255,800. These prepaid balances were transferred to intangible assets during the year ended August 31, 2024 as the Company obtained control of these permits.

During the year ended August 31, 2025, the Company acquired the Assiniboia Liquor Permit for an aggregate purchase price of \$202,000 and the Regina Liquor Permit for an aggregate purchase price of \$1,500,200. These prepaid balances were transferred to intangible assets during the year ended August 31, 2025 as the Company obtained control of these permits.

Contingencies

In the normal course of business, the Company may be involved in various legal proceedings, the outcomes of which cannot be determined at this time, and, accordingly, no provision has been recorded in these consolidated financial statements. The Company believes that there are no current proceedings that will result in a material favourable or unfavourable effect on its financial position or results of operations. During the years ended August 31, 2025 and 2024, no provision was recorded in these consolidated financial statements in relation to the below legal proceedings:

- A former director brought an application against 1CM for a declaration that he was entitled to certain options that were issued in fiscal 2021 for which in April 2024, the hearing judge dismissed his application. His appeal of that decision was heard by the Court of Appeal on April 2, 2025. On April 9, 2025, the appeal was dismissed. Accordingly, there is no longer a contingent liability associated with this legal proceeding; and

- The Company is party to a lease dispute for which the outcome is uncertain and the potential liability cannot be reliably estimated. The matter is not expected to have a material impact on the Company's consolidated financial statements.

OPERATING SEGMENTS

Operating segments are components of the Company that engage in business activities which generate revenues and incur expenses (including intercompany revenues and expenses related to transactions conducted with other components of the Company). The operations of an operating segment are distinct and the operating results are regularly reviewed by the chief operating decision maker ("CODM") for the purposes of resource allocation decisions and assessing its performance. Reportable segments are Operating segments whose revenues or profit/loss or total assets exceed ten percent or more of those of the combined entity. Key measures used by the CODM to assess performance and make resource allocation decisions include revenues, gross profit and net income (loss). The Company's business activities are conducted through its main operating segment, cannabis. Management's focus is to generate revenue through cannabis sales.

During the year ended August 31, 2025, the Company's revenue and cost of goods sold in relation to its cannabis operating segment amounted to \$66,592,358 and \$52,066,780, respectively (August 31, 2024 - \$52,041,313 and \$41,526,005, respectively). The Company's liquor division, which currently represents approximately 9% of its overall revenue, had revenues of \$6,775,943 and cost of goods sold of \$5,838,975, respectively, during the year ended August 31, 2025 (August 31, 2024 - \$5,181,668 and \$4,513,897, respectively). The CODM did not classify this as a major operating segment during the years ended August 31, 2025 and 2024. Revenue and cost of goods sold include amounts related to the Disposal Group classified as held for sale.

Regulatory Matters

Licences and Permits

The operations of the Company will require licences and permits from various Canadian, federal, provincial and municipal authorities, and on the Company's ability to maintain such licences. The Company currently has all permits and licences that it believes are necessary to carry on its current business operations with the intention of obtaining additional licences and permits for additional operations. The Company will require additional licences or permits in the future to achieve its intended operations and there can be no assurance that the Company will be able to obtain all such additional licences and permits. In addition, there can be no assurance that any existing licence or permit will be renewable on terms acceptable to the Company if and when required or that such existing licences and permits will not be revoked.

The Company may be required to obtain or renew further government permits and licences for its operations. Obtaining, amending or renewing the necessary governmental permits and licences can be a time-consuming process, potentially involving several regulatory agencies, and involving public hearings and costly undertakings on the Company's part. The duration and success of the Company's efforts to obtain amend and renew permits and licences are contingent upon many variables not within its control, including the interpretation of applicable requirements implemented by the relevant permitting or licensing authority. The Company may not be able to obtain, amend or renew permits or licences that are necessary to its operations. Any unexpected delays or costs associated with the permitting and licensing process could impede the ongoing or proposed operations of the Company. To the extent necessary permits or licences are not obtained, amended or renewed, or are subsequently suspended or revoked, the Company may be curtailed or prohibited from proceeding with its ongoing operations or planned development and commercialization activities. Such curtailment or prohibition may result in a material adverse effect on the Company's business, financial condition, results of operations, prospects or reputation.

The Company will be dependent on its suppliers' licences, or ability to obtain additional licences, which are subject to ongoing compliance and reporting requirements. Failure to comply with the requirements of these licences or any

failure to obtain or maintain such licences could have a material adverse effect on the business, financial condition, operations, prospects or reputation of the Company. There can be no guarantee that Health Canada will issue, extend or renew these licences or, if issued, extended or renewed, that they will be issued, extended or renewed on terms favourable to the Company's suppliers and the Company. Should Health Canada not issue, extend or renew the licences or should they issue or renew the licences on terms that are less favourable to such supplier and the Company than anticipated, the business, financial condition, operations, prospects or reputation of the Company could be materially adversely affected.

Retail Store Liquor Permits

The Company currently has a liquor retail store permits issued by the SLGA for certain locations, which authorizes the Company to operate liquor stores at those locations and conduct related sales activities. The regulatory landscape governing the issuance of liquor store permits by the SLGA is subject to ongoing changes. While the Company currently hold all necessary permits for its operations, there is ongoing uncertainty regarding amendments to existing regulations and the introduction of new guidelines that could affect future licensing requirements.

Changes in Laws, Regulations and Guidelines

The Cannabis Act became effective on October 17, 2018. However, uncertainty remains with respect to the implementation of the Cannabis Act, federal regulations thereunder as well as the various provincial and territorial regimes governing the distribution and sale of cannabis for adult-use purposes. There can be no assurance that the legalization of adult-use cannabis by the Government of Canada will be carried out on the terms currently anticipated and the impact of the implementation of the legislative framework pertaining to the Canadian adult-use cannabis market remains uncertain. The impact of these new laws, regulations and guidelines on the business of the Company, including increased costs of compliance and other potential risks cannot be predicted; accordingly, the Company may be materially and adversely affected.

Risks Relating to Suppliers

In addition to the risk factors that may affect the business, operations and financial condition of the Company and its suppliers noted above, the risk factors contemplated herein may directly affect the business, operations and financial condition of the Company's suppliers and, accordingly, may indirectly result in a material adverse effect on the Company.

Cannabis retailers depend on the supply of cannabis products from Licensed Producers and provincial wholesalers. There can be no assurance that there will be a sufficient supply of cannabis or the desired mix of products available to the Company to purchase and to operate its business or to satisfy demand. Licensed Producers' growing operations depend on a number of key inputs and their related costs, including raw materials and supplies. Any significant interruption or negative change in the availability or economics of the supply chain for key inputs could adversely affect Licensed Producers, provincial wholesalers and, in turn, the Company's financial condition and operating results. Any inability of Licensed Producers to secure required supplies and services, or for provincial wholesalers to secure an adequate supply of cannabis, or to do so within suitable arrangements could have a materially adverse effect on the Company's business, financial condition, results of operations, prospects or reputation.

Reliance on Supplier Facilities

The facilities of the Company's suppliers could be subject to adverse changes or developments, including but not limited to a breach of security, which could have a material adverse effect on the Company's business, financial condition, results of operations, prospects or reputation. Any breach of the security measures and other facility requirements, including any failure to comply with recommendations or requirements arising from inspections by Health Canada, could also impact the Company's suppliers' ability to continue operating under their licences or the prospect of renewing their licences, which may have a material adverse effect on the Company's business, financial condition results or operations, prospects or reputation.

Cannabis Pricing

The retail price for cannabis products varies depending on the brand, strain, potency and form of the cannabis product. Wholesale pricing at which recreational cannabis can be purchased by recreational cannabis retail stores from provincial governments, or their agents, is subject to numerous factors beyond 1CM's control, including supply. Further, the illicit market offers cannabis products at prices which are generally lower than the prices offered by legal recreational cannabis retail stores.

The Company's share price and financial results may be significantly and adversely affected by a decline in the price of cannabis. The market price for cannabis is subject to high volatility, and the price of cannabis is affected by numerous factors beyond the Company's control. Any increase in the cost of purchasing cannabis or retail price decline may have a material adverse effect on the Company's business, financial condition, results of operations, growth prospects, or reputation. The profitability of the Company may be directly related to the price of cannabis. The Company's operating income may be sensitive to changes in the price of cannabis and the overall condition of the cannabis industry.

Hemp Operations

The Company does not conduct any activities related to hemp in any jurisdiction.

Patents

As at the date of this MD&A, the Company does not own or has applied for any patents in any jurisdiction.

Regulatory Framework

The provincial regulatory frameworks relating to cannabis and liquor are complex and rapidly evolving. Provincial governments in Canada have taken different approaches to regulate the distribution and sale of adult-use cannabis and liquor. Below is an overview of the applicable laws and regulations related to the Company's operations.

Legislation Governing Our Activities

Cannabis:

On October 17, 2018, *the Cannabis Act* and *the Cannabis Regulations SOR/2018-144* (the "**Cannabis Regulations**") came into force as law with the effect of legalizing the recreational adult-use of cannabis and regulating the production, distribution and sale of cannabis and cannabis derived products (both medical and adult-use) within Canada. The Cannabis Act replaced *the Controlled Drug and Substances Act (Canada)* (the "**CDSA**"). Under the CDSA, the Access to Cannabis for Medical Purposes Regulations (the "**ACMPR**") set out a framework to provide individuals with access to cannabis for medical purposes and was the governing legislation in respect of the production, sale and distribution of medical cannabis and related oil extracts in Canada. Although ACMPR was repealed, the regulatory framework applicable to cannabis for medical purposes was substantially reproduced within the Cannabis Act with minimal changes. Under the Cannabis Act, individuals over the age of eighteen (18) can purchase and possess up to 30 grams of dried cannabis or its equivalent in other forms. The Cannabis Act also allows households to grow a maximum of four cannabis plants. Provincial governments have the authority to regulate the retail and distribution of cannabis, which has resulted in varying regulations across provinces.

The Cannabis Regulations provide for the issuance of various licenses for activities related to cannabis, including cultivation, processing, and sales. All cannabis products must be packaged in a tamper-evident and child-resistant manner, with specific labeling requirements to ensure consumer safety and compliance. The Cannabis Regulations prohibits testimonials, lifestyle branding, and packaging that is appealing to youth. Additionally, the Cannabis Regulations include packaging and labeling restrictions aimed at minimizing the appeal to children and youth, protecting against accidental consumption, and ensuring consumers are informed of the potential risks and harms of cannabis.

Liquor:

The Government of Saskatchewan announced its exit from the liquor retailing business on October 27, 2022, transitioning to private ownership to optimize financial resources and address declining profits. This transition involved public auctions of retail store permits, allowing private entities to enter the market. The first auctions commenced in early 2023 and included 35 permits, generating over \$45 million. Subsequent auctions were held to distribute additional retail store permits, with each auction following the same stringent requirements for licensing and operational compliance.

Under SLGA regulations, liquor retail permits are issued to approved store operators who meet stringent criteria set by the authority. These criteria include adherence to provincial guidelines for the sale and distribution of liquor, implementation of security measures, inventory control, and regular compliance checks to ensure adherence to licensing conditions. The SLGA mandates that all retail liquor stores must comply with packaging and labeling restrictions to minimize appeal to youth, prevent accidental consumption, and ensure consumers are informed of the potential risks and harms associated with alcohol consumption.

In Alberta, the Alberta Gaming, Liquor and Cannabis Commission ("**AGLC**") regulates liquor operations. The AGLC issues licenses for the retail sale of liquor and oversees compliance with provincial regulations. Licensees must adhere to strict guidelines regarding the sale, distribution, and promotion of liquor. The AGLC conducts regular inspections and compliance checks to ensure that all licensed establishments meet the required standards.

Provincial Regimes Contemplating Private Cannabis Retail

Below is a summary of the applicable laws and regulations of each of the provincial jurisdictions where we operate or intend to operate our cannabis retail business.

Alberta:

The Province of Alberta regulates cannabis activities through the *Gaming, Liquor and Cannabis Act* ("**GLCA**") and the *Gaming, Liquor and Cannabis Regulation* (the "**GLCR**"), overseen by the AGLC. The AGLC is responsible for managing provincial oversight of the private retail adult-use cannabis industry. The AGLC is exclusively authorized to purchase adult-use cannabis products from Licensed Producers, which it then distributes to licensed private retailers for sale from licensed premises. The AGLC is also responsible for issuing licences to private retailers authorizing the sale of adult-use cannabis products in accordance with the GLCA, the GLCR and the AGLC's policies and conditions. The GLCA authorizes the AGLC to establish policies, including in respect to the advertising and promoting of cannabis and cannabis retail licences. The AGLC Handbook sets out the AGLC's policies and guidelines related to cannabis retail licences.

The GLCA prohibits: (i) agreements between cannabis licensees and suppliers to sell or promote the sale of the supplier's cannabis, except as provided by the GLCR; (ii) individuals under the age of 18 from entering licensed premises or from purchasing or attempting to purchase, obtain or possess cannabis; (iii) the sale of adult-use cannabis products to an intoxicated person; and (iv) the use of a term commonly associated with medicine, health or pharmaceuticals including "pharmacy", "dispensary", "apothecary", "drug store", "medicine", "medicinal", "health", "therapeutic", or "clinic" in any signage for a licensed premises or the name of a licensee. The GLCA also prohibits issuance of a cannabis retail licence unless the sale of cannabis will be conducted as a separate business from any other activities of the applicant and in a location where only cannabis products, cannabis accessories (as defined in the Cannabis Act) or other prescribed items are sold.

Retail licenses in Alberta include the "Retail Cannabis Store License" ("**AB Retail Store License**"), with specific eligibility criteria and operational requirements administered by the AGLC. There is no maximum limit or target for the number of AB Retail Store Licenses to be issued in Alberta; however, the GLCA prohibits the AGLC from issuing an AB Retail Store License to an applicant if it would result in the applicant or a group of related persons holding more than fifteen (15) AB Retail Store Licenses.

In late 2021, legislation was passed allowing licensed cannabis retailers in Alberta to offer online sales and delivery of cannabis products, effective March 8, 2022. Retailers must apply to the AGLC to expand their licenses for online sales.

The GLCR sets out detailed rules regarding: (i) the ownership and operation of licensed cannabis retail stores; (ii) where such stores may be located; (iii) staffing, security and safety requirements for licensed stores; and (iv) the process for review and approval of applications for cannabis retail store licences. The GLCR prohibits a licensed cannabis retail store from being located within 100 metres of a provincial health care facility, a school, or land designated as a school reserve or municipal and school reserve; however, municipalities may expressly vary such restrictions on the location of cannabis retail stores in their land use by-laws.

Cannabis retailers in Alberta are subject to detailed requirements, including prohibitions on associations with other businesses, customer loyalty programs, in-store games or entertainment, and restrictions on gift card programs. Retailers must carry a representative selection of brands from various suppliers and are prohibited from selling snacks, tobacco, or other non-cannabis items. Licensed Producers or marketers are prohibited from buying shelf space, offering weight discounts, or other discounted products in exchange for marketing benefits.

In Alberta, the Company operates two (2) licensed cannabis retail stores, operating under the subsidiary Cost Cannabis Inc., each of which holds an AB Retail Store License.

British Colombia:

The Province of British Colombia regulates cannabis through the *Cannabis Control and Licensing Act* (British Colombia) ("**CCLA**") and the *Cannabis Distribution Act* (British Colombia) ("**CDA**"), administered by the Liquor and Cannabis Regulation Branch ("**LCRB**"). LCRB is responsible for managing provincial oversight of the private retail adult-use cannabis industry. The British Colombia Liquor Distribution Branch (the "**LDB**") is exclusively authorized to purchase adult-use cannabis products from Licensed Producers, which it then distributes to licensed private retailers for sale from licensed premises. The LCRB is also responsible for issuing licenses to private retailers authorizing the sale of adult-use cannabis products in accordance with the CCLA, the CDA, and the LCRB's policies and conditions. The CCLA authorizes the LCRB to establish policies, including in respect to the advertising and promoting of cannabis and cannabis retail licenses.

The CCLA prohibits: (a) consumption of cannabis on school properties and in vehicles; (b) smoking and vaping cannabis anywhere that tobacco smoking and vaping are prohibited, in addition to playgrounds, sports fields, skate parks, and other places where children commonly gather; (c) public intoxication; (d) the sale of adult-use cannabis to an intoxicated person; (e) minors under the age of 19 from possessing, consuming, purchasing or attempting to purchase cannabis; and (f) vertical arrangements with Licensed Producers including exclusivity agreements and payments to promote, induce or further the sale of a particular class or brand of cannabis. The Lieutenant Governor in Council may also make regulations, including with respect to marketing, advertisement and promotion of cannabis or sponsorship involving advertising or promoting of cannabis or a licensee.

Under the CCLA and CDA, adult-use cannabis may be sold by both private and government-owned retailers pursuant to licences to be awarded by the LCRB. The British Colombia Liquor Distribution Branch (the "**BCLDB**") is the exclusive wholesaler responsible for distribution of cannabis products in British Colombia.

Retail licenses in British Colombia include the "Non-Medical Cannabis Retail Store License" ("**BC Retail Store License**"), with specific eligibility criteria and operational requirements administered by the LCRB. There is no maximum limit or target for the number of cannabis retail store licenses to be issued in British Colombia; however, the CCLA prohibits the LCRB from issuing a license to an applicant if it would result in the applicant or a group of related persons holding more than eight (8) retail store licenses.

The LCRB requires that potential retailers receive municipal government approval before a BC Retail Store License is issued. Municipalities are responsible for implementing their own land use, development, and business licensing by-laws, and can impose additional restrictions on the location and operation of cannabis retail stores.

Cannabis retailers in British Columbia are subject to detailed requirements, including prohibitions on associations with other businesses, customer loyalty programs, in-store games or entertainment, and restrictions on gift card programs. Retailers must carry a representative selection of brands from various suppliers and are prohibited from selling snacks, tobacco, or other non-cannabis items. Licensed Producers or marketers are prohibited from buying shelf space, offering weight discounts, or other discounted products in exchange for marketing benefits.

In British Columbia, we currently operate two (2) licensed cannabis retail stores, operating under the subsidiaries Fresh Cannabis Co. Inc. and 1267842 B.C. Ltd., each of which holds a BC Retail Store License.

New Brunswick:

The Province of New Brunswick regulates cannabis activities through the *Cannabis Control Act*, overseen by Cannabis NB, a subsidiary of the New Brunswick Liquor Corporation (“**ANBL**”). Cannabis NB is the sole wholesaler and distributor of cannabis in New Brunswick, purchasing products from Licensed Producers and distributing them to licensed private retailers. It also operates retail stores and an online platform.

The *Cannabis Control Act* prohibits: (i) online sales of cannabis by any entity other than Cannabis NB; (ii) individuals under nineteen (19) from entering licensed premises or purchasing cannabis; and (iii) the sale of cannabis to intoxicated persons.

Under the *Cannabis Retailers Licensing Act* (O.C. 2022-185), a “*Class 1 license*” (“**NB Retailer License**”) is required to operate a cannabis retail outlet. NB Retailer Licenses are issued to private entities, subject to strict criteria, including security measures, inventory control, and packaging and labeling requirements. Municipalities in New Brunswick establish their own bylaws governing the issuance of permits and business licenses to cannabis retailers, potentially imposing additional separation requirements.

Cannabis retailers in New Brunswick are subject to detailed requirements, including prohibitions on associations with other businesses, customer loyalty programs, in-store games or entertainment, and restrictions on gift card programs. Retailers must carry a representative selection of brands from various suppliers and are prohibited from selling snacks, tobacco, or other non-cannabis items. Licensed Producers or marketers are prohibited from buying shelf space, offering weight discounts, or other discounted products in exchange for marketing benefits.

In New Brunswick, the Company no longer operates licensed cannabis retail stores. The Company previously operated two (2) licensed cannabis retail stores in New Brunswick which held a NB Retailer License of which are no longer operating as at the date of this MD&A.

Ontario:

The Province of Ontario regulates cannabis through the *Cannabis Control Act and the Cannabis License Act, 2018*, administered by the Alcohol and Gaming Commission of Ontario (the “**AGCO**”). The Ontario Cannabis Store (the “**OCS**”) is the sole wholesaler and online retailer for non-medical cannabis in Ontario.

The *Cannabis License Act* prohibits: (i) individuals under the age of nineteen (19) from purchasing or possessing cannabis; (ii) the sale of cannabis in locations without a retail store authorization; and (iii) the sale of cannabis to intoxicated persons.

Retail licenses in Ontario include a retail operator license (“**Operator License**”), retail manager licenses, and retail store authorizations (“**Store Authorizations**”), each with specific eligibility criteria and operational requirements, administered by the AGCO. Municipalities in Ontario can impose additional restrictions on the location and operation of cannabis retail stores.

Cannabis retailers in Ontario are subject to detailed requirements, including prohibitions on associations with other businesses, customer loyalty programs, in-store games or entertainment, and restrictions on gift card programs. Retailers must carry a representative selection of brands from various suppliers and are prohibited from selling snacks, tobacco, or other non-cannabis items. Licensed Producers or marketers are prohibited from buying shelf space, offering weight discounts, or other discounted products in exchange for marketing benefits.

In Ontario, the Company currently operates twenty-seven (27) licensed cannabis retail stores, operating under the subsidiaries Tirthankar Limited (21) and T Cannabis NW Inc. (6). Tirthankar Limited and T Cannabis NW Inc. each hold an Operator License, and all twenty-seven Ontario cannabis retail stores have Store Authorizations.

Saskatchewan:

The Cannabis Control (Saskatchewan) Act (the “**CCSA**”) and the *Cannabis Control (Saskatchewan) Regulations* allow private cannabis retailers to sell cannabis, cannabis accessories and ancillary items in standalone storefront operations and deliver province-wide.

The SLGA is responsible for managing provincial oversight of the private retail adult use cannabis industry, including the issuance of private retail licenses, private wholesale permits and the registration of Licensed Producers. The SLGA is not directly engaged in wholesale or retail distribution, or sales of adult-use cannabis.

The CCSA prohibits: (a) individuals under the age of nineteen (19) from entering licensed cannabis retail premises or purchasing (or attempting to purchase), possessing, consuming, selling or distributing cannabis; (b) the sale of adult-use cannabis to an intoxicated person; and (c) possession or consumption of cannabis at a school or childcare facility or at a campground for which a cannabis ban has been declared. The CCSA authorizes the SLGA to establish terms and conditions for cannabis permits, including respecting the display, packaging or promotion of cannabis, and authorizes municipalities to fully or partially opt out of any cannabis activities authorized by a cannabis permit.

The SLGA issues the following three classes of cannabis permits and registrations: cannabis retail store permits (“**SK Retail Permits**”), which authorize the retail sale of cannabis for consumption and use off premises (“**SK Wholesale Permits**”); cannabis wholesale permits, which authorize the wholesale purchase and distribution of cannabis to holders of SK Retail Permits (but not the general public); and the registrations to Licensed Producers authorizing them to ship directly from an existing warehouse facility to holder of a SK Retail Permit or a SK Wholesale Permit. Licenses are issued to private entities, subject to criteria including security measures, inventory control, and compliance with packaging and labeling requirements. Municipalities in Saskatchewan can impose additional restrictions on the location and operation of cannabis retail stores.

In Saskatchewan, the Company currently operates four (4) licensed cannabis retail stores operating under the subsidiary, Cost Cannabis Inc., with each store holding a SK Retail Permit.

Liquor Retail Framework

Alberta:

The AGLC regulates the liquor retail business pursuant to *the Gaming, Liquor and Cannabis Act (Alberta)* and *the Gaming, Liquor and Cannabis Regulation*. To operate retail liquor stores, a *Class D License (Retail Liquor Store)* must be obtained and renewed annually. These licenses are issued by the AGLC. Specific store locations, however, may be subject to regulation through local and municipal by-laws and zoning requirements. AGLC inspectors regularly conduct inspections of liquor stores to ensure operations are in compliance with licensing requirements.

Liquor store operations in Alberta are free to set their own retail prices, including selling at or below the wholesale cost, and may adjust prices based on the customer, the amount of the sale or any other factor determined relevant by the store operator.

In addition to selling alcoholic beverages, retail liquor stores may also sell certain related items, such as soft drinks and other drink mixes, ice, de-alcoholized beverages, glassware and other accessories, although the sale of such items may not exceed ten percent (10%) of total sales. Liquor stores may sell liquor to other liquor stores, other licensed premises (e.g., lounges, restaurants, pubs, taverns, etc.) and special event license holders. Liquor stores may also sell special event licences for private functions and may provide delivery service. A retail liquor store in Alberta must either be a freestanding building or, if it is in a building in which there are other businesses, it must have its own entrance and exit, its own receiving and storage area, and a wall between the liquor store and any other business. A retail liquor store cannot be operated within the same commercial development as an existing non-liquor store business owned by the licensee if the existing business is larger than 929 square meters (10,000 square feet) unless certain requirements are met, including a separate building envelope. In that case, the premises for the liquor store must be physically separated and subject to approval by the AGLC.

Liquor licences granted to sell and serve liquor at establishments with qualifying food service are permitted to sell sealed liquor for off premises consumption under the Class A licence type. These businesses do not have restrictions related to the sale of non-liquor items that apply to Class D Retail Liquor Stores.

In Alberta, the Company currently operates one (1) licensed liquor retail store, operating under the subsidiary, Costcan Liquor Inc. which holds a *Class D License (Retail Liquor Store)*.

Saskatchewan:

The Government of Saskatchewan transitioned liquor retailing to private ownership beginning in October 2022. The SLGA now oversees the issuance of retail liquor permits, following a series of public auctions that began in early 2023.

The *Alcohol Control Regulations, 2016* restricts the number of retail store permits allowed in a municipality based on its population and requires a municipality to have a minimum population of 500 to be eligible for a retail store permit. In municipalities with more than one retail store permit, no retail store permittee will be allowed to control all available retail store permits in the municipality. Additional consideration exists for small municipalities with population under 500 and in the Northern Saskatchewan Administration District.

The SLGA initiates an open bid process seeking applicants for retail store permit opportunities if an expression of interest is submitted to SLGA, a retail permit is available, and no bylaw prohibits the operation of a retail store. Bids are accepted for ten days, and the winning bid will be awarded within five business days of the closing date of the auction. SLGA will only issue the retail store permit if, within eighteen months following the conclusion of the open bid process, the successful bidder has applied and qualified for a retail store permit, which includes paying all the applicable permit fees, made all partial bid payments within the payment schedule, and established a permitted retail store in compliance with SLGA's facility standards for retail stores.

The SLGA mandates compliance with provincial guidelines for the sale and distribution of liquor, including security measures, inventory control, and packaging and labeling requirements to minimize appeal to youth and ensure consumer safety.

In Saskatchewan, the Company operates six (6) licensed retail liquor stores under the subsidiary, Cost Cannabis Inc. These stores are licensed under the "Retail Store Permit - Full-Line" issued by the SLGA, allowing them to sell a comprehensive range of liquor products, including beer, wine, and spirits, for off-premises consumption.

Ontario:

The Province of Ontario regulates liquor retail under the *Liquor Licence and Control Act, 2019* and accompanying regulations, administered by the AGCO. All beverage alcohol (beer, wine, cider) must be sourced through the Liquor Control Board of Ontario ("LCBO") wholesale system. To operate a private retail outlet, a licensee must hold either a grocery store license or a convenience store license, each subject to annual renewal, prescribed floor-space and product-mix criteria, and non-transferability without AGCO approval.

AGCO inspectors conduct unannounced visits to verify compliance with age-of-purchase controls (no sales to persons under 19), prohibited hours of sale (7 a.m. – 11 p.m.), lawful product sourcing, required signage (e.g. pregnancy warnings), and staff training. Non-compliance may result in warnings, monetary penalties, license suspension or revocation.

Licensed retailers set their own retail prices, which can be above or below LCBO list prices, but must respect provincial minimum price floors and may sell only beer, cider and wine ($\leq 18\%$ ABV; no spirits), in sealed containers not exceeding 5 L. Independent promotions are permitted provided they comply with AGCO advertising guidelines and no supplier inducements are accepted.

As grocery or convenience outlets, liquor retailers continue offering their full non-liquor inventory (food, household goods, etc.) and must maintain the required food-retail identity. Free, staff-supervised tastings of beer or wine are allowed in small quantities. After October 31, 2024, retailers must accept empty alcohol containers for deposit refunds under Ontario's bottle-deposit return program. Home delivery of liquor requires a separate liquor delivery license; online orders are pickup only.

The Company currently operate 2 (two) licensed liquor retail stores in Ontario at the date of this MD&A.

RISKS AND UNCERTAINTIES

Risks Arising from Financial Instruments and Risk Management:

The Company's activities expose it to a variety of financial risks: market risk (including foreign exchange and interest rate risks), credit risk and liquidity risk. The Company identifies, evaluates and, where appropriate, mitigates financial risks. The Company's Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework. The Audit Committee of the Board is responsible to review the Company's risk management policies.

Market Risk

Market risk is the risk that changes in market prices such as foreign exchange rates, interest rates equity prices and the wholesale and selling prices of cannabis will impact the Company's income or the value of its holdings or financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return.

Foreign exchange risk

The Company operations are domiciled in Canada. Some of the Company's expenses are incurred in United States dollars ("US dollar"). Foreign exchange risk arises because the cost of transactions denominated in foreign currencies may vary due to changes in exchange rates. The Company has not entered any foreign exchange derivative contracts. A significant change in the currency exchange rates between the Canadian dollar relative to the US dollar could have a significant effect on the Company's results of operations, financial position or cash flows, however, management has mitigated its foreign exchange exposure by reducing its overall foreign transactional activity. As at August 31, 2025, the Company did not hedge its foreign currency risk.

Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The interest rates on all of the Company's existing debt are fixed, and therefore not currently subject to any significant interest rate risk.

Credit Risk

Credit risk is the risk of financial loss to the Company if a counter party to a financial instrument fails to meet its contractual obligations and arises principally from the Company's accounts receivable. The carrying amount of financial assets represents the maximum credit exposure. The Company believes there is insignificant credit risk associated with its accounts receivable based on the nature of the counterparties. Financial instruments that potentially expose the Company to significant concentrations of credit risk consist principally of cash. The Company has investment policies to mitigate against the deterioration of principal and to enhance the Company's ability to meet its liquidity needs.

Liquidity and Funding Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's approach to managing liquidity is to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when due and to fund future operations. The Company manages its liquidity risk by forecasting its cash needs on a regular basis and seeking additional financing based on those forecasts.

Funding risk is the risk that market conditions will impact the Company's ability to raise capital through equity markets under acceptable terms and conditions. The Company manages its funding risk by forecasting its cash needs on a regular basis and continuously monitoring the stock price and other market conditions.

Capital Management

The Company's objectives when managing capital are:

To safeguard the Company's ability to continue as a going concern in order to pursue the development of its products and to maintain a flexible capital structure which optimizes the cost of capital at an acceptable level; and to provide an adequate return to shareholders commensurate with the level of risk associated with an early-stage company. The capital structure of the Company consists of cash, long-term debt and equity comprising, issued capital, contributed surplus, warrants, and stock options. The Company manages its capital structure and adjusts it in light of economic conditions. The Company, upon approval from its Board of Directors, will balance its overall capital structure through new share issues, granting of stock options, the issuance of debt or by undertaking other activities as deemed appropriate under the specific circumstances. The Company is not subject to externally imposed capital requirements. In order to maximize ongoing research and development of its products, the Company does not pay out dividends.

Risks Related to the Company's Financial Condition

The Company has historically relied on equity and debt financing to support operations and growth. The Company has generated positive cash flows from operations and net income consecutive years and the Company's Bridge Loan was repaid in full on December 15, 2025. Following completion of the SNDL Arrangement, the Company expects to receive net proceeds of approximately \$31,200,000, which will significantly strengthen the Company's financial position. The Company intends to use these proceeds for transaction costs, return of capital to shareholders, and continued expansion of its retail operations. The Company may require additional financing in the future to fund expansion opportunities. There can be no assurance that financing will be available or, if available, on favourable terms. The availability of financing will be affected by the Company's operating results, market conditions, the status of the SNDL Arrangement, and other relevant commercial considerations. Any future equity financing could result in dilution to existing shareholders.

Limited Operating History

The Company's operations are in the early-stage business cycle, subject to the risks any early-stage business faces. The Company has incurred operating losses since commencing operations. The success, among other things, is dependent on profitability of operations, ability to raise funds when necessary, in a timely manner, and senior management's ability to execute on its strategy. The Company may incur losses in the future and may never achieve profitability.

Reliance on Management

The Company is reliant on senior management's ability to execute on its strategy. This exposes the Company to management's ability to perform, and as well the risk of management leaving the Company. To mitigate this risk, the Company has implemented incentive plans for all members of the senior management team. The Company's senior management is comprised of the CEO and CFO of the Company, being Harshil Chovatiya and Tanvi Bhandari.

Risks Related to the Company's Businesses and Operations Regulatory

Changes to government policies, whether in Canada, or any other countries or jurisdictions, and the current regulatory framework is outside of the Company's control and hence, the Company is subject to any changes in the regulatory framework, which may cause the Company to adjust its operations or impact the Company's profit margins. The Company's operations however, are only situated in Canada.

Holding Company Risk

The Company is a holding issuer with few assets beyond its ownership in operating subsidiaries. Its financial stability hinges on the performance and cash flow of these subsidiaries. Any negative changes in their operations, like economic downturns or regulatory shifts, could greatly affect the Company's financial health and ability to meet obligations. Additionally, the Issuer's limited financial flexibility during times of subsidiary difficulties poses extra risks for investors. The Company's subsidiaries are detailed above in *Interest in Subsidiaries*.

Risks Relating to the Cannabis Industry Change in Law, Regulations and Guidelines

The cannabis industry in Canada are all highly regulated at all levels of government (i.e. Federal, Provincial, Municipal) and are subject to a wide and onerous variety of laws, regulations and guidelines relating to the marketing, acquisition, manufacture, management, transportation, storage, sale and disposal of medicinal, adult recreational cannabis, and hemp oil / distillates. In Canada, changes in such laws, regulations and guidelines may cause adverse effects on the Company's operations. On February 24, 2016, the Federal Court of Canada released its decision in the case of *Allard et al v. Canada*, declaring that the MMPR, as it was drafted, was unconstitutional in violation of the plaintiffs' rights

under section 7 of the Charter of Rights and Freedoms. On August 24, 2016, the ACMPR came into force, replacing the MMPR as the regulations governing Canada's medical cannabis regime, which permits patients to produce a limited amount of cannabis for their own medical purposes or to designate a person to produce a limited amount of cannabis. On October 17, 2018, Canada legalized the cultivation and sale of adult recreational cannabis nationally introducing a new national cannabis reporting and tracking system launched concurrently with the coming into force of the national Cannabis Act. Beginning October 17, 2018, the Cannabis Tracking and Licensing System applies to all public and private parties licensed by Health Canada to sell medicinal and/or adult recreational cannabis under the various provincial regulations to consumers or other Federally licensed cannabis companies.

Regulatory Risk

Achievement of the Company's business objectives are contingent, in part, upon compliance with the regulatory requirements, including those imposed by Health Canada and other regulators, as detailed above, as enacted by these government authorities and obtaining all regulatory approvals, where necessary, for the sale of the Company's products. The Company cannot predict the time required to secure all appropriate regulatory approvals for its products, or the extent of testing and documentation, which may be required by government 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 Company's business, results of operation and financial condition.

Unfavorable Publicity or Consumer Perception

The success of the medical and non-medical cannabis and hemp industries may be significantly influenced by the public's perception of cannabis' and hemp's medicinal applications. Cannabis is a controversial topic and there is no guarantee that future scientific research, publicity, regulations, medical and public opinion relating to medicinal and/or adult recreational cannabis or medicinal hemp will be favorable. The medical and non-medical cannabis and hemp industries are early-stage businesses, which are constantly evolving with no guarantee of viability. The market for medical and non-medical cannabis and hemp is uncertain, and any adverse or negative publicity, scientific research, limiting regulations, medical and public opinions relating to the consumption of medical and non-medical cannabis and hemp may have a material adverse effect on operational results, consumer base and financial results.

Risks Relating to the Company's Common Shares

The Company has not paid any cash dividends on its common shares to date. Following the completion of the SNDL Arrangement, the Company intends to complete a return of capital to shareholders. The amount, timing, and form of return of capital will be subject to the completion of the SNDL Arrangement. There is no assurance that a return of capital will occur, or, if it does, the amount or timing thereof.

Other than any potential return of capital following the SNDL Arrangement, for the foreseeable future, the Company does not intend to pay any cash dividends on its common shares and therefore, shareholders may not be able to receive a return on their shares unless they are able to sell their shares. The policy of the Board of Directors of the Company is to reinvest all available funds in operations. The Board of Directors may reassess this policy from time-to-time. Any decision to pay dividends on the common shares of the Company will be made by the Board of Directors based on the assessment of, among other factors, earnings, capital requirements and the operating and financial condition of the Company. The market price and trading volume of the Company's common shares is volatile and may continue to be volatile in the future. Variations in earnings estimates by securities analysts and the market prices of the securities of competitors may also lead to fluctuations in the trading price of the common shares. In addition, the financial markets may experience significant price and volume fluctuations that affect the market price of the Company's common shares that are not related to the Company's operating performance. Broad market fluctuation and economic conditions generally, and in the cannabis and liquor sector specifically, may adversely affect the market price of the Company's common shares. The significant costs that the Company will incur as a result of being a public company in Canada could also adversely affect its business.

Internal Control over Financial Reporting and Disclosure Controls and Procedures

Management, including the Chief Executive Officer (“**CEO**”) and the Chief Financial Officer (“**CFO**”), is responsible for designing, establishing, and maintaining a system of internal controls over financial reporting (“**ICFR**”) to provide reasonable assurance that all information prepared by the Company for external purposes is reliable and timely.

As the Company is a Venture Issuer (as defined under National Instrument 52-109 Certification of Disclosure in Issuers’ Annual and Interim Filings) (“**NI 52-109**”), the Company and Management are not required to include representations relating to the evaluation, design, establishment and/or maintenance of disclosure controls and procedures (“**DC&P**”) and/or ICFR, as defined in NI 52-109, nor has it completed such an evaluation. Inherent limitations on the ability of the certifying officers to design and implement on a cost-effective bases DC&P and ICFR for the Company may result in additional risks of quality, reliability, transparency and timeliness of interim and annual filings and other reports provided under securities legislation.

Monitoring Compliance

The Company monitors compliance at its location through direct communication with regulators, legal counsel, and the use of advisors when required. Further, the Company’s CEO and CFO as noted above, are experienced in the sector and have the past technical knowledge to be able to ensure compliance is met regarding operations, along with ensuring they are up to date on future regulatory changes.

The Company’s operations are only in Canada, and as at the date of this MD&A, the Company is compliant with the laws and regulations in all jurisdictions where the Company conducts its business which is noted above. As at the date of this MD&A, the Company has not had any instances of non-compliance, citations, or notices of violations that may have an impact on the Company’s licenses, business activities or operations.

CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

The preparation of the consolidated financial statements requires management to make estimates, judgments, and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results may differ from these estimates.

The Company’s material accounting policies are disclosed in Note 2 of the annual audited consolidated financial statements for the year ended August 31, 2025.

The following are the key estimates and judgments:

Assets held for sale

The Company applies significant judgement in determining whether assets and disposal groups meet the criteria for classification as held for sale under IFRS 5. This includes assessing whether a sale is highly probable and expected to complete within 12 months from classification. The Company considers whether events or circumstances subsequent to initial classification affect the assessment of whether the sale remains highly probable and is expected to complete within the required timeframe. The Company also applies judgement in allocating assets and liabilities to the disposal group, including the allocation of goodwill, intangible assets, property, plant, and equipment, right-of-use assets, lease liabilities, and other balances based on store-level records.

The disposal group is measured at the lower of carrying amount and fair value less costs to sell. The determination of fair value requires judgement, including the assessment of whether the negotiated purchase price in an arm’s length transaction represents fair value, consideration of any purchase price adjustments, and whether any changes in circumstances since initial classification affect the fair value assessment. Costs to sell are estimated based on expected

legal, advisory, and regulatory costs to complete the transaction and require judgement as to the nature and extent of costs directly attributable to the disposal. The Company performs this assessment at each reporting date to determine if any impairment loss should be recognized or reversed.

The Company also applies significant judgement in assessing whether a disposal group qualifies for presentation as a discontinued operation under IFRS 5. A discontinued operation is a component of an entity that either has been disposed of or is classified as held for sale, and represents a separate major line of business or geographical area of operations. This assessment requires consideration of management's strategic intent following the disposal, whether the Company will continue to operate in the same line of business, the nature and extent of the remaining operations, and whether the disposal represents a withdrawal from a separate major line of business or geographical area of operations.

Assumptions and conclusions related to assets held for sale and discontinued operations are disclosed in Note 15 of the Company's consolidated financial statements.

Goodwill and intangible assets

The Company assesses goodwill and indefinite life intangible assets for impairment annually or when indicators of impairment exist. The recoverable amount is determined based on value in use calculations using discounted cash flow projections. Key assumptions include revenue growth rates, discount rates, and terminal growth rates. Prior to classification as held for sale, goodwill was tested using this approach; subsequent to classification, the disposal group is measured at the lower of carrying amount and fair value less costs to sell.

Share-based compensation

Stock options are measured at fair value using the Black-Scholes option pricing model. Key assumptions include expected volatility, expected life, risk-free interest rate, and expected dividend yield.

Leases

The Company applies judgment in determining the lease term and the incremental borrowing rate used to discount lease liabilities. The lease term includes optional renewal periods where the Company is reasonably certain to exercise the option.

CHANGES IN ACCOUNTING POLICIES

There were no changes in accounting policies during the year ended August 31, 2025.

FUTURE ACCOUNTING STANDARDS

IFRS 18 – Presentation and Disclosure in Financial Statements was issued by the IASB in April 2024 and will replace IAS 1. IFRS 18 will streamline requirements for presentation and disclosure of information in financial statements. The standard is effective for annual reporting periods beginning on or after January 1, 2027. The Company is currently evaluating the impact of this standard on its consolidated financial statements.

ADDITIONAL INFORMATION

1. Additional information may be found on SEDAR+ at www.sedarplus.ca;
2. Additional information, including directors' and officers' remuneration and indebtedness, principal holders of the Company's securities authorized for issuance under equity compensation plans will be included in the information circular for the Company's next annual general meeting of security holders; and
3. Additional information relating to the Company can be requested via (717) 888-8889.