

DECIBEL CANNABIS COMPANY INC.

Condensed Consolidated Interim Financial Statements

For the three and nine months ended September 30, 2025 and 2024
(In Canadian Dollars)

DECIBEL CANNABIS COMPANY INC.**Condensed Consolidated Interim Statements of Financial Position**

As at September 30, 2025 and December 31, 2024

(Unaudited - In thousands of Canadian dollars)

	Notes	September 30, 2025	December 31, 2024
Assets			
Current assets			
Cash		6,081	6,997
Accounts receivable	3	20,633	11,786
Other current assets	6	2,526	2,419
Biological assets	4	1,911	1,541
Inventory	5	33,367	41,795
		64,518	64,538
Property, plant and equipment		68,006	70,056
Right-of-use assets		9,413	10,589
Other long-term assets	6	3,854	5,685
Intangible assets		640	990
		146,431	151,858
Liabilities			
Current liabilities			
Accounts payable and accrued liabilities	17	36,383	38,195
Current portion of lease liabilities		2,464	1,878
Current portion of long-term debt	8	9,070	8,767
Other current liabilities		132	221
		48,049	49,061
Long-term lease liabilities		7,040	8,218
Long-term debt	8	27,198	29,459
Other long-term liabilities	10	563	405
		82,850	87,143
Shareholders' equity			
Share capital	9	63,248	63,225
Reserves	10	16,646	16,208
Deficit		(16,313)	(14,718)
		63,581	64,715
		146,431	151,858
Commitments and contingencies (Note 18)			

Approved on behalf of the board:

"Nadia Vattovaz"
Signed: Director"Shawn Dym"
Signed: Chairman

The accompanying notes are an integral part of these condensed consolidated interim financial statements.

DECIBEL CANNABIS COMPANY INC.

Condensed Consolidated Interim Statements of Income (Loss) and Comprehensive Income (Loss)

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

(Unaudited - In thousands of Canadian dollars, except share and per share amounts)

	Notes	Three months ended September 30		Nine months ended September 30	
		2025	2024	2025	2024
Revenue					
Gross revenue	11	47,377	36,896	123,370	103,235
Excise taxes	11	(14,465)	(12,787)	(39,375)	(36,010)
Net revenue	11	32,912	24,109	83,995	67,225
Cost of goods sold	5	17,552	11,393	44,014	35,194
Gross profit before fair value adjustments		15,360	12,716	39,981	32,031
Unrealized gain on changes in fair value of biological assets	4	4,463	1,201	14,142	9,108
Change in fair value of biological assets realized through inventory sold	5	(9,560)	(3,844)	(22,794)	(12,090)
Gross profit		10,263	10,073	31,329	29,049
Selling, general and administration	13	9,030	8,480	25,199	23,170
Depreciation and amortization		1,676	1,219	4,972	3,640
Share-based compensation (recovery)	10	478	162	832	(631)
		11,184	9,861	31,003	26,179
Income from continuing operations		(921)	212	326	2,870
Non-operating items:					
Finance costs	12	661	728	2,022	2,253
Foreign exchange loss (income)		115	104	263	189
Other loss (income)		(357)	(27)	(364)	134
Impairment loss		-	(672)	-	-
(Loss) income before income taxes		(1,340)	79	(1,595)	294
Current income taxes		-	-	-	-
Deferred incomes taxes		-	-	-	-
		-	-	-	-
Net (loss) income and comprehensive (loss) income from continuing operations		(1,340)	79	(1,595)	294
Net loss and comprehensive loss from discontinued operations	7	-	(664)	-	(4,090)
Net loss and comprehensive loss		(1,340)	(585)	(1,595)	(3,796)
Loss per share from continuing operations					
Basic loss per share from continuing operations	14	-	-	-	-
Diluted loss per share from continuing operations	14	-	-	-	-
Loss per share from discontinued operations					
Basic loss per share from discontinuing operations	14	-	-	-	(0.01)
Diluted loss per share from discontinuing operations	14	-	-	-	(0.01)
Weighted average number of shares outstanding					
Basic	14	576,861,161	409,039,064	578,985,649	409,039,064
Diluted	14	576,861,161	409,039,064	578,985,649	409,039,064

The accompanying notes are an integral part of these condensed consolidated interim financial statements.

DECIBEL CANNABIS COMPANY INC.

Condensed Consolidated Interim Statements of Changes in Equity

For the nine months ended September 30, 2025 and 2024

(thousands of Canadian dollars, except share amounts)

	Number of shares (Note 9) #	Share capital (Note 9) \$	Reserves		Deficit \$	Total \$
			Warrants (Note 10) \$	Contributed surplus (Note 10) \$		
Balance, January 1, 2024	409,039,064	54,078	3,680	12,619	(24,181)	46,196
Share based compensation	-	-	-	138	-	138
Expired warrants	-	-	(3,680)	3,680	-	-
Comprehensive loss	-	-	-	-	(3,796)	(3,796)
Balance, September 30, 2024	409,039,064	54,078	-	16,437	(27,977)	42,538
Balance, January 1, 2025	576,736,161	63,225	-	16,208	(14,718)	64,715
Exercise of restricted share units	125,000	23	-	(23)	-	-
Share based compensation	-	-	-	461	-	461
Comprehensive loss	-	-	-	-	(1,595)	(1,595)
Balance, September 30, 2025	576,861,161	63,248	-	16,646	(16,313)	63,581

The accompanying notes are an integral part of these condensed consolidated interim financial statements.

DECIBEL CANNABIS COMPANY INC.**Condensed Consolidated Interim Statements of Cash Flows**

For the nine months ended September 30, 2025 and 2024

(Unaudited - In thousands of Canadian dollars)

September 30,	Notes	2025	2024	2025	2024
Cash (used in) provided by					
Operating activities					
Net (loss) income from continuing operations		(1,340)	79	(1,595)	294
Depreciation and amortization		1,676	1,219	4,972	3,640
Finance costs	12	661	728	2,022	2,253
Unrealized gain on changes in fair value of biological assets	4	(4,463)	(1,201)	(14,142)	(9,108)
Change in fair value of biological assets realized	5	9,560	3,844	22,794	12,090
Impairment loss		-	(672)	-	-
Share-based compensation (recovery)	10	478	162	832	(631)
Other non-cash items		(263)	-	(263)	229
Interest paid on long-term debt and lease liabilities	12	(649)	(717)	(1,986)	(2,217)
Changes in non-cash working capital	16	(3,890)	(1,482)	(8,892)	(6,621)
Cash provided by (used in) continuing operating activities		1,770	1,960	3,742	(71)
Cash provided by discontinued operating activities	7	-	(54)	-	3,837
Cash provided by operating activities		1,770	1,906	3,742	3,766
Investing activities					
Purchase of property, plant and equipment		(171)	(133)	(1,179)	(508)
Payment of initial direct lease costs		(4)	-	(4)	-
Purchase of intangible assets		(62)	-	(62)	(239)
Cash used in continuing investing activities		(237)	(133)	(1,245)	(747)
Cash used in discontinued investing activities	7	-	-	-	(7)
Cash used in investing activities		(237)	(133)	(1,245)	(754)
Financing activities					
Payment of cash-settled share-based instruments		177	-	-	-
Repayment of long-term debt	8	(476)	(714)	(1,994)	(2,081)
Repayment of lease liabilities		(499)	(442)	(1,419)	(1,340)
Cash used in continuing financing activities		(798)	(1,156)	(3,413)	(3,421)
Cash used in discontinued financing activities	7	-	-	-	(51)
Cash used in financing activities		(798)	(1,156)	(3,413)	(3,472)
Decrease in cash		735	617	(916)	(460)
Cash, beginning of period		5,346	2,404	6,997	3,481
Cash, end of period		6,081	3,021	6,081	3,021

The accompanying notes are an integral part of these condensed consolidated interim financial statements.

DECIBEL CANNABIS COMPANY INC.

Notes to the Condensed Consolidated Interim Financial Statements

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

(thousands of Canadian dollars, except share amounts)

1. Nature of operations and general information

(a) Nature of operations

Decibel Cannabis Company Inc. (the “Company” or “Decibel”) is a vertically integrated cannabis company with three cultivation facilities, one of which was acquired on October 28, 2024, another that received its licensing in January of 2021, and a processing and extraction facility which received its licensing in 2020. The common shares of Decibel (“Common Shares”) trade on the TSX-Venture Exchange (“TSX-V”) under the ticker symbol “DB” and on the OTCQB Venture Market under the symbol “DBCCF”.

These condensed consolidated interim financial statements have been prepared on a going concern basis which assumes the Company will be able to realize its assets and settle its obligations in the normal course of business. The ability of the Company to carry out its planned business objectives is dependent on its ability to raise adequate financing from lenders, shareholders and other investors and/or continue to generate operating profitability and positive cash flow.

The condensed consolidated interim financial statements for the three and nine months ended September 30, 2025 and 2024, include Decibel Cannabis Company Inc. and its subsidiaries.

(b) General information

The head office and principal address of the Company is Suite 1440, 140 - 4 Avenue SW, Calgary, AB, Canada.

Subsidiary	Place of incorporation	Percentage of ownership		Accounting method
		September 30, 2025	December 31, 2024	
Decibel Cannabis Company Inc.	Alberta	100%	100%	Consolidation
Decibel Labs Holdings Inc.	Alberta	100%	100%	Consolidation
Westleaf Labs Inc.	Alberta	100%	100%	Consolidation
Westleaf Labs LP	Alberta	100%	100%	Consolidation
We Grow B.C. Ltd.	British Columbia	100%	100%	Consolidation
1070582 B.C. Ltd.	British Columbia	100%	100%	Consolidation
R. Spetifore & Sons Ltd.	British Columbia	100%	100%	Consolidation
Thunderchild Holdings Inc.	Alberta	100%	100%	Consolidation
dB Thunderchild Cultivation Inc.	Alberta	100%	100%	Consolidation
dB Thunderchild Cultivation LP	Alberta	100%	100%	Consolidation
dB Retail Holdings Inc.	Alberta	100%	100%	Consolidation
AgMedica Bioscience Inc.	Ontario	100%	100%	Consolidation

2. Basis of presentation

(a) Statement of compliance

The condensed consolidated interim financial statements of the Company have been prepared in accordance with IAS 34 Interim Financial Reporting.

2. Basis of presentation (continued)

(a) Statement of compliance (continued)

The condensed consolidated interim financial statements do not include all of the information required for full annual financial statements. The accounting policies and critical estimates applied by the Company in the condensed consolidated interim financial statements are the same as those applied in the Company's annual consolidated financial statements for the year ended December 31, 2024. Accordingly, these condensed consolidated interim financial statements should be read in conjunction with the annual consolidated financial statements as at and for the year ended December 31, 2024, as filed on SEDAR+ at www.sedarplus.ca.

The condensed consolidated interim financial statements were approved and authorized for issue by the Board of Directors (the "Board") of the Company on November 18, 2025.

(b) Basis of measurement

The condensed consolidated interim financial statements have been prepared on a historical cost basis except for biological assets and cash-settled share-based instruments which are measured at fair value.

(c) Functional currency and presentation of foreign currency

The functional currency of the Company and all of its subsidiaries is Canadian dollars. These condensed consolidated interim financial statements are presented in Canadian dollars unless otherwise noted.

(d) Basis of consolidation

Directly and indirectly controlled entities are treated as subsidiaries of the Company and are included in the condensed consolidated interim financial statements. Control exists when the Company has the power to govern the financial and operating policies of an entity and be exposed to the variable returns achieved by the entity. All significant intercompany balances and transactions are eliminated on consolidation.

(e) Discontinued operations

In April 2024, the Company completed the sale of its Prairie Records retail asset to Fire and Flower Inc., a wholly owned subsidiary of 2759054 Ontario Inc., operating as FIKA. The accompanying notes to the condensed consolidated interim financial statements have been updated to reflect the impact of the sale, with prior year balances revised to present only the continuing operations. For further details on the assets held for sale and discontinued operations, refer to Note 7.

3. Accounts receivable

The Company's account receivable consists of the following:

	September 30, 2025	December 31, 2024
Accounts receivable	19,396	11,695
Receiver general	1,237	91
Balance, end of period	20,633	11,786

4. Biological assets

	September 30, 2025	December 31, 2024
Balance, beginning of year	1,541	1,891
Unrealized gain on changes in fair value of biological assets	14,142	10,792
Capitalized costs during biological transformation	9,600	9,740
Transferred to inventory upon harvest	(23,372)	(20,882)
Balance, end of period	1,911	1,541

The Company measures its biological assets at their fair value less costs to sell and costs to complete. Fair value less costs to sell and costs to complete is determined using a model which estimates the expected harvest yield per plant applied to the estimated price per gram less costs to sell and complete.

The following estimates and assumptions all of which are classified as level 3 on the fair value hierarchy, were used by management as part of this model:

- Average selling price per gram - determined wholesale fair market value selling price of dry flower and trim, net of excise taxes.
- Stage of growth - represents the weighted average number of weeks out of the 16-week growing cycle that biological assets have reached as of the measurement date.
- Average yield per plant - represents the expected number of grams of finished cannabis inventory which are expected to be obtained from each harvested cannabis plant.
- Post-harvest costs - the costs are based on actual processing costs incurred by drying, trimming, testing, and packaging activities incurred in the period, including overhead allocations for these activities.

The following table quantifies each estimate and assumption, and also provides the dollar value impact on a 10% increase/decrease each input change would have on the fair value of biological assets.

	September 30, 2025	December 31, 2024	10% change 2025	10% change 2024
Average selling price per gram	\$3.17	\$2.66	154,927	127,520
Stage of growth	33%	37%	88,865	28,642
Average yield per plant (grams)	66.97	71.49	88,865	28,642
Post-harvest cost per gram	\$0.19	\$0.20	29,693	18,618

The Company accretes fair value on a straight-line basis according to stage of growth. As a result, a cannabis plant that is 33% through its 16 weeks growing cycle would be ascribed approximately 33% of its harvest date expected fair value less remaining processing and selling costs.

During the nine months ended September 30, 2025, the Company harvested 5,868 kilograms of dried cannabis and trim (2024 – 4,506 kilograms). As of September 30, 2025, it was expected the Company's biological assets would yield approximately 1,519 kilograms of dried cannabis and trim if harvested on the reporting date (September 30, 2024 – 511 kilograms).

5. Inventory

	September 30, 2025	December 31, 2024
Wholesale ⁽ⁱ⁾		
Raw materials	29,879	37,330
Finished goods	5,161	6,132
Less: provision	(1,673)	(1,667)
Balance, end of period	33,367	41,795

(i) Includes \$9.8 million within the Company's extraction and manufacturing cash generating unit.

5. Inventory (continued)

The fair value changes in biological assets included in wholesale inventories sold during the nine-months ended September 30, 2025, account for \$22.8 million (2024 - \$12.0 million).

In the nine-month period ended September 30, 2025, inventories of \$44.0 million (2024 – \$35.2 million) were recognized as an expense during the year and included in ‘cost of good sold.’

As of September 30, 2025, the carrying value of inventory includes \$1.5 million of inventoried depreciation costs (2024 – \$0.8 million).

6. Other assets

	September 30, 2025	December 31, 2024
Prepaid expenses	1,848	1,689
Deposits	678	668
Sub-lease receivable	-	62
Other current assets	2,526	2,419
Deposits	3,854	5,685
Other long-term assets	3,854	5,685
Total other assets	6,380	8,104

The deposits balance includes cash security paid for utility services, deposits related to a genetics purchase agreement that Decibel entered into on January 1, 2021, and prepayments on vape cartridges and glass tube packaging for pre-rolls.

The sub-lease receivable asset relates to a leased corporate head office real property location that has been sub-leased to a third party for a term of fifty-two months.

7. Assets held for sale and discontinued operations

On April 10, 2024, the Company completed its sale of the Company’s Prairie Records retail assets to Fire and Flower Inc., a wholly owned subsidiary of 2759054 Ontario Inc. operating as FIKA (the “Prairie Records Retail Sale”).

As of September 30, 2025, there are no assets held-for-sale with respect to the Prairie Records Retail Sale. On closing of the Prairie Records Retail Sale, the Company received cash of \$2.1 million, a promissory note of \$0.8 million, and incurred an impairment loss of \$3.3 million on the net carrying value of \$6.2 million, which includes the Prairie Records goodwill of \$4.3 million.

7. Assets held for sale and discontinued operations (continued)

The operating results of the Prairie Records Retail Sale are reported herein as discontinued operations for the quarter ended September 30, 2025 and 2024, respectively:

	Three months ended		Nine months ended	
	September 30		September 30	
	2025	2024	2025	2024
Retail revenue	-	-	-	2,649
Cost of goods sold	-	-	-	1,740
Gross profit	-	-	-	909
Selling, general and administration	-	54	-	715
Depreciation and amortization	-	-	-	309
Share compensation expense	-	-	-	2
	-	54	-	1,026
Loss from discontinued operations	-	(54)	-	(117)
Non-operating items:				
Finance costs	-	-	-	31
Gain on disposal of property, plant and equipment	-	-	-	(3)
Impairment	-	610	-	3,945
	-	610	-	3,973
Net loss and comprehensive loss from discontinued operations	-	(664)	-	(4,090)

Discontinued operations reported in the condensed consolidated interim statements of cash flows are as follows:

Nine months ended September 30,	2025	2024
Cash provided by discontinued operating activities	-	3,837
Cash used in discontinued investing activities	-	(7)
Cash used in discontinued financing activities	-	(51)

8. Long-term debt

Type of loan	Maturity	September 30, 2025	December 31, 2024
Connect First commercial mortgage loan	January 1, 2027	21,579	22,952
Connect First commercial mortgage loan	January 1, 2027	9,314	9,886
Authorized overdraft	On demand	5,780	5,830
Debt issuance costs		(405)	(442)
		36,268	38,226
Current		9,070	8,767
Long-term		27,198	29,459

On February 1, 2022, Decibel entered into an amended and restated credit facility agreement with the First Credit Union Ltd. (the “Lender”) providing for an aggregate principal amount of \$54 million which is comprised of \$40.5 million of commercial mortgage loans, a \$6.0 million authorized overdraft, and an accordion line of an additional \$7.5 million that is available subject to a Debt to EBITDA of less than 3.00:1.00. As at September 30, 2025, the Company’s Debt to EBITDA was 1.63:1.00.

There are two mortgage loans with the Lender which mature on January 1, 2027 respectively. The mortgage loans are subject to a fixed 4.75% interest rate on each of the loans, a prime plus 1.00% interest rate on its overdraft facility, and a prime plus 2.00% interest rate on its accordion line.

8. Long-term debt (continued)

The credit agreement security consists of a registered first charge mortgage of \$28.5 million on the lands, other than the Battleford, Saskatchewan, facility lands which are leased, a tri-partite agreement made between the Battleford, Saskatchewan, facility land lessor, the Company, and the Lender as well as first ranking security interest on all of the Company's registered property.

During the nine-months ended September 30, 2025, the Company incurred \$1.4 million in long-term debt finance costs (2024 - \$1.6 million). In the same period, the Company made principal repayments on long-term debt totaling \$2.0 million (2024 - \$2.1 million).

Financial covenants

The February 1, 2022 credit agreement is subject to the following financial covenants as follows:

a. Debt service coverage ratio

The Company shall not permit the debt service coverage ratio, defined as earnings before interest, depreciation, and amortization ("EBITDA") less dividends declared or shareholder distributions, divided by the sum of all scheduled principal and interest paid by the Company for its current fiscal reporting year, calculated quarterly, to fall below 1.40:1.00.

As at September 30, 2025, the debt service coverage ratio is 3.24:1.00.

b. Debt to equity ratio

The Company shall not permit the debt to equity ratio, defined as total liabilities divided by total equity adjusted for lender approved adjustments for conversions and appraisals, as presented on the consolidated statements of financial position, calculated annually to be greater than 1.00:1.00.

The debt-to-equity covenant test commenced December 31, 2024.

As at December 31, 2024, the debt to equity ratio is 0.79:1.00.

c. Current ratio

The Company shall not permit the current ratio, defined as the current assets ratio to current liabilities adjusted for lender approved adjustments to remove convertible debentures, as presented on the condensed consolidated interim statements of financial position, calculated monthly on the last day of each month to fall below 1.25:1.00.

As at September 30, 2025, the current ratio was 1.34:1.00.

9. Share capital

(a) Authorized

Unlimited number of Common voting shares
Unlimited number of Preferred shares

(b) Issued and outstanding

There are 576,861,161 Common Shares and no preferred shares issued and outstanding. The Common Shares are listed on the TSX-V under the trading symbol “DB”.

	Shares	Share capital
	#	\$
Balance, January 1, 2024	409,039,064	54,078
Issuance of equity	53,151,642	3,194
Convertible debenture conversion ⁽ⁱ⁾	114,545,455	5,953
Balance, December 31, 2024	576,736,161	63,225
Exercise of restricted share units	125,000	23
Balance, September 30, 2025	576,861,161	63,248

(i) On December 3, 2024, the Company completed the conversion of its convertible debenture in connection with the acquisition of AgMedica Bioscience Inc. As a result, the Company issued 114,545,455 Common Shares.

10. Reserves

Equity-settled share-based instruments

(a) Stock options

The stock option plan includes grants to officers, directors, employees, and consultants. Each stock option entitles the holder to one Common Share issuable at the exercise price with a straight-line vesting period over a one-year term for directors, and up to a five-year term for all other holders.

	Number of options	Weighted average exercise price
	#	\$/share
Outstanding, January 1, 2024	37,851,271	0.26
Forfeited	(10,082,646)	0.18
Expired	(22,436,266)	0.32
Outstanding, December 31, 2024	5,332,359	0.16
Issued	25,760,880	0.08
Forfeited	(191,549)	0.17
Outstanding, September 30, 2025	30,901,690	0.10

The Company may issue stock options, restricted share units (“RSUs”) and deferred share units (“DSUs”) to acquire up to 60.4 million Common Shares under its combined stock option, RSU, and DSU plans. The weighted average price of the Common Shares on the date of exercise of the stock options was \$0.10 during the nine-months period ended September 30, 2025.

10. Reserves (continued)

Equity-settled share-based instruments (continued)

(a) Stock options (continued)

Expiry date	Number of options	Number vested and exercisable	Exercise price \$/share	Weighted average remaining contractual life
	#	#	\$	#
January 1, 2026	3,173,326	3,173,326	0.17	0.25
January 1, 2027	1,967,484	1,967,484	0.14	1.25
January 21, 2028	3,844,906	3,844,906	0.13	2.31
January 21, 2028	21,915,974	-	0.08	2.31
Outstanding September 30, 2025	30,901,690	8,985,716	0.10	-

Fair value

The fair value of the stock options issued during the nine-months period ended September 30, 2025, was \$0.08 (2024 - \$nil). The fair value was estimated using the Black-Scholes valuation model with the following assumptions:

Nine months ended September 30,	2025
Volatility (%)	111% to 159%
Risk-free interest rate (%)	2.90% to 2.92%
Expected life (years)	2.31 to 2.31
Dividend yield (\$)	Nil
Forfeiture rate (%)	16%
Share price (\$)	0.08

(b) Restricted Share units

The Company has an RSU plan for directors, officers, employees or affiliates of Decibel (“RSU Participants”). Each RSU entitles the RSU Participant to one Common Share or cash payment at the option of the Company with a straight-line vesting period over a one-year term for directors and up to a three-year term for all other participants. Each RSU is exercisable at the option of the holder and do not expire. The Company may issue stock options, restricted share units (“RSUs”), and up to 60.4 million Common Shares under its combined stock option, RSU and DSU plans.

	Outstanding	Weighted average issue price \$/share
	#	\$
Outstanding, January 1, 2024, and December 31, 2024	505,335	0.19
Exercised	(125,000)	0.08
Balance, September 30, 2025	380,335	0.08

10. Reserves (continued)

(b) Restricted Share units

Grant date	Outstanding	Number vested and exercisable
	#	#
September 11, 2019	35,000	35,000
September 11, 2019	99,999	99,999
December 4, 2018	33,336	33,336
March 14, 2019	200,000	200,000
June 25, 2019	12,000	12,000
Outstanding September 30, 2025	380,335	380,335

Cash-settled share-based instruments

The Company's RSU plan entitles RSU Participants to the cash equivalent of one Common Share for each vested RSU. The cash-settled RSUs awarded vest in three equal portions over three years and will be settled in cash on the later of an appointed payment date selected by the Board or the allotted vesting dates. The Board's discretionary payment deferral must be settled within 3 years from the original grant date.

Cash-settled share-based instruments (continued)

The Company also has a cash-settled DSU plan for directors of Decibel. Each DSU entitles the eligible participant to the cash equivalent of one Common Share for each vested DSU. The cash-settled DSUs are fully vested upon being credited to a Director's DSU account and will be redeemed upon the Director's departure from the Company.

At each reporting date, between grant and settlement date of the cash-settled share-based instruments, the fair value of the liability is re-measured with any changes in fair value recognized in the condensed consolidated interim statements of loss (income) and comprehensive loss (income) for the period. The short-term portion of cash-settled share-based compensation is presented in other current liabilities \$0.13 million (2024 - \$0.01 million). The long-term portion of cash-settled share-based compensation liability is presented in other long-term liabilities \$0.6 million (2024 - \$0.8 million).

	Cash-settled RSUs	Cash-settled DSUs	Fair Value
	#	#	\$
Outstanding, January 1, 2024	10,745,207	6,415,606	1,764
Exercised	(6,198,336)	-	(1,037)
Forfeited	(3,264,954)	-	(190)
Expired	-	(395,070)	(26)
Outstanding, December 31, 2024	1,281,917	6,020,536	511
Exercised	(1,281,917)	(890,136)	182
Outstanding September 30, 2025	-	5,130,400	693

Grant Date	Outstanding DSUs	Number vested
	#	#
April 16, 2021	341,197	341,197
January 20, 2022	1,532,616	1,532,616
April 13, 2023	3,256,587	3,256,587
Outstanding September 30, 2025	5,130,400	5,130,400

10. Reserves (continued)

Share-based compensation expense

Total share-based compensation expense presented in the condensed consolidated interim statements of loss (income) and comprehensive loss (income) is as follows:

	Three months ended		Nine months ended	
	September 30		September 30	
	2025	2024	2025	2024
Equity-settled awards:				
Stock options	144	46	461	138
Cash-settled awards:				
Deferred share units	333	33	376	(481)
Restricted share units	1	83	(5)	(288)
Total share-based compensation (recovery)	478	162	832	(631)

11. Revenue

The Company's revenue is comprised of Canadian and International wholesale sales of products through its production facilities to distributors and licensed cannabis producers.

Revenue is presented net of any actual sales returns and estimated variable consideration for future returns and price adjustments as well as cannabis excise taxes payable to the government on any applicable sales.

The estimated variable consideration is based on historical experience and management's expectation of future returns and price adjustments. As at September 30, 2025, the return liability for the estimate of future returns and price adjustments was \$0.06 million (2024 - \$0.78 million) and is included in accounts payable and accrued liabilities on the condensed consolidated interim statements of financial position.

	Three months ended		Nine months ended	
	September 30		September 30	
	2025	2024	2025	2024
Gross Canadian recreational sales	38,970	36,587	106,587	102,534
International sales	8,407	309	16,783	701
Gross revenue	47,377	36,896	123,370	103,235
Excise taxes	(14,465)	(12,787)	(39,375)	(36,010)
Net revenue	32,912	24,109	83,995	67,225

12. Finance costs

	Three months ended		Nine months ended	
	September 30		September 30	
	2025	2024	2025	2024
Cash finance costs				
Interest on term loan and equipment loan debt	459	521	1,396	1,591
Interest on lease liabilities	190	196	590	626
	649	717	1,986	2,217
Non-cash finance costs				
Accretion financing fees	12	11	36	36
	12	11	36	36
Total	661	728	2,022	2,253

13. Selling, general and administration expenses by nature

	Three months ended		Nine months ended	
	September 30		September 30	
	2025	2024	2025	2024
Salaries, wages, and contracting fees	4,068	3,232	11,793	9,890
Office and general	1,958	2,534	6,467	4,621
Sales and marketing	2,372	1,931	5,782	6,398
Professional fees	345	349	864	1,641
Bad debt expense	259	430	259	513
Severance	28	4	34	107
Total selling, general and administration	9,030	8,480	25,199	23,170

14. (Loss) income per share

	Three months ended		Nine months ended	
	September 30		September 30	
	2025	2024	2025	2024
Net (loss) income from continuing operations	(1,340)	79	(1,595)	294
Net loss from discontinued operations	-	(664)	-	(4,090)
Weighted average common shares - basic	576,861,161	409,039,064	578,985,649	409,039,064
Weighted average common shares - diluted	576,861,161	409,039,064	578,985,649	409,039,064
Net loss from continuing operations per common share - basic & diluted	-	-	-	-
Net loss from discontinued operations per common share - basic & diluted	-	-	-	(0.01)
Net loss per common share - basic & diluted	-	-	-	(0.01)

The Company has two dilutive instruments: equity-settled RSUs and stock options. Anti-dilutive instruments, if any, are excluded from the weighted average number of Common Shares used in the calculation of diluted loss per share.

For the three months ended September 30, 2025, and nine month ended September 30, 2025 as presented in the condensed consolidated interim statements of loss and comprehensive loss, the Company reported a net loss and as such, the applicable outstanding shares instruments are considered anti-dilutive.

For the three months ended September 30, 2024, and nine month ended September 30, 2024 as presented in the condensed consolidated interim statements of loss and comprehensive loss, the Company reported a net income and comprehensive income as such 63,279,144 dilutive instruments were included in the computation of diluted net earning per common share.

15. Segmented information

(a) Reportable segments

The Company operates in one vertically integrated segment, cannabis operations, which encompasses the production, distribution, and sale of recreational cannabis.

(b) Geographic information

All revenues were generated in Canada with the exception of international exports for \$16.8 million (2024 - \$0.7 million). All property, plant and equipment, right-of-use assets, and intangible assets are located within Canada.

(c) Major customers

For the nine-month period ended September 30, 2025, three customers accounted for more than 73.3% of the Company's wholesale revenue (2024 – three customers represented 89.5%) and 76.8% (2024 - 92.4%) were governmental authorities, as is typical for the industry.

16. Supplemental cash flow disclosures

Changes in non-cash working capital items are as follows:

	September 30, 2025	September 30, 2024
Accounts receivable	(8,846)	744
Other assets	1,723	(2,023)
Biological assets	14,434	10,597
Inventory	(14,367)	(9,131)
Accounts payable and accrued liabilities	(1,533)	(5,268)
Other liabilities	(303)	(1,540)
Total	(8,892)	(6,621)

The following table reconciles the financing items on the condensed consolidated interim statements of financial position to the condensed consolidated interim statements of cash flows:

	September 30, 2025	September 30, 2024
Non-cash changes:		
Accretion financing charges	36	36
Lease additions	798	1,895
Exercise of restricted share units	23	-
Balance, end of period	857	1,931

17. Financial instruments and risk management

Fair value of financial instruments

The Company's financial instruments consist of cash, deposits included in other assets, accounts receivable (except amounts receivable from the Receiver General), accounts payable and accrued liabilities, long-term debt, and cash-settled share-based instruments. Management estimates that the fair value of its cash, accounts receivable (except amounts receivable from the Receiver General) accounts payable and accrued liabilities approximates their carrying values as of September 30, 2025, due to the relatively short maturity periods of these instruments. Long-term debt (except mortgage facilities) utilize floating rates and therefore fair value approximates carrying value. Cash-settled share-based instruments are re-measured at each reporting date, with changes in fair value recognized in the condensed consolidated interim statements of loss (income) and comprehensive loss (income).

Financial instruments recorded at fair value are classified using a fair value hierarchy that reflects the significance of the inputs to fair value measurements. The three levels of hierarchy are:

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

There have been no transfers between fair value levels during the year.

The Company is exposed in varying degrees to a variety of financial instrument related risks. The Board mitigates these risks by assessing, monitoring, and approving the Company's risk management processes.

Credit risk

Credit risk is the risk of a potential loss to the Company if a customer or third party to a financial instrument fails to meet its contractual obligations. The Company is exposed to credit risk from its cash, accounts receivable and investments. The maximum credit exposure is limited to their carrying amounts at the statement of financial position date. For the nine-months ended September 30, 2025, the maximum credit exposure is \$26.9 million (2024 - \$15.9 million).

The risk for cash is mitigated by holding these instruments with highly rated Canadian financial institutions.

The Company evaluates the credit worthiness of the customer counterparties before credit is granted.

The following table summarizes the Company's aging of trade receivables as at September 30, 2025, and December 31, 2024, net of expected credit losses.

17. Financial instruments and risk management (continued)

	September 30, 2025	December 31, 2024
Trade Receivables		
0 - 30 days	17,778	10,348
31 - 60 days	1,155	524
61 - 90 days	55	564
Over 90 days	302	1,657
Total	19,290	13,093
Allowance for doubtful accounts	(160)	(1,658)
Promissory note receivable	190	181
Accrued accounts receivable	76	79
Receiver general	1,237	91
Balance, end of period	20,633	11,786

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they come due. The Company manages liquidity risk through the management of its capital structure. The Company's approach to managing liquidity is to ensure that it will have sufficient liquidity to settle obligations and liabilities when due. See Note 19 for further details on capital management.

In addition to the commitments outlined in Note 18, the Company has the following contractual obligations:

	Total	<1 Year	<2 Years	<3 Years	<4 Years	<5 Years	Thereafter
Accounts payable and accrued liabilities	36,383	36,383	-	-	-	-	-
Lease liabilities ⁽ⁱ⁾	11,392	3,203	3,381	2,600	1,135	140	933
Loans and borrowings ⁽ⁱⁱ⁾	43,304	10,511	32,793	-	-	-	-
Total	91,079	50,097	36,174	2,600	1,135	140	933

(i) Includes the interest portion of lease obligations.

(ii) Loans and borrowing balances are based on the credit facility in place at September 30, 2025. Included are the estimated interest and principal repayments, based on current amounts outstanding and current interest rates at September 30, 2025. Both are variable in nature.

Market risk

a) Currency risk

The operating results and financial position of the Company are reported in Canadian dollars and all international sales are completed in Canadian dollars. The Company may work with US-sourced vendors and suppliers resulting in exposure to foreign currency exchange translation gains and losses. The Company is not exposed to material currency risk as at September 30, 2025.

b) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. A 1.0% change in the effective interest rate on the overdraft, which bears floating rates of interest, would result in an estimated annual impact to profit or loss of \$0.6 million (2024 - \$0.6 million).

18. Commitments and contingencies

(a) Surety Bond as at September 30, 2025:

On March 27, 2025, the Company entered into a facility terms and conditions agreement with a Canadian insurance provider to obtain a commercial bond surety. The bond has an annual term, set to expire on March 26, 2026. The agreement provides the Company with a maximum coverage of \$5 million, subject to an annual premium of 0.8%. The surety bond was obtained in compliance with the Canada Revenue Agency's excise tax regulations for the commercial distribution of cannabis products across Canada.

(b) Contingencies as at September 30, 2025:

From time to time, the Company is involved in various claims and legal actions arising in the ordinary course of its operations. The following outcomes of these matters, which are virtually certain at the reporting date, has been recorded by the Company as follows:

In October 2024, the Company recognized a litigation settlement receivable of \$0.08 million related to a settlement award for the infringement of the Company's intellectual property rights. The settlement amount was agreed upon in October 2024, and payment is expected to be received in 2025.

19. Capital management

The Company's objectives when managing its capital are to ensure it has adequate resources to fund ongoing operations and development to provide returns to its shareholders.

The Company manages its capital structure and makes adjustments to it in consideration of changes in economic conditions and the risk characteristics of the Company's underlying assets. To maintain or adjust its capital structure, the Company may issue new shares or new debt.

The Company defines capital as total equity and debt financing. As at September 30, 2025, the Company's total capital \$99.52 million (2024 - \$93 million) consisting of current and long-term debt and share capital.

As disclosed in Note 8, the Company's debt financing is subject to financial covenants. As at September 30, 2025, the Company is in compliance with all covenants. As at September 30, 2025, the Company is not subject to externally imposed capital requirements.