INNOCAN PHARMA CORPORATION

Management's Discussion and Analysis
For the three-month period ended March 31, 2026

1. MANAGEMENT'S DISCUSSION AND ANALYSIS

The following discussion and analysis is management's assessment of the results and financial condition of Innocan Pharma Corporation (the "**Company**" or "**Innocan**").

The following information should be read in conjunction with the notes to the Company's audited condensed consolidated financial statements and accompanying notes for the three-month period ended March 31, 2026, and the three-month period ended March 31, 2025.

The date of this management's discussion and analysis ("**MD&A**") is May 27, 2026. The Company's amounts in this MD&A have been prepared in accordance with International Financial Reporting Standards ("**IFRS**"). All dollar amounts are stated in United States dollars ("**US$**") unless otherwise indicated (for reference, "**C**" means Canadian dollars). On September 5, 2025, the Company effected a 1-for-65 reverse split of its issued and outstanding Common Shares, pursuant to which shareholders received 0.0154 of a Common Share for every one Common Share. As such, all monetary and share amounts have been retroactively restated for all periods presented.

Statements in this report that are not historical facts are forward-looking statements involving known and unknown risks and uncertainties, which could cause actual results to vary considerably from these statements. Readers are cautioned not to place undue reliance on forward-looking statements.

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING INFORMATION

This MD&A contains forward-looking information within the meaning of applicable Canadian securities legislation ("**forward-looking information**"). Such forward-looking information involves known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of the Company to be materially different from any future results, performance or achievements expressed or implied by the forward-looking information. Readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date the statements were made.

In some cases, these forward-looking statements can be identified by words or phrases such as "may", "believes", "expects", "will", "intends", "projects", "anticipates", "estimates", "continues", "plans", "aim", "seek" or the negative of these terms, or other similar expressions intended to identify forward-looking statements. The Company has based these forward-looking statements on current expectations and projections about future events and financial trends that they believe may affect the Company's financial condition, results of operations, business strategy and financial needs.

Forward-looking information contained herein is given as of the date of this MD&A and the Company disclaims any obligation to update any forward-looking information, whether as a result of new information, future events or results, except as may be required by applicable securities laws. There can be no assurance that forward-looking information will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. Accordingly, readers should not place undue reliance on forward-looking information. For a description of material factors that could cause the Company's actual results to differ materially from the forward-looking statements in this MD&A, please see the section titled "Risks and Uncertainties" herein.

2. DESCRIPTION OF BUSINESS

Company Overview

Innocan Pharma Corporation was incorporated under the *Canada Business Corporations Act* on May 31, 2018. The Company's registered office is 1015, 926 – 5 Avenue SW Calgary, Canada and its corporate website is www.innocanpharma.com. The Company is publicly listed on the Canadian Securities Exchange trading under the symbol INNO and is quoted in the United States on the OTCQB venture market under the symbol INNPF and is listed for trading in Germany on the Frankfurt stock exchange under the symbol IP4. The Company is the parent company of Innocan Pharma Ltd.

Innocan is a pharmaceutical tech company that operates under two main segments: Pharmaceuticals and Consumer Wellness. In the Pharmaceutical segment, Innocan develops innovative drug delivery technologies for both human and animal health applications, based on advanced cannabinoids science, to treat various conditions to improve quality of life. Supported by pre-clinical studies conducted in various animal models, but not yet verified in humans, its synthetic Cannabidiol-loaded Liposome injection Platform (LPT-CBD) facilitates exact dosing and the prolonged and controlled release of synthetic CBD into the blood stream. While determinations of safety and efficacy are solely within the authority of the United States Food and Drug Administration (FDA) and comparable foreign regulatory bodies, it expects, based on various scientific studies, including a report of the World Health Organization, that cannabidiol in general will avoid many of the risks of addiction, tolerance, and dependency, commonly associated with opioids. Innocan's LPT-CBD is in a late pre-clinical stage of development, and it has initiated the FDA regulatory review process for this non-opioid alternative for chronic pain management. The process has been initiated with a successful pre-Investigational New Drug (Pre-IND) meeting that structured its development plan towards IND submission. Innocan intends to submit an IND application for its initial Phase 1a study following the completion of LPT-CBD scale-up activities, which are expected to take approximately one year. Upon completion, it will conduct a Good Laboratory Practice (GLP)-compliant single-injection preclinical safety study, with final reporting anticipated within 6–8 months. Following the availability of the safety data, it will submit the IND application to the FDA, including the clinical protocol and safety report. If the safety results are deemed acceptable, and assuming no clinical hold is issued, Phase 1a first-in-human study will commence 30 days post-submission. During Phase 1a studies, it will collect PK and exposure data of LPT-CBD to form a scientific bridge to the listed drug Epidiolex, which it intends to submit to the FDA in support of a 505(b)(2) application. This process is estimated to take 6–8 months and will run in parallel with the Phase 1a studies. Phase 1b studies are intended to begin immediately following the approval of Phase 1a study results and the completion of a repeated-dose GLP safety study. Synthetic CBD is known to have high purity, batch to batch consistency and to date, regulatory superiority without THC, and does not involve the use of the cannabis plant. The novelty of LPT-CBD lays in its ability to be injected under the skin (subcutaneously) once a month facilitating the prolonged release of synthetic CBD to the blood stream for up to four weeks. This has been supported by various preclinical studies conducted in both small and large animal models, although it has not yet been confirmed in clinical studies.

In the Consumer Wellness segment, Innocan develops and markets a wide portfolio of innovative and high-performance self-care and CBD beauty products to promote a healthier lifestyle. Also under this segment, Innocan has established a joint venture company, B.I. Sky Global Ltd. ("B.I. Sky"). Innocan holds 60% of B.I. Sky and Brandzon Co. Ltd. ("Brandzon") holds the remaining

40%. Roni Kamhi, Brandzon's Chief Operating Officer, is the chief executive officer and a co-founding director of B.I. Sky. B.I. Sky focuses on developing and marketing advanced non-CBD personal care and beauty products in the United States, starting with online marketplaces, with plans to expand to direct-to-consumer sales, and finally evolving to brick & mortar storefronts. Revenues in the United States are attributed primarily to sales of B.I. Sky's non-CBD personal care products. In addition, in its pharmaceuticals segment, Innocan sells CBD personal care products through distribution in Europe. Innocan's patent portfolio consists of 31 published patents pending and granted across eight families. Innocan seeks composition of matter describing pharmaceutical entity protection for its liposomal cannabinoids and uses thereof patent, which is currently in a pending status worldwide and granted in India. Three additional granted patents are related to its pain relief topical compositions and the rest of its patents related to additional cannabinoid compositions and use thereof are at pending status.

Innocan's business model is driven by a three-tiered strategy:

1. **Animal Health** – establishing licensing and strategic partnerships with veterinary pharmaceutical market leaders. Innocan intends to submit an INAD application with the FDA-CVM during 2026 in order to commence testing its product candidate in the U.S.
2. **Human Health** – forming similar licensing and strategic partnerships with pharmaceutical companies, centered on human applications, pending FDA submission and approval for the initiation of IND studies.
3. **Wellness** – marketing personal care and beauty products via multiple channels.

Innocan has experienced net losses in every period since its inception in 2018. It incurred net losses of $886,000 and $229,000 for the three-month period ended March 31, 2026, and 2025, respectively. As of March 31, 2026, and December 31, 2025, it had an accumulated deficit of $37,004,000 and $36,032,000, respectively. Innocan anticipates that it will continue to incur significant losses for the foreseeable future as its operating expenses and capital expenditure increase substantially due to its continued investment in its research and development activities and as it hires additional employees over the coming years.

References throughout to "Innocan" or the "Company" refer generally to the collective activity and operations of the Company and its subsidiaries, in the aggregate. Innocan consolidates B.I. Sky's activity and operations.

Description of the Company's Principal Businesses and Operations

Company's Activity Under Research Agreements

On February 9, 2026, the Company announced the publication of a research article titled "Efficacy, pharmacokinetics and safety of liposomal synthetic cannabidiol injected subcutaneously in dogs: a randomized, blinded, placebo-controlled, crossover clinical trial " in the esteemed peer reviewed journal Frontiers in veterinary science (https://doi.org/10.3389/fvets.2025.1746266). Key findings include significant improvement in behavior/function reported by owners, with 100% of dogs showing improved function after LPT-CBD, significant reduction in lameness and pain following LPT-CBD administration in comparison to placebo. LPT-CBD injection provided a sustained-release profile, with measurable plasma CBD concentrations lasting up to 4 weeks. All dogs tolerated LPT-CBD, with only minor,

self-resolving adverse events: a short-lived (~2-day) fever and a transient injection-site swelling that was resolved within a few days without treatment. The present study evaluated LPT-CBD effect compared with placebo. Eight clients-owned dogs suffering from naturally occurring osteoarthritis received two subcutaneous injections in a randomized, blinded, crossover design: synthetic CBD in liposomes (LPT-CBD) 7 mg/kg and placebo (empty liposomes of identical amount and lipid composition) administered four weeks apart. Throughout the study, serial blood sampling was performed to assess CBD and its metabolite plasma concentrations and to evaluate hematological and biochemical profiles before and up to 4-weeks post-injections. Efficacy was assessed via activity monitoring collar and scorings by owners and two veterinary specialists. This study demonstrates that a single subcutaneous injection of LPT-CBD produced sustained improvements in long-term pain-related outcomes and overall, wellbeing in client-owned dogs with naturally occurring osteoarthritis for up to four weeks, with a statistically significant superiority over placebo. The observed clinical benefit is concordant with sustained plasma CBD concentrations persisting for up to four weeks following administration.

On February 27, 2026, the Company announced that the FDA's Center for Veterinary Medicine (CVM) granted the Company a sponsor fee waiver for its LPT-CBD (Liposome Platform Technology-Cannabidiol) product for the third consecutive year. The FDA's Center for Veterinary Medicine (CVM) assesses annual fees for animal drug applications. Sponsors developing innovative products may request a fee waiver each year under the "significant barrier to innovation" provision. Accordingly, every year Innocan submits an annual renewal request that includes a brief update on development progress and forward plans. Following review of the Company's latest submission, CVM has again granted Innocan a fee waiver for the year 2026. This represents the Company's third consecutive annual waiver, underscoring CVM's continued recognition of Innocan's innovation-driven animal health program. The waiver relates to the Company's Liposomal Technology–CBD (LPT-CBD) drug product candidate, being developed as a subcutaneous injection for the management of chronic pain in dogs. In a blinded, crossover study conducted on osteoarthritic dogs, LPT-CBD demonstrated a statistically significant reduction in pain and meaningful improvements in overall well-being compared with placebo (empty liposomes). Together with additional studies previously conducted in osteoarthritic dogs, these results provide robust evidence supporting LPT-CBD's analgesic potential and its suitability as a treatment option for chronic pain in dogs.

Recent Offerings

On March 13, 2026, the Company issued a secured debenture to its largest shareholder, Tamar Innovest, in the principal amount of $450,000. The Debenture bears interest at the rate of 10% per annum and matures at the earlier of: (i) 12 months from the date of issuance; and (ii) the completion of the Company's previously announced proposed public offering in the United States pursuant to its registration statement on F-1 filed with the U.S. Securities and Exchange Commission.

On April 3, 2026, the Company issued an additional secured debenture to its largest shareholder, Tamar Innovest, in the principal amount of $200,000. The Debenture bears interest at the rate of 10% per annum and matures at the earlier of: (i) 12 months from the date of issuance; and (ii) the completion of the Company's previously announced proposed public offering in the United States pursuant to its registration statement on F-1 filed with the U.S. Securities and Exchange Commission.

Recent Developments

On May 6, 2026, the Company announced that its novel Liposomal Delivery Platform for Synthetic Cannabidiol (LPT-CBD) was featured in the Pain Medicine News in an article titled, "New Liposomal Drug Delivery Enhances Bioavailability". The article highlights expert discussion presented at PAINWeek 2025 regarding Innocan's LPTCBD. LPT-CBD is designed to enable prolonged CBD release into the bloodstream, enhance bioavailability, and support once-monthly subcutaneous administration. The article favorably emphasizes the platform's advantages to overcome key delivery limitations associated with conventional oral pain relief drugs, particularly oral CBD, including first-pass liver metabolism, variable absorption, and patient adherence to frequent dosing schedules.

On May 27, 2026, the Company received a letter from a third party requesting information and documentation in connection with certain agreements involving a related party. The letter does not constitute a litigation demand and states that no allegation is made that the Company has acted other than in good faith. No legal proceedings have been commenced against the Company as of the date of these financial statements. The Company is evaluating the matter with legal counsel. No provision has been recorded.

Components of Operating Results

Revenue

Revenue is recognized when (or as) control of the promised goods or services is transferred to the customer, and in an amount that reflects the consideration the Company is contractually due in exchange for those services or goods. The Company follows five steps to record revenue: (i) identify the contract with a customer, (ii) identify the performance obligations in the contract, (iii) determine the transaction price, (iv) allocate the transaction price to the performance obligations in the contract and (v) recognize revenue when (or as) we satisfy the performance obligations in the contract.

Sales of CBD beauty products are made through business-to-business transactions, and non-CBD personal care and beauty products sales are made through online platforms. In the Company's Consumer Wellness Segment, the Company develops and markets a wide portfolio of innovative and high-performance self-care non-CBD products to promote a healthier lifestyle.

The Company recognizes revenue from the sale of its products at the point of time when control is transferred to its customers. Each transaction of a product sale consists of one performance obligation.

Operating expenses

The Company's current operating expenses consist of three components: (i) research and development expenses; (ii) sales, marketing and distribution expenses and (iii) general and administrative expenses. Labour costs and costs of sales are the most significant component of operating expenses and consist of salaries, including benefits and materials.

Sales, marketing and distribution expenses

Sales, marketing and distribution expenses consist primarily of advertising on online platforms, including shipping and handling.

Research and Development Expenses

Research and development expenses consist of labour costs, subcontractors, material and costs associated with development and patent-related expenses. Costs are expensed as they are incurred.

Research and development activities are the Company's primary focus. The Company does not believe that it is possible at this time to accurately project the total expenses required for it to reach the point at which it will be ready to out-license its technologies or explore strategic partnerships. Development timelines, the probability of success and development costs can differ materially from expectations. In addition, the Company cannot forecast whether and when collaboration arrangements will be entered into, if at all, and to what degree such arrangements would affect its development plans and capital requirements. The Company expects its research and development expenses to increase over the next several years as its development program progresses. The Company would also expect to incur increased research and development expenses if it were to identify and develop additional technologies.

Research and development expenses include the following:

- employee-related expenses, such as salaries and share-based compensation;
- expenses relating to its collaboration agreement with Yissum Research Development Company of the Hebrew University of Jerusalem Ltd. ("Yissum");
- expenses relating to outsourced and contracted services, such as CRO's, CMO's, consulting, and advisory services;
- supply and development costs;
- expenses incurred in operating its lab in Jerusalem; and
- costs associated with regulatory compliance.

The Company recognizes research and development expenses as it incurs them.

The Company anticipates that its research and development expenses will increase in the future as it increases its development headcount and infrastructure to support its continued research and development programs and the potential commercialization of its products.

General and Administrative Expenses

General and administrative expenses consist primarily of personnel costs, including share-based compensation related to directors and employees, facility costs, and external professional service costs, including legal, regulatory, accounting, audit, finance, business development, investor relations and human resources services, and other consulting fees.

The Company anticipates that its general and administrative expenses will increase in the future as it increases its administrative headcount and infrastructure to support its continued research and development programs and the potential commercialization of its products.

Financial expenses

The financial expenses consist primarily of change in the fair value of investments, warrants and financial liabilities measured at fair value, interest expenses on loans and exchange rate differences expenses.

Income Taxes

The Company anticipates that it will continue to generate tax losses for the foreseeable future and that it will be able to carry forward these tax losses indefinitely to future taxable years. Accordingly, the Company does not expect to pay taxes in Israel until it has taxable income after the full utilization of its carry forward tax losses. However, B.I. Sky has started generating taxable income in the year ended December 31, 2023, and has been paying taxes in Israel since then.

Results of Operations

The Company's results of operations have varied in the past and can be expected to vary in the future due to numerous factors. The Company believes that period-to-period comparisons of its operating results are not necessarily meaningful and should not be relied upon as indications of future performance.

Impact of the War in Israel

On October 7, 2023, Hamas launched a series of attacks on civilian and military targets in Southern Israel and Central Israel, to which the Israel Defense Forces responded. In addition, Iran, Hezbollah and the Houthi movement attacked military and civilian targets in Israel, to which Israel responded, including through increased air and/or ground operations in Lebanon, Syria, Yemen and Iran. Following years of conflict in the region, on October 9, 2025, Israel, Hamas, the United States and other countries in the region agreed to a framework for a ceasefire in Gaza between Israel and Hamas. On February 28, 2026, the United States and Israel launched joint combat operations in Iran to which Iran and Hezbollah responded with ballistic missile and drone attacks on Israel as well as other countries and U.S. military bases in the region. On April 8, 2026, the United States and Iran agreed to a two-week ceasefire. How long and how severe the current conflicts in Gaza, Northern Israel, Lebanon, Iran or the broader region last and become is unknown at this time and any continued clash among Israel, Hamas, Hezbollah, Iran or other countries or militant groups in the region may escalate in the future into a greater regional conflict. The intensity and duration of the security situation in Israel have been difficult to predict, as are the economic implications on our business and operations and on Israel's economy

in general. Since the outbreak of this recent operation on February 28, 2026, the Company's operations have not been adversely affected, and the Company has not experienced material disruptions to its business operations. The situation remains highly volatile, and the risk of broader regional escalation involving additional actors persists. The Company continues to assess the ongoing effects of the state of war on its financial statements and business operations and will update its estimates or judgments as appropriate.

Financial Review

The following financial data was prepared in accordance with IFRS. See below discussion for year over year variations.

Summary of quarterly results (US$ in thousands, except for per share data):

	March 31, 2026	December 31, 2025	September 30, 2025	June 30, 2025	March 31, 2025	December 31, 2024	September 30, 2024	June 30, 2024
Revenues	6,465	4,988	6,822	7,006	7,796	5,401	8,624	8,644
Cost of revenues	(575)	(558)	(631)	(811)	(681)	(992)	(845)	(646)
Sales, marketing and distribution expenses	(5,521)	(4,529)	(5,512)	(4,926)	(5,702)	(4,182)	(6,170)	(6,101)
Research and development expenses	(184)	(161)	(415)	(176)	(180)	(323)	(377)	(425)
General and administrative expenses	(971)	(662)	(1,482)	(697)	(744)	(823)	(880)	(940)
Total operating profit (loss)	(786)	(921)	(1,218)	396	489	(919)	352	532
Total finance income (expenses), net	(36)	2,515	(214)	(505)	(456)	922	350	902
Total profit (loss)	(886)	1,855	(1,652)	(315)	(229)	(48)	284	956
Basic profit (loss) per share (*)	(0.22)	0.41	(0.36)	(0.13)	(0.13)	(0.013)	0.065	0.065
Diluted profit (loss) per share (*)	(0.22)	0.41	(0.36)	(0.13)	(0.13)	(0.013)	0.065	0.065

(*) On September 5, 2025, the Company effected a 1-for-65 reverse split of its issued and outstanding common shares, pursuant to which holders of the Company's common shares received 0.0154 of a common share for every one common share. All share amounts have been retroactively restated for all periods presented.

Three-month period ended March 31, 2026, compared to the three-month period ended March 31, 2025

Revenues

Revenues decreased by $1,331,000 to $6,465,000 for the three-month period ended March 31, 2026, compared to $7,796,000 for the three-month period ended March 31, 2025; reported a 17.7% period-over-period decline in revenue while decreasing by 0.2% period-over-period gross profit margin, primarily reflecting lower online sales volumes as it continues to navigate challenging market conditions while advancing its portfolio and marketing initiatives, developing and implementing a strategic response to tariffs and optimizing its supply chain, resulting in substantial cost savings.

The following table sets forth its revenues, revenues by segments, during the past two three-month periods:

	Three Months period ended March 31,	
(in thousands of USD)	**2026**	**2025**
Online Sales (Consumer Wellness)	$ 6,463	$ 7,788
Other Operations (CBD-integrated topical)	$ 2	$ 8
Total	6,465	7,796

Cost of revenues

Cost of revenues decreased by $106,000 to $575,000 for the three-month period ended March 31, 2026, compared to $681,000 for the three-month period ended March 31, 2025.

Research and development expenses

Research and development expenses increased by $4,000 to $184,000 for the three-month period ended March 31, 2026, compared to $180,000 for the three-month period ended March 31, 2025. This increase is mainly due to an increase of $55,000 in share-based compensation expenses, mainly as a result of RSUs that were granted in July 2025 to research and development employees of the Company, offset by a decrease of $38,000 for service providers relating to research pursuant to the agreement with Yissum and a decrease of $14,000 for other expenses.

General and administrative expenses

General and administrative expenses increased by $227,000 to $971,000 for the three-month period ended March 31, 2026, compared to $744,000 for the three-month period ended March 31, 2025. This increase is mainly due to an increase of $299,000 for share-based compensation expenses, mainly as a result of RSUs that were granted in July 2025 and vested during the three-month period ended March 31, 2026 (to general and administrative employees of the Company) compared to the three-month period ended March 31, 2025. In addition, an increase $36,000 for headcount expenses in the subsidiary, offset by a decrease of $73,000 for professional service providers, a decrease of $25,000 for other expenses and a decrease of $9,000 for legal

expenses.

Sales, Marketing and Distribution Expenses

Sales, marketing and distribution expenses decreased by $181,000 to $5,521,000 for the three-month period ended March 31, 2026, compared to $5,702,000 for the three-month period ended March 31, 2025. This decrease is mainly due to a decrease of $265,000 attributed to online retail services and advertising costs. These expenses corresponded to B.I. Sky and therefore decreased consistently with the decrease in revenues. In addition, there was a decrease of $9,000 for marketing service providers and a decrease of $54,000 for other expenses. This decrease was offset by an increase of $138,000 for share-based compensation expenses and an increase of $9,000 for salary and related expenses.

Net loss

Net loss increased by $657,000 to $886,000 for the three-month period ended March 31, 2026, compared to $229,000 for the three-month period ended March 31, 2025. The increase resulted mainly from decreased revenues and increased General and administrative expenses.

Key Business Metric and Non-IFRS Financial Measure

The Company monitors the key business metric set forth below to help it evaluate growth trends, establish budgets, measure the effectiveness of its sales and marketing efforts, and assess operational efficiencies. The Company's key business metric is working capital. Increases or decreases in its key performance metric may not correspond with increases or decreases in its revenue.

Working Capital

(in thousands of USD)		March 31, 2026	December 31, 2025
CURRENT ASSETS:			
Cash and cash equivalents	$	6,627	6,687
Inventory	$	2,178	2,179
Other current assets	$	1,960	1,570
Total current assets	$	10,765	10,436
CURRENT LIABILITIES:			
Trade accounts payable	$	327	235
Other accounts payable	$	794	734
Short term Debenture	$	452	-
Total current liabilities (excluding warrants)		1,573	969
Working capital	$	9,192	9,467

Working capital is a non-IFRS financial measure that the Company defined as its total current assets, consisting of cash and cash equivalents, trade receivables, other accounts receivable and inventory, trade accounts payable and other accounts payable *less* total current liabilities, consisting of trade accounts and other accounts payable (excluding derivative warrant liability). Derivative warrant liability is not included since it has no effect on the future cash flow of the

Company and is not current or future payments are required to be made by the Company. The Company's working capital was approximately $9,192,000 and $9,467,000 for the three-month period ended March 31, 2026, and year ended December 31, 2025, respectively. The decrease resulted mainly from an increase in short term debenture, increase in trade accounts payable, increase in other accounts payable and a decrease in cash and cash equivalents.

Recently Issued Accounting Pronouncements

Certain recently issued accounting pronouncements are discussed in Note 2, Significant Accounting Policies, to the financial statements, regarding the impact of the IFRS standards issued by the IASB that we will adopt in future periods in its financial statements. The Company and its subsidiaries (the "Group") are currently assessing the impact of these new accounting standards and amendments. The Group does not expect any other standards issued by the IASB, but not yet effective, to have a material impact on the Group.

Selected Annual Information

US$, in thousands (except for per share data)	Three Months period ended March 31, 2026	2025	2024
Revenues	6,465	7,796	6,768
Basic and diluted profit (loss) from continuing operations attributable to owners of the parent	(972)	(582)	(1,767)
Basic and diluted loss per share[(1)]	(0.22)	(0.13)	(0.325)
Total assets	10,845	9,260	9,040
Total non-current financial liabilities	966	1,302	7
Cash dividends declared per share[(1)]	-	-	-

(1) On September 5, 2025, the Company effected a 1-for-65 reverse split of its issued and outstanding common shares, pursuant to which holders of the Company's common shares received 0.0154 of a common share for every one common share. All per-share amounts in the table have been retroactively restated for all periods presented.

3. LIQUIDITY AND CAPITAL RESOURCES

The Company has financed its operations through cash generated from issuances of its Common Shares as described in this MD&A.

As of March 31, 2026, and December 31, 2025, the Company had cash on hand of $6,627,000 and $6,687,000, respectively and working capital of $9,192,000 and $9,467,000, respectively. The working capital above consists of total current assets of cash and cash equivalents, other accounts receivable and inventory, short term debenture, trade accounts payable and other current liabilities. The working capital above does not include the balance of the warrants under current liabilities. The warrants balance was not included since it has no effect on the future cash flow of the Company, and are not current or future payments required to be made by the Company. For further discussion, see "*Management's Discussion and Analysis of Financial Condition and Results of Operations — Key Business Metric and Non-IFRS Financial Measure.*"

During the three-month period ended March 31, 2026, the Company incurred net loss of $886 thousand. Additionally, the Company generated $37,004 thousand of accumulated deficit since inception. Moreover, and while the Company's generated negative cash flows from operating activities during the three-month period ended March 31, 2026, the Company expects to have negative cash flows from operating activities subsequent to the three-month period ended March 31, 2026 and for such negative cash flows to be significantly higher in the foreseeable future due to increase in R&D and R&D related expenses to be incurred as a result of commencement of clinical trials. Management plans to address these conditions by raising additional funds and by generating larger volumes of revenues. However, there is no assurance that such funding will be available to the Company or that it will be obtained on terms favorable to the Company or will provide the Company with sufficient funds to meet its objectives, or that the Company will successfully generate sufficient revenues to meet its objectives. These conditions raise substantial doubts about the Company's ability to continue as a going concern. These consolidated financial statements do not reflect any adjustments that may be necessary if the Company is unable to continue as a going concern.

The Company's future capital requirements will depend on many factors, including its revenue growth, the timing and extent of investments to support such growth, the expansion of sales and marketing activities, increases in general and administrative costs and many other factors as described under "Risks and Uncertainties."

To the extent additional funds are necessary to meet its long-term liquidity needs as we continue to execute its business strategy, the Company anticipates that it will be obtained through the incurrence of additional equity financings; however, such financing may not be available on favorable terms, or at all. If the Company is unable to raise additional funds when desired, its business, financial condition and results of operations could be adversely affected.

The Company's failure to obtain sufficient funds on commercially acceptable terms when needed would have a material adverse effect on its business, results of operations and financial condition. The Company's forecast of the period of time through which its financial resistance will be adequate to support its operations is a forward-looking statement that involves risks and uncertainties, and the actual amount of its expenses could vary materially and adversely as a result of several factors. The Company has based its estimates on assumptions that may prove to be wrong, and its expenses could prove to be significantly higher than it currently anticipates.

The Company's future capital requirements will depend on many factors, including, but not limited to:

- the progress and costs of its research and development activities;
- the costs of development and expansion of its operational infrastructure and sales, marketing and distribution expenses;
- the Company's ability, or that of its collaborators, to achieve development milestones and other events or developments under potential future licensing agreements;
- the amount of revenue and contributions the Company receives under future licensing, collaboration, development and commercialization arrangements with respect to its technologies;

- the costs of filing, prosecuting, enforcing and defending patent claims and other intellectual property rights;

- the costs of contracting with third parties to provide sales and marketing capabilities for the Company or establishing such capabilities itself, once its technologies are developed and ready for commercialization;

- the costs of acquiring or undertaking development and commercialization efforts for any future products or technology;

- the magnitude of the Company's general and administrative expenses; and

- any additional costs that it may incur under future in- and out-licensing arrangements relating to its technologies and futures products.

Until the Company can generate significant recurring revenues, it expects to satisfy its future cash needs through capital raising or by out-licensing and/or co-developing applications of one or more of its product candidates. The Company cannot be certain that additional funding will be available to it on acceptable terms, if at all. If funds are not available on favorable terms, or at all, the Company may be required to delay, reduce the scope of or eliminate research or development efforts or plans for commercialization with respect to its technologies and make necessary changes to its operations to reduce the level of its expenditures in line with available resources. This may raise substantial doubts about its ability to continue as a going concern.

The Company is a development-stage pharmaceutical technology and sales and marketing company, and it is not possible for it to predict with any degree of accuracy the outcome of its research and development efforts. As such, it is not possible for it to predict with any degree of accuracy any significant trends, uncertainties, demands, commitments or events that are reasonably likely to have a material effect on its net loss, liquidity or capital resources, or that would cause financial information to not necessarily be indicative of future operating results or financial condition. However, to the extent possible, certain trends, uncertainties, demands, commitments and events are described herein.

The Company anticipates raising additional funds in the future to support additional research and development costs and to have sufficient resources to support its operations, including the payment of current and non-current liabilities, as they become due.

Capital Expenditures

For the three-month period ended March 31, 2026, and three-month period ended March 31, 2025, the Company made capital expenditures of $0.0004 million and $0.01 million, respectively. These capital expenditures mainly include expenditures related to medical equipment.

The table below shows a summary of its cash flow for the periods indicated:

	Three months period Ended March 31	
	2026	2025
US dollars, in thousands	**USD**	
Net cash provided by (used in) operating activities	(506)	368
Net cash from (used in) investing activities	-	(4)
Net cash provided by financing activities	450	996
Effect of foreign exchange on cash	(4)	(3)
Net increase (decrease) in cash	**(60)**	**1,357**

Net cash used in operating activities – continuing operations

Net cash used in operating activities increased by $874,000 to $506,000 for the three-month period ended March 31, 2026 compared to net cash provided by operating activities $368,000 for the three-month period ended March 31, 2025. This increase in net cash from operating activities is primarily due to the increase in net loss for the period, non-cash share-based compensation expenses of $576 thousand, and changes in the fair value of financial instruments, partially offset by working capital movements.

Net cash used in investing activities

Net cash used in investing activities decreased by $4,000 to $0 for the three-month period ended March 31, 2026, compared to net cash from investing activities $4,000 for the three-month period ended March 31, 2025. This increase is due to less purchases of property.

Net cash used in financing activities

Net cash provided by financing activities decreased by $546,000 to $450,000 for the three-month period ended March 31, 2026, compared to net cash provided by financing activities of 996,000 for the three-month period ended March 31, 2025. This decrease is attributed to cash received in debenture issued in March 2026 compared to cash received in its private placements of convertible debenture in March 2025.

4. TRANSACTIONS WITH RELATED PARTIES

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making operating and financial decisions. This would include the Company's senior management, who are considered to be key management personnel by the Company.

Parties are also related if they are subject to common control or significant influence. Related parties may be individuals or corporate entities. A transaction is considered to be a related party transaction when there is a transfer of resources or obligations between related parties.

The following table sets forth information concerning the total compensation paid to the named executive officers of the Company and any related corporate entity for the three-month period ended March 31, 2026, and December 31, 2024.

Transaction - expense	Three months period ended March 31, 2026 (USD in thousands)	Three months period ended March 31, 2025 (USD in thousands)
Salary and related expenses	134	128
Share based compensation	105	44

Liabilities to related party

The Company has transactions with key management personnel.

Name	March 31, 2026 (USD in thousands)	December 31, 2025 (USD in thousands)
Balances owing to the CEO	67	50
Balances owing to the CFO	2	2
Balances owing to the COO	39	25
Warrants held by related party (*)	108	109
Convertible Debenture to related party (**)	966	930
Debenture to related party (***)	450	-

(*) August 2023 Warrants and March 2025 Warrants held by the Company's largest shareholder.

(**) On March 7, 2025, the Company closed a non-brokered private placement offering of a debenture unit to its largest shareholder for gross proceeds of $1,000,000 consisting of: (a) one secured convertible debenture in the principal amount of $1,000,000 and (b) 85,470 common share purchase warrants. The debenture matures two years from the date of issuance, will bear interest at the rate of 10% per annum and is convertible into Common Shares at a price of C$13.65 per Common Share. Each Warrant is exercisable into one Common Share a price of C$16.90 for a period of four years from the date of issuance.

(***) On March 13, 2026, the Company issued a secured debenture to its largest shareholder, Tamar Innovest, in the principal amount of $450,000. For more information, see recent developments section above.

5. FINANCIAL INSTRUMENTS AND FINANCIAL RISK EXPOSURES

Quantitative and Qualitative Disclosures About Market Risk

The Company is exposed to a variety of financial risks, which result from its financing, operating and investing activities. The objective of financial risk management is to contain, where appropriate, exposures in these financial risks to limit any negative impact on its financial performance and position. Its main financial instruments are its cash and other receivables, trade and other payables. The main purpose of these financial instruments is to raise finance for their operations. The Company actively measures, monitors and manages its financial risk exposures by various functions pursuant to the segregation of duties and principals. The risks arising from its financial instruments are mainly credit risk and currency risk. The risk management policies employed by us to manage these risks are discussed below.

Liquidity Risk

Liquidity risk is the risk that we will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled in cash. Cash flow forecasting is performed in its operating entities and aggregated at a consolidated level. The Company monitors forecasts of its liquidity requirements to ensure it has sufficient cash to meet operational needs. The Company may be reliant on its ability to raise additional investment capital from the issuance of both debt and equity securities to fund its business operating plans and future obligations.

Credit Risk

Financial instruments that potentially subject the Company to a concentration of credit risk consist primarily of cash. The Company limits its exposure to credit loss by placing its cash with high credit quality financial institutions. The carrying amount of financial assets represents the maximum credit exposure.

Credit risk is the risk of financial loss to us if a debtor or counterparty to a financial instrument fails to meet its contractual obligations and arises mainly from its receivables.

The Company restricts exposure to credit risk in the case of its operations by investing only in bank deposits.

Equity price risk

As the Company has not invested in securities riskier than short-term bank deposits, it does not believe that changes in equity prices pose a material risk to its holdings. However, decreases in the market price of its common shares could make it more difficult for it to raise additional funds in the future or require it to raise funds at terms unfavorable to it.

Inflation risk

The Company does not believe that inflation has had a material effect on its business, financial condition or results of operations in the reporting period. If its costs were to become subject to significant inflationary pressures, the Company may not be able to fully offset such higher costs through hedging transactions. Its inability or failure to do so could harm its business,

financial condition and results of operations.

Foreign Currency Exchange Risk

Currency fluctuations could affect the Company through increased or decreased costs, mainly for goods and services acquired outside of Israel. Currency fluctuations did not have a material effect on its results of operations during the three-month period ended March 31, 2026, and 2025.

6. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Critical Accounting Policies

The management discussion and analysis of its financial condition and results of operations is based on its consolidated financial statements, which have been prepared in accordance with IFRS. The preparation of these consolidated financial statements requires management to make estimates and assumptions for the reported amounts of assets, liabilities, revenue, expenses and related disclosures. Its estimates are based on its historical experience and on various other factors that management believes are reasonable under the circumstances, the results of which form the basis for making judgments about the carrying value of assets and liabilities that are not readily apparent from other sites. Actual results may differ from these estimates under different assumptions or conditions and any such differences may be material.

While its significant accounting policies are more fully described in Note 2 to the audited consolidated financial statements for the three-month period ended March 31, 2026, management believes the following discussion addresses its most critical accounting policies, which are those that are most important to the financial condition and results of operations and require its most difficult, subjective and complex judgments.

Significant Estimates

Share-based Compensation

Fair values are determined using the Black-Scholes option pricing model.

Estimating fair value requires determining the most appropriate valuation model for a grant of equity instruments, which is dependent on the terms and conditions of the grant. Option-pricing models require the use of highly subjective estimates and assumptions including the expected stock price volatility. Changes in the underlying assumptions can materially affect the fair value estimates and, therefore, existing models do not necessarily provide reliable measurement of the fair value of the Company's stock options.

The Company has a share-based plan for its employees and service providers. The estimated fair value of share options is determined using the Black Scholes Merton model. Inputs to the model are subject to various estimates related to volatility, interest rates, dividend yields and expected life of the stock options issued. Fair value inputs are subject to market factors, as well as

internal estimates.

Fair value valuation of warrants

The Company measures the fair value of the warrants using the Black-Scholes model. Inputs to the model are subject to various estimates related to volatility, interest rates, dividend yields and expected life of the warrants.

Fair value valuation of convertible debenture

The Company measures the fair value of the convertible debenture using the binomial model. Inputs to the model are subject to various estimates related to volatility, interest rates, dividend yields and expected life of the convertible debenture.

Significant Judgments

The critical judgments that the Company's management has made in the process of applying the Company's accounting policies that have the most significant effect on the amounts recognized in the Company's consolidated financial statements are as follows:
Going Concern

The application of the going concern assumption which requires management to take into account all available information about the future, which is at least but not limited to, 12 months from the year end of the reporting period. The Company is aware that material uncertainties related to events or conditions may cast substantial doubt on the Company's ability to continue as a going concern.

7. OTHER INFORMATION

The following details the Common Shares and warrants outstanding as of the date of this MD&A:

Common Shares – As of March 30, 2026, 4,498,772 Common Shares were issued and outstanding.

Share Purchase Warrants

Investors	Number Of Warrants		Exercise Price	Exercisable at December 31, 2025		Expiry Date
October 2021 Common Warrants	148,908		C71.50	148,908		October 13, 2026[(1)]
August 2023 Warrants (Class A)	64,690		C18.85	64,690		August 3, 2026[(2)]
August 2023 Warrants (Class B)	64,690		C26.00	1,748		August 3, 2028[(3)]
First Tranche October 2023 Broker Warrants	1,748		C19.50	21,849		October 12, 2026 [(4)]

First Tranche October 2023 Warrants	21,849		C23.40	2,360		October 12, 2026 [5]
Second Tranche October 2023 Broker Warrants	2,360		C19.50	1,885		October 20, 2026 [6]
October 2023 Broker Units	1,885		C23.40	61,622		October 20, 2026 [7]
Second Tranche October 2023 Warrants	61,622		C23.40	122,351		October 20, 2026 [8]
March 2024 Warrants	122,351		C20.80	77,319		March 14, 2028 [9]
August 2024 Warrants	77,319		C20.80	48,880		August 29, 2028 [10]
December 2024 Warrants	48,880		C18.20	1,038		December 31, 2028 [11]
December 2024 Finders Warrants	1,038		C18.20	85,470		December 31, 2028 [12]
March 2025 Warrants	85,470		C16.90	18,362		March 7, 2029 [13]
April 2025 Warrants	18,362		C16.25	148,908		April 15, 2029 [14]

Notes:

(1) Each October 2021 Common Warrant entitles the holder thereof to acquire one Common Share at an exercise price of C$71.50 for a period of 60 months following October 13, 2021.

(2) Each August 2023 Warrant (Class A) entitles the holder thereof to acquire one Common Share at an exercise price of C$18.85 for a period of three years from August 3, 2023.

(3) Each August 2023 Warrant (Class B) entitles the holder thereof to acquire one Common Share at an exercise price of C$26.00 for a period of five years from August 3, 2023.

(4) Each First Tranche October 2023 Broker Warrant consists of one broker unit share and one broker unit warrant. Each broker unit warrant will entitle the holder thereof to purchase one broker unit warrant share at a price of C$19.50 for a period of three years from October 12, 2023.

(5) Each First Tranche October 2023 Warrant entitles the holder thereof to acquire one Common Share at an exercise price of C$23.40 for a period of three years from October 12, 2023.

(6) Each Second Tranche October 2023 Broker Warrant consists of one broker unit share and one broker unit warrant. Each broker unit warrant will entitle the holder thereof to purchase one broker unit warrant share at a price of C$19.50 for a period of three years from October 20, 2023.

(7) Each October 2023 Broker Unit is comprised of one Common Share and one Common Share purchase warrant. Each warrant shall entitle the holder thereof to purchase one

Common Share at an exercise price of C$23.40 for a period of 36 months from the date of the closing of the Second Tranche, October 20, 2023

(8) Each Second Tranche October 2023 Warrant entitles the holder thereof to acquire one Common Share at an exercise price of C$23.40 for a period of three years from October 20, 2023.

(9) Each March 2024 Warrant will entitle the holder thereof to purchase one Common Share at an exercise price of C$20.80 for a period of four years from the date of issuance.

(10) Each August 2024 Warrant will entitle the holder thereof to purchase one Common Share at an exercise price of C$20.80 for a period of four years from the date of issuance.

(11) Each December 2024 Warrant will entitle the holder thereof to purchase one Common Share at an exercise price of C$18.20 for a period of four years from the date of issuance, December 31, 2024.

(12) Each December 2024 Finders Warrant will entitle the holder thereof to purchase one Common Share at an exercise price of C$18.20 for a period of four years from the date of issuance, December 31, 2024.

(13) Each March 2025 Warrant will entitle the holder thereof to purchase one Common Share at an exercise price of C$16.90 for a period of four years from the date of issuance, March 7, 2025.

(14) Each April 2025 Warrant will entitle the holder thereof to purchase one Common Share at an exercise price of C$16.25 for a period of four years from the date of issuance, April 15, 2025.

Incentive Stock Options

The Company has adopted a stock option plan (the "**Plan**"), which is intended to provide an incentive to retain persons of training, experience, and ability, to attract new employees, officers, directors, consultants and service providers, to encourage the sense of proprietorship of such persons, and to stimulate the active interest of such persons in the development and financial success of the Company by providing them with opportunities to purchase Common Shares pursuant to the Plan.

During the three-month period ended March 31, 2026, the Company did not record an expense (US$27,000 for the three-month period ended March 31, 2025) with respect to the issuance of stock options under the Plan.

Restricted Stock Units

During the three-month period ended March 31, 2026, the Company recorded an expense in the amount of US$576,000 (US$68,000 for the three-month period ended March 31, 2025) with respect to the issuance of RSUs under the Plan.

8. OFF-BALANCE SHEET ARRANGEMENTS

The Company has no off-balance sheet arrangements.

9. RISKS AND UNCERTAINTIES

Risks Related to our Business and Industry

Going Concern

has Although Innocan is generating revenues, it expects to continue to finance its operations by raising adequate funds in the foreseeable future. During the three-month period ended March 31, 2026, Innocan incurred a net loss of US$886,000 and generated US$37,004,000 of accumulated deficit since inception. These conditions rais substantial doubt upon Innocan's ability to continue as a going concern.

In assessing whether the going concern assumption was appropriate, management took into account all relevant information available about the future, which was at least, but not limited to, the twelve months period following March 31, 2026.

Innocan is currently implementing various financing strategies, including the following:

- Innocan is actively monitoring cash forecasts and managing performance against its forecasts.

- Innocan has identified various cost-reduction initiatives.

- Innocan has a plan in place to issue additional shares under a non-brokered private placement to raise additional proceeds.

Innocan believes that based on the financial strength of its existing shareholder base, and previous success in raising capital, any shortfall in its operating plan may be met through one or more of the above strategies.

Regulatory Risks

Successful execution of the Company's strategy is contingent, in part, upon compliance with regulatory requirements enacted by governmental authorities and obtaining all regulatory approvals, where necessary, for the sale of its products, including maintaining and renewing its licenses. The impact of regulations in the jurisdictions where the Company is looking to operate or sell its products, such as the compliance regimes under the FDA, European Medicines Agency, and Health Canada, any delays in obtaining, or failure to obtain regulatory approvals may significantly delay or impact the development of markets, products and sales initiatives and could have a material adverse effect on the business, financial condition and operating results of the Company.

The Company will incur ongoing costs and obligations related to regulatory compliance. Failure to comply with regulations may result in additional costs for corrective measures, penalties or in restrictions on the Company's operations. In addition, changes in regulations, more vigorous

enforcement thereof or other unanticipated events could require extensive changes to the Company's operations, increased compliance costs or give rise to material liabilities, which could have a material adverse effect on the business, financial condition and operating results of the Company.

Change in laws, regulations and guidelines

The Company's operations are subject to various laws, regulations and guidelines relating to the manufacture, management, packaging/labelling, advertising, sale, transportation, storage and disposal of pharmaceutical products but also including laws and regulations relating to drug, controlled substances, health and safety, the conduct of operations and the protection of the environment at the territories the Company is looking to be active. While to the knowledge of management, other than routine corrections that may be required by health authorities in the U.S., Canada and European Union from time to time, the Company is currently in compliance with all such laws. Changes to such laws, regulations and guidelines due to matters beyond the control of the Company may cause adverse effects to its operations.

The Company endeavors to comply with all relevant laws, regulations and guidelines in the countries that the Company is looking to be active in. To the Company's knowledge, it is complying or is in the process of being assessed for compliance with all such laws, regulations and guidelines as described elsewhere in this MD&A.

Changes in and uncertainty surrounding U.S. trade policy could have a material adverse impact on our business, financial condition and results of operations

During the reporting period, the United States Supreme Court determined that existing law does not permit the President to impose reciprocal tariffs on the broad scale that had been implemented by President Trump upon taking office. In response, President Trump issued an executive order under separate statutory authority, which became effective on February 24, 2026. This order imposed, on a temporary basis, an additional 10% tariff on most goods imported into the United States, in addition to existing tariffs, for a period of 150 days (through July 24, 2026). In early May 2026, the U.S. Court of International Trade ruled that certain broad-based tariffs imposed by President Trump on imports into the United States—primarily the across-the-board 10% tariffs implemented under emergency authorities, as noted above—were unlawful. Following this decision, the U.S. administration filed an appeal with the U.S. Court of Appeals for the Federal Circuit. Concurrently, a stay of the ruling was granted, and accordingly, the tariffs remain in effect pending the outcome of the appeal. The Group continues to monitor these developments and their potential impact on its operations and cost structure.

Reliance on Key Contracts

The Company is reliant on certain key commercial agreements, including the Yissum research and license agreement, in order to continue operations. These agreements may include options for termination by the other parties if the Company fails to meet certain development milestones, does not commercialize the products within a reasonable timeframe, or fails to file and maintain patents in certain jurisdictions. The loss of any of these key commercial agreements could materially adversely affect the Company's ability to execute its business plan and strategy, and it may not be able to find adequate replacements on a timely basis, or at all.

Medical research of phytocannabinoids

Research in Canada, the U.S. and internationally regarding the medical benefits, viability, safety, efficacy and dosing of cannabis or isolated phytocannabinoids remains in their early stages. There have been relatively few clinical trials on the benefits of cannabis or isolated phytocannabinoids. The statements made in this MD&A concerning the potential medical benefits of cannabinoids are based on published articles and reports with details of research studies and clinical trials, including those shown in the list of third-party studies summarized in the Company's public disclosure. . As a result, the statements made in this MD&A are subject to the experimental parameters, qualifications and limitations in the studies that have been completed.

We rely on management and need additional key personnel to grow our business, and the loss of key employees or inability to hire key personnel could harm our business.

We believe our success has depended, and continues to depend, on the efforts and talents of our management team and employees. Our future success depends on our continuing ability to attract, develop, motivate and retain highly qualified and skilled employees. Qualified individuals are in high demand, and we may incur significant costs to attract and retain them. In addition, the loss of any of our senior management or key employees could materially adversely affect our ability to execute our business plan and strategy, and we may not be able to find adequate replacements on a timely basis, or at all. We do not maintain key person life insurance policies on any of our employees.

Factors which may prevent realization of growth targets

The Company is currently in the expansion stage from early development stage. There is a risk that expansion and development will not be achieved on time, on budget, or at all, as they can be adversely affected by a variety of factors, including some that are discussed elsewhere in these Risks and Uncertainties and the following:

1. failure or delays in obtaining, or conditions imposed by, regulatory approvals;
2. environmental pollution; non-performance by third party contractors; increases in materials or labour costs; construction performance falling below expected levels of output or efficiency;
3. breakdown, aging or failure of equipment or processes;
4. contractor or operator errors;
5. operational inefficiencies;
6. labour disputes, disruptions or declines in productivity; inability to attract sufficient numbers of qualified workers; disruption in the supply of energy and utilities; and
7. major incidents and/or catastrophic events such as fires, explosions, or storms.

As a result, there is a risk that the Company may not have product or sufficient product available to meet the anticipated demand or to meet future demand when it arises.

Additional financing

There is no guarantee that the Company will be able to execute its strategy. The continued development of the Company may require additional financing. The failure to raise such capital could result in the delay or indefinite postponement of the current business strategy or the Company ceasing to carry on business. There can be no assurance that additional capital or other types of

financing will be available if needed or that, if available, the terms of such financing will be favorable to the Company. If additional funds are raised through issuances of equity or convertible debt securities, existing shareholders could suffer significant dilution, and any new equity securities issued could have rights, preferences and privileges superior to those of holders of Common Shares. In addition, from time to time, the Company may enter into transactions to acquire assets or the shares of other companies. These transactions may be financed wholly or partially with debt, which may temporarily increase the Company's debt levels above industry standards. Any debt financing secured in the future could involve restrictive covenants relating to capital raising activities and other financial and operational matters, which may make it more difficult for the Company to obtain additional capital and to pursue business opportunities, including potential acquisitions. Debt financings may contain provisions, which, if breached, may entitle lenders to accelerate repayment of loans and there is no assurance that the Company would be able to repay such loans in such an event or prevent the enforcement of security granted pursuant to such debt financing. The Company may require additional financing to fund its operations to the point where it is generating positive cash flow. Negative cash flow may restrict the Company's ability to pursue its business objectives.

Competition

There is potential that the Company will face intense competition from other companies, some of which can be expected to have more financial resources and manufacturing and marketing experience than the Company. Increased competition by larger and better financed competitors could materially and adversely affect the business, financial condition and results of operations of the Company.

Research and development and product obsolescence

Rapidly changing markets, technology, emerging industry standards and frequent introduction of new products characterize the Company's business. The introduction of new products embodying new technologies, including new manufacturing processes, and the emergence of new industry standards may render the Company's products obsolete, less competitive or less marketable. The process of developing the Company's products is complex and requires significant continuing costs, development efforts and third party commitments The Company's failure to develop new technologies and products and the obsolescence of existing technologies could adversely affect the business, financial condition and operating results of the Company. The Company may be unable to anticipate changes in its potential customer requirements that could make the Company's existing technology obsolete. The Company's success will depend, in part, on its ability to continue to enhance its existing technologies, develop new technology that addresses the increasing sophistication and varied needs of the market, and respond to technological advances and emerging industry standards and practices on a timely and cost-effective basis. The development of the Company's proprietary technology entails significant technical and business risks. The Company may not be successful in using its new technologies or exploiting its niche markets effectively or adapting its businesses to evolving customer or medical requirements or preferences or emerging industry standards.

Transportation risks

Due to the perishable and premium nature of the Company's products, the Company will depend on fast and efficient third party transportation services to distribute its products. Any prolonged disruption of third-party transportation services could have an adverse effect on the financial

condition and results of operations of the Company. Rising costs associated with the third party transportation services used by the Company to ship its products may also adversely impact the business of the Company and its ability to operate profitably.

Due to the nature of the Company's products, security of the product during transportation to and from the Company's facilities is of the utmost concern. A breach of security during transport or delivery could have a material and adverse effect on the business, financial condition and operating results of the Company. Any breach of the security measures during transport or delivery, including any failure to comply with recommendations or requirements of Health Canada, could also have an impact on the Company's ability to continue operating under its licenses or the prospect of renewing its licenses.

We may be subject to unfavourable publicity or consumer perception

The Company believes the medical cannabis industry is highly dependent upon consumer perception regarding the safety, efficacy and quality of the medical cannabis produced. Consumer perception of the Company's products can be significantly influenced by scientific research or findings, regulatory investigations, litigation, media attention and other publicity regarding the consumption of medical cannabis products. There can be no assurance that future scientific research, findings, regulatory proceedings, litigation, media attention or other research findings or publicity will be favourable to the medical cannabis market or any particular product, or consistent with earlier publicity. Future research reports, findings, regulatory proceedings, litigation, media attention or other publicity that are perceived as less favourable than, or that question, earlier research reports, findings or publicity could have a material adverse effect on the demand for the Company's products and the business, results of operations, financial condition and cash flows of the Company. The Company's dependence upon consumer perceptions means that adverse scientific research reports, findings, regulatory proceedings, litigation, media attention or other publicity, whether or not accurate or with merit, could have a material adverse effect on the Company, the demand for the Company's products, and the business, results of operations, financial condition and cash flows of the Company. Further, adverse publicity reports or other media attention regarding the safety, efficacy and quality of medical cannabis in general, or the Company's products specifically, or associating the consumption of medical cannabis with illness or other negative effects or events, could have such a material adverse effect. Such adverse publicity reports or other media attention could arise even if the adverse effects associated with such products resulted from consumers' failure to consume such products legally, appropriately or as directed.

Product liability

As a manufacturer and distributor of products designed to be ingested by humans, the Company faces an inherent risk of exposure to product liability claims, regulatory action and litigation if its products are alleged to have caused significant loss or injury. In addition, the manufacture and sale of cannabis products involve the risk of injury to consumers due to tampering by unauthorized third parties or product contamination. Previously unknown adverse reactions resulting from human consumption of cannabis products alone or in combination with other medications or substances could occur. The Company may be subject to various product liability claims, including, among others, that the products produced by the Company caused injury or illness, include inadequate instructions for use or include inadequate warnings concerning possible side effects or interactions with other substances. A product liability claim or regulatory action against the Company could result in increased costs, could adversely affect the Company's reputation with its clients and

consumers generally, and could have a material adverse effect on the business, financial condition and operating results of the Company. There can be no assurances that the Company will be able to obtain or maintain product liability insurance on acceptable terms or with adequate coverage against potential liabilities. Such insurance is expensive and may not be available in the future on acceptable terms, or at all. The inability to obtain sufficient insurance coverage on reasonable terms or to otherwise protect against potential product liability claims could prevent or inhibit the commercialization of products.

Product recalls

Manufacturers and distributors of products are sometimes subject to the recall or return of their products for a variety of reasons, including product defects, such as contamination, unintended harmful side effects or interactions with other substances, packaging safety and inadequate or inaccurate labelling disclosure. If any of the products produced by the Company are recalled due to an alleged product defect or for any other reason, the Company could be required to incur the unexpected expense of the recall and any legal proceedings that might arise in connection with the recall. The Company may lose a significant amount of sales and may not be able to replace those sales at an acceptable margin or at all. In addition, a product recall may require significant management attention. Although the Company has detailed procedures in place for testing finished products, there can be no assurance that any quality, potency or contamination problems will be detected in time to avoid unforeseen product recalls, regulatory action or lawsuits. Additionally, if one of the products produced by the Company were subject to recall, the image of that product and the Company could be harmed. A recall for any of the foregoing reasons could lead to decreased demand for products produced by the Company and could have a material adverse effect on the results of operations and financial condition of the Company. Additionally, product recalls may lead to increased scrutiny of the operations of the Company by Health Canada or other regulatory agencies, requiring further management attention and potential legal fees and other expenses.

Reliance on key inputs

The Company's business is dependent on a number of key inputs and their related costs including raw materials and supplies related to its growing operations, as well as electricity, water and other local utilities. Any significant interruption or negative change in the availability or economics of the supply chain for key inputs could materially impact the business, financial condition and operating results of the Company. Any inability to secure required supplies and services or to do so on appropriate terms could have a materially adverse impact on the business, financial condition and operating results of the Company.

Dependence on suppliers and skilled labour

The Company is dependent on various suppliers for inputs for its commercial products, in particular, the availability of CBD will vary in various target markets, depending on national regulations and supply levels.

Difficulty to forecast

The Company must rely largely on its own market research to forecast sales as detailed forecasts are not generally obtainable from other sources at this early stage of the cannabis pharmaceutical industry in North America and Europe. A failure in the demand for its products to materialize as a result of competition, technological change or other factors could have a material adverse effect on

the business, results of operations and financial condition of the Company.

Operating risk and insurance coverage

The Company has insurance to protect its assets, operations and employees. While the Company believes its insurance coverage addresses all material risks to which it is exposed and is adequate and customary in its current state of operations, such insurance is subject to coverage limits and exclusions and may not be available for the risks and hazards to which the Company is exposed. In addition, no assurance can be given that such insurance will be adequate to cover the Company's liabilities or will be generally available in the future or, if available, that premiums will be commercially justifiable. If the Company were to incur substantial liability and such damages were not covered by insurance or were in excess of policy limits, or if the Company were to incur such liability at a time when it is not able to obtain liability insurance, its business, results of operations and financial condition could be materially adversely affected.

Management of growth

The Company may be subject to growth-related risks, including capacity constraints and pressure on its internal systems and controls. The ability of the Company to manage growth effectively will require it to continue to implement and improve its operational and financial systems and to expand, train and manage its employee base. The inability of the Company to deal with this growth may have a material adverse effect on the Company's business, financial condition, results of operations and prospects.

Conflicts of interest

The Company may be subject to various potential conflicts of interest because of the fact that some of its officers and directors may be engaged in a range of business activities. In addition, the Company's executive officers and directors may devote time to their outside business interests, so long as such activities do not materially or adversely interfere with their duties to the Company. In some cases, the Company's executive officers and directors may have fiduciary obligations associated with these business interests that interfere with their ability to devote time to the Company's business and affairs and that could adversely affect the Company's operations. These business interests could require significant time and attention of the Company's executive officers and directors.

In addition, the Company may also become involved in other transactions which conflict with the interests of its directors and the officers who may from time to time deal with persons, firms, institutions or Companies with which the Company may be dealing, or which may be seeking investments similar to those desired by it. The interests of these persons could conflict with those of the Company. In addition, from time to time, these persons may be competing with the Company for available investment opportunities. Conflicts of interest, if any, will be subject to the procedures and remedies provided under applicable laws. In particular, in the event that such a conflict of interest arises at a meeting of the Company's directors, a director who has such a conflict will abstain from voting for or against the approval of such participation or such terms. In accordance with applicable laws, the directors of the Company are required to act honestly, in good faith and in the best interests of the Company.

We are subject to environmental regulations and risks

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

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

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

In certain circumstances, the Company's reputation could be damaged

Damage to the Company's reputation can be the result of the actual or perceived occurrence of any number of events, and could include any negative publicity, whether true or not. The increased usage of social media and other web-based tools used to generate, publish and discuss user-generated content and to connect with other users has made it increasingly easier for individuals and groups to communicate and share opinions and views in regard to the Company and its activities, whether true or not. Although the Company believes that it operates in a manner that is respectful to all stakeholders and that it takes care in protecting its image and reputation, the Company does not ultimately have direct control over how it is perceived by others. Reputation loss may result in decreased investor confidence, increased challenges in developing and maintaining community relations and an impediment to the Company's overall ability to advance its projects, thereby having a material adverse impact on financial performance, financial condition, cash flows and growth prospects.

Third party reputational risk

The parties with which the Company does business may perceive that they are exposed to reputational risk as a result of the Company's medical cannabis business activities. This may impact the Company's ability to retain current partners, such as its banking relationship, or source future partners as required for growth or future expansion in Canada or the USA. Failure to establish or maintain business relationships could have a material adverse effect on the Company.

Changes to safety, health and environmental regulations could have a material effect on future operations

Safety, health and environmental legislation affects nearly all aspects of the Company's operations including product development, working conditions, waste disposal and emission controls. Compliance with safety, health and environmental legislation can require significant expenditures and failure to comply with such safety, health and environmental legislation may result in the imposition of fines and penalties, the temporary or permanent suspension of operations, clean-up costs resulting from contaminated properties, damages and the loss of important permits. Exposure to these liabilities arises not only from the Company's existing operations, but from operations that have been closed or sold to third parties. The Company could also be held liable for worker exposure to hazardous substances and for accidents causing injury or death. There can be no assurances that the Company will at all times be in compliance with all safety, health and environmental regulations or that steps to achieve compliance would not materially adversely affect the Company's business.

Safety, health and environmental laws and regulations are evolving in all jurisdictions where the Company has activities. The Company is not able to determine the specific impact that future changes in safety, health and environmental laws and regulations may have on its operations and activities, and its resulting financial position; however, the Company anticipates that capital expenditures and operating expenses will increase in the future as a result of the implementation of new and increasingly stringent safety, health and environmental regulation. Further changes in safety, health and environmental laws, new information on existing safety, health and environmental conditions or other events, including legal proceedings based upon such conditions or an inability to obtain necessary permits, may require increased financial reserves or compliance expenditures or otherwise have a material adverse effect on the Company.

Disruption of Supply Chain

Conditions or events including, but not limited to, those listed below could disrupt the Company's supply chains, interrupt operations at its facilities, increase operating expenses, resulting in loss of sales, delayed performance of contractual obligations or require additional expenditures to be incurred:

(a) extraordinary weather conditions or natural disasters such as hurricanes, tornadoes, floods, fires, extreme heat, earthquakes, etc.;
(b) a local, regional, national or international outbreak of a contagious disease, including the Coronavirus, Middle East Respiratory Syndrome, Severe Acute Respiratory Syndrome, H1N1 influenza virus, avian flu, or any other similar illness could result in a general or acute decline in economic activity;
(c) political instability, social and labour unrest, war or terrorism; and
(d) interruptions in the availability of basic commercial and social services and infrastructure including power and water shortages, and shipping and freight forwarding services including via air, sea, rail and road.

Information systems security threats

The Company has entered into agreements with third parties for hardware, software, telecommunications and other information technology ("**IT**") services in connection with its operations. The Company's operations depend, in part, on how well it and its suppliers protect networks, equipment, IT systems and software against damage from a number of threats, including, but not limited to, cable cuts, damage to physical plants, natural disasters, terrorism, fire, power loss, hacking, computer viruses, vandalism and theft. The Company's operations also depend on the timely maintenance, upgrade and replacement of networks, equipment, IT systems and software, as well as pre-emptive expenses to mitigate the risks of failures. Any of these and other events could result in information system failures, delays and/or increase in capital expenses. The failure of information systems or a component of information systems could, depended on the nature of any such failure, adversely impact the Company's reputation and results of operations.
The Company has not experienced any material losses to date relating to cyber-attacks or other information security breaches, but there can be no assurance that the Company will not incur such losses in the future. The Company's risk and exposure to these matters cannot be fully mitigated because of, among other things, the evolving nature of these threats. As a result, cyber security and the continued development and enhancement of controls, processes and practices designed to protect systems, computers, software, data and networks from attack, damage or unauthorized access is a priority. As cyber threats continue to evolve, the Company may be required to expend additional resources to continue to modify or enhance protective measures or to investigate and remediate any security vulnerabilities.

Additional Information:

The Company files annual and interim financial reports, Management Discussion and Analysis, Management Information Circulars, and other information with certain Canadian regulatory authorities. Additional information relating to the Company is available at www.sedarplus.ca.

May 27, 2026

(s) "Iris Bincovich"

Iris Bincovich, CEO