

**MEDIPHARM LABS CORP.
CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2025 and 2024**

To the Shareholders of MediPharm Labs Corp.:

Opinion

We have audited the consolidated financial statements of MediPharm Labs Corp. and its subsidiaries (the "Company"), which comprise the consolidated statements of financial position as at December 31, 2025 and December 31, 2024, and the consolidated statements of loss, comprehensive loss, changes in equity and cash flows for the years then ended, and notes to the consolidated financial statements, including material accounting policy information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as at December 31, 2025 and December 31, 2024, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with IFRS® Accounting Standards as issued by the International Accounting Standards Board.

Basis for Opinion

We conducted our audits in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audits of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

We have determined the matter described below to be the key audit matters to be communicated in our report.

Revenue recognition

Key Audit Matter Description

The Company earns revenues from four main revenue streams, as disclosed in Note 17 to the consolidated financial statements. The determination of the amount and timing of revenue to recognize requires management to make interpretations of IFRS accounting standards as disclosed in Note 3.13 to the consolidated financial statements. There is considered to be an inherent risk relating to revenue recognition based on a presumed bias for the Company to overstate revenues.

Due to the complexities relating to the determination of the amounts and timing of revenue recognition and the presumed bias to overstate revenues we have considered revenue recognition to be a key audit matter.

Audit Response

We determined this matter to be a Key Audit Matter due to the audit effort involved in testing the recognition of revenue. Our response to this matter included performing detailed audit procedures over revenues recognized in the year. These procedures included, but were not limited to, the following:

- Considered the accounting policies in respect of revenue recognition for each material revenue stream, and whether they are compliant with IFRS accounting standards;
- Obtained a detailed understanding of the standard flow of transactions for each material revenue stream;
- Reviewed the allegations over revenue recognition made during the year by certain dissident shareholders and considered these allegations in the determination of our risk assessment and audit approach, in collaboration with our internal forensic experts. We exercised professional skepticism over possible indications of non-compliance with IFRS accounting standards and areas of increased management bias. We enhanced our audit procedures by increasing the scope of our journal entry testing procedures, and increased our detail sample testing procedures over key balances in the revenue transaction cycle;
- Tested a sample of revenue transactions back to supporting documentation, including purchase orders, invoices, proof of shipping and proof of payment to confirm the timing, occurrence and accuracy of the transactions; and
- On a sample basis, obtained confirmation directly from the Company's customers, confirming total purchases for the year, any balances owing, and the key terms governing the transactions between the Company and the customer.

Inventory accuracy and valuation

Key Audit Matter Description

As at December 31, 2025, the Company held inventory of \$7,850,000. The Company discloses its accounting policies with relation to inventory in Note 3.3, significant judgments related to inventory in Note 2.3(iv), and the significant components of inventory in Note 6 to the consolidated financial statements.

Determining the net realizable value of inventory requires a high degree of management judgment. There are a variety of inputs and source data used within management's inventory model that increase the extent of audit effort, including assessing the allocation of inputs and related production overheads, expenditures related to the manufacturing process, and the movement of inventory to assess its net realizable value.

A high degree of auditor effort was required to validate the inputs going into the cost of inventory in addition to evaluating the judgments made by management in determining the net realizable value of inventory.

Audit Response

We determined this matter to be a Key Audit Matter due to the audit effort involved in testing the accuracy and valuation of inventory. Our audit work in relation to this included, but was not restricted to, the following:

- Performed a detailed review of the cost components included in the inventory valuation and verified that costs are accurately and appropriately allocated;
- Selected a sample of purchased inventory items and traced back to source documents to confirm costs;
- With the assistance of internal IT specialists, performed computer assisted audit techniques in the testing of inventory costing;
- Obtained recent sales invoices for a sample of inventory items to compare the selling price with the recorded cost to ensure appropriate measurement of lower of cost and net realizable value;
- Evaluated the methodology used by management to estimate the allowance for obsolescence; and

- Tested the accuracy of the aging analysis of inventory and ensured that the slow-moving or obsolete items are identified and appropriately provided for.

Other Information

Management is responsible for the other information. The other information comprises Management's Discussion and Analysis.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. We obtained Management's Discussion and Analysis prior to the date of this auditor's report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS Accounting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the Company as a basis for forming an opinion on the consolidated financial statements. We are responsible for the direction, supervision and review of the audit work performed for the purposes of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audits and significant audit findings, including any significant deficiencies in internal control that we identify during our audits.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Jaspreet Chahal.

Burlington, Ontario

March 29, 2026

MNP LLP

Chartered Professional Accountants

Licensed Public Accountants

CONTENTS
PAGE

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION.....	2-3
CONSOLIDATED STATEMENTS OF LOSS	4
CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS	5
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY	6
CONSOLIDATED STATEMENTS OF CASH FLOWS	7
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS	8-43
NOTE 1 NATURE OF OPERATIONS	8
NOTE 2 BASIS OF PREPARATION OF THE CONSOLIDATED FINANCIAL STATEMENTS	9-13
NOTE 3 MATERIAL ACCOUNTING POLICIES.....	13-20
NOTE 4 FINANCIAL ASSETS AND FINANCIAL LIABILITIES	21
NOTE 5 TRADE AND OTHER RECEIVABLES.....	21
NOTE 6 INVENTORIES	22
NOTE 7 BIOLOGICAL ASSETS.....	22-23
NOTE 8 OTHER ASSETS.....	24
NOTE 9 ASSETS HELD FOR SALE	25
NOTE 10 PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS	26-29
NOTE 11 TRADE AND OTHER PAYABLES	29-30
NOTE 12 PROVISION, CONTINGENT ASSETS AND LIABILITIES, COMMITMENTS	30-31
NOTE 13 EMPLOYEE BENEFIT OBLIGATIONS.....	31
NOTE 14 LOANS AND BORROWINGS	31-32
NOTE 15 CAPITAL, RESERVES AND OTHER EQUITY ITEMS	32-33
NOTE 16 EARNINGS (LOSS) PER SHARE (EPS)	34
NOTE 17 REVENUE	34-35
NOTE 18 GENERAL ADMINISTRATIVE AND MARKETING AND SELLING EXPENSES	35-36
NOTE 19 OTHER OPERATING EXPENSES, NET.....	36
NOTE 20 EXPENSES BY NATURE	36-37
NOTE 21 FINANCE INCOME/EXPENSES	37
NOTE 22 INCOME TAX EXPENSE/RECOVERY AND DEFERRED TAX ASSETS.....	38
NOTE 23 FINANCIAL RISK MANAGEMENT AND CAPITAL MANAGEMENT	39-42
NOTE 24 FAIR VALUE OF FINANCIAL INSTRUMENTS	42
NOTE 25 SEGMENT INFORMATION	42
NOTE 26 TRANSACTIONS AND BALANCES WITH RELATED PARTIES	43
NOTE 27 EVENTS AFTER THE REPORTING PERIOD.....	43

MEDIPHARM LABS CORP.

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

As at December 31, 2025 and December 31, 2024

(All dollar amounts disclosed are expressed in Canadian dollars (C\$'000s) except per share and exercise price amounts.)

	Notes	December 31, 2025	December 31, 2024
ASSETS			
Current assets:			
Cash and cash equivalents		10,806	11,690
Trade and other receivables	5	7,529	7,512
Inventories	6	7,850	8,563
Biological assets	7	168	147
Other assets	8	1,114	822
		27,467	28,734
Assets held for sale	9	-	4,348
Total current assets		27,467	33,082
Non-current assets:			
Property, plant and equipment	10	17,596	19,159
Intangibles	10.2	675	854
Other assets	8	-	635
Total non-current assets		18,271	20,648
Total assets		45,738	53,730

The above consolidated financial statements should be read in conjunction with the accompanying notes.

MEDIPHARM LABS CORP.

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

As at December 31, 2025 and December 31, 2024

(All dollar amounts disclosed are expressed in Canadian dollars (C\$'000s) except per share and exercise price amounts.)

	Notes	December 31, 2025	December 31, 2024
LIABILITIES AND EQUITY			
Current liabilities:			
Trade and other payables	11	9,201	7,858
Current employee benefit obligations	13	524	2,300
Loans and borrowings	14	201	337
Total current liabilities		9,926	10,495
Non-current liabilities:			
Loans and borrowings	14	-	51
Total non-current liabilities		-	51
Total liabilities		9,926	10,546
Equity:			
Common shares	15	201,904	201,210
Reserves		3,399	29,556
Accumulated other comprehensive loss		(112)	(156)
Accumulated deficit		(169,379)	(187,426)
Total equity		35,812	43,184
Total liabilities and equity		45,738	53,730

Commitments and contingencies 12
Subsequent events 27

Approved on behalf of the Board of Directors of MediPharm Labs Corp.:

/s/ "David Pidduck"
David Pidduck
Director

/s/ "Chris Taves"
Chris Taves
Director

The above consolidated financial statements should be read in conjunction with the accompanying notes

MEDIPHARM LABS CORP.

CONSOLIDATED STATEMENTS OF LOSS For the years ended December 31, 2025 and 2024

(All dollar amounts disclosed are expressed in Canadian dollars (C\$'000s) except per share and exercise price amounts.)

	Notes	2025	2024
Revenue		48,130	45,205
Excise taxes		(3,006)	(3,244)
Net revenue	17	45,124	41,961
Cost of sales		(31,561)	(28,472)
Gross profit before change in fair value of biological assets		13,563	13,489
Realized fair value adjustment on sale of inventories		(1,370)	(1,755)
Unrealized gain on changes in fair value of biological assets	7	1,775	1,071
Gross profit		13,968	12,805
General administrative expenses	18	(15,742)	(15,831)
Marketing and selling expenses	18	(4,897)	(5,515)
Research and development expenses		(223)	(235)
Share-based compensation expense	15.1, 20	(1,344)	(1,858)
Other operating expenses, net	19	(198)	(175)
Operating loss		(8,436)	(10,809)
Finance income	21	232	691
Finance expense	21	(63)	(576)
Net loss for the year		(8,267)	(10,694)
Basic and diluted loss per share	16	(0.02)	(0.03)
Weighted average number of outstanding shares		418,321,676	407,993,353

The above consolidated financial statements should be read in conjunction with the accompanying notes.

MEDIPHARM LABS CORP.**CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS****For the years ended December 31, 2025 and 2024***(All dollar amounts disclosed are expressed in Canadian dollars (C\$'000s) except per share and exercise price amounts.)*

	Notes	2025	2024
Net loss for the year		(8,267)	(10,694)
Other comprehensive loss			
<i>Items that may be reclassified to profit or loss</i>			
Exchange differences on translation of foreign operations		44	(117)
Total comprehensive loss for the year		(8,223)	(10,811)

The above consolidated financial statements should be read in conjunction with the accompanying notes

MEDIPHARM LABS CORP.

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

For the years ended December 31, 2025 and 2024

(All dollar amounts disclosed are expressed in Canadian dollars (C\$'000s) except per share and exercise price amounts.)

	<u>Common Shares</u>		<u>Reserves</u>		Accumulated other comprehensive loss	Accumulated deficit	Total
	Number	Share capital	Share-based payments	Warrant reserve			
Balance at January 1, 2024	401,397,440	200,244	24,437	5,095	(39)	(176,732)	53,005
Shares issued on exercise of RSUs (Note 15.1)	13,454,634	951	(1,690)	-	-	-	(739)
Shares issued on exercise of options (Note 15.1)	196,571	15	(1)	-	-	-	14
Share based compensation	-	-	1,715	-	-	-	1,715
Foreign exchange translation	-	-	-	-	(117)	-	(117)
Net loss for the period	-	-	-	-	-	(10,694)	(10,694)
Balance at December 31, 2024	415,048,645	201,210	24,461	5,095	(156)	(187,426)	43,184
Balance at January 1, 2025	415,048,645	201,210	24,461	5,095	(156)	(187,426)	43,184
Shares issued on exercise of RSUs (Note 15.1)	9,800,809	693	(1,185)	-	-	-	(492)
Shares issued on exercise of options (Note 15.1)	14,815	1	(2)	-	-	-	(1)
Share based compensation (Note 15)	-	-	1,344	-	-	-	1,344
Transfer of warrant reserve upon expiration of warrants*	-	-	-	(5,095)	-	5,095	-
Transfer of share-based payment reserve upon expiration**	-	-	(21,219)	-	-	21,219	-
Foreign exchange translation	-	-	-	-	44	-	44
Net loss for the period	-	-	-	-	-	(8,267)	(8,267)
Balance at December 31, 2025	424,864,269	201,904	3,399	-	(112)	(169,379)	35,812

* Warrant reserve has been reclassified to accumulated deficit as the warrants expired unexercised.

** Share-based payment reserve for expired grants has been reclassified to accumulated deficit.

The above consolidated financial statements should be read in conjunction with the accompanying notes

MEDIPHARM LABS CORP.

CONSOLIDATED STATEMENTS OF CASH FLOWS

For the years ended December 31, 2025 and 2024

(All dollar amounts disclosed are expressed in Canadian dollars (C\$'000s) except per share and exercise price amounts.)

	Notes	2025	2024
Cash flows from operating activities:			
Net loss for the year		(8,267)	(10,694)
Adjustments for:			
Depreciation and amortization	10	1,660	2,600
Write down of inventory	6	132	206
Change in fair value of biological assets		(405)	684
Gain on disposal of assets held for sale	9,19	(271)	-
Impairment of assets held for sale	9,19	115	190
Impairment of property, plant and equipment	10	-	70
Impairment of other assets		163	-
Loss/(gain) on disposal of property, plant and equipment	19	147	(296)
Change in expected credit loss /(recovery)	20	46	(83)
Finance income, net		(169)	(115)
Unrealized foreign exchange difference		26	(51)
Share-based compensation	15.1, 20	1,344	976
Cash used by operating activities before changes in working capital		(5,479)	(6,513)
Change in trade and other receivables	5	(63)	(1,563)
Change in inventories	6	986	798
Changes in biological assets	7	(21)	(135)
Change in other assets	8	199	272
Change in trade and other payables	11	650	1,867
Change in current employee benefit obligation	13	(1,776)	413
Changes in working capital		(25)	1,652
Net cash used in operating activities		(5,504)	(4,861)
Cash flows from investing activities:			
Purchase of property, plant and equipment	10	(100)	(154)
Proceeds from sale of property, plant and equipment	10	35	347
Proceeds from sale of assets held for sale	9	4,685	220
Net cash provided by investing activities		4,620	413
Cash flows from financing activities:			
Loan received	14	500	799
Repayment of loans and borrowings	14	(608)	(2,915)
Interest received		232	691
Interest paid		(58)	(300)
Payment of lease liabilities		(84)	(136)
Proceeds from exercise of share options		-	14
Net cash used in financing activities		(18)	(1,847)
Effects of exchange rate changes		18	4
Decrease in cash and cash equivalents		(884)	(6,291)
Cash and cash equivalents at the beginning of the year		11,690	17,981
Cash and cash equivalents at the end of the year		10,806	11,690

The above consolidated financial statements should be read in conjunction with the accompanying notes.

MEDIPHARM LABS CORP.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

As at and for the years ended December 31, 2025 and 2024

(All dollar amounts disclosed are expressed in Canadian dollars (C\$'000s) except per share and exercise price amounts.)

NOTE 1 - NATURE OF OPERATIONS

MediPharm Labs Corp. (the “**Company**”) was incorporated under the Business Corporations Act (Ontario) on January 23, 2017 as “POCML 4 Inc.” pursuant to the policies of the TSX Venture Exchange (“TSXV”). Subsequent to a reverse takeover transaction, the common shares in the capital of the Company (the “Common Shares”) began trading on the TSXV on October 4, 2018 under the trading symbol “LABS”. On July 29, 2019, the Common Shares were voluntarily delisted from the TSXV and began trading on the Toronto Stock Exchange under the symbol “LABS”.

The Company and its subsidiaries produce cannabis, purified and pharmaceutical-like cannabis extracts, related derivative products and cannabis related medical information and services. Its operating subsidiaries are the holders of cultivation, standard processing, and the sale of cannabis for medical purposes licences under the Cannabis Act (Canada) (the “Canadian Licences”). The Canadian Licences allow for the cultivation of cannabis, sale and distribution of cannabis oil, cannabis extracts, cannabis edibles, cannabis topicals, dried and fresh cannabis, and derivatives to authorized classes of purchasers. The Company’s subsidiary, Harvest Medicine Inc. (“Harvest Medicine” or “HMED”) provides clinic services to Canadian patients requiring medical cannabis education and prescriptions.

The Company’s international subsidiaries, Beacon Medical Germany GmbH and Beacon Medical Australia Pty Ltd, support the marketing of branded medical cannabis products within the regulations of their respective regions.

The head office and the registered and records office of the Company is located at 151 John St. Barrie, Ontario, L4N 2L1.

These consolidated financial statements of the Company as at and for the year ended December 31, 2025 (the “Consolidated Financial Statements”), include the financial statements of the Company and its wholly owned subsidiaries. Throughout these Consolidated Financial Statements, unless the context indicates or requires otherwise, the terms the “Company”, “MediPharm”, “we”, “us” and “our” refer to MediPharm Labs Corp. together with its subsidiaries. The Company’s subsidiaries during the year ended December 31, 2025, are listed below:

Subsidiaries	Registered Country
MediPharm Labs Inc. (“MPL”) (1)	Canada
ABcann Medicinals Inc.	Canada
Canna Farms Limited (1)	Canada
Harvest Medicine Inc.	Canada
Beacon Medical Germany GmbH	Germany
Beacon Medical Australia Pty Ltd	Australia

(1) These wholly owned subsidiaries were amalgamated during the year.

MEDIPHARM LABS CORP.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

As at and for the years ended December 31, 2025 and 2024

(All dollar amounts disclosed are expressed in Canadian dollars (C\$'000s) except per share and exercise price amounts.)

NOTE 2 - BASIS OF PREPARATION OF THE CONSOLIDATED FINANCIAL STATEMENTS

2.1 Basis of presentation

(i) Statement of compliance

These Consolidated Financial Statements have been prepared in accordance with IFRS® Accounting Standards issued by the International Accounting Standards Board (“IASB”).

On March 29, 2026, the Board of Directors of the Company approved these Consolidated Financial Statements.

(ii) Historical cost convention

These Consolidated Financial Statements have been prepared on a historical cost basis, except certain financial assets, assets held for sale, and biological assets which are expressed at their fair values as described in this note. In addition, these Consolidated Financial Statements have been prepared using the accrual basis of accounting, except for cash flow information.

(iii) Foreign currency translation

Functional and presentation currency

The Company and its Canadian subsidiaries’ functional currency, as determined by management, is the Canadian dollar. The functional currencies of the Company’s German and Australian subsidiaries are the Euro and Australian dollar, respectively. These Consolidated Financial Statements are presented in Canadian dollars, which is the Company’s functional currency, as this is the currency of the primary economic environment in which the Company operates (“the functional currency”).

Foreign currency transactions and balances

Foreign currency transactions are translated into the respective entity’s functional currency using the exchange rates at the dates of the transactions. Monetary assets and monetary liabilities denominated in foreign currencies are re-measured to the functional currency of the Company at the exchange rate at the reporting date and the date they are settled. Non-monetary items that are based on historical cost in a foreign currency are translated into the functional currency of the Company entity using the exchange rate at the date of the transaction. Foreign currency gains and losses due to translating and settling foreign currency transactions are reported in the consolidated statements of loss on a net basis.

Foreign operations

The results and financial position of foreign operations that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities are translated at the closing rate at the date of that statement of financial position
- income and expenses are translated at average exchange rates and
- all resulting exchange differences are recognized in other comprehensive income/(loss).

MEDIPHARM LABS CORP.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

As at and for the years ended December 31, 2025 and 2024

(All dollar amounts disclosed are expressed in Canadian dollars (C\$'000s) except per share and exercise price amounts.)

NOTE 2 - BASIS OF PREPARATION OF THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(iv) Basis of consolidation

Subsidiaries

The percentage of voting power held by the parent company, MediPharm Labs Corp. and its subsidiaries and the total percentage of ownership interests at December 31 are presented below:

Proportion of voting power held by the Company		
Subsidiaries	(%)	(%)
	December 31, 2025	December 31, 2024
MediPharm Labs Inc. (1)	100%	100%
ABcann Medicinals Inc.	100%	100%
Canna Farms Limited (1)	N/A	100%
Harvest Medicine Inc.	100%	100%
Beacon Medical Germany GmbH	100%	100%
Beacon Medical Australia Pty Ltd	100%	100%

(1) These wholly owned subsidiaries were amalgamated during the year.

Subsidiaries are companies in which MediPharm Labs Corp. has the ability to control the financial and operating policies for the benefit of MediPharm Labs Corp. through the power to exercise more than 50% of the voting rights relating to shares in the companies as a result of shares owned directly by itself.

Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the period are included in the consolidated statements of loss and consolidated statements of comprehensive loss from the date the Company gains control of the subsidiary until the date when the Company ceases to control the subsidiary.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Company's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Company are eliminated in full upon consolidation.

MEDIPHARM LABS CORP.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

As at and for the years ended December 31, 2025 and 2024

(All dollar amounts disclosed are expressed in Canadian dollars (C\$'000s) except per share and exercise price amounts.)

NOTE 2 - BASIS OF PREPARATION OF THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2.2 New accounting pronouncements or policies adopted in 2025

The Company adopted the following amendments effective for annual reporting periods beginning January 1, 2025. These changes did not have a material impact on these Consolidated Financial Statements.

- Lack of exchangeability (Amendment to IAS 21 The Effects of Changes in Foreign Exchange Rates)

On 15 August 2023, the IASB issued amendments to IAS 21 addressing how an entity should assess whether a currency is exchangeable and how to estimate an exchange rate when it is not. The amendments introduce guidance requiring entities to determine when exchangeability is restricted and to use an estimated spot exchange rate when an observable rate is not available.

New standards, interpretations and amendments not yet effective

A number of new standards and amendments have been issued by the IASB but are not yet effective and have not been early adopted by the Company.

The following amendments are effective for the annual reporting period beginning 1 January 2026:

- Amendments to the Classification and Measurement of Financial Instruments
(Amendments to IFRS 9 Financial Instruments and IFRS 7 Financial Instruments: Disclosures)
- Contracts Referencing Nature -dependent Electricity
(Amendments to IFRS 9 and IFRS 7)

The following standards and amendments are effective for the annual reporting period beginning 1 January 2027:

- IFRS 18 Presentation and Disclosure in Financial Statements
- IFRS 19 Subsidiaries without Public Accountability: Disclosures.

The Company is currently assessing the effect of these new accounting standards and amendments.

IFRS 18 replaces IAS 1 and introduces expanded requirements for how financial information is presented and disclosed. The standard adds new subtotals, categories for income and expenses, and mandates disclosure of management performance measures. It also enhances rules around aggregation and disaggregation. Adoption is retrospective, and the Company is currently assessing system changes, preparing draft disclosures, and planning comparative restatements ahead of the 2027 effective date.

The Company does not expect to be eligible to apply IFRS 19.

2.3 Use of estimates and judgements

The preparation of these Consolidated Financial Statements requires the use of accounting estimates and exercise of judgement in applying the Company's accounting policies. Actual results may differ from these estimates.

MEDIPHARM LABS CORP.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

As at and for the years ended December 31, 2025 and 2024

(All dollar amounts disclosed are expressed in Canadian dollars (C\$'000s) except per share and exercise price amounts.)

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

Information about significant areas of estimation, uncertainty, and critical judgements in applying accounting policies that have the most significant effect on the amounts recognized in these Consolidated Financial Statements are described below:

(i) Expected loss rate

The expected credit losses for trade receivables and contract assets are based on assumptions about risk of default. The Company uses judgement in making these assumptions and selecting the inputs to the expected credit loss calculation based on the Company's past history, existing market conditions, and forecasts of future economic conditions at the end of each reporting period.

(ii) Fair value of share-based warrants and stock options

The Company issues share-based warrants and stock options. In estimating the fair value of the share-based warrants and stock options, the Company uses the Black Scholes option pricing model with inputs such as expected life, expected forfeiture rate and volatility of the stock option, based on their best estimate. The assumptions used for estimating fair value for share-based payment transactions with respect to stock options are disclosed in Note 15.2.

(iii) Impairment assessment and estimated useful lives of property, plant and equipment, assets held for sale and intangible assets

The useful lives of the Company's property, plant and equipment and intangible assets are estimated by management at the time the asset is acquired and regularly reviewed for appropriateness. The Company estimates the useful lives of its assets in terms of the assets' expected utility to the Company. This estimate is based on the experience of the Company with similar assets. In determining the useful life of an asset, the Company also assesses technical and/or commercial obsolescence arising from changes to the intended use of the asset. Assets held for sale are measured at the lower of their carrying amount and fair value less costs to sell.

The assessment of any impairment of the Company's property, plant and equipment, assets held for sale and intangible assets is dependent upon estimate of the recoverable amounts of these assets. The determination of whether triggering events require an assessment of the recoverable amount of the asset or Cash Generating Unit ("CGU") requires judgement. If triggering events are identified, the recoverable amount of the CGU is determined based on the higher of the value in use and fair value less costs of disposal. The process to calculate the fair value less costs of disposal require use of valuation methods such as market and cost approaches which uses key inputs and assumptions such as market transactions, inflation indices and discount factors. The process to calculate the value in use requires the use of a discounted cash flow method which uses assumptions or key variables including estimated cash flows, discount rates and terminal value growth rates. The Company applies judgement when determining which methods are most appropriate to estimate the value in use and fair value less costs of disposal.

MEDIPHARM LABS CORP.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

As at and for the years ended December 31, 2025 and 2024

(All dollar amounts disclosed are expressed in Canadian dollars (C\$'000s) except per share and exercise price amounts.)

NOTE 2 - BASIS OF PREPARATION OF THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(iv) Valuation of biological assets and inventories

The Company is required to make a number of estimates in calculating the fair value of biological assets and harvested cannabis inventory. These estimates include a number of assumptions such as estimating the stage of growth of the cannabis up to the point of harvest, pre-harvest and post-harvest costs, expected sales price, and expected yields for cannabis plants to be harvested. The valuation of biological assets at the point of harvest is the cost basis for all cannabis-based inventories and thus any critical estimates and judgements related to the valuation of biological assets are also applicable for inventories.

The Company's inventories are carried at the lower of cost or net realizable value. The determination of net realizable value involves significant management judgement and estimates, including the estimation of future selling prices.

NOTE 3 - MATERIAL ACCOUNTING POLICIES

The material accounting policies applied in preparation of these Consolidated Financial Statements are summarized below:

3.1 Cash and cash equivalents

Cash and cash equivalents include bank deposits and other short-term highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash, and which are subject to an insignificant risk of changes in value.

3.2 Biological assets

The Company measures biological assets, consisting of cannabis plants, at fair value less costs to sell up to the point of harvest, which becomes the basis for the cost of inventories after harvest. Unrealized gains or losses arising from the changes in fair value less costs to sell during the year are included in the consolidated statement of loss and comprehensive loss for the related year.

The Company does not recognize the mother plants used for cloning the production cannabis plants on the consolidated statement of financial position, since such plants are considered as 'bearer plants', which are used in the production or supply of agricultural produce; and are expected to bear produce for more than one period per IAS 16 – Property, Plant and Equipment – having a useful life of less than one year.

All production costs related to biological assets are expensed as incurred and are included in cost of sales under production salaries and wages, amortization and depreciation and supplies in the consolidated statement of loss and comprehensive loss for the related year. They include the direct cost of seeds and growing materials as well as other indirect costs 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.

MEDIPHARM LABS CORP.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

As at and for the years ended December 31, 2025 and 2024

(All dollar amounts disclosed are expressed in Canadian dollars (C\$'000s) except per share and exercise price amounts.)

NOTE 3 - MATERIAL ACCOUNTING POLICIES (Continued)

3.3 Inventories

Inventories are measured at the lower of cost and net realizable value (Note 6). Cost comprises of direct materials, direct labour and an allocation of variable and fixed overhead expenditure. Costs are assigned to individual items of inventory on the basis of weighted average costs. Internally produced cannabis is transferred from biological assets at its fair value less costs to sell at harvest, which becomes the initial deemed cost. Any subsequent post-harvest costs are capitalized to inventory to the extent that cost is less than net realizable value. Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

3.4 Financial assets

The Company classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through Other Comprehensive Income (“OCI”) or through profit or loss)
- those to be subsequently measured at amortized cost

The classification of the financial assets between these two categories depends on the Company’s business model for managing the financial assets and the contractual terms of the relating cash flows.

The Company reclassifies financial assets when and only when its business model for managing those assets changes. At initial recognition, the Company measures a financial asset at its fair value plus transaction costs that are directly attributable to the acquisition of the financial asset, if the financial asset is not measured at fair value through profit or loss (“FVPL”). Transaction costs of financial assets carried at FVPL are expensed upon recognition in the consolidated statements of loss.

Subsequent measurement of financial assets depends on the Company’s business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Company classifies its financial assets:

- Amortized cost: Financial assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortized cost. Interest income, if any, from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognized directly in profit or loss.
- Fair value through other comprehensive income (“FVOCI”): Financial assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets’ contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest are classified as FVOCI and are measured at fair value subsequent to initial recognition with changes in fair value recognized in the consolidated statements of other comprehensive loss. The Company may make irrevocable elections at initial recognition for particular investments in equity instruments that would otherwise be measured at fair value through profit or loss to present subsequent changes in fair value in other comprehensive income. As of December 31, 2025, the Company does not have any financial assets classified as FVOCI.

MEDIPHARM LABS CORP.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

As at and for the years ended December 31, 2025 and 2024

(All dollar amounts disclosed are expressed in Canadian dollars (C\$'000s) except per share and exercise price amounts.)

NOTE 3 - MATERIAL ACCOUNTING POLICIES (Continued)

- FVPL: Financial assets that do not meet the criteria for amortized cost or FVOCI are classified as FVPL and are measured at fair value subsequent to initial recognition with changes in fair value recognized in the consolidated statements of loss. As of December 31, 2025, the Company does not have any financial assets classified as FVPL.

The Company measures all equity investments at fair value subsequent to initial recognition. Where the Company's management has elected to present fair value gains and losses on equity investments in OCI, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. On disposal of these equity investments, any related balance within the FVOCI reserve is reclassified to retained earnings.

The Company assumes that the credit risk on an amount due from a customer has increased significantly if more than 180 days past due, unless there is an agreed payment plan or collateral. The Company considers a financial asset to be in default when the customer is unlikely to pay its credit obligations to the Company, without recourse by the Company to actions such as realizing security (if any is held); however, this excludes the ones which are subject to legal proceedings and are expected to be fully collected. The financial asset is written off when the Company has no reasonable expectations of recovering the financial asset in its entirety or a portion thereof. The Company individually makes an assessment of its customers' outstanding balances with respect to the timing and amount of write-off based on whether there is a reasonable expectation of recovery. The Company expects no significant recovery from amounts written off.

3.5 Assets held for sale

Non-current assets are classified as held-for sale if it is highly probable that they 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 profit or loss. Once classified as held-for-sale, intangible assets and property, plant and equipment are no longer amortized or depreciated.

3.6 Property, plant and equipment

Property, plant and equipment are carried at acquisition costs less accumulated depreciation. Depreciation is recognized using the straight-line method based on the estimated useful lives of the assets (Note 10).

The depreciation periods for property, plant and equipment, which approximate the useful life of assets, are as follows:

Building and building improvements	5-40 years
Machinery, plant and equipment	5-8 years
Security equipment	5 years
Computers	3 years
Leasehold improvements	shorter of lease or 10 years
Motor vehicles	5 years
Office equipment	5 years
Right-of-use assets	Term of lease

MEDIPHARM LABS CORP.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

As at and for the years ended December 31, 2025 and 2024

(All dollar amounts disclosed are expressed in Canadian dollars (C\$'000s) except per share and exercise price amounts.)

NOTE 3 - MATERIAL ACCOUNTING POLICIES (Continued)

Land is not depreciated due to having infinite useful life.

Construction in progress is not depreciated until the assets are available for use.

Depreciation methods, useful lives and residual values are reviewed and adjusted if appropriate at the end of each reporting period.

Gains or losses on disposals of property, plant and equipment are measured by comparing proceeds with carrying amounts.

The normal maintenance and repair costs incurred for property, plant and equipment are expensed as incurred. Expenditure on property, plant and equipment, which increases the future utility of the assets is added to the cost of the property, plant and equipment.

3.7 Intangible assets

Intangible assets include licenses, brand and GMP certifications acquired by the Company and is amortized with a limited useful life of between 5 and 10 years using straight line method. Intangible assets are measured at cost less accumulated amortization and any accumulated impairment losses. Amortization methods, useful lives and residual values are reviewed at each reporting period date and adjusted, if appropriate.

3.8 Impairment of non-financial assets

Non-financial assets (other than inventories) are reviewed for indicators of impairment at each statement of financial position date or whenever events or changes in circumstances indicate that the carrying amount of an asset exceeds its recoverable amount. For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generate cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (CGU). The recoverable amount of an asset or a CGU is the higher of its fair value less costs of disposal, and its value in use. If the carrying amount exceeds its recoverable amount, an impairment charge is recognized immediately in profit or loss by the amount by which the carrying amount exceeds the recoverable amount. Impairment losses are allocated to reduce the carrying amounts of the other non-financial assets in the CGU on a pro-rata basis. An impairment loss is subsequently reversed only to an amount that is the lesser of the revised estimate of recoverable amount, and the carrying amount, net of depreciation or amortization, that would have been recorded at the date of the reversal had no impairment loss been recognized previously. As at December 31, 2024, the Company had three CGUs being cannabis operations in Canada, ("Canadian CGU"), clinic operations ("HMED CGU") and international medical cannabis operations ("International Medical CGU").

3.9 Taxes

The income tax expense or credit for the year is the tax payable on the current year's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

MEDIPHARM LABS CORP.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

As at and for the years ended December 31, 2025 and 2024

(All dollar amounts disclosed are expressed in Canadian dollars (C\$'000s) except per share and exercise price amounts.)

NOTE 3 - MATERIAL ACCOUNTING POLICIES (Continued)

Income tax recovery/(expense) is recognized in the consolidated statements of loss, except to the extent that it relates to items recognized in other comprehensive income or directly in equity. In this case, the tax is also recognized in other comprehensive (loss)/income or directly in equity, respectively.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the Company's subsidiaries operate and generate taxable income.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realized, or the deferred income tax liability is settled. Deferred tax assets are recognized only if it is probable that future taxable amounts will be available to utilize those temporary differences and losses.

Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously. Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset deferred tax assets and liabilities and when the deferred tax balances relate to the same taxation authority.

3.10 Trade payables

Trade payables are unsecured liabilities for goods and services provided to the Company prior to the end of the financial year which remain unpaid at year end. Trade payables (Note 11) are presented as current liabilities unless payment is not due within 12 months after the reporting period.

3.11 Financial liabilities

Financial liabilities are classified as measured at amortized cost or FVPL. A financial liability is classified as at FVPL if it is classified as held-for-trading, it is a derivative, or it is designated as such on initial recognition. At initial recognition, the Company measures financial liabilities at its fair value plus transaction costs that are directly attributable to the acquisition of the financial liability, if the financial liability is not measured at fair value through profit or loss. Transaction costs of financial liability carried at FVPL are expensed upon recognition in the consolidated statements of loss. Subsequent to initial recognition, financial liabilities at FVPL are measured at fair value and net gains and losses, including any interest expense, are recognized in the consolidated statements of loss.

Other financial liabilities are subsequently measured at amortized cost using the effective interest method. Fees paid on the establishment of financial liability are recognized as transaction costs. Interest expense and foreign exchange gains and losses are recognized in the consolidated statements of loss.

The Company derecognizes a financial liability when its contractual obligations are discharged or cancelled or expire. The Company also derecognizes a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the

MEDIPHARM LABS CORP.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

As at and for the years ended December 31, 2025 and 2024

(All dollar amounts disclosed are expressed in Canadian dollars (C\$'000s) except per share and exercise price amounts.)

NOTE 3 - MATERIAL ACCOUNTING POLICIES (Continued)

modified terms is recognized at fair value. On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognized in the consolidated statements of loss.

Financial liabilities are classified as current liabilities, if they are payable within 12 months of the reporting date, unless the Company has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

3.12 Provisions

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period. Provisions are recognized when the Company has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and the amount can be reliably estimated (Note 12). Possible assets that arise from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Company are not included in the Consolidated Financial Statements and treated as contingent assets.

3.13 Revenue recognition

Revenue is recognized at the amount of the transaction price that is allocated to the performance obligation. The transaction price is the amount of consideration to which an entity expects to be entitled in exchange for transferring promised goods or services to a customer. The Company does not expect to have any contracts where the period between the transfer of the promised goods or services to the customer and payment by the customer exceeds one year. As a consequence, the Company does not adjust any of the transaction prices for the time value of money. Costs to obtain a contract that would have been incurred irrespective of whether the contract was obtained are recognized as an expense when incurred, unless those costs are explicitly chargeable to the customer irrespective of whether the contract is obtained.

The Company generates revenue from the sale of cannabis and cannabis related products and services and recognizes revenue for such as follows:

Canadian Adult Use and Wellness: This stream includes the production and sale of finished consumer packaged cannabis concentrate-based products such as cannabis oil, vapes, metered dose inhalers ("MDIs"), soft chews, and capsules and other non-smokeable formats as well as well as dried flower and pre-rolls. These products are sold primarily to the provincial distributors. Revenue is recognized when the products are delivered to the customers. For contracts that permit the customer to return an item, revenue is recognized to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognized will not occur. Therefore, the amount of revenue recognized is adjusted for expected returns, which are estimated based on the historical data for specific types of products.

Canadian Medical Cannabis: This stream includes products that are sold to patients through the domestic medical channels such as the Canna Farms medical platform, and through other licensed producers' medical channels. It also includes the Company's medical clinic business, Harvest Medicine. HMED consists of

MEDIPHARM LABS CORP.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

As at and for the years ended December 31, 2025 and 2024

(All dollar amounts disclosed are expressed in Canadian dollars (C\$'000s) except per share and exercise price amounts.)

NOTE 3 - MATERIAL ACCOUNTING POLICIES (Continued)

education-focused, patient-centric, cannabis discovery clinics, which conduct registered patient visits through its clinics, and via its telemedicine platform. HMED also offers pharmacy consultations as an additional service offering for patients as part of their medical cannabis care. Revenue is recognized on a per visit basis once the consultation is complete. The Company is contracted by third party licenced producers (“LPs”) to provide educational services to patients with regards to the appropriate use of medical cannabis, and the specific products offered by the LPs. The Company charges the LPs a non-refundable referral fee for educational services provided to patients using an agreed upon transaction price, that is received by the Company once a patient procures the related medical cannabis from the LPs. Revenue from sale of medical cannabis products is recognized when the products are delivered to the customers or in accordance with the terms of the sales agreement.

International Medical Cannabis: This stream includes the production and sale of GMP tinctures, GMP dried flower, GMP vapes, GMP dronabinol, GMP manufacturing services, and active pharmaceutical ingredients to international customers outside of Canada.

Revenue is recognized when the products are dispatched from the Company’s warehouse or contracted third party’s warehouse, or in accordance with the terms of the sales agreement. International medical contracts might require advance payments by customers. Such advance receipts are included in contract liabilities until the revenue recognition criteria is met (Note 17). Revenue recognized is adjusted for expected rebates.

Pharmaceutical and Business-to-Business (“B2B”): This stream includes the production and sale of bulk cannabis-based products such as concentrate, distillate and isolate to domestic and international customers. Bulk isolates include pharmaceutical grade cannabinoids in bulk and finished good forms, produced according to Canadian DEL standards and sold to pharmaceutical customers. For our pharma and academic partners, we also provide a range of clinical and research and development (“R&D”) capabilities including Clinical Trial Materials (CTM) for Phase 2-3 Drug Trials. Also included in this stream are contract manufacturing activities where we develop new products, produce finished goods and perform various manufacturing steps for other domestic licensed producers. For our pharma and academic partners, revenue is recognized based on performance of the obligations defined in the service agreement. Also included in this stream are contract manufacturing activities where we produce finished goods and various manufacturing steps for other licenced producers. Revenue for bulk sales is recognized when the bulk products are dispatched from the Company’s warehouse or contracted 3rd party’s warehouse. B2B contracts might require advance payments by customers. Such advance receipts are included in contract liabilities (Note 11).

Under the contract manufacturing agreements, customers supply direct materials to the Company for processing into finished goods. The customer controls all the materials it supplies and work in progress as the products are being processed. Under the contract manufacturing service arrangements, the finished products are made to the customer’s specification and if a contract is terminated by the customer, the Company is entitled to reimbursement of the costs incurred to date, including a reasonable margin. As such, revenue for tolling arrangements is recognized over time. Progress is determined based on the output method. Amounts not yet invoiced but to which the Company is entitled are presented as contract assets.

For contracts that permit the customer to return an item, a refund liability and a right to recover returned goods asset are recognized. The right to recover returned goods asset is measured at the former carrying amount of

MEDIPHARM LABS CORP.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

As at and for the years ended December 31, 2025 and 2024

(All dollar amounts disclosed are expressed in Canadian dollars (C\$'000s) except per share and exercise price amounts.)

the inventory less any expected costs to recover goods. The Company reviews its estimate of expected returns at each reporting date and updates the amounts of the asset and liability accordingly.

NOTE 3 - MATERIAL ACCOUNTING POLICIES (Continued)

The Company also enters bill and hold arrangements with customers for certain productions. Revenue for bill and hold arrangements is recognized when the control of the finished product passes to the customer, which is when the product is ready for physical transfer to the customer and the customer accepts the product. Revenue for bill and hold arrangements is only recognized when the Company does not have the ability to use the product for other purposes and when the bill and hold arrangement is requested by the customer for substantive reasons.

3.14 Employee benefits

Short-term obligations

Liabilities for employee compensation, including annual leave and accumulating sick leave that are expected to be settled wholly within 12 months after the end of the period in which the employees render the related service are recognized in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled. The liabilities are presented as current employee benefit obligations in the consolidated statements of financial position.

Share-based payments

Employees (including the senior executives) of the Company receive a portion of their remuneration in the form of share-based payments, whereby employees render services as consideration for equity instruments.

The Company measures the cost of share-based compensation by estimating the fair value of the option or restricted share unit ("RSU") at the date when the grant is made using the Black Scholes Valuation Model. That cost is recognized in share-based compensation expense, together with a corresponding increase in equity (other reserves), over the period in which the service and, where applicable, the performance conditions are fulfilled (the vesting period). Consideration paid by employees on the exercise of stock options is recorded as share capital and the related share-based compensation is transferred from share-based payments reserve to share capital.

3.15 Earnings/(loss) per share

The Company presents basic and diluted earnings/(loss) per share data for its Common Shares. Basic earnings/(loss) per share is calculated by dividing the profit or loss attributable to common shareholders of the Company by the weighted average number of Common Shares outstanding during the year. Diluted earnings/(loss) per share is determined by adjusting the profit or loss attributable to shareholders and the weighted average number of Common Shares outstanding, adjusted for the effects of all dilutive potential Common Shares issuable.

In a period of losses, the warrants, options and non-vested RSUs are excluded for the determination of dilutive net loss per share because their effect is antidilutive.

MEDIPHARM LABS CORP.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

As at and for the years ended December 31, 2025 and 2024

(All dollar amounts disclosed are expressed in Canadian dollars (C\$'000s) except per share and exercise price amounts.)

NOTE 4 – FINANCIAL ASSETS AND FINANCIAL LIABILITIES

	December 31, 2025	December 31, 2024
Financial assets at amortized cost		
Cash and cash equivalents	10,806	11,690
Trade and other receivables (Note 5)	7,529	7,512
Financial liabilities at amortized cost		
Trade and other payables (Note 11)	9,201	7,858
Current employee benefit obligations	524	2,300
Loan and borrowings (Note 14)	201	388

The Company does not hold any financial instruments subsequently measured at fair value.

NOTE 5 – TRADE AND OTHER RECEIVABLES

	December 31, 2025	December 31, 2024
Trade receivables, net	6,767	6,878
Other receivables (1)	423	32
HST/GST/VAT receivable	339	602
	7,529	7,512

(1) Other receivables consist of accrued interest, payroll tax receivables and vendor refunds and rebates.

Credit risk and aging analysis related to trade receivables are included in Note 23.1.

MEDIPHARM LABS CORP.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

As at and for the years ended December 31, 2025 and 2024

(All dollar amounts disclosed are expressed in Canadian dollars (C\$'000s) except per share and exercise price amounts.)

NOTE 6 – INVENTORIES

	December 31, 2025	December 31, 2024
Raw materials	2,467	1,357
Semi-finished and finished goods	4,116	5,922
Consumables and packages	1,267	1,284
	7,850	8,563

Raw material inventory is comprised of bulk dried cannabis flower (for extraction purposes, making pre-rolls or packaged flower) and trim produced internally and acquired from third party licensed cannabis cultivators. Finished goods inventory is comprised of all packaged products ready for sale and semi-finished bulk products (formulated concentrates, formulated distillates, oil, vapes, and edibles). Consumables include medium-chain triglyceride (“MCT”) oil used in the production of formulated oil, terpenes used in oil formulation and packaging and product hardware materials.

For the year ended December 31, 2025, the Company recognized net write downs of the carrying value of its raw materials and finished goods of \$132 (2024: \$206) in cost of sales (Note 20).

NOTE 7 – BIOLOGICAL ASSETS

	December 31, 2025	December 31, 2024
As at January 1	147	12
Unrealized gain on changes in fair value of biological assets	1,775	1,071
Transfer to inventories upon harvest	(1,754)	(936)
As at end of year	168	147

As listed below, key estimates are involved in the valuation process of the cannabis plants. The Company’s estimates, by their nature, are subject to changes and inaccuracies that could result in future gains or losses in the value of biological assets. Changes in these estimates could result from volatility of sales prices, changes in yields, and variability of the costs incurred to complete a harvest. Prior to harvest, all production costs are expensed.

As at December 31, 2025, the Company’s biological assets were, on average, 45% complete (December 31, 2024 – 52% complete) and it was expected that the biological assets would yield approximately 225kg of dried flower and 96kg of trim at harvest (December 31, 2024 – 157kg and 38kg, respectively). As at December 31, 2025, the Company had 2,700 plants (December 31, 2024 – 1,851 plants) that were biological assets.

MEDIPHARM LABS CORP.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

As at and for the years ended December 31, 2025 and 2024

(All dollar amounts disclosed are expressed in Canadian dollars (C\$'000s) except per share and exercise price amounts.)

NOTE 7 – BIOLOGICAL ASSETS (Continued)

This is determined using a valuation model that calculates biological asset value by estimating the expected yield of each plant at harvest, prorated based on the stage at which the plant is in its lifecycle, multiplied by the survival rate of plants at this stage in their life cycles; the estimated per-gram fair value for the expected yield (different fair values are applied for trim and dried flower yield), and the processing and selling costs (which are deducted).

The fair value of biological assets is considered a Level 3 categorization in the IFRS fair value hierarchy. The significant estimates and inputs used to assess the fair value of biological assets include the following assumptions:

- Average number of weeks in the growing cycle is sixteen weeks from propagation to harvest. As at December 31, 2025, the Company considered plants less than 3.5 weeks of age to be in the cloning stage; between 3.5 and 6 weeks to be in the vegetative state; and more than 6 weeks to be in the flowering stage. The estimates for the growing cycle are unchanged from December 31, 2024.
- Expected average harvest yield as at December 31, 2025 was 119g per plant (December 31, 2024 – 105g), approximately 70% of which is dried flower and 30% is trim (December 31, 2024 – 80% and 20%).
- Expected average fair value of \$1.64 per gram for flower products and \$0.07 per gram for trim at the time of harvest as at December 31, 2025 (December 31, 2024 - \$1.80 and \$0.07 respectively).
- Expected average cost to complete harvest and cost of post-harvest activities to prepare bulk product is \$0.61 per gram as at December 31, 2025 (December 31, 2024 - \$0.44 per gram).

The expected average fair values were determined by using recent bulk flower purchases, the Company's historical purchases and sales, and the Company's expected purchase price going forward. The estimates of growing cycle, harvest yield and costs per gram are based on the Company's historical results. These assumptions are subject to volatility and several uncontrollable factors, which could significantly affect the fair value of biological assets in future periods.

The Company expects that a \$0.10 increase or decrease in the selling price per gram of dried cannabis would increase or decrease the fair value of biological assets by \$14. A 5% increase or decrease in the estimated yield per cannabis plant would result in an increase or decrease in the fair value of biological assets of \$8. Additionally, an increase or decrease of 10% in the costs of production would decrease or increase the fair value of biological assets by \$16.

MEDIPHARM LABS CORP.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

As at and for the years ended December 31, 2025 and 2024

(All dollar amounts disclosed are expressed in Canadian dollars (C\$'000s) except per share and exercise price amounts.)

NOTE 8– OTHER ASSETS

	December 31, 2025	December 31, 2024
Current assets		
Deposits and down payments (1)	562	185
Prepaid insurance	337	424
Other (2)	215	213
	1,114	822
	December 31, 2025	December 31, 2024
Non-current assets		
Deposits and down payments (1)	-	635
	-	635

- (1) Deposits and down payments primarily include the down payments to suppliers for the purchase of inventory. The non-current deposits relate to inventory credit received from one of the Company's customers in connection with the settlement of a long outstanding receivable.
- (2) Other includes prepaid expense for software licenses, software maintenance services, professional services, and property taxes.

MEDIPHARM LABS CORP.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

As at and for the years ended December 31, 2025 and 2024

(All dollar amounts disclosed are expressed in Canadian dollars (C\$'000s) except per share and exercise price amounts.)

NOTE 9 – ASSETS HELD FOR SALE

Hope Facility

During the year, the Company completed the sale of its facility located in Hope, British Columbia, including certain machinery and office equipment (the “Hope Facility Sale”). These assets had previously been classified as held for sale in accordance with IFRS 5 – Non-Current Assets Held for Sale and Discontinued Operations. The sale resulted in net proceeds of \$4,245 and a gain on disposal of \$271 was recognized in the consolidated statement of profit or loss, measured as the difference between the carrying amount of the assets and the net proceeds received. The Company also adjusted for final expenses of \$19 withheld by the buyer and other expected costs to cover certain future repairs in the facility, up to a maximum of \$200. The expected cost of \$200 has been included in other payables in the statement of financial position. Subsequently, the final cost for the repairs of the facility was determined to be \$175.

Lands

During the year, the Company recognized an impairment loss of \$115 on a parcel of land located on Yale Road in Hope, British Columbia, reducing its carrying amount to its recoverable amount. The land was subsequently sold for net proceeds of \$440, which equalled its carrying amount at the date of disposal. Accordingly, no further gain or loss on disposal was recognized in the consolidated statement of profit or loss.

The movement in the balance in respect of assets held for sale during the year was as follows:

	Hope Facility	Lands	Total
January 1, 2025	3,793	555	4,348
Impairments (Note 19)	-	(115)	(115)
Dispositions	(3,793)	(440)	(4,233)
December 31, 2025	-	-	-

MEDIPHARM LABS CORP.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

As at and for the years ended December 31, 2025 and 2024

(All dollar amounts disclosed are expressed in Canadian dollars (C\$'000s) except per share and exercise price amounts.)

NOTE 10 – PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS (Continued)

	January 1, 2024	Additions	Transfers (1)	Impairment	Transfer to Assets held for sale	Disposals	December 31, 2024
Cost							
Land	2,813	-	-	-	(950)	-	1,863
Building and building improvements	27,837	26	-	-	(2,890)	-	24,973
Leasehold improvements	209	-	-	-	-	-	209
Computers	1,380	7	-	-	-	(8)	1,379
Office equipment	255	-	-	-	(42)	-	213
Machinery and plant equipment	15,825	78	2,500	-	(186)	(5,482)	12,735
Motor vehicles	37	-	-	-	-	-	37
Security equipment	738	-	-	-	-	-	738
Construction in progress (1)	2,502	43	(2,500)	-	-	-	45
Right-of-use assets (Note 10.1)	658	69	-	-	-	(437)	290
	52,254	223	-	-	(4,068)	(5,927)	42,482
Less: Accumulated depreciation and impairment losses							
Building and building improvements	9,327	844	-	-	(181)	-	9,990
Leasehold improvements	154	11	-	-	-	-	165
Computers	1,344	34	-	-	-	(7)	1,371
Office equipment	201	29	-	-	(21)	-	209
Machinery and plant equipment	12,263	1,418	2,410	-	(73)	(5,432)	10,586
Motor vehicles	33	4	-	-	-	-	37
Security equipment	718	17	-	-	-	-	735
Construction in progress	2,410	-	(2,410)	-	-	-	-
Right-of-use assets (Note 10.1)	532	65	-	70	-	(437)	230
	26,982	2,422	-	70	(275)	(5,876)	23,323
Net book value	25,272						19,159

- (1) Construction in progress consists of the machinery in the installation process and renovation and expansion of building. Certain construction in progress assets were transferred to other classes within property, plant and equipment upon completion of the construction and installation.

MEDIPHARM LABS CORP.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

As at and for the years ended December 31, 2025 and 2024

(All dollar amounts disclosed are expressed in Canadian dollars (C\$'000s) except per share and exercise price amounts.)

NOTE 10 – PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS (Continued)

10.1 Right-of-use assets

The Company leases assets. The details of the asset types where the Company is lessee are listed below. Total amount of leases with a term of 12 months or less (“short-term leases”) expensed to the consolidated statements of loss for the year ended December 31, 2025 is \$38 (December 31, 2024: \$42).

	January 1, 2025	Additions	December 31, 2025
Cost			
Right-of-use assets			
-Building	290	-	290
	290	-	290
Less: Accumulated depreciation and impairment			
Right-of-use assets			
-Building	230	35	265
	230	35	265
Net book value	60		25

	January 1, 2024	Additions	Impairment (1)	Disposals	December 31, 2024
Cost					
Right-of-use assets					
-Land	117	-	-	(117)	-
-Building	342	69	-	(121)	290
-Equipment	167	-	-	(167)	-
-IT equipment	32	-	-	(32)	-
	658	69	-	(437)	290
Less: Accumulated depreciation and impairment					
Right-of-use assets					
-Land	117	-	-	(117)	-
-Building	221	60	70	(121)	230
-Equipment	167	-	-	(167)	-
-IT equipment	27	5	-	(32)	-
	532	65	70	(437)	230
Net book value	126				60

(1) In 2024, the Company discontinued the use of one of its leased facilities and recognized an impairment of \$70 on the balance of the asset.

MEDIPHARM LABS CORP.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

As at and for the years ended December 31, 2025 and 2024

(All dollar amounts disclosed are expressed in Canadian dollars (C\$'000s) except per share and exercise price amounts.)

NOTE 10 – PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS (Continued)

10.2 Intangible assets

	January 1, 2025	Additions	December 31, 2025
Cost			
Brands	950	-	950
Licenses	225	-	225
GMP certification	180	-	180
	1,355	-	1,355

Less: Accumulated amortization and impairment

Brand	382	110	492
Licenses	79	45	124
GMP certification	40	24	64
	501	179	680
Net book value	854		675

	January 1, 2024	Additions	December 31, 2024
Cost			
Brands	950	-	950
Licenses	225	-	225
GMP certification	180	-	180
	1,355	-	1,355

Less: Accumulated amortization and impairment

Brand	272	110	382
Licenses	34	45	79
GMP certification	17	23	40
	323	178	501
Net book value	1,032		854

NOTE 11 – TRADE AND OTHER PAYABLES

	December 31, 2025	December 31, 2024
Payable to suppliers (1)	4,715	4,237
Accrued liabilities (2)	3,206	2,188
Contract liabilities (3)	76	148
Deposits from customers (4)	498	459
Other (5)	706	826
	9,201	7,858

MEDIPHARM LABS CORP.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

As at and for the years ended December 31, 2025 and 2024

(All dollar amounts disclosed are expressed in Canadian dollars (C\$'000s) except per share and exercise price amounts.)

NOTE 11 – TRADE AND OTHER PAYABLES (Continued)

- (1) Payable to suppliers are amounts due to vendors for unpaid goods and services received arising in the ordinary course of business. Trade payables are typically short term in nature with due dates less than 60 days.
- (2) Accrued liabilities mainly result from products and services received from third parties related to ordinary course of business for which invoices have not been received as of the reporting date, and also includes severance liabilities of \$1,078 (December 31, 2024: \$500).
- (3) Contract liabilities comprise of advance consideration received from customers for contracts that include revenue recognition over time. During the year ended December 31, 2025, the Company recognized revenue amounting to \$140 from contract liabilities and received additional advance consideration of \$68 (December 31, 2024: \$121 and \$157 respectively).
- (4) Deposits from customers comprise of down payments from customers for products to be delivered.
- (5) Other includes HST/GST/QST payable and excise tax payable and expected costs to cover certain future repairs in the Hope facility (Note 9).

NOTE 12 – PROVISIONS, CONTINGENT ASSETS AND LIABILITIES AND COMMITMENTS

12.1 Litigation and claims

On May 5, 2025, Apollo Technology Capital Corporation (“Apollo”), Nobul Technologies Inc. (“Nobul”) and Regan McGee (collectively, the “Plaintiffs”) filed a Statement of Claim in the Ontario Superior Court of Justice against Tyr LLP (“Tyr”), a partner of Tyr, David Pidduck, who was at the time the Chief Executive Officer and a director of the Company, and Chris Taves, Chairman of the Board of the Company (the “Apollo Claim”).

The Apollo Claim alleged, among other things, that Tyr acted for the Company despite an alleged conflict of interest, breached fiduciary duties and duties of confidence, and sought various forms of relief, including damages of \$50,000,000 for defamation, as well as an interim, interlocutory and/or permanent order restraining Tyr from continuing to act as counsel for the Company.

On May 23, 2025, the Plaintiffs agreed to dismiss the Apollo Claim as against Tyr and its partner with prejudice and acknowledged that neither had misused confidential information nor acted in a conflict of interest by representing the Company. Messrs. Pidduck and Taves subsequently brought a motion under section 137.1 of the Courts of Justice Act seeking dismissal of the Apollo Claim against them on the basis that it constituted a Strategic Lawsuit Against Public Participation. The motion was heard on October 31, 2025, and on November 12, 2025, the Court granted the motion and dismissed the Apollo Claim against Messrs. Pidduck and Taves. On January 30, 2026, the Plaintiffs filed an appeal with the Court of Appeal for Ontario (the “Appeal”). A hearing date of October 14, 2026 has been set for the Appeal.

Separately, on May 1, 2025, Apollo submitted a notice to the Company pursuant to section 4.4 of the Company’s by-laws of its intention to nominate six (6) directors (the “Dissident Nominees”) for election at the annual and special meeting of shareholders held on June 16, 2025 (the “ASM”). On May 7, 2025, Apollo filed a dissident information circular on SEDAR+, which was subsequently amended and restated on May 15, 2025, and further amended on May 20, 2025 (the “Dissident Circular”). The Dissident Circular, among other things, disclosed Apollo’s intention to nominate the Dissident Nominees at the ASM and recommended that shareholders of the Company vote for the Dissident Nominees and against management’s director nominees (the “Proxy Contest”).

MEDIPHARM LABS CORP.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

As at and for the years ended December 31, 2025 and 2024

(All dollar amounts disclosed are expressed in Canadian dollars (C\$'000s) except per share and exercise price amounts.)

NOTE 12 – PROVISIONS, CONTINGENT ASSETS AND LIABILITIES AND COMMITMENTS (Continued)

On May 12, 2025, Apollo and Nobul applied to the Superior Court of Justice – Ontario (Commercial List) (the “Court”) seeking, amongst other remedies, the appointment of a third-party independent chair and no fewer than five scrutineers for the ASM (the “Apollo Application”). On June 11, 2025, the Court dismissed the Apollo Application in full and, on July 28, 2025, awarded the Company \$85,000 in costs, which the Company subsequently received.

On May 27, 2025, the Company filed an application with the Court concerning the conduct of Apollo and certain other parties (the “Respondents”) in connection with the Proxy Contest (the “MediPharm Application”), seeking production of documentation and information relevant to the Proxy Contest and, if necessary and only in circumstances where any of the Dissident Nominees were elected to the Board at the ASM, an order invalidating proxies, voting support agreements or votes cast at the ASM if obtained by the Respondents in breach of securities or corporate law.

At the ASM held on June 16, 2025, management’s director nominees – Chris Halyk, Emily Jameson, John Medland, David Pidduck, Shelley Potts, Keith Strachan and Chris Taves – were elected to the Board of Directors. As none of the Dissident Nominees were elected at the ASM, the Company has not, as at the date hereof, pursued the MediPharm Application further.

The Company has not recognized a liability in connection with the Apollo Claim and the MediPharm Application, as management has determined that it is not probable that these proceedings will result in any future cash outflow by the Company.

NOTE 13 – EMPLOYEE BENEFIT OBLIGATIONS

	December 31, 2025	December 31, 2024
Accrued employee compensation	495	2,277
Leave obligations	29	23
	524	2,300

The leave obligations represent the Company’s accrued liability in connection with employees’ annual leave which are short-term benefits.

NOTE 14 – LOANS AND BORROWINGS

	December 31, 2025	December 31, 2024
Current liabilities		
Loans and borrowings (1)	150	258
Lease liability (2)	51	79
	201	337
	December 31, 2025	December 31, 2024
Non-current liabilities		
Lease liability (2)	-	51
	-	51
Total loans and borrowings	201	388

MEDIPHARM LABS CORP.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

As at and for the years ended December 31, 2025 and 2024

(All dollar amounts disclosed are expressed in Canadian dollars (C\$'000s) except per share and exercise price amounts.)

NOTE 14 – LOANS AND BORROWINGS (Continued)

- (1) Loans and borrowings comprise a financing arrangement for the Company's insurance premiums. Under the current financing arrangement, the Company borrowed a notional amount of \$500 and repaid \$350 during the year ended December 31, 2025 (December 31, 2024: borrowed \$749 and repaid \$519). The debt bears interest at 5.89%, matures on March 30, 2026, and is repayable in three remaining equal monthly instalments. Under previous financing arrangements, the Company repaid \$258 during the year ended December 31, 2025 (December 31, 2024: \$327).
- (2) The Company has a building lease with maturities of less than 12 months. Lease liabilities are measured using an incremental borrowing rate of 7.7%. The maturity analysis of lease liability based on contractual undiscounted cash flow is included in Note 23.2.

NOTE 15 – CAPITAL, RESERVES AND OTHER EQUITY ITEMS

15.1 Common shares issued

The Company is authorized to issue an unlimited number of Common Shares. Holders of the Common Shares are entitled to one vote per share at shareholder meetings of the Company. For the year ended December 31, 2025, 50,000 stock options (December 31, 2024: 196,571 stock options) were exercised through the issuance of 14,815 Common Shares for proceeds of \$nil (December 31, 2024: \$14), resulting in an increase to Common Shares on the consolidated statement of financial position of \$1 (December 31, 2024: \$15). In addition, during the year ended December 31, 2025, 16,943,057 RSUs (December 31, 2024: 24,008,225) were settled through the issuance of 9,800,809 Common Shares (December 31, 2024: 13,454,634), resulting in an increase to Common Shares on the consolidated statement of financial position of \$693 (December 31, 2024: \$951). The unissued shares are withheld for tax obligations, which are settled in cash by the Company. Of the total share-based compensation of \$1,858 reported in the prior year, \$739 was paid in cash to settle the tax obligations resulting from the exercise of RSUs and the remainder is the result of the vesting of options and RSUs.

15.2 Stock options / Share based compensation

On June 20, 2025, the Company granted options to purchase up to 1,964,636 Common Shares with an exercise price of \$0.0801 per share for a 5-year term expiring June 20, 2030, under the Company's omnibus equity incentive plan. The options vest in two equal tranches, with 50% vesting immediately on the date of the grant and 50% vesting six months from the date of the grant. Total fair value of the options issued was \$100 and was estimated using the Black Scholes option pricing model, using the following assumptions: estimated volatility of 86.27%, expected life of 5 years, a risk-free rate of 2.92%, a forfeiture rate of 5.17%, and a share price of \$0.075.

On December 9, 2025, the Company granted options to purchase up to 713,821 Common Shares with an exercise price of \$0.07 per share for a 5-year term expiring December 9, 2030, under the Company's omnibus equity incentive plan. The vesting for the options is 50% every six months, with 50% vesting six months from the date of the grant, until fully vested. Total fair value of the options issued was \$31 and was estimated using the Black Scholes option pricing model, using the following assumptions: estimated volatility of 86.21%, expected life of 5 years, a risk-free rate of 3.07%, a forfeiture rate of 4.47%, and a share price of \$0.065. The expected life of the stock options is based on historical data and current expectations and is not necessarily indicative of exercise patterns that may occur. The expected volatility reflects the assumption

MEDIPHARM LABS CORP.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

As at and for the years ended December 31, 2025 and 2024

(All dollar amounts disclosed are expressed in Canadian dollars (C\$'000s) except per share and exercise price amounts.)

NOTE 15 – CAPITAL, RESERVES AND OTHER EQUITY ITEMS (Continued)

that the historical volatility over a period similar to the life of the options is indicative of future trends, which may not necessarily be the actual outcome.

	2025		2024	
	Number of options	Weighted average exercise price \$	Number of options	Weighted average exercise price \$
As at January 1	37,000,534	0.148	40,938,502	0.260
Issued during the year	2,678,457	0.077	3,861,505	0.065
Exercised during the year	(50,000)	0.062	(196,571)	0.065
Forfeited/cancelled during the year	(1,262,667)	1.106	(7,602,902)	0.816
As at December 31	38,366,324	0.111	37,000,534	0.148

The range of exercise prices for options outstanding as at December 31, 2025 is as below:

Exercise price range	Weighted average remaining contractual life (years) 2025	Number of outstanding options 2025
Equal to \$0.06 and less than \$0.10 ⁽¹⁾	3.06	25,542,674
Equal to \$0.10 and less than \$0.15	1.43	5,183,650
Equal to \$0.15 and less than \$0.20	1.02	6,700,000
Equal to \$0.20 and less than \$0.50	0.20	310,000
Equal to \$0.50 and less than \$1.00	0.08	630,000
		38,366,324

(1) No options had an exercise price less than \$0.06.

15.3 RSUs / Share based compensation

The Company has the option of settling the RSUs in Common Shares or cash.

	2025 Number of RSUs	2024 Number of RSUs
As at January 1	15,671,086	24,670,248
Granted during the period	7,540,678	15,508,586
Settled during the period	(16,943,057)	(24,008,225)
Forfeited during the period	-	(499,523)
As at December 31	6,268,707	15,671,086

MEDIPHARM LABS CORP.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

As at and for the years ended December 31, 2025 and 2024

(All dollar amounts disclosed are expressed in Canadian dollars (C\$'000s) except per share and exercise price amounts.)

NOTE 16 – EARNINGS (LOSS) PER SHARE (EPS)

The following table reflects the income and share data used in the basic and diluted EPS calculations:

	2025	2024
Loss attributable to equity holders of the Company	(8,267)	(10,694)
Weighted average number of shares for basic and diluted EPS	418,321,676	407,993,353
Basic and diluted EPS	(0.02)	(0.03)

For the years ended December 31, 2025 and 2024, since the Company reported a loss, the effects of stock options and RSUs were considered anti-dilutive.

NOTE 17 – REVENUE

The revenue from contracts with customers is disaggregated by geographical market, revenue streams and timing of revenue recognition as follows.

	2025	2024
Canada	19,761	24,146
International sales		
Australia	10,717	8,833
Germany	12,006	8,575
Other	2,640	407
	45,124	41,961
Canadian Adult Use and Wellness	6,096	7,049
Canadian Medical Cannabis		
Clinics	1,868	2,206
Other Canadian Medical Cannabis	10,530	11,667
	12,398	13,873
International Medical Cannabis	25,168	17,637
Pharmaceutical and B2B	1,462	3,402
	45,124	41,961
Products transferred at a point in time	42,968	38,966
Products and services transferred over time	2,156	2,995
	45,124	41,961

MEDIPHARM LABS CORP.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

As at and for the years ended December 31, 2025 and 2024

(All dollar amounts disclosed are expressed in Canadian dollars (C\$'000s) except per share and exercise price amounts.)

NOTE 17 – REVENUE (Continued)

For the year ended December 31, 2025, the Company had two customers (year ended December 31, 2024: one) which individually contributed 10% or more of the Company's total revenue for the year. Individually, these customers represented 14.7% and 13.4% of total revenue for the year ended December 31, 2025 (year ended December 31, 2024: one customer represented 19.8%). The Company had no other customer that represented more than 10% of the Company's total revenues for the year ended December 31, 2025.

NOTE 18 – GENERAL ADMINISTRATIVE AND MARKETING AND SELLING EXPENSES

	2025	2024
Employee benefits (1)	6,942	8,492
Consulting and professional fees (2)	4,829	3,305
Depreciation	452	431
ECL (recovery) on receivables (Note 23.1)	46	(83)
Software and licenses	902	701
Rent and occupancy cost	406	608
Insurance	248	391
Health Canada fee and regulatory costs (3)	867	967
Supplies and small equipment (4)	132	218
Analytical testing	188	-
Other (5)	730	801
Total general administrative expenses	15,742	15,831

- (1) Employee benefits include severance expense of \$1,122 due to organizational restructuring for the year ended December 31, 2025 (year ended December 31, 2024: \$923).
- (2) Consulting and professional fees primarily consist of audit and tax, quality assurance, and legal services.
- (3) Health Canada fee and regulatory costs primarily consist of the Health Canada Annual Regulatory Fee levied at 2.3% of cannabis revenue, and other Health Canada fees.
- (4) Supplies and small equipment include office and other facility supplies.
- (5) Other includes office related expenses, utility expenses, subscriptions, and freight costs.

	2025	2024
Employee benefits (1)	1,450	1,909
Investor relations	195	191
Consulting and professional fees (2)	539	562
Advertising and promotion (3)	800	867
Freight	1,584	1,546
Other (4)	329	440
Total marketing and selling expenses	4,897	5,515

MEDIPHARM LABS CORP.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

As at and for the years ended December 31, 2025 and 2024

(All dollar amounts disclosed are expressed in Canadian dollars (C\$'000s) except per share and exercise price amounts.)

NOTE 18 – GENERAL ADMINISTRATIVE AND MARKETING AND SELLING EXPENSES (Continued)

- (1) Employee benefits include severance expense of \$67 due to organizational restructuring for the year ended December 31, 2025 (year ended December 31, 2024: \$32).
- (2) Consulting and professional fees include fees paid for contract sale services.
- (3) Advertising and promotion expenses cover the digital marketing, events and other advertisement related activities.
- (4) Other includes supplies and travel expenses.

NOTE 19 – OTHER OPERATING EXPENSES, NET

	2025	2024
Foreign exchange loss, net	37	(46)
Loss/(gain) on disposal of property, plant and equipment	147	(296)
Gain on disposal of assets held for sale (Note 9)	(271)	-
Impairment loss on asset held for sale (Note 9)	115	190
Impairment of property, plant and equipment (Note 10)	-	70
Other (1)	170	257
	198	175

- (1) Other includes bank and financial institution service fees. It also includes non-refundable deposits received during the year, in connection with the proposed sale of a subsidiary, offset by product credit impairment and other expenses.

NOTE 20 – EXPENSES BY NATURE

	2025	2024
Inventory and consumables recognized in cost of sales	21,067	15,155
Fair value adjustments in cost of sales	(405)	684
Write down of inventory to net realizable value (Note 6)	132	206
Employee compensation (1)	13,567	17,021
Consulting and professional fees (2)	5,435	3,997
ECL on trade receivables (3)	46	(83)
Share based compensation expense (4)	1,344	1,858
Supplies and small equipment (5)	860	1,082
Depreciation and amortization	1,660	2,600
Rent and occupancy cost	1,369	1,322
Foreign exchange loss /(gain)	37	(46)
Analytical testing	1,072	1,160
Advertising and promotion	868	949
Insurance	915	1,175
Software and licenses	1,276	979
Freight	1,667	1,644
Health Canada fee and regulatory costs (6)	867	967
Other (7)	1,783	2,100
	53,560	52,770

MEDIPHARM LABS CORP.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

As at and for the years ended December 31, 2025 and 2024

(All dollar amounts disclosed are expressed in Canadian dollars (C\$'000s) except per share and exercise price amounts.)

NOTE 20 – EXPENSES BY NATURE(Continued)

(1) Employee compensation includes severance cost in relation to restructuring measures undertaken by the Company during the year. For the year ended December 31, 2025, the severance cost incurred in relation to the restructuring amounted to \$1,275 (year ended December 31, 2024: \$1,227).

(2) Consulting and professional fees primarily consist of audit and tax services, quality assurance, legal services, contract sales, and regulatory consulting. This also includes \$2,505 of fees incurred in connection with the Company's response to a dissident information circular filed by Apollo, which disclosed Apollo's intention to nominate six directors at the annual and special meeting of shareholders held on June 16, 2025 (the "Proxy Contest"), as well as other related legal expenses (Note 12.1).

(3) For the year ended December 31, 2025, out of total share-based compensation expense of \$1,344 (December 31, 2024: \$1,858), general administrative expense portion is \$1,098 (December 31, 2024: \$1,477), marketing and selling expense portion is \$181 (December 31, 2024: \$88), cost of sales portion is \$108 (December 31, 2024: \$117) and research and development portion is \$nil (December 31, 2024: \$83).

(4) Supplies and small equipment include lab supplies, office supplies, other facility supplies, and facility maintenance costs.

(5) Health Canada fee and regulatory costs primarily consist of the Health Canada Annual Regulatory Fee levied at 2.3% of cannabis revenue, and other Health Canada fees.

(6) Other includes investor relations, travel expenses, bank fees, and repair and maintenance expenses. It also includes non-refundable deposits received during the year, in connection with the proposed sale of a subsidiary, offset by product credit impairment and other expenses.

NOTE 21– FINANCE INCOME / EXPENSES

	2025	2024
Interest income	232	691
Total finance income	232	691
Accretion expense on convertible debt	-	415
Interest expense	63	161
Total finance expense	63	576

MEDIPHARM LABS CORP.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

As at and for the years ended December 31, 2025 and 2024

(All dollar amounts disclosed are expressed in Canadian dollars (C\$'000s) except per share and exercise price amounts.)

NOTE 22 – INCOME TAX EXPENSE/RECOVERY AND DEFERRED TAX ASSETS

The taxes on income reflected on the consolidated statements of loss for the year ended December 31 are summarized below:

	2025	2024
Current income tax (recovery)/expense	-	-
Total income tax (recovery)/expense	-	-

Reconciliation of income tax is as below:

	2025	2024
Loss before tax	(8,267)	(10,694)
Tax recovery based on statutory rate	(2,190)	(2,384)
Tax effect of amounts which are non-deductible	353	(896)
Return to provision difference	-	-
Difference in provincial and overseas tax rates	(122)	(62)
Change in unrecognized deferred tax assets	1,959	2,000
Total income tax (recovery)/expense	-	-

The tax rate above is computed using the Canadian Federal and Ontario statutory tax rate of 26.5% (2024: 26.5%).

Deferred tax assets have not been recognized for losses and other deductible temporary differences as follows:

	2025	2024
Losses	264,642	246,578
Financing costs	-	703
Property, plant and equipment	5,500	5,768
Other items	949	1,138
Total unrecognized temporary differences	271,091	254,187

The tax benefit in connection with the Company's losses that may be available to reduce income tax in a future taxation period amounts to \$69,957 (2024: \$64,867).

	2025	Expiry	2024	Expiry
Canadian non-capital losses	239,940	2035 - 2045	223,490	2034 - 2044
Canadian capital losses	8,468	Indefinite	9,854	Indefinite
Foreign operating losses	16,234	Indefinite	13,234	Indefinite

MEDIPHARM LABS CORP.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

As at and for the years ended December 31, 2025 and 2024

(All dollar amounts disclosed are expressed in Canadian dollars (C\$'000s) except per share and exercise price amounts.)

NOTE 23 –FINANCIAL RISK MANAGEMENT AND CAPITAL MANAGEMENT

The Company is exposed to a variety of financial risks due to its operations. These risks include credit risk, market risk (foreign exchange risk) and liquidity risk. The Company's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Company's financial performance. Financial risk management is carried out by the subsidiaries of the Company under policies approved by the Company's Board of Directors.

23.1 Credit risk

Credit risk arises from deposits with banks and financial institutions and outstanding receivables if a customer or counterparty to a financial instrument fails to meet its contractual obligations.

The Company holds cash and cash equivalents of \$10,806 (December 31, 2024: \$11,690). The cash is held with banks and financial institutions that are either Schedule 1 Canadian banks, large credit unions, or other large foreign banks.

At December 31, 2025, the exposure to credit risk for gross trade receivables and contract assets by the type of customer is as follows:

	December 31, 2025	December 31, 2024
Business to business customers	5,545	5,366
Insurance companies	748	835
Distributors / Retailers (1)	494	755
	6,787	6,956

(1) Distributors / Retailers are largely comprised of provincial distributors.

As at December 31, 2025, the Company holds trade receivables from four customers representing 18%, 15%, 12% and 11% of total trade receivables (December 31, 2024: four customers representing 21%, 13%, 11% and 10%). The Company had no other customer that represented more than 10% of the Company's gross trade receivables.

The Company limits its exposure to credit risk from trade receivables and contract assets by negotiating full or partial advance payment from certain business-to-business customers before the shipment of the products. Also, the Company's management believes that the exposure to credit risk from distributors is very limited since most of the distributors are either government organizations or large reputable organizations. As at December 31, 2025, the allowance for expected credit losses in connection with its trade receivables and contract assets was \$20 (December 31, 2024: \$78).

MEDIPHARM LABS CORP.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

As at and for the years ended December 31, 2025 and 2024

(All dollar amounts disclosed are expressed in Canadian dollars (C\$'000s) except per share and exercise price amounts.)

NOTE 23 –FINANCIAL RISK MANAGEMENT AND CAPITAL MANAGEMENT (Continued)

23.1 Credit risk (Continued)

The aging of the Company's trade receivables at December 31, 2025 is as follows:

	December 31, 2025 Carrying amount	December 31, 2024 Carrying amount
Current (not past due)	4,656	5,958
1-30 days past due	1,863	727
31-90 days past due	229	19
90-270 days past due	13	128
270-365 days past due	20	60
>365 days	6	64
Gross trade receivables	6,787	6,956
Expected credit losses	(20)	(78)
Net trade receivables	6,767	6,878

The movement in the allowance for impairment in respect of trade receivables and contract assets during the year was as follows:

	2025	2024
Balance at January 1	78	208
Recoveries of loss allowance	(7)	(18)
Amounts written off	(104)	(141)
Net remeasurement of loss allowance	53	29
Expected credit losses as at December 31	20	78

23.2 Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash to meet obligations when due. At the end of the reporting period the Company held deposits at banks and financial institutions of \$10,806 (December 31, 2024: \$11,690) that are expected to readily generate cash inflows for managing liquidity risk. Due to the dynamic nature of the underlying businesses, the Company management maintains flexibility in funding by maintaining a minimum cash level at banks and financial institutions.

Management monitors rolling forecasts of the Company's liquidity reserve and cash and cash equivalents on the basis of expected cash flows.

MEDIPHARM LABS CORP.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

As at and for the years ended December 31, 2025 and 2024

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NOTE 23 –FINANCIAL RISK MANAGEMENT AND CAPITAL MANAGEMENT (Continued)

23.2 Liquidity risk (Continued)

The table below presents the Company's financial liabilities into relevant maturity groupings based on their contractual maturities. The amounts disclosed in the table are the contractual undiscounted cash flows.

Contractual maturities of financial liabilities At December 31 2025	Total				Total Contractual cash flows	Carrying amount
	Less than 6 months	6-12 months	12-36 months	36-60 months		
Trade and other payables	8,870	331	-	-	9,201	9,201
Employee benefit obligations	524	-	-	-	524	524
Other loans and borrowings	150	-	-	-	150	150
Lease liability	43	9	-	-	52	51
Total financial liabilities	9,587	340	-	-	9,927	9,926

Contractual maturities of financial liabilities At December 31 2024	Total				Total Contractual cash flows	Carrying amount
	Less than 6 months	6-12 months	12-36 months	36-60 months		
Trade and other payables	7,708	150	-	-	7,858	7,858
Employee benefit obligations	2,300	-	-	-	2,300	2,300
Loans and borrowings	258	-	-	-	258	258
Lease liability	42	42	51	-	135	130
Total financial liabilities	10,308	192	51	-	10,551	10,546

23.3 Market risk

Market risk is the risk that changes in market price - e.g. foreign exchange rates, interest rates and price risk – will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return on risk.

Foreign currency risk

Foreign exchange risk arises from recognized assets and liabilities denominated in a currency that is not the functional currency of the relevant Group entity. As of the end of the reporting period, the Company's foreign currency exposure is due to USD, EUR and AUD foreign currency denominated transactions.

A 5% strengthening of CAD against USD, EUR, and AUD would increase the Company's net loss by \$7, \$8, and \$19 respectively.

MEDIPHARM LABS CORP.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

As at and for the years ended December 31, 2025 and 2024

(All dollar amounts disclosed are expressed in Canadian dollars (C\$'000s) except per share and exercise price amounts.)

NOTE 23 – FINANCIAL RISK MANAGEMENT AND CAPITAL MANAGEMENT (Continued)

23.4 Capital risk management

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern, in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

Management defines capital as the Company's shareholders' equity and debt (consisting of the Company's loans and borrowings). As at December 31, 2025, total managed capital is \$36,013 (December 31, 2024: \$43,572). The Company's primary objective with respect to its capital management is to ensure that it has sufficient cash resources to fund both existing and future value-added growth opportunities. To secure the additional capital necessary to pursue these plans, the Company may attempt to raise additional funds through the issuance of equity or by securing strategic partners or through debt financing.

NOTE 24 – FAIR VALUE OF FINANCIAL INSTRUMENTS

Judgements and estimates are made in determining the fair values of the financial instruments that are recognized and measured at fair value in the Consolidated Financial Statements. To provide an indication about the reliability of the inputs used in determining fair value, the Company has classified its financial instruments into the three levels as follows:

Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;

Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and

Level 3 inputs are unobservable inputs for the asset or liability.'

During the year ended December 31, 2025, there were no transfers between levels. The Company does not have any level 3 financial instruments.

NOTE 25 – SEGMENT INFORMATION

The Company operates in one reportable segment, the production and sales of cannabis flower, extracts and derivative products. The Company's country of domicile is Canada. The carrying value of non-current assets located in Canada and outside of Canada is \$18,271 and \$nil (December 31, 2024: \$20,648 and \$nil), respectively and these assets are primarily made up of property, plant and equipment and deposits given for property, plant and equipment.

MEDIPHARM LABS CORP.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

As at and for the years ended December 31, 2025 and 2024

(All dollar amounts disclosed are expressed in Canadian dollars (C\$'000s) except per share and exercise price amounts.)

NOTE 26 – TRANSACTIONS AND BALANCES WITH RELATED PARTIES

26.1 Key management personnel compensation

The Company has determined that key management personnel consist of directors and officers in the Company. The non-share-based compensation remuneration to directors and officers during the year ended December 31, 2025 was \$1,191 (year ended December 31, 2024: \$1,761) and is included in general and administrative expenses.

During the year ended December 31, 2025 the Company issued 1,964,636 options at an average exercise price of \$0.0801 per share (year ended December 31, 2024: nil options at \$nil per share) and 5,427,685 RSUs (year ended December 31, 2024: 10,344,533 RSUs) to its key management personnel and recognized total share-based compensation expense to key management personnel of \$862 (year ended December 31, 2024: \$1,157).

During the year ended December 31, 2025, the Company's key management personnel exercised nil options for gross proceeds of \$nil (year ended December 31, 2024: nil options for gross proceeds of \$nil) and 11,779,004 RSUs held by the Company's key management personnel were settled through the issuance of 7,401,067 Common Shares amounting to \$525 (year ended December 31, 2024: 16,415,939 RSUs were exercised through the issuance of 9,919,972 Common Shares amounting to \$711). The unissued shares are withheld for taxes.

26.2 Transactions and balances with key management personnel

Several key management personnel hold positions in other companies that result in them having control or significant influence over these companies. The Company had no transactions with these companies during the years ended December 31, 2025 and 2024.

As at December 31, 2025, the Company has \$967 (December 31, 2024: \$995) due to key management personnel and no amount was due to entities over which they have control or significant influence (December 31, 2024: \$nil). The balance due to key management personnel comprise of accrued compensation and is included in current employee benefit obligations in the consolidated statements of financial position.

NOTE 27 – EVENTS AFTER THE REPORTING PERIOD

No event, which is material to the understanding of this report, has occurred between the year-end date and the date of this report.