FORM 5

QUARTERLY LISTING STATEMENT

Name of Listed Issuer: **Christina Lake Cannabis Corp.** (the "Issuer").

Trading Symbol: **CLC**

This Quarterly Listing Statement must be posted on or before the day on which the Issuer's unaudited interim financial statements are to be filed under the *Securities* Act, or, if no interim statements are required to be filed for the quarter, within 60 days of the end of the Issuer's first, second and third fiscal quarters. This statement is not intended to replace the Issuer's obligation to separately report material information forthwith upon the information becoming known to management or to post the forms required by the Exchange Policies. If material information became known and was reported during the preceding quarter to which this statement relates, management is encouraged to also make reference in this statement to the material information, the news release date and the posting date on the Exchange website.

General Instructions

(a) Prepare this Quarterly Listing Statement using the format set out below. The sequence of questions must not be altered nor should questions be omitted or left unanswered. The answers to the following items must be in narrative form. When the answer to any item is negative or not applicable to the Issuer, state it in a sentence. The title to each item must precede the answer.

(b) The term "Issuer" includes the Listed Issuer and any of its subsidiaries.

(c) Terms used and not defined in this form are defined or interpreted in Policy 1 – Interpretation and General Provisions.

There are three schedules which must be attached to this report as follows:

SCHEDULE A: FINANCIAL STATEMENTS

Financial statements are required as follows:

For the first, second and third financial quarters interim financial statements prepared in accordance with the requirements under Ontario securities law must be attached.

If the Issuer is exempt from filing certain interim financial statements, give the date of the exempting order.

1st quarter ended May 31, 2026.

Unaudited interim financial statements of the Issuer for the 1ar quarter ended May 31, 2026, as filed with securities regulatory authorities, are attached to this Form 5 – Quarterly Listing Statement as Appendix "A".

SCHEDULE B: SUPPLEMENTARY INFORMATION

The supplementary information set out below must be provided when not included in Schedule A.

1. Related party transactions

Provide disclosure of all transactions with a Related Person, including those previously disclosed on Form 10. Include in the disclosure the following information about the transactions with Related Persons:

(a) A description of the relationship between the transacting parties. Be as precise as possible in this description of the relationship. Terms such as affiliate, associate or related company without further clarifying details are not sufficient.
(b) A description of the transaction(s), including those for which no amount has been recorded.
(c) The recorded amount of the transactions classified by financial statement category.
(d) The amounts due to or from Related Persons and the terms and conditions relating thereto.
(e) Contractual obligations with Related Persons, separate from other contractual obligations.
(f) Contingencies involving Related Persons, separate from other contingencies.

With respect to related party transactions for information supplementary to that contained in the notes to the unaudited condensed interim financial statements, which are attached hereto, please refer to the Management's Discussion & Analysis for the 1st quarter ended May 31, 2026, as filed with securities regulatory authorities and attached to this Form 5 - Quarterly Listing Statement as Appendix "B".

2. Summary of securities issued and options granted during the period.

Provide the following information for the period beginning on the date of the last Listing Statement (Form 2A):

(a) summary of securities issued during the period,

Date of Issue	Type of Security (common shares, convertible debentures, etc.)	Type of Issue (private placement, public offering, exercise of warrants, etc.)	Number	Price	Total Proceeds	Type of Consideration (cash, property, etc.)	Describe relationship of Person with Issuer (indicate if Related Person)	Commission Paid
Nil securities were issued during the period of March 1, 2026 to May 31, 2026.								

(b) summary of options granted during the period,

Date	Number	Name of Optionee if Related Person and relationship	Generic description of other Optionees	Exercise Price	Expiry Date	Market Price on date of Grant
Nil options were granted during the period of March 1, 2026 to May 31, 2026.						

3. Summary of securities as at the end of the reporting period.

Provide the following information in tabular format as at the end of the reporting period:

(a) description of authorized share capital including number of shares for each class, dividend rates on preferred shares and whether or not cumulative, redemption and conversion provisions,

As at May 31, 2026 the authorized capital of the Issuer consisted of an unlimited number of Common shares without par value, and without any special rights or restrictions and an unlimited number of Preferred shares, of which 248,093,565 Common shares and Nil Preferred shares were issued and outstanding.

The holders of the Common shares are entitled to receive notice of and to attend and vote at all meetings of the shareholders of the Issuer and each Common share shall confer the right to one vote in person or by proxy at all meetings of the shareholders of the Issuer. The holders of the Common shares, subject to the prior rights, if any, of any other class of shares of the Issuer, are entitled to receive such dividends in any financial year as the board of directors of the Issuer may be resolution determine. In the event of the liquidation, dissolution or winding-up of the Issuer, whether voluntary or involuntary, the holders of the Common shares are entitled to receive, subject to the prior rights, if any, of the holders of any other class of shares of the Issuer, the remaining property and assets of the Issuer.

(b) number and recorded value for shares issued and outstanding,

Date	Number of common shares	Recorded value of common shares
As at May 31, 2026	248,093,565	$27,679,182

(c) description of options, warrants and convertible securities outstanding, including number or amount, exercise or conversion price and expiry date, and any recorded value, and

Options: Options to purchase Common shares in the capital of the Issuer are granted by the Issuer's Board of Directors to eligible persons pursuant to the Issuer's Stock Option Incentive Plan.

As at May 31, 2026, the following options were outstanding entitling holders to purchase Common shares in the capital of the Issuer as summarized below:

Date of Grant	Number of Options	Exercise Price	Expiry Date	Recorded Value
March 15, 2022 (RSUs)	200,000	Nil	March 15, 2027	$34,247
March 15, 2022	300,000	$0.20	March 15, 2027	$4,843
March 15, 2022	375,000	$0.25	March 15, 2027	$80,358
June 20, 2022	1,000,000	$0.12	June 20, 2027	$78,663
August 10, 2022	150,000	$0.15	August 10, 2027	$14,241
August 30, 2024	910,000	$0.05	August 30, 2029	$18,255
August 30, 2024 (RSUs)	4,550,000	Nil	August 30, 2029	$136,500
Total	**7,485,000**			

Warrants: As at May 31, 2026 the following warrants were outstanding entitling holders to purchase Common shares in the capital of the Issuer as summarized below:

Date of Issue	Number of Warrants	Exercise Price	Expiry Date	Recorded Value
April 30, 2025	11,389,105	$0.065	April 30, 2030	$620,120

Convertible Securities: As at May 31, 2026, the following convertible securities were outstanding that can be converted into Common shares in the capital of the Issuer as summarized below:

Date of Issue	Principal Amount	Conversion Price	Maturity Date	Recorded Value
September 8, 2022	$569,886	$0.15	September 8, 2026(1)	$395,583
September 12, 2023	$395,502	$0.06	September 12, 2026	$231,906
September 25, 2023	$144,011	$0.06	September 25, 2026	$84,442
February 12, 2024	$3,000,000	$0.05	February 12, 2029	$3,000,000
February 29, 2024	$1,925,000	$0.05	February 28, 2029	$1,925,000
Total	**$6,828,918**			

Notes:

(1) On September 5, 2025, the debentures were amended to extend the maturity date by one year.

(d) number of shares in each class of shares subject to escrow or pooling agreements or any other restriction on transfer.

As at May 31, 2026, nil securities were held in escrow or subject to pooling agreements.

As at May 31, 2026, 24,354,374 common shares were subject to a US resident trading restriction.

As at May 31, 2026, Nil common shares were subject to a statutory hold period of four months and one day.

4. **List the names of the directors and officers, with an indication of the position(s) held, as at the date this report is signed and filed.**

Name of Director/Officer	**Position with Issuer**
Mark Aiken	Chief Executive Officer
Ryan Smith	Chief Financial Officer
Raymund Baterina	Corporate Secretary
Nicco Dehaan	Director and Chief Operating Officer
James McMillan	Director and Non-Executive Chairman
Joel Dumaresq	Director
Salvatore Milia	Director
Mervin Boychuk	Director
Gil Playford	Director

SCHEDULE C: MANAGEMENT DISCUSSION AND ANALYSIS

Provide Interim MD&A if required by applicable securities legislation.

Management's Discussion & Analysis for the 1st quarter ended May 31, 2026, as filed with securities regulatory authorities, is attached to this Form 5 – Quarterly Listing Statement as Appendix "B".

Certificate of Compliance

The undersigned hereby certifies that:

1. The undersigned is a director and/or senior officer of the Issuer and has been duly authorized by a resolution of the board of directors of the Issuer to sign this Quarterly Listing Statement.

2. As of the date hereof there is no material information concerning the Issuer which has not been publicly disclosed.

3. The undersigned hereby certifies to the Exchange that the Issuer is in compliance with the requirements of applicable securities legislation (as such term is defined in National Instrument 14-101) and all Exchange Requirements (as defined in CNSX Policy 1).

4. All of the information in this Form 5 Quarterly Listing Statement is true.

Dated July 30, 2026

Ryan Smith
Name of Director or Senior Officer

/s/ “Ryan Smith”
Signature

Chief Financial Officer
Official Capacity

Issuer Details Name of Issuer Christina Lake Cannabis Corp.	For Period Ended May 31, 2026	Date of Report YY/MM/D 26/07/30
Issuer Address 1890 – 1075 West Georgia Street		
City/Province/Postal Code Vancouver, BC V6E 3C9	Issuer Fax No. (604) 687-3141	Issuer Telephone No. (604) 687-2038
Contact Name Ryan Smith	Contact Position Chief Financial Officer	Contact Telephone No. (604) 687-2038
Contact Email Address Ryan@clcannabis.com	Web Site Address www.christinalakecannabis.com	

Appendix A

The interim financial statements of the Issuer for the 1st quarter ended May 31, 2026 is attached hereto.

Christina Lake Cannabis Corp.
Financial Statements
For the three months ended May 31, 2026 and 2025
(Unaudited - Expressed in Canadian Dollars)

NOTICE OF NO AUDITOR REVIEW

Under National Instrument 51-102, Part 4 subsection 4.3 (3), if an auditor has not performed a review of the unaudited condensed interim financial statements, they must be accompanied by a notice indicating that the unaudited condensed interim financial statements have not been reviewed by an auditor.

The accompanying unaudited condensed interim financial statements of Christina Lake Cannabis Corp. have been prepared by and are the responsibility of management.

These unaudited condensed interim financial statements for the three months ended May 31, 2026 have not been reviewed or audited by the Company's independent auditors in accordance with standards established by the Chartered Professional Accountants of Canada.

(Expressed in Canadian Dollars - Unaudited)

As at	Notes	May 31, 2026 $	February 28, 2026 $
ASSETS			
Current assets			
Cash		1,631,273	1,409,070
Investments		52,666	52,666
Receivables	15	1,239,510	1,049,581
Prepaid expenses and deposits		86,402	130,827
Inventory	6	5,764,249	6,629,599
		8,774,100	9,271,743
Non-current assets			
Derivative asset	9,19	768,392	768,392
Property, plant and equipment	4	9,675,052	10,313,380
TOTAL ASSETS		**19,217,544**	**20,353,515**
LIABILITIES			
Current liabilities			
Accounts payable and accrued liabilities	7,12	1,265,524	1,653,654
GST payable		35,567	62,721
Operating line of credit	10,12	1,500,000	1,500,000
Deferred revenue	18	751,148	348,388
Current portion of loans	10	133,359	175,548
Current portion of lease liability	11	64,252	259,718
Current portion of convertible debentures	9	2,859,020	3,256,489
		6,608,870	7,238,518
Non-current liabilities			
Non-current portion of lease liability	11	-	96,139
Non-current portion of loans	10	241,404	259,522
Convertible debentures	9	3,115,459	3,084,943
TOTAL LIABILITIES		9,965,733	10,679,122
SHAREHOLDERS' EQUITY			
Share capital	13	27,679,182	27,679,182
Equity component of convertible debenture	9	2,521,057	2,521,057
Obligation to issue shares	13	113,250	113,250
Reserves		3,506,027	3,506,027
Deficit		(24,567,705)	(24,145,123)
TOTAL SHAREHOLDERS' EQUITY		**9,251,811**	**9,674,393**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**19,217,544**	**20,353,515**

Nature and continuance of operations (Note 1)

Approved on behalf of the Board:

"James McMillan" *"Gil Playford"*

James McMillan, Director Gil Playford, Director

(Expressed in Canadian Dollars - Unaudited)

	Notes	Three-month Period Ended May 31, 2026 $	Three-month Period Ended May 31, 2025 $
Revenue from services performed	17	-	77,088
Revenue from sale of goods	17	4,236,610	4,298,603
Cost of sales	6	(2,353,197)	(1,929,226)
Gross profit before fair value adjustments		**1,883,413**	**2,446,465**
Changes in fair value of inventory sold	6	(676,933)	(566,909)
Gross profit from sale of goods/change on growth of biological asset		**1,206,480**	**1,879,556**
General and administrative expenses			
Consulting fees		5,803	6,750
Communication expense		21,784	22,056
Depreciation	4,6	134,324	94,453
Insurance		29,722	47,278
Management fees		-	14,286
Office and miscellaneous		146,082	159,322
Professional fees		33,869	36,729
Property taxes		1,691	5,827
Research and development		394	2,480
Salaries		546,967	496,906
Repairs and maintenance		18,316	83,477
Regulatory fees		51,644	99,542
Total general and administrative expenses		(988,596)	(1,069,106)
Other items			
Interest income		5,394	22,150
Accretion	8,9,10,11	(40,717)	(92,510)
Interest expense	9,10	(611,795)	(390,831)
Gain (Loss) on settlement of convertible debentures and sale of property, plant, and equipment	9	6,652	265,746
Total other items		(640,466)	(195,445)
Gain (Loss) and comprehensive gain (loss) for the period		(422,582)	615,005
Gain (Loss) per share – basic and diluted		(0.00)	0.00
Weighted average number of common shares outstanding - basic and diluted		248,093,567	229,216,597

Christina Lake Cannabis Corp.
Statement of Changes in Shareholders' Equity
For the 3-month period ended May 31, 2026 and 2025
(Expressed in Canadian Dollars - Unaudited)

		Share capital						
		Common shares						
	Note	Number of shares #	Amount $	Obligation to issue shares $	Equity component of convertible liability $	Reserves $	Deficit $	Total $
Balance at February 28, 2025		**225,315,356**	**26,293,507**	**113,250**	**2,521,057**	**2,799,215**	**(21,153,807)**	**10,573,222**
Loss for the year			-	-	-	-	(2,991,316)	(2,991,316)
Settlement of debt		22,778,211	1,385,675	-	-	620,120	-	2,005,795
Share based compensation	13		-	-	-	86,692	-	86,692
Balance at February 28, 2026		**248,093,567**	**27,679,182**	**113,250**	**2,521,057**	**3,506,027**	**(24,145,123)**	**9,674,393**
Loss for the period	13	-	-	-	-	-	(422,582)	(422,582)
Balance at May 31, 2026		**248,093,567**	**27,679,182**	**113,250**	**2,521,057**	**3,506,027**	**(24,567,705)**	**9,251,811**

Christina Lake Cannabis Corp.
Statements of Cash Flows
(Expressed in Canadian Dollars)

	3-month Period Ended May 31, 2026 $	**3-month Period Ended May 31, 2025 $**
Operating activities		
Loss for the year	(422,582)	615,005
Non-cash items:		
Accretion	40,717	92,510
Depreciation	132,324	94,453
Fair value transfer of inventory sold	676,933	566,909
Gain (Loss) on convertible debenture settlement	-	(265,746)
Interest expense	611,795	390,831
Changes in non-cash working capital items:		
Change in receivables	(189,929)	(9,912)
Change in prepaid expenses and deposits	44,425	(50,510)
Change in inventory	439,965	(858,285)
Change in accounts payable and accrued liabilities	(388,130)	291,548
Net cash flows provided by operating activities	945,518	866,803
Investing activities		
Acquisition of property, plant and equipment	(30,334)	(517,314)
Proceeds from disposal of property, plant and equipment	4,200	8,000
Net cash flows used in investing activities	(26,134)	(509,314)
Financing activities		
Repayment of convertible debenture	(545,815)	(614,101)
Loan payments	(64,750)	(98,474)
Lease payments	(86,616)	(64,174)
Net cash flows (used in) from financing activities	(697,181)	(776,749)
Increase (decrease) in cash	222,203	(419,260)
Cash, beginning of period	1,409,070	3,761,538
Cash, end of period	**1,631,273**	**3,342,278**

	3-month Period Ended May 31, 2026 $	**3-month Period Ended May 31, 2025 $**
Lease additions	-	45,508

The accompanying notes are an integral part of these financial statements

1. Nature and continuance of operations

Christina Lake Cannabis Corp. (the "Company") was incorporated on October 26, 2014, under the laws of the province of British Columbia, Canada. The Company is a licensed producer of cannabis in British Columbia under the Cannabis Act with a standard cultivation, processing and sales license and a research and development license. On October 1, 2020, the Company began trading on the Canadian Securities Exchange under the ticker symbol "CLC" and on the OTC Markets Group Inc. under the ticker symbol "CLCFF."

The Company's principal address, records office and registered address are located at Suite 1890 – 1075 West Georgia Street, Vancouver, BC, V6E 3C9.

These financial statements have been prepared on the assumption that the Company will continue as a going concern, meaning it will continue in operation for the foreseeable future and will be able to realize assets and discharge liabilities in the ordinary course of operations. As at May 31, 2026, the Company had accumulated losses of $24,567,705 and incurred a loss of $422,582 for the 3- month period ended May 31, 2026. The Company's continuation as a going concern is dependent upon the Company successfully obtaining debt or equity financings and harvesting its cannabis and earning revenues from the sale of cannabis related derivatives to meet current and future obligations and ultimately achieve profitable operations. These factors indicate the existence of a material uncertainty that may cast significant doubt on the Company's ability to continue as a going concern. Management intends to successfully harvest and sell cannabis related derivatives to achieve profitability from its business activities. These financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts and classification of liabilities that might be necessary should the Company be unable to continue as a going concern. Such adjustments could be material.

2. Material Accounting Policy Information

Basis of presentation
These financial statements have been prepared in accordance with IFRS accounting standards issued by the International Accounting Standards Board ("IFRS"). These financial statements have been prepared on an historical cost basis, except for financial instruments which are classified as fair value through profit or loss. In addition, these financial statements have been prepared using the accrual basis of accounting, except for cash flow information.

These financial statements were approved and authorized for issue on July 30, 2026 by the directors of the Company.

Functional and presentation currency
In management's judgement, the functional currency of the Company is the Canadian dollar. The presentation currency used in preparing these financial statements is also the Canadian dollar.

2. Material Accounting Policy Information (Continued)

Significant estimates and assumptions

The preparation of the Company's financial statements in conformity with IFRS requires management to make estimates and assumptions concerning the future. Estimates and assumptions are continuously evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. However, actual outcomes can differ from these estimates.

Areas requiring a significant degree of estimation relate to the fair value measurements for financial instruments and biological assets, expected credit losses on receivables, discount rate on lease liability, convertible debentures and loans, useful lives and valuation of property, plant and equipment, valuation of inventory and the recoverability and measurement of deferred tax assets and liabilities. Actual results may differ from those estimates.

Management is required to make a number of estimates in calculating the fair value less costs to sell of biological assets. These estimates include a number of assumptions such as harvesting costs, conversion costs, sales price and expected yields.

Significant judgments

The preparation of financial statements in accordance with IFRS requires the Company to make judgments, apart from those involving estimates, in applying accounting policies. The most significant judgments applied in the Company's financial statements include: the classification of expenditures as building improvements to be capitalized or as operating costs which are expensed; the assessment of the Company's ability to continue as a going concern and whether there are events or conditions that may give rise to a significant uncertainty.

Loss per share

Basic loss per share is calculated by dividing the loss attributable to common shareholders by the weighted average number of common shares outstanding in the period. For all periods presented, the loss attributable to common shareholders equals the reported loss attributable to owners of the Company. Diluted loss per share is calculated by the treasury stock method. Under the treasury stock method, the weighted average number of common shares outstanding for the calculation of diluted loss per share assumes that the proceeds to be received on the exercise of dilutive share options and warrants are used to repurchase common shares at the average market price during the period. For the periods presented, the Company reported a net loss. Basic per share amounts are the same on a dilutive basis as the result would be anti-dilutive.

Property, plant and equipment

Property, plant and equipment (includes land, building and building improvement) are stated at cost less accumulated depreciation and any impairments. Cost includes all expenditures incurred to bring assets to the location and condition necessary for them to be operated in the manner intended by management. Depreciation is provided on the straight-line method over the estimated useful lives of the assets. Depreciation commences once an asset is ready for its intended use. Upon sale or other disposition of a depreciable asset, cost and accumulated depreciation are removed from property, plant and equipment and any gain or loss is reflected as a gain or loss from operations.

The estimated useful lives are:

Building and building improvements	20 years
Equipment	3-5 years
Right of use assets	lease term

2. Material Accounting Policy Information (Continued)

Assets held for sale

Property and equipment is classified as held for sale if it is highly probable that its carrying amount will be recovered primarily through sale rather than through continuing use. Such assets are measured at the lower of their carrying amount and fair value less costs to sell. Impairment losses on initial classification as held for sale and subsequent gains and losses on remeasurement are recognized in the statement of loss and comprehensive loss. Once classified as held for sale, property and equipment is no longer depreciated.

Impairment of assets

The Company performs impairment tests on its property, plant and equipment when new events or circumstances occur or when new information becomes available relating to their recoverability. When the recoverable amount of each separately identifiable asset or cash generating unit ("CGU") is less than its carrying value, the asset or CGU's assets are written down to their recoverable amount with the impairment loss charged against profit or loss. A reversal of the impairment loss in a subsequent period will be charged against profit or loss if there is a significant reversal of the circumstances that caused the original impairment. The impairment will be reversed up to the amount of the depreciated carrying value that would have otherwise occurred if the impairment loss had not occurred.

The CGU's recoverable amount is the greater of an asset's fair value less costs to sell and value in use. In calculating the recoverable amount, the Company utilizes discounted cash flow techniques to determine fair value when it is not possible to determine fair value from active markets or a written offer to purchase or other valuation techniques. Management calculates the discounted cash flows based upon its best estimate of a number of economic, operating, engineering, environmental, political and social assumptions. Any changes in the assumptions due to changing circumstances may affect the calculation of the recoverable amount.

Income taxes

Current income tax:

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date, in the countries where the Company operates and generates taxable income.

Current income tax relating to items recognized directly in other comprehensive income or equity is recognized in other comprehensive income or equity and not in profit or loss. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Deferred income tax:

Deferred income tax is provided using the asset and liability method on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

The carrying amount of deferred income tax assets is reviewed at the end of each reporting period and recognized only to the extent that it is probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilized.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realized, or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred income tax assets and deferred income tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred income taxes relate to the same taxable entity and the same taxation authority.

2. Material Accounting Policy Information (Continued)

Financial instruments

Classification

The Company classifies its financial instruments in the following categories: at fair value through profit and loss ("FVTPL"), at fair value through other comprehensive loss ("FVTOCI") or at amortized cost. The Company determines the classification of financial assets at initial recognition. The classification of debt instruments is driven by the Company's business model for managing the financial assets and their contractual cash flow characteristics. Equity instruments that are held for trading are classified as FVTPL. For other equity instruments, on the day of acquisition the Company can make an irrevocable election (on an instrument-by-instrument basis) to designate them as at FVTOCI. Financial liabilities are measured at amortized cost, unless they are required to be measured at FVTPL (such as instruments held for trading or derivatives) or if the Company has opted to measure them at FVTPL.

The following table shows the classification of financial instruments:

Financial Instrument	Classification
Cash	FVTPL
Investments	FVTPL
Biological assets	FVTPL
Derivative asset	FVTPL
Receivables	Amortized Cost
Accounts payable	Amortized Cost
GST payable	Amortized Cost
Operating line of credit	Amortized Cost
Convertible debentures	Amortized Cost
Loans	Amortized Cost

Measurement

Financial assets and liabilities at amortized cost

Financial assets and liabilities at amortized cost are initially recognized at fair value plus or minus transaction costs, respectively and subsequently carried at amortized cost less any impairment.

Financial assets and liabilities at FVTPL

Financial assets and liabilities carried at FVTPL are initially recorded at fair value and transaction costs are expensed in the statements of loss and comprehensive loss. Realized and unrealized gains and losses arising from changes in the fair value of the financial assets and liabilities held at FVTPL are included in the statements of loss and comprehensive loss in the period in which they arise. Where management has opted to recognize a financial liability at FVTPL, any changes associated with the Company's own credit risk will be recognized in other comprehensive loss.

Financial assets through other comprehensive income ("FVTOCI")

Financial assets that meet the following conditions are measured at FVTOCI:

The financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and

The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

The Company does not currently hold any financial instruments designated as FVTOCI.

2. Material Accounting Policy Information (Continued)

Financial Instruments (Continued)

Impairment of financial assets at amortized cost
The Company recognizes a loss allowance for expected credit losses on financial assets that are measured at amortized cost. At each reporting date, the Company measures the loss allowance for the financial asset at an amount equal to the lifetime expected credit losses if the credit risk on the financial asset has increased significantly since initial recognition. If at the reporting date, the credit risk on the financial asset has not increased significantly since initial recognition, the Company measures the loss allowance for the financial asset at an amount equal to the twelve month expected credit losses. The Company shall recognize in the statements of loss and comprehensive loss, as an impairment gain or loss, the amount of expected credit losses (or reversal) that is required to adjust the loss allowance at the reporting date to the amount that is required to be recognized.

Derecognition

Financial assets
The Company derecognizes financial assets only when the contractual rights to cash flows from the financial assets expire, or when it transfers the financial assets and substantially all of the associated risks and rewards of ownership to another entity. Gains and losses on derecognition are generally recognized in the statements of loss and comprehensive loss.

Financial liabilities
The Company derecognizes financial liabilities only when its obligations under the financial liabilities are discharged, cancelled or expired. Generally, the difference between the carrying amount of the financial liability derecognized and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognized in the statements of loss and comprehensive loss.

Convertible debentures
The convertible debentures which meet the fixed-for-fixed criteria (fixed consideration received and fixed number of shares issued upon conversion) are separated into their liability, derivative asset and equity components on the statements of financial position. The liability component is initially recognized at fair value, calculated as the net present value of the liability based upon non-convertible debt issued by comparable issuers and accounted for at amortized cost using the effective interest rate method. The effective interest rate used is the estimated rate for the non-convertible debt with similar terms at the time of issue. The fair value of the derivative asset is computed using an appropriate valuation technique. The value of the equity component is determined at the time of issue as the difference between the face value of the convertible debentures and the fair value of the liability component less the fair value of the derivative asset. The derivative asset is fair valued at each reporting period. At the time of repayment, the equity component is transferred to retained earnings.

Transaction costs that are directly attributed to the issuance of the debentures are recorded against equity and loan components on a pro-rated basis. Transaction costs allocated to the liability component are accreted over the term of the loan using the effective interest rate method.

2. Material Accounting Policy Information (Continued)

Leases

The Company assesses whether a contract is or contains a lease at inception of the contract. A lease is recognized as a right-of-use asset with a corresponding lease liability at the commencement date. Each lease payment included in the lease liability is apportioned between the repayment of the liability and a finance cost. Lease liabilities represent the net present value of fixed lease payments (including in-substance fixed payments); variable lease payments based on an index, rate, or subject to a fair market value renewal condition; amounts expected to be payable by the lessee under residual value guarantees, the exercise price of a purchase option if the lessee is reasonably certain to exercise that option and payments of penalties for terminating the lease, if it is probable that the lessee will exercise that option.

The lease payments are discounted using the interest rate implicit in the lease or, if that rate cannot be determined, the lessee's incremental borrowing rate. The period over which the lease payments are discounted is the expected lease term, including renewal and termination options that the Company is reasonably certain to exercise.

Payments associated with short-term leases and leases of low-value assets are recognized as an expense on a straight-line basis in general and administration and sales and marketing expense in the statement of comprehensive loss. Short term leases are defined as leases with a lease term of 12 months or less. The Company has short-term leases of equipment and office rentals.

Right-of-use assets are measured at cost, which is calculated as the amount of the initial measurement of lease liability plus any lease payments made at or before the commencement date, any initial direct costs and related restoration costs. The right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the useful life of the underlying asset. The depreciation is recognized from the commencement date of the lease.

Share capital

Common shares are classified as equity. Transaction costs directly attributable to the issue of common shares and common share warrants are recognized as a deduction from equity. Common shares issued for non-monetary consideration are measured based on their market value at the date the common shares are issued.

The proceeds from the issuance of units are allocated between common shares and warrants based on the residual value method. Under this method, the proceeds are allocated first to capital stock based on the fair value of the common shares at the time the units are priced and any residual value is allocated to the warrants reserve. Consideration received for the exercise of warrants is recorded in capital stock and any related amount recorded in warrant reserve is transferred to share capital.

Share-based payments

Share-based payments to employees are measured at the fair value of the instruments issued and amortized over the vesting periods. Share-based payments to non-employees are measured at the fair value of goods or services received or the fair value of the equity instruments issued, if it is determined the fair value of the goods or services cannot be reliably measured and are recorded at the date the goods or services are received. The corresponding amount is recorded to the option reserve. The fair value of options is determined using the Black–Scholes Option Pricing Model. The number of shares and options expected to vest is reviewed and adjusted at the end of each reporting period such that the amount recognized for services received as consideration for the equity instruments granted shall be based on the number of equity instruments that eventually vest. Restricted Share Units, ("RSUs") are equity settled only. Compensation expense is recognized based on the share price of the Company's common shares on the grant date multiplied by the number of RSUs expected to vest and recognized ratably over the vesting period, with a corresponding credit to shares based payment reserve.

2. Material Accounting Policy Information (Continued)

Biological assets

The Company's biological assets consist of cannabis plants which are not yet harvested. These biological assets are measured at fair value less costs to sell. The Company capitalizes all related direct costs of growing materials as well as other indirect costs of production such as utilities and supplies used in the growing process. Indirect labour for individuals involved in the growing and quality control process is also included, as well as depreciation on production equipment and overhead costs to the extent it is associated with the growing space. All direct and indirect costs of biological assets are capitalized as they are incurred and subsequently transferred to inventory at the point of harvest. Unrealized fair value gains on growth of biological assets are recorded in a separate line on the face of the statements of loss and comprehensive loss and subsequently transferred to inventory at the point of harvest.

Inventory

Inventory is valued at the lower of cost and net realizable value. The capitalized cost for produced inventory includes the direct and indirect costs initially capitalized to biological assets before the transfer to inventory. The capitalized cost also includes subsequent costs such as materials, labour and depreciation expense on equipment involved in packaging, labelling and inspection. The total cost of inventory also includes a fair value adjustment which represents the fair value of the biological asset at the time of harvest. All direct and indirect costs related to inventory are capitalized as they are incurred and they are subsequently recorded within 'cost of goods sold' on the statements of loss and comprehensive loss at the time cannabis related derivatives are sold and the realized fair value amounts included in inventory sold are recorded as a separate line on the statements of loss and comprehensive loss.

Revenue recognition

IFRS 15, Revenue from Contracts with Customers ("IFRS 15) specifies how and when revenue should be recognized based on a five-step model, which is applied to all contracts with customers. The Company's accounting policy for revenue recognition under IFRS 15 is to follow a five-step model to determine the amount and timing of revenue to be recognized:

1. Identifying the contract with a customer
2. Identifying the performance obligations within the contract
3. Determining the transaction price
4. Allocating the transaction price to the performance obligations
5. Recognizing revenue when/as performance obligation(s) are satisfied.

The Company generated revenue from the sale of cannabis related derivatives. Revenue is recognized when the Company transfers control of the goods to the customer. Control of the product transfers at a point in time either upon shipment to or receipt by the customer, depending on the contractual terms. The Company recognizes revenue in an amount that reflects the consideration that the Company expects to receive considering any variation that may result from rights of return.

The Company also recognizes services revenue for services related to growing cannabis plants for customers and for processing customer's cannabis biomass into distillate. Because the Company does not have control of the product or inventory, service revenue is recognized as the services are provided assuming collection of revenue from the customer is probable.

(Expressed in Canadian Dollars - Unaudited)

2. Material Accounting Policy Information (Continued)

Recent Accounting Pronouncements

As at the date of authorization of these financial statements, the IASB had issued certain pronouncements that are mandatory for the Company's accounting periods commencing on or after March 1, 2025. In April 2024, the IASB issued IFRS 18 Presentation and Disclosure in Financial Statements ("IFRS 18") which replaces IAS 1 Presentation of Financial Statements. This standard aims to improve how companies communicate in their financial statements, with a focus on information about financial performance in the statement of profit or loss, in particular additional defined subtotals, disclosures about management-defined performance measures and new principles for aggregation and disaggregation of information. IFRS 18 is accompanied by limited amendments to the requirements in IAS 7 Statement of Cash Flows. IFRS 18 is effective for annual reporting periods beginning on or after January 1, 2027. Companies are permitted to apply IFRS 18 before that date. The Company is currently assessing the impact the new standard will have on its financial statements. Other recent accounting pronouncements are not applicable or do not have a significant impact to the Company, have been excluded.

Amendments to IAS 1

In January 2020, the IASB issued amendments to IAS 1 which clarify the requirements for classifying liabilities as either current or non-current by: (i) specifying that the conditions which exist at the end of the reporting period determine if a right to defer settlement of a liability exists; (ii) clarifying that settlement of a liability refers to the transfer to the counterparty of cash, equity instruments, other assets or services; (iii) clarifying that classification is unaffected by management's expectation about events after the balance sheet date; and (iv) clarifying the classification requirements for debt an entity may settle by converting it into equity. These amendments had no impact on the financial statements.

3. Assets held for sale

During the year ending February 28, 2026 the property at 46 Ponderosa Drive was transferred to assets held for sale as an unconditional offer to purchase the property was received on November 21, 2025. The sale closed on January 13, 2026 with gross proceeds of $551,000 less selling costs of $24,349, and a resulting loss of $90,994.

During the year ending February 28, 2025 assets held for sale were reclassified back to property, plant and equipment as the listing for the property at 46 Ponderosa Drive expired on September 2024. Subsequent to the expiry of the listing the Company elected to hold onto the property.

The fair value of the property at the date the property was transferred to land was determined to be $617,645 resulting in a fair value increase of $35,878 which was recorded in the statement of loss and comprehensive loss for the 15-month period ended February 28, 2025

	May 31, 2026 $	**May 31, 2025 $**
Asset held for sale beginning of period	-	-
Fair value increase (decrease)	-	-
Transfer to (from) asset held for sale (note 4)	-	-
Sale of property	-	-
Asset held for sale end of period	**-**	**-**

(Expressed in Canadian Dollars - Unaudited)

4. Property, plant and equipment

	Right-of-use assets $	Equipment $	Land $	Building & building improvements $	Total $
Cost			**(note 9)**		
Balance, February 28, 2025	679,446	7,871,943	3,136,275	6,164,574	17,852,238
Additions	187,453	1,060,748	-	691,534	1,939,735
Disposals	-	(253,492)	-	-	(253,492)
Transfer to asset held for sale (note 3)	-		(617,645)	-	(617,645)
Balance, February 28, 2026	866,899	8,679,199	2,518,630	6,856,108	18,920,836
Additions	-	30,334	-	-	30,334
Disposals	(68,921)	(31,791)	-	-	(100,712)
Transfer to asset held for sale (note 3)	-		-	-	-
Balance, May 31, 2026	797,978	8,677,742	2,518,630	6,856,108	18,850,458
Accumulated depreciation					
Balance, February 28, 2025	218,261	5,469,675	-	2,234,970	7,922,906
Depreciation	293,020	978,638	-	188,348	1,460,006
Disposals		(186,060)	-	-	(186,060)
Reversal of impairment PP&E	-	-	-	(589,396)	(589,396)
Balance, February 28, 2026	511,281	6,262,253	-	1,833,922	8,607,456
Depreciation	60,433	308,693	-	65,408	434,534
Disposals	(133,416)	-	-	-	(133,416)
Balance, May 31, 2026	705,130	6,570,946	-	1,899,330	9,175,406
Net book value					
February 28, 2026	355,618	2,416,946	2,518,630	5,022,186	10,313,380
May 31, 2026	92,848	2,106,796	2,518,630	4,956,778	9,675,052

During the period ended May 31, 2026, the Company capitalized depreciation of $309,734 (2025 - $278,780) as inventory processing cost.

During the year ended February 28, 2026, the Company capitalized depreciation of $1,125,828 (2025 - $917,522) as inventory processing cost.

During the year ended February 28, 2026, the Company determined there was a reversal of impairment related to the carrying value of buildings. The Company recorded a reversal of prior year impairment totaling $589,396 against the building located at 775 Highway 395, Christina Lake, BC as the Company's recoverable amount was in excess of the carrying value as of February 28, 2026. The fair value less cost of disposal was based on the market value by comparison approach, being a level 2 measurement in the fair value hierarchy.

During the 15-month period ended February 28, 2025, the Company determined there were indicators of a reversal of impairment related to the carrying value of land and building. The Company recorded a fair value adjustment totaling $35,878 on the property located at Christina Lake, BC (note 3). The Company recorded a reversal of prior year impairment totaling $208,602 against the property located at 775 Highway 395, Christina Lake, BC as the Company's recoverable amount calculated by the fair value, based on a market value by comparison approach being a level 2 measurement in the fair value hierarchy, less cost of disposal approach, was in excess of the carrying value as of February 28, 2025. The fair value increased due to changes in the real estate market.

(Expressed in Canadian Dollars - Unaudited)

5. Biological assets

Biological assets are comprised of:

	Amount $
Balance at November 30, 2023	-
Changes in fair value less cost to sell due to biological transformation	3,991,510
Production cost capitalized	6,415,007
Transferred to inventory upon harvest (note 6)	(10,406,517)
Balance at February 28, 2025	-
Changes in fair value less cost to sell due to biological transformation	5,784,166
Production cost capitalized	6,277,921
Transferred to inventory upon harvest (note 6)	(12,062,087)
Balance at February 28, 2026 and May 31, 2026	-

Measurement of the biological transformation of the plants at fair value less costs to sell and less incremental processing costs post-harvest is recognized at the point of harvest. The Company has determined that conversion of plants to biomass is the most reliable estimate of fair value. The Company has determined the fair value less costs to sell and less incremental processing costs of cannabis biomass to be $0.03 (2025- $1.37 based on the conversion to distillate as the Company did not have reliable estimates to determine the selling price of biomass) per gram of biomass. The average harvested yield of biomass and flower is 853 (2025 – 1,015) grams per plant.

The fair value of biological assets is determined using a valuation model to estimate expected yield per plant applied to the estimated selling price per gram less incremental processing and selling costs. Only when there is a material change from the expected fair value used for cannabis does the Company make any adjustments to the fair value used.

Sales price used in the valuation of biological assets is based on the average selling price of cannabis biomass products and can vary on the proportion of sales derived from wholesale sales. Selling costs vary depending on methods of selling and are considered based on the expected method of selling and the determined additional processing costs which would be incurred. Expected yields for the cannabis plants is also subject to a variety of factors, such as strains being grown, length of growing cycle and designated planting area or density. Management reviews all significant inputs based on historical information obtained.

The following table highlights the sensitivities and impact of changes in significant assumptions on the fair value of biological assets grown at the outdoor facility:

Significant inputs & assumptions	Range of inputs		Sensitivity	Impact on fair value	
	February 28, 2026	February 28, 2025		February 28, 2026	February 28, 2025
Average selling price per gram (current year selling price as biomass and prior year selling price as distillate)	$0.08	$1.37	Increase or decrease of $0.25 per gram	$1,480,114	$1,178,138
Average yield per plant (grams)	853	1,015	Increase or decrease of 5% in yield per plant	$589,873	$520,125
Average yield to distillate from biomass (dependent on strain)	6%-9%	6%-9%	Increase or decrease of distillate yield by 5%	$366,834	$407,556

These inputs are level 3 on the fair value hierarchy and are subject to volatility in market prices and several uncontrollable factors, which could significantly affect the biological transformation to inventory upon harvest.

(Expressed in Canadian Dollars - Unaudited)

6. Inventory

Inventory is comprised of cannabis biomass and derivatives:

	Amount $
Balance at February 28, 2025	5,401,384
Capitalized cost	3,943,154
Harvested cannabis biomass (note 5)	12,062,087
Inventory write-down	(4,918,243)
Cost of sales	(7,143,001)
Changes in fair value of inventory sold	(2,715,782)
Balance at February 28, 2026	6,629,599
Capitalized cost	2,164,780
Cost of sales	(2,353,197)
Changes in fair value of inventory sold	(676,933)
Balance at May 31, 2026	5,764,249

During the period ended May 31, 2026, the Company recorded $2,164,780 (2025 - $2,532,235) of production costs and depreciation of $161,237 (2025 -$278,780).

During the year ended February 28, 2026, the Company recognized $4,918,243 (2025- $3,090,312) in inventory impairment primarily due to distillate and biomass prices declining over 40% after the year end, and lower than expected yield in cannabis related derivatives from baled biomass and reallocation of those inputs into biomass sales. The Company also recorded $3,442,162 (2025 - $4,219,879) of production costs and depreciation of $500,992 (2025 - $465,481).

The Company held the following inventory:

	May 31, 2026 $	**May 31, 2025 $**
Work-in-process	4,547,625	4,882,504
Finished goods	1,216,624	833,760
	5,764,249	**5,716,264**

7. Accounts payable and accrued liabilities

	May 31, 2026 $	**February 28, 2026 $**
Accounts payable	434,996	632,058
Accrued liabilities	830,528	1,003,596
	1,265,524	**1,635,654**

8. CEBA Loan

The Company entered into a Canada Emergency Business Account "CEBA" loan with the Government of Canada. The loan is an interest free loan of $40,000 from the Government of Canada. If the CEBA loan is repaid by January 18, 2024, 25% being $10,000 will be forgiven. If the Company is not able to repay, the loan will convert into a regular loan with a three-year term bearing interest 5% per annum. Upon initial recognition, the Company recorded a gain on government loan of $15,309. During the year ended February 28, 2025, the Company recorded accretion expense of $nil. The CEBA loan was fully repaid on January 15, 2024.

9. Convertible debentures

Convertible debenture issued in 2024

On February 9, 2024 the Company closed an asset acquisition in Midway, BC and issued a secured convertible debenture in the principal amount of $3,000,000. The debenture is collateralized by land and buildings located at 2775 Myers Creek Rd E Midway, BC and certain assets described in the purchase agreement. The debenture matures in 60 months from the date of issuance and bears interest at the rate of 10% per annum in the first 12 months, 15% per annum in the second 12 months and 20% per annum for the remaining 36 months with such interest to be accrued on a monthly basis and paid on an annual basis in the first 24 months. From month 25 to maturity the annual payments convert into quarterly interest payments with annual principal payments on the anniversary date in months 36, 48 and 60. Pursuant to the terms of the debenture, the subscribers may at any time prior to the maturity date convert the principal amounts of the debenture and any accrued but unpaid interest into common shares of the Company, at a price of $0.05 per common share. The Company may prepay the debenture at any time prior to maturity with an early termination penalty equal to the remaining interest payable under the Note, which was considered a derivative asset.

The above convertible debenture is a compound financial instrument. The Company allocated $2,690,749, net of issuance costs, of the debt to the liability component and $1,166,455 to the equity component. The fair value of the prepayment option was $857,204. Management estimated the fair value of the debt component using a discount rate of 20% applicable to the Company's business, the fair value of the prepayment option being the derivative asset was determined using a with and without fair value calculation with the residual value allocated to the equity component.

On February 29, 2024 the Company closed a non-brokered private placement of secured convertible debentures in the principal amount of $1,925,000 respectively. The debentures are collateralized by land and buildings with a subordinated priority to the $3,000,000 convertible debenture holders. The debentures mature in 60 months from the date of issuance and bear interest at the rate of 10% per annum in the first 12 months, 15% per annum in the second 12 months and 20% per annum for the remaining 36 months with such interest to be accrued on a monthly basis and paid on an annual basis in the first 24 months. From month 25 to maturity the annual payments convert into quarterly interest payments with annual principal payments on the anniversary date in months 36, 48 and 60. Pursuant to the terms of the debentures, the subscribers may at any time prior to the maturity date convert the principal amounts of the debentures and any accrued but unpaid interest into common shares of the Company, at a price of $0.05 per common share. The Company may prepay the debentures at any time prior to maturity with an early termination penalty equal to the remaining interest payable under the Note which is considered a derivative asset. $1,355,000 of the secured convertible debentures were subscribed to by directors and officers of the Company.

The above convertible debenture is a compound financial instrument. The Company allocated $1,726,564, net of issuance costs, of the debt to the liability component and $748,475 to the equity component. The fair value of the prepayment option was $550,039. Management estimated the fair value of the debt using a discount rate of 20% applicable to the Company's business, the fair value of the prepayment option being the derivative asset was determined using a with and without fair value calculation with the residual value allocated to the equity component.

9. Convertible debentures (Continued)

Convertible debenture issued in 2023
On September 12, 2023, September 25, 2023 and November 3, 2023 the Company closed a non-brokered private placement of secured convertible debentures in the principal amount of $3,190,000, $750,000 and $294,000 respectively. The debentures are secured by land and buildings. The debentures mature in 36 months from the date of issuance and bear interest at the rate of 15% per annum, with such interest to be accrued on a monthly basis and paid on a monthly basis. From month 16 to maturity the monthly payments convert into blended principal & interest payments. Pursuant to the terms of the debentures, the subscribers may at any time prior to the maturity date convert the principal amounts of the debentures and any accrued but unpaid interest into common shares of the Company, at a price of $0.06 per common share. The Company may prepay the debentures at any time prior to maturity. $2,498,000 of the secured convertible debentures were subscribed to by directors and officers of the Company.

The above convertible debenture is a compound financial instrument. The Company allocated $3,830,036, net of issuance costs, of the debt to the liability component and $377,004 to the equity component. Management estimated the fair value of the debt using a discount rate of 20% applicable to the Company's business, with the residual value allocated to the equity component.

During the year ended February 28, 2026 the Company settled $1,138,911 of convertible debentures by issuing 22,778,211 units consisting of one common share plus one-half warrant with an exercise price of $0.065 per warrant for 5 years. This resulted in the Company recognizing a total loss on conversion of $866,884 (2025 - $704,454).

During the 15-month period ending February 28, 2025 the Company allowed certain debenture holders to convert a portion of the principal and interest into common shares at the same price as a concurrent financing. This resulted in the Company recognizing a total loss on conversion of $704,454 ($438,498 related to tranche 1, $92,256 related to tranche 2, $30,804 related to tranche 3, $39,664 related to cash convertible debenture and $103,232 related to the Midway debenture).

Convertible debenture issued in 2022
On September 8, 2022 and October 18, 2022, the Company closed a non-brokered private placement of unsecured convertible debentures in the principal amount of $810,000 and $150,000, respectively. The debentures mature in 36 months from the date of issuance and bear interest at the rate of 15% per annum, with such interest to be accrued on a monthly basis and paid on a semi-annual basis. Pursuant to the terms of the debentures, the subscribers may at any time prior to the maturity date convert the principal amounts of the debentures and any accrued but unpaid interest into common shares of the Company, at a price of $0.15 per common share. $300,000 of unsecured convertible debentures were subscribed by directors and officers of the Company.

On September 8, 2022 and October 18, 2022, the Company issued 405,000 and 75,000 bonus warrants to the subscribers of the offering, respectively. Each subscriber received one half of one bonus warrant for each $1 subscribed under the offering. Each bonus warrant is exercisable until December 31, 2024 to acquire one additional common share per bonus warrant at an exercise price of $0.20 per share. The bonus warrants are subject to an acceleration clause, whereby if the volume weighted average price of the Company's common shares exceeds $0.40 per common share for a period of 20 days, the Company may accelerate the expiry of the bonus warrants by providing notice to the holders.

In connection with the first tranche of the private placement, the Company paid a finder's fee of $9,000 in cash.

(Expressed in Canadian Dollars - Unaudited)

9. Convertible debentures (Continued)

The Convertible debenture is a compound financial instrument. Management estimated the fair value of the debt using a discount rate of 20% applicable to the Company's business, with the residual value allocated to the equity components of the convertible debenture.

The residual value was allocated between the warrants and the conversion feature using the relative fair value method. The Black Scholes Option Pricing Model was used to determine the fair value of the warrants and conversion feature. For the warrant fair value, the inputs for the pricing model were stock prices between $0.115 and $0.13 and exercise price of $0.20, expected life between 2.22 years and 2.32 years, volatility between 106% and 114% and a risk-free interest rate of 3.57% to 4.13%. For the conversion feature, the inputs for the pricing model were a stock price stock prices between $0.115 and $0.13 and exercise price of $0.15, expected life of 3 years, volatility between 106% and 114% and a risk-free interest rate of 3.57% to 4.13%.

In September 2025 the Company extended the maturity date by 12 months. The interest rate remained the same. Repayments of principal are to be made quarterly and interest to be made monthly.

The following table reconciles the recorded value of the liability component:

	2024 Convertible debenture $	2023 Convertible debenture $	2022 Convertible debenture $	2020 convertible debenture $	Total $
Balance, February 28, 2025	4,897,292	2,519,988	1,008,273	-	8,425,553
Additions	-	-	-	-	-
Repayment	(540,000)	(1,141,900)	(609,360)	-	(2,291,260)
Settlement	-	(1,138,911)	-	-	(1,138,911)
Interest expense	659,447	227,663	138,258	-	1,025,368
Accretion expense	215,293	72,674	32,715	-	320,682
Balance, February 28, 2026	5,232,032	539,514	569,886	-	6,341,432
Additions	-	-	-	-	-
Repayment	(512,500)	(248,457)	(192,527)	-	(953,484)
Interest expense	512,500	18,288	15,027	-	545,815
Accretion expense	30,516	7,003	3,197	-	40,716
Balance, May 31, 2026	5,262,548	316,348	395,583	-	5,974,479
Current portion	2,147,089	316,348	395,583	-	2,859,020
Non-current portion	3,115,459	-	-	-	3,115,459

The following table reconciles the recorded value of the equity component:

	2024 equity component $	2023 equity component $	2022 equity component $	2020 equity component $	Total $
Balance, February 28, 2025	1,914,930	377,004	90,013	139,110	2,521,057
Balance, February 28, 2026 and May 31, 2026	1,914,930	377,004	90,013	139,110	2,521,057

(Expressed in Canadian Dollars - Unaudited)

10. Loan payable (Continued)

During the year ended November 30, 2022, the Company entered into a loan agreement in connection with the redemption and cancellation of the Class B Preferred Shares for $2,000,000. The loan bears simple interest at 8% per annum and matures August 31, 2024 collateralized by equipment and land of the Company.

During the year ended February 28, 2025, the Company repaid in full the loan agreement in connection with the redemption and cancellation of the Class B Preferred Shares.

	$
Balance, November 30, 2023	578,722
Accretion	(16,222)
Repayment of principal	(562,500)
Interest paid in cash	(105,479)
Interest	105,479
Balance, February 28, 2025 and 2026	-

During the year ended November 30, 2023, the Company entered into a loan agreement to purchase equipment for $291,559. The loan bears interest at 15% per annum and matures on September 15, 2026. The first 15 months of the loan is interest only payments.

	$
Balance, February 28, 2025	263,791
Repayments	(166,605)
Interest paid cash	(28,115)
Interest	28,115
Balance, February 28, 2026	97,186
Repayments	(41,651)
Interest paid cash	(3,124)
Interest	3,124
Balance, May 31, 2026	55,535
Current portion	55,535
Non-current portion	-

(Expressed in Canadian Dollars - Unaudited)

10. Loan payable (Continued)

During the year ended November 30, 2023, the Company entered into a loan agreement to purchase equipment for $61,915. The loan bears interest at 1.49% per annum and matures on December 15, 2028.

	$
Balance, February 28, 2025	39,857
Repayments	(10,252)
Interest paid in cash	(542)
Interest	542
Balance, February 28, 2026	29,605
Repayments	(2,590)
Interest paid in cash	(109)
Interest	109
Balance, May 31, 2026	27,015
Current portion	10,794
Non-current portion	16,222

During the 15-month period ended February 28, 2025, the Company entered into a loan agreement to purchase equipment for $63,590. The loan bears interest at 4.99% per annum and matures on December 15, 2029.

	$
Balance, February 28, 2025	51,898
Repayments	(9,877)
Interest paid in cash	(2,409)
Interest	2,409
Balance, February 28, 2026	42,021
Repayments	(2,543)
Interest paid in cash	(529)
Interest	529
Balance, May 31, 2026	39,478
Current portion	12,286
Non-current portion	27,192

During the 15-month period ended February 28, 2025, the Company entered into a loan agreement to purchase equipment for $333,951. The loan is non-interest bearing and matures on September 5, 2024.

	$
Balance, November 30, 2023	-
Additions	333,951
Repayments	(333,951)
Balance, February 28, 2025	-

(Expressed in Canadian Dollars - Unaudited)

10. Loan payable (Continued)

During the year ended November 30, 2023, the Company entered into a loan agreement to purchase equipment for $19,339. The loan does not bear interest and matures in three years.

	$
Balance, February 28, 2025	6,983
Repayments	(6,446)
Balance, February 28, 2026	537
Repayments	(537)
Balance, May 31, 2026	-
Current portion	-
Non-current portion	-

During the 15-month period ended February 28, 2025, the Company entered into a loan agreement to purchase equipment for $83,771. The loan does not bear interest and matures in six years.

	$
Balance, February 28, 2025	80,012
Repayments	(13,962)
Balance, February 28, 2026	66,050
Repayments	(3,222)
Balance, May 31, 2026	62,828
Current portion	13,962
Non-current portion	48,866

During the 15-month period ended February 28, 2025, the Company entered into a loan agreement to purchase equipment for $84,460. The loan bears interest at a rate of 1.99% and matures in six years.

	$
Balance, February 28, 2025	80,879
Repayments	(13,469)
Interest paid in cash	(1,477)
Interest	1,477
Balance, February 28, 2026	67,410
Repayments	(3,146)
Interest paid in cash	(303)
Interest	303
Balance, May 31, 2026	64,254
Current portion	14,946
Non-current portion	49,319

(Expressed in Canadian Dollars - Unaudited)

10. Loan payable (Continued)

During the year ended February 28, 2026, the Company entered into a loan agreement to purchase equipment for $90,934. The loan in non-interest bearing and matures in six years.

	$
Additions	90,934
Repayments	(13,952)
Balance, February 28, 2026	76,982
Repayments	(3,852)
Balance, May 31, 2026	73,130
Current portion	15,156
Non-current portion	57,974

During the year ended February 28, 2026, the Company entered into a secured line of credit agreement with a maximum borrowing capacity of $1,500,000. The line of credit bears interest at a fixed rate of 15% per annum and has a two-year term maturing on September 30, 2027. The facility is secured by a second mortgage charge over the land and buildings located at 775 Highway 395, Christina Lake, British Columbia, and by a general security agreement granting the lender a security interest in all the borrower's present and after-acquired personal property. The outstanding balance is repayable upon 30 business days' written notice by the lender.

	$
Additions	1,500,000
Interest paid in cash	(37,911)
Interest	37,911
Balance, February 28, 2026	1,500,000
Interest paid in cash	(56,712)
Interest	56,712
Balance, May 31, 2026	1,500,000
Current portion	1,500,000
Non-current portion	-

During the year ended February 28, 2026, the Company entered into a loan agreement to purchase equipment for $55,287. The loan bears interest at 4.99% per annum and matures on March 6, 2032.

	$
Additions	55,287
Interest paid in cash	-
Interest	-
Balance, February 28, 2026	55,287
Repayments	(2,670)
Interest paid in cash	(367)
Interest	367
Balance, May 31, 2026	52,617
Current portion	10,682
Non-current portion	41,935

11. Lease liability

During the period ended May 31, 2026, the Company entered into a mutual lease termination agreement to cancel without penalty the baler lease. The cancellation extinguished a remaining lease liability of $204,989. There was a net book value of the right of use asset of $202,337 resulting in a gain of $2,652.

During the year ended February 28, 2026, the Company entered into a lease agreement to lease trimming equipment for a period of 18 months. The Company recognized a right-of-use asset of $76,508 and lease liability of $76,508.

At the commencement date of the lease, the lease liability was measured as the present value of the future lease payments that were not paid at that date. These lease payments are discounted using a discount rate of 12.50%, which was the Company's estimated incremental borrowing rate. The Company has an option to buyout the trimming equipment at the end of the lease for $30,000.

During the year ended February 28, 2026, the Company entered into a lease agreement to lease a tractor for a period of 18 months. The Company recognized a right-of-use asset of $45,508 and lease liability of $45,508.

At the commencement date of the lease, the lease liability was measured as the present value of the future lease payments that were not paid at that date. These lease payments are discounted using a discount rate of 6%, which was the Company's estimated incremental borrowing rate. The Company has an option to buyout the tractor at the end of the lease for $44,105.

During the 15-month period ended February 28, 2025, the Company entered into a lease agreement to lease a baler for a period of 3 years. The Company recognized a right-of-use asset of $455,259 and lease liability of $439,259.

At the commencement date of the lease, the lease liability was measured as the present value of the future lease payments that were not paid at that date. These lease payments are discounted using a discount rate of 6%, which was the Company's estimated incremental borrowing rate. The Company has an option to buyout the baler at the end of the lease for $100,000.

During the 15-month period ended February 28, 2025, the Company entered into a lease agreement to lease forage bins for a period of 2 years. The Company recognized a right-of-use asset of $38,357 and lease liability of $38,357.

At the commencement date of the lease, the lease liability was measured as the present value of the future lease payments that were not paid at that date. These lease payments are discounted using a discount rate of 6%, which was the Company's estimated incremental borrowing rate. The Company has an option to buyout the forage bins at the end of the lease for $37,000.

During the 15-month period ended February 28, 2025, the Company entered into a lease agreement to lease a forage harvester for a period of 14 months. The Company recognized a right-of-use asset of $97,440 and lease liability of $97,440.

At the commencement date of the lease, the lease liability was measured as the present value of the future lease payments that were not paid at that date. These lease payments are discounted using a discount rate of 6%, which was the Company's estimated incremental borrowing rate. On December 20, 2024 the Company extended the lease for an additional 12-month term. The Company has an option to buyout the forage harvester at the end of the extended lease for $172,125. On January 20, 2026 the Company extended the lease for an additional 12-month term. The Company has an option to buyout the forage harvester at the end of the extended lease for $154,990. The Company recognized $65,437 in right of use asset and lease liability.

(Expressed in Canadian Dollars - Unaudited)

11. Lease liability (Continued)

During the 15-month period ended February 28, 2025, the Company entered into a lease agreement to lease a bale knife and mixer for a period of 12 months. The Company recognized a right-of-use asset of $28,466 and lease liability of $28,466.

At the commencement date of the lease, the lease liability was measured as the present value of the future lease payments that were not paid at that date. These lease payments are discounted using a discount rate of 6%, which was the Company's estimated incremental borrowing rate. The Company has an option to buyout the bale knife at the end of the lease for $65,500.

The following is a continuity schedule of lease liabilities for the period ended May 31, 2026 and year ended February 28, 2026:

	$
Balance, February 28, 2025	461,372
Lease additions (Note 4)	187,453
Lease payments	(316,630)
Accretion on lease liability	23,662
Balance, February 28, 2026	355,857
Lease disposals (Note 11)	(204,989)
Lease payments	(86,616)
Accretion on lease liability	-
Balance, May 31, 2026	64,252
Current portion	64,252
Non-current portion	-

The undiscounted contractual payments relating to the current and future lease liabilities is:

May 31, 2026	
Less than 1 year	67,859
1 to 2 years	-
2 to 3 years	-
Less: amount representing interest	(3,607)
Lease liability at May 31, 2026	64,252

11. Related party transactions and balances

The Company has identified its directors and certain senior officers as its key management personnel.

As at May 31, 2026, $286,682 (2025 - $197,988) was included in accounts payable and accrued liabilities for related parties of the Company. The balances are unsecured, due on demand and are non-interest bearing.

As at May 31, 2026, the Company has an obligation to issue 500,000 shares (2025 – 500,000 shares) to the former CEO in lieu of cash for consulting fees in the amount of $113,250 (2025 - $113,250) earned in prior years (Note 13).

During the year ending February 28, 2026, The Company issued 21,524,011 common shares and 10,762,005 warrants to settle debt of $1,076,200 (Note 13). The prorated loss on settlement attributed to the related parties was $819,152 (2025 – $2,140,875) to related parties.

(Expressed in Canadian Dollars - Unaudited)

12. Related party transactions and balances (Continued)

During the year ending February 28, 2026, directors and officers of the Company subscribed for $Nil (2025 – $1,355,000) convertible debentures in a non-brokered private placement of secured convertible debentures (Note 9).

During the year ending February 28, 2026, the Company entered into a lease agreement with payments of $2,650 per month for harvest equipment. The equipment was acquired from a company 50% controlled by a director. The lease agreement is for 18 months with a buyout option at the end of the term (Note 11).

During the year ending February 28, 2026, the Company entered into a lease agreement with payments of $4,683 per month for trimming equipment. The equipment was acquired from a company 50% controlled by a director. The lease agreement is for 18 months with a buyout option at the end of the term (Note 11).

During the year ending February 28, 2026, the Company entered into a secured line of credit agreement with a maximum credit limit of $1,500,000. The line of credit bears interest at a fixed rate of 15% per annum. The facility is secured by a second mortgage charge over the land and buildings located at 775 Highway 395, Christina Lake, British Columbia, and by a general security agreement granting the lender a security interest in all the borrower's present and after-acquired personal property. The agreement is with a company 50% controlled by a director (Note 10).

During the year ending February 28, 2025, the Company entered into a lease agreement with payments of $3,300 per month for harvest equipment. The equipment was acquired from a company 50% controlled by a director. The lease agreement is for 14 months with a buyout option at the end of the term (Note 11).

During the year ending February 28, 2025, the Company entered into a lease agreement with payments of $13,363 per month for harvest equipment. The equipment was acquired from a company 50% controlled by a director. The lease agreement is for 36 months with a buyout option at the end of the term (Note 11).

During the year ending February 28, 2025, the Company entered into a lease agreement with payments of $1,700 per month for harvest equipment. The equipment was acquired from a company controlled by a director. The lease agreement is for 24 months with a buyout option at the end of the term (Note 11).

During the year ending February 28, 2025, the Company entered into a lease agreement with payments of $2,450 per month for harvest equipment. The equipment was acquired from a company 50% controlled by a director. The lease agreement is for 12 months with a buyout option at the end of the term (Note 11).

During the period ending May 31, 2026, the Company entered into transactions with related parties comprised of directors, officers and companies with common directors. The key management compensation and director fees consist of the following for the period ended May 31, 2026 and May 31, 2025:

	Period Ended May 31, 2026 $	**Period Ended May 31, 2025** $
Management Consulting fees paid to an officer of the Company	-	15,000
Salaries and bonus paid to key management	163,750	145,000
Management & Director Compensation	163,750	160,000
Lease payments to a company controlled by a director	146,823	77,864
Total	310,573	237,864

(Expressed in Canadian Dollars - Unaudited)

13. Share Capital

Authorized share capital

Unlimited number of common shares without par value.
Unlimited number of Class B preferred shares without par value.

Issued share capital

At May 31, 2026, there were 248,093,567 (2025 – 248,093,567) issued and fully paid common shares outstanding.

13. Share Capital (Continued)

Share issuances during the year ended February 28, 2026

During the year ended February 28, 2026, the Company issued 22,778,211 common shares through a debt settlement at a price of $0.05.

Share issuances during the year ended February 28, 2025

During the year ended February 28, 2025, the Company issued 94,193,182 common shares through a non-brokered private placement at a price of $0.033 per common share for gross proceeds of $3,793,609.

Warrants

The continuity of the Company's share purchase warrants is as follows:

	Number of share purchase warrants #	Weighted average exercise price $
Outstanding, February 28, 2025	-	-
Granted (Noted 9)	11,389,103	0.065
Outstanding, February 28, 2026	11,389,103	0.065
Granted (Note 9)	-	-
Outstanding, May 31, 2026	11,389,103	0.065

During the year ending February 28, 2026, the Company issued 11,389,103 purchase warrants with an exercise price of $0.065 exercisable to acquire common shares of the Company for a term of 5 years. The fair value of warrants issued during the year was determined using the Black-Scholes option pricing model calculated with a risk free rate of 4%, volatility of 120%, and a share price of $0.065 per common share. The total fair value of warrants granted during the year was $620,120.

Stock Options

On March 1, 2017, the Board of Directors approved the adoption of a fixed Stock Option Plan reserving for issuance, upon the exercise of options granted pursuant to the Stock Option Plan, a maximum of 20% of the issued and outstanding shares of the Company, less any shares required to be reserved with respect to options granted by the Company prior to the implementation of the Stock Option Plan. The Stock Option Plan was subsequently replaced with the 2018 Plan which was approved by shareholders at its January 9, 2019 Annual General and Special Meeting. The 2018 Plan is substantively similar to the Stock Option Plan except that it increases the number of common shares reserved under it. The 2018 Plan reserves 8,158,321 common shares (which represents 20% of the Company's outstanding common shares as of the record date for the Meeting), compared to 199,520 under the Stock Option Plan.

(Expressed in Canadian Dollars - Unaudited)

13. Share Capital (Continued)

Stock options granted during the year ended February 28, 2025

On August 30, 2024, the Company granted 910,000 options to employees ("Employee Stock Options") of which 600,000 stock options was to an officer of the Company ("Officer Stock Options"). The Employee Stock Options and Officer Stock Options have exercise prices of $0.05, respectively and expire on August 30, 2029. The total fair value of the options was $18,255 and was determined using the Black Scholes Option Pricing Model with the following assumptions: Expected life – 5 years; risk-free interest rate – 3.03%; volatility: 97%. The Employee Stock Options and Officer Stock Options vest one year from the date of grant.

During the period ended May 31, 2026 the Company recorded $Nil (2025- $Nil) in share-based compensation.

During the year ended February 28, 2026 the Company recorded $18,255 (2025- $6,926) in share-based compensation. The options granted on August 30, 2024 vested within the reporting period.

The continuity of the Company's share purchase options is as follows:

	Number of share purchase options #	Weighted average exercise price $
Outstanding, February 28, 2025	7,060,000	0.22
Cancelled	(4,150,000)	0.27
Outstanding, February 28, 2026	2,910,000	0.15
Cancelled	(175,000)	0.61
Outstanding, May 31, 2026	2,735,000	0.12

As of May 31, 2026, the Company had share purchase options outstanding and exercisable to acquire common shares of the Company as follows:

Expiry date	Exercise price $	Number of options outstanding #	Number of options exercisable #
March 15, 2027	0.25	375,000	375,000
March 15, 2027	0.20	300,000	300,000
June 20, 2027	0.12	1,000,000	1,000,000
August 10, 2027	0.15	150,000	150,000
August 30, 2029	0.05	910,000	910,000
		2,735,000	2,735,000

(Expressed in Canadian Dollars - Unaudited)

13. Share Capital (Continued)

Restricted share units ("RSUs")

On April 19, 2021, the Board of Directors approved the adoption of a RSUs Plan reserving for issuance, upon the vesting of units granted pursuant to the RSUs Plan, a maximum of 20% of the issued and outstanding shares of the Company, including the Company's stock option plan.

On March 15, 2022, the Company issued an aggregate of 200,000 RSUs to a director of the Company in accordance with the Company's RSU plan. The RSUs vest upon various agreed upon milestones and entitle the holder the ability to acquire one common share of the Company underlying each such RSU by delivering a notice of acquisition to the Company in accordance with the RSU plan. The total fair value of the RSU was $40,000.

On August 30, 2024, the Company issued an aggregate of 4,550,000 RSUs to employees, officers and directors of the Company in accordance with the Company's RSU plan. The RSUs vest one year from the date of grant and entitle the holder the ability to acquire one common share of the Company underlying each such RSU by delivering a notice of acquisition to the Company in accordance with the RSU plan. The total fair value of the RSU was $136,500. During the year ended February 28, 2026, the Company recognized share-based compensation of $68,437 (2025 - $68,063).

As of May 31, 2026, the Company has 4,750,000 RSUs outstanding, of which 4,750,000 remains exercisable.

The continuity of the Company's restricted share plan is as follows:

	Restricted Share Units #
Outstanding, February 28, 2025	4,750,000
Granted	-
Outstanding, February 28, 2026	4,750,000
Granted	-
Outstanding, May 31, 2026	4,750,000

Reserve

The reserve account records items recognized as stock-based compensation expense and the fair value of finders' warrants issued until such time that the stock options and warrants are exercised, at which time the corresponding amount will be reallocated to share capital. If the stock options or warrants are not exercised, their value remains in reserves.

13. Share Capital (Continued)

Obligation to issue shares

During the year ended November 30, 2022, the Company recorded an obligation to issue 500,000 shares to the former CEO in lieu of cash for consulting fees totaling $113,250. These 500,000 shares had not been issued as at May 31, 2026 and remain in obligation to issue shares.

14. Financial instruments

Fair value

Cash and investments are carried at fair market value based on quoted market prices in an active market. The carrying value of accounts receivables and accounts payable approximate its fair values due to the short-term nature of these financial instruments. Financial instruments measured at fair value are classified into one of three levels in the fair value hierarchy according to the relative reliability of the inputs used to estimate the fair values. The three levels of the fair value hierarchy are:

- Level 1 – unadjusted quoted prices in active markets for identical assets and liabilities;
- Level 2 – inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and
- Level 3 – inputs that are not based on observable market data.

Cash and investments are measured using level 1 inputs. Biological assets are measured using level 3 inputs. No biological assets exist as at May 31, 2026 and May 31, 2025.

The fair value of the Company's derivative asset is based on level 3 inputs.

The Company determined that the carrying values of its short-term financial assets and liabilities approximate the corresponding fair values because of the relatively short periods to maturity of these instruments and the low credit risk.

The carrying value of the Company's convertible debentures approximates fair value as the liability component was discounted using an estimated market rate. The carrying value of long-term debts where interest is charged at a fixed rate is not significantly different than fair value.

15. Financial risk and capital management

The Company is exposed in varying degrees to a variety of financial instrument related risks. The Board of Directors approves and monitors the risk management processes, inclusive of documented investment policies, counterparty limits and controlling and reporting structures. The type of risk exposure and the way in which such exposure is managed is provided as follows:

<u>Credit risk</u>

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Company's primary exposure to credit risk is on its cash held in bank accounts and accounts receivable. The majority of cash is deposited in bank accounts held with a major bank in Canada. As most of the Company's cash is held by one bank there is a concentration of credit risk. This risk is managed by using major banks that are high credit quality financial institutions as determined by rating agencies. Credit risk related to cash is assessed as low.

(Expressed in Canadian Dollars - Unaudited)

15. Financial risk and capital management (continued):

The Company provides credit to certain customers in the normal course of operations. Credit risk is generally limited to receivables from customers. The Company's credit risk related to its receivables is moderate. As at May 31, 2026, the Company had $171,228 in receivable balances past due. The remaining balances were collected subsequent to May 31, 2026.

In the year ending February 28, 2026 there were receivables from two Companies that were not collectible with one Company that went into credit protection and the Company had recognized a bad debt expense of $71,116.

During the year ending February 28, 2025 there was a receivable due from a Company that went into credit protection and the Company had recognized a bad debt expense of $324,074 in that reporting period. The Company has established monitoring processes to mitigate credit risk related to receivables.

	May 31, 2026	**February 28, 2026**
1- 60 days	1,239,510	1,049,581
Total	1,239,510	1,049,581

The full account receivable balance as at May 31, 2026, was collected subsequent to the period.

Foreign exchange risk
Foreign currency risk is the risk that the fair values of future cash flows of a financial instrument will fluctuate because they are denominated in currencies that differ from the respective functional currency. The Company is not exposed to foreign exchange risk.

Liquidity risk
Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company has a planning and budgeting process in place to help determine the funds required to support the Company's normal operating requirements on an ongoing basis. The Company ensures that there are sufficient funds to meet its short-term business requirements, taking into account its anticipated cash flows from operations and its holdings of cash. As of May 31, 2026, the Company has cash of $1,631,273 (2026 - $1,409,070) to cover short term obligations.

Historically, the Company's source of funding has been through operations, loans from related parties, convertible debentures, preferred share financings and private placements. The Company's access to financing is always uncertain. There can be no assurance of continued access to significant equity funding. Liquidity risk is assessed as moderate.

The Company has the following contractual obligations as at May 31, 2026, which are expected to be payable in the following respective periods:

		Total		≤ 1 year		Over 1 year – 3 years
Accounts payable	$	1,265,524	$	1,265,524	$	-
GST payable		35,567		35,567		-
Operating line of credit		1,500,000		1,500,000		-
Loan payable		374,763		133,359		241,404
Lease payable		64,252		64,252		-
Convertible debentures		5,974,479		2,859,020		3,115,459
Total	$	9,214,585	$	5,857,722	$	3,356,863

(Expressed in Canadian Dollars - Unaudited)

15. Financial risk and capital management (continued):

Interest rate risk
Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. As at May 31, 2026, an equipment purchase loan of $135,958 (2025-$367,458), which bear no interest, convertible debentures of $5,974,479 (2025 - $7,216,080), a secured loan of $238,909 (2025 – $189,803), and a secured line of credit $1,500,000 (2025 – $Nil), which bear fixed interest rates respectively. As such, the Company’s interest rate risk is low.

Price risk
Price risk is the risk that the future cash flows of cannabis related derivatives will fluctuate because of changes in market prices. Fluctuation in price will significantly impact the demand for the Company’s products and the Company’s ability to generate cash inflow for its sustainable operation. Sensitivity analysis in Note 5 illustrates the impact of price changes in the fair value of biological assets, which in the end effects the value of the Company’s cannabis related derivatives.

Capital Management
The Company's policy is to maintain a strong capital base to maintain investor and creditor confidence and to sustain future development of the business. The capital structure of the Company consists of equity and cash. There were no changes in the Company's approach to capital management during the year. The Company is not subject to any externally imposed capital requirements.

16. Segment information

Operating segment
The Company operates in a single reportable operating segment –cultivation and production of cannabis related derivatives.

Geographic segment
The Company’s operation is based solely in Canada.

17. Revenue

For the period ended May 31, 2026 and 2025, the following revenue was recorded from wholesale customers that comprise 10% or more of revenue:

	May 31, 2026	**May 31, 2025**
Customer A	18%	-
Customer B	18%	14%
Customer C	11%	3%
Customer D	10%	8%
Customer E	10%	-
Customer F	-	18%
Customer G	2%	13%

(Expressed in Canadian Dollars - Unaudited)

18. Deferred revenue

Deferred revenue represent customer payments received for goods and services to be provided subsequent to the reporting date. Changes in contract liabilities for the period ended May 31, 2026 and year ended February 28, 2026 are as follows:

	May 31, 2026	**February 28, 2026**
Deferred revenue beginning of period	348,388	777,351
Revenue recognized that was included in the contract liability balance at the beginning of the period	(70,000)	(777,351)
Amounts received for which revenue is unearned	472,760	348,388
Deferred revenue, end of period	751,148	348,388

The Company expects to settle $741,148 in deferred revenue within 12 months.

(Expressed in Canadian Dollars - Unaudited)

19. Derivative asset

The Company has a prepayment privilege pursuant to two convertible debentures (note 9) whereby it can prepay the principal amount of the debentures by giving notice to the debenture holders. However, the debenture holders have the right to require the Company to settle the amount in shares rather than cash, provided they do so within two days of the prepayment notice. This gives rise to a derivative asset as it effectively gives the Company the right to require early conversion or pay cash.

The derivative asset was determined using a model based on the paper by K. Tsiveriotis and C. Fernandes that determined the fair value of the convertible debenture with the prepayment feature and comparing it to one without the prepayment feature. The fair value was determined is based on level 3 inputs of the fair value hierarchy.

	At inception
Fair value of prepayment feature of the convertible debenture at inception	1,407,243
Change in fair value	(357,760)
Fair value at February 28, 2025	1,049,483
Change in fair value	(281,091)
Fair value at February 28, 2026 and May 31, 2026	768,392

The following assumptions were used in determining the fair value:

	At February 28, 2026	**At February 28, 2025**
Discount	25%	22.50%
Volatility	120%	100%
Term	36 months	48 months

Sensitivity analysis derivative asset as at February 28, 2026			
	Fair value	**Baseline**	**Change**
+5% discount rate	745,220	768,392	(23,172)
-5% discount rate	816,378	768,392	47,986
+5% volatility	814,626	768,392	46,234
-5% volatility	726,789	768,392	(41,603)

Appendix B

The Management's Discussion & Analysis for the 1st quarter ended May 31, 2026 is attached hereto.

Christina Lake Cannabis Corp.

Management Discussion & Analysis

3-month period ended May 31, 2026 and May 31, 2025
(Unaudited - Expressed in Canadian Dollars)

This Management Discussion and Analysis ("MD&A") provides an analysis of our financial situation which will enable the reader to evaluate important variations in our financial situation for the unaudited 3-month period ended May 31, 2026, compared to the period ended May 31, 2025. This MD&A should be read in conjunction with our audited financial statements (the "Financial Statements") for the year ended February 28, 2026 and the audited financial statements for the Company for the 15-month period ended February 28, 2025, which have been prepared in accordance with IFRS accounting standards ("IFRS"), as issued by the International Accounting Standards Board ("IAS"). This MD&A complements and supplements but does not form part of the Company's financial statements.

Our financial statements and the management's discussion and analysis are intended to provide a reasonable base for the investor to evaluate our financial situation.

All dollar amounts contained in this MD&A are expressed in Canadian dollars, unless otherwise specified.

Where we say "we", "us", "our", the "Company" we mean Christina Lake Cannabis Corp., as it may apply. This

The MD&A is dated July 30, 2026.

OVERVIEW

Christina Lake Cannabis Corp. (the "Company") was incorporated on October 26, 2014, under the laws of the province of British Columbia, Canada. On December 21, 2018, the Company changed its name from Cervantes Capital Corp. to Christina Lake Cannabis Corp. The Company is a licensed producer of cannabis in British Columbia under the Cannabis Act with a standard cultivation, processing and sales license and a research and development license. On October 1, 2020, the Company began trading on the Canadian Securities Exchange under the ticker symbol "CLC." The Company has received approval from OTC Markets Group Inc. ("OTCM") for its shares to trade on the OTCQB® exchange ("OTCQB") beginning at market open on Thursday February 18, 2021

The Company is a reporting Company in British Columbia and Alberta effective as of December 3, 2014. The Company's registered and records office is Suite 1890 – 1075 West Georgia Street, Vancouver, BC, V6E 3C9, Canada.

Management is responsible for the preparation and integrity of the financial statements, including the maintenance of appropriate information systems, procedures, and internal controls. Management is also responsible for ensuring that information disclosed externally, including financial statements and Management Discussion and Analysis ("MD&A"), is complete and reliable.

This discussion contains forward-looking statements that involve risks and uncertainties. Such information, although considered to be reasonable by the Company's management at the time of preparation, may prove to be inaccurate and actual results may differ materially from those anticipated in the statements made. Additional information on the Company is available for viewing on SEDAR at www.sedar.com.

DESCRIPTION OF BUSINESS

The Company is a licensed cannabis producer with licenses for cultivation, processing, research and development, and sales from Health Canada. The Company cultivates on a 32-acre property at the intersection of two valleys in British Columbia Canada. The Company also cultivates on a 100-acres licensed in the West Kootenay region of South-Central British Columbia. The Company is currently engaged in the processing of its stock of outdoor flower. The Company also processes dried Cannabis biomass into various extracts including Distilled & Winterized Oils, Kief, and additional extracted products for sale to other Licensed Producers.

HIGHLIGHTS

Property Acquisition

On February 9, 2024, the Company completed the acquisition of certain assets from a private British Columbia corporation including outdoor cultivation facilities in Midway, British Columbia, related harvesting and manufacturing equipment, and approximately 19,000kg of biomass for a total purchase price of $3,000,000. The Midway property represents a total of 342 acres, with slightly over 100 acres of licensed cultivation space. The Company also announced the first 80-acre crop of propriety strains will be planted in the spring of 2024.

Board and Executive Changes

On June 3, 2024, the Company announced that Milan Stefancik the Vice President of Sales and Marketing has left his position immediately.

BUSINESS DEVELOMENT – FINANCING

On May 31, 2026, the Company entered into a mutual lease termination agreement to cancel without penalty the baler lease. The cancellation extinguished a remaining lease liability of $204,989. There was a net book value of the right of use asset of $202,337 resulting in a gain of $2,652.

On January 13, 2026, the Company completed a sale of bare non-core land located at 46 Ponderosa Drive in Christina, Lake, British Columbia for aggregate gross proceeds of $551,000.

On October 2, 2025, the Company entered into a lease agreement to acquire new trimming equipment. The lease agreement is for 18 months. The monthly payment is $4,683 per month plus GST. The lease agreement has an option to purchase the equipment following 18 months up to the end of the term. The lease agreement is with an entity that is 50% owned by a director of the Company.

On September 30, 2025, The Company entered into a loan agreement (line of credit) with an aggregate credit limit of $1,500,000 which bears interest at 15% per annum and is secured by way of charge on land and accounts receivable. The term of the loan is for 2 years and the line of credit is payable upon demand with 30 business days notice. The loan agreement is with an entity 50% owned by a director of the Company.

On April 30, 2025, The Company settled $1,138,911 of convertible debentures by issuing 22,778,211 units consisting of one common share plus one-half warrant with an exercise price of $0.065 per warrant for 5 years. This resulted in the Company recognizing a total loss on conversion of $866,884 (2025 - $704,454).

On March 21, 2025, The Company entered into a loan agreement to acquire equipment in the amount of $90,934 which is noninterest bearing and is over a 72-month term.

On March 1, 2025, the Company entered into a lease agreement to acquire new equipment. The lease agreement is for 18 months. The monthly payment is $2,650 per month plus GST. The lease agreement has an option to purchase the equipment following 18 months up to the end of the term. The lease agreement is with an entity that is owned by a director of the Company.

On December 20, 2024, The Company closed the second tranche and final offering of a non-brokered private placement of common shares in the capital of the Company with gross proceeds of $1,238,475 and the Company issued 37,529,546 common shares. Proceeds to be used for general working capital purposes and debt settlement of $955,975 of existing convertible debenture holders. Certain directors subscribed for an aggregate of 18,362,879 of shares with gross proceeds up to $605,975.

BUSINESS DEVELOMENT – FINANCING (Continued)

On November 29, 2024, The Company closed the first tranche of a non-brokered private placement of common shares in the capital of the Company with gross proceeds of $1,869,900 and the Company issued 56,663,636 common shares. Proceeds to be used for general working capital purposes and debt settlement of $869,900 of existing convertible debenture holders. Certain directors subscribed for an aggregate of 46,512,121 of shares with gross proceeds up to $1,534,900.

On September 27, 2024, The Company entered into a rental agreement for harvest processing equipment. The rental agreement for a term of 12 months. At the end of the initial rental term the Company has the option to purchase the equipment for $65,500 plus taxes. The monthly rental amount is $2,450 per month plus GST. The rental term can be extended at the option of both parties. The rental agreement is with a Company that is 50% owned by a director of Christina Lake Cannabis.

On August 30, 2024, The Company issued 910,000 Stock Options and 4,550,000 Restricted Share Units to employees, officers, and directors at an exercise price of $0.05 per common share. The options and restricted share units vest one year from the date of grant and expire 5 years from the date of issuance.

On June 1, 2024, The Company entered into a 24-month rental agreement for equipment with a monthly payment of $1,700 per month. The Company has the option to purchase the equipment at the end of the rental period. The Company is owned by a director of the Company.

On March 11, 2024, The Company entered into a lease agreement to acquire new equipment. The lease agreement is for 36 months. The monthly payment is $13,363 per month plus GST. The lease agreement has an option to purchase the equipment following 18 months up to the end of the term. The lease agreement is with an entity that is 50% owned by a director of the Company.

On February 29, 2024, The Company closed a non-brokered private placement of secured convertible promissory notes in the principal amount of $1,925,000. The notes are secured by land and buildings and bear interest at 10% per annum for year 1, 15% for year 2, and 20% for the remaining 3 years. Repayment of the notes shall be interest only for the first 24 months, then quarterly interest payment thereafter, and $641,667 principal repayments on or before each anniversary date. Certain directors participated in the notes for a total of $1,355,000.

On February 12, 2024, the Company announced it had financed the Midway acquisition with a secured convertible promissory note having a 5-year term. The Note is secured by the land and buildings acquired in the Transaction. The Note bears interest at a rate of 10% per annum for year 1, 15% per annum for year 2, and 20% per annum for the remaining 3 years. Repayment of the Note shall be interest only payments paid annually on February 9, 2025 and February 9, 2026, then quarterly interest payments thereafter and $1,000,000 principal repayments on or before each of February 9, 2027, 2028 and 2029 until the remaining principal amount of the Note is satisfied in full. Outstanding principal and unpaid interest from the Note may be convertible into common shares of the Company at a conversion price of $0.05 per Common Share during the Term. The Vendor shall have the right to convert the Note at any time, subject to a notice period. Additionally, the Company shall have the right to repay the Note at any time during the Term together with prepayment of any remaining interest payable under the Note. The definitive agreement for the Transaction also provides the Vendor with a right to nominate a member to the Company's board of directors for so long as the conversion of the Note (together with any Common Shares then held by the Vendor) would result in the Vendor holding 10% or more of the Common Shares.

On February 20, 2024, the maturity date of the final tranche of $0.20 convertible debentures, the Company repaid in full $379,007 of the $0.20 convertible debentures.

On January 15, 2024, the Company repaid the Canada Emergency Business Account "CEBA" loan in full. The loan was repaid prior to the January 18, 2024 deadline which resulted in $10,000 of the original $40,000 interest free loan being forgiven.

Financing (continued)

On January 5, 2024, the Company entered into a secured promissory note for the purchase of the equipment in the amount of $249,050 USD. The note is not interest bearing and is for a term of 9 months with monthly payments of $27,672 USD. The note was paid off in full in September 2024.

During the year ended November 30, 2023, the Company raised a collective total of $4,234,000 between the three tranches of a non-brokered private placement of secured convertible debentures. The debentures will mature thirty-six months from the date of issuance and bear interest at the rate of 15% per annum. The outstanding principal and accrued/unpaid interest is convertible into common shares of the Company at a price of $0.06 per common share. The Company may prepay the debentures at any time prior to maturity.

The Company repaid $4,370,664 of $0.20 Convertible Debentures at various maturity dates between September and November 2023.

BUSINESS OBJECTIVES AND OUTLOOK

The Company focused on optimization during the year ended February 28, 2026, including densifying the cultivation footprint at the Midway property, increasing drying and storage capacity, obtaining GACP certification, and focusing on diversification of customers through increased product offerings. The Company is focused on expanding relationships into international markets. The Company also intends to finish processing its remaining flower, biomass, and oils from the 2025 harvest and upcoming 2026 harvest and is focused on expanding its supply of high quality and low-cost cannabis products.

SELECTED FINANCIAL INFORMATION

The following table summarizes selected financial data for the Company for each of the three most recently completed financial years. The information set forth below should be read in conjunction with the Financial Statements. Financial Statements for all years presented are prepared in accordance with IFRS.

Fiscal years ended	**February 28, 2026 $**	**February 28, 2025 $**	November 30, 2023 $
Total revenue	**13,371,268**	**18,891,038**	11,779,688
Total current assets	**9,271,743**	**11,001,387**	10,013,300
Total assets	**20,353,515**	**21,980,202**	15,962,517
Total non-current liabilities	**3,440,604**	**6,411,673**	4,496,838
Total liabilities	**10,679,122**	**11,406,975**	8,501,009
Net (loss) for the year	**(2,991,316)**	**(2,671,814)**	(4,131,827)
Basic and diluted (loss) per share	**(0.01)**	**(0.02)**	(0.03)

OPERATIONAL AND FINANCIAL HIGHLIGHTS

	May 31, 2026	May 31, 2025	$ Change	% Change
Revenue from the sale of goods	$ 4,236,610	$ 4,375,691	($139,081)	(3%)
Costs of sales	(2,353,197)	(1,929,226)	$423,971	22%
Gross profit before fair value adjustment	**1,883,413**	**2,446,465**	**($563,052)**	**(23%)**
Changes in fair value of inventory sold	(676,933)	(566,909)	$110,024	19%
Gross profit	**1,206,480**	**1,879,556**	**($673,076)**	**(36%)**
General and administrative expenses	(988,596)	(1,069,106)	($80,510)	(8%)
Other items	(640,466)	(195,445)	($445,021)	(228%)
Income (loss)	**(422,582)**	**615,005**	**($1,037,587)**	**(169%)**
Income (loss) per share	(0.00)	0.00		
Gross margin %	44.5%	55.9%		
Financial Position				
Working capital	2,165,230	5,839,364		
Inventory and biological assets	5,764,249	5,716,264		
Total assets	19,217,544	22,081,070		
Total liabilities	9,965,733	10,019,654		

RESULTS OF OPERATIONS

For the three-month period ended May 31, 2026 compared to the 3-month period ended May 31, 2025.

Revenue

The Company reported revenue from sale of goods of $4,236,610 (2025 - $4,375,691) which was a decrease of $139,081 from the 3-month period ending May 31, 2025. The decrease in sales was primarily attributed to a reduction in average distillate prices from the comparative period. Sales in the period were primarily derived from distillate, flower, trim, and biomass.

Cost of sales

The Company reported cost of goods sold of $2,353,197 (2025 -$1,929,226) which was an increase of $423,971 from the comparable period. The increase in cost of goods sold was primarily attributed to a higher volume of flower sold from the comparative period with a higher cost base. The gross margin decline was primarily due to a significant drop in the average distillate prices from the comparative period.

Changes in fair value of inventory sold

The Company reported changes in fair value of inventory sold as $676,933 (2025 - $566,909) which was an increase of $110,024. The increase in changes in fair value of inventory sold was due to more flower sold during the period with a higher fair value carrying value.

RESULTS OF OPERATIONS (Continued)

General and administrative expenses

	May 31, 2026	May 31, 2025	$ Change	% Change
Consulting fees	5,803	6,750	(947)	(14%)
Communication expense	21,784	22,056	(272)	(1%)
Depreciation	132,324	94,453	37,871	40%
Insurance	29,722	47,278	(17,556)	(37%)
Management fees	-	14,286	(14,286)	(100%)
Office and miscellaneous	146,082	159,322	(13,240)	(8%)
Professional fees	33,869	36,729	(2,860)	(8%)
Property Taxes	1,691	5,827	(4,136)	(71%)
Salaries	546,967	496,906	50,061	10%
Research & Development	394	2,480	(2,086)	(84%)
Repairs and maintenance	18,316	83,477	(65,161)	(78%)
Regulatory fees	51,644	99,542	(51,644)	(48%)
Total general and administrative expenses	988,596	1,069,106	(80,510)	(8%)

Depreciation

Depreciation expense of $132,324 (2025 - $94,453) increased $37,871 primarily due to the new storage building added in the year ending February 28, 2026.

Office and Miscellaneous

Office and miscellaneous fees of $146,082 (2025 - $159,322) decreased $13,240 as management was focused on cost cutting during the quarter.

Professional fees

Professional fees of $33,869 (2025 - $36,729) decreased by $2,860 which was relatively in line with comparative period.

Salaries

Salaries of $546,967 (2025 - $496,906) increased by $50,061 due to the addition of new head count to help with site management and administration.

RESULTS OF OPERATIONS (Continued)

Repairs and Maintenance

Repairs and Maintenance of $18,316 (2025 - $83,477) there was a decrease of $65,161from the comparative period with less equipment breakdowns taking place with preventative maintenance in place.

Other items	**May 31, 2026**	**May 31, 2025**	**$ Change**	**% Change**
Accretion	(40,717)	(92,510)	51,793	56%
Interest expense	(611,795)	(390,831)	(220,964)	(57%)
Interest Income	5,394	22,150	(16,756)	(76%)
Gain (Loss) on settlement	6,652	265,746	(259,094)	(97%)
Total other items	(640,466)	(195,445)	(445,021)	(228%)

SUMMARY OF QUARTERLY RESULTS

The table below presents selected financial data for the Company's eight most recently completed quarters, all prepared in accordance with IFRS.

	Q1'F26	Q4'F25	Q3'F25	Q2'F25	Q1'F25	Q5'F24	Q4'F24	Q3'F24
	$	$	$	$	$	$	$	$
Revenue from sale of goods	4,236,610	2,786,242	3,873,667	2,335,668	4,375,691	5,281,021	3,960,763	3,326,777
Net income (loss)	-422,582	-8,297,404	1,215,958	3,475,125	615,005	-3,536,809	-604,556	4,260,096
Basic and diluted income (loss) per share	(0.00)	(0.03)	0.01	0.02	0.00	-0.02	0.00	0.03
Balance sheet								
Total assets	19,217,544	20,353,515	28,018,346	26,009,974	22,081,070	21,980,202	23,367,044	21,270,929

During the three months ending May 31, 2026, the Company reported revenue from the sale of goods of $4,236,610. There was a loss of $422,582 compared to a gain of $615,005 during the comparative quarter. Contributing to the loss was a significant decline in distillate prices from the comparative quarter. Total assets are $19,217,544 compared to $22,081,070 during the same quarter the prior year, total assets decreased due to a reduction in cash and disposal of non-core assets.

During the three months ending February 28, 2026, the Company reported revenue from the sale of goods of $2,786,242. There was a loss of $8,297,404 compared to a loss of $3,536,809 during the comparative quarter. Contributing to the loss was an increase in inventory impairment expense of $1,827,931 and a loss on settlement of convertible debentures and sale of property, plant, and equipment of $866,884. There was also an adjustment to the fair value of bioassets in Q4, it was determined that valuing as biomass instead of distillate was the most appropriate approach. Total assets are $20,353,515 compared to $21,980,202 during the same quarter the prior year, total assets decreased due to a reduction in cash and receivables from the comparative period.

SUMMARY OF QUARTERLY RESULTS (Continued)

During the three months ending November 30, 2025, the Company reported revenue from the sale of goods of $3,873,667. There was a gain of $1,215,958 compared to a gain of $604,556 during the comparative quarter. Contributing to the gain was an increase in the fair value growth of biological assets of $2,525,159. Total assets are $28,018,346 compared to $23,367,044 during the same quarter the prior year, total assets increased due to addition of a new building and equipment and an increase in biological asset value.

During the three months ending August 31, 2025, the Company reported revenue from the sale of goods of $2,335,668. There was a gain of $3,475,125 compared to a gain of $4,260,096 during the comparative quarter. Contributing to the gain was an increase in the fair value growth of biological assets of $4,478,776. Total assets are $26,009,974 compared to $21,270,929 during the same quarter the prior year, total assets increased due to addition of a new building and equipment.

During the three months ending May 31, 2025, the Company reported revenue from the sale of goods of $4,375,691. There was a gain of $615,005 compared to a loss of $1,570,169 during the comparative quarter. Contributing to the gain was an increase in revenue of $1,041,287 tied to expanded production in our cultivation footprint with the Midway asset acquisition leading to additional distillate flower sales. Total assets are $22,081,070 compared to $16,902,413. Total assets increased due to acquisition of additional land and equipment and additional growth of inventory due to expansion property in Midway BC.

During the three months ending February 28, 2025, the Company reported revenue from the sale of goods of $5,281,021. There was a loss of $3,536,809 compared to a loss of $1,204,233 during the comparative quarter. Contributing to the reduction in loss was an increase in revenue of $2,440,948 tied to expanded production in our cultivation footprint with the Midway asset acquisition. Total assets are $21,980,202 compared to $18,098,934. Total assets increased due to acquisition of additional land and equipment and additional growth of biological assets due to expansion property in Midway BC.

During the three months ending November 30, 2024, the Company reported revenue from the sale of goods of $3,960,763. There was a loss of $604,556 compared to a loss of $4,626,879 during the same quarter in the prior year. Contributing to the reduction in loss was an increase in the fair value growth of biological assets with the expanded cultivation footprint in fiscal 2024. Total assets are $23,367,044 compared to $15,962,517 during the same quarter the prior year, total assets increased due to acquisition of additional land and equipment and additional growth of biological assets due to expansion property.

During the three months ending August 31, 2024, the Company reported revenue from the sale of goods of $3,326,777. There was a profit of $4,260,096 compared to a profit of $2,479,182 during the same quarter in the prior year. Contributing to the gain was an increase in the fair value growth of biological assets with the expanded cultivation footprint in fiscal 2024. Total assets are $21,270,929 compared to $18,836,093 during the same quarter the prior year, total assets increased due to acquisition of additional land and equipment and additional growth of biological assets due to expansion property.

LIQUIDITY AND CAPITAL RESOURCES

The financial statements have been prepared on a going-concern basis, which assumes the realization of assets and liquidation of liabilities in the normal course of business. Continuing operations, as intended, are dependent on management's ability to raise required funding through future equity issuances, its ability to acquire resource property or business interests and develop profitable operations or a combination thereof, which is not assured, given today's volatile and uncertain financial markets. The Company may revise programs depending on its working capital position.

As at May 31, 2026, the Company had working capital of $2,165,230 (2025 – $5,839,364) which consisted of cash of $1,631,273 (2025 - $3,342,278), receivables of $1,239,510 (2025 - $1,665,168), prepaid expenses of $86,402 (2025 - $163,011), inventory of $5,764,249 (2025 - $5,716,264) and investment of $52,666 (2025 - $51,400). Current liabilities, being accounts payable and accrued liabilities, current portion of loan and current portion of convertible debentures, and deferred revenue $6,608,870 (2025 – $5,098,757).

Cash flows from operating activities were $945,518 compared to $866,803 during the 3-month period ending May 31, 2025 see also results of operations and was down due to higher investment in inventory reducing working capital.

Cash used in investing activities for the period ended May 31, 2026 was ($26,134) compared to ($509,314) in outflows for the 3-month period ended May 31, 2025. The Company invested into a storage building and additional processing equipment during the May 31, 2025 period, but slowed capital spending in the current period.

Cash outflows from financing activities for the period ended May 31, 2026 was ($697,181) up from ($776,749) of cash outflows from the 3-month period in 2025. The reduction was due to reduced payments on convertible debentures following a settlement.

Non-current liabilities for the year ended May 31, 2026, were $3,356,863 compared to $4,920,897 for the 3-month period ended May 31, 2025. Convertible debentures formed the bulk of this liability.

During the year ending February 28, 2026 the company settled existing convertible debenture balances in the amount of $1,138,911 through the issuance of units at $0.05 which include one common share at $0.05 and with a warrant representing one half of one common share at an exercise price of $0.065. As mentioned previously, during the year ended February 28, 2025 the Company completed a property acquisition for a purchase price of $3,000,000. The purchase was financed through a secured convertible note with the vendor. The Company also completed a non-brokered private placement through a secured convertible debenture in the amount of $1,925,000 to fund expansion on the newly acquired asset. The Company also completed a non-brokered private placement in the amount of $3,108,375 with proceeds used towards repayment of convertible debentures and working capital. Future plans and expectations are based on the assumption that the Company will realize its assets and discharge its liabilities in the normal course of business rather than through a process of forced liquidation.

There can be no assurance that the Company will be able to obtain adequate financing in the future or if available that such financing will be on acceptable terms. If adequate financing is not available when required, the Company may be required to delay, scale back or eliminate various programs and may be unable to continue in operation. The Company may seek such additional financing through debt or equity offerings. Any equity offering will result in dilution to the ownership interests of the Company's shareholders and may result in dilution to the value of such interests.

OFF-BALANCE SHEET ARRANGEMENTS

The Company has not entered into any off-balance sheet arrangements.

TRANSACTIONS WITH RELATED PARTIES

The Executive Officers and Directors of the Company are as follows:

Mervin Boychuk	Director
Nicco Dehaan	COO and Director
Joel Dumaresq	Director
Jay McMillan	Director, non-executive chairman of BOD
Salvatore Milia	Director
Gil Playford	Director
Ray Baterina	Corporate Secretary
Robert Jones	President (Resigned as President December 12, 2022)
Ryan Smith	CFO
Mark Aiken	CEO
Milan Stefancik	Vice President Of Sales & Marketing (Left position on June 3, 2024)

During the period ending May 31, 2026, the Company entered into transactions with related parties comprised of directors, officers and companies with common directors. The key management compensation and director fees consist of the following for the period ended May 31, 2026 and May 31, 2025:

	Period Ended May 31, 2026 $	**Period Ended May 31, 2025** $
Management Consulting fees paid to an officer of the Company	-	15,000
Salaries and bonus paid to key management	163,750	145,000
Management & Director Compensation	163,750	160,000
Lease payments to a company controlled by a director	146,823	77,864
Total	310,573	237,864

As at May 31, 2026, $286,682 (2025 - $197,988) was included in accounts payable and accrued liabilities for related parties of the Company. The balances are unsecured, due on demand and are non-interest bearing.

As at May 31, 2026, the Company has an obligation to issue 500,000 shares (2025 – 500,000 shares) to the former CEO in lieu of cash for consulting fees in the amount of $113,250 (2025 - $113,250) earned in prior years (Note 13).

During the year ending February 28, 2026, The Company issued 21,524,011 common shares and 10,762,005 warrants to settle debt of $1,076,200. The prorated loss on settlement attributed to the related parties was $819,152 (2025 – $2,140,875) to related parties.

During the year ending February 28, 2026, directors and officers of the Company subscribed for $Nil (2025 – $1,355,000) convertible debentures in a non-brokered private placement of secured convertible debentures.

TRANSACTIONS WITH RELATED PARTIES (Continued)

During the year ending February 28, 2026, the Company entered into a lease agreement with payments of $2,650 per month for harvest equipment. The equipment was acquired from a company 50% controlled by a director. The lease agreement is for 18 months with a buyout option at the end of the term.

During the year ending February 28, 2026, the Company entered into a lease agreement with payments of $4,683 per month for trimming equipment. The equipment was acquired from a company 50% controlled by a director. The lease agreement is for 18 months with a buyout option at the end of the term.

During the year ending February 28, 2026, the Company entered into a secured line of credit agreement with a maximum credit limit of $1,500,000. The line of credit bears interest at a fixed rate of 15% per annum. The facility is secured by a second mortgage charge over the land and buildings located at 775 Highway 395, Christina Lake, British Columbia, and by a general security agreement granting the lender a security interest in all the borrower's present and after-acquired personal property. The agreement is with a company 50% controlled by a director.

During the year ending February 28, 2025, the Company entered into a lease agreement with payments of $3,300 per month for harvest equipment. The equipment was acquired from a company 50% controlled by a director. The lease agreement is for 14 months with a buyout option at the end of the term.

During the year ending February 28, 2025, the Company entered into a lease agreement with payments of $13,363 per month for harvest equipment. The equipment was acquired from a company 50% controlled by a director. The lease agreement is for 36 months with a buyout option at the end of the term.

During the year ending February 28, 2025, the Company entered into a lease agreement with payments of $1,700 per month for harvest equipment. The equipment was acquired from a company controlled by a director. The lease agreement is for 24 months with a buyout option at the end of the term.

During the year ending February 28, 2025, the Company entered into a lease agreement with payments of $2,450 per month for harvest equipment. The equipment was acquired from a company 50% controlled by a director. The lease agreement is for 12 months with a buyout option at the end of the term.

PROPOSED TRANSACTIONS

As at the date of this MD&A, there are no proposed transactions.

CRITICAL ACCOUNTING ESTIMATES AND SIGNIFICANT JUDGEMENTS

Significant estimates and assumptions

The preparation of the Company's financial statements in conformity with IFRS requires management to make estimates and assumptions concerning the future. Estimates and assumptions are continuously evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. However, actual outcomes can differ from these estimates.

Areas requiring a significant degree of estimation relate to the fair value measurements for financial instruments and biological assets, expected credit losses, discount rate on lease liability, convertible debentures and preferred shares, assumptions used in the cash flow projection for preferred shares, useful lives and valuation of property, plant and equipment, valuation of inventory and the recoverability and measurement of deferred tax assets and liabilities. Actual results may differ from those estimates.

Management is required to make a number of estimates in calculating the fair value less costs to sell of biological assets. These estimates include a number of assumptions such as estimating the stage of growth of the cannabis, harvesting costs, sales price, and expected yields.

Significant judgments

The preparation of financial statements in accordance with IFRS requires the Company to make judgments, apart from those involving estimates, in applying accounting policies. The most significant judgments in applying the Company's financial statements include: the classification of expenditures as building improvements to be capitalized or as operating costs which are expensed; the assessment of the Company's ability to continue as a going concern and whether there are events or conditions that may give rise to a significant uncertainty.

FINANCIAL INSTRUMENTS AND RISKS

The Company is exposed in varying degrees to a variety of financial instrument related risks. The Board of Directors approves and monitors the risk management processes, inclusive of documented investment policies, counterparty limits, and controlling and reporting structures. The type of risk exposure and the way in which such exposure is managed is provided as follows:

Price risk

Price risk is the risk that the future cash flows of cannabis related derivatives will fluctuate because of changes in market prices. Fluctuation in price will significantly impact the demand for the Company's products and the Company's ability to generate cash inflow for its sustainable operation. Sensitivity analysis in Financial statement note 4 illustrates the impact of price changes in the fair value of biological assets, which in the end effects the value of the Company's cannabis related derivatives.

Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Company's primary exposure to credit risk is on its cash held in bank accounts and accounts receivable. The majority of cash is deposited in bank accounts held with a major bank in Canada. As most of the Company's cash is held by one bank there is a concentration of credit risk. This risk is managed by using major banks that are high credit quality financial institutions as determined by rating agencies. Credit risk related to cash is assessed as low.

The Company provides credit to certain customers in the normal course of operations. Credit risk is generally limited to receivables from customers. The Company's credit risk related to its receivables is moderate. As at May 31, 2026, the Company had $171,228 in receivable balances past due. The remaining balances were collected subsequent to May 31, 2026.

There were receivables from two Companies that were not collectible with one Company that went into credit protection and the Company had recognized a bad debt expense of $71,116.

During the year ending February 28, 2025 there was a receivable due from a Company that went into credit protection and the Company had recognized a bad debt expense of $324,074 in that reporting period. The Company has established monitoring processes to mitigate credit risk related to receivables.

	May 31, 2026	February 28, 2026
1- 60 days	1,239,510	1,049,581
Total	1,239,510	1,049,581

The full account receivable balance as at May 31, 2026, was collect subsequent to year end.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company has a planning and budgeting process in place to help determine the funds required to support the Company's normal operating requirements on an ongoing basis. The Company ensures that there are sufficient funds to meet its short-term business requirements, taking into account its anticipated cash flows from operations and its holdings of cash. As of May 31, 2026, the Company has cash of $1,631,273 (2025 - $1,409,070) to cover short term obligations.

FINANCIAL INSTRUMENTS AND RISKS (CONTINUED)

Historically, the Company's sole source of funding has been loans from related parties, convertible debentures, preferred share financings and private placements. The Company's access to financing is always uncertain. There can be no assurance of continued access to significant equity funding. Liquidity risk is assessed as high.

The Company has the following contractual obligations as at May 31, 2026, which are expected to be payable in the following respective periods:

		Total		≤ 1 year		Over 1 year – 3 years
Accounts payable	$	1,265,524	$	1,265,524	$	-
GST payable		35,567		35,567		-
Operating line of credit		1,500,000		1,500,000		-
Loan payable		374,763		133,359		241,404
Lease payable		64,252		64,252		-
Convertible debentures		5,974,479		2,859,020		3,115,459
Total	$	9,214,585	$	5,857,722	$	3,356,863

Foreign exchange risk

Foreign currency risk is the risk that the fair values of future cash flows of a financial instrument will fluctuate because they are denominated in currencies that differ from the respective functional currency. The Company is not exposed to foreign exchange risk.

Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. As at May 31, 2026, an equipment purchase loan of $135,958 (2025-$367,458), which bear no interest, convertible debentures of $5,974,479 (2025 - $7,216,080), a secured loan of $238,909 (2025 – $189,803), and a secured line of credit $1,500,000 (2025 – $Nil), which bear fixed interest rates respectively. As such, the Company's interest rate risk is low.

Capital management

The Company's policy is to maintain a strong capital base so as to maintain investor and creditor confidence and to sustain future development of the business. The capital structure of the Company consists of equity and cash. There were no changes in the Company's approach to capital management during the year. The Company is not subject to any externally imposed capital requirements.

ADDITIONAL SHARE INFORMATION

As at the date of this MD&A, the Company had 248,093,567 common shares issued and outstanding. The Company has 11,389,103 warrants outstanding, 4,750,000 in restricted stock units, and 2,735,000 stock options outstanding.

CONTINGENCIES

The Company is not aware of any other contingencies or pending legal proceedings as of the date of this report.

CAUTIONARY STATEMENT ON FORWARD LOOKING INFORMATION

Certain statements contained in this document constitute "forward-looking statements". Such forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance, or achievements of the Company to be materially different from any future results, performance, or achievements expressly stated or implied by such forward-looking statements.

DISCLAIMER

The information provided in this document is not intended to be a comprehensive review of all matters concerning the Company. The users of this information, including but not limited to investors and prospective investors, should read it in conjunction with all other disclosure documents provided including but not limited to all documents filed on SEDAR. No securities commission or regulatory authority has reviewed the accuracy or adequacy of the information presented herein.

RISK FACTORS

The following are certain risk factors relating to the business carried on by the Company that prospective holder of shares should carefully consider.

Warrants are Speculative in Nature and may not have any Value

The Warrants do not confer any rights of Common Share ownership on their holders, such as voting rights or the right to receive dividends, but rather merely represent the right to acquire Common Shares at a fixed price for a limited period of time. Moreover, the market value of the Warrants, if any, is uncertain and there can be no assurance that the market value of the Warrants will equal or exceed their imputed offering price. There can be no assurance that the market price of the Common Shares will ever equal or exceed the exercise price of the Warrants, and consequently, whether it will ever be profitable for holders of the Warrants to exercise their Warrants.

Volatility of Stock Price and Market Conditions

The market price of the Common Shares may be subject to wide fluctuations in response to factors such as actual or anticipated variations in its results of operations, changes in financial estimates by securities analysts, general market conditions and other factors. Market fluctuations, as well as general economic, political and market conditions such as recessions, interest rate changes or international currency fluctuations, may adversely affect the market price of the Common Shares, even if the Company is successful in maintaining revenues, cash flows or earnings. The purchase of the Common Shares involves a high degree of risk and should be undertaken only by investors whose financial resources are sufficient to enable them to assume such risks and who have no need for immediate liquidity in their investment. Securities of the Company should not be purchased by persons who cannot afford the possibility of the loss of their entire investment. Furthermore, an investment in the Company should not constitute a major portion of an investor's portfolio.

Risk Factors Associated with the Company's Business

The following are certain risk factors relating to the business carried on by the Company that prospective holder of shares should carefully consider.

Negative Cash Flow from Operations

During the period ended May 31, 2026, the Company recorded cash flow from operations totaling $945,518 vs $866,803 during the period ending May 31, 2025. The Company's cash as at May 31, 2026 was $1,631,273 (2025 - $3,342,278). Although the Company anticipates it will have positive cash flow from operating activities in future periods, it is possible the Company may have negative cash flow in any future period as the Company continues to progress its expansion plans and its capacity of operations.

Reliance on Licenses

The Company will be dependent on the Licenses, which is subject to ongoing compliance and reporting requirements. Failure to comply with the requirements of these licenses or any failure to obtain or maintain those licenses could have a material adverse impact on the business, financial condition and operating results of the Corporation. There can be no guarantee that a license will be issued, extended or renewed or, if issued, extended or renewed, that it will be issued, extended or renewed on terms that are favorable to the Company.

In Canada, few applicants for a license from Health Canada ultimately receive a license to produce and sell cannabis. Major expenditures may be required in pursuit of a license and it is impossible to ensure that the expenditures will result in receipt of a license and a profitable operation. There can be no assurances that the Company will maintain a license to produce and sell cannabis and be brought into a state of commercial production. Should a license not be extended or renewed or should it be issued or renewed on terms that are less favorable to the Company than anticipated, the business, financial condition and results of the operations of the Company could be materially adversely affected.

Environmental Regulations and Risks

The Company's operations are subject to environmental regulation in the various jurisdictions in which it operates. These regulations mandate, among other things, the maintenance of air and water quality standards and land reclamation. They also set forth limitations on the generation, transportation, storage and disposal of solid and hazardous waste. Environmental legislation is evolving in a manner which will require stricter standards and enforcement, increased fines and penalties for non- compliance, more stringent environmental assessments of proposed projects and a heightened degree of responsibility for companies and their officers, directors and employees. There is no assurance that future changes in environmental regulation, if any, will not adversely affect the Company's operations.

Government approvals and permits are currently and may in the future be required in connection with the Company's operations. To the extent such approvals are required and not obtained, the Company may be curtailed or prohibited from its proposed production of cannabis or from proceeding with the development of its operations as currently proposed.

Failure to comply with applicable laws, regulations and permitting requirements may result in enforcement actions thereunder, including orders issued by regulatory or judicial authorities causing operations to cease or be curtailed, and may include corrective measures requiring capital expenditures, installation of additional equipment, or remedial actions. The Company may be required to compensate those suffering loss or damage by reason of its operations and may have civil or criminal fines or penalties imposed for violations of applicable laws or regulations.

Amendments to current laws, regulations and permits governing the production of cannabis, or more stringent implementation thereof, could have a material adverse impact on the company and cause increases in expenses, capital expenditures or production costs or reduction in levels of production or require abandonment or delays in development.

Early Stage of Development

The Company, while incorporated in 2014, began carrying on business in 2018 and has started to generate profits from the sale of products late in 2021. The Company is therefore subject to many of the risks common to early-stage enterprises, including under-capitalization, cash shortages, limitations with respect to personnel, financial, and other resources and lack of revenues. There is no assurance that the Company will be successful in achieving a return on shareholders' investment and the likelihood of success must be considered in light of the early stage of operations.

RISK FACTORS (CONTINUED)

Cultivation Risks

The Company's business involves the growing of cannabis, an agricultural product. Such business will be subject to the risks inherent in the agricultural business, such as insects, plant diseases and similar agricultural risks. Although the Company expects that any such growing will be completed indoors under climate-controlled conditions, and outdoors, there can be no assurance that natural elements will not have a material adverse effect on any such future production.

Legislative or Regulatory Reform and Compliance

The commercial cannabis industry is a new industry and the Company anticipates that such regulations will be subject to change as the Federal Government monitors Licensed Producers in action. The Company's operations are subject to a variety of laws, regulations, guidelines and policies relating to the manufacture, import, export, management, packaging/labelling, advertising, sale, transportation, storage and disposal of cannabis but also including laws and regulations relating to drugs, controlled substances, health and safety, the conduct of operations and the protection of the environment. While to the knowledge of management, the Company is currently in compliance with all such laws, any changes to such laws, regulations, guidelines and policies due to matters beyond the control of the Company may cause adverse effects to its operations.

Changes in Laws, Regulations and Guidelines

On December 20, 2017, the Prime Minister communicated that the Canadian Federal Government intends to legalize cannabis in the summer of 2018, despite previous reports of a July 1, 2018 deadline. On June 7, 2018, Bill C45 passed the third reading in the Senate with a number of amendments to the language of the Cannabis Act. On June 20, 2018, Prime Minister Trudeau announced that cannabis would be legal by October 17, 2018. On June 21, 2018, the Government of Canada announced that Bill C-45 received Royal Assent. Bill-C-45 will come into force on October 17, 2018. On July 11, 2018, the regulations made pursuant 27 to the Cannabis Act were published. The regulations under the Cannabis Act contemplate the various licenses including cultivation, processing, analytical testing, sale (including medical sales), analytical testing and scientific research. The regulations introduced the nursery and made outdoor cultivation permissible. Finally, the requirements for packaging and labelling of products for both medical and non-medical consumption were explicitly set forth. The impact of changes in the regulatory enforcement by Health Canada under the Cannabis Act and its regulations, particularly in respect of product packaging, labelling, marketing, advertising and promotions and product approvals and its impact on the Company's business are unknown at this time.

In addition, when the Cannabis Act comes into effect, there is no guarantee that provincial legislation regulating the distribution and sale of cannabis for adult use purposes will be enacted according to the terms announced by such provinces, or at all, or that any such legislation, if enacted, will create the opportunities for growth anticipated by the Company. For example, the Provinces of Québec and New Brunswick have announced sales and distribution models that would create government-controlled monopolies over the legal retail and distribution of cannabis.

RISK FACTORS (CONTINUED)

Environmental Regulations and Risks (continued)

Customer Perception

The Company believes the cannabis industry is highly dependent upon consumer perception regarding the medical benefits, safety, efficacy and quality of the cannabis distributed for medical purposes to such consumers. Consumer perception of the Company's products can be significantly influenced by scientific research or findings, regulatory investigations, litigation, political statements both in Canada and in other countries, media attention and other publicity (whether or not accurate or with merit) regarding the consumption of cannabis products for medical or recreational purposes, including unexpected safety or efficacy concerns arising with respect to the products of the Company or its competitors. There can be no assurance that future scientific research, findings, regulatory proceedings, litigation, media attention or other research findings or publicity will be favorable to the medical cannabis market or any particular product, or consistent with earlier publicity. Future research reports, findings, regulatory proceedings, litigation, media attention or other publicity that are perceived as less favorable than, or that question, earlier research reports, findings or publicity could have a material adverse effect on the demand for the Company's products and the business, results of operations and financial condition of the Company. The Company's dependence upon consumer perceptions means that adverse scientific research reports, findings, regulatory proceedings, litigation, media attention or other publicity (whether or not accurate or with merit), could have an adverse effect on any demand for the Company's products which could have a material adverse effect on the Company's business, financial condition and results of operations.

Further, adverse publicity reports or other media attention regarding the safety, efficacy and quality of cannabis for medical purposes in general, or the Company's products specifically, or associating the consumption of cannabis with illness or other negative effects or events, could have such a material adverse effect. Such adverse publicity reports or other media attention could arise even if the adverse effects associated with such products resulted from consumers' failure to consume such products legally, appropriately or as directed.

RISK FACTORS (CONTINUED)

Constraints on Marketing Products

In view of the restrictions on marketing, advertising and promotional activities set forth in the Cannabis Act and related regulations, the Company's business and operating results may be hindered by applicable restrictions on sales and marketing activities imposed by Health Canada. If the Company is unable to effectively market its products and compete for market share, or if the costs of compliance with government legislation and regulation cannot be absorbed through increased selling prices for its products, the Company's sales and operating results could be adversely affected.

Reliance on Receiving a Research and Development License and subsequent Cultivation and Processors License

The Company's ability to set up its Facility for the purposes of research and development and to grow, store and sell cannabis in Canada is dependent on Health Canada's approval of the Company's RDL and subsequent cultivation and processor licenses (the "Licenses"). The Licenses are subject to ongoing compliance and reporting requirements. Failure to comply with the requirements of the Licenses or any failure to maintain the Licenses would have a material adverse impact on the business, financial condition and operating results of the Company. Although the Company believe they will meet the requirements for future extensions or renewals of the Licenses, there can be no guarantee that Health Canada will extend or renew these Licenses or, if extended or renewed, that they will be extended or renewed on the same or similar terms. Should Health Canada not extend or renew the Licenses or should they renew the Licenses on different terms, the business, financial condition and results of the operation of the Company would be materially adversely affected

New product Development

The Company's ability to sell cannabis in Canada is dependent on the Company's ability to develop product that exceeds the standards set by Health Canada. Although the Company believes management has the expertise to develop such products, there is no assurance that the Company will successfully develop new products.

Competition

There is potential that the Company will face intense competition from other companies, some of which can be expected to have longer operating histories and more financial resources and experience than the Company. Currently, the cannabis industry generally is comprised of individuals and small to medium-sized entities, however, the risk remains that large conglomerates and companies who also recognize the potential for financial success through investment in this industry could strategically purchase or assume control of certain aspects of the industry. In doing so, these larger competitors could establish price setting and cost controls which would effectively "price out" many of the individuals and small to medium-sized entities who currently make up the bulk of the participants in the varied businesses operating within and in support of the medical and adult-use cannabis industry. While most laws and regulations seemingly deter this type of takeover, this industry remains quite nascent, so what the landscape will be in the future remains largely unknown, which in itself is a risk. Because of the early stage of the industry in which the Company will operate, the Company expects to face additional competition from new entrants. To become and remain competitive, the Company will require research and development, marketing, sales and support.

RISK FACTORS (CONTINUED)

Liability, Enforcement Complaints, etc.

The Company's participation in the cannabis industry may lead to litigation, formal or informal complaints, enforcement actions, and inquiries by various federal, provincial, or local governmental authorities against it. Litigation, complaints, and enforcement actions involving the business could consume considerable amounts of financial and other corporate resources, which could have an adverse effect on the Company's future cash flows, earnings, results of operations and financial condition.

Additional Financing

The Company may require equity and/or debt financing to undertake capital expenditures or to undertake acquisitions or other business combination transactions. There can be no assurance that additional financing will be available to the Company when needed or on terms that are commercially viable. The Company's inability to raise financing to fund capital expenditures or acquisitions could limit its growth and may have a material adverse effect upon future profitability.

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

Reliance on Management

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

Operation Permits and Authorizations

The Company may not be able to obtain or maintain the necessary licenses, permits, authorizations or accreditations, or may only be able to do so at great cost, to operate the businesses. In addition, the Company may not be able to comply fully with the wide variety of laws and regulations applicable to the cannabis industry. Failure to comply with or to obtain the necessary licenses, permits, authorizations or accreditations could result in restrictions on a Licensee's ability to operate in the cannabis industry, which could have a material adverse effect on the Company's business.

Product Liability

Certain of the Company's proposed manufacture, process and/or distribute of cannabis products are designed to be ingested by humans, and therefore face an inherent risk of exposure to product liability claims, regulatory action and litigation if products are alleged to have caused significant loss or injury. In addition, previously unknown adverse reactions resulting from human consumption of cannabis alone or in combination with other medications or substances could occur. A product liability claim or regulatory action against the Company could result in increased costs, could adversely affect the Company's reputation, and could have a material adverse effect on the results of operations and financial condition of the Company.

RISK FACTORS (CONTINUED)

Reliance on Key Inputs

The cultivation, extraction and processing of cannabis and derivative products is dependent on a number of key inputs and their related costs including raw materials, electricity, water and other local utilities. Any significant interruption or negative change in the availability or economics of the supply chain for key inputs could materially impact the business, financial condition and operating results of the Company. Some of these inputs may only be available from a single supplier or a limited group of suppliers.

If a sole source supplier was to go out of business, the Company might be unable to find a replacement for such source in a timely manner or at all. Any inability to secure required supplies and services or to do so on appropriate terms could have a materially adverse impact on the business, financial condition and operating results of the Company.

Dividends

The Company does not anticipate paying any dividends in the foreseeable future. Dividends paid by the Company would be subject to tax and, potentially, withholdings.

Resale of Shares

There can be no assurance that there will be an active and liquid market for the Shares will develop or be maintained and an investor may find it difficult to resell any securities of the Company. In addition, there can be no assurance that the publicly-traded stock price of the Company will be high enough to create a positive return for investors. Further, there can be no assurance that the stock of the Company will be sufficiently liquid so as to permit investors to sell their position in the Company without adversely affecting the stock price. In such event, the probability of resale of the Company's shares would be diminished.

Price Volatility of Publicly Traded Securities

In recent years, the securities markets in the United States and Canada have experienced a high level of price and volume volatility, and the market prices of securities of many companies have experienced wide fluctuations in price which have not necessarily been related to the operating performance, underlying asset values or prospects of such companies. There can be no assurance that continuing fluctuations in price will not occur. It may be anticipated that any quoted market for the shares of the Company will be subject to market trends generally, notwithstanding any potential success of the Company in creating revenues, cash flows or earnings. The value of the Company's shares will be affected by such volatility. An active public market for the Company's shares might

RISK FACTORS (CONTINUED)

Price Volatility of Publicly Traded Securities (continued)

not develop or be sustained after the completion of the listing. If an active public market for the Company's shares does not develop, the liquidity of a shareholder's investment may be limited and the share price may decline.

Management of Growth

The Company may experience a period of significant growth in the number of personnel that will place a strain upon its management systems and resources. Its future will depend in part on the ability of its officers and other key employees to implement and improve financial and management controls, reporting systems and procedures on a timely basis and to expand, train, motivate and manage the workforce. The Company's current and planned personnel, systems, procedures and controls may be inadequate to support its future operations.

Intellectual Property

The success of the Company will depend, in part, on the ability to maintain and enhance trade secret protection over the various existing and potential proprietary techniques and processes of the Company. The Company may be vulnerable to competitors who develop competing technology, whether independently or as a result of acquiring access to the proprietary products and trade secrets of the Company. In addition, effective future patent, copyright and trade secret protection may be unavailable or limited in certain foreign countries and may be unenforceable under the laws of certain jurisdictions.

Insurance Coverage

The Company will require insurance coverage for a number of risks. Although Management believes that the events and amounts of liability covered by such insurance policies should be reasonable, taking into account the risks relevant to the Company's business, and the fact that agreements with users contain limitations of liability, there can be no assurance that such coverage will be available or sufficient to cover claims to which the Company may become subject. If insurance coverage is unavailable or insufficient to cover any such claims, the Company's financial resources, results of operations and prospects, could be adversely affected.

Costs of Maintaining a Public Listing

As a public company, there are costs associated with legal, accounting and other expenses related to regulatory compliance. Securities legislation and the rules and policies of the CSE require listed companies to, among other things, adopt corporate governance and related practices, and to continuously prepare and disclose material information, all of which add to a company's legal and financial compliance costs. The Company may also elect to devote greater resources than it otherwise would have on communication and other activities typically considered important by publicly traded companies.

Litigation

The Company may become party to litigation from time to time in the ordinary course of business which could adversely affect its business. Should any litigation in which the Company becomes involved be determined against the Company, such a decision could adversely affect the Company's ability to continue operating and the market price for Shares and could use significant resources. Even if the Company is involved in litigation and wins, litigation can redirect significant resources.

Difficulty Implementing Business Strategy

The growth and expansion of the Company is heavily dependent upon the successful implementation of its business strategy. There can be no assurance that the Company will be successful in the implementation of its business strategy.

RISK FACTORS (CONTINUED)

Operational Risks

The Company may be affected by a number of operational risks and may not be adequately insured for certain risks, including: labor disputes; catastrophic accidents; fires; blockades or other acts of social activism; changes in the regulatory environment; impact of non-compliance with laws and regulations; natural phenomena, such as inclement weather conditions, floods, earthquakes and ground movements. There is no assurance that the foregoing risks and hazards will not result in damage to, or destruction of, the Company's Property and Facility, personal injury or death, environmental damage, adverse impacts on the Company's operations, costs, monetary losses, potential legal liability and adverse governmental action, any of which could have an adverse impact on the Company's future cash flows, earnings and financial condition on the Company. Also, the Company may be subject to or affected by liability or sustain loss for certain risks and hazards against which they may elect not to insure because of the cost. This lack of insurance coverage could have an adverse impact on the Company's future cash flows, earnings, results of operations and financial condition.

Conflicts of Interest

Certain of the Company's directors and officers are, and may continue to be, involved in other business ventures through their direct and indirect participation in corporations, partnerships, joint ventures, etc. that may become potential competitors of the technologies, products and services the Company intends to provide. Situations may arise in connection with potential acquisitions or opportunities where the other interests of these directors' and officers' conflict with or diverge from the Company's interests. In accordance with applicable corporate law, directors who have a material interest in or who is a party to a material contract or a proposed material contract with the Company are required, subject to certain exceptions, to disclose that interest and generally abstain from voting on any resolution to approve the contract. In addition, the directors and officers are required to act honestly and in good faith with a view to the Company's best interests.

However, in conflict-of-interest situations, the Company's directors and officers may owe the same duty to another company and will need to balance their competing interests with their duties to the Company. Circumstances (including with respect to future corporate opportunities) may arise that may be resolved in a manner that is unfavorable to the Company.

Available Talent Pool

As the Company grows, it will need to hire additional human resources to continue to develop the business. However, experienced talent in the areas of cannabis research and development, cultivation of cannabis and extraction is difficult to source, and there can be no assurance that the appropriate individuals will be available or affordable to the Company. Without adequate personnel and expertise, the growth of the Company's business may suffer.

Ability to Maintain Bank Accounts

While the Company does not anticipate any banking restrictions at this time, there is a risk that banking institutions may not accept payments related to the cannabis industry. Such risks could increase costs for the Company. In the event financial service providers do not accept accounts or transactions related to the cannabis industry, it is possible that the Company may be required to seek alternative payment solutions. If the industry was to move towards alternative payment solutions the Company would have to adopt policies and protocols to manage these changes. The Company's inability to manage such risks may adversely affect the Company's operations and financial performance.

RISK FACTORS (CONTINUED)

Cautionary Statement

Statements contained in this MD&A that are not historical facts are forward-looking statements (within the meaning of the Canadian securities legislation that involve risks and uncertainties. Forward-looking statements are frequently, but not always, identified by words such as "expects", "anticipates", "believes", "intends", "estimates", "potential", "possible" or variations of such words and phrases or the negative connotation thereof, or statements that events, conditions or results "will", "may", "could" or "should" occur or be achieved. The forward-looking statements may include statements regarding future financial conditions, results of operations, plans, objectives, performance or business developments, capital expenditures, timelines, strategic plans, market or industry growth, evaluation of the potential impact of future accounting changes, share-based payments and carrying value of intangible assets or other statements that are not statements of fact. Forward-looking statements are statements about the future and are inherently uncertain, and actual achievements of the Company may differ materially from those reflected in forward-looking statements due to a variety of risks, uncertainties and other factors.

Risks, uncertainties and other factors that could cause actual results to differ materially from those expressed or implied by the forward-looking statements include, without limitation,

- treatment under government regulatory and taxation regimes;
- expectations regarding the Company's ability to raise capital;
- the Company's business strategies, intentions to develop its business and operations, objectives and plans to pursue the commercialization of its products;
- expectations for expansion plans for the Facility and its costs;
- the suitability of the Facility;
- expectations regarding production costs, capacity and yields of the Company's business and growth thereof;
- the Company's estimates of the size of the potential markets for its products and the rate and degree of market acceptance of such products and its competitive positions in relation thereto;
- projections of market prices and costs and the future market for the Company's products and conditions affecting same;
- estimates of the Company's future revenues and profits;
- the Company's anticipated cash needs, needs for additional financing and use of funds;
- statements relating to the business and future activities of, and developments related to the Company after the date of this Listing Statement and thereafter; and
- liquidity of the Common Shares following listing of the Shares.

The actual results could differ materially from those anticipated in these forward-looking statements as a result of the risk factors set forth below and elsewhere in this MD&A:

- treatment under government regulatory and taxation regimes and potential changes thereto;
- limited operating history and negative operating cash flow;
- reliance by the Company on a single production facility and factors relating to the development of the Facility;
- expansion plans for the Facility being subject to Health Canada regulatory approvals;
- dependence on management and conflicts of interest;
- restrictions on marketing activities in the medical cannabis industry;
- competition for, among other things, customers, land and greenhouses, supply, capital, capital acquisitions of products and skilled personnel;
- consumer acquisition and retention;
- risks and liabilities inherent in medical cannabis and agricultural operations;
- unfavorable publicity or consumer perception;
- product liability and recall risks as well as general operating risks;
- environmental risks;

RISK FACTORS (CONTINUED)

Cautionary Statement (Continued)

- availability of financing opportunities;
- risks relating to global financial and economic conditions;
- future liquidity and financial capacity; and
- other factors discussed under "*Risk Factors*".

It is the Company's policies that all forward-looking statements are based on the Company's beliefs and assumptions which are based on information available at the time these assumptions are made. The forward-looking statements contained herein are based on information available as at the date of this report and are subject to change after this date. Forward-looking statements are subject to a number of known and unknown risks, uncertainties and other factors that may cause actual results, performance or achievements to be materially different from that which was expressed or implied by such forward looking statements. Consequently, all forward-looking statements made in this MD&A are qualified by such cautionary statements and there can be no assurance that the anticipated results or developments will actually be realized or, even if realized, that they will have the expected consequences to or effects on the Company. Although the Company has attempted to identify important factors that could cause actual actions, events or results to differ materially from those described in forward-looking statements, there may be other factors that cause actions, events or results not to be as anticipated, estimated or intended. There can be no assurance that forward-looking statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. Accordingly, readers should not place undue reliance on forward-looking statements. These forward-looking statements are made as of the date of this MD&A and, other than as required by applicable securities laws, the Company assumes no obligation to update or revise them to reflect new events or circumstances.