



ANNUAL REPORT

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549**

FORM 10-K

(Mark one)

ANNUAL REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended December 31, 2025.

TRANSITION REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

Commission file number 001-38783

VILLAGE FARMS INTERNATIONAL, INC.

(Exact name of registrant as specified in its charter)

Ontario
(State or other jurisdiction of
incorporation or organization)

98-1007671
(I. R. S. Employer
Identification No.)

90 Colonial Parkway
Lake Mary, Florida 32746
(Address of principal executive offices)

(407) 936-1190
(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Shares, without par value	VFF	The Nasdaq Stock Market LLC

Securities registered pursuant to Section 12(g) of the Act:

None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. YES NO

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. YES NO

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. YES NO

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§229.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). YES NO

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer	<input type="checkbox"/>	Accelerated filer	<input checked="" type="checkbox"/>
Non-accelerated filer	<input type="checkbox"/>	Smaller reporting company	<input checked="" type="checkbox"/>
Emerging growth company	<input type="checkbox"/>		

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Indicate by check mark whether the registrant has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report.

If securities are registered pursuant to Section 12(b) of the Act, indicate by check mark whether the financial statements of the registrant included in the filing reflect the correction of an error to previously issued financial statements.

Indicate by check mark whether any of those error corrections are restatements that required a recovery analysis of incentive-based compensation received by any of the other registrant's executive officers during the relevant recovery period pursuant to §240.10D-1(b).

Indicate by check mark whether registrant is a shell company (as defined in Rule 12b-2 of the Act). YES NO

The aggregate market value of the voting stock and nonvoting common equity held by non-affiliates computed by reference to the price at which the common equity was last sold, or the average bid and asked prices of such common equity, as of June 30, 2025 was \$110,724,400.

As of March 6, 2026, the registrant had 115,104,420 Common Shares outstanding.

PCAOB: 185 **Auditor Name:** KPMG LLP **Auditor Location:** Orlando, Florida

DOCUMENTS INCORPORATED BY REFERENCE

The following materials are incorporated by reference into this Form 10-K:

Information contained in the definitive proxy statement for the registrant's 2026 Annual Meeting of Stockholders, to be filed with the Securities and Exchange Commission within 120 days after the end of the fiscal year ended December 31, 2025, is incorporated by reference in Parts III and IV to the extent described therein.

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As used in this report, the terms “Village Farms,” “Village Farms International,” the “Company,” “we,” “us,” “our” and similar references refer to Village Farms International, Inc. and our consolidated subsidiaries, and the term “Common Shares” refers to our Common Shares, no par value. Our financial information is presented in U.S. dollars and all references in this Annual Report on Form 10-K to “\$” means U.S. dollars and all references to “C\$” means Canadian dollars.

This Annual Report on Form 10-K contains certain trademarks, trade names and service marks of ours, as described in Item 1, “Business—Intellectual Property”. This report also contains trademarks, trade names and service marks that are owned by other persons or entities.

This Annual Report on Form 10-K contains forward-looking statements within the meaning of the United States Private Securities Litigation Reform Act of 1995, Section 27A of the Securities Act of 1933, as amended (the “Securities Act”) and Section 21E of the Securities Exchange Act of 1934, as amended (the “Exchange Act”), and is subject to the safe harbor created by those sections. This Annual Report on Form 10-K also contains “forward-looking information” within the meaning of applicable Canadian securities law. We refer to such forward-looking statements and forward-looking information collectively as “forward-looking statements”. Forward-looking statements may relate to the Company’s future outlook or financial position and anticipated events or results and may include statements regarding the financial position, business strategy, budgets, expansion plans, litigation, projected production, projected costs, capital expenditures, financial results, tariffs, taxes, plans and objectives of or involving the Company or statements regarding the anticipated benefits from the closing of the transaction involving Vanguard Food LP. Particularly, statements regarding future results, performance, achievements, prospects or opportunities for the Company, the greenhouse vegetable or produce industry, the cannabis industry and market and our energy segment are forward-looking statements. In some cases, forward-looking information can be identified by such terms as “can”, “outlook”, “may”, “might”, “will”, “could”, “should”, “would”, “occur”, “expect”, “plan”, “anticipate”, “believe”, “intend”, “try”, “estimate”, “predict”, “potential”, “continue”, “likely”, “schedule”, “objectives”, or the negative or grammatical variation thereof or other similar expressions concerning matters that are not historical facts. The forward-looking statements in this Annual Report on Form 10-K are subject to risks that may include, but are not limited to: our limited operating history in the cannabis and cannabinoids industry, including that of Pure Sunfarms, Corp. (“Pure Sunfarms”), Rose LifeScience Inc. (“Rose” or “Rose LifeScience”), Balanced Health Botanicals, LLC (“Balanced Health”) and Village Farms International B.V (“VF International”); the limited operational history of the Delta RNG Project in our energy segment; the legal status of the cannabis business of Pure Sunfarms, Rose, and VF International and the hemp business of Balanced Health and uncertainty regarding the legality and regulatory status of cannabis and cannabinoid (CBD) products in the United States; risks relating to the implementation and enforcement of the November 2025 Appropriations Act (as defined below); risks relating to the integration of Balanced Health and Rose into our consolidated business; risks relating to obtaining additional financing on acceptable terms, including our dependence upon credit facilities and dilutive transactions; potential difficulties in achieving and/or maintaining profitability; variability of product pricing; risks inherent in the cannabis, hemp, CBD, cannabinoids, and agricultural businesses; our market position and competitive position; our ability to leverage current business relationships for future business involving hemp and cannabinoids; the ability of Pure Sunfarms and Rose to cultivate and distribute cannabis in Canada as well as exports; risks related to the start-up of international production at our Netherlands operations under Leli; existing and new governmental regulations, including risks related to regulatory compliance and regarding obtaining and maintaining licenses required under the Cannabis Act (Canada), the Criminal Code and other Acts, S.C. 2018, C. 16 (Canada) for our Canadian operational facilities, and changes in our regulatory requirements; legal and operational risks relating to expected conversion of our greenhouses to cannabis production in Canada and in the United States; risks related to rules and regulations at the U.S. Federal (Food and Drug Administration and United States Department of Agriculture), state and municipal levels with respect to produce and hemp, cannabidiol-based products commercialization; retail consolidation, technological advances and other forms of competition; transportation disruptions; product liability and other potential litigation; retention of key executives; labor issues; uninsured and underinsured losses; vulnerability to rising energy costs; inflationary effects on costs of cultivation and transportation; recessionary effects on demand of our products; environmental, health and safety risks, foreign exchange exposure, risks associated with cross-border trade and the potential for tariffs and other trade restrictions; difficulties in managing our growth; restrictive covenants under our credit facilities; natural catastrophes; elevated interest rates; and tax risks.

The Company has based these forward-looking statements on factors and assumptions about future events and financial trends that it believes may affect its financial condition, results of operations, business strategy and financial needs. Although the forward-looking statements contained in this Annual Report on Form 10-K are based upon assumptions that management believes are reasonable based on information currently available to management, there can be no assurance that actual results will be consistent with these forward-looking statements. Forward-looking statements necessarily involve known and unknown risks and uncertainties, many of which are beyond the Company’s control, which may cause the Company’s or the industry’s actual results, performance, achievements, prospects and opportunities in future periods to differ materially from those expressed or implied by such forward-looking statements. These risks and uncertainties include, among other things, the factors contained in the Company’s filings with securities regulators, including this Annual Report on Form 10-K.

When relying on forward-looking statements to make decisions, the Company cautions readers not to place undue reliance on these statements, as forward-looking statements involve significant risks and uncertainties and should not be read as guarantees of future results, performance, achievements, prospects and opportunities. The forward-looking statements made in this report relate only to events or information as of the date on which the statements are made in this report. Except as required by law, the Company undertakes no obligation to update or revise publicly any forward-looking statements, whether as a result of new information, future events or otherwise, after the date on which the statements are made or to reflect the occurrence of unanticipated events.

PART I.

ITEM 1. BUSINESS

Our Mission and Brands

Our mission is to apply decades of innovation in intensive agriculture to build a sustainable path forward for the global cannabis industry. To achieve this, we are building upon over three decades of leadership in Controlled Environment Agriculture ("CEA"), asset development and management, marketing of plant-based consumer packaged goods to deliver a full suite of recreational and medicinal products and brands to regulated cannabis markets across the world.

We have leveraged our expertise as a pioneer in CEA to contribute meaningfully to the development of the global legal cannabis industry. Pure Sunfarms Corp. ("Pure Sunfarms" or "PSF") and Rose LifeScience Inc. ("Rose LifeScience" or "Rose") comprise our Canadian cannabis businesses. Pure Sunfarms is one of the largest and most respected cannabis growers in the world and the leading flower brand in Canada. Rose is a leading vertically integrated, branded cannabis producer, supplier and commercialization expert in the Province of Quebec.

Balanced Health Botanicals, LLC ("Balanced Health" or "BHB") is our U.S. Cannabis business. Balanced Health owns and operates one of the leading brands in the hemp-derived cannabidiol ("CBD") and other cannabinoids markets, produces high quality health and wellness products and distributes primarily through its top-ranked e-commerce platform, CBDistillery™.

Village Farms Clean Energy ("VFCE") has partnered with Terreva Renewables (formerly Mas Energy) for a 20-year contract, which commenced in 2024 (including a five-year option to extend) with the City of Vancouver to capture landfill gas at the Delta, B.C. landfill site (the "Delta RNG Project"). The Delta RNG Project converts VFCE's previous landfill gas-to-electricity business into a state-of-the-art landfill gas to high-demand renewable natural gas ("RNG") facility. Under the contract, Terreva Renewables sells renewable natural gas and VFCE receives a portion of the revenue in the form of a royalty.

Leli Holland B.V. ("Leli" or "Leli Holland"), which formally changed its name to Village Farms International B.V. on March 6, 2026, is one of ten licensed legal producers of cannabis in the Netherlands under the 2017-2021 Coalition Agreement (further ratified by the 2021-2025 Coalition Agreement) called The Controlled Cannabis Supply Chain Experiment. Our licensed producer started to supply legal, quality-controlled cannabis to designated Dutch coffee shops in the first quarter of 2025.

Village Farms Fresh, our produce business, has pioneered Controlled Environment Agriculture ("CEA") in North America and helped feed a hungry planet with sustainable greenhouse growing for over three decades. We produce fresh, premium-quality produce with consistency, 365 days a year, from more than two million square feet of CEA greenhouses in British Columbia ("B.C.").

Our Commitment and Values

Our core operating principle is to deliver fairness and satisfaction in our customer promise. Our global team is united by our shared core values: Versatility, Innovation, Leadership, Loyalty, Accountability, Grit and Entrepreneurship. We strive to operate the business for optimal success by endeavoring to be:

- a responsible producer of high-quality products
- a reliable, trusted partner to customers
- a provider of excellence in customer service and logistics
- a business with a solid balance sheet
- a company which enhances shareholder value
- a trusted steward of the environment
- a workplace where all employees can grow and prosper
- an employer for people who want to make a difference in the world

For over thirty years, we have pioneered CEA in North America feeding an increasing population through sustainable greenhouse growing. In 2017, we expanded from produce, leveraging our considerable knowledge, to the emerging legal cannabis and health and wellness market. We envisioned and created Pure Sunfarms to artfully blend our decades of CEA expertise with hands-on knowledge of legacy growing practices in cannabis. We invest in, and partner with, companies that share our values and respect for people and the environment. We believe a focus on innovation is a key driver of growth in our markets.

We are extremely proud of many things that we achieved over the past three-plus decades, but none more than our highly responsible approach to the environment. From our sustainably sourced inputs and sustainable growing methods to our use of clean energy and other innovative technologies, we are proud to bring sustenance and wellbeing to our consumers in a way that is ethical and responsible to the planet.

Our state-of-the-art, technology-based CEA facilities use less water, land and chemicals than outdoor farming and we aim to introduce new technologies to be greener in the future. The earth's finite water supply is one of its most precious resources and our hydroponic growing method sterilizes and recirculates the same water multiple times, so that 100% of the water reaches the plants. Our proficient growing methods deliver vastly more yield per acre compared to outdoor growing, without depleting the soil. We use beneficial insects to control pests and promote healthy plant growth, and administer organic pesticides, so our GMO-free crops grow in a nourishing environment free of harmful chemicals. In one of our Delta greenhouses, we collect, filter and utilize rainwater for our plants. Our Delta greenhouses also use renewable hydroelectricity as the main power source, provide innovative energy screens to help capture the sun's warmth and prevent heat loss, and employ blackout curtains to reduce light pollution, all in an effort to minimize our impact to the local community and ecosystem.

Business Overview

Village Farms International, Inc. (“VFF”, together with its subsidiaries, the “Company”, “Village Farms”, “we”, “us”, or “our”) converted from an income trust to a publicly-traded company on December 31, 2009. Our subsidiaries operated vegetable producing greenhouses since 1989 and began production in Texas in 1996. On October 18, 2006, the merger between Village Farms and Hot House Growers resulted in one of the largest producers, marketers and distributors of greenhouse grown products in North America. VFF pioneered CEA in North America, and over the years transformed the organization, adapting to meet industry changes and customer preferences, in order to persevere and remain one of the largest and longest-operating vertically integrated greenhouse growers in North America.

Our Canadian cannabis operations consist of wholly-owned, British Columbia-based Pure Sunfarms and 80% ownership interest in Quebec-based Rose LifeScience. Pure Sunfarms is one of the single largest cannabis cultivation operations in the world, one of the lowest-cost greenhouse producers and one of the best-selling brands in Canada. Pure Sunfarms leverages our 30-plus years of experience as a vertically integrated greenhouse grower for the legal cannabis industry in Canada with commercial distribution in every Canadian province and territory. In September 2021, Pure Sunfarms began exporting medicinal cannabis products to Australia. In March 2022, our Delta cannabis facilities received European Union Good Manufacturing Practice (“EUGMP”) certification, which permits the importation of medicinal cannabis into countries such as Germany and the United Kingdom. Today we believe Pure Sunfarms is the largest exporter of medicinal cannabis in the world. Our primary objective for Pure Sunfarms is to be the leading low-cost, high-quality cannabis producer in Canada and select international medicinal markets. Rose is a leading vertically integrated, branded cannabis producer, supplier and commercialization expert in the Province of Quebec and is the Quebec operational unit of our Canadian cannabis segment.

Our U.S. cannabis operations consist of wholly-owned, Colorado-based Balanced Health. Balanced Health owns and operates one of the leading brands in the hemp-derived CBD/cannabinoid market in the United States, providing us with access to the U.S. Cannabinoid market in a consumer products category adjacent to the high-tetrahydrocannabinol (“THC”) cannabis market, as well as the broader consumer packaged goods wellness arena. Balanced Health has established a diverse portfolio of CBD and other cannabinoid products, including ingestible, edible and topical applications that are distributed through its top-ranked e-commerce platform, CBDistillery™ (www.theCBDistillery.com), as well as through brick-and-mortar retail channels.

Our Cannabis Netherlands operations consists of wholly-owned Leli Holland subsidiary in the Netherlands. Leli Holland holds one of 10 licenses to produce and distribute recreational cannabis in the regulated program in the Netherlands, which has a population of over 18 million people. Leli Holland's production facility in Drachten was completed in October 2024, with the first commercial sales to designated Dutch coffee shops in February 2025. Our second facility in Groningen will be substantially completed in late March 2026 with operations planned to commence in the second quarter of 2026.

We have completed the transition of our VFCE operation to a renewable natural gas facility in partnership with Atlanta-based Terreva Renewables. Operations began in 2024. Leveraging state-of-the-art technologies, the Delta RNG facility purifies and converts landfill (methane) gas that would otherwise escape into the atmosphere to high-demand RNG. This new operation has already contributed incremental cash flow and profitability to Village Farms.

We continue to produce and distribute fresh, premium-quality produce from one 60 acre greenhouse in Delta, British Columbia. We sold substantially all of our U.S. produce business (the “Produce Business”) in a transaction with Vanguard Food GP LLC, Vanguard Food LP and certain of its subsidiaries (collectively, “Vanguard”) on May 30, 2025, but we retained ownership of two Texas greenhouses for the future use as cannabis facilities, upon legalization in the United States, or upon receipt of a Texas medicinal cannabis license. See “Our Produce Segment” below for more information. All of our produce is currently subject to a sales and marketing agreement with Vanguard Produce Canada ULC as our sole customer, who in turn sells our produce to retail supermarkets and dedicated fresh food distribution companies throughout the United States and Canada.

Our Canadian Cannabis Segment

Village Farms' Canadian cannabis segment consists of Pure Sunfarms and Rose LifeScience.

Pure Sunfarms

Pure Sunfarms is a core component of our Canadian cannabis platform, operating large-scale greenhouse cultivation and processing assets in British Columbia and supplying cannabis products to both domestic and international markets. Since the end of 2024, our Canadian cannabis business has sold products in every Canadian province and territory.

In the fourth quarter of 2025, we believe our Canadian cannabis business had the fourth largest market share (by dollars) in Canada across all product categories (5.5% share of market, a decrease of 70 bps over fourth quarter of 2024) and the largest market share in the dried flower product category (12.8% share of market, a decrease of 280 bps over the fourth quarter of 2024). For the full year, our market share across all product categories decreased 140 basis points to 5.9% of total share of market.

We believe that Pure Sunfarms is the leading low-cost, high-quality producer in the Canadian market and its low-cost structure, primarily driven by economies of scale and large-scale greenhouse experience, is sustainable and provides a competitive industry advantage. Pure Sunfarms' cost structure, together with investment in branding and commercialization activities, is intended to support a continued incremental expansion of market share.

Due to Health Canada's limitations on marketing, and stringent branding and packaging rules, it is difficult for consumers to distinguish between different products, which places more emphasis on the management of price, potency, quality, and consistency. We believe the deep agricultural expertise of growers and excellence in brand management sets Pure Sunfarms products apart from competitors, by providing high quality cannabis to consumers at attractive prices.

Cannabis retail channels remain competitive across the country and are consolidating in select markets. Historical excess supply of product and a large number of federally-licensed cannabis producers ("License Holders" or "LPs") have contributed to price compression. Starting in 2023, many LPs choose to either curtail or halt cannabis production to right size their supply to meet consumer demand, which we believe has been a positive for industry profitability.

In August 2025, we announced our decision to complete the conversion of the remaining half of our Delta 2 greenhouse (1.1 million square feet) to growing cannabis. We expect that the incremental square footage will commence production in the summer of 2026, with sales estimated to ramp up starting in the second half of 2026, with full ramp up estimated to be achieved in the calendar year 2027, which we expect will increase our cannabis production by 33%.

Pure Sunfarms received European Union Good Manufacturing Practice ("EU GMP") certification in 2022 for its 1.1 million square foot Delta 3 facility in Delta, British Columbia ("Delta 3"), permitting the export of EU GMP-certified medical cannabis to international markets that require such certification. Pure Sunfarms began exporting to Israel at the end of 2022, expanded exports to Germany and the United Kingdom in the fourth quarter of 2023, continues to export to Australia and began exporting to New Zealand in 2025. Management expects that continued international expansion will enhance profitability while broadening the company's brand presence and capabilities in emerging legal cannabis markets, and Pure Sunfarms continues to evaluate additional profitable international opportunities.

Rose LifeScience

Rose is the Quebec-based operational unit of our Canadian Cannabis business, with its headquarters in Huntingdon, Quebec. We acquired 70% ownership of privately-held Rose on November 15, 2021 and an additional 10% ownership on May 29, 2024, with the 20% balance held by founders.

Rose cultivates and processes cannabis at its Huntingdon-based 55,000 square-foot CEA facility. The indoor, controlled growing facility was commissioned in 2020 and is licensed for use by Health Canada. Rose has been granted environmental rebates from the government of Quebec for its energy efficient design. The CEA is outfitted with special filtration on the facility exhausts to reduce greenhouse gas emissions, lessen odors and minimize the impact on the local community.

Rose sells its own cannabis products under five brands: nationally distributed Homage, Tam Tams, Promenade, DLYS and Pure Laine. Promenade is a collaboration with Pure Sunfarms. Rose holds the number three position in Quebec in terms of market share during 2025.

Rose is also a leading third-party cannabis products commercialization expert in the Province of Quebec, acting as the exclusive, direct-to-retail sales, marketing and distribution entity for other best-known brands in Canada as well as Quebec-based micro and craft growers. With decades of regulated-market experience, Rose partners with cannabis companies to assist in commercializing their products, distributing the products throughout Quebec and ensuring a strong presence in the marketplace. Rose champions Quebec producers by working directly with micro-producers to advance homegrown, craft products in the province and easing the burden of commercial complexities facing smaller, local businesses.

We believe our Canadian cannabis business is well-positioned for future growth with best-selling brands, backed by a low-cost large-scale structure and continued pursuit of future opportunities to expand sales, products and footprint in Canada and internationally.

Canadian Cannabis Industry Overview

Legal History of Medical Cannabis in Canada

Prior to October 17, 2018, the production, distribution, and use of cannabis for medical use had been legal in Canada since 2001, first under the federal *Medical Marihuana Access Regulations*, which established a legal regime for the licensing of cannabis producers and the sale of dried cannabis to registered patients pursuant to a medical document provided by a health care practitioner. The *Medical Marihuana Access Regulations* were later replaced with the *Marihuana for Medical Purposes Regulations* (“MMPR”), and then the *Access to Cannabis for Medical Purposes Regulations* (“ACMPR”) as a result of a decision by the Federal Court of Canada (the “Federal Court”) in *Allard v. Canada*. The Federal Court held that requiring individuals to obtain cannabis only from federally licensed cannabis producers violated liberty and security rights protected by section 7 of the *Canadian Charter of Rights and Freedoms*. The Federal Court found that individuals who require cannabis for medical purposes did not have “reasonable access” under the MMPR regime. Accordingly, the ACMPR contemplated both access to medical cannabis through a License Holder or through personal production exemptions, thereby giving patients reasonable access to, and choice of, cannabis product. The ACMPR provided three possible alternatives for individuals to access cannabis for medical purposes: (i) they can continue to access quality-controlled cannabis by registering with federal License Holders; (ii) they can register with Health Canada to produce a limited amount of cannabis for their own medical purposes (starting materials must be obtained from a License Holder); or (iii) they can designate someone else who is registered with Health Canada to produce cannabis on their behalf (starting materials must be obtained from a License Holder).

Current Applicable Regulatory Regime

On October 17, 2018, the federal *Cannabis Act* and accompanying Regulations, including the *Cannabis Regulations*, the new *Industrial Hemp Regulations* (“IHR”) (together with the *Cannabis Regulations*, collectively, the “Regulations”), came into force, legalizing the production, distribution, and sale of cannabis for adult non-medicinal (i.e. recreational) purposes, as well as incorporating the existing medical cannabis regulatory scheme under one complete framework.

On October 17, 2019, the *Cannabis Regulations* were amended to expand the legally permitted categories of cannabis products and support the production and sale of edible cannabis, cannabis extracts and cannabis topicals. The amendments, among other things, outline the rules relating to packaging, labelling, and advertising, shelf-stability, cannabinoid concentration levels, restrictions on ingredients, and production and sanitation standards for edible cannabis, cannabis extracts and cannabis topical products. December 16, 2019 was the earliest date that the new classes of cannabis products could be available for sale. Edible cannabis, as well as extracts and topicals, are all now available for sale in the legalized recreational market in Canada subject to certain province specific restrictions.

Pursuant to the federal regulatory framework in Canada, each province and territory may adopt its own laws governing the distribution, sale and consumption of cannabis and cannabis accessories within the province or territory. All Canadian provinces and territories have implemented mechanisms for the distribution and sale of cannabis for recreational purposes within those jurisdictions, and retail models vary between jurisdictions.

The *Cannabis Act* maintains separate access to cannabis for medical purposes, including providing that import and export licenses and permits will only be issued in respect of cannabis for medical or scientific purposes or in respect of industrial hemp. Part 14 of the *Cannabis Regulations* sets out the regime for medical cannabis following legalization, which is substantively the same as the ACMPR with adjustments to create consistency with rules for non-medical use, improve patient access, and reduce the risk of abuse within the medical access system. Patients who have the authorization of their healthcare provider continue to have access to cannabis, either purchased directly from a federal License Holder authorized to sell for medical purposes, or by registering to produce a limited amount of cannabis for their own medical purposes or designating someone to produce cannabis for them.

Adult Use Cannabis

We participate in the Canadian adult use market for cannabis in compliance with all applicable federal and provincial laws and regulations concerning the Canadian adult use cannabis market. The *Cannabis Act* and the *Cannabis Regulations* provide a licensing scheme for the production, importation, exportation, testing, packaging, labelling, sending, delivery, transportation, sale, possession, and disposal of cannabis for non-medicinal use (i.e., adult recreational use). Transitional provisions of the *Cannabis Act* provide that every license issued under the ACMPR that is in force immediately before the day on which the *Cannabis Act* comes into force is deemed to be a license issued under the *Cannabis Act*, and that such license will continue in force until it is revoked or expires.

Below are additional highlights of the *Cannabis Act*:

- Places restrictions on the amount of cannabis that individuals can possess and distribute, and on public consumption and use, and prohibits the sale of cannabis unless authorized by the *Cannabis Act*.
- Permits individuals who are 18 years of age or older to cultivate, propagate, and harvest up to and including four cannabis plants in their dwelling-house, propagated from a seed or plant material authorized by the *Cannabis Act*.
- Restricts (but does not strictly prohibit) the promotion and display of cannabis, cannabis accessories and services related to cannabinoids to consumers, including restrictions on branding and a prohibition on false or misleading promotion and on sponsorships.
- Permits the informational promotion of cannabis by entities licensed to produce, sell, or distribute cannabis in specified circumstances to individuals 18 years and older.
- Introduces packaging and labelling requirements for cannabis and cannabis accessories and prohibits the sale of cannabis or cannabis accessories that could be appealing to young persons.
- Provides the designated minister with the power to recall any cannabis or class of cannabis on reasonable grounds that such a recall is necessary to protect public health or public safety.
- Establishes a national cannabis tracking system to monitor the movement of cannabis from where it is grown, to where it is processed, to where it is sold.
- Provides powers to inspectors for the purpose of administering and enforcing the *Cannabis Act* and a system for administrative monetary penalties.

Licenses, Permits and Authorizations

The *Cannabis Regulations* establish the following classes of licenses:

- license for cultivation;
- license for processing;
- license for analytical testing;
- license for sale;
- license for research; and
- a cannabis drug license.

The *Cannabis Regulations* also create subclasses for cultivation licenses (standard cultivation, micro-cultivation and nursery) and processing licenses (standard processing and micro-processing). Different licenses and each sub-class therein, carry differing rules and requirements that are intended to be proportional to the public health and safety risks posed by each license category and each sub-class. Licenses that were issued under the ACMPR are deemed to be licenses issued under the *Cannabis Act*. Licenses issued under the *Cannabis Act* have associated expiry dates and are subject to renewal requirements.

Security Clearances

Certain individuals associated with cannabis licensees, including individuals occupying “key positions”, directors, officers, individuals who exercise, or are in a position to exercise, direct control over the corporate licensee, and other individuals identified by the Minister of Health (the “Minister”), must hold a valid security clearance issued by the Minister. Under the *Cannabis Regulations*, the Minister may refuse to grant security clearances to individuals with associations to organized crime or with past convictions for, or an association with, drug trafficking, corruption, or violent offences. This was largely the approach in place under the ACMPR and other related regulations governing the licensed production of cannabis for medical purposes. Individuals having a history of nonviolent, lower-risk criminal activity (for example, simple possession of cannabis, or small-scale cultivation of cannabis plants) are not precluded from participating in the legal cannabis industry, however, grant of security clearance to such individuals is at the discretion of the Minister and such applications are reviewed on a case-by-case basis.

Cannabis Tracking System

Under the *Cannabis Act*, the Minister is authorized to establish and maintain a national cannabis tracking system. The purpose of this system is to track cannabis throughout the supply chain, to help prevent cannabis from being diverted to an illicit market or activity and to help prevent illicit cannabis from being a source of supply of cannabis in the legal market. Pursuant to the Ministry of Health’s Cannabis Tracking System Order (the “Order”), a holder of a federal license for cultivation, a license for processing or a license for sale for medical purposes that authorizes the possession of cannabis must report monthly to the Minister

with specific information about their authorized activities with cannabis (e.g. cannabis inventory quantities), in the form and manner specified by the Minister. The Order also provides for monthly reporting by provincial bodies and provincially authorized private retailers of certain information in the form and manner specified by the Minister.

Cannabis Products

The *Cannabis Regulations* set out the requirements for cannabis products that are permitted for sale at the retail level, including the limit on THC content, permitted ingredients, limit on pest control product residues, as well as microbial and chemical contaminants. As of October 17, 2019, the *Cannabis Act* and *Cannabis Regulations* permit the sale of the following classes of products: dried cannabis, cannabis oil, fresh cannabis, cannabis plants, cannabis plant seeds, as well as cannabis edibles, cannabis extracts and cannabis topicals.

Packaging and Labeling

The *Cannabis Regulations* set out strict requirements pertaining to the packaging and labeling of cannabis products. These requirements are intended to promote informed consumer choice and safe consumption and allow for the safe handling and transportation of cannabis, while also reducing the appeal of cannabis to youth.

The *Cannabis Regulations* require all cannabis products to be packaged in a manner that is tamper-proof and child resistant. Strict limitations are also imposed on the use of colors, graphics, and other special characteristics of packaging. Cannabis package labels must include specific information, such as (i) product source information, including brand name, the class of cannabis and the name, phone number and email of the licensed processor or cultivator, (ii) mandatory warnings, including rotating health warning messages on Health Canada's list of standard health warnings; (iii) the Health Canada standardized cannabis symbol; and (iv) information specifying THC and CBD content.

A cannabis product's brand name may only be displayed once on the principal display panel or, if there are separate principal display panels for English and French, only once on each principal display panel. It can be in any font style and any size, so long as it is equal to or smaller than the health warning message. The font must not be in metallic or fluorescent color. In addition to the brand name, only one other brand element can be displayed. Such brand element must meet the same requirements noted above as the brand name, and if an image, it must be in a size equal to or smaller than the surface area of the standardized cannabis symbol.

Health Products Containing Cannabis

Health Canada is taking a scientific, evidenced-based approach for the oversight of health products with cannabis that may be approved with health claims, including prescription and non-prescription drugs, veterinary drugs, and medical devices. Under the current regulatory framework, health products are subject to the *Food and Drugs Act* (Canada) and its regulations and may be additionally regulated by the *Cannabis Act* and the *Cannabis Regulations*. For many of these products, pre-market approval from Health Canada is required.

Recent Major Developments to the Federal Regulatory Framework

In December 2022, the *Cannabis Act* and *Cannabis Regulations* were amended to facilitate non-therapeutic research with cannabis, facilitate cannabis testing, and increase the public possession limit for cannabis beverages. Amongst other changes, the amendments provided that most non-therapeutic research on cannabis are exclusively regulated under the *Cannabis Regulations*, with a few exceptions. Additionally, the public possession limit for cannabis beverages was increased to 17.1 litres (equal to 48 cans of 355 ml each) of cannabis beverages in public for non-medical purposes, a level that is similar to other forms of cannabis.

The *Cannabis Act* requires that the Minister of Health cause a review of the Act and its administration and operation three years after its coming into force. The Minister is required to table a report in both Houses of Parliament no later than 18 months after the start of the review. To fulfill these requirements, the Minister of Health and the Minister of Mental Health and Addictions announced an independent Expert Panel to lead the legislative review, and provide independent, expert advice to both Ministers on progress made towards achieving the Act's objectives and help identify priority areas for improving the functioning of the legislation. From December 2022 to June 2023, the Expert Panel sought feedback from the public on their views about the impacts of the *Cannabis Act*, and sought the public's perspective on the engagement paper regarding the legalization of cannabis in Canada. The Expert Panel published its final report in March 2024, which identified 54 recommendations and 11 observations to strengthen and improve the administration of the *Cannabis Act*, some of which were considered in the development of Health Canada's *Regulations Amending Certain Regulations Concerning Cannabis (Streamlining of Requirements)* consultation and amendments.

In March 2025, the federal government enacted the most extensive update to the cannabis regulatory framework since legalization in 2018. The amendments implement several of the Expert Panel's recommendations, aimed at reducing regulatory burden and supporting diversity and competition in the legal cannabis market while maintaining the *Cannabis Act's* public health and public safety objectives. The amendments focus on: (1) licensing, (2) personnel and physical security measures, (3) production requirements, (4) packaging and labelling requirements, and (5) record keeping and reporting requirements.

Possible Changes to the Federal Regulatory Framework

In February 2024, the Canadian House of Commons Standing Committee on Finance released a report outlining several recommendations regarding the country's regulated adult-use cannabis industry including a unanimous recommendation to make adjustment to the excise duty formula for cannabis so that it is limited to a 10% ad valorem rate, and the operation of the duty, including the requirement to apply an excise stamp on cannabis products.

In December 2024, the Fall Economic Statement was released to propose a number of measures related to cannabis, including a national duty stamp in exchange to excise and duty measures. This change is intended to reduce red tape and save cannabis producers time and money.

According to Health Canada's Forward Regulatory Plan: 2025-2027, Health Canada is proposing to amend the *Cannabis Tracking System Order* to reduce regulatory burden while continuing to track the high-level movement of cannabis through the supply chain as a means of preventing the diversion to the illegal market or inversion into the legal market. The proposed amendments are expected to be published for consultation in the fall of 2026, with the aim of simplifying reporting by limiting reporting to information essential for tracking the cannabis movement.

Provincial and Territorial Regulatory Framework for Recreational Cannabis

While the *Cannabis Act* provides for the regulation of the commercial production of cannabis and related matters by the federal government, the *Cannabis Act* provides the provinces and territories of Canada with authority to adopt their own laws governing the distribution, sale and consumption of cannabis and cannabis accessory products within the province or territory, permitting for example, provincial and territorial governments to set lower possession limits for individuals and higher age requirements. Currently, each of the Canadian provincial and territorial jurisdictions has established the minimum age for cannabis use to be 19 years old, except for Québec and Alberta, where the minimum age is 21 and 18, respectively.

The provinces and territories are responsible for the establishment of a retail distribution system for adult use cannabis in their respective jurisdictions. All Canadian provinces and territories have implemented mechanisms for the distribution and sale of cannabis for recreational purposes within those jurisdictions, and retail models vary between jurisdictions. Provincial/territorial bodies act as intermediaries between entities licensed federally under the *Cannabis Act* and consumers, such bodies acting in some jurisdictions as exclusive cannabis wholesalers and distributors, and in some instances such bodies acting as exclusive retailers. The laws continue to evolve, and differences in provincial and territorial regulatory frameworks could result in, among other things, increased compliance costs, and increased supply costs.

Municipal and regional governments may choose to impose additional requirements and regulations on the sale of recreational cannabis, adding further uncertainty and risk to our business. Municipal by-laws may restrict the number of recreational cannabis retail outlets that are permitted in a certain geographical area or restrict the geographical locations wherein such retail outlets may be opened.

There is no assurance that the provincial, territorial, regional, and municipal regulatory frameworks and distribution models will remain unchanged, or that we will be able to navigate such changes in the regulatory frameworks and distribution models or conduct its intended business thereunder. See: "*Risk Factors*".

Ontario: Pursuant to the *Cannabis Control Act, 2017* (Ontario), the distribution and retail sale of recreational cannabis is currently conducted through the Ontario Cannabis Retail Corporation ("OCRC"), a subsidiary of the Liquor Control Board of Ontario. Recreational cannabis has been sold on-line through the OCRC-operated Ontario Cannabis Store ("OCS") platform, as of October 17, 2018.

On October 17, 2018, the *Cannabis License Act, 2018* (Ontario) became law and other legislation, including the *Cannabis Control Act, 2017*, the *Ontario Cannabis Retail Corporation Act, 2017* and the *Liquor Control Act* were amended to create a private retail framework for the sale of recreational cannabis in Ontario. As of April 1, 2019, recreational cannabis has been available for sale by private retailers that operate brick-and-mortar stores licensed by the Alcohol and Gaming Commission of Ontario ("AGCO").

The recreational cannabis retail regulatory regime in Ontario has the following requirements and features:

- Private retailers are required to obtain both a retail operator license and a retail store authorization. Retail store authorizations are only to be issued to persons holding a retail operator license. Separate retail store authorizations are to be required for each cannabis retail store, but a licensed retail operator may hold more than one retail store authorization and operate multiple stores. In 2023, Ontario amended the regulations under the *Cannabis License Act, 2018* to increase the number of licenses a licensed retail operator and its affiliates may hold from 75 to 150 licenses. Private retailers may offer delivery and curbside pick-up services in addition to in-store sales, but cannot operate entirely or predominantly as delivery businesses.
- The AGCO is the government entity responsible for issuing retail store authorizations for privately run recreational cannabis stores. Until December 13, 2019, a temporary cap of 25 retail store authorizations was imposed while

cannabis supply stabilizes. On July 3, 2019, the Government of Ontario announced its plans for a second allocation of 50 additional cannabis retail store authorizations. The AGCO held a lottery draw for the allocation of 42 retail store authorizations. A separate process governed the allocation of eight retail store authorizations for those who wish to operate a store on a First Nations reserve. On March 2, 2020, the restrictions on the total number of store authorizations permitted in Ontario, and their regional distribution, was revoked. The AGCO now accepts applications for retail store authorizations from all interested applicants.

- Retail store operators are only permitted to purchase cannabis from the OCRC, which may set a minimum price for cannabis or classes of cannabis.
- Every authorized cannabis retail store in Ontario must have a licensed retail manager. An individual who supervises employees, oversees cannabis sales, manages compliance or has signing authority to purchase cannabis, enters into contracts or hires employees is required to have a cannabis retail manager license.
- Federal License Holders (and their affiliates) are limited to operating one retail cannabis store in the province, which must be located at the site listed on such producer's federal license. A corporation is not eligible to obtain a retail operator license if more than 25% of the corporation is owned or controlled by federal License Holder(s) or its affiliates or the corporation owns or controls more than 25% of a federal License Holder or its affiliates. A broad definition of affiliate is included in the regulations. An affiliate relationship exists if a corporation beneficially owns or controls voting shares, or securities that may be converted to voting shares, constituting more than 25% of voting rights. If a person, or group acting together, holds 50% voting control for the election of directors or market share of the corporation, they are considered affiliates. Additionally, an affiliate relationship may be established through involvement in a trust, partnership, or joint venture, among others. The definition of affiliate may have the effect of restricting the ability of federal License Holders from effectively entering into the consumer retail market in Ontario.
- Federal License Holders are prohibited from providing any material inducement to cannabis retailers for the purpose of increasing the sale of a particular type of cannabis.
- Municipalities and reserve band councils were permitted to opt out of the retail cannabis market by resolution. Municipalities had until January 22, 2019 to pass such by-laws, and several municipalities have formally opted-out of the retail market. Municipalities that opted out can later lift the prohibition on retail cannabis stores by subsequent resolution, which cannot be reversed at a later date. Municipalities may not pass bylaws providing for a further system of licensing over the retail sale of cannabis.

Manitoba: The Government of Manitoba has implemented a “hybrid model” for cannabis distribution, whereby supply is secured and tracked by the Manitoba Liquor and Lotteries Corp. (“MLLC”); however, licensed private retail stores are also permitted to sell recreational cannabis.

Alberta: The Government of Alberta has implemented a cannabis framework providing for the purchase of cannabis products from private retailers that receive their products from a government-regulated distributor, the Alberta Gaming Liquor and Cannabis Commission (“AGLC”), similar to the distribution system currently in place for alcohol in the province. Authorized cannabis retailers may sell cannabis in licensed retail stores and may also sell cannabis online and through delivery (subject to AGLC endorsement). As of July 2025, cannabis suppliers may apply to AGLC for a Cannabis Supplier Retail Store licence, permitting the sale of cannabis products produced at the processing/cultivating facility directly to consumers from a store located at the facility.

New Brunswick: New Brunswick had initially limited the distribution and sale of recreational cannabis to a network of tightly controlled, stand-alone “Cannabis NB” stores managed by the Cannabis Management Corporation, a subsidiary of New Brunswick Liquor Corporation and online through the Cannabis NB platform, but has since opened up its retail market to permit licensed private retailers in the province. Approved licensed New Brunswick cannabis producers may sell products that they grow and produced locally at their facilities. Licensed private retailers may enter into agreements with Cannabis NB to operate cannabis stores under private brands.

Quebec: All recreational cannabis is managed and sold by Société Québécoise du cannabis (the “SQDC”) outlets and is available for sale online. The entire process is controlled by the SQDC.

Newfoundland and Labrador: Recreational cannabis is sold through private stores, with the crown-owned liquor corporation, the Newfoundland and Labrador Liquor Corp. (the “NLC”), issuing private retailer licenses and overseeing the distribution to private sellers who may sell to consumers. The NLC also controls the possession, sale, and delivery of cannabis, and sets prices. The NLC operates the provincial online store (CannabisNL), and the regulatory framework also permits online ordering/sales for certain licensed private retailers.

Yukon: Yukon had initially limited the distribution and sale of recreational cannabis to government outlets and government-run online stores but has since opened up its retail market to permit licensed private retailers in the territory. Cannabis retail licenses are issued by the Cannabis Licensing Board. Authorized retailers must purchase cannabis from the Yukon Liquor Corporation, acting as the wholesaler and distributor in the territory.

Northwest Territories: The Northwest Territories Liquor and Cannabis Commission (the “NTLCC”) controls the importation and distribution of cannabis, whether through NTLCC-approved retail outlets or NTLCC-approved online store. Communities in the Northwest Territories are able to hold a plebiscite to prohibit cannabis, similar to the options currently available to restrict alcohol.

British Columbia: Recreational cannabis is sold through both public and licensed privately operated stores, with the provincial Liquor and Cannabis Regulation Branch handling licensing of private stores and the British Columbia Liquor Distribution Branch (“BCLDB”) handling wholesale distribution. BC also permits “farmgate” sales through the Producer Retail Store licence, which allows eligible federally licensed producers to sell non-medical cannabis from a store located at their facility.

Saskatchewan: The Government of Saskatchewan implemented a framework in which both wholesale and retail recreational cannabis are conducted by the private sector and regulated by the Saskatchewan Liquor and Gaming Authority (“SLGA”). A number of retail permits have been issued to private stores. Permitted wholesalers can sell to permitted retailers and other permitted wholesalers but not to the general public. Wholesale operations must be physically located within Saskatchewan and products can only be sold and distributed within Saskatchewan. Further, only federally licensed producers registered with SLGA will be allowed to sell into the Saskatchewan market.

Nova Scotia: The Nova Scotia Liquor Corporation is responsible for the regulation of cannabis in the province, and recreational cannabis is primarily sold publicly through government-operated storefronts and online sales, but regulations introduced in 2025 allow certain Mi’kmaq communities (bands or band-owned corporations) to become authorized cannabis sellers on reserve through an agreement with NSL.

Prince Edward Island: Similar to Nova Scotia, Prince Edward Island requires cannabis to be sold publicly, through government stores and online, overseen by the Prince Edward Island Cannabis Management Corporation.

Nunavut: Nunavut permits the retail sale of recreational cannabis through licensed physical cannabis stores and licensed remote/online sales. Cannabis retail licence applications are administered by the Government of Nunavut’s Office of the Superintendent (Department of Finance).

Industrial Hemp

The new *Industrial Hemp Regulations* under the *Cannabis Act* replaced the previous IHR under the *Controlled Drugs and Substances Act* (“CDSA”) as of October 17, 2018. The regulatory scheme for industrial hemp production largely remains the same, however the IHR permits the sale of hemp plants to licensed cannabis producers, and licensing requirements under the new IHR are softened in accordance with the lower risk posed by industrial hemp. The IHR defines industrial hemp as a cannabis plant, or any part of that plant, in which the concentration of tetrahydrocannabinol (“THC”) is 0.3% or less in the flowering heads and leaves. The IHR was also amended in March 2025 as part of the extensive regulatory update noted above, which further reduced regulatory burden by most notably removing several requirements under the IHR that previously applied to non-viable hemp seed derivatives.

Our U.S. Cannabis Segment

Balanced Health

Our U.S. Cannabis segment is Balanced Health Botanicals, LLC (“BHB”), which we acquired in August, 2021. BHB is one of the leading CBD and other cannabinoid brands and e-commerce platforms in the United States. BHB develops and sells high-quality cannabinoid-based health and wellness products, distributing its diverse portfolio of consumer products through retail storefronts and its top-ranked e-commerce platform, CBDistillery™ and independent retail stores. We believe that BHB is uniquely positioned to ensure seamless sourcing, manufacture and sale of its affordable, high-quality family of cannabinoid brands to target the diverse health and wellness needs and preferences of their consumers. We believe the strong management team of BHB has added a wealth of leadership and industry experience across healthcare, technology, consumer packaged goods and cannabis.

BHB is focused on high quality standards and sources non-GMO and contaminant-free hemp directly from U.S. Hemp Licensed farms through partnerships and contractual relationships. BHB collaborates with hemp extraction partners using advanced proprietary methods and rigorous testing to ensure product quality and concentration guidelines. In its 8,000 square foot facility, BHB provides on-site bottling, labeling and packaging that follow the U.S. Food and Drug Administration’s (“FDA”) Current Good Manufacturing Practice (“cGMP”) guidelines, and is NSF GMP certified. BHB was awarded U.S. Hemp Authority Certification for its commitment to quality and safety of its products and also achieved Generally Recognized as Safe designation, an evaluation its products are recognized as safe for consumption for CBD Isolate (“ISO”), Full-Spectrum CBD (“FSO”) and Broad-Spectrum CBD (“BSO”). In the event that the FDA regulates CBD, and the overall Food, Drug and Mass Merchandise (“FDM”) channel accepts ingestible CBD products, we believe that BHB is uniquely positioned to immediately capitalize on the opportunity.

BHB's CBD and other cannabinoid product portfolio primarily includes oils, ingestibles and topicals to meet any consumer's needs and consumption preferences. The majority of sales are within the United States. BHB operates an industry-leading e-commerce platform with an extensive customer base and has a presence in retail locations across health and wellness, independent pharmacies, convenience stores and lifestyle shops. Distribution in larger-footprint food, drug and mass retail chains is currently limited due to the lack of definitive regulatory oversight for CBD products throughout the United States.

United States Cannabis Industry and Regulatory Overview

We do not maintain any direct investment in cannabis or cannabis-related products in the U.S., excluding BHB's CBD and other cannabinoid business. We participate in federal and state permissible activities in the U.S. and do not engage or intend to engage in direct or indirect business with any business that derives revenue, directly or indirectly, from the sale of cannabis or cannabis-related products in any jurisdiction where the production and sale of cannabis is unlawful under current applicable laws.

Upon completion of sale of our U.S. produce assets to Vanguard (see "Produce" below), we continue to own two greenhouse facilities in West Texas consisting of over two million square feet. One facility is leased to Vanguard Food LLC to grow produce (primarily tomatoes). The lease agreement provides the Company the ability, with due notice, to take the facility back, if and when cannabis is legal in the United States or if and when the Company is awarded a Texas medicinal license to grow cannabis. The other facility, in Monahans, is currently not operational. Pending receipt of a Texas medicinal license this facility could be used to produce cannabis for Texas patients or utilized for other growing opportunities. We have proven experience converting our produce greenhouses to low-cost, highly efficient cannabis greenhouses, as evidenced by Pure Sunfarms' Delta 3 and Delta 2 greenhouses located in British Columbia. We are strategically positioned, utilizing decades of agricultural experience coupled with Pure Sunfarms' operational and product expertise, to convert all or a part of our existing greenhouses when legally permitted to do so.

At the time of this filing, we believe that 47 states plus Washington, D.C. legally permit cannabis (in some form) for medicinal use and 24 states plus Washington, D.C. legally permit cannabis for recreational use. Public support for the adult-use legalization of cannabis continues across the country. Several hundred thousand Americans now work full-time in the cannabis industry and tax revenues associated with the production and sale of cannabis are providing economic benefits in states that have passed legislation.

Unlike in Canada, which has uniform federal legislation governing the cultivation, distribution, sale, and possession of cannabis under the *Cannabis Act*, in the United States, cannabis is regulated at both the federal and state levels. Notwithstanding the permissive regulatory environment of cannabis in some states, cannabis with a delta-9 THC level (or, under the November 2025 Appropriations Act (as defined below), a "total THC" level) of more than 0.3% by dry weight ("marijuana") continues to be categorized as a Schedule I controlled substance under the *Controlled Substances Act* ("CSA"), making it illegal under federal law in the United States to cultivate, distribute, or possess cannabis. This means that while state law in certain U.S. states may take a permissive approach to medical and/or recreational use of cannabis, the CSA may still be enforced by U.S. federal law enforcement officials against citizens and businesses of those states for activity that is legal under state law. As a result of the conflicting views between state legislatures and the U.S. federal government regarding cannabis, investments in cannabis businesses in the United States are subject to inconsistent legislation and regulation.

Until 2018, the federal government provided guidance to federal agencies and banking institutions through a series of United States Department of Justice ("DOJ") memoranda. The most notable of this guidance came in the form of a memorandum issued by former U.S. Deputy Attorney General James Cole on August 29, 2013 (the "Cole Memorandum"). The Cole Memorandum offered guidance to federal agencies on how to prioritize civil enforcement, criminal investigations, and prosecutions regarding marijuana in all states and quickly set a compliance standard for marijuana related businesses. The Cole Memorandum concluded that the Department of Justice should be focused on addressing only the most significant threats related to cannabis. States where medical cannabis had been legalized were not characterized as a high priority. The Cole Memorandum was rescinded by Attorney General Jeff Sessions in January 2018 and instructed that "[i]n deciding which marijuana activities to prosecute with the [DOJ's] finite resources, prosecutors should follow the well-established principles that govern all federal prosecutions." Namely, these include the seriousness of the offense, history of criminal activity, deterrent effect of prosecutions, the interests of victims, and other principles. Despite the Cole Memorandum's decision, the DOJ guidance on how to prioritize civil enforcement, criminal investigations, and prosecutions regarding marijuana related business appeared to be relatively unchanged.

In February 2021, Attorney General Merrick Garland testified to Congress that the DOJ would not pursue cases against Americans complying with laws of the states that have legalized and are regulating marijuana. Such statements are not official declarations or policies of the DOJ and are not binding on the DOJ, any United States Attorney, or the United States federal courts. However, in October 2022, the Biden Administration announced a mass pardon of persons who had been convicted of simple marijuana possession under federal law and also its intention to review the regulation of marijuana under the CSA by directing the Secretary of Health and Human Services and the Attorney General to initiate the administrative process to expeditiously review marijuana's Schedule I status. In December 2022, President Biden signed the Medical Marijuana and Cannabidiol Research Expansion Act into law, which provides for significantly broader opportunities to study cannabis. In March 2023, Attorney General Merrick Garland stated during a senate hearing that "I think that it's fair to expect what I said at my confirmation hearing with respect to

marijuana and policy, that it will be very close to what was done in the Cole Memorandum”. In August 2023, the FDA and Health and Human Services (“HHS”) recommended that the Drug Enforcement Administration (“DEA”) reschedule marijuana from schedule I under the federal Controlled Substances Act (“CSA”) to schedule III. By doing so, the FDA determined that marijuana not only no longer meets schedule I criteria, but by leapfrogging to schedule III, they concluded that it does not meet schedule II criteria either. For additional information, see *"Notice of Proposed Rulemaking ("NPRM") to Reschedule Marijuana"* below.

In recent years, certain temporary federal legislative enactments that provide safeguards for the medical cannabis industry have been appended to the federal budget bill. For each year since 2015, Congress has adopted a so-called “rider” provision to the Consolidated Appropriations Acts (formerly referred to as the Rohrabacher-Farr Amendment and currently referred to as the Rohrabacher-Blumenauer Amendment) to prevent the federal government from using congressionally appropriated funds to enforce federal law against regulated medical cannabis actors operating in compliance with state and local law. On December 29, 2022, the amendment was renewed as part of the Consolidated Appropriations Acts of 2023, H.R. 2617, which is effective through September 30, 2023. While the amendment has been included in successive appropriations legislation or resolutions since 2015, its inclusion or non-inclusion is subject to political change.

Nonetheless, there is no guarantee that state laws legalizing and regulating the sale and use of marijuana will not be repealed or overturned, or that local governmental authorities will not limit the applicability of state laws within their respective jurisdictions. Until the United States Congress amends the CSA with respect to marijuana, there is a risk that federal authorities may enforce current U.S. federal law.

On December 20, 2018, the 2018 Farm Bill was signed into law in the United States. The 2018 Farm Bill, among other things, defines industrial hemp, removes industrial hemp and cannabinoids derived from industrial hemp so long as the delta-9 THC concentration is less than 0.3% by dry weight, from the CSA and allows for industrial hemp production and sale in the United States. The U.S. Food and Drug Administration has retained authority over the addition of CBD and other cannabinoids to products that fall within the Food, Drug and Cosmetic Act ("FDCA"). To date, the FDA deems that it is currently illegal to add CBD to a food or beverage, and the FDA does not deem CBD a dietary supplement as the agency cannot conclude that CBD is "generally recognized as safe" among qualified experts for its use in human or animal food. In January 2023, the FDA publicly announced it had concluded that "a new regulatory pathway for CBD is needed that balances individuals' desire for access to CBD products with the regulatory oversight needed to manage risks" and that it was "prepared to work with Congress on this matter." There can be no assurance that the FDA will approve CBD as an additive to products under the FDCA.

Under current federal law, it may be a violation of federal anti-money laundering statutes to take any proceeds from the sale of any Schedule I controlled substance. Financial institutions could potentially be prosecuted and convicted of money laundering under the Bank Secrecy Act for providing services to cannabis businesses. In 2014, the Financial Crimes Enforcement Network ("FinCEN") issued guidance not to focus enforcement on financial institutions that serve cannabis-related business, as long as the business activities are legal in their state. The guidance also included burdensome due diligence expectations and reporting requirements for financial institutions to bank state-sanctioned cannabis businesses. The FinCEN guidance also does not provide any safe harbors or legal defenses from examination or regulatory or criminal enforcement actions by the DOJ, FinCEN or other federal regulators for banks and other financial institutions and can be amended or revoked at any time and therefore most financial institutions in the United States do not appear comfortable relying on this guidance to provide banking services to the cannabis industry. Thus, most legitimate cannabis-related companies have established relationships with state banks and financial institutions. Also, since these legitimate cannabis firms do not have access to traditional bank financing, they primarily rely on private capital to address their financing needs.

The SAFE Banking Act passed the House of Representatives in September 2019 but has yet to pass the Senate. In September 2021, the House of Representatives included the SAFE Banking Act as an amendment to the National Defense Authorization Act for the fiscal year 2022, but the SAFE Banking Act was removed from the Defense Spending Bill by a Senate conference committee in December of 2021. The House of Representatives also passed the SAFE Banking Act most recently on February 4, 2022, as an amendment to the America COMPETES Act, but failed to pass in the Senate. The SAFE Banking Act is designed to prohibit federal banking regulators from punishing financial institutions from providing services to legitimate cannabis companies, their owners, and employees. In particular, a federal banking regulator cannot terminate or limit deposit insurance, prohibit or penalize a financial institution from providing services to legitimate cannabis-related business or take any adverse or corrective action on a loan made to a legitimate cannabis-related business.

In September 2023, the Secure And Fair Enforcement Regulation Banking Act, or the SAFER Banking Act, was introduced to the U.S. Senate. The SAFER Banking Act is designed to provide protections for federally regulated financial institutions that serve state-sanctioned marijuana businesses. Under this bill:

- a federal banking regulator is prohibited from penalizing a depository institution for providing banking services to a state-sanctioned marijuana business.
- a federal banking regulator is prohibited from requesting or requiring a depository institution to terminate a deposit account unless

- o (1) there is a valid reason, such as the regulator has cause to believe that the depository institution is engaging in an unsafe or unsound practice; and
- o (2) reputational risk is not the dispositive factor.
- proceeds from a transaction conducted by a state-sanctioned marijuana business are no longer considered proceeds from unlawful activity.
- and, a financial institution, insurer, or federal agency may not be held liable or subject to asset forfeiture under federal law for providing a loan, mortgage, or other financial service to a state-sanctioned marijuana business.

Since we do not conduct any cannabis-related business in the United States aside from our BHB cannabinoid products, the SAFE Banking Act and SAFER Banking Act would not alter the current financial services landscape for Village Farms. However, the ability to access public capital for all legitimate cannabis-related companies could provide the industry with additional financing avenues not available today as well as reducing the overall cost of capital.

In November 2025, Congress enacted the Continuing Appropriations, Agriculture, Legislative Branch, Military Construction and Veterans Affairs, and Extension Act, 2026 (P.L. 119-37) (the "November 2025 Appropriations Act"), which significantly amended the federal definition of "hemp" under 7 U.S.C. Sec. 16390. The revised definition changes the THC measurement standard from delta-9 THC (only) to "total THC" concentration (including tetrahydrocannabinols acid, or THCA) of not more than 0.3% on a dry weighted basis. The new definition also imposes a cap of 0.4 milligrams of combined total THC per container for final hemp-derived cannabinoid products and excludes cannabinoids that are not naturally produced by the cannabis plant or that were synthesized or manufactured outside the plant. The changes take effect November 12, 2026, creating a one-year transition period. Accordingly, a substantial majority of hemp-derived products that were previously legal under the 2018 Farm Bill - including those sold by BHB - will be categorized as Schedule I controlled substances under the CSA beginning on November 12, 2026, unless further legal action is taken (as described below). In response, members of Congress have introduced or announced plans to introduce legislation that would extend or replace the November 2026 deadline, including proposals for comprehensive regulatory frameworks governing hemp-derived cannabinoid products. The outcome of these legislative efforts could materially affect BHB's ability to continue selling the majority of its current product lines after November 12, 2026.

On December 18, 2025, President Trump signed an Executive Order titled "Increasing Medical Marijuana and Cannabidiol Research", which directs the Attorney General to take all necessary steps to complete the rulemaking process to reschedule marijuana from Schedule I to Schedule III of the CSA in the most expeditious manner permitted by federal law. The Executive Order also directs the Administration to work with Congress to update the statutory definition of final hemp-derived cannabinoid products to allow continued access to appropriate full spectrum CBD products while restricting products that pose serious health risks. Additionally, the Executive Order directs the Secretary of Health and Human Services, the Commissioner of Food and Drugs, the Administrator of the Centers for Medicare and Medicaid Services (CMS) and the Director of the National Institutes of Health to develop research methods and models utilizing real-world evidence to improve access to hemp-derived cannabinoid products. CMS Administrator Dr. Mehmet Oz announced that the Center of Medicare and Medicaid Innovation (CMMI) is planning a model that would allow Medicare beneficiaries to receive hemp-derived CBD products at no charge if recommended by their physicians, with coverage of up to \$500 in hemp-derived productions, presumably on an annual basis, potentially beginning as early as April 2026. The full details of this program have yet to be made public.

These developments may significantly impact our hemp-derived production operations and present both regulatory uncertainty and potential new-market opportunities as the federal framework continues to evolve.

Notice of Proposed Rulemaking (NPRM) to Reschedule Marijuana

In October 2022, President Joe Biden instructed the Secretary of the Department of Health and Human Services ("HHS") and the Attorney General to review marijuana's designation as a Schedule I substance. In August 2023, HHS shared the scientific and medical evaluation conducted by FDA and other HHS constituents with the Drug Enforcement Administration ("DEA"), recommending that marijuana be controlled in Schedule III. HHS's review was guided by the eight scheduling factors outlined in the CSA: (1) the drug's actual or relative potential for abuse; (2) scientific evidence of its pharmacological effect, if known; (3) the state of current scientific knowledge regarding the drug or other substance; (4) its history and current pattern of abuse; (5) the scope, duration, and significance of abuse; (6) what, if any, risk there is to the public health; (7) its psychic or physiological dependence liability; and (8) whether the substance is an immediate precursor of an already-controlled substance.

On May 21, 2024, the U.S. Department of Justice ("DOJ") published a notice of proposed rulemaking ("NPRM") announcing its intention to reschedule marijuana. The rule proposes to move botanical cannabis (*Cannabis sativa* L.) with tetrahydrocannabinol ("THC") content over 0.3% from Schedule I to Schedule III, a less-restrictive schedule, under the CSA. If finalized, rescheduling would ease some restrictions on cannabis-related research, potentially promoting cannabinoid drug development, and would adjust the legal framework in which cannabis manufacturers and distributors operate. However, marijuana would still be subject to substantial regulation by both the DEA and Food and Drug Administration ("FDA").

The DOJ's proposal to transfer marijuana from Schedule I to Schedule III is consistent with HHS's view that marijuana has a currently accepted medical use, as well as HHS's views about marijuana's abuse potential and level of physical or psychological dependence. DOJ concurred with HHS's conclusion that marijuana has a currently accepted medical use based on HHS's determination that there is (1) widespread current experience with medical use of marijuana in the United States by licensed health care practitioners operating in accordance with implemented state-authorized programs, where the medical use is recognized by entities that regulate the practice of medicine; and (2) some credible scientific support for at least one of those medical uses (specifically, anorexia related to a medical condition; nausea and vomiting; and pain). The NPRM notably does not contain any express DEA endorsement of the proposed rescheduling. The NPRM also states that "DEA has not yet made a determination as to its views of the appropriate schedule for marijuana" and that "DEA believes that additional information arising from this rulemaking will further inform the findings regarding the appropriate schedule for marijuana."

The rescheduling of marijuana is subject to formal rulemaking procedures under the Administrative Procedure Act ("APA"). This means that, in addition to the public comment period typical for federal agency rulemaking, rulemaking must be conducted on the record after the opportunity for a hearing before an administrative law judge ("ALJ"). On August 29, 2024, the DEA issued a General Notice of Hearing (GNoH) in the Federal Register to receive factual evidence and expert opinion regarding whether marijuana should be transferred to Schedule III. In the GNoH, DEA instructed interested persons desiring to participate in the hearing to provide written notice on or before September 30, 2024.

On November 4, 2024, Village Farms announced that it was one of 25 participants selected to participate in the DEA's ALJ hearing. Village Farms was the only cannabis industry operator selected to participate, with the Company's Global Cannabis General Counsel, Dr. John Harloe, representing the Company as a selected witness.

On November 18, 2024, the Company, in coordination with another Designated Participant ("DP") of the hearing, filed a joint motion with the ALJ seeking the immediate disqualification and removal of the DEA from defending the Proposed Rule, moved to replace DEA with the Department DOJ as proponent, and ordered that the record include all requests for hearing and/or participation filed with the DEA, as well as a record of the decisions made by the DEA regarding why certain parties were designated as participants and others were not, and any ex parte communications between DEA and third parties. The Company's motion to disqualify was subsequently denied.

On January 6, 2025, the Company jointly filed a Request for Reconsideration ("Request") of its prior motion to disqualify and remove the DEA from its role as proponent of the Proposed Rule, in light of new evidence reflecting DEA wrongdoing. The Company's Request contained additional evidence of undisclosed conflicts of interest and extensive improper ex parte communications by the DEA which the Company believes must be lawfully disclosed and made part of the public record. The Company urged the court to take immediate corrective action in response to its Request, which also contained a request for leave to file an interlocutory appeal to resolve the Company's alleged improper ex parte communications by DEA.

On January 13, 2025, the ALJ responded to the Company's Request and granted a request for leave to file an interlocutory appeal, and the rescheduling proceedings are now currently stayed. In its response, the ALJ referred to various DEA behavior and alleged misconduct as "unprecedented," "astonishing," "embarrassing," and "demonstrate[ing] a puzzling and grotesque lack of understanding and poor judgment from high-level officials at a major federal agency." The ALJ ordered parties to provide joint status updates every 90 days. Despite multiple status reports since the appeal was granted, the DEA has failed to set a briefing schedule for the interlocutory appeal. As of the most recent joint status report filed in January 2026, the appeal "remains pending with the Administrator" and "no briefing schedule has been sent". The administrative proceedings remain stalled nearly a year after the appeal was accepted. The Company is continuing to work to ensure a fair and transparent process and remains a strong proponent of Schedule III.

President Trump's December 18, 2025 Executive Order directing Attorney General to complete the rescheduling process "in the most expeditious manner" could render the pending ALJ hearing moot. Under the Controlled Substance Act, the Attorney General retained authority to make scheduling decisions in the first instance and is not required to await completion of the administrative hearing process to issue a final rule. If the Attorney General finalizes the rescheduling rule through direct agency action as contemplated by the Executive Order, the evidentiary hearing and related interlocutory appeal would become unnecessary. However, it remains to be seen whether and when the Department of Justice will take final action on the proposed rescheduling.

Texas Cannabis Industry and Regulatory Overview

The 2021 legislative session was largely focused on addressing the catastrophic freeze and failures of the Texas energy supply, a modest expansion to the medical cannabis program, the Texas Compassionate Use Program ("TCUP"), did pass. TCUP provides low-THC cannabis to registered patients who have a prescription from their physician. This legislation added post-traumatic stress disorder, any form of cancer, and any condition that is part of a medical cannabis research program to the list of conditions which qualify patients for TCUP. The legislation also raised the overall THC by weight cap from 0.5% to 1.0%. Since the law went

into effect on September 1, 2021, the patient count has risen to just over 102,500 patients and the participating physician count has risen to just over 830.

On January 17, 2023, Texas announced it will open TCUP for more applications with the expectation that it will issue new medicinal licenses in 2023. The Company has applied for one of the TCUP licenses. The Department of Public Safety ("DPS") did not issue any new medicinal licenses in 2023 or 2024. In the 2025, Texas legislature, passed legislation requiring DPS to issue nine (9) new licenses on or before December 1, 2025 and three (3) more by April 1, 2026. DPS did not meet this deadline to issue new licenses but did issue nine (9) conditional licenses with the remaining three (3) to be announced on or before April 1, 2026. DPS is requiring additional "due diligence" submissions on financial status and prior regulatory performance. No date has been announced on when the initial nine or subsequent three will be approved to go forward to build operations and seek inspections for the issuance of a license. The award of a conditional license does not guarantee the awardee that a Texas medicinal license will be issued. Should any entity with a conditional license be denied a full license, DPS will issue a conditional license to the next entity on its scored application list. At this pace, the final licenses may not be issued until the next legislative session begins in January 2027 when additional legislation reforming TCUP and hemp laws is likely to be addressed and possibly passed by May 2027.

As of the date of this filing, the Company's 2023 application, with the required 2025 updates, remains under review for the remaining TCUP awards. Even if the Company is awarded one of the remaining TCUP conditional license awards, it will still have to provide DPS with incremental information in the hopes of actually being awarded one of the twelve new Texas cannabis licenses. If this were to occur, with no changes in the Federal schedule for cannabis, the Company would have to set up a private company to own and operate the Texas medicinal license due to the Company's Nasdaq listing requirements.

Our Cannabis Netherlands Segment

Regulatory Overview

Leli Holland was formed in 2020, as a "Besloten Vennootschap" with the intention of obtaining one of the ten cannabis cultivation licenses from the Dutch government. The Company entered into a purchase option agreement, September 2021, to buy 80% of the Leli Holland. After clearing various security and background checks, Leli Holland became a selected supplier in the Experiment (as defined below). Leli Holland received a cultivation license on July 7, 2022. In August 2022, Village Farms exercised its purchase option agreement by acquiring 85% of Leli Holland. In September 2024, Village Farms acquired the remaining 15% making Leli Holland B.V. a wholly owned subsidiary of Village Farms International, Inc. The Company formally changed the name of Leli Holland B.V. to Village Farms International B.V. effective March 6, 2026.

History of Dutch Cannabis

The Dutch relationship with psychoactive substances dates back to shortly after the foundation of the "Vereenigde Oostindische Compagnie" (VOC), or United Dutch East-Indies Company in 1602. In the 17th century, the Dutch gained firm control over the opium trade in Asia. In response to leakages and illegal trade in opium and to international concerns about the rising use of opium, the Dutch government introduced the "Opium Regie," in the Dutch Indies (present day Indonesia) during the 1890s. The revenues from the opium monopoly contributed greatly to the wealth of cities such as Amsterdam and Leiden and ended with the Japanese invasion of the Dutch Indies in 1941. Hemp and hashish were included in the Opium Act of 1928, but only in 1953 did the possession and production of cannabis become a criminal offence in the Netherlands.

Based upon the findings and testimony of both the Hulsman Committee (1969) and Baan Committee (1972), the revision of the Opium Act in 1976 authorized the Dutch government to bring all substances classified in the United Nations' 1961 Single Convention on Narcotic Drugs under the domestic purview of the new Opium Act, which introduced two classifications for substances:

1. "substances with an unacceptable risk to the health of the user"
2. "cannabis products"

The newly revised Opium Act delegated drug policy and oversight to the country's Ministry of Health, which would address drug use with medical and social approaches rather than with criminal penalization. Charges for cannabis possession of 30 grams or less would either be dismissed or be charged as a petty offence or misdemeanor (comparable with a traffic ticket) which would not result in a criminal record. Shortly after the revision of the Opium Act, the implementation of new guidelines resulted in a delegation of policy enforcement to be handled at the municipality level amongst the cooperation of a "local triangle" (consisting of the municipality's mayor, public prosecutor, and chief of police) that would decide whether or not to prosecute small-scale sales of cannabis, reflecting what in the Dutch legal system is known as the expediency principle. Within the context of drug policy, law enforcement yields to public health, but also to public order. The expediency principal also helped to pave the way for the emergence of the Dutch coffee shops and other further developments in Dutch drug policy, reflecting the Dutch tradition of pragmatism and tolerance.

Used "off-the-record" since 1978, new guidelines stemming from the 1976 Opium Act were officially published in 1979. A key inclusion to the guidelines state, "Police would only interfere if small-scale trade was publicly advertised or otherwise

provocatively effectuated." It is believed that these new guidelines provided the legal leeway for coffee shops to rapidly emerge. However, lacking specificity, the guidelines left it unclear under which circumstances and criteria police should enforce the rules. While some coffee shops were mostly left in peace, others were raided regularly. None of this, however, hindered the steady rise in the number of coffee shops throughout the 1980s. The first estimate of the total number of coffee shops in the Netherlands did not occur until 1995, nearly 1,200 coffee shops and 900 additional illegal points of sale were recorded, while other less official records estimated there to be upwards of 2,500 total cannabis retail establishments (coffee shops + other illegal points of sale) at the peak of the market sometime between the late-1980s to early-1990s. In an attempt to reduce the number of active coffee shops across the country, starting in the mid 90's - the Dutch government started to implement more stringent coffee shop policy reforms at both a national and municipal level, which substantially reduced the number of coffee shops. At the end of December 2023, there were 564 coffee shops in 102 of the 342 total municipalities that comprise the Netherlands.

Dutch Coffee Shop Experiment

In January 2019, the Dutch government passed "*Controlled Cannabis Supply Chain Experiment*" ("Experiment"). The Experiment, also known as the "weed experiment," is a Dutch government initiative to study the regulation of cannabis production and sale. The Experiment aims to place the entire chain from cultivation to sale within a controlled environment, improving the quality oversight of cannabis products and reducing criminal activities in the sector.

Key features of the Experiment are:

- **Closed Chain:** During the experiment, participating coffee shops are allowed to purchase cannabis only from legal, government-appointed growers. These growers have been selected based on strict criteria and are monitored by the government to ensure product quality and safety. Leli Holland is one of the license holders.
- **Participating Municipalities:** The experiment takes place in ten selected municipalities across the Netherlands. Only coffee shops in these municipalities may participate and sell cannabis exclusively from the appointed growers.
- **Duration and Evaluation:** The experiment lasts five years, after which participants are allowed to sell inventory and the results will be evaluated. This evaluation will provide insight into the effects of regulated cannabis production on crime, public health, and public order.
- **Objectives:** The main objectives of the experiment are to reduce illegal cannabis trade and improve the control over product quality. Additionally, it assesses whether this regulated chain contributes to a healthier and safer living environment.
- **Potential Future Implementation:** If the experiment is successful, it could serve as a model for the nationwide implementation of a regulated cannabis production chain in the Netherlands.

Ten suppliers were selected via lottery, in 2022. The suppliers are solely responsible for all cultivation and manufacturing activities and are permitted to supply pre-rolled joints, cannabis flower, hash and edibles made using 'raw' cannabis (no extracts or isolates). Each supplier can supply all/ any coffee shops in all participating municipalities. Within the Experiment the competition is regulated, with the 10 licensed growers in the market producing an estimated annual output of 91,600kg maximum. Ten municipalities were selected from twenty-three applicant municipalities. These will be the only municipalities involved in the experiment. All coffee shops in each municipality are required to participate in the Experiment, resulting in 78 participating coffee shops sourcing from only the ten selected suppliers. The aggregate population of all 10 municipalities selected to participate in the Controlled Cannabis Supply Chain Experiment represents 9.7% (or 1.7 million residents) of the total population of the Netherlands (17.9 million residents).

Since inception of the Experiment due to changes in the Dutch government and other challenges – the initial stages of the Experiment have been formally delayed. The original "Transitional Phase" under the Experiment, in which the current 78 coffee shops can purchase both legal cannabis and illicit cannabis, ended on April 7, 2025, at which time the "Experimental Phase" commenced and the 78 coffee shops were allowed to purchase legal cannabis from the licensed producers. The Experimental Phase is scheduled to last for at least 4 years and can be extended by the Dutch government for up to a maximum of an additional 18 months. Upon completion of the Experimental Phase the Dutch government will evaluate the Experiment to determine if an extension of the Experiment will be granted.

Our Produce Segment

We commenced produce operations in 1989 under our U.S. subsidiary, Village Farms L.P. In October 2006, Village Farms did a reverse merger into an income trust named Hot House Growers Income Fund and essentially acquired its current Canadian produce operations, currently owned and operated by its Canadian subsidiary, Village Farms Canada Limited Partnership.

On May 30, 2025, the Company sold most of its VFLP produce assets and operations to Vanguard, as a means of privatizing its produce business and providing incremental liquidity for its cannabis business (the "Produce Transaction"). See "—Produce Transaction Agreements" below for further details.

The Produce Transaction resulted in the outright sale of two of its then four Texas greenhouses, transfer of all of its existing third party produce marketing agreements, transfer of its produce employees based in the U.S. and the produce sales and distribution staff in Canada, sale of its produce trademarks, transfer of its two produce distribution centers (one in Fort Worth, Texas and one in Surrey, British Columbia), as well as entering into a SM&D Agreement (as defined below) with Village Farms Canada Limited Partnership (“VFCLP”) produce facilities for the years ended 2025 and 2026. See “—Produce Transaction Agreements” below for further details.

VFCLP owns and operates one produce greenhouse in Delta, B.C. totaling 60 acres. For most of 2025, it also owned and operated one-half of an existing 25 acre facility adjacent to its 60 acre facility to produce tomatoes, which at this time is being converted to cannabis – see “Our Canadian Cannabis Segment” above. VFCLP still owns two Texas facilities, one 20 acre facility located in Marfa, Texas is being leased to Vanguard Food to operate its tomato operations until such time that the U.S. legalizes cannabis or the Company is awarded a Texas medicinal cannabis license, at such time, with certain notice periods, the Company may take back the facility for its cannabis operations. VFCLP also continues to own a 30-acre greenhouse in Monahans, Texas that is currently not operating.

In 2023, VFCLP grew tomatoes, cucumbers, and bell peppers in its greenhouse facilities. VFCLP facilities only grew tomatoes in 2025 and 2024 and will continue growing only tomatoes through 2026.

There is seasonality in produce revenues. VFCLP does not produce tomatoes in winter months (December – February), due to low light levels in the winter months in Delta, due to its northern latitude. Historically, VFCLP sales occur primarily in our second and third quarters with lower sales, due to lower volumes, in the fourth quarter with only minor sales in the first quarter, if any, depending on the start of the calendar year crop cycle and light levels.

The produce business is very competitive, and our primary competition consists of large commercial producers. There is an abundance of growers as discussed in “—Greenhouse Vegetable Industry Overview” below, which has resulted in an oversupplied market where retail customers have the upper hand in price negotiations. In addition, due to the perishable nature of produce, pricing is very sensitive to the daily demand versus supply in each produce category, including our primary category, tomatoes.

Greenhouse Vegetable Industry Overview

Among the North American greenhouse vegetable producers, Canada is the largest supplier from April to October. Several factors, including climatic advantages (cooler summer temperatures) and the proximity of greenhouse producers to consumer markets, contribute to Canada’s favorable positioning relative to the United States during that time period. The primary markets for greenhouse produce grown in British Columbia include the west and northwest regions of the United States, as well as western Canada, while the primary markets for Ontario produce include the east and central regions of the United States, as well as eastern Canada.

The strengths of the Canadian greenhouse vegetable industry include its high yields and consistent product quality. The main weakness of the Canadian greenhouse industry relates to its lack of production during the historically higher priced winter months. However, because of the high volume of tomatoes produced in Canada during the April to October growing season, profits generated during this time period generally are sufficient to sustain producers through the full year.

Prices for vegetables fluctuate depending upon availability of supply and consumer demand. Greenhouse vegetable producers typically command a higher price for their products compared to field producers, as a result of the vegetables’ consistent quality, taste, appearance, and year-round availability. This higher price, combined with higher production yields for greenhouse produce, typically offset the higher costs associated with greenhouse production relative to field production. Production costs for greenhouse-grown produce are generally higher due to greater energy, labor, infrastructure, technological requirements, and more intense crop yields per acre. As the fresh produce market share of big box retailers increases, pricing is moving towards more contract pricing for six, nine or even twelve-month periods reducing some of the fluctuations with traditional seasonal pricing. However, contract pricing does not provide volume guarantees.

Produce Transaction Agreements

Framework Agreement Regarding Partnership and Membership Interests, Contributions, and Exchanges

On May 30, 2025, the Company, VFCLP and Village Farms, L.P. (“VFLP,” and together with the Company and VFCLP, the “VF Sellers”) completed the transactions (the “Closing”) as set forth in the Framework Agreement Regarding Partnership and Membership Interests, Contributions, and Exchanges (the “Framework Agreement”) entered into on May 12, 2025 with Vanguard, Kennedy Lewis Capital Partners Master Fund II LP (“KL”) and Sweat Equities SPV LLC (“Sweat,” and together with “KL,” the “Initial Investors”). At the Closing, pursuant to the Framework Agreement and subject to the terms and conditions thereof, (a) the VF Sellers contributed certain assets comprising the VF Sellers’ Produce Business (as defined below) to Vanguard, (b) the Initial Investors contributed \$55 million to Vanguard and (c) as consideration for the foregoing, (i) Vanguard Food LP paid the VF Sellers \$40 million (\$5 million of which has been placed in escrow for one year to secure the VF Sellers’ indemnification obligations under the Framework Agreement and the TSA (as defined below)), subject to a customary post-Closing purchase price adjustment mechanism, (ii) Vanguard Food LP issued (A) common units representing 37.9% of Vanguard Food LP’s equity ownership to the VF

Sellers and (B) preferred and common units representing 62.1% of Vanguard Food LP's equity ownership to the Initial Investors and (iii) Vanguard Food GP LLC issued membership interests to VFLP, KL and Sweat. The foregoing transactions completed at Closing are collectively referred to herein as the "Produce Transaction". Following the Closing, the VF Sellers have no future obligations to contribute cash to Vanguard and have pre-emptive rights to maintain their ownership interest in Vanguard under the terms of the LP Agreement (as defined below).

Pursuant to the Framework Agreement, the parties entered into the following agreements at Closing: (a) an Amended and Restated Limited Partnership Agreement of Vanguard Food LP (the "LP Agreement"), (b) an Amended and Restated Limited Liability Company Agreement of Vanguard Food GP LLC (the "LLC Agreement"), (c) a Sales, Marketing & Distribution Agreement (the "SM&D Agreement"), (d) a Transition Services Agreement (the "TSA") and (e) a Marfa Greenhouse Facility Sublease (the "Marfa Sublease" and collectively with the LP Agreement, the LLC Agreement, the SM&D Agreement, and the TSA, the "Produce Transaction Agreements"), in each case as described in more detail below.

The parties appointed Charlie Sweat, Founder of Sweat, as Executive Chairman of Vanguard's Board of Managers. Michael A. DeGiglio, Founder, President, and Chief Executive Officer of the Company, has also been appointed to Vanguard's Board of Managers and will serve as Interim Chief Executive Officer of Vanguard until a permanent replacement has been identified, or the termination of the TSA, whichever comes first. Steve Ruffini, Chief Financial Officer of the Company, is also serving on Vanguard's Board of Managers. Subsequent to the initial appointment, the Vanguard Board of Managers was amended to provide for two independent directors to be mutually agreed on by all parties. The two independent directors were appointed in November 2025.

Following the Closing, VFLP continues to own its 30-acre Monahans greenhouse facility in Texas, and owns and, pursuant to the Marfa Sublease, is leasing its 20-acre Marfa I greenhouse to Vanguard. The Marfa I facility is currently expandable to 40-acres and is adjacent to 950 acres of unoccupied land owned by VFLP available for future expansion. In Canada, VFCLP continues to own and operate its 60-acre Delta 1 greenhouse in Delta, British Columbia. At Closing, VFCLP entered into a multi-year supply agreement with Vanguard (the SM&D Agreement) to provide it with fresh produce production from its Delta 1 greenhouse.

Amended and Restated Limited Partnership Agreement of Vanguard Food LP

As contemplated by the Framework Agreement, at the Closing, Vanguard Food GP LLC, Sweat, KL, VFCLP and VFLP entered into the LP Agreement, which sets forth the structure, governance, and financial arrangements of Vanguard Food LP. The LP Agreement establishes Vanguard Food GP LLC as the general partner, with limited partners (initially consisting of VFLP, VFCLP, KL and Sweat) holding preferred, common, and incentive units. The general partner has full control over the partnership's activities, while limited partners have specific rights, including approval rights over certain major decisions (so long as they hold an ownership percentage of Vanguard Food LP of at least 15% or, in the case of Village Farms, the two-year lock-up period has not expired) and preemptive rights to purchase new securities.

The LP Agreement's financial provisions provide for the allocation of net income, net loss, and distributions among partners based on their respective partnership units. Non-liquidating distributions will be made pro rata to holders of preferred, common and incentive units, while preferred units are entitled to a 1.3x liquidation preference in the event of any liquidating distributions.

The LP Agreement includes detailed provisions concerning the transfer and sale of units, including a two-year lock-up period, a right of first offer, drag-along rights and tag-along rights. Limited partners cannot transfer their units except as permitted by the LP Agreement. The right of first offer requires that units be offered to existing partners before being sold to third parties. Drag-along rights allow majority partners to compel minority partners to participate in a sale under certain conditions. Tag-along rights enable minority partners to join in a sale initiated by the Initial Investors or Village Farms (so long as Village Farms has an ownership percentage of Vanguard Food LP of at least 15%), ensuring they can sell their units on the same terms.

Amended and Restated Limited Liability Company Agreement of Vanguard Food GP LLC

As contemplated by the Framework Agreement, at the Closing, Vanguard, Sweat, KL and VFLP entered into the LLC Agreement, which sets forth the terms and conditions governing the operations and management of Vanguard Food GP LLC and, since Vanguard Food GP LLC is its general partner, Vanguard Food LP. The LLC Agreement provides for a single class of membership interests to be held by holders of common and preferred units of Vanguard Food LP.

Management of Vanguard Food GP LLC is vested in a board of managers, which is composed of seven managers: two designated by VFLP, two designated by Sweat and KL, two independent directors mutually agreed on by VFLP, Sweat and KL as well as the chief executive officer of Vanguard Food LP. Any matter other than certain major decisions can be approved by a majority of managers at a meeting in which a quorum is present. Any major decision requires the approval of each Initial Investor with an ownership percentage of Vanguard Food LP of at least 15% and VFLP so long as either (a) Village Farms has an ownership percentage of Vanguard Food LP of at least 15% or (b) the two-year lock-up period under the LP Agreement has not yet expired.

No transfers of membership interests are permitted unless approved by the unanimous consent of the Initial Investors and VFLP. However, members are allowed to transfer their membership interests to affiliates. If a member ceases to be affiliated to a holder of common or preferred units of Vanguard Food LP, its membership interest will automatically be canceled unless transferred to another affiliate of the applicable holder.

Sales, Marketing & Distribution Agreement

As contemplated by the Framework Agreement, VFCLP and Vanguard entered into the SM&D Agreement effective as of Closing, which sets forth the terms, conditions, rights and obligations governing the sales, marketing and distribution by Vanguard of all hydroponically grown tomatoes produced at VFCLP's British Columbia greenhouse growing facilities. The sales price paid by Vanguard is based on amounts paid by Vanguard's customers, net of a marketing fee to be received by Vanguard.

The initial term of the SM&D Agreement ends upon termination of the SM&D Agreement in respect of each facility. The SM&D Agreement may be terminated in respect of the Delta 1 Facility if Vanguard undergoes a change of control transaction, or if, no earlier than the beginning of the 2027 calendar year, VFCLP ceases to produce hydroponically grown tomatoes at the facility. The SM&D Agreement was terminated with respect to the Delta 2 Facility on December 31, 2025, as it no longer is growing tomatoes. Either party may terminate the whole agreement in the event of a material breach of the other party that has not been cured, and there is an additional termination right in the event VFCLP and Vanguard are not able to agree to renegotiate terms if certain revenue targets are not met for the 2026 calendar year.

Transition Services Agreement

As contemplated by the Framework Agreement, the VF Sellers and Vanguard entered into a Transition Services Agreement effective as of Closing, which sets forth the terms, conditions, rights and obligations governing the provision (subject to reasonable limitations) of certain services and licenses to trademarks and other intellectual property, in each case on a transitional basis, as reasonably necessary to enable continuity of the Produce Business being transferred to Vanguard pursuant to the Framework Agreement as that Produce Business's systems and operations separate from the VF Sellers' retained business.

The TSA contemplates pricing for services on a pass-through basis based on reasonable allocations for services shared between the Produce Business being transferred to Vanguard and the retained business of the VF Sellers.

The TSA terminates when all services provided thereunder are no longer provided, which shall be no later than 12 months from Closing, unless otherwise agreed by the VF Sellers and Vanguard. Either party may terminate the whole agreement in the event of a material breach of the other party that has not been cured and in the event certain insolvency events occur.

Marfa Sublease

As contemplated by the Framework Agreement, Agro Power Development, Inc. ("Agro"), a wholly owned subsidiary of the Company, entered into the Marfa Sublease in order to sublease its interest in certain property located in Marfa, Texas to Vanguard Food LP effective as of the Closing. The property is currently leased by Agro from the County of Presidio, Texas and contains approximately 155 acres of land. The Marfa Sublease is established as a "triple-net" sublease, which means that the tenant is responsible for all expenses associated with the property. The lease term mirrors the underlying County land lease held by Agro, which initially expires in 2032, but Agro can extend for two additional 10-year terms. The lease is subject to a sublease termination provision that allows VFLP to use all or a portion of the Marfa 1 greenhouse, if certain Sublease Termination Conditions are met and Agro gives notice, in any given year, on or before February 1. The Marfa Sublease contains customary indemnification and other terms, and requires an annual rental payment of \$100,000.

Intellectual Property

We have the following trademarks for Pure Sunfarms in Canada, the European Union, United States and/or Mexico: Pure SunfarmsTM, Sunburst DesignTM Pure Sunfarms BC Grown®, Pure Sun CBD®, Everyday EverywayTM, Hit The Gas®, Sundaises By Pure SunfarmsTM, Soar®, Soar Cannabis®, Pure Sunfarms Pink KushTM, Pure Sunfarms TrialsTM, The Original Fraser Valley Weed Co.TM, Super ToastTM, Nowadays®, Weed Grows Better in the Valley®, Pure SunTM, HiatusTM, and L&FTM.

We also have the following trademarks registered for Rose LifeScience in Canada: Rose®, Rose LifeScience®, Rose LifeScienceVie®, D.Z.®, Delta Zulu®, Trois Coches®, Quatre Coches®, DLYS®, Elekt®, Promenade®, Promenade Buddies®, Pure Laine®, Cidrebd®, Cannasucres®, Westlight®, Six Lunes®, Homage®, Tam Tams®, Pure Wool®, Pure Laine SmoothiesTM, TerpiesTM, Pure Laine Terpies®.

We have the following trademarks registered and service marks in the United States, Canada, the European Union, and/or Costa Rica for Balanced Health: Balanced Health Botanicals®, BOTA®, BOTA Hemp®, CBDistilleryTM, CBDistilleryRX®, CBDMovementTM, Gimmick-free CBD®, Natural Beauty-ElevatedTM, Terpsolate®, Distilling What Matters®, OOOH Distilled®, and the CBDistillery logo.

We seek to protect our proprietary packaging designs through design patent filings in key markets. As of December 31, 2025, our subsidiary Pure Sunfarms Corp. held 1 issued design patent and 9 pending design patent applications across 5 patent families in Canada, the United States, the European Union, and China. These design patents cover innovative product packaging used in connection with our cannabis brands. We also rely on trademarks, trade secrets, and proprietary know-how to protect our competitive position. While we believe our intellectual property provides meaningful differentiation for our branded products, we do not consider any single patent to be material to our business.

Employees

We have approximately 1,128 employees and contract workers throughout all of our segments: Canadian Cannabis, U.S. Cannabis, Netherlands Cannabis and Produce (VFCLP). The majority of our employees and contract workers are employed in our Canadian cannabis and produce greenhouse operations. None of our employees are covered by a collective bargaining agreement. We believe that we enjoy a good working relationship with our employees.

Human Capital

We respect diversity and accordingly are an equal opportunity employer that does not discriminate on the basis of race, color, creed, religion, national origin, ancestry, citizenship status, age, sex or gender (including pregnancy, childbirth and related medical conditions), gender identity or gender expression (including transgender status), sexual orientation, marital status, military service and veteran status, physical or mental disability, protected medical condition as defined by applicable state or local law, genetic information, or any other characteristic protected by applicable federal, state, or local laws and ordinances. Our management team is dedicated to ensuring the fulfillment of this policy with respect to recruitment, hiring, placement, promotion, transfer, training, compensation, benefits, employee activities, access to facilities and programs, and general treatment during employment. We are proud to bring together individuals from a wide breadth of industries, backgrounds, and experiences, and promote a culture of belonging. Additionally, we respect the religious beliefs and practices of all employees and will endeavor to make a reasonable accommodation if those religious beliefs or practices conflict with an employee's job unless the accommodation would impose an undue hardship on the operation of our business.

Paid vacation time is available for all employees in accordance with our Paid Time Off ("PTO") Policy. In addition to good working conditions and competitive pay, it is our policy to provide a combination of supplemental benefits to all eligible employees. In keeping with this goal, each benefit program has been carefully devised. We provide all full-time employees with life insurance and accidental death & dismemberment ("AD&D") insurance. Eligible full-time U.S. employees may participate in the Company's 401(k) savings plan beginning ninety days after the date of hire. Currently, we match a portion of eligible employee contributions.

In Canada, Village Farms, Pure Sunfarms and Rose Life Sciences offer competitive extended health care and dental benefits which include an additional health spending account, a sponsored group retirement savings plan and wellness days.

Social Responsibility

We have stood by our core "Good for the Earth" principles since our inception over 30 years ago. Since our inception, we are guided by a Sustainable Agriculture Policy, which integrates three main goals, environmental health, economic profitability, and social and economic equality. Greenhouse growing is the most environmentally sustainable method of farming due to its ability to preserve natural resources, such as reduced water usage while growing more on less land. In CEA, soil erosion, air pollution, and greenhouse gas emissions are largely neutralized. In addition, our investments in the latest technological advancements, and our ability to produce higher yields per square meter, mean there are more GMO-free products grown with little impact to the environment.

Our greenhouses rely on, and have successfully employed, non-chemical methods for pest control known as Integrated Pest Management, whereas beneficial insects largely alleviate the need for pesticides. Our greenhouses utilize biodegradable coconut fiber or rockwool, not soil, to support the plants in a hydroponic solution, so there is no soil erosion or loss of precious nutrients. Pure Sunfarms' greenhouses installed blackout curtains to reduce energy consumption, mitigate light pollution and protect ecosystems to minimize the impact to the greater Vancouver area. At all greenhouse facilities, we sterilize and recirculate water numerous times. In Delta, B.C., Pure Sunfarms collects rainwater throughout the year to minimize the use of external water sources at one of its greenhouses. All the Company's Delta, B.C. greenhouses utilize renewable hydroelectricity as their main power source.

Rose LifeScience's indoor controlled growing facility in Quebec was granted environmental rebates from the local government for its energy efficient design. The facility is digitally responsive as the growing rooms are equipped with technology that interprets and responds to the needs of the growers and the plants. The energy-conscious building design helps reduce greenhouse gas emissions and the facility is outfitted with special filtration to reduce odors and minimize any impact to the local community.

BHB is focused on product quality and conducts internal and third-party quality testing across the supply chain and at all stages of the cannabinoid creation process to confirm the purity and concentration of its products. All hemp utilized by BHB is required to be non-GMO, free from contaminants and is rigorously tested for compliance. BHB has achieved Generally Recognized as Safe designation, an evaluation that its products are recognized as safe for consumption for full-spectrum, broad-spectrum and isolate CBD.

We have memberships in core industry associations. Pure Sunfarms is the founder of Cannabis Cultivators of B.C. dedicated to advocating for the growth of a responsible cannabis industry and advancing a favorable social, economic and business environment for cannabis cultivation in B.C. On a community level, local involvement in organizations such as the Canadian Cancer Society, American Lung Association, Wounded Warrior Fund, NAACP education fund, Rotary clubs, hospitals, and community art outreach activities, are just some of the diverse charitable contributions we support.

Corporate Information

Village Farms is a publicly traded company in the United States on The Nasdaq Stock Market LLC (“Nasdaq”), under the symbol “VFF”. VFF is a corporation existing under the *Business Corporations Act* (Ontario). Our registered corporate address is 75 Wellington St. W. 30th Floor, Toronto, Ontario, Canada M5K 1N2. Our principal executive offices are located at 90 Colonial Parkway, Lake Mary, Florida 32746 (telephone: (407) 936-1190).

VFF’s principal operating subsidiaries as of December 31, 2025 are Pure Sunfarms, Rose, Leli, BHB, VFCLP, VF Clean Energy, Inc. and VFLP.

We file annual, quarterly, current reports, proxy statements and other information with the Securities and Exchange Commission (the “SEC”). The SEC maintains an internet site that contains our public filings with the SEC and other information regarding Village Farms, at www.sec.gov. We make available free of charge at our website, www.villagefarms.com, all of our reports filed or furnished pursuant to Section 13(a) or 15(d) of the *Securities Exchange Act of 1934*, as amended (“Exchange Act”) including our Annual Report on Form 10-K, our Quarterly Reports on Form 10-Q and our Current Reports on Form 8-K and amendments to those reports. The information on our website is not incorporated by reference into this Annual Report on Form 10-K and should not be considered a part of this Annual Report on Form 10-K, and the reference to our website in this Annual Report on Form 10-K is an inactive textual reference only.

We are also a reporting issuer under the securities laws of each of the provinces and territories of Canada and accordingly our public filings with Canadian securities regulators are available under our issuer profile at www.sedarplus.ca.

ITEM 1A. RISK FACTORS

Any of the risks and uncertainties described below could significantly and negatively affect our business, prospects, financial condition, operating results, or credit ratings, which could cause the trading price of our Common Shares to decline. Additional risks and uncertainties not presently known to us, or risks that we currently consider immaterial, could also impair our business operations or financial condition.

We are providing the following summary of risk factors contained in the Annual Report on Form 10-K to enhance the readability and accessibility of our risk factor disclosures. We encourage you to review the full risk factors in their entirety for additional information regarding the material risks that could adversely affect our business, prospects, financial condition, operating results, or credit ratings, which could cause the trading price of our Common Shares to decline. These risks and uncertainties include, but are not limited to, the following:

Business and Operational Risk Factors

- We may be unable to maintain profitability or continue future growth.
- We are dependent on the success of our Canadian Cannabis business, which has a limited operating history in the cannabis industry.
- Our international expansion, including Leli, may heighten our operational risks.
- There can be no assurance that our previous, current, or potential future acquisitions, joint ventures, investments or expansions of scope of existing relationships will have a beneficial impact on our business, financial condition and results of operations.
- We may need additional financing to maintain and further develop our business.
- We face risks associated with the use of debt, including refinancing risk.
- Our success depends on our ability to attract and retain customers.
- We are subject to restrictive covenants under our Credit Facilities (as defined in *Liquidity and Capital Resources* below).

Industry Risk Factors

- We face risks inherent in an agricultural business.
- The legal cannabis and hemp-derived CBD industries are relatively new, and may be materially adversely affected by potential legal and regulatory changes.
- Our Canadian Cannabis business has been negatively affected by, and may continue to be impacted by, cannabis supply and demand fluctuations.
- Retail consolidation in the Canadian cannabis market may negatively affect our operations and profitability.
- We face significant competition in the cannabis industry.
- Increasing legalization of cannabis and rapid growth and consolidation in the cannabis and CBD industries may further intensify competition.
- We may be negatively affected by unfavorable publicity, adverse scientific findings and/or negative consumer perception of cannabis.
- Our Canadian and Dutch cannabis businesses are subject to cannabis-related security breaches, which could result in significant losses.
- We face risks associated with cross-border trade and the potential for tariffs and other trade restrictions.

Legal and Regulatory Risks Factors

- The November 2025 Appropriations Act will make most CBD products illegal beginning in November 2026, and will materially and adversely affect our U.S. cannabis business if further legal action is not taken.
- We cannot predict when, if ever, cannabis will be federally legal in the United States and any rescheduling of U.S. Schedule I cannabis to Schedule III would have an uncertain impact on our business.
- Our Canadian and Dutch cannabis operations require licenses to grow, store and sell cannabis.
- Our cannabis operations in Canada are subject to laws, regulations and guidelines related to the cannabis industry including marketing restrictions under the *Cannabis Act*.
- Our cannabis operations in Canada are subject to Canadian supplier standards.
- The ability of our Canadian cannabis companies to sell cannabis may be restricted by the Canadian Free Trade Agreement.
- Uncertainty in the laws, regulations and guidelines governing cannabis, hemp or cannabis/hemp derived products has adversely impacted our business and may continue to do so in the future.
- Restricted access to banking, including anti-money laundering laws and regulations may adversely impact our business.
- Our U.S. Cannabis business is subject to FDA and USDA regulation.
- We may be subject to product liability claims.
- Government regulation of the Internet and e-commerce is evolving, and unfavorable changes or failure by us to comply with these regulations could substantially harm our business, financial condition, and results of operations.
- We are subject to environmental, health and safety, and other governmental regulations and we may incur material expenses in order to comply with these regulations.

Labor and Employment Risks Factors

- Our operations are dependent on labor availability which includes accessing government sponsored foreign labor programs in Canada.

Tax Risk Factors

- If we are classified as a passive foreign investment company (“PFIC”) for U.S. federal income tax purposes, certain generally adverse U.S. federal income tax consequences could apply to U.S. investors.
- The IRS and Canada Revenue Agency may challenge our transfer pricing.

- Changes in tax treatment of companies engaged in e-commerce may adversely affect the commercial use of our website and our financial results.
- U.S. Holdings may be considered a U.S. real property holding corporation, which may result in income and withholding taxes with respect to a distribution by U.S. Holdings to VF Opco.

Common Shares Risk Factors

- The market price of our Common Shares has been and is likely to continue to be volatile and an investment in our Common Shares could suffer a decline in value.
- Future issuances or sales of our Common Shares could cause our share price to fall and may dilute your common shares.

General Risk Factors

- We face risks related to cyber security attacks and other incidents.
- Inflation may continue to rise and increase our operating costs.
- It may be difficult for non-Canadian investors to obtain and enforce judgments against us because of our Canadian incorporation and presence.

BUSINESS AND OPERATIONAL RISK FACTORS

We may be unable to maintain profitability or continue future growth.

Our ability to generate net earnings and maintain profitability is based, in part, on our ability to manage our cannabis profit margins and earnings before interest, tax, depreciation and amortization (“EBITDA”). These margins are dependent upon our ability to sell our products profitably and to be the supplier of choice to our customers. The failure to execute on our low-cost structure in our cannabis business at favorable margins or an increase in cost of goods or operating costs will have a material adverse effect on the financial condition, results of operations, and cash available.

One of our principal objectives is to pursue operational efficiencies. Profitability depends in significant measure on our ability to, among other things, successfully manage, identify, and implement operational efficiencies. There can be no assurance that we will be successful in managing our cost control and productivity improvement measures. In addition, a failure to achieve a low-cost structure through economies of scale or continue to improve our cultivation and manufacturing processes could have a material adverse effect on our commercialization plans and our business, prospects, results of operations and financial condition.

Additionally, there is no assurance that the cannabis and hemp-derived CBD industries and markets will continue to exist and grow as currently estimated or anticipated or function and evolve in the manner consistent with management’s expectations and assumptions (see “—Industry Risk Factors” below). Furthermore, we can provide no assurance that high-THC cannabis will ever become federally legal in the United States, and the legal and regulatory treatment of CBD in the United States remains uncertain (see “—Legal and Regulatory Risk Factors” below). As a result, we may be unable to achieve future growth or even maintain our existing businesses in these segments.

We are dependent on the success of our Canadian Cannabis business which has a limited operating history in the cannabis industry.

Our Canadian Cannabis business has a limited operating history. Our Canadian Cannabis business is therefore subject to many of the risks common to early-stage enterprises, including limitations with respect to personnel, financial, and other resources. In addition, we have incurred and anticipate that we will continue to incur substantial expenses relating to the development and ongoing operations of our Canadian Cannabis business. The payment and amount of any future dividends to the Company from Canadian Cannabis business will depend upon, among other things, its available cash flows, after taking into account its operating and capital requirements. There is no assurance that we will be successful in achieving a return on our Canadian Cannabis business and the likelihood of success must be considered in light of the early stage of its operations and heavy tax burden on all Canadian cannabis companies.

Our Canadian Cannabis business may incur losses in the future for a number of reasons, including as a result of unforeseen expenses, regulatory impediments, unforeseen difficulties, complications and delays, the other risks described in these “Risk Factors” and other unknown events. The amount of any future net losses will depend, in part, on the growth of our future expenses and our ability to generate revenue. Because of the numerous risks and uncertainties associated with producing and selling cannabis and cannabis-derived products, we are unable to accurately forecast operating results to predict when, or if, we will be able to sustain our profitability. If our Canadian Cannabis business is unable to sustain profitability, the market price of our Common Shares may significantly decrease and our ability to raise capital, expand our business or continue our operations may be impaired.

The ability of our Canadian Cannabis business to grow will depend on a number of factors, many of which are beyond our control, including, but not limited to, the number of licensed retail cannabis stores, a reduction in excise tax burden, the availability of sufficient debtor capital on suitable terms, changes in laws and regulations respecting the production and sale of cannabis products, competition from other entities licensed under the *Cannabis Act*, its ability to recruit and retain sufficient experienced personnel and its ability to expand into international operations and sales. In addition, our Canadian Cannabis business is subject to a variety of business risks generally associated with developing companies. Future development and expansion could place significant strain on our management personnel and likely will require us to recruit additional management personnel, and there is no assurance that we will be able to do so. As the operations of our Canadian Cannabis business grow in size, scope, and complexity and as it identifies and pursues new opportunities, our Canadian Cannabis business may need to increase in scale its infrastructure (financial, management, informational, personnel and otherwise).

Our international expansion, including through Leli, may increase our operational risks.

Any expansion by us into jurisdictions outside of Canada and the United States is subject to additional risks, including political, economic, legal, and other risks and uncertainties associated with operating in or exporting to these jurisdictions. These risks and uncertainties include, but are not limited to, changes in the laws, regulations and policies governing the production, sale and use of cannabis, cannabis-derived products, hemp, or CBD, political instability, currency controls, fluctuations in currency exchange rates and rates of inflation, labor unrest, changes in taxation laws, regulations and policies, restrictions on foreign exchange and repatriation and changing political conditions and governmental regulations relating to foreign investment and the cannabis, hemp and CBD businesses more generally. Leli and its cultivation license are subject to the continued support by the government of the Netherlands under the Experiment, which is currently scheduled to end in April 2029 (see “Business—Our Cannabis Netherlands Segment” above). In 2024, the Partij voor de Vrijheid introduced a proposal to put the Experiment on hold, but it did not pass. If the Experiment was ended prematurely prior to its expiration in April 2029, the Company would suffer a material loss on its investment.

Changes, if any, in the laws, regulations and policies relating to the advertising, production, sale and use of cannabis and cannabis-based products or in the general economic policies in these international jurisdictions, or shifts in political attitude related thereto, may adversely affect the operations or profitability related to international operations in these countries.

Specifically, operations may be affected in varying degrees by government regulations with respect to, but not limited to, restrictions on advertising, production, price controls, export controls, controls on currency remittance, increased income taxes, restrictions on foreign investment, land and water use restrictions and government policies rewarding contracts to local competitors or requiring domestic producers or vendors to purchase supplies from a particular jurisdiction. Failure to comply strictly with applicable laws, regulations and local practices could result in additional taxes, costs, civil or criminal fines or penalties or other expenses being levied, as well as other potential adverse consequences such as the loss of necessary permits or governmental approvals.

There can be no assurance that our previous, current or potential future acquisitions, joint ventures, investments or expansions of scope of existing relationships will have a beneficial impact on our business, financial condition and results of operations.

We have made, and may in the future make, acquisitions, joint ventures and investments with third parties that we believe will complement or augment our existing business. Our ability to identify and complete these acquisitions is dependent upon, and may be limited by, the availability of suitable candidates and capital. In addition, acquisitions, joint ventures and third-party investments could present unforeseen integration obstacles or costs, may not enhance our business, and/or may involve risks that could adversely affect us, including significant amounts of management time that may be diverted from operations in order to pursue and complete such transactions. Acquisitions, joint ventures, investments or expansion of scope of existing relationships could result in the incurrence of additional debt, costs and contingent liabilities, and there can be no assurance that these transactions will achieve the expected benefits to our business.

For example, in May 2025 we entered into a joint venture with Vanguard for the operation of our produce assets that we contributed to the joint venture as part of the Produce Transaction. As such, our produce business is now operated through a partnership in which the Company has a minority interest. We cannot control the actions of our joint venture partners, including any non-performance, default, or bankruptcy of the partners. As a result, we may have limited control over such arrangements and experience returns that are not proportional to the risks and resources contributed. To the extent that the anticipated benefits of the Produce Transaction are not achieved, or take longer than expected to achieve, the results of operations and the financial condition of the Company may suffer, which may materially adversely affect our business, operations and financial performance and cash flows.

In addition, in 2024 we commenced the Delta RNG Project through our partnership with Terreva Renewables, and we completed construction of one of our operations of the Dutch cannabis facilities owned by Leli. For the above-mentioned reasons, we can provide no assurance that we will achieve the anticipated benefits from these ventures in the near term or at all. The inability of our acquired business, joint ventures and third-party investments to perform as expected could have a material adverse effect on our business, financial condition and results of operations.

There can be no assurance that future mergers, acquisitions, divestitures, alliances, joint ventures, investments or other strategic transactions will be consummated or have a positive impact on our business, prospects, financial condition, or results of operations.

Historically, our senior management and board have been engaged in discussions surrounding the strategic direction of the Company in light of, among other things, the rapid growth and substantial changes in the cannabis industry and the other businesses in which we operate. As part of these discussions, our senior management and board from time to time have considered, and may consider in the future, various transactions in the context of our long-term business plan, including mergers, acquisitions, divestitures, alliances, joint ventures, investments or other strategic transactions. We have also been approached from time to time by parties wishing to discuss potential commercial or acquisition opportunities. In certain cases, we have entered into confidentiality agreements with third parties under which we have provided certain non-public information to those parties.

We can provide no assurance that any such discussions will result in a transaction or that any such transaction ultimately will have a positive impact on our business, prospects, financial condition, or results of operations.

We will need additional financing to further develop our business.

The continued operations and development of our business will require additional financing, which may be in the form of future equity securities offerings or any form of debt financing. For example, on January 26, 2023, we completed a registered direct offering for the purchase and sale of an aggregate 18,350,000 Common Shares at a public offering price of US\$1.35 per Common Share for gross proceeds of approximately US\$25 million coupled with 18,350,000 warrants with an exercise price of US\$1.65 (the “2023 Equity Offering”). Additionally, in 2022 and 2023, we implemented an at-the-market (“ATM”) program through which we sold a total of 3,175,000 shares for proceeds of US\$6.9 million. We will require additional equity financing which may have a dilutive effect and may not be achievable due to market conditions or other reasons. The failure to raise such capital could result in a delay or indefinite postponement of our current business objectives or may require us to cease 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 us.

We are dependent on the availability of financing under our Credit Facilities. Under the terms of our Credit Facilities, we are subject to a number of covenants, including debt service covenants. These covenants could reduce our flexibility in conducting our operations by limiting our ability to borrow money and expanding into new business lines. For more information, see “We are subject to restrictive covenants under our Credit Facilities” below.

We have also provided full recourse guarantees and have granted security interests in respect of the FCC Term Loan and the Pure Sunfarms Term Loan Facility with our lenders. We are also subject to fluctuations in our working capital on a month-to-month basis, and as a result, we have access to financing under our Pure Sunfarms Revolving Credit Facility. Consistent with our past practice, in Produce, we may draw down on revolving credit facilities available. An inability to draw down upon our Revolving Loan, or to amend, extend or replace our term loans on favorable terms (or at all), could have an adverse effect on our businesses and our financial condition.

There is no assurance that sufficient financing will be available when needed to allow us to continue as a going concern. The perception that we may not be able to continue as a going concern may also make it more difficult to operate our business due to concerns about our ability to meet our contractual obligations.

We face risks associated with the use of debt, including refinancing risk.

We rely on borrowings under our Credit Facilities, and term loans to finance acquisitions and for general corporate purposes. Given prevailing market conditions and general volatility, circumstances may arise in which we may not be able to obtain debt financing in the future on favorable terms, or at all. If we are unable to borrow under our Credit Facilities, obtain new debt financing or to refinance existing debt, our financial condition and results of operations would be adversely affected. Similarly, global equity markets have experienced significant price volatility and liquidity disruptions in recent years, and similar circumstances could significantly and negatively impact liquidity in the financial market in the future. Any disruption could negatively impact our ability to access additional financing on reasonable terms or at all.

We anticipate that only a small portion of the principal of our currently outstanding debt, if any, will be repaid prior to maturity. Therefore, we are likely to need to refinance a significant portion of our outstanding debt as it matures. There is a risk that we may not be able to refinance existing debt or that the terms of any refinancing will not be as favorable as the terms of the existing debt. If principal payments due at maturity cannot be refinanced, extended or repaid with proceeds from other sources, such as new equity capital, our cash flow may not be sufficient to repay all maturing debt in years when payments come due. The materialization of any of the foregoing risks would adversely affect our financial condition and results of operations.

Our success depends on our ability to attract and retain customers.

Our success depends on our ability to attract and retain customers. There are many factors which could impact our ability to attract and retain customers, including but not limited to the ability to continually grow and distribute desirable produce and cannabis.

For our Canadian, Dutch and U.S. cannabis businesses, the successful implementation of a customer acquisition plan and the continued growth in the aggregate number of potential customers are critical to the ability to attract and retain customers. Even if the products of our Canadian, Dutch and U.S. Cannabis businesses achieve initial retail success, our long-term success is significantly dependent upon the ability to develop new and improved product lines. In addition, we can provide no assurance that campaigns to promote the products of our Canadian, Dutch and U.S. Cannabis businesses will be successful in attracting customers, and any such campaigns are heavily regulated and can entail significant expense. Our failure to acquire and retain customers and the imposition of further restrictions on sales and marketing or further restrictions on sales in certain areas and markets, could have a material adverse effect on our business, operating results and financial condition.

We are subject to restrictive covenants under our Credit Facilities.

Under the terms of our Credit Facilities (as defined in Item 7, “*Liquidity and Capital Resources*” below), we are subject to a number of covenants, including debt service covenants. These covenants could reduce our flexibility in conducting our operations by limiting our ability to borrow money and expanding into new business lines. While the Company was compliant with all of its loan covenants on December 31, 2025, in prior years, we were not in compliance with our financial covenants related to the fixed charge coverage ratio under our Term Loans and accordingly we obtained waivers from FCC for the annual tests for the one financial covenants. There can be no assurance that we will be in compliance with the future financial covenants or that we will be able to obtain a future waiver from our creditors for any non-compliance in connection with the next testing date.

Generally, non-compliance with our covenants may increase the risk of default on our debt (including by a cross-default to other credit agreements). If we are unable to comply with our debt covenants in the future, we may seek a waiver and/or an amendment(s) from the applicable lenders in respect of any such covenant in order to avoid any breach or default that might otherwise result therefrom. If we default under any of the Credit Facilities and the default is not waived by the applicable lenders, the debt extended pursuant to all of our debt instruments could become due and payable prior to their stated due dates. In addition, a default on all or some portion of the Credit Facilities may result in foreclosure on our collateral, which includes promissory notes, a first mortgage on the owned CEA (high tech greenhouse) properties, and general security agreements over our assets.

We cannot give any assurance that (i) our lenders will agree to any covenant amendments or continue to waive any covenant breaches or defaults that may occur under the applicable debt instruments, or (ii) we could pay this debt if any of it became due prior to its stated due date. Accordingly, any default by us under our existing debt that is not waived by the applicable lenders could materially adversely impact our results of operations and financial results and may have a material adverse effect on the trading price of our Common Shares

Our operations require certain key inputs, including raw materials and energy, and we are subject to their costs, tariffs, and potential supply disruptions.

Our business is dependent on a number of key inputs and their related costs including raw materials, packaging materials and supplies related to our 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 our business, financial condition, and operating results. Any inability to secure required supplies and services or to do so on appropriate terms could have a materially adverse impact on our business, financial condition, and operating results. Our CEA operations consume considerable energy for heat and carbon dioxide production and are vulnerable to rising energy costs. Energy costs have shown volatility, which has and may continue to adversely impact our cost structure. Should the cost of energy rise, and should we face difficulties in sustaining price increases to offset the impact of increasing fuel costs, gross profit margins could be adversely impacted.

In addition, our Canadian cannabis cultivation operations consume considerable energy, making it vulnerable to rising energy costs and power outages. Rising or volatile energy costs may adversely impact our business, and our Canadian cannabis operations could be significantly affected by a prolonged power outage.

We may be unable to manage our growth successfully.

We may not be able to successfully manage our growth. Our growth strategy will place significant demands on our financial, operational and management resources. In order to manage our growth, we will need to add administrative, management and other personnel, and make additional investments in operations and systems. We may not be able to locate and train qualified personnel, or do so on a timely basis, or expand our operations and systems to the extent, and in the time, required. In addition, we face additional risks as we grow internationally. See “—Our international expansion, including through Leli, may increase our operational risks.” below.

In particular, we may not have the capacity to meet customer demand or to meet future demand when it arises in respect of our Canadian and U.S. Cannabis businesses. In addition, delays in obtaining, or conditions imposed by, regulatory approvals and quality control and health concerns in respect of these businesses could have a negative effect on our growth strategy. If we cannot manage growth in these markets effectively, it may have a material adverse effect on our business, prospects, financial condition, results of operations and cash flows.

In addition, we will need to effectively execute on business opportunities and continue to build on and deploy corporate development and marketing assets as well as access sufficient new capital, as may be required. The ability to successfully complete acquisitions and to capitalize on other growth opportunities may redirect our limited resources. This may require us to commit substantial financial, operational, and technical resources in advance of an increase in the volume of business, with no assurance that the volume of business will increase. There can be no assurance we will be able to respond adequately or quickly enough to the changing demands that material expansion of our business will impose on management, team members and existing operations and systems, and changes to our operating structure may result in increased costs or inefficiencies that we cannot anticipate. Changes as we grow may have a negative impact on our operations, and cost increases resulting from our inability to effectively manage our growth could adversely impact our profitability. In addition, continued growth could also strain our ability to maintain reliable service levels for our clients, develop and approve our operational, financial and management controls, enhance our reporting systems and procedures and recruit, train and retain highly skilled personnel.

Failure to effectively manage our growth could result in difficulty or delays in servicing clients, declines in quality or client satisfaction, increases in costs, difficulties in introducing new products or applications or other operational difficulties, and any of these difficulties could adversely impact our business performance and results of operations. There can be no assurance that we will effectively be able to manage our expanding operations, including any acquisitions, that our growth will result in profit, that we will be able to attract and retain sufficient management personnel necessary for growth or that we will be able to successfully make strategic investments or acquisitions.

In addition, acquisitions of additional businesses that we may pursue in the future may be financed wholly or partially with debt, which may temporarily increase our debt levels above industry standards. Any debt financing secured in the future could involve additional restrictive covenants relating to capital raising activities and other financial and operational matters, which may make it more difficult for us to obtain additional capital and to pursue business opportunities, including other future potential acquisitions.

Our operations are subject to natural catastrophes.

Our operations may be adversely affected by severe weather including wind, snow, hail, and rain, which may result in our operations having reduced harvest yields due to lower light levels. For example, in May 2012, we lost three of our operating greenhouses to a short but powerful hailstorm at our former Marfa, Texas facilities, and in February 2021, we experienced major outages and increased electricity pricing at our Texas facilities as a result of a major winter storm. While we maintain fixed contracts for a portion of our anticipated electricity requirements and have improved back-up systems, the impact of a future similar event may adversely impact our business operations and financial condition. In addition, although we anticipate and factor in certain periods of lower than optimal light levels, extended periods of severe or unusual light levels may adversely impact our financial results due to higher costs and missed sales opportunities arising from reduced production yields.

Our business operations, some of which are located on the British Columbia coast, are located in an area that is geologically active and considered to be at risk from earthquakes and volcanic eruptions. Our earthquake and volcanic eruption deductible are 10% of our loss caused by the earthquake or volcanic eruption, subject to a maximum deductible of C\$5,000,000. In addition, climate change over time is predicted to lead to changes in the frequency of storm events as well as their severity. We are unable to predict the impact of climate change on our business.

While we maintain insurance coverage, we cannot predict that all potential insurable risks have been foreseen or that adequate coverage is maintained against known risks.

We may suffer from uninsured and underinsured losses.

We maintain insurance coverage in respect of our potential liabilities and the accidental loss of value of our assets from risks, in those amounts, with those insurers, and on those terms as we consider appropriate to purchase and which is readily available, taking into account all relevant factors including the practices of owners of similar assets and operations, as well as costs. However, not all risks are covered by insurance or the insurance may have high deductibles, and no assurance can be given that insurance will be consistently available or will be consistently available on an economically feasible basis, or that the amounts of insurance will at all times be sufficient to cover each and every loss or claim that may occur involving the assets or our operations and loss payments may not be as timely and responsive as our working capital needs require.

In particular, because our Canadian Cannabis business is engaged in and operates within the cannabis industry, there are exclusions and additional difficulties and complexities associated with obtaining insurance coverage that could cause us to suffer uninsured losses, which could adversely affect our business, results of operations, and profitability. Further, our insurance coverage is subject to coverage limits and exclusions and may not be available for the risks inherent in the business. If we were to incur substantial liability and such damages were not covered by insurance or were in excess of policy limits, we may be exposed to material uninsured liabilities that could impede liquidity, profitability, or solvency.

In addition, damage caused by an accidental or natural disaster to any or all of our key production facilities may result in significant replacement costs and loss of business that may not be fully recoverable or is subject to a high deductible. See “—Our operations are subject to natural catastrophes” above. Furthermore, we do not carry crop loss insurance, and accordingly, we would have to bear the cost of any significant losses related to crop losses in the future.

Our business and operating results rely on effective quality control.

The quality and safety of our products are critical to the success of our business and operations. As such, it is imperative that our (and our service providers’) quality control systems operate effectively and successfully. Quality control systems can be negatively impacted by potential design flaws, the quality training program, and adherence by employees to quality control guidelines. Although we strive to ensure that all of our service providers have implemented and adhered to high caliber quality control systems, any significant failure or deterioration of such quality control systems could have a material adverse effect on our business and operating results.

Our products may be subject to recalls.

Manufacturers 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 our products are recalled due to an alleged product defect or for any other reason, we could be required to incur the unexpected expense of the recall and any legal proceedings that might arise in connection with the recall. We may lose a significant number 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 we have put in place detailed procedures for testing our 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. A recall for any of the foregoing reasons could lead to decreased demand for products and could have a material adverse effect on our business, prospects, financial condition, results of operations and cash flows. Additionally, product recalls may lead to increased scrutiny of our operations by Health Canada, the FDA and other regulatory agencies, requiring further management attention and potential legal fees and other expenses.

Any product recall affecting the cannabis industry more broadly, whether or not involving us, could also lead consumers to lose confidence in the safety and security of the products sold by entities licensed under the *Cannabis Act* generally, including the cannabis products sold by our Canadian Cannabis business.

Our competitive position may be affected by technological advances.

Rapidly changing markets, technology, emerging industry standards and frequent introduction of new products characterize our business, particularly in the cannabis market. The introduction of new products embodying new technologies, including new manufacturing processes, and the emergence of new industry standards may render our cannabis products obsolete, less competitive, or less marketable. The process of developing our cannabis products is complex and requires significant continuing costs, development efforts and third-party commitments. If we fail to develop new technologies and products and address the obsolescence of existing technologies, our business, prospects, financial condition, results of operations and cash flows may be adversely affected. In addition, it is possible that more economical or efficient greenhouse production technology than what we currently use will be developed, thereby potentially adversely affecting our competitive position.

We may be unable to anticipate changes in our customer requirements for our cannabis that could make our existing technology obsolete. Our success will depend, in part, on our ability to continue to enhance our 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. Although we are committed to researching and developing new markets and products and improving existing products, there can be no assurances that such research and market development activities will prove profitable or that the resulting markets and/or products, if any, will be commercially viable or successfully produced and marketed. The development of our proprietary technology entails significant technical and business risks, and may require significant continuing costs, development efforts and third-party commitments. We may not be successful in using new technologies or exploiting niche markets effectively or adapting our cannabis business to evolving customer or medical requirements or preferences or emerging industry standards. This may have a material adverse effect on our business, prospects, financial condition, results of operations and cash flows.

We face risks related to intellectual property.

The ownership, licensing and protection of trademarks and other intellectual property rights are significant aspects of our future success. It is possible that we will not be able to register, maintain registration for or enforce all of our intellectual property, including trademarks, in all key jurisdictions. The intellectual property registration process can be expensive and time-consuming, and we may not be able to file and prosecute all necessary or desirable intellectual property applications at a reasonable cost or in a timely manner or may obtain intellectual property registrations which are invalid. It is also possible that we will fail to identify patentable aspects of inventions made in the course of their development and commercialization activities before it is too late to obtain patent protection for them. Further, changes in either intellectual property laws or interpretation of intellectual property laws in the U.S,

Canada and other countries may diminish the value of our intellectual property rights or narrow the scope of our intellectual property protection. As a result, our current or future intellectual property portfolio may not provide us with sufficient rights to protect our business, including our products, processes, and brands.

Termination or limitation of the scope of any intellectual property license may restrict or delay or eliminate our ability to develop and commercialize our products, which could adversely affect our business. We cannot guarantee that any third-party technology we license will not be unenforceable or licensed to our competitors or used by others. In the future, we may need to obtain licenses, renew existing license agreements in place at such time or otherwise replace existing technology. We are unable to predict whether these license agreements can be obtained or renewed, or the technology can be replaced on acceptable terms, or at all.

Unauthorized parties may attempt to replicate or otherwise obtain and use our products, brands, and technology. Policing the unauthorized use of our current or future trademarks, patents or other intellectual property rights could be difficult, expensive, time consuming and unpredictable, as may be enforcing these rights against unauthorized use by others. Identifying the unauthorized use of intellectual property rights is difficult as we may be unable to effectively monitor and evaluate the products being distributed by our competitors, including parties such as unlicensed dispensaries and black-market participants, and the processes used to produce such products. In addition, in any infringement proceeding, some or all of our trademarks or other intellectual property rights or other proprietary know-how, or those we license from others, or arrangements or agreements seeking to protect the same for our benefit, may be found invalid, unenforceable, anti-competitive or not infringed; may be interpreted narrowly; or could put existing intellectual property applications at risk of not being issued.

In addition, other parties may claim that our products, or those it licenses from others, infringe on their intellectual property, including their proprietary or patent protected rights. Such claims, whether meritorious or not, may result in the expenditure of significant financial and managerial resources and legal fees, result in injunctions or temporary restraining orders, or require the payment of damages. As well, we may need to obtain licenses from third parties who allege that we have infringed on their lawful rights. Such licenses may not be available on terms acceptable to us, or at all. In addition, we may not be able to obtain or utilize on terms that are favorable to us, or at all, licenses, or other rights with respect to intellectual property that we do not own.

We also rely on certain trade secrets, technical know-how and proprietary information that are not protected by patents to maintain our competitive position. Our trade secrets, technical know-how and proprietary information, which are not protected by patents, may become known to, or be independently developed by competitors, which could adversely affect us.

We may be negatively affected by the use of third-party transportation services for our products.

Canadian adult-use distribution rules take various forms on a province-by-province basis and often require our cannabis business to employ third parties to deliver to central government sites. Any prolonged disruption of third-party transportation services could have a material adverse effect on our Canadian cannabis sales volumes or end- users' satisfaction with the products of Pure Sunfarms or Rose LifeScience. Rising costs associated with third-party transportation services used by Pure Sunfarms or Rose LifeScience to ship our products, including internationally, may also adversely impact our profitability, and more generally our business, financial condition, results of operations and prospects.

Moreover, security of the product during transportation to and from our Canadian cannabis facilities is critical due to the nature of the product. A breach of security during transport could impact our future ability to continue operating under our Licenses or the prospect of renewing our Licenses and could have a material adverse effect on our business and results of operations.

Our Netherlands cannabis segment is also subject to regulatory distribution and transportation requirements. Any disruption to these third-party services could have a negative impact on our operations.

INDUSTRY RISK FACTORS

We face risks inherent in an agricultural business.

Our revenues are derived from the growing of agricultural products, including cannabis and produce. As such, we are subject to the risks inherent in an agricultural business, such as weather, insects, plant and seed diseases, shortage of qualified labor and similar agricultural risks, which may include crop losses, for which we are not insured. There can be no assurance that natural elements or labor issues will not have a material adverse effect on any such future production. Although our cannabis and produce products are grown in climate-controlled greenhouses, as well as indoor facilities, in which we carefully monitor the growing conditions and retain experienced production personnel, there can be no assurance that natural elements will not have a material adverse effect on the production of these products. Any such agricultural risks could have a material adverse effect on our business, prospects, financial condition, results of operations and our cash flows.

In particular, cannabis plants can be vulnerable to various pathogens including bacteria, fungi, viruses, and other miscellaneous pathogens. Such instances often lead to reduced crop quality, reduced potency, stunted growth and/or death of the plant. Moreover, cannabis is phytoremediative, meaning that it may extract toxins or other undesirable chemicals or compounds from the ground in which it is planted. Various regulatory agencies have established maximum limits for pathogens, toxins, chemicals, and other compounds that may be present in agricultural materials. If the cannabis of Pure Sunfarms, Rose LifeScience or Leli Holland is

found to have levels of pathogens, toxins, chemicals or other undesirable compounds that exceed established limits, the product may not be suitable for commercialization and we may have to destroy the applicable portions of our production. Cannabis production lost due to pathogens, toxins, chemicals, or other undesirable compounds may have a material adverse effect on our business and financial condition.

Our tomato plants are vulnerable to the tomato brown rugose fruit virus (“ToBRFV”). Our remaining tomato facility has been negatively impacted by ToBRFV in the past. ToBRFV is an identified virus affecting tomatoes, peppers and possibly other plants including cannabis. ToBRFV can be transmitted mechanically and spread between plants or on contaminated tools, clothes or hands and may not be able to be eradicated even with a complete facility clean out, including multiple sanitations with disinfectants known to be effective on the ToBRFV. ToBRFV leads reduced crop quantity, ending a crop cycle early or can result in the loss of an entire crop in one of our greenhouse facilities. In addition, delivery of tomato crops across the U.S.-Canada border can encounter additional inspections due to ToBRFV and possibly denied entry. Crops lost to ToBRFV may have a material adverse effect on our business and financial condition. Produce seed companies are in the process of developing tomato varieties that are resistant to ToBRFV; however, we can provide no assurance as to the effectiveness of such varieties. ToBRFV-resistant varieties will also need to be commercially viable with respect to yields and taste. In addition, we have implemented procedures to mitigate the spread of ToBRFV within our tomato facility. However, it will be several years before the negative impact of ToBRFV on the tomato industry is resolved and even with mitigation the virus may have a material adverse effect on our results of operations.

In addition, our operations may be adversely impacted by a significant water shortage, such as a severe drought. A significant water shortage in the regions in which our facilities are located could adversely affect our crop yield.

The legal cannabis and hemp-derived CBD industries are relatively new and may be materially adversely affected by potential legal and regulatory changes.

As federal License Holders under the Cannabis Act, our Canadian Cannabis business (specifically, Pure Sunfarms and Rose LifeScience) is operating in the relatively new cannabis industry and market in Canada, our U.S. Cannabis business is operating in the relatively new hemp-derived CBD industry and market and our Leli Holland business is now operating under the Experiment, the current phase of which is set to expire in April 2029. In addition to being subject to general business risks, we must continue to build brand awareness in these markets through significant investments in our strategy, production capacity, quality assurance and compliance with regulations. Research in Canada, the United States and internationally regarding the health benefits, viability, safety, efficacy and dosing of cannabis or isolated cannabinoids remains in relatively early stages. Few clinical trials on the benefits of cannabis or isolated cannabinoids have been conducted. Future research and clinical trials may draw opposing conclusions to statements contained in the articles, reports and studies currently favored, or could reach different or negative conclusions regarding the health benefits, viability, safety, efficacy, dosing or other facts and perceptions related to cannabis, which could adversely affect social acceptance of cannabis and the demand for our cannabis and cannabinoid products.

Accordingly, there is no assurance that the cannabis and hemp-derived CBD industries and markets will continue to exist and grow as currently estimated or anticipated or function and evolve in the manner consistent with management’s expectations and assumptions. Furthermore, we can provide no assurance that high-THC cannabis will ever become federally legal in the United States, and regulatory treatment of CBD in the United States remains uncertain (see “—Legal and Regulatory Risk Factors” below). Any event or circumstance that adversely affects the cannabis and hemp-derived CBD industries could have a material adverse effect on our business, financial condition, and results of operations.

Our Canadian Cannabis business has been negatively affected in prior years, and could be impacted by cannabis supply and demand fluctuations.

Entities licensed under the *Cannabis Act* have in past years produced more cannabis than the current adult-use demand. In order to meet the initial adult-use demand, Pure Sunfarms, Rose LifeScience and other entities licensed under the *Cannabis Act* built special purpose cultivation facilities with additional production capacity to be licensed. In prior years, due to oversupply within the industry, some federal Licensed Producers reduced capacity by shuttering cultivation facilities and others are filing under the Companies’ Creditors Arrangement Act of Canada. Recently, primarily due to the growth of exporting medicinal cannabis to other countries, some Licensed Producers—including Pure Sunfarms—have commenced or announced capacity expansion. Adult and medicinal use demand for cannabis products is dependent on a number of social, political, and economic factors that are beyond our control including the pace of new retail cannabis stores. In addition, the initial demand that has been experienced following legalization in Canada may not continue at comparable levels or may not be sustainable as a portion of such demand may have been a result of the novelty of legalization.

In past years, Pure Sunfarms, Rose LifeScience and other entities licensed under the Cannabis Act were producing more cannabis than is needed to satisfy the collective demand of the Canadian adult-use markets. As a result, the available supply of cannabis exceeded demand, resulting in a significant decline in the market price for cannabis. Historically, the Company sold its bulk flower inventory in both the retail (higher pricing) and wholesale channels (lower pricing) at an average price in excess of its historical cost. While the over production of cannabis has been curtailed more recently by Pure Sunfarms and Rose, due to the shelf life of cannabis there is no assurance that Pure Sunfarms or Rose LifeScience would be able to generate sufficient revenue from the sale of

adult-use cannabis and exported medicinal cannabis to be profitable and accordingly, it remains possible that the Company may record additional inventory write-downs in the future, which may materially and adversely affect our results of operations. Ultimately, Canadian adult-use market and international exported medicinal cannabis demand and supply may not be sufficient to support our current or future products or business.

In addition, our Canadian Cannabis business competes against illicit cannabis producers who are not subject to the same tax regime, regulations and costs. Supply, often at lower prices, from non-licensed producers also impacts market pricing and overall supply-demand dynamics.

Retail consolidation in the markets in which we participate and reliance on third-party distributors may negatively affect our operations and profitability.

Our Canadian cannabis business is focused on recreational (adult-use) sales which are primarily sold through the various Provincial boards who are effectively the sole wholesaler in their respective Provinces. As such, we had a concentration of adult-use branded sales to our three biggest provincial boards for the years ended December 31, 2025 and 2024 of 82% and 93%, respectively. If we are unable to sell to these provincial boards in the future for any reason, we expect that our revenues would decline and our results of operations would be negatively affected, and the impact on our overall results could be material.

Our Canadian produce operation is subject to an exclusive Sales, Marketing and Distribution Agreement with Village Fresh Canada, ULC which commenced on May 30, 2025 (the closing date of the Produce Transaction) and continues into future years, subject to specific termination provisions by both parties (see “Business—Our Produce Segment—Produce Transaction Agreements”). As a result, the Company’s produce revenues have a single customer on which it relies to sell its product. If Village Fresh Canada, ULC is unable to use its scale, marketing expertise and market leadership position to sell our products to U.S. and Canadian retailers, it may have a material adverse effect on our financial condition and results of produce operations.

In addition, our Canadian Cannabis business relies on Canadian provincial regulatory boards and private retailers and may in the future rely on other third parties, to distribute cannabis products. If these distributors do not successfully carry out their contractual duties, if there is a labor strike or work stoppage, if there is a delay or interruption in the distribution of our products or if these third parties damage our products, it could negatively impact our revenue from product sales. Any damage to our products, such as product spoilage, could expose us to potential product liability, damage our reputation and otherwise harm our business.

We face significant competition in the cannabis industry.

Our Canadian Cannabis business faces significant competition from business entities and individuals who are licensed under the *Cannabis Act* to participate in the adult-use cannabis industry. The *Cannabis Act* has established a licensing regime for the production, testing, packaging, labeling, delivery, transportation, distribution, sale, possession, and disposal of cannabis for adult-use. Health Canada continues to accept and award new licenses under the *Cannabis Act* for all cannabis activities.

If Pure Sunfarms or Rose LifeScience are unable to effectively compete with other suppliers to the adult-use cannabis market, or a significant number of individuals take advantage of the ability to cultivate and use their own cannabis, our anticipated addressable market may be reduced, and could adversely affect our ability to meet our business and financial targets, and our results of operations may be adversely affected.

Our Canadian Cannabis business also faces competition from existing entities licensed under the *Cannabis Act*. Certain of these competitors have significantly greater financial, marketing, research and development and technical and human resources than we do. As a result, our Canadian cannabis competitors may be more successful in gaining market penetration and market share. The commercial opportunity for our Canadian Cannabis business in the adult-use market, as well as exportation of medicinal cannabis, could be reduced or eliminated if our competitors produce and commercialize products for the adult-use and medicinal markets that, among other things, are safer, more effective, more convenient or less expensive than the products that we may produce, have greater sales, marketing and distribution support than our cannabis products, enjoy enhanced timing of market introduction and perceived effectiveness advantages over our cannabis products and receive more favorable publicity than our cannabis products.

If the number of users of cannabis in Canada increases and the number of countries allowing the importation of medicinal cannabis increases, the demand for products will increase and we expect that competition will become more intense, as current and future competitors begin to offer an increasing number of diversified products. To remain competitive, our cannabis businesses will require a continued level of investment in research and development, marketing, sales, and operations. Our cannabis businesses may not have sufficient resources to maintain research and development, marketing, sales, and operations efforts on a competitive basis which could materially and adversely affect our business, financial condition, and results of operations.

Subject to certain restrictions, the *Cannabis Act* allows adults to cultivate, propagate, harvest, and distribute up to four cannabis plants per household, provided that each plant meets certain requirements. Although there are barriers to personal cultivation, including the start-up costs of obtaining equipment and materials to produce cannabis, depending on the number of consumers who choose to pursue personal cultivation, there could be significant competition from individual growers for our Canadian cannabis segment products.

All of our cannabis businesses face competition from illegal cannabis operations that are continuing to sell cannabis to individuals, despite not having a valid license. We do not expect governments to actively enforce current laws against the illegal cannabis operations, but rather over the course of time, both the Canadian and Dutch governments expect legal operators to force the closure of the illegal cannabis operations due to economic factors. Furthermore, given the restrictions on regulated retail cannabis as well as higher costs and taxes for regulated products, it is possible that legal cannabis consumers revert to the illicit market as a matter of convenience and/or price.

Increasing legalization of cannabis and rapid growth and consolidation in the cannabis and CBD industries may further intensify competition.

The cannabis and CBD industries are undergoing rapid growth and substantial change, and the legal landscape for recreational cannabis and CBD is rapidly changing internationally. An increasing number of jurisdictions globally are passing legislation allowing for the production and distribution of recreational cannabis and other cannabinoid-containing product, such as CBD, in some form. Entry into the cannabis and cannabinoid market in which we participate by international competitors, including that enabled by potential change in existing regulations restricting such entry, might increase competition and lower the demand for the products of Canadian and U.S. Cannabis businesses on a global scale.

The foregoing legalization and growth trends in the cannabis and CBD industries have resulted in an increase in competitors, consolidation and formation of strategic relationships. Such acquisitions or other consolidating transactions could harm us in a number of ways, including by losing strategic partners if they are acquired by or enter into relationships with a competitor, losing customers, revenue, and market share, or forcing us to expend greater resources to meet new or additional competitive threats, all of which could harm our operating results. As competitors enter the market and become increasingly sophisticated, competition in the cannabis and CBD industries may intensify and place downward pressure on retail prices for products and services, which could negatively impact profitability.

We may be negatively affected by unfavorable publicity, adverse scientific findings and/or negative consumer perception of cannabis.

We believe that the cannabis and CBD industries are highly dependent upon positive consumer and investor perception regarding the benefits, safety, efficacy and quality of the cannabis or CBD products distributed to consumers. Such categories of products, having previously been commonly associated with various other narcotics, violence and criminal activities, there is a risk that our business might attract negative publicity. Perception of the cannabis or CBD industry and products, currently and in the future, may be significantly influenced by scientific research or findings, regulatory investigations or proceedings, regulatory enforcement activities, litigation, political statements, media attention and other publicity (whether or not accurate or with merit) both in Canada and in other countries relating to the consumption of cannabis or cannabinoid products, including unexpected safety or efficacy concerns arising with respect to cannabis or cannabinoid products or the activities of industry participants.

There can be no assurance that future scientific research, findings, regulatory investigations or proceedings, regulatory enforcement activities, litigation, political statements, media attention or other research findings or publicity will be favorable to the cannabis or CBD markets or any particular cannabis or cannabinoid products or will be consistent with earlier publicity. Adverse future scientific research reports, findings, regulatory investigations or proceedings, and political statements, that are, or litigation, media attention or other publicity that is, perceived as less favorable than, or that questions, earlier research reports, findings or publicity (whether or not accurate or with merit) could result in a significant reduction in the demand for our Canadian cannabis or cannabinoid products. There is little long-term data with respect to side effects and/or interaction with individual human biochemistry of various cannabis products. As a result, the cannabis or cannabinoid products of our Canadian and U.S. Cannabis businesses could have certain side effects if not taken as directed or if taken by an end user that has certain known or unknown medical conditions.

Further, adverse publicity reports or other media attention regarding the safety, efficacy and quality of cannabis or CBD, our Canadian, Dutch and U.S. Cannabis business' current or future products, the use of cannabis or CBD for medical purposes or associating the consumption of cannabis or CBD with illness or other negative effects or events, could adversely affect us. This adverse publicity could arise even if the adverse effects associated with cannabis or cannabinoid products resulted from consumers' failure to use such products legally, appropriately, or as directed.

There is also a risk that the actions of other entities licensed under the Cannabis Act or of companies and service providers in the cannabis or CBD industries may negatively affect the reputation of the industry as a whole and thereby negatively impact our reputation. 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 negative opinions and views regarding our activities and the cannabis or CBD industries in general, whether true or not.

Although we believe that we operate in a manner that is respectful to all stakeholders and that we take care in protecting our image and reputation, we do not ultimately have direct control over how we or the cannabis or CBD industry is perceived by others. Reputational issues may result in decreased investor confidence, increased challenges in developing and maintaining community relations and present an impediment to our overall ability to advance our projects, thereby having a material adverse impact on our financial performance, financial condition, cash flows and growth prospects.

Our Canadian, Dutch and U.S. Cannabis businesses are subject to cannabis-related security breaches, which could result in significant losses.

Given the nature of the products and the limited legal channels for distribution of our Canadian, Dutch and U.S. Cannabis business products, as well as the concentration of inventory in our facilities, despite meeting or exceeding regulatory security requirements, there remains a risk of inventory shrinkage due to theft and other security breaches. A security breach at one of our facilities could result in a significant loss of available product and could expose us to additional liability under applicable regulations and to potentially costly litigation, increase expenses relating to the resolution and future prevention of these breaches and may deter potential consumers from choosing the products of Pure Sunfarms, Rose LifeScience or Leli Holland any of which could have a material adverse effect on our business, financial condition, results of operations and prospects.

We face risks associated with cross-border trade and the potential for tariffs and other trade restrictions.

Our Canadian produce is actively sold cross-border by Village Fresh Canada, ULC. Markets in the United States and Canada may be affected from time to time by trade rulings and the imposition of customs, duties, and other tariffs. The President of the United States of America imposed a 25% tariff on all Canadian exports to the US in early 2024 and has threatened on more than one occasion to impose higher tariffs on all Canadian imports. Changes or developments in U.S. laws and policies, such as laws and policies surrounding U.S. domestic economic policies, as well as international trade, foreign affairs, manufacturing and development and investment in the territories and countries where we operate, can materially adversely affect our business and financial condition. These changes in U.S. administrative policy may result in significant increases in tariffs for imported goods, among other possible changes. There also are risks associated with retaliatory tariffs and resulting trade wars. The imposition of such tariffs or other similar trade restrictions may strain international trade relations and increase the risk that foreign governments implement retaliatory tariffs on goods imported from the United States. The imposition of such tariffs or other similar trade restrictions may also be inflationary, which could cause the cost of inputs to increase and interest rates to rise and create further uncertainty and volatility in the market, which may have a material adverse effect on our business and financial statements.

There can be no assurance that our financial condition and results of operations will not be materially adversely affected by trade rulings and the imposition of customs duties or other tariffs in the future. Furthermore, there is no assurance that further trade actions will not be initiated by U.S. producers of greenhouse or field grown vegetables. Any prolonged disruption in the flow of our product across the U.S.-Canada border (which would be exacerbated by tariffs and/or trade restrictions) could have an adverse effect on our financial condition and results of our produce operations.

Our Canadian Cannabis business exports certain products to international markets (currently Germany, the U.K., Australia, New Zealand and Israel) and may export products to other international markets in the future. International markets are subject to substantially similar regulatory and international demand and supply risks that our Canadian cannabis business is subject to in Canada.

Our revenues may be impacted by fluctuating demand for our products.

Our revenues will in large part be derived from the production, sale, and distribution of agriculturally based consumer goods – specifically cannabis, hemp-derived cannabinoids and tomatoes. The price of production, sale and distribution of these goods will fluctuate widely primarily due to, the natural economic balance of demand versus supply, as well as the impact of numerous factors beyond our control including international, economic, and political trends, expectations of inflation, global or regional consumptive patterns, speculative activities and increased production due to new production and distribution developments and improved production and distribution methods. The effects of these factors on the price of our goods and, therefore, the economic viability of our business, cannot accurately be predicted and may have a material adverse effect on our business, prospects, financial condition, results of operations and cash flows.

The cannabis, CBD and produce industries are highly competitive and sensitive to changes in demand and supply. The price of our products is affected by many factors including control of the distribution channel by provincial boards (for Canadian cannabis), cannabis retail chains in Canada, quality and general economic conditions, all of which could have a material adverse effect on our results of operations and financial condition. Demand for our products is subject to fluctuations resulting from adverse changes in general economic conditions, evolving consumer preferences, nutritional and health-related concerns and public reaction to food spoilage or food contamination issues. General supply of all our goods is subject to fluctuations relating to weather, insects, plant disease and changes in greenhouse acreage. There can be no assurance that consumption will increase or that present consumption levels will be maintained. If consumer demand for our products decreases, our financial condition and results of operations may be materially adversely affected.

We may be negatively affected by the customer and vendor credit risk.

Because of the recent volatility in the nascent cannabis and CBD sector generally, certain customers and vendors of our Canadian, Dutch and U.S. Cannabis businesses may encounter financial difficulties that could result in those entities being unable to collect some or all of their accounts receivable from their customers and possibly the inability to obtain certain products sourced outside of our own facilities.

Accordingly, we are subject to credit risk in relation to accounts receivable with the spot market, other wholesale or retail customers and LPs. Disputes with customers may arise in the future relating to the non-payment of accounts receivable and may escalate to litigation or other dispute resolution processes, which could be protracted, time-consuming and expensive, and there can be no assurance that we will be successful in any such disputes. The foregoing could have a material adverse impact on our business, financial condition, results of operations and prospects.

Third parties with whom we contract may be concerned about their reputational risks in respect of cannabis.

The parties with whom we do business, or would like to do business with, may perceive that they are exposed to reputational risk as a result of our business activities relating to cannabis, which could hinder our ability to establish or maintain business relationships. These perceptions relating to the cannabis industry may interfere with our relationship with service providers in the United States, Canada and the Netherlands, as well as other countries, particularly in the financial services and insurance industries.

LEGAL AND REGULATORY RISK FACTORS

The November 2025 Appropriations Act, will make most hemp-derived products illegal beginning in November, 2026, and will materially and adversely affect our U.S. cannabis business unless further legislative action is taken

On November 12, 2025 the President of the United States signed into law the November 2025 Appropriations Act, which changes the THC measurement standard from delta-9 THC (only) to "total THC" concentration (including THCA) of not more than 0.3% on a dry weighted basis and imposes a national limit of 0.4 milligrams of total THC per container for all hemp-derived consumable products, with such changes effective November 12, 2026. Accordingly, a substantial majority of hemp-derived products that were previously legal under the 2018 Farm Bill - including most of those sold by BHB - will be categorized as marijuana, currently a Schedule I controlled substances under the CSA, beginning on November 12, 2026, which effectively recriminalized hemp-derived products containing THC, and would likely eliminate the entire industry, unless further legislative action is taken to curtail the impact of the November 2025 Appropriations Act. It remains uncertain whether the provisions of the November 2025 Appropriations Act affecting the hemp industry will ultimately take effect as scheduled, whether Congress may amend or replace these provisions prior to implementation or whether the implementation date will be delayed to give Congress time to determine a more comprehensive solution. Accordingly, if the November 2025 Appropriations Act is not amended before it goes into effect, it will substantially harm our U.S. cannabis business, which would likely have a materially adverse effect on our overall business, financial condition, and results of operations. We are continuing to monitor this legislation closely and assess strategic alternatives; however, there can be no assurance that we will be able to fully mitigate the operational or market impacts should the November 2025 Appropriations Act be implemented without modification.

We cannot predict when, if ever, cannabis will be federally legal in the United States and any rescheduling of U.S. Schedule I cannabis to Schedule III would have an uncertain impact on our business.

In August 2023, the HHS recommended that the DEA move marijuana from Schedule I to Schedule III under the CSA, and the rulemaking process remains ongoing and subject to legal challenges. There can be no assurances that the rulemaking process will continue or that moving marijuana (or other cannabinoid products that are now illegal under the CSA) from Schedule I to Schedule III will ever occur, and the impacts of any such rule on our business and competitive position are unclear. For example, rescheduling marijuana from Schedule I to Schedule III may be accompanied by additional regulatory obligations as prerequisite to participate in the U.S. market, and it may provide a greater benefit to the businesses of our competitors than our business, including by providing favorable tax treatment to their U.S. operations. Prospects, announcements and market sentiment relating to the rescheduling of marijuana and other cannabinoid products from Schedule I to Schedule III - whether or not it occurs as contemplated, or at all - could result in significant volatility in the market for our Common Shares. To the extent that market speculation results in an increase in the price of our Common Shares, our Common Share price could decline significantly thereafter if the DEA fails to act on the recommendation or investor optimism fades.

In addition, there is substantial uncertainty concerning the legal status of U.S. hemp and U.S. intoxicating hemp products containing U.S. hemp-derived ingredients, including CBD and other cannabinoids, even without the November 2025 Appropriations Act (as described above). The status of products derived from the cannabis or hemp plant, under both federal and state law can depend on the THC content of the plant or derivative (including whether the plant meets the statutory definition of "industrial hemp" or "hemp"), the part of the plant from which an individual or entity produces the derivative (including whether the plant meets the statutory definition of "marihuana" under the CSA), the THC concentration during the manufacturing process, whether the cultivator, processor, manufacturer or product marketer engages in cannabis-related activities for research versus purely commercial purposes, as well as the form and intended use of the product. The mere presence of a cannabinoid (such as CBD) is not dispositive as to whether

the product is legal or illegal. Under U.S. federal law, products containing CBD may be unlawful if derived from U.S. Schedule I cannabis (including hemp with a concentration greater than 0.3% THC on a dry weight basis), or if derived from U.S. hemp grown outside the parameters of an approved U.S. hemp pilot program or U.S. hemp cultivated in violation of the 2018 Farm Bill.

Even after enactment of the 2018 Farm Bill, the DEA may not treat all products containing U.S. hemp-derived ingredients, including CBD and other cannabinoids, as exempt from the CSA. In September 2020, the DEA issued an interim final rule that purported to align the DEA's regulations with the statutory changes to the CSA made effective by the 2018 Farm Bill. The DEA received a number of comments objecting to the interim final rule, and the interim final rule has been the subject of litigation. However, the litigation was dismissed by the D.C. Circuit Court in June 2022. If the DEA takes action against participants in the U.S. hemp industry, this could cause our customers to lose confidence in our products, which could have a material and adverse effect on our business, financial condition and results of operations.

Our Canadian and Dutch operations require licenses to grow, store and sell cannabis.

Pure Sunfarms' and Rose LifeScience's ability to grow, store, sell and distribute cannabis in Canada is solely dependent on its ability to maintain licenses to cultivate and sell cannabis under the *Cannabis Act* (a "License") for each of the greenhouses at which it proposes to grow cannabis. Under the *Cannabis Act*, Pure Sunfarms and Rose LifeScience are required to obtain authorization for each licensable activity including cultivation, processing, testing, sale, and distribution. Once obtained, each License is subject to ongoing compliance and reporting requirements. Failure by Pure Sunfarms or Rose LifeScience to comply with the requirements of a License or to maintain such License would have a material adverse impact on our business, prospects, financial condition, results of operations and cash flows. Although we believe Pure Sunfarms and Rose LifeScience will obtain and maintain any required License and meet the requirements for extension of any License, there can be no guarantee that any License will be granted, extended, or renewed, or if it is extended or renewed, that it will be extended or renewed on the same or similar terms. Should a License not be granted, extended, or renewed or should it be renewed on different terms, our business, prospects, financial condition, results of the operation and cash flows would be materially adversely affected.

Leli Hollands' ability to grow, store, sell and distribute cannabis to certain legal Dutch coffee shops is solely dependent on its ability to maintain a license under the Experiment for its two locations. Under the Experiment, Leli Holland is required to track and trace its production, destruction and sales of cannabis. Failure by Leli Holland to comply with the requirements under the Experiment would have a material adverse impact on our business, prospects, financial condition, results of operations and cash flows. Although we believe Leli Holland will maintain its license, there can be no guarantee that such license will be extended, or renewed, or if it is extended or renewed, that it will be extended or renewed on the same or similar terms. Should our Dutch license not be extended, or renewed or should it be renewed on different terms, our business, prospects, financial condition, results of the operation and cash flows would be materially adversely affected.

Furthermore, the Company has applied for a TCUP license in Texas, which is a program that provides low-THC cannabis to registered patients who have a prescription from their physician. As of the date of this filing, our TCUP application is still being reviewed by the State of Texas and there has not been any indication if or when our application will be reviewed or if a TCUP license will be approved.

We cannot predict the time required to secure all appropriate regulatory approvals for our products and operations, or the extent of testing and documentation that may be required by governmental authorities. Any delays in obtaining, or failure to obtain the necessary regulatory approvals will significantly delay the development of the markets and for our products and could have a material adverse effect on our business, results of operations and financial condition.

Our cannabis operations are subject to laws, regulations and guidelines related to the cannabis industry.

The activities of our Canadian Cannabis business is subject to various laws, regulations and guidelines by governmental authorities, particularly under the *Cannabis Act*, relating to the cultivation, processing, manufacture, management, marketing, packaging/labelling, advertising, pricing, sale, distribution, transportation, storage, and disposal of cannabis, but also including laws and regulations relating to drugs, controlled substances, health and safety, insurance coverage, the conduct of operations and the protection of the environment, among other areas. Laws and regulations, applied generally, grant government agencies and self-regulatory bodies broad administrative discretion over our Canadian cannabis activities, including the power to limit or restrict business activities as well as impose additional disclosure requirements on its products and services. We endeavor to comply with all relevant laws, regulations, and guidelines. Health Canada inspectors routinely assess the facilities of our Canadian Cannabis business for compliance with applicable regulatory requirements. From time to time, we may have different views from Health Canada regarding the interpretation of the *Cannabis Act* and its regulations as applied to specific aspects of our operations. For example, we are currently engaged in correspondence with Health Canada regarding the regulatory treatment of certain packaging features used by Pure Sunfarms.

We believe our packaging features used in our Canadian cannabis business are compliant with the Cannabis Act and the Cannabis Regulations, and we have communicated that position to Health Canada in detail and we expect to continue this dialogue and, if necessary, to seek clarification through available regulatory or judicial review channels; however, if we are unable to resolve this matter or any other regulatory interpretation matter through dialogue and Health Canada pursues enforcement action against us, we could be subject to product recalls, license suspension, administrative monetary penalties or other sanctions, and any challenges to such action could result in legal costs and diversion of management attention. While we do not anticipate a material impact on our operations, there can be no assurance that Health Canada will agree with our interpretation, and any required modifications to our existing packaging may impose on us significant costs, which could materially affect our future results of operations.

Furthermore, the import and export of its products from and into any jurisdiction is subject to the regulatory requirements of each such jurisdiction. To the best of our knowledge, we are in material compliance with all such laws, regulations and guidelines; however, any failure by Pure Sunfarms or Rose LifeScience to comply with the applicable regulatory requirements could lead to possible sanctions, including the revocation or imposition of additional conditions on licenses to operate its business; the suspension or expulsion from a particular market or jurisdiction or of its key personnel; and/or the imposition of additional or more stringent inspection, testing and reporting requirements. Any of the foregoing could require extensive changes to the operations of Pure Sunfarms or Rose LifeScience; result in regulatory or agency proceedings or investigations, increased compliance costs, damage awards, civil or criminal fines or penalties or restrictions on its operations; harm our reputation or give rise to material liabilities or a revocation of the licenses and other permits of Pure Sunfarms or Rose LifeScience. There can be no assurance that any future regulatory or agency proceedings, investigations or audits will not result in substantial costs, a diversion of management's attention and resources or other adverse consequences to us and our business and may have material adverse effect on our results of operations and financial condition.

In addition, changes in regulations, government or judicial interpretation of regulations, or more vigorous enforcement thereof or other unanticipated events could require extensive changes to our Canadian cannabis operations, increase compliance costs or give rise to material liabilities or a revocation of its licenses and other permits, which could have a material adverse effect on our business, results of operations and financial condition. Furthermore, governmental authorities may change their administration, application, or enforcement procedures at any time, which may adversely impact our ongoing costs relating to regulatory compliance.

In addition, the governments of every Canadian province and territory have, to varying degrees, established regulatory regimes for the distribution and sale of cannabis for adult-use purposes within those jurisdictions. There is no guarantee that legislation respecting adult-use retail will remain unchanged or create the growth opportunities that we currently anticipate. As the laws continue to evolve, and the distribution models mature, there is no assurance that provincial and territorial legislation enacted for the purpose of regulating recreational cannabis will continue to allow, or be conducive to, our business model. Differences in provincial and territorial regulatory frameworks could result in, among other things, increased compliance costs, and increased supply costs. Any of the foregoing could result in a material adverse effect on our business, financial condition, and results of operations.

The activities of our Dutch cannabis business is subject to various laws, regulations and guidelines by governmental authorities, particularly under the Experiment, relating to the cultivation, processing, manufacture, management, marketing, packaging/labelling, advertising, sale, distribution, transportation, storage, and disposal of cannabis, but also including laws and regulations relating to drugs, controlled substances, health and safety, the conduct of operations and the protection of the environment, among other areas.

Additionally, although we do not have any federally prohibited cannabis-related operations in the U.S., certain members of our management team and board of directors are located in the U.S., and we may be subject to risks with respect to changes in cannabis regulation and enforcement in the U.S. Any changes in the U.S. regulatory regime, or the scope and extent of the enforcement thereof, could have a material adverse effect on our business, prospects, financial condition, results of operations and cash flows.

Our cannabis operations in Canada are subject to marketing restrictions under the Cannabis Act.

The development of our Canadian cannabis business and operating results may be hindered by applicable restrictions on production, sales and marketing activities imposed on Pure Sunfarms, Rose LifeScience and other entities licensed under the *Cannabis Act* by Health Canada. All products distributed by Pure Sunfarms or Rose LifeScience into the Canadian adult-use market need to comply with requirements under Canadian legislation, including with respect to product formats, product packaging and labelling, and marketing activities around such products. Among other restrictions, the *Cannabis Act* prohibits testimonials and endorsements, lifestyle branding, and promotion that is appealing to young persons. As such, the portfolio of brands and products for our Canadian Cannabis business must be specifically adapted, and our marketing activities carefully structured, to enable our Canadian cannabis operations to develop its brands in an effective and compliant manner. If Pure Sunfarms or Rose LifeScience are unable to effectively market cannabis products and compete for market share, or if the costs of compliance with government legislation and regulation cannot be absorbed through increased selling prices for cannabis products, then our sales and operating results could be adversely affected.

Our cannabis operations in Canada are subject to Canadian supplier standards.

Government-run provincial and territorial distributors in Canada require suppliers to meet certain service and business standards, and routinely assess for compliance with such standards. Any failure by Pure Sunfarms or Rose LifeScience to comply with such standards could result in being downgraded, disqualified as a supplier, and could lead to the termination or cessation of orders under existing or future supply contracts. Further, provincial purchasers may terminate or cease ordering under existing contracts at their will. Any of these could severely impede or eliminate the ability of Pure Sunfarms or Rose LifeScience to access certain markets within Canada, which could have a material adverse effect on our business, financial condition, results of operations and prospects.

The ability of our Canadian cannabis companies to sell cannabis may be restricted by the Canadian Free Trade Agreement.

Article 1206 of the *Canadian Free Trade Agreement* specifically excludes the application of the agreement to cannabis for non-medical purposes. Article 1206 states that the provinces and territories of Canada shall commence negotiations regarding the application of the *Canada Free Trade Agreement* to cannabis for non-medical purposes following Royal Assent of federal legislation legalizing cannabis for non-medical purposes. There is a risk that the outcome of the negotiations will result in the interprovincial and interterritorial trade of cannabis for non-medical purposes in Canada being entirely restricted or subject to conditions that will negatively impact the ability of Pure Sunfarms or Rose LifeScience to sell cannabis in other Canadian provinces and territories.

Uncertainty in the laws, regulations and guidelines governing cannabis, U.S. hemp or CBD derived products has adversely impacted our business, and may continue to do so in the future.

Our current operations are subject to various laws, regulations and guidelines administered by governmental authorities in the U.S. and Canada relating to the marketing, acquisition, manufacture, packaging, labeling, management, transportation, storage, sale and disposal of cannabis, CBD and U.S. hemp as well as laws and regulations relating to health and safety, conduct of operations and the protection of the environment. Additionally, our growth strategy continues to evolve as regulations governing the cannabis, CBD and U.S. hemp in the jurisdictions in which we operate become more fully developed. Interpretation of these laws, rules and regulations and their application to our operations is ongoing.

Even absent the November 2025 Appropriations Act, CBD remains subject to further study by the FDA in order to receive FDA approval to include CBD based products in food and beverages. Until the FDA receives either more scientifically-based health and wellness studies, or further Congressional direction, the FDA will not allow CBD to be put into food or beverages. For more information, see “—Our U.S. Cannabis business is subject to FDA and USDA regulation.” below. As such, there has been a negative impact on the sales of all CBD products across the country since the initial interest in CBD products in 2019 and 2020. This has resulted in U.S. retailers moving away from carrying CBD based products in light of potential FDA scrutiny and has had a negative impact on the sales of all CBD products across the United States, and has negatively affected the Company’s business and required the Company to record goodwill impairments in our U.S. Cannabis segment (see “Liquidity and Capital Resources—Critical Accounting Policies, Estimates and Judgements”). The FDA continues to not only publish guidance indicating their unwillingness to pursue rulemaking allowing the use of CBD in dietary supplements or conventional foods, but also issue warning letters to some CBD companies that are making health and wellness claims, which has increased regulatory uncertainty regarding CBD and has pushed U.S. retailers further away from CBD products. As a result of the foregoing factors, the Company and other cannabis and CBD companies have suffered a decline in the price of their common shares and their overall market capitalizations. We can provide no assurance that the FDA will provide any greater certainty regarding the use of CBD in food and beverages in the near term, or at all, and accordingly, our business may continue to be affected, and the impact on our financial results may be material.

In addition, no assurance can be given that new laws (such as the November 2025 Appropriations Act), regulations and guidelines will not be enacted or that existing laws, regulations and guidelines will not be amended, repealed, interpreted or applied in a manner which could require extensive changes to our CBD operations, increase compliance costs, give rise to material liabilities or a revocation of our licenses and other permits, restrict growth opportunities or otherwise limit or curtail or eliminate our operations. For example, the proliferation of unregulated, synthetic and intoxicating hemp-derived products in the U.S. market continues to challenge market share for the CBD industry and is causing certain states to impose significant restrictions or bans on hemp-derived products. Additions of new restrictions, amendments to current laws, regulations and guidelines governing the production, sales and use of cannabis-based and CBD products, more stringent implementation of enforcement thereof or other unanticipated events, including changes in political conditions, regimes or political instability, currency controls, changes in taxation laws, restrictions on foreign exchange and repatriation between U.S. and Canada, governmental regulations relating to foreign investment and changes in the attitudes toward cannabis, are beyond our control and could require extensive changes to our operations, which in turn may result in a material adverse effect on our business, financial condition and results of operations.

Restricted access to banking, including anti-money laundering laws and regulations may adversely impact our business.

In February 2014, the U.S. Department of Treasury’s Financial Crimes Enforcement Network (“FinCEN”) issued the FinCEN Memorandum (which is not law) which provides guidance with respect to financial institutions providing banking services to cannabis business, including burdensome due diligence expectations and reporting requirements. This guidance does not provide any safe harbors or legal defenses from examination or regulatory or criminal enforcement actions by the Department of Justice, FinCEN

or other federal regulators. Thus, most banks and other financial institutions in the United States do not appear to be comfortable providing banking services to cannabis-related businesses, or relying on this guidance, which can be amended or revoked at any time by the executive branch. In addition to the foregoing, banks may refuse to process debit card payments and credit card companies generally refuse to process credit card payments for cannabis-related businesses. As a result, we may have limited or no access to banking or other financial services in the United States.

In addition, federal money laundering statutes and Bank Secrecy Act regulations discourage financial institutions from working with any organization that sells a controlled substance, regardless of whether the state it resides in permits cannabis sales. The FinCEN Memorandum states that in some circumstances, it may not be appropriate to prosecute banks that provide services to cannabis-related business for violations of federal money laundering laws. It is unclear at this time whether the current administration will follow the guidelines of the FinCEN Memorandum. While the United States House of Representatives has passed the Secure and Fair Enforcement (“SAFE”) Banking Act, which would permit commercial banks to offer services to cannabis companies that are in compliance with state law, it remains under consideration by the Senate, and if Congress fails to pass the SAFE Banking Act or the SAFER Banking Act, the Company’s inability, or limitations on the Company’s ability, to open or maintain bank accounts, obtain other banking services and/or accept credit card and debit card payments may make it difficult for the Company to operate and conduct its business as planned or to operate efficiently.

Our U.S. Cannabis business is subject to FDA and USDA regulation.

Cannabinoids derived from hemp as defined in the 2018 Farm Bill are subject to various laws relating to health and safety. Specifically, CBD is governed by the U.S. Food Drug and Cosmetic Act (“FD&C Act”) as a drug. The FD&C Act is intended to assure the consumer that drugs and devices are safe and effective for their intended uses and that all labeling and packaging is truthful, informative, and not deceptive. The FD&C Act and FDA regulations define the term drug by reference to its intended use, as “articles intended for use in the diagnosis, cure, mitigation, treatment, or prevention of disease” and “articles (other than food) intended to affect the structure or any function of the body of man or other animals.” Therefore, almost any ingested or topical or injectable product that, through its label or labeling (including internet website, promotional pamphlets, and other marketing material), is claimed to be beneficial for such uses will be regulated by the FDA as a drug. The definition also includes components of drugs, such as active pharmaceutical ingredients. The FD&C Act defines cosmetics by their intended use, as “articles intended to be rubbed, poured, sprinkled, or sprayed on, introduced into, or otherwise applied to the human body for cleansing, beautifying, promoting attractiveness, or altering the appearance.” See FD&C Act, sec. 201(i). Among the products included in this definition are skin moisturizers, perfumes, lipsticks, fingernail polishes, eye and facial makeup preparations, cleansing shampoos, permanent waves, hair colors and deodorants, as well as any substance intended for use as a component of a cosmetic product. Under the FD&C Act, cosmetic products, and ingredients with the exception of color additives do not require FDA approval before they go on the market. Drugs, however, must generally either receive premarket approval by the FDA through the New Drug Application (“NDA”) process or conform to a “monograph” for a particular drug category, as established by the FDA’s Over the Counter (“OTC”) Drug Review.

CBD is an active ingredient in drug products that have been approved or authorized for investigation by the FDA and therefore, under FDA’s current position, cannot be used in dietary supplements or as a food additive.

Laws and regulations governing the use of hemp in the U.S. are broad in scope, subject to evolving interpretations, and subject to enforcement by several regulatory agencies and law enforcement entities. Under the 2018 Farm Bill, a state that desires to have primary regulatory authority over the production of hemp in the state must submit a plan to monitor and regulate hemp production to the Secretary of the USDA. The Secretary must then approve the state plan after determining if the plan complies with the requirements set forth in the 2018 Farm Bill. The Secretary may also audit the state’s compliance with the federally approved plan. If the Secretary does not approve the state’s plan, then the production of hemp in that state will be subject to a plan established by the USDA. The USDA has not yet established such a plan. We believe that many states will seek to have primary regulatory authority over the production of hemp. States that seek such authority may create new laws and regulations that permit, or limit, the use of hemp in commercial products.

Federal and state laws and regulations on hemp may address production, monitoring, manufacturing, distribution, and laboratory testing to ensure that the hemp has a THC concentration of not more than 0.3%. Federal laws and regulations may also address the transportation or shipment of hemp or hemp products, as the 2018 Farm Bill prohibits states from prohibiting the transportation or shipment of hemp or hemp products produced in accordance with that law through the state, as applicable.

Violations of these FDA and USDA regulations, or allegations of such violations, could disrupt our business and result in a material adverse effect on our results of operations, as well as adverse publicity and potential harm to our reputation.

We may be subject to product liability claims.

As the cannabis products of our Canadian, Dutch and U.S. Cannabis businesses are designed to be ingested by humans, we face a risk of exposure to product liability claims, regulatory action and litigation if these products are alleged to have caused significant loss or injury. In addition, the sale of these products involves 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 our

cannabis and cannabinoid products alone or in combination with other medications or substances could occur. As a result, we may be subject to various product liability claims, including, among others, that our products caused injury or illness or that we provided inadequate instructions for use or inadequate warnings concerning possible side effects or interactions with other substances.

A product liability claim or regulatory action against us could result in increased costs, could adversely affect our reputation with our clients and consumers generally, and could have a material adverse effect on our business, prospects, financial condition, results of operations and cash flows. There can be no assurance that we 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 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 our potential products.

In addition, as a producer of food products, we are subject to potential product liabilities connected with our operations and the marketing and distribution of these products, including liabilities and expenses associated with contaminated or unsafe products. We may also be contractually liable to indemnify and hold harmless third parties from the costs or consequences of contaminated or unsafe products. There can be no assurance that the insurance against all such potential liabilities we maintain will be adequate in all cases. In addition, even if a product liability claim was not successful or was not fully pursued, the negative publicity surrounding any such assertion could harm our reputation. The consequences of any of the foregoing events may have a material adverse effect on our financial condition and results of operations.

Government regulation of the Internet and e-commerce is evolving, and unfavorable changes or failure by us to comply with these regulations could substantially harm our business, financial condition, and results of operations.

We are subject to general business regulations and laws, as well as regulations and laws specifically governing the Internet and e-commerce. Existing and future regulations and laws could impede the growth of the Internet, e-commerce or mobile commerce, which could in turn adversely affect our growth. These regulations and laws may involve taxes, tariffs, privacy and data security, anti-spam, content protection, electronic contracts and communications, consumer protection and Internet neutrality. It is not clear how existing laws governing issues such as property ownership, sales and other taxes and consumer privacy apply to the Internet as the vast majority of these laws were adopted prior to the advent of the Internet and do not contemplate or address the unique issues raised by the Internet or e-commerce. It is possible that general business regulations and laws, or those specifically governing the Internet or e-commerce, may be interpreted and applied in a manner that is inconsistent from one jurisdiction to another and may conflict with other rules or our practices. We provide no assurance that our practices have complied, comply or will comply fully with all such laws and regulations. Any failure, or perceived failure, by us to comply with any of these laws or regulations could result in damage to our reputation, a loss in business and proceedings or actions against us by governmental entities, customers, suppliers or others. Any such proceeding or action could hurt our reputation, force us to spend significant amounts in defense of these proceedings, distract our management, increase our costs of doing business, decrease the use of our website and mobile applications by consumers and suppliers and may result in the imposition of monetary liabilities. We may also be contractually liable to indemnify and hold harmless third parties from the costs or consequences of non-compliance with any such laws or regulations. As a result, adverse developments with respect to these laws and regulations could substantially harm our business, financial condition, and results of operations

We are subject to environmental, health and safety, and other governmental regulations and we may incur material expenses in order to comply with these regulations.

Our operations are governed by a broad range of federal, state, provincial and local environmental, health and safety laws and regulations, permits, approvals, and common law and other requirements that impose obligations relating to, among other things: worker health and safety; the release of substances into the natural environment; the production, processing, preparation, handling, storage, transportation, disposal, and management of substances (including liquid and solid, non-hazardous and hazardous wastes and hazardous materials); and the prevention and remediation of environmental impacts such as the contamination of soil and water (including groundwater). Government approvals and permits are currently, and may in the future be, required in connection with our operations. To the extent such approvals are required and not obtained, our operations may be curtailed or enjoined, which may be for an extended period of time, which could result in a reduction in our proposed levels of production or require abandonment or delays in development of our production facilities and otherwise negatively affect our growth. Our failure to comply with applicable laws, rules, regulations, and policies may subject us to civil or regulatory proceedings, including fines, injunctions, administrative orders, or seizures, and may include corrective measures requiring capital expenditures, installation of additional equipment, or remedial actions, any of which may have a material adverse effect on our financial condition and results of operations. Also, as a result of the above requirements, our operations and ownership, management and control of property carry an inherent risk of environmental liability (including potential civil actions, compliance or remediation orders, fines, and other penalties), including with respect to the disposal of waste and the ownership, management, control or use of transport vehicles and real estate. Compliance with all such laws and future changes to them may impose material costs on us. We have incurred and expect to continue to incur significant capital and operating expenditures to comply with such laws. Future discovery of previously unknown environmental issues, including contamination of property underlying or in the vicinity of our present or former properties or manufacturing facilities, could require us to incur material unforeseen expenses. All of these risks and related potential expenses may have a material adverse effect on our financial condition and results of operations. In addition, environmental laws, rules and regulations in Canada and the United States

are evolving in a manner which may 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 our compliance costs, result in future liabilities or otherwise have an adverse effect on our results of operations or financial condition.

Our greenhouse produce business is subject to extensive regulations.

Our greenhouse produce business is subject to extensive laws and regulations with respect to the production, handling, distribution, packaging and labelling of our products. Such laws, rules, regulations, and policies are administered by various federal, state, provincial, regional, and local health agencies and other governmental authorities. Changes to any of these laws and regulations could have a significant impact on us. There can be no assurance that we will be able to cost effectively comply with future laws and regulations. Our failure to comply with applicable laws and regulations may subject us to civil or regulatory proceedings, including fines, injunctions, recalls or seizures, which may have a material adverse effect on our financial condition and results of operations.

In addition, we voluntarily submit to guidelines set by certain private industry associations. Failure to comply with such guidelines or to adopt more stringent guidelines set by such associations in the future may result in lower sales in certain retail markets and may adversely affect our financial condition and results of operations. Among the regulations to which we are subject are those administered by the British Columbia Vegetable Marketing Commission (“BCVMC”). The BCVMC grants each licensed producer that it regulates an annual quota to produce specified products in a given year. The BCVMC also has the authority to set the prices at which a regulated product may be bought or sold in British Columbia. There can be no assurance that the BCVMC will not alter its quota allocation policy or that the BCVMC will not introduce pricing restrictions in a manner that could adversely affect our financial condition and results of operations. There can be no assurance that a modification of the current regulatory schemes will not have an adverse effect on our financial condition or results of operations.

We may experience environmental, health and safety incidents.

Our facilities could experience incidents, malfunctions or other unplanned events that could result in discharges in excess of permitted levels resulting in personal injury, fines, penalties or other sanctions and property damage. We must maintain a number of environmental and other permits from various governmental authorities in order to operate. Failure to maintain compliance with these requirements could result in operational interruptions, fines or penalties, or the need to install potentially costly pollution control technology. Compliance with current and future environmental laws and regulations, which are likely to become more stringent over time, including those governing greenhouse gas emissions, may impose additional capital costs and financial expenditures, which could adversely affect operational results and profitability.

The controversy surrounding vaporizers and vaporizer products may materially and adversely affect the market for vaporizer products and expose us to litigation and additional regulation.

There have been a number of highly publicized cases involving lung and other illnesses and deaths that appear to be related to vaping products, including vaporizer devices and/or products used within such devices (such as vaping liquids). The focus is currently on the vaporizer devices, the manner in which the devices were used, and the related vaping liquids used with these devices - such as THC, nicotine, other substances in vaporizer liquids, possibly adulterated products and other illegal unlicensed cannabis vaping products. Some states, provinces, territories and municipalities in Canada and the United States have already taken steps to prohibit the sale or distribution of vaping products, restrict the sale and distribution of such products or impose restrictions on flavours or use of such vaporizers. This trend may continue, accelerate and expand.

This controversy could well extend to non-nicotine containing vaping devices and other product formats. Any such extension could materially and adversely affect our business, financial condition, operating results, liquidity, cash flow and operational performance. Litigation pertaining to vaping products is ongoing and that litigation could potentially expand to include our products, which would materially and adversely affect our business, financial condition, operating results, liquidity, cash flow and operational performance.

In Canada, vaping products that contain cannabis are regulated under the *Cannabis Act*, Cannabis Regulations and other laws and regulations of general application. Negative public sentiment may prompt regulators to decide to further limit or defer the industry’s ability to sell cannabis vaporizer products, and may also diminish consumer demand for such products. For instance, Health Canada has new regulations that place limits on the advertising and promotion of vaping products and make health warnings on vaping product advertising mandatory, although such regulations explicitly exclude cannabis and cannabis accessories.

The provincial governments in Quebec and Newfoundland and Labrador have imposed certain provincial regulatory restrictions on the sale of cannabis vape products, and Health Canada is seeking to limit the flavours of inhaled cannabis extracts. In June 2021, Health Canada opened a consultation into the use of flavours in inhaled cannabis extracts as it claims that the availability of flavours is one of the factors that contributes to the increase in cannabis vaping in youth and young adults. As part of this consultation, Health Canada released proposed regulations that contemplate prohibiting the production, sale, promotion, packaging

and labelling of inhaled cannabis extracts from having a flavour, other than the flavour of cannabis. The proposed amendments would apply equally to inhaled cannabis extracts sold for medical and non-medical purposes.

The consultation period closed in September 2021. Health Canada previously referenced these proposed regulatory amendments in earlier forward regulatory plans (such as the 2023-2025 plan and the 2024-2026 plan), although the currently posted 2025-2027 plan does not list this initiative. There can be no assurance that we will be able to meet any additional compliance requirements or regulatory restrictions, or remain competitive in the face of unexpected changes in market conditions.

These actions, together with potential deterioration in the public's perception of cannabis containing vaping liquids, may result in a reduced market for our vaping products.

Future research may lead to findings that vaporizers, electronic cigarettes and related products are not safe for their intended use.

Vaping products including vaporizers, electronic cigarettes, vaping liquid and related products were recently developed and therefore the scientific or medical communities have had a limited period of time to study the long-term health effects of their use. Currently, there is limited scientific or medical data on the safety of such products for their intended use and the medical community is still studying the health effects of the use of such products, including the long-term health effects. If a consensus were to develop among the scientific or medical community that the use of any or all of these products pose long-term health risks, market demand for these products and their use could materially decline. Such a development could also lead to litigation, reputational harm and significant regulation. Loss of demand for our product, product liability claims and increased regulation stemming from unfavorable scientific studies on vaping products could have a material adverse effect on our business, results of operations and financial condition.

Our U.S. marketing programs use customer information and other personal and confidential information as well as digital communications, which may subject us to liability if we misuse this information.

Our current and future U.S. marketing programs may depend on our ability to collect, maintain, and use data and sensitive personal information on individuals, and our ability to do so is subject to evolving laws and enforcement trends in Canada and other jurisdictions. We strive to comply with all applicable laws and other legal obligations relating to privacy, data protection and consumer protection, including those relating to the use of medical information and data for marketing purposes. It is possible, however, that these requirements may be interpreted and applied in a manner that is inconsistent from one jurisdiction to another, conflict with other rules, conflict with our practices or fail to be observed by our employees or business partners. If so, we may suffer damage to our reputation and become subject to proceedings or actions against it by governmental entities or others. Any such proceeding or action could hurt our reputation, force us to spend significant amounts to defend our practices, distract our management or otherwise have an adverse effect on our business.

Certain of our marketing practices may rely upon e-mail, social media, and other means of digital communication to communicate with consumers on our behalf. We may face risk if our use of e-mail, social media or other means of digital communication is found to violate applicable laws. We intend to post our privacy policy and practices concerning the use and disclosure of user data on our website. Any failure by us to comply with our posted privacy policy, anti-spam legislation or other privacy-related laws and regulations could result in proceedings which could potentially harm our business. In addition, as data privacy and marketing laws change, we may incur additional costs to ensure we remain in compliance. If applicable data privacy and marketing laws become more restrictive at the international, federal, provincial, or state levels, our compliance costs may increase, our ability to effectively engage customers via personalized marketing may decrease, our investment in our e-commerce platform may not be fully realized, our opportunities for growth may be curtailed by our compliance burden and our potential reputational harm or liability for security breaches may increase.

LABOR and EMPLOYMENT RISK FACTORS

Our operations are dependent on labor availability which includes accessing government sponsored foreign labor programs in Canada.

Our operations are labor intensive, particularly during peak harvest months. In Canada, most of our labor is supplied by contract labor suppliers on short-term contracts and workers hired through the Seasonal Agriculture Workers Program. There can be no assurance that we will be able to source sufficient skilled laborers in the future. Any disruption in the Canadian foreign worker program could have a detrimental impact on our ability to cultivate fresh produce.

Efforts by labor unions to organize our employees could divert management attention away from regular day-to-day operations and increase our operating expenses. Labor unions may make attempts to organize our non-unionized employees. We are not aware of any activities relating to union organizations at any of our greenhouse facilities. We cannot predict which, if any, groups of employees may seek union representation in the future or the outcome of any collective bargaining. If we are unable to negotiate acceptable collective bargaining agreements, we may have to wait through "cooling off" periods, which are often followed by union-initiated work stoppages, including strikes. Depending on the type and duration of any work stoppage, our operating expenses could increase significantly, which could have a material adverse effect on our financial condition, results of operations and cash flows.

Our Dutch cannabis business relies on the continued operations of coffee shops in 10 cities (legal coffee shops) to purchase and distribute its product. Should these stores not continue to operate, it would negatively impact our Dutch cannabis revenues and operations.

Our operations depend on our key executives.

We depend heavily on each member of our management team and the departure of a member of management could cause our operating results to suffer. We maintain a “key person” insurance policy on one member of our management team. Our future success will depend on, among other things, our ability to keep the services of these key executives and to hire other highly qualified employees at all levels. We compete with other potential employers for employees, and we may not be successful in hiring and retaining the services of executives and other employees that we require. The loss of the services of, or our inability to hire, executives or key employees could hinder our business operations and growth.

In addition, our cannabis businesses are dependent on their ability to retain employees and attract and retain sufficient additional employees or engineering and technical support resources. Shortages in qualified personnel or the loss of key personnel could adversely affect the financial condition of our cannabis businesses, results of operations and could limit our ability to develop and market our cannabis-related products. The loss of any of cannabis senior management or key employees could materially adversely affect our ability to execute our business plan and strategy, and our cannabis businesses may not be able to find adequate replacements on a timely basis, or at all.

Further, each director and officer of a company that holds a license for cultivation, processing or sale under the Cannabis Regulations or Experiment (in the Netherlands) is subject to the requirement to obtain and maintain a security clearance under the respective county of operations regulations. Certain additional key personnel are also required to obtain and maintain a security clearance. Under the Cannabis Regulations, a security clearance cannot be valid for more than five years and must be renewed before the expiry of a current security clearance. There is no assurance that any of the existing personnel or directors who presently or may in the future require a security clearance will be able to obtain or renew such clearances or that new personnel who require security clearance will be able to obtain one. A failure by an individual in a key operational position to maintain or renew his or her security clearance could result in a reduction or complete suspension of Pure Sunfarms’ operations.

TAX RISK FACTORS

If the Company is classified as a passive foreign investment company (“PFIC”) for U.S. federal income tax purposes, certain generally adverse U.S. federal income tax consequences could apply to U.S. investors.

In general, a non-U.S. corporation will be a PFIC if (i) 75% or more of its gross income consists of passive income or (ii) 50% or more of its assets produce, or are held for the production of, passive income. Based on the Company’s current and expected income, assets, and activities, we do not expect the Company to be classified as a PFIC for the current taxable year or in the foreseeable future. However, the PFIC determination is made annually at the end of each taxable year and depends on a number of factors, some of which are beyond the Company’s control, including the value of its assets and the amount and type of its income. Accordingly, there can be no assurance that the Company will not be classified as a PFIC for any taxable year or that the Internal Revenue Service (“IRS”) will agree with our belief regarding the Company’s PFIC status. If the Company were classified as a PFIC, a U.S. person who owns Common Shares could be subject to adverse tax consequences, including a greater tax liability than might otherwise apply, an interest charge on certain taxes deemed deferred as a result of the Company’s non-U.S. status, and additional U.S. tax filing obligations, regardless of the number of Common Shares owned. Certain elections might be available to mitigate the foregoing adverse tax consequences. U.S. investors are urged to consult their own tax advisers regarding the implications of the PFIC rules for an investment in Common Shares.

We may be exposed to transfer pricing risks

Prior to the Produce Transaction that was completed in May 2025, under sales agreements, VF Opco agreed to sell some of its produce inventory to VFLP for resale in the United States, and VFLP has agreed to sell some of its inventory to VF Opco for resale in Canada. We believe the amounts charged for inventory pursuant to these sales agreement reflect the fair market value of the goods sold. However, no assurance can be given in this regard. Based on certain transfer pricing rules, the IRS and the Canada Revenue Agency have, in the past, and may, in the future, challenge such amounts as differing from those that would have been charged between persons dealing at arm’s length. This could result in more tax (and penalties and interest) being due, which could have a material adverse effect on our business, financial condition, and results of operations.

Changes in tax treatment of companies engaged in e-commerce could materially affect our financial condition and results of operations.

Because we engage in e-commerce activity, we may face an increased exposure to tax liability. The U.S. Supreme Court addressed the taxation of e-commerce in *South Dakota v. Wayfair Inc.*, holding that a state may now enforce or adopt laws that require an e-commerce retailer to collect and remit sales tax, even if the e-commerce retailer has no physical presence within the taxing state. In response, an increasing number of states have adopted or are considering adopting laws or administrative practices that impose

sales or similar value-added or consumption taxes on e-commerce activity, as well as taxes on all or a portion of gross revenue or other similar amounts earned by an e-commerce retailer from sales to customers in the state. If any state were to assert liability for sales tax for prior periods and seek to collect such tax in arrears or impose penalties for past non-payment of taxes, it could have an adverse effect on us. New legislation or regulations, the application of laws and regulations by various taxing jurisdictions, including other countries whose laws do not currently apply to our business, or the application of existing laws and regulations to the Internet and commercial online services could similarly result in significant additional taxes on our business. These taxes or tax collection obligations could have an adverse effect on us, including by way of creating additional administrative burdens on us. As a result, our effective income tax rate, as well as the cost and growth of our business could be materially and adversely affected, which could in turn have a material adverse effect on our financial condition and results of operations. Furthermore, there is a possibility that we may be subject to significant fines or other payments for any failure to comply with these requirements.

We are also subject to U.S. federal and state laws, regulations, and administrative practices that require us to collect information from our customers, vendors, merchants, and other third parties for tax reporting purposes and report such information to various government agencies. The scope of such requirements continues to expand, requiring us to develop and implement new compliance systems. The failure to comply with such laws and regulations could result in significant penalties. We cannot predict the effect of current attempts to impose sales, income, or other taxes on e-commerce. New or modified taxes could increase the cost of doing business online and decrease the attractiveness of selling products over the Internet. New taxes could also significantly increase our costs of capturing data and collecting and remitting taxes. Any of these consequences could have a material adverse effect on our business, financial condition, and results of operations.

U.S. Holdings may be treated as U.S. real property holding corporation for U.S. federal income tax purposes, which could cause VF Opco to be subject to U.S. federal income tax.

If U.S. Holdings is treated as a "United States real property holding corporation" for U.S. federal income tax purposes, then VF Opco could be subject to U.S. federal net income tax on the portion of a distribution from U.S. Holdings treated as a gain, which could have a material adverse effect on our business, financial condition, and results of operations.

VF Canada GP and VF Canada LP may be deemed to maintain a U.S. permanent establishment for tax purposes.

Under the Canada-U.S. Income Tax Convention, the United States is permitted to tax the business profits of a Canadian resident that are attributable to a permanent establishment ("PE") of that Canadian resident located in the United States. A Canadian resident generally will be treated as maintaining a PE in the United States if, among other situations, an agent of the Canadian resident (other than an independent agent acting in the ordinary course of its business) has, and habitually exercises in the United States, the authority to conclude contracts in the name of the Canadian resident.

Due to the cross-border activity of certain of our employees, the United States may deem VF Canada GP and VF Canada LP to maintain a U.S. PE. In such case, VF Canada GP and VF Canada LP generally would be required to file U.S. federal income tax returns and would be subject to U.S. federal net income tax with respect to their business profits attributable to such PE. These tax consequences could have a material adverse effect on our business, financial condition, and results of operations.

COMMON SHARES RISK FACTORS

Our market price of our Common Shares has been and is likely to continue to be volatile and an investment in our Common Shares could suffer a decline in value.

You should consider an investment in our Common Shares as risky and invest only if you can withstand a significant loss and wide fluctuations in the market value of your investment. The market price of our Common Shares has been highly volatile and is likely to continue to be volatile. This leads to a heightened risk of securities litigation pertaining to such volatility.

Factors affecting our Common Share price include but are not limited to: (i) our ability to continue as a going concern; (ii) general market conditions; (iii) our ability to raise additional capital and/or secure additional financing on acceptable terms, or at all; (iv) market and/or industry developments in produce, cannabis or hemp that may directly or indirectly affect us; (v) regulatory and legislative developments, particularly with respect to cannabis and/or CBD, in Canada, the Netherlands and the United States or elsewhere to the extent applicable; (vi) our ability to operate in Canada, the United States and the Netherlands under the circumstances of current economic and legal/regulatory conditions, including as a result of the November 2025 Appropriations Act, the unfavorable interest rate environment, global supply chain issues, and inflation; (vii) potentially unfavorable report published by securities analysts; (viii) public concern as to the safety of the products that we and our competitors develop; (ix) our material weaknesses in our internal controls over financial reporting; and (x) fluctuations of shareholder interest in our Common Shares.

Financial markets have recently experienced significant price and volume fluctuations that have particularly affected the market prices of equity securities of public entities and that have, in many cases, been unrelated to the operating performance, underlying asset values or prospects of such entities. Accordingly, the market price of the Common Shares may decline even if our operating results, underlying asset values or prospects have not changed. Additionally, these factors, as well as other related factors, may cause decreases in asset values that are deemed to be other than temporary, which may result in impairment losses. As well,

certain institutional investors may base their investment decisions on consideration of our environmental, governance and social practices and performance against such institutions' respective investment guidelines and criteria, and failure to satisfy such criteria may result in limited or no investment in the Common Shares by those institutions, which could materially adversely affect the trading price of the Common Shares. There can be no assurance that continuing fluctuations in price and volume will not occur. If such increased levels of volatility and market turmoil continue for a protracted period of time, our operations and the trading price of the Common Shares may be materially adversely affected.

Future issuances or sales of our Common Shares could cause our share price to fall and may dilute your common shares.

The issuance of Common Shares by us will result in dilution in the equity interest of existing shareholders and adversely affect the market price of our Common Shares. For example, in January 2023 we completed the 2023 Equity Offering in which we issued an aggregate of 18,350,000 Common Shares as well as Common Warrants to purchase an additional 18,350,000 Common Shares, each exercisable at \$1.65 per Common Warrant and became exercisable commencing July 2023.

As of March 6, 2026, 15,298,900 of the 2023 Common Warrants (as defined in "2023 Equity Offering") were still outstanding. The 2023 Common Warrants expire on July 30, 2028.

Furthermore, we have in the past and may in the future grant, to some or all of our directors, officers and employees, options to purchase our Common Shares and other stock-based awards as non-cash incentives to those persons. As of March 6, 2026 there were 6,159,411 Common Shares issuable upon exercise of outstanding options at a weighted-average exercise price of \$3.47 per share and 2,106,376 of Restricted Stock Units ("RSUs") were outstanding leaving 3,244,655 Common Shares reserved and available for issuance upon exercise of additional options and other stock-based awards that may be granted in the future under our equity compensation plan. The issuance of additional Common Shares upon exercise of outstanding options, warrants and other convertible securities will cause our existing shareholders to experience dilution of their ownership interests.

Any additional issuances of Common Shares or a decision to acquire other businesses through the sale or issuance of equity securities or in connection with acquisitions or strategic alliances may dilute our investors' interests, and investors may suffer dilution in their net book value per share depending on the price at which such securities are issued. Such issuance may cause a reduction in the proportionate ownership and voting power of all other shareholders. The dilution may result in a decline in the price of our Common Shares, a change in control, and could have an undesirable impact on our ability to raise capital in the future.

Certain Canadian laws could delay or deter a change of control.

Limitations on the ability to acquire and hold our Common Shares may be imposed by the *Competition Act* in Canada. This legislation permits the Commissioner of Competition of Canada to review any acquisition of a significant interest in us. This legislation grants the Commissioner jurisdiction to challenge such an acquisition before the Canadian Competition Tribunal if the Commissioner believes that it would, or would be likely to, result in a substantial lessening or prevention of competition in any market in Canada. The *Investment Canada Act* subjects an acquisition of control of a company by a non-Canadian to government review if the value of our assets, as calculated pursuant to the legislation, exceeds a threshold amount. A reviewable acquisition may not proceed unless the relevant minister is satisfied that the investment is likely to result in a net benefit to Canada. Any of the foregoing could prevent or delay a change of control and may deprive or limit strategic opportunities for our shareholders to sell their shares.

The exercise of all or any number of outstanding stock options, the award of any additional options, restricted stock units or other stock-based awards or any issuance of shares to raise funds or acquire a business may dilute your Common Shares.

We have in the past and may in the future grant, to some or all of our directors, officers and employees, options to purchase our Common Shares and other stock-based awards as non-cash incentives to those persons.

As of March 6, 2026 there were 6,159,411 Common Shares issuable upon exercise of outstanding options at a weighted-average exercise price of \$3.47 per share and 2,106,376 RSUs outstanding, which leaves 3,244,655 Common Shares reserved and available for issuance upon exercise of additional options and other stock-based awards that may be granted in the future under our equity compensation plans. The issuance of additional Common Shares upon exercise of outstanding options, warrants and other convertible securities will cause our existing shareholders to experience dilution of their ownership interests.

Any additional issuances of Common Shares or a decision to acquire other businesses through the sale or issuance of equity securities may dilute our investors' interests, and investors may suffer dilution in their net book value per share depending on the price at which such securities are issued. Such issuance may cause a reduction in the proportionate ownership and voting power of all other shareholders. The dilution may result in a decline in the price of our Common Shares or a change in control.

We do not expect to pay dividends for the foreseeable future.

We have not paid any cash dividends to date, and we do not intend to declare dividends for the foreseeable future, as we anticipate that we will reinvest future earnings, if any, in the development and growth of our business. Therefore, investors will not receive any funds unless they sell their Common Shares, and shareholders may be unable to sell their shares on favorable terms or at all. We cannot assure you of a positive return on investment or that you will not lose the entire amount of your investment in our

Common Shares. Prospective investors seeking or needing dividend income or liquidity, or who cannot afford to lose the entire amount of their investment in our Common Shares, should not purchase our Common Shares.

GENERAL RISK FACTORS

We face risks related to cyber security attacks and other incidents.

Cyber security has become an increasingly problematic issue for issuers and businesses around the world, including us. Cyber security attacks against organizations of all sizes are increasing in sophistication and are often focused on financial fraud, compromising sensitive data for inappropriate use or disrupting business operations. A cyber incident is considered to be any adverse event that threatens the confidentiality, integrity, or availability of our information resources. More specifically, a cyber incident is an intentional attack or an unintentional event that can include gaining unauthorized access to information systems to disrupt operations, corrupt data or steal confidential information. As our reliance on technology has increased, so have the risks posed to our systems. Our primary risk that could directly result from the occurrence of a cyber incident include operational interruption, damage to our reputation, damage to our business relationships, disclosure of confidential information regarding our employees and third parties with whom we interact, and may result in negative consequences, including remediation costs, loss of revenue, additional regulatory scrutiny, and litigation. We are also at risk of theft of proprietary data for the purposes of extracting payment for its return (ransomware attack). We maintain cyber security insurance and have implemented processes, procedures, and controls to help mitigate these risks, but these measures, as well as our increased awareness of a risk of a cyber incident, do not guarantee that our financial results will not be negatively impacted by such an incident. We can provide no assurance that a cybersecurity incident could have a material adverse impact on financial performance and results of operations.

Inflation may continue to rise and increase our operating costs.

For the year ended December 2025, the US Bureau of Labor and Statistics reported that inflation increased 2.7 percent as against prices from December 2024. Rising inflation affects our cultivation costs, distribution costs and operating expenses. We believe that volatile prices for commodities have impacted our operating results. We maintain strategies to mitigate the impact of higher raw material, energy and commodity costs, which include cost reduction, sourcing, passing along certain cost increases to customers and other actions, which may help to offset a portion of the adverse impact.

It may be difficult for non-Canadian investors to obtain and enforce judgments against us because of our Canadian incorporation and presence.

We are a corporation existing under the laws of Canada. Some of our directors and officers named in this Annual Report on Form 10-K are residents of Canada, and all or a substantial portion of their assets, and a substantial portion of our assets, are located outside the United States. Consequently, although we have appointed an agent for service of process in the United States, it may be difficult for holders of our Common Shares who reside in the United States to effect service within the United States upon our directors and officers who are not residents of the United States. It may also be difficult for holders of our Common Shares who reside in the United States to realize in the United States upon judgments of courts of the United States predicated upon our civil liability and the civil liability of our directors and officers under the United States federal securities laws.

Investors should not assume that Canadian courts (i) would enforce judgments of United States courts obtained in actions against us or our directors and officers predicated upon the civil liability provisions of the United States federal securities laws or the securities or “blue sky” laws of any state within the United States or (ii) would enforce, in original actions, liabilities against us or our directors and officers predicated upon the United States federal securities laws or any such state securities or “blue sky” laws. In addition, we have been advised by our Canadian counsel that in normal circumstances, only civil judgments and no other rights arising from United States securities legislation are enforceable in Canada and that the protections afforded by Canadian securities laws may not be available to investors in the United States.

The effect of sanctions and an escalation of the conflict in Ukraine may further disrupt supply chains and adversely impact our business.

As a result of the current conflict between Russia and Ukraine and related geopolitical tensions, there have been, and may continue to be, significant adverse impact on fuel, transportation costs and natural resources. Additionally, the governments of the United States, the European Union, Canada and other jurisdictions have announced the imposition of sanctions on certain industry sectors and parties in Russia as well as enhanced export controls on certain products and industries. These and any additional sanctions and export controls, as well as any counter responses by the governments of Russia, could adversely affect, the global supply chain, and the availability and prices of raw materials, energy prices, as well as the global financial markets and financial services industry.

ITEM 1B. UNRESOLVED STAFF COMMENTS

None

ITEM 1C. CYBERSECURITY DISCLOSURES

Risk Management and Strategy

Management of cybersecurity risks is an integral part of our overall risk management framework and is essential for safeguarding our business and data. We have established policies and processes for assessing, identifying, and managing material risk from cybersecurity threats, and have integrated these processes into our risk management systems and processes. We routinely assess material risks from cybersecurity threats, including any potential unauthorized occurrence on or conducted through our information systems that may result in adverse effects on the confidentiality, integrity, or availability of our information systems or any information residing therein. Following these risk assessments, we may accept identified risks; re-design, implement, and maintain reasonable safeguards to minimize identified risks; reasonably address any identified gaps in existing safeguards; and regularly monitor the effectiveness of our safeguards.

Our cybersecurity risk management program works to balance critical infrastructure, network, application, cloud and information security objectives with overall business objectives and risk tolerance. Specific controls that are used include endpoint threat detection and response, identity and access management, privileged access management, logging and monitoring involving the use of security information and event management, multi-factor authentication, firewalls and intrusion detection and prevention, and vulnerability and patch management.

We use both external and internal threat intelligence sources to inform our defensive measures, including information from industry vendors and government agencies. We monitor evolving risks and threat events to implement security controls where applicable.

We believe in continuous improvement as part of the effort to optimize security, and we work to foster that culture through various initiatives:

- **Cybersecurity Awareness Trainings:** We educate employees on best practices for online safety and for identifying potential cybersecurity threats, including by initiating training programs for our entire employee base.
- **Security Monitoring:** We monitor our information technology environment with both our internal cybersecurity resources and third-party service providers.
- **Proactive Reporting and Investigation:** As part of our training initiatives, we educate employees on how to report any suspicious cyber activity or potential cybersecurity issues, and we investigate reported concerns.

We engage a variety of third-party service providers to process and store data, including certain customer information, some of which may include personally identifiable information. We also depend on third-party service providers to host many of the systems and infrastructure used to provide our products and services. A limited number of third-party services support essential functions of our business, including the use of cloud-based technology.

Governance

Our Board of Directors has overall oversight responsibility for our enterprise risk management program and delegates cybersecurity risk management oversight to the Audit Committee of the Board of Directors. The Audit Committee oversees major enterprise risks, and the steps management has taken to monitor and control such exposure, including risks to our information technology infrastructure and security. The Audit Committee is responsible for ensuring independent examination of management's programs to identify, assess, respond to and monitor risks, which include those performed by third party consultants. Management is responsible for identifying, considering and assessing material cybersecurity risks on an ongoing basis, establishing processes to ensure that such potential cybersecurity risk exposures are monitored, putting in place appropriate mitigation measures and maintaining cybersecurity programs.

Our cybersecurity programs are managed by a team of professionals who monitor the prevention, detection, mitigation and remediation of cybersecurity incidents. Our cybersecurity team includes personnel that have obtained credentials from the International System Security Certification Consortium and the SANS Institute, such as Certified Information Systems Security Professional (CISSP), as well as experienced information systems security professionals and information security managers.

We recognize the ever-present global risk of cyberattacks from diverse threat actors, including nation-states, cybercriminals, hacktivists, insiders and organized crime. In spite of our efforts, we (or third parties we rely on) may not be able to fully, continuously and effectively implement security controls as intended. As described above, we utilize a risk-based approach and judgment to determine the security controls to implement, but it is possible we may not implement appropriate controls if we do not recognize, or we underestimate a particular risk. In addition, security controls, no matter how well designed or implemented, may only mitigate and not fully eliminate risks. Further, even events that are detected by security tools or third parties may not always be immediately understood or acted upon. While no organization is immune to attack attempts and we cannot eliminate all risks from cybersecurity threats or provide assurance that we have not experienced an undetected cybersecurity incident, in 2025 we did not identify any material cybersecurity events that have materially affected or are reasonably likely to materially affect our business strategy, results of

operations or financial condition. For additional information regarding risks from cybersecurity threats, including our business strategy, results of operations, or financial condition, please refer to Item 1A, “Risk Factors,” in this Annual Report on Form 10-K, including the risk factor entitled “We face risks related to cyber security attacks and other incidents.”

ITEM 2. PROPERTIES

Our primary executive offices are located at 90 Colonial Parkway, Lake Mary, Florida, 32746.

The following table outlines the Company’s greenhouse facilities.

Operating Facilities	Square Feet	Growing Area		Products Grown
		Square Meters	Acres	
Delta, BC (Delta 2) (1 greenhouse)	1,075,530	99,920	25	Cannabis
Delta, BC (Delta 3) (1 greenhouse)	1,100,000	100,000	25	Cannabis
Huntingdon, Quebec (1 indoor controlled growing facility)	55,000	5,110	1	Cannabis
Drachten, Netherlands (1 indoor controlled growing facility)	22,600	2,100	1	Cannabis
Groningen, Netherlands (1 indoor controlled growing facility)	60,900	5,658	1	Under Construction
Total cannabis operations	2,314,030	212,788	53	
Marfa, TX (1 greenhouse)	871,200	80,937	20	Leased to Vanguard
Monahans, TX (1 greenhouse) (Permian Basin facility)	1,272,294	118,200	30	Not in operation
Delta, BC (Delta 1) (1 greenhouse)	2,588,860	240,513	60	Tomatoes on-the-vine, beefsteak and specialty tomatoes
Total produce operations	4,732,354	439,650	110	

We believe that our existing facilities are adequate for our needs. Should we require additional facilities in the future, we believe that such facilities can be acquired or leased on commercially reasonable terms.

ITEM 3. LEGAL PROCEEDINGS

In the normal course of business, the Company and its subsidiaries may become defendants in certain employment claims and other litigation. The Company records a liability when it is probable that a loss has been incurred and the amount is reasonably estimable. The Company is not involved in any legal proceedings other than ordinary routine litigation arising in the normal course of business, none of which the Company believes will have a material adverse effect on the Company’s business, financial condition or results of operations. Additionally, there were no environmental matters requiring disclosure pursuant to Item 103(c)(3) of Regulation S-K.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

PART II

ITEM 5. MARKET FOR REGISTRANT’S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

Our Common Shares are currently traded on The Nasdaq Stock Market LLC under the symbol “VFF”.

Holders of Record

As of March 6, 2026, there were approximately 11 shareholders of record of our Common Shares, which included Cede & Co., a nominee for Depository Trust Company, whose participants include CDS & Co., a nominee for The Canadian Depository for Securities Ltd. Common shares that are held by financial institutions as nominees for beneficial owners are deposited into participant accounts at either Depository Trust Company or The Canadian Depository for Securities Ltd., which represents one shareholder of record.

Dividend Policy

We have not paid any cash dividends or distributions on any class of our securities, and we have no current plans to pay dividends as we are growth focused.

Recent Sales of Unregistered Securities

None.

Repurchases of Equity Securities

The table below provides information about Company purchases of its Common Shares during the three months ended December 31, 2025:

	Total Number of Shares Purchased ^(a)	Average Price Paid per Share ^(b)	Total Number of Shares Purchased as Part of Publicly Announced Program	Approximate Dollar Value of Shares that May Yet be Purchased Under the Program (in thousands of U.S. dollars)
October 1 - 31, 2025	—	—	—	\$ 10,000
November 1-30, 2025	536,523	\$ 3.73	536,523	\$ 8,001
December 1-31, 2025	276,400	\$ 3.52	276,400	\$ 7,029
Total	812,923	\$ 3.66	812,923	\$ 7,029

(a) On September 29, 2025, the Board of Directors authorized a \$10 million share repurchase for up to 5,687,000 of the Company’s outstanding Common Shares.

(b) Average price paid includes costs associated with the repurchases.

Exchange and Foreign Ownership Controls

We are not aware of any Canadian federal or provincial laws, decrees, or regulations that restrict the export or import of capital, including foreign exchange controls, or that affect the remittance of dividends, interest, or other payments to non-Canadian holders of the Common Shares. There are no limitations under the laws of Canada or by the charter or our other constituent documents on ownership of our voting shares by non-Canadians, except the *Investment Canada Act* which may require review and approval by the Minister of Innovation (Canada) of certain acquisitions of control of us by non-Canadians. The threshold for acquisitions of control is generally defined as being one-third or more of our voting shares, provided certain financial thresholds are also exceeded. If the investment is potentially injurious to national security, it may be subject to review under the *Investment Canada Act* notwithstanding the percentage interest acquired or amount of the investment. “Non-Canadian” generally means an individual who is not a Canadian citizen, or a corporation, partnership, trust, or joint venture that is ultimately controlled by non-Canadians.

Certain Canadian Federal Income Tax Considerations for U.S. Residents

The following is a summary of the principal Canadian federal income tax considerations generally applicable under the *Income Tax Act* (Canada) (together with the regulations thereto, the “Tax Act”) to a beneficial holder of our Common Shares, Common Warrants and Common Shares issued upon exercise of the Common Warrants (“Common Warrant Shares”) who, for the purposes of the Tax Act and the *Canada-United States Income Tax Convention* (1980) (the “Treaty”), and at all relevant times, (i) is not and is not deemed to be a resident in Canada, (ii) is a resident of the United States for the purposes of the Treaty and is entitled to the full benefits thereunder, (iii) holds all Common Shares, Common Warrants and Common Warrant Shares as capital property, (iv) deals at arm’s length with and is not affiliated with the Company, and (v) does not use or hold and is not deemed to use or hold our Common Shares, Common Warrants and Common Warrant Shares in connection with a business carried on in Canada (each such holder, a “U.S. Resident Holder”).

This summary is not generally applicable to a U.S. Resident Holder: (i) that is an insurer carrying on an insurance business in Canada and elsewhere, (ii) that is an “authorized foreign bank” (as defined in the Tax Act), (iii) that is a “financial institution” (as defined in the Tax Act) for purposes of the “mark-to-market property” rules; (ii) an interest in which is or would constitute a “tax shelter investment” (as defined in the Tax Act); (iii) that is a “specified financial institution” (as defined in the Tax Act); or (iv) that has or will enter into a “synthetic disposition arrangement” or a “derivative forward agreement” (as those terms are defined in the Tax Act) in respect of our Common Shares, Common Warrants and Common Warrant Shares. Such U.S. Resident Holders should consult their own tax advisors.

Generally, a U.S. Resident Holder’s Common Shares, Common Warrants and Common Warrant Shares will be considered to be capital property of the U.S. Resident Holder provided the U.S. Resident Holder does not hold such shares and Common Warrants in the course of carrying on a business of trading or dealing in securities and has not acquired them in one or more transactions considered to be an adventure or concern in the nature of trade.

This summary is based upon the current provisions of the Tax Act and the Treaty in force on the date hereof, and the current administrative policies and assessing practices of the Canada Revenue Agency published in writing prior to the date hereof. This summary takes into account all specific proposals to amend the Tax Act publicly announced by or on behalf of the Minister of Finance (Canada) prior to the date hereof (the “Tax Proposals”) and assumes that all Tax Proposals will be enacted in the form proposed. However, no assurances can be given that the Tax Proposals will be enacted as proposed, or at all. This summary does not otherwise take into account or anticipate any changes in law or administrative policy or assessing practice whether by legislative, administrative, or judicial action or decision, nor does it take into account tax legislation or considerations of any province, territory or foreign jurisdiction, which may differ from those discussed herein.

This summary is of a general nature only and is not intended to be, and should not be construed to be, legal, business or tax advice to any particular holder or prospective holder of our Common Shares, Common Warrants and Common Warrant Shares, and no opinion or representation with respect to the tax consequences to any holder or prospective holder of our Common Shares, Common Warrants and Common Warrant Shares is made. Accordingly, holders and prospective holders of our Common Shares, Common Warrants and Common Warrant Shares should consult their own tax advisors with respect to the income tax consequences of purchasing, owning, and disposing of our Common Shares, Common Warrants and Common Warrant Shares in their particular circumstances.

Currency

For the purposes of the Tax Act, all amounts relating to the acquisition, holding or disposition of our Common Shares, Common Warrants and Common Warrant Shares (including dividends, adjusted cost base and proceeds of disposition) must be expressed in Canadian dollars based on the rate quoted by the Bank of Canada for the applicable day or such other rate of exchange that is acceptable to the Canada Revenue Agency.

Exercise of Common Warrants

No gain or loss will be realized by a U.S. Resident Holder on the exercise of a Common Warrant to acquire a Common Warrant Share. When a Common Warrant is exercised, the U.S. Resident Holder’s cost of the Common Warrant Share acquired thereby will be equal to the aggregate of the U.S. Resident Holder’s adjusted cost base of such Common Warrant and the exercise price paid for the Common Warrant Share. The U.S. Resident Holder’s adjusted cost base of the Common Warrant Share so acquired will be determined by averaging the cost of the Common Warrant Share with the adjusted cost base to the U.S. Resident Holder of all Common Shares of the Company held as capital property immediately before the acquisition of the Common Warrant Share.

Dividends

Dividends paid or credited, or deemed to be paid or credited, on our Common Shares and Common Warrant Shares to a U.S. Resident Holder will be subject to Canadian withholding tax at the rate of 25% of the gross amount of the dividends, subject to reduction under the provisions of the Treaty. Under the Treaty, the rate of Canadian withholding tax applicable to a U.S. Resident Holder that is the beneficial owner of dividends is generally reduced to 15% of the gross amount of the dividends, and, if such U.S. Resident Holder is a company that owns at least 10% of our voting shares at the time of the dividends, the rate of Canadian withholding tax is reduced to 5% of the gross amount of the dividends. U.S. Resident Holders who may be eligible for a reduced rate of withholding tax on dividends pursuant to the Treaty should consult with their own tax advisors with respect to taking all appropriate steps in this regard.

Disposition of Common Shares, Common Warrants and Common Warrant Shares

A U.S. Resident Holder who disposes or is deemed to dispose of a Common Share, Common Warrant or Common Warrant Share will not be subject to tax under the Tax Act on any capital gain realized on such disposition, unless the Common Share, Common Warrant or Common Warrant Share, as applicable, constitutes “taxable Canadian property,” within the meaning of the Tax Act, of the U.S. Resident Holder at the time of the disposition and the U.S. Resident Holder is not entitled to relief under the Treaty.

Generally, the Common Shares, Common Warrants and Common Warrant Shares of a particular U.S. Resident Holder will not be “taxable Canadian property” of such U.S. Resident Holder at any time at which the Common Shares and Common Warrant Shares are listed on a “designated stock exchange,” within the meaning of the Tax Act (which includes the Nasdaq) unless, at any particular time during the 60-month period that ends at that time, both of the following conditions are met concurrently: (a) 25% or more of the issued shares of any class of the capital stock of the Company were owned by or belonged to one or any combination of (i) the U.S. Resident Holder, (ii) persons with whom the U.S. Resident Holder did not deal at arm’s length for purposes of the Tax Act, and (iii) partnerships in which the U.S. Resident Holder or a person described in (ii) holds a membership interest directly or indirectly through one or more partnerships; and (b) more than 50% of the fair market value of the Common Shares and Common Warrant Shares, as applicable, was derived, directly or indirectly, from one or any combination of: (i) real or immovable property situated in Canada, (ii) “Canadian resource properties” (as defined in the Tax Act), (iii) “timber resource properties” (as defined in the Tax Act), and (iv) options in respect of, or interests in, or for civil law rights in, property described in any of (b)(i) to (iii), whether or not the property exists. Notwithstanding the foregoing, the Common Shares, Common Warrants and Common Warrant Shares may otherwise be deemed to be “taxable Canadian property” in certain circumstances as set out in the Tax Act.

In the case of a U.S. Resident Holder to whom a Common Share, Common Warrant and Common Warrant Share of the Company represents “taxable Canadian property”, under the Treaty, such a U.S. Resident Holder will generally not be subject to tax under the Tax Act on a capital gain realized on the disposition of such share or Common Warrant, as applicable, unless the value of such share or Common Warrant, as applicable, is derived principally from real property situated in Canada (within the meaning of the Treaty).

In the event that a Common Share, Common Warrant and Common Warrant Share is “taxable Canadian property,” within the meaning of the Tax Act, to a U.S. Resident Holder, such U.S. Resident Holder should consult their own tax advisor as to the Canadian federal income tax consequences of the disposition, including potential compliance requirements and withholding under section 116 of the Tax Act.

ITEM 6. [RESERVED]

ITEM 7. MANAGEMENT’S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

This discussion contains forward-looking statements that involve risks and uncertainties. When reviewing the discussion below, you should keep in mind the substantial risks and uncertainties that impact our business. In particular, we encourage you to review the risks and uncertainties described in “Risk Factors” in Part I, Item 1A in this Annual Report on Form 10-K. These risks and uncertainties could cause actual results to differ materially from those projected or implied by our forward-looking statements contained in this report. These forward-looking statements are made as of the date of this management’s discussion and analysis, and we do not intend, and do not assume any obligation, to update these forward-looking statements, except as required by law.

All amounts are expressed in thousands of United States dollars unless otherwise stated.

EXECUTIVE OVERVIEW

Village Farms International, Inc. (“VFF”, together with its subsidiaries, the “Company”, “Village Farms”, “we” “us” or “our”) is a corporation existing under the Business Corporations Act (Ontario). The Company’s principal operating subsidiaries are Pure Sunfarms Corp. (“Pure Sunfarms” or “PSF”), Balanced Health Botanicals, LLC (“Balanced Health”), Rose LifeScience Inc. (“Rose LifeScience” or “Rose”), Leli Holland B. V. (“Leli” or “Leli Holland”) which formally changed its name to Village Farms International B.V. on March 6, 2026, Village Farms Canada Limited Partnership (“VFCLP”), Village Farms L.P. (“VFLP”), and VF Clean Energy, Inc. (“VFCE”).

Village Farms' mission is to apply decades of innovation in intensive agriculture to lead a sustainable path forward for the global cannabis industry. To do so, we leverage a proven track record of asset investment and development, cultivation expertise and experience in controlled environment agriculture to produce branded and wholesale cannabis products for global markets with legally permissible regulatory frameworks.

In Canada, we converted two large-scale, advanced greenhouse facilities to cannabis production to serve for the Canadian legal adult use (recreational), as well as international medical export, markets. Our focus for our Canadian Cannabis segment is to produce high quality cannabis, leveraging our low-cost production to provide preferred products at an attractive price that address the preferred consumer segments in the market. This market positioning, combined with our cultivation expertise, has enabled us to evolve into a leading producer of dried flower nationally and one of the few Canadian licensed producers with consistently strong operating results.

Through strategic organic growth, exports and/or acquisitions, we intend to participate in other international markets where cannabis attains legal status. In September 2021, our Canadian Cannabis business began exporting cannabis products to Australia for that country’s medical market. In March 2022, our Canadian Cannabis business received European Union Good Manufacturing Practice (“EU GMP”) certification for our 1.1 million square foot Delta 3 cannabis facility located in Delta, British Columbia (“B.C.”)

which permits us to export EU GMP-certified medical cannabis to importers and distributors in international markets that require EU GMP certification. In late 2022, we commenced exports to Israel. In 2023, we began exporting cannabis products to Germany and the United Kingdom for the medical markets in those countries. In 2025, we began exporting cannabis products to New Zealand. As a result of the typically higher margins in international medical markets, we expect international expansion to enhance our profitability while expanding our brand and experience into emerging legal cannabis markets.

During September 2024, we completed our acquisition of the remaining 15% equity ownership interest in Leli Holland. Through our ownership of Leli Holland, we hold one of ten licenses to cultivate and distribute cannabis legally in the Netherlands under that country's Controlled Cannabis Supply Chain Experiment, with sales beginning in the first quarter of 2025.

In the U.S., Balanced Health is our industry-leading cannabinoid business, extending our portfolio into cannabidiol ("CBD") and hemp-derived consumer products.

We also cultivate tomatoes and market them through Village Farms Fresh (a Vanguard Holdings Company) under the Village Farms Fresh ("VF Fresh") brand which sells to mass retail grocery stores and food distribution companies.

Our intention is to use our assets, expertise and experience (across cannabis, hemp, CBD and produce ecosystems) to participate in the global cannabis market subject to compliance with all applicable national laws and applicable stock exchange rules.

Our Operating Segments

Cannabis Canada Segment

Our Cannabis Canada ("Canadian Cannabis") segment is composed of wholly owned Pure Sunfarms and an 80% ownership interest in Rose LifeScience.

Pure Sunfarms is one of the single largest cannabis growing operations in the world, one of the lowest-cost greenhouse producers and one of the leading flower brands in Canada. Pure Sunfarms leverages our 30 years of experience as a vertically integrated greenhouse grower for cannabis growth opportunities in Canada with commercial distribution in all Canadian provinces and territories, as well as exportation to medical markets outside of North America.

Rose is one of the top-selling licensed producers of cannabis in the Province of Quebec, as well as a prominent cannabis products commercialization expert in Quebec, acting as the exclusive, direct-to-retail sales, marketing and distribution entity for some of the best-known brands in Canada, as well as Quebec-based micro and craft growers.

Our long-term objective for our Canadian Cannabis segment is be the leading low-cost, high-quality cannabis producer and one of the leading brands nationally, and to leverage our experience and success in Canada to become a leading exporter of medicinal cannabis across the world.

Cannabis Netherlands Segment (operating as Leli Holland)

Our Cannabis Netherlands operating segment is composed of wholly owned subsidiary, Leli Holland B.V. Through Leli, we hold one of ten licenses to cultivate and distribute recreational cannabis legally in the Netherlands under that country's Closed Supply Chain Experiment program, with sales commencing in February 2025. Leli Holland B.V. formally changed its name to Village Farms International B.V. effective on March 6, 2026.

Cannabis U.S. Segment

Our Cannabis U.S. ("U.S. Cannabis") operating segment is composed of wholly owned subsidiary Balanced Health.

Balanced Health is one of the leading cannabinoid (CBD) brands and e-commerce platforms in the United States. Balanced Health develops and sells high-quality CBD and hemp-based health and wellness products, distributing its diverse portfolio of consumer products through its top-ranked e-commerce platform, CBDistillery™.

Produce Segment

Our Produce segment is composed of VFCLP and the remaining VFLP assets after the sale and transfer of our produce assets with Vanguard Holdings in May 2025.

Our Produce segment cultivates premium-quality, greenhouse-grown tomatoes in Canada. The tomatoes are grown in a sophisticated, highly intensive agricultural greenhouse facility located in Delta, British Columbia.

On May 30, 2025, the Company closed on the transformative transaction to privatize certain assets and operations of its Produce segment, including its Marfa II and Fort Davis greenhouses, and all of its produce distribution centers, through a series of asset and lease transfers. The Company determined that the assets and operations that had been disposed of met the criteria for discontinued operations presentation. For all periods presented, the operating results associated with the assets disposed of have been reclassified into net income (loss) from discontinued operations, net of income taxes, in the Consolidated Statements of Operations and Comprehensive Income (Loss). The associated assets and liabilities have been reflected as current and long-term assets and

liabilities of discontinued operations in the Consolidated Statements of Financial Position, and the cash flows from the Company's discontinued operations are presented in the Consolidated Statements of Cash Flows for all periods presented. See "Business-Our Produce Segment - Produce Transaction Agreements".

Clean Energy Segment

Our Clean Energy segment is composed of wholly owned subsidiary, VF Clean Energy Inc.

VFCE has partnered with Terreva Renewables (formerly Mas Energy) for the Delta RNG Project based on VFCE's 20-year contract (including a five-year option to extend) with the City of Vancouver to capture landfill gas at the Delta, B.C. landfill site (the "Delta RNG Project"). The Delta RNG Project, which commenced operations in 2024, converts VFCE's landfill gas into high-demand renewable natural gas ("RNG") through a state-of-the-art facility. Terreva Renewables sells the renewable natural gas and VFCE receives a portion of the revenue in the form of a monthly royalty.

Legal, Regulatory and Other Macroeconomic and Political Trends

The future of our business continues to depend on not only the cannabis regulation in Canada but also the current and developing cannabis regulations in other countries, including the EU and UN conventions. In addition, the November 2025 Appropriations Act will effectively recriminalize CBD in the United States which could have a material adverse effect on our U.S. cannabis segment. See "Risk Factors—Legal and Regulatory Risk Factors—The November 2025 Appropriations Act will make most CBD product beginning in November 2026 and will materially affect our U.S. cannabis business if further legal action is not taken". The potential for U.S. federal legalization and/or rescheduling of cannabis, FDA regulation of CBD-derived products and the legal and other jurisdictions where we do business could have a material impact on the Company's current and future operations. See "Risk Factors—Legal and Regulatory Risk Factors—We cannot predict when, if ever, cannabis will be federally legal in the United States and any rescheduling of U.S. Schedule I cannabis to Schedule III would have an uncertain impact on our business".

Our business may also be materially affected by potential U.S./Canadian tariffs and/or other trade restrictions. See "Risk Factors—Industry Risk Factors—We face risks associated with cross-border trade and the potential for tariffs and other trade restrictions" and "Risk Factors—Labor and Employment Risk Factors—Our operations are dependent on labor availability which includes accessing government sponsored foreign labor programs in Canada".

In addition, our business has been affected, and we expect will continue to be affected for the foreseeable future, by inflation rates, and, indirectly, world conflicts (e.g., Russia/Ukraine), which may negatively affect our operating results. Inflation has affected and continues to affect supply chain and labor costs as well as purchasing decisions of consumers, amongst other items, which may impact demand for our products.

Recent Developments and Updates

Canadian Cannabis

- The Company continues to maintain a top five overall market share position in Canada and held the number one position in dried flower as of February 2026, despite planned reductions in sales of lower-margin SKUs¹ to favor higher-margin opportunities;
- Surpassed the high end of its targeted gross margin range of 30-40%, marking the fourth consecutive quarter meeting or exceeding the target range and contributing to record annual adjusted EBITDA from continuing operations performance;
- Introduced several new and unique packaging innovations to the Canadian market, including the launch of a one-way aroma valve built directly into its dried flower packaging, windowed packaging for its flower products which enables consumers to see product before purchase, and a proprietary built-in matchbox accessory for its pre-roll offerings to meet growing demand for ready-to-enjoy cannabis experiences;
- Named the winner of Business Vancouver's (BIV) 2026 BC Export Awards in the Consumer Products category, recognizing our exceptional performance and contribution to British Columbia's growing international trade economy;
- Published groundbreaking peer-reviewed research in Scientific Reports (Nature Portfolio), highlighting the natural variability of THC potency within cannabis plants, reinforcing a need for a greater focus on product quality versus potency and more transparent and accurate labeling across the industry; and,
- During the fourth quarter, started the expansion of cultivation capacity in the remaining half of its Delta 2 greenhouse to meet increasing demand in Canadian and our international export markets. The expansion is expected to yield an incremental 40 metric tons of annualized cannabis production, expanding capacity by approximately 33% once completed.

1. Based on estimated retail sales from HiFyre, other third parties and provincial boards.

International Medical Cannabis (Reported Within Canadian Cannabis)

- International export sales increased 517% year-over-year, driven by continued strength of demand in Germany and steady performance across other international markets; and
- The Company believes that it remains the largest exporter of medical cannabis to Europe, with three of the top five leading cultivars in Germany and four of the top 10 through our third-party distribution partners¹.

1. Based on Company estimates and rankings compiled by German outlet Flowzz

Netherlands Cannabis

- Operations in the Company's Phase I facility in Drachten continue at full capacity, with continued strong profitability and operating cash flow generation;
- The Company's products are now represented in 91% of participating coffeeshops, representing increased market penetration sequentially from that of the third quarter;
- The Company continued to advance new product innovation in the Netherlands market and, subsequent to year end, launched 10 new product offerings, including the first regulated blunt in market, as well as infused spliffs, and other pre-roll formats, in the Netherlands. We expect to continue to launch new and innovative products in 2026; and
- Construction of the Company's Phase II facility in Groningen is nearing completion with the facility expected to be operational in the second quarter of 2026. When fully operational, the Phase II facility is expected to quintuple total annualized production to approximately 10,000 kilograms.

U.S. Cannabis

- The Company believes we are poised to benefit from President Trump's Executive Order to reschedule marijuana, which, if enacted, would represent a consequential step in modernizing U.S. cannabis policy and support the development of a regulatory framework more aligned with international drug policies.
- The Company's application for a Texas medicinal marijuana license remains under review by the Department of Public Services ("DPS"). In December 2025, nine new provisional licenses were awarded, of which we were not a recipient, however, DPS is required to award a minimum of three new awards on or before April 1, 2026. If awarded a license, the Company plans to work with its listing authority to structure an acceptable ownership structure and comply with all applicable regulatory requirements, which are still pending in Texas.

Corporate

- Brian Stevenson was appointed to the newly created role of Global Chief Strategy Officer, in which he is leading our enterprise-wide strategic agenda, including long-term growth strategy, global market assessment, and integration initiatives across regions and business units.
- Brian Ellis was appointed to the newly created role of Chief Information and Technology Officer (CITO), in which he is overseeing our enterprise architecture and IT strategy as we continue executing our global growth strategy and transformation initiatives.
- On September 29, 2025, the Company's Board of Directors unanimously approved a US\$10 million share repurchase authorization for up to 5,687,000 common shares (five percent of the Company's issued and outstanding common shares at the date of announcement). During the fourth quarter of 2025, the Company repurchased 812,923 shares at a cost of \$3 million and subsequent to year end 2025 continued to repurchase shares.

Presentation of Financial Results

Our consolidated results of operations for each of the three years ended December 31, 2025, 2024 and 2023 presented below reflect the operations of our consolidated wholly owned subsidiaries, our 70% ownership interest in Rose LifeScience through March 31, 2024, our 80% ownership interest in Rose LifeScience beginning on April 1, 2024, our 85% ownership interest in Leli through September 22, 2024, and our 100% ownership interest in Leli beginning on September 23, 2024.

Foreign Currency Exchange Rates

All currency amounts in this Annual Report are stated in U.S. dollars, which is our reporting currency, unless otherwise noted. All references to “dollars” or “\$” are to U.S. dollars. The assets and liabilities of our foreign operations are translated into dollars at the exchange rate in effect as of December 31, 2025, December 31, 2024, and December 31, 2023. Transactions affecting the shareholders’ equity are translated at historical foreign exchange rates. The consolidated statements of operations and comprehensive income (loss) and consolidated statements of cash flows of our foreign operations are translated into dollars by applying the average foreign exchange rate in effect for the reporting period.

The exchange rates used to translate from Canadian dollars to U.S. dollars is shown below:

	As of December 31,		
	2025	2024	2023
Spot rate	0.7294	0.6957	0.7543
For the year ended	0.7156	0.7301	0.7410

Results of Operations

Consolidated Financial Performance

(In thousands of U.S. dollars, except per share amounts)

	For the Year Ended December 31,		
	2025	2024	2023
Sales	\$ 215,937	\$ 195,907	\$ 163,109
Cost of sales	(128,255)	(150,106)	(115,157)
Gross margin	87,682	45,801	47,952
Selling, general and administrative expenses	(60,293)	(61,748)	(56,714)
Interest expense	(2,704)	(3,365)	(4,495)
Interest income	1,163	914	1,018
Foreign exchange (loss) gain	1,555	(2,843)	602
Other income (expense)	4,173	4,015	32
Goodwill and intangible asset impairments	—	(11,939)	(14,020)
Other impairments	(217)	(439)	—
Income (loss) before taxes and loss from equity method investments	31,359	(29,604)	(25,625)
(Provision for) recovery of income taxes	(10,371)	1,662	(7,451)
Loss from equity method investments	—	—	—
Income (loss) from continuing operations	20,988	(27,942)	(33,076)
Income (loss) from discontinued operations, net of tax	11,117	(7,702)	(1,743)
Income (loss) including non-controlling interests and before equity losses	32,105	(35,644)	(34,819)
Less: net (income) loss attributable to non-controlling interests, net of tax ⁽¹⁾	336	(207)	21
Net income (loss) attributable to Village Farms International, Inc. shareholders	\$ 32,441	\$ (35,851)	\$ (34,798)
Adjusted EBITDA from continuing operations ⁽²⁾	\$ 49,852	\$ 7,374	\$ 7,478
Continuing operations	\$ 0.19	\$ (0.25)	\$ (0.30)
Discontinued operations	0.10	(0.07)	(0.02)
Basic income (loss) per share attributable to Village Farms International, Inc. shareholders	\$ 0.29	\$ (0.32)	\$ (0.32)
Continuing operations	\$ 0.18	\$ (0.25)	\$ (0.30)
Discontinued operations	0.09	(0.07)	(0.02)
Diluted income (loss) per share attributable to Village Farms International, Inc. shareholders	\$ 0.27	\$ (0.32)	\$ (0.32)

- (1) For the years ended December 31, 2025, 2024 and 2023 Rose LifeScience's financial results are fully consolidated in the financial results of the Company with the non-controlling interest presented in net loss attributable to non-controlling interests, net of tax. For the years ended December 31, 2025, 2024 and 2023, Leli's financial results are fully consolidated in the financial results of the Company with the non-controlling interest presented in net loss attributable to non-controlling interests, net of tax.
- (2) Adjusted EBITDA from continuing operations is not a recognized earnings measure and does not have a standardized meaning prescribed by GAAP. Therefore, Adjusted EBITDA from continuing operations may not be comparable to similar measures presented by other issuers. Management believes that Adjusted EBITDA from continuing operations is a useful supplemental measure in evaluating the performance of the Company because it excludes non-recurring and other items that do not reflect our business performance. Adjusted EBITDA from continuing operations includes the Company's 70% interest in Rose LifeScience through March 31, 2024, 80% interest in Rose LifeScience beginning on April 1, 2024, 85% interest in Leli through September 22, 2024, and our 100% interest in Leli beginning on September 23, 2024.

We caution that our results of operations for the years ended December 31, 2025, 2024 and 2023 may not be indicative of our future performance.

Discussion of Financial Results

A discussion of our consolidated results for the years ended December 31, 2025, 2024 and 2023 is included below. The consolidated results include all five of our operating segments, Produce, Cannabis-Canada, Cannabis-U.S., Energy, and Leli, along with all public company expenses. For a discussion of our segmented results, please see "Segmented Results of Operations" below

CONSOLIDATED RESULTS

Year Ended December 31, 2025 Compared to Year Ended December 31, 2024

Sales

Sales for the year ended December 31, 2025 increased \$20,030, or approximately 10%, to \$215,937 from \$195,907 for the year ended December 31, 2024. The increase in sales was primarily attributable to an increase in Canadian Cannabis sales of \$14,854 and first year sales of Cannabis Netherlands of \$9,858, partially offset by a decrease in Produce sales of \$2,614 and a decrease in Cannabis U.S. sales of \$2,951. For additional information, refer to "Segmented Results of Operations" below.

Cost of Sales

Cost of sales for the year ended December 31, 2025 decreased \$21,851, or 15%, to \$128,255 from \$150,106 for the year ended December 31, 2024. The decrease in cost of sales was due primarily to a decrease in Canadian Cannabis cost of sales of \$26,000, partially offset by first year cost of sales from Cannabis Netherlands of \$4,955. For additional information, refer to "Segmented Results of Operations" below.

Gross Profit

Gross profit for the year ended December 31, 2025 increased \$41,881, or 91%, to \$87,682 from \$45,801 for the year ended December 31, 2024. The increase in gross profit was primarily attributable to an increase in gross margin at Canadian Cannabis of \$40,854 and first year margin contribution from Cannabis Netherlands of \$4,903, partially offset by a decrease in US Cannabis of \$2,012 and Produce of \$2,602. For additional information, refer to "Segmented Results of Operations" below.

Selling, General and Administrative Expenses

Selling, general and administrative expenses for the year ended December 31, 2025 decreased \$1,455 to \$60,293, or 28% of sales, from \$61,748, or 32% of sales, for the year ended December 31, 2024. The decrease in selling, general and administrative expenses was due primarily to a decrease in share-based compensation of approximately \$2,006. For additional information, refer to "Segmented Results of Operations" below.

	For the Year Ended December 31,	
	2025	2024
Selling, general and administrative expenses	\$ 58,552	\$ 58,001
Share-based compensation	1,741	3,747
Total selling, general and administrative expenses	\$ 60,293	\$ 61,748

Interest Expense

Interest expense for the year ended December 31, 2025 decreased \$661 to \$2,704 from \$3,365 for the year ended December 31, 2024. The decrease was due to a lower overall borrowing base and a decrease in interest rates on its various debt instruments.

Interest Income

Interest income for the years ended December 31, 2025 and 2024 was \$1,163 and \$914, respectively.

Other Income

Other income for the year ended December 31, 2025 was \$4,173 as compared to \$4,015 for the year ended December 31, 2024. Other income is primarily attributable to favorable vendor settlements relating to the partial recovery of operational losses from the Tomato Brown Rugose Fruit Virus (“ToBRFV”) infestation.

Goodwill and Intangible Asset Impairments

Goodwill and intangible assets impairments for the year ended December 31, 2025 was \$0 compared to \$11,939 for the year ended December 31, 2024. The 2024 impairment was primarily related to the Cannabis U.S. reporting unit's lower financial performance due to new restrictions on CBD sales in an additional eight states beginning July 1, 2024, as well as the continued proliferation of unregulated hemp-derived products in the United States which continues to challenge market share for the compliant GMP based CBD companies.

Income (Loss) Before Taxes and Income (Loss) from Equity Method Investments

Income before taxes and loss from equity method investments for the year ended December 31, 2025 was \$31,359 compared to a loss before taxes and loss from equity method investments of \$29,604 for the year ended December 31, 2024, an increase of \$60,963. The change was primarily due to an increase in gross margin of \$41,881, a decrease in selling general and administrative expenses of \$1,455, and the unfavorable impact of the impairment in 2024 of \$11,939.

(Provision for) Recovery of Income Taxes

The provision for income taxes for the year ended December 31, 2025 was \$10,371 compared to a recovery of income taxes of \$1,662 for the year ended December 31, 2024. For the twelve months ended December 31, 2025, our effective tax rate, including both current and deferred income taxes was 33.1%.

Income (Loss) from Discontinued Operations

Income from discontinued operations for the year ended December 31, 2025 was \$11,117, compared to a loss from discontinued operations of \$7,702 for the year ended December 31, 2024. For the year ended December 31, 2025, discontinued operations consisted of loss from discontinued operations, net of tax, of \$8,686, offset by a gain on sale of assets, net of tax, of \$19,985. For the year ended December 31, 2024, discontinued operations consisted of a loss from operations, net of tax, of \$7,702.

Net Loss (Income) Attributable to Non-controlling Interests, Net of Tax

For the year ended December 31, 2025, the add back for net loss attributable to non-controlling interests, net of tax was \$336 compared to net income of \$207 for the year ended December 31, 2024.

Net Income (Loss) Attributable to Village Farms International, Inc. Shareholders

Net income attributable to Village Farms International, Inc. shareholders for the year ended December 31, 2025 was \$32,441 as compared to a loss of \$35,851 for the year ended December 31, 2024, an increase of \$68,292.

Adjusted EBITDA from continuing operations

Adjusted EBITDA from continuing operations for the year ended December 31, 2025 increased by \$42,478 to \$49,852 from \$7,374 for the year ended December 31, 2024. The increase was primarily due to an increase in Adjusted EBITDA from continuing operations of Canadian Cannabis of \$40,341, as well as increases from Cannabis Netherlands of \$3,558, Clean Energy of \$542, and Cannabis U.S. of \$384, which were partially offset by decreases in Produce of \$1,076 and and corporate costs of \$1,271. See the reconciliation of Adjusted EBITDA from continuing operations to net income in “Non-GAAP Measures—Reconciliation of Net Earnings to Adjusted EBITDA from continuing operations”.

Year Ended December 31, 2024 Compared to Year Ended December 31, 2023

Sales

Sales for the year ended December 31, 2024 increased \$32,798, or 20%, to \$195,907 compared to \$163,109 for the year ended December 31, 2023. The increase in sales was primarily attributable to an increase in Canadian Cannabis sales of \$34,826, partially offset by a decrease in U.S. Cannabis sales of \$2,940. For additional information, refer to "Segmented Results of Operations" below.

Cost of Sales

Cost of sales for the year ended December 31, 2024 increased \$34,949, or 30%, to \$150,106 from \$115,157 for the year ended December 31, 2023. The increase in cost of sales is due primarily to an increase in Canadian Cannabis cost of sales of \$40,082, partially offset by a decrease in Produce cost of sales of \$4,594, as well as a decrease in U.S. Cannabis cost of sales of \$647. For additional information, refer to "Segmented Results of Operations" below.

Gross Profit

Gross profit for the year ended December 31, 2024 decreased \$2,151, or 4%, to \$45,801 from \$47,952 for the year ended December 31, 2023. The decrease was primarily attributable to a decrease in gross profit at Canadian Cannabis of \$5,256 resulting from the non-cash inventory impairment in the fourth quarter of \$10,436 (C\$15,000), and a decrease in US Cannabis of \$2,293, partially offset by an increase in gross margin at Produce of \$4,754. For additional information, refer to "Segmented Results of Operations" below.

Selling, General and Administrative Expenses

Selling, general and administrative expenses for the year ended December 31, 2024 increased \$5,034, or 9%, to \$61,748 or 32% of sales from \$56,714 or 35% of sales for the year ended December 31, 2023. The increase in selling, general and administrative expenses was due to an increase in operating expenses of \$4,398, driven by higher commercial and marketing expenses at Canadian Cannabis, and an increase in share-based compensation of approximately \$636. For additional information, refer to "Segmented Results of Operations" below.

	For the Year Ended December 31,	
	2024	2023
Selling, general and administrative expenses	\$ 58,001	\$ 53,603
Share-based compensation	3,747	3,111
Total selling, general and administrative expenses	\$ 61,748	\$ 56,714

Interest Expense

Interest expense for the year ended December 31, 2024 decreased \$1,130 to \$3,365 from \$4,495 for the year ended December 31, 2023. The decrease was due to a decrease in the overall borrowing base and a decrease in the Company's interest rates on its debt instruments.

Interest Income

Interest income for the years ended December 31, 2024 and 2023 was \$914 and \$1,018, respectively.

Other Income (Expense)

Other income for the year ended December 31, 2024 was \$4,015 as compared to \$32 for the year ended December 31, 2023. The increase in other income (expense) was primarily attributable to a favorable vendor settlement relating to the partial recovery of operational losses from the Tomato Brown Rugose Fruit Virus ("ToBRFV").

Goodwill and Intangible Asset Impairments

Goodwill and intangible assets impairments for the year ended December 31, 2024 were \$11,939 compared to \$14,020 for the year ended December 31, 2023. The impairments were primarily related to the U.S. Cannabis reporting unit as a result of continued lower sales performance during 2024 and 2023 due to ongoing evolving restrictions on CBD sales in states and the proliferation of unregulated hemp-derived products throughout the United States CBD market.

Loss Before Taxes and Loss from Equity Method Investments

Loss before taxes and loss from equity method investments for the year ended December 31, 2024 was \$29,604 compared to \$25,625 for the year ended December 31, 2023. The increase of \$3,979 was primarily due to a decrease in gross margin of \$2,151, an increase in selling general and administrative expenses of \$5,034, partially offset by a favorable vendor settlement relating to the partial recovery of operational losses from the Tomato Brown Rugose Fruit Virus ("ToBRFV").

(Provision for) Recovery of Income Taxes

The recovery for income taxes for the year ended December 31, 2024 was \$1,662, compared with a provision for income tax of \$7,451 for the year ended December 31, 2023. For the twelve months ended December 31, 2024, our effective tax rate, including both current and deferred income taxes, was (4.5%), which includes a change in valuation allowance against our deferred tax assets of \$6,031.

(Loss) Income from Discontinued Operations, Net of Tax

Loss from discontinued operations for the year ended December 31, 2024 was \$7,702, compared to income from discontinued operations of \$1,743 for the year ended December 31, 2023. The change of \$5,959 is primarily attributable to favorable vendor settlements relating to the partial recovery of operational losses from the Tomato Brown Rugose Fruit Virus (“ToBRFV”) infestation during the year ended December 31, 2023.

Net Income (Loss) Attributable to Non-controlling Interests, Net of Tax

For the year ended December 31, 2024, the add back for net income attributable to non-controlling interests, net of tax was \$207 compared to a net loss of \$21 for the year ended December 31, 2023.

Net Loss Attributable to Village Farms International, Inc. Shareholders

Net loss attributable to Village Farms International, Inc. shareholders for the year ended December 31, 2024 was \$35,851 as compared to \$34,798 for the year ended December 31, 2023.

Adjusted EBITDA from continuing operations

Adjusted EBITDA from continuing operations for the year ended December 31, 2024 decreased \$104, so essentially flat, to \$7,374 from \$7,478 for the year ended December 31, 2023. The decrease was primarily due to a decrease in Adjusted EBITDA from continuing operations of Canadian Cannabis of \$7,482 resulting from the non-cash inventory impairment in the fourth quarter of \$10,436 (C\$15,000), and a decrease in U.S. Cannabis of \$1,533, essentially offset by an improvement in Produce of \$7,343, Clean Energy of \$957 and corporate overheads of \$713. See the reconciliation of Adjusted EBITDA from continuing operations to net income in “Non-GAAP Measures—Reconciliation of Net Earnings to Adjusted EBITDA from continuing operations”.

SEGMENTED RESULTS OF OPERATIONS

(In thousands of U.S. dollars, except per share amounts, and unless otherwise noted)

	For the Year Ended December 31, 2025						Total
	Produce	Cannabis Canada (1)	Cannabis U.S.	Clean Energy	Cannabi s Netherla nds	Corporate	
Sales	\$ 26,295	\$ 163,710	\$ 14,439	\$ 1,635	\$ 9,858	\$ —	\$ 215,937
Cost of sales	(25,438)	(92,172)	(5,416)	(274)	(4,955)	—	(128,255)
Selling, general and administrative expenses	(2,792)	(34,872)	(9,585)	(48)	(2,849)	(10,147)	(60,293)
Other income (expense), net	3,232	(1,063)	(3)	—	(108)	2,129	4,187
Other impairments	—	—	(217)	—	—	—	(217)
Income (loss) before taxes and loss from equity method investments	1,297	35,603	(782)	1,313	1,946	(8,018)	31,359
Provision for income taxes	(57)	(9,362)	—	(286)	(666)	—	(10,371)
Equity method investment income, net of tax	—	—	—	—	—	—	—
Income (loss) from continuing operations	1,240	26,241	(782)	1,027	1,280	(8,018)	20,988
Income from discontinued operations, net of tax	11,117	—	—	—	—	—	11,117
Income (loss) including non-controlling interests	12,357	26,241	(782)	1,027	1,280	(8,018)	32,105
Less: net income attributable to non-controlling interests, net of tax	—	336	—	—	—	—	336
Net income (loss)	<u>\$ 12,357</u>	<u>\$ 26,577</u>	<u>\$ (782)</u>	<u>\$ 1,027</u>	<u>\$ 1,280</u>	<u>\$ (8,018)</u>	<u>\$ 32,441</u>
Adjusted EBITDA from continuing operations ⁽²⁾	<u>\$ 6,666</u>	<u>\$ 47,623</u>	<u>\$ (288)</u>	<u>\$ 1,313</u>	<u>\$ 3,299</u>	<u>\$ (8,761)</u>	<u>\$ 49,852</u>
Basic income (loss) per share from continuing operations	\$ 0.01	\$ 0.23	\$ —	\$ 0.01	\$ 0.01	\$ (0.07)	\$ 0.19
Basic income per share from discontinued operations	0.10	-	-	-	-	-	0.10
Basic income (loss) per share	<u>\$ 0.11</u>	<u>\$ 0.23</u>	<u>\$ —</u>	<u>\$ 0.01</u>	<u>\$ 0.01</u>	<u>\$ (0.07)</u>	<u>\$ 0.29</u>
Diluted income (loss) per share from continuing operations	\$ 0.01	\$ 0.22	\$ —	\$ 0.01	\$ 0.01	\$ (0.07)	\$ 0.18
Diluted income per share from discontinued operations	0.09	-	-	-	-	-	0.09
Diluted income (loss) per share	<u>\$ 0.10</u>	<u>\$ 0.22</u>	<u>\$ —</u>	<u>\$ 0.01</u>	<u>\$ 0.01</u>	<u>\$ (0.07)</u>	<u>\$ 0.27</u>

For the Year Ended December 31, 2024

	Produce	Cannabis Canada (1)	Cannabis U.S.	Clean Energy	Cannabis Netherlands (1)	Corporate	Total
Sales	\$ 28,909	\$ 148,856	\$ 17,390	\$ 752	\$ —	\$ —	\$ 195,907
Cost of sales	(25,450)	(118,172)	(6,355)	(129)	—	—	(150,106)
Selling, general and administrative expenses	(2,949)	(34,028)	(11,990)	(38)	(1,555)	(11,188)	(61,748)
Other income (expense), net	1,408	(1,007)	0	170	—	(1,850)	(1,279)
Goodwill and intangible impairments	—	—	(11,939)	—	—	—	(11,939)
Other impairments	—	—	(439)	—	—	—	(439)
Income (loss) before taxes and loss from equity method investments	1,918	(4,351)	(13,333)	755	(1,555)	(13,038)	(29,604)
('Provision for) recovery of income taxes	(100)	1,537	—	—	391	(166)	1,662
Equity method investment income, net of tax	—	—	—	—	—	—	—
Income (loss) from continuing operations	1,818	(2,814)	(13,333)	755	(1,164)	(13,204)	(27,942)
Loss from discontinued operations, net of tax	(7,702)	—	—	—	—	—	(7,702)
Income (loss) including non-controlling interests	(5,884)	(2,814)	(13,333)	755	(1,164)	(13,204)	(35,644)
Less: net (income) loss attributable to non-controlling interests, net of tax	—	(367)	—	—	160	—	(207)
Net (loss) income	<u>\$ (5,884)</u>	<u>\$ (3,181)</u>	<u>\$ (13,333)</u>	<u>\$ 755</u>	<u>\$ (1,004)</u>	<u>\$ (13,204)</u>	<u>\$ (35,851)</u>
Adjusted EBITDA from continuing operations ⁽²⁾	<u>\$ 7,742</u>	<u>\$ 7,282</u>	<u>\$ (672)</u>	<u>\$ 771</u>	<u>\$ (259)</u>	<u>\$ (7,490)</u>	<u>\$ 7,374</u>
Basic income (loss) per share from continuing operations	\$ 0.02	\$ (0.03)	\$ (0.12)	\$ 0.01	\$ (0.01)	\$ (0.12)	\$ (0.25)
Basic loss per share from discontinued operations	(0.07)	-	-	-	-	-	(0.07)
Basic loss per share	<u>\$ (0.05)</u>	<u>\$ (0.03)</u>	<u>\$ (0.12)</u>	<u>\$ 0.01</u>	<u>\$ (0.01)</u>	<u>\$ (0.12)</u>	<u>\$ (0.32)</u>
Diluted income (loss) per share from continuing operations	\$ 0.02	\$ (0.03)	\$ (0.12)	\$ 0.01	\$ (0.01)	\$ (0.12)	\$ (0.25)
Diluted loss per share from discontinued operations	(0.07)	(0.00)	-	-	0.00	-	(0.07)
Diluted loss per share	<u>\$ (0.05)</u>	<u>\$ (0.03)</u>	<u>\$ (0.12)</u>	<u>\$ 0.01</u>	<u>\$ (0.01)</u>	<u>\$ (0.12)</u>	<u>\$ (0.32)</u>

For the Year Ended December 31, 2023

	Produce	Cannabis Canada (1)	Cannabis U.S.	Clean Energy	Cannabis Netherla nds (1)	Corporat e	Total
Sales	\$ 28,749	\$ 114,030	\$ 20,330	\$ —	\$ —	\$ —	163,109
Cost of sales	(30,044)	(78,090)	(7,002)	(21)	—	—	(115,157)
Selling, general and administrative expenses	(1,838)	(29,275)	(13,118)	(32)	(1,265)	(11,186)	(56,714)
Other (expense) income, net	(2,075)	(2,136)	(18)	(133)	—	1,519	(2,843)
Goodwill and intangible asset impairments	—	—	(14,020)	—	—	—	(14,020)
Loss (income) before taxes and equity method investment income	(5,208)	4,529	(13,828)	(186)	(1,265)	(9,667)	(25,625)
(Provision for) recovery of income taxes	(4,284)	(1,431)	—	—	48	(1,784)	(7,451)
Equity method investment income, net of tax	—	—	—	—	—	—	—
Loss (income) from continuing operations	(9,492)	3,098	(13,828)	(186)	(1,217)	(11,451)	(33,076)
Loss from discontinued operations net of tax	(1,743)	—	—	—	—	—	(1,743)
(Loss) income including non-controlling interests	(11,235)	3,098	(13,828)	(186)	(1,217)	(11,451)	(34,819)
Less: net loss (income) attributable to non-controlling interests, net of tax	—	(162)	—	—	183	—	21
Net (loss) income	<u>\$ (11,235)</u>	<u>\$ 2,936</u>	<u>\$ (13,828)</u>	<u>\$ (186)</u>	<u>\$ (1,034)</u>	<u>\$ (11,451)</u>	<u>\$ (34,798)</u>
Adjusted EBITDA from continuing operations ⁽²⁾	<u>\$ 399</u>	<u>\$ 14,764</u>	<u>\$ 861</u>	<u>\$ (186)</u>	<u>\$ (157)</u>	<u>\$ (8,203)</u>	<u>\$ 7,478</u>
Basic (loss) income per share from continuing operations	\$ (0.09)	\$ 0.03	\$ (0.13)	\$ (0.00)	\$ (0.01)	\$ (0.10)	\$ (0.30)
Basic loss per share from discontinued operations	(0.02)	-	-	-	-	-	(0.02)
Basic (loss) income per share	<u>\$ (0.10)</u>	<u>\$ 0.03</u>	<u>\$ (0.15)</u>	<u>\$ (0.00)</u>	<u>\$ (0.01)</u>	<u>\$ (0.09)</u>	<u>\$ (0.32)</u>
Diluted (loss) income per share from continuing operations	\$ (0.09)	\$ 0.03	\$ (0.13)	\$ (0.00)	\$ (0.01)	\$ (0.10)	\$ (0.30)
Diluted loss per share from discontinued operations	(0.02)	-	-	-	-	-	(0.02)
Diluted (loss) income per share	<u>\$ (0.10)</u>	<u>\$ 0.03</u>	<u>\$ (0.15)</u>	<u>\$ (0.00)</u>	<u>\$ (0.01)</u>	<u>\$ (0.09)</u>	<u>\$ (0.32)</u>

- (1) For the years ended December 31, 2025, 2024, and 2023, Rose LifeScience's financial results are fully consolidated in the financial results of the Company with the non-controlling interest presented in net (income) loss attributable to non-controlling interests, net of tax. For the years ended December 31, 2025, 2024 and 2023, Leli's financial results are fully consolidated in the financial results of the Company with the minority non-controlling interest presented in net (income) loss attributable to non-controlling interests, net of tax.
- (2) Adjusted EBITDA from continuing operations is not a recognized earnings measure and does not have a standardized meaning prescribed by GAAP. Therefore, Adjusted EBITDA from continuing operations may not be comparable to similar measures presented by other issuers. Management believes that Adjusted EBITDA from continuing operations is a useful supplemental measure in evaluating the performance of the Company because it excludes non-recurring and other items that do not reflect our business performance. Adjusted EBITDA from continuing operations includes the Company's 70% interest in Rose LifeScience through March 31, 2024, 80% interest in Rose LifeScience beginning on April 1, 2024, 85% interest in Leli through September 22, 2024, and our 100% interest in Leli beginning on September 23, 2024.

CANADIAN CANNABIS SEGMENT RESULTS

The Cannabis Canada segment consists of Pure Sunfarms and Rose LifeScience. The comparative analysis for Canadian Cannabis is based on the consolidated results of Pure Sunfarms and Rose LifeScience for the years ended December 31, 2025, 2024, and 2023. The Rose LifeScience minority interest is presented in Net Loss Attributable to Non-controlling Interests, Net of Tax.

Year Ended December 31, 2025 Compared to Year Ended December 31, 2024

Sales

Canadian Cannabis net sales for the years ended December 31, 2025 increased by \$14,854, or 10%, to \$163,710 from \$148,856, for the year ended December 31, 2024. The increase in sales was due to an increase in international sales of \$31,756, or 517%, primarily due to strength in export volumes to Europe, partially offset by a decrease in branded sales of 12% and a decrease in non-branded sales of 14%.

Canadian Cannabis continues to pay a burdensome excise tax on its branded sales (sales to provincial distributors). For the year ended December 31, 2025, the Company incurred excise duties of \$59,950 (C\$83,744), or 38% of gross branded sales, compared to \$71,953 (C\$98,442), or 39% of gross branded sales, for the year ended December 31, 2024. The decrease of \$12,003 (C\$14,698), or 17%, was due to a decrease in kilograms sold in the branded channel and the impact of exchange rate fluctuations. The Canadian excise duty is our single largest cost of participating in the branded adult-use market in Canada.

For the year ended December 31, 2025, 60% of net sales were generated from branded flower, pre-rolls and cannabis derivative products compared to 75% for the year ended December 31, 2024. Non-branded, international, and other sales accounted for 40% of Canadian Cannabis net sales for the year ended December 31, 2025, as compared to 25% for the year ended December 31, 2024.

The net average selling price of branded flower and pre-roll formats increased in 2025 compared to 2024 due to a planned mix shift toward higher market brands. Excluding pre-roll formats, the average net selling price of branded flower increased by 2% for the year ended December 31, 2025. The net average selling price of bulk non-branded flower increased by 2%. The net average selling price of international sales decreased by 11% due to a shift in product mix in favor of bulk flower over packaged flower.

The following table presents sales by Canadian Cannabis revenue stream, together with the impact of excise tax, in U. S. dollars and Canadian dollars, for the years ended December 31, 2025 and 2024:

(in thousands of U.S. dollars)	For The Year Ended	
	December 31, 2025	December 31, 2024
Branded sales	\$ 158,881	\$ 183,904
International sales	37,893	6,137
Non-branded sales	24,857	28,827
Other	2,029	1,941
Less: excise taxes	(59,950)	(71,953)
Net Sales	\$ 163,710	\$ 148,856

(in thousands of Canadian dollars)	For The Year Ended	
	December 31, 2025	December 31, 2024
Branded sales	\$ 221,907	\$ 251,708
International sales	52,730	8,417
Non-branded sales	34,506	39,625
Other	2,831	2,665
Less: excise taxes	(83,744)	(98,442)
Net Sales	\$ 228,230	\$ 203,973

Cost of Sales

Cost of sales for the year ended December 31, 2025 decreased \$26,000, or 22%, to \$92,172 from \$118,172 for the year ended December 31, 2024. The decrease was primarily due to a decrease in volume (kilograms) packaged and sold of our branded and non-branded products and a shift in international sales mix in favor of bulk flower, which has a lower average cost per gram, over other packaged products. The year ended 2024 also had an unfavorable, non-cash, inventory impairment relative to its net realizable value of \$10,436 (C\$15,000), resulting from older manufactured inventory products which required incremental rework costs that were higher than the resell value of the finished goods.

Gross Profit

Gross profit for the year ended December 31, 2025 increased \$40,854, or 133%, to \$71,538 from \$30,684 for the year ended December 31, 2024. Gross profit as a percentage of net sales for the periods ended December 31, 2025 increased to 44% from 21%, for the year ended December 31, 2024. The increase was due to higher sales volume of bulk flower in international sales, higher sales of trim, and the non-cash inventory impairment during the year ended December 31, 2024 of \$10,436 (C\$15,000).

Selling, General and Administrative Expenses

Selling, general and administrative expenses for the year ended December 31, 2025 increased \$844, or 2%, to \$34,872, or 21% of net sales, from \$34,028, or 23% of net sales, for the year ended December 31, 2024. The increase was primarily due to higher commercial and marketing expenses and incremental integration costs.

Other Expense, Net

Other expense, net was \$1,063 for the year ended December 31, 2025 compared to \$1,007 for the year ended December 31, 2024.

Net Income (Loss)

Net income for the year ended December 31, 2025 was \$26,577 compared to a net loss of (\$3,181) for the year ended December 31, 2024. The increase was primarily due to improved gross margin in 2025 and the impact of the 2024 inventory write down of \$10,436 (C\$15,000) on our 2024 results, partially offset by an increase in the tax provision expense of \$10,899 and an increase in selling, general and administrative expenses.

Adjusted EBITDA from continuing operations

Adjusted EBITDA from continuing operations was \$47,623 for the year ended December 31, 2025 and \$7,282 for the year ended December 31, 2024. The increase of \$40,341, or 554%, between periods was primarily due to the improved margins and the inventory impairment charge of \$10,436 (C\$15,000) during the year ended December 31, 2024. See the reconciliation of Adjusted EBITDA from continuing operations to net income in “Non-GAAP Measures—Reconciliation of Net Earnings to Adjusted EBITDA from continuing operations”.

Year Ended December 31, 2024 Compared to Year Ended December 31, 2023

Sales

Canadian cannabis net sales for the year ended December 31, 2024 increased by \$34,826, or 31%, to \$148,856 from \$114,030, for the year ended December 31, 2023. The increase in sales was due to a 26% increase in branded sales, an 86% increase in non-branded sales, and a 33% increase in international sales, partially offset by an unfavorable impact of exchange rate fluctuations. The increase in branded sales was due to market share gain across the flower, pre-roll and milled categories, driven by high quality cultivation and new product launches. The increase in non-branded sales resulted from improved industry supply conditions and pricing supported by a shift of many producers toward asset light models, as well as sales of non-brand-spec inventory.

Canadian Cannabis continues to pay a burdensome excise tax on its branded sales (sales to provincial distributors). For the year ended December 31, 2024, the Company incurred excise tax of \$71,953 (C\$98,442) versus \$58,015 (C\$78,315) for the year ended December 31, 2023. The increase of \$13,938 (C\$20,127), or 24%, in excise taxes was due to an increase in kilograms sold in the branded channel. The Canadian excise tax is our single largest cost of participating in the adult-use (branded) market in Canada.

For the year ended December 31, 2024, 75% of Canadian Cannabis net sales was generated from branded flower, pre-roll, and cannabis derivative products, net of excise tax. For the year ended December 31, 2023, 80% of Canadian Cannabis net sales was generated from branded flower, pre-roll sales and cannabis derivative products, net of excise tax. Non-branded accounted for 19% and international accounted 4% of Canadian Cannabis net sales in 2024, as compared to non-branded of 14% and international of 4% in 2023. The increase in non-branded sales was driven by increased demand for bulk flower products.

The net average selling price of branded flower and pre-roll formats decreased in 2024 compared to 2023. Excluding pre-roll formats, the average net selling price of branded flower decreased by (2%) in 2024 due to a higher ratio of sales for our value brand Fraser Valley Weed Co and our milled and pre roll branded products. The net average selling price of bulk non-branded flower and trim increased by 45% in 2024 largely due to an increase in bulk flower, which are sold at a higher selling price, and higher demand for lower specification biomass which led to increased volumes and prices.

The following table presents sales by Canadian Cannabis revenue stream, together with the impact of excise tax, in U. S. dollars and Canadian dollars, for the years ended December 31, 2024 and 2023:

(in thousands of U.S. dollars)	For The Year Ended	
	December 31, 2024	December 31, 2023
Branded sales	\$ 183,904	\$ 149,929
International sales	6,137	4,600
Non-branded sales	28,827	15,457
Other	1,941	2,059
Less: excise taxes	(71,953)	(58,015)
Net Sales	\$ 148,856	\$ 114,030

(in thousands of Canadian dollars)	For The Year Ended	
	December 31, 2024	December 31, 2023
Branded sales	\$ 251,708	\$ 202,367
International sales	8,417	6,208
Non-branded sales	39,625	20,967
Other	2,665	2,778
Less: excise taxes	(98,442)	(78,315)
Net Sales	\$ 203,973	\$ 154,005

Cost of Sales

Cost of sales for the years ended December 31, 2024 increased \$40,082, or 51%, to \$118,172 from \$78,090 for the year ended December 31, 2023, primarily due to an increase in volume (kilograms) packaged and sold of branded products, as well as the non-cash inventory impairment relative to its net realizable value of \$10,436 (C\$15,000) for the year ended December 31, 2024, resulting from older manufactured inventory products which required incremental rework costs that were higher than the resell value of the finished goods, so it was concluded to write off this inventory rather than to continue incurring incremental costs to sell it.

Gross Margin

Gross margin for the year ended December 31, 2024 decreased \$5,256, or 15%, to \$30,684 from \$35,940 for the year ended December 31, 2023. Gross margin as a percentage of net sales for the periods ended December 31, 2024 and 2023 was 21% and 32%, respectively, the lower 2024 gross margin was primarily due to the non-cash inventory impairment in the fourth quarter of \$10,436 (C\$15,000). Excluding the inventory write down, gross margin as a percentage of net sales for the period ended December 31, 2024 was 28% compared to 32% for the year ended December 31, 2023.

Selling, General and Administrative Expenses

Selling, general and administrative expenses for the year ended December 31, 2024 increased \$4,753, or 16%, to \$34,028, or 23% of net sales, from \$29,275, or 26% of net sales, for the year ended December 31, 2023. The increase in selling, general and administrative expenses was primarily due to higher commercial and marketing expenses, which has helped drive increases in branded sales.

Other (Expense) Income, net

Other expense, net was \$1,007 for the year ended December 31, 2024 compared to \$2,136 for the year ended December 31, 2023, the decrease of \$1,129 was due primarily to lower interest expense.

Net Income (Loss)

Net loss for the year ended December 31, 2024 was \$3,181 compared to net income of \$2,936 for the year ended December 31, 2023. The change is primarily due to the inventory write down of \$10,436 (C\$15,000). Excluding the inventory write down, net income for the year ended December 31, 2024 was \$7,255. The improvement was due primarily to increased sales, partially offset by a lower margin, higher selling, general and administrative costs, and decrease in tax provision of \$2,968 when compared to the prior year.

Adjusted EBITDA from continuing operations

Adjusted EBITDA from continuing operations was \$7,282 for the year ended December 31, 2024 and \$14,764 for the year ended December 31, 2023. The decrease of \$7,482, or 51%, between periods was due to an inventory impairment charge of \$10,436 (C\$15,000) during the year ended December 31, 2024. Excluding the inventory write down, Adjusted EBITDA from continuing operations was \$17,718, an increase of 20% compared to the year ended December 31, 2023. See the reconciliation of Adjusted EBITDA from continuing operations to net income in “Non-GAAP Measures—Reconciliation of Net Earnings to Adjusted EBITDA from continuing operations”.

U. S. CANNABIS SEGMENT RESULTS

The U.S. Cannabis segment is composed of Balanced Health.

Year Ended December 31, 2025 Compared to Year Ended December 31, 2024

Sales

U.S. Cannabis net sales for the year ended December 31, 2025 decreased \$2,951, or 17%, to \$14,439, from \$17,390 for the year ended December 31, 2024. The decrease was primarily due to new restrictions on sales in an additional eight states beginning July 1, 2024 and lower direct-to-consumer sales resulting from the proliferation of unregulated hemp-derived products on the market. All U.S. Cannabis sales were generated in the United States, with gross sales composed of 94% e-commerce sales and 6% retail sales.

Cost of Sales

U.S. Cannabis cost of sales for the year ended December 31, 2025 decreased \$939, or 15%, to \$5,416 from \$6,355 for the year ended December 31, 2024. The decrease was primarily due to lower sales, as well as cost efficiencies from the internalization of gummy manufacturing.

Gross Profit

U.S. Cannabis gross profit for the year ended December 31, 2025 was \$9,023, or a 63% gross margin, compared to \$11,035, or a 66% gross margin, for the year ended December 31, 2024.

Selling, General and Administrative Expenses

U.S. Cannabis selling, general and administrative expenses for the year ended December 31, 2025 decreased \$2,405 to \$9,585, or 66% of sales, from \$11,990, or 69% of sales, for the year ended December 31, 2024. The improvement in selling, general and administrative expenses was primarily due to more efficient marketing and brand spending, as well as favorable contract renegotiations.

Goodwill and Intangible Asset Impairments

Goodwill and intangible assets impairments for the year ended December 31, 2025 were \$0 compared to \$11,939 for the year ended December 31, 2024. The impairment in the year ended December 31, 2024 was primarily related to the continued lower financial performance during 2024 due to the new restrictions on CBD sales in various states, as well as the proliferation of unregulated hemp-derived products on the market which continues to challenge market share for the CBD industry.

Net Loss

U.S. Cannabis net loss for the year ended December 31, 2025 was \$782 compared to a loss of \$13,333 for the year ended December 31, 2024. The improvement in U.S. Cannabis net loss was primarily due to the negative impact of the impairment cost in 2024 of \$11,939.

Adjusted EBITDA from continuing operations

U.S. Cannabis Adjusted EBITDA from continuing operations for the year ended December 31, 2025 was (\$288) compared to (\$672) for the year ended December 31, 2024. The improvement in the Adjusted EBITDA from continuing operations was due primarily to lower cost of sales due to cost efficiencies from the internalization of gummy manufacturing. See the reconciliation of Adjusted EBITDA from continuing operations to net income in “Non-GAAP Measures—Reconciliation of Net Earnings to Adjusted EBITDA from continuing operations”.

Year Ended December 31, 2024 Compared to Year Ended December 31, 2023

Sales

U.S. Cannabis net sales for the year ended December 31, 2024 decreased \$2,940, or 14%, to \$17,390, from \$20,330 for the year ended December 31, 2023. The decrease was primarily due to new restrictions on CBD sales in eight states beginning July 1, 2024 and lower direct-to-consumer sales resulting from the proliferation of unregulated hemp-derived products on the market. All U.S. Cannabis sales were generated in the United States, with gross sales composed of 92% e-commerce sales, 7% retail sales and 1% miscellaneous.

Cost of Sales

U.S. Cannabis cost of sales for the year ended December 31, 2024 decreased \$647, or 9%, to \$6,355 from \$7,002 for the year ended December 31, 2023. The decrease was primarily due to lower sales.

Gross Profit

U.S. Cannabis gross profit for the year ended December 31, 2024 was \$11,035, or a 63% gross margin, compared to \$13,328, or a 66% gross margin, for the year ended December 31, 2023.

Selling, General and Administrative Expenses

U.S. Cannabis selling, general and administrative expenses for the year ended December 31, 2024 were \$11,990, or 69% of sales, compared to \$13,118, or 65% of sales, for the year ended December 31, 2023. The improvement in selling, general and administrative expenses when compared to the same prior year period is due to more efficient marketing and brand spending and contract renegotiation.

Goodwill and Intangible Asset Impairments

Goodwill and intangible assets impairments for the year ended December 31, 2024 was \$11,939 compared to \$14,020 for the year ended December 31, 2023. The impairments were primarily related to the U.S. Cannabis reporting unit as a result of continued lower sales and financial performance versus prior periods due to new restrictions on CBD sales in states, as well as the proliferation of unregulated hemp-derived products throughout the United States.

Net Loss

U.S. Cannabis net loss for the year ended December 31, 2024 was \$13,333 compared to a loss of \$13,828 for the year ended December 31, 2023. The decrease in net loss was primarily due to a lower impairment cost in the year ended December 31, 2024 of \$12,378 compared to an impairment cost of \$14,020 for the year ended December 31, 2023.

Adjusted EBITDA from continuing operations

U.S. Cannabis Adjusted EBITDA from continuing operations for the year ended December 31, 2024 was (\$672) compared to \$861 for the year ended December 31, 2023. The decline in the Adjusted EBITDA from continuing operations was due primarily to lower sales at a lower gross margin. See the reconciliation of Adjusted EBITDA from continuing operations to net income in “Non-GAAP Measures—Reconciliation of Net Earnings to Adjusted EBITDA from continuing operations”.

NETHERLANDS CANNABIS SEGMENT RESULTS

The Netherlands Cannabis segment is composed of Leli Holland. Leli Holland commenced sales during the first quarter of 2025. Leli Holland was not operational during 2024 and, as a result, comparative financial performance to the prior-year periods is not meaningful.

Year Ended December 31, 2025

Sales

Net sales for the year ended December 31, 2025 were \$9,858.

Cost of Sales

Cost of sales for the year ended December 31, 2025 was \$4,955.

Gross Profit

Gross profit for the year ended December 31, 2025 was \$4,903, or a 50% gross margin.

Selling, General and Administrative Expenses

Selling, general and administrative expenses for the year ended December 31, 2025 were \$2,849.

Net Income

Net income for the for the year ended December 31, 2025 was \$1,280.

Adjusted EBITDA from continuing operations

Adjusted EBITDA from continuing operations for the year ended December 31, 2025 was \$3,299.

PRODUCE SEGMENT RESULTS

The Produce segment is composed of VFCLP, as well as the remaining assets of VFLLP. The Produce's segment's comparative analysis is based primarily on the consolidated results from continuing operations of VFCLP.

Year Ended December 31, 2025 Compared to the Year Ended December 31, 2024

Sales

Produce sales for the year ended December 31, 2025 decreased by \$2,614, or 9% , to \$26,295, compared to \$28,909 for the year ended December 31, 2024. The decrease is primarily due to a sales commission charged on produce sales as a result of the supply agreement with Vanguard Produce Canada ULC (now Village Fresh Canada ULC).

Cost of Sales

Produce cost of sales for the year ended December 31, 2025 was \$25,438 compared to \$25,450 for the year ended December 31, 2024, essentially flat.

Gross Profit

Produce gross profit for the year ended December 31, 2025 decreased \$2,602, or 75%, to \$857 from a gross profit of \$3,459 for the year ended December 31, 2024. Total gross margin percentage was 3% for the year ended December 31, 2025, compared to 12% for the year ended December 31, 2024. The decrease was due to a sales commission charged on produce sales as a result of the supply agreement with Village Fresh Canada, which did not exist in the year ended December 31, 2024.

Selling, General and Administrative Expenses

Produce selling, general and administrative expenses for the year ended December 31, 2025 decreased \$157, or 5%, to \$2,792 from \$2,949 for the year ended December 31, 2024.

Net Income From Continuing Operations

Produce net income from continuing operations for the year ended December 31, 2025 decreased \$578, or 32%, to \$1,240 from \$1,818 for the year ended December 31, 2024. The decrease was due to the new 2025 sales commission to Village Fresh Canada.

Adjusted EBITDA From Continuing Operations

Produce adjusted EBITDA from continuing operations for the year ended December 31, 2025 decreased \$1,076, or (14%), to \$6,666 from \$7,742 for the year ended December 31, 2024. The decrease was the result of lower sales due to the sales commission charged on produce sales under the supply agreement with Village Fresh Canada. See the reconciliation of Adjusted EBITDA from continuing operations to net (loss) income in "Non-GAAP Measures—Reconciliation of Net Loss to Adjusted EBITDA from Continuing Operations."

Year Ended December 31, 2024 Compared to the Year Ended December 31, 2023

Sales

Sales for the year ended December 31, 2024 increased by \$160 to \$28,909, from \$28,749 for the year ended December 31, 2023.

Cost of Sales

Cost of sales decreased \$4,594, or 15%, to \$25,450 for the year ended December 31, 2024, from \$30,044 for the year ended December 31, 2023. The decrease is primarily due to costs incurred in 2023 related to the end of the Monahans Greenhouse crop at the beginning of 2023 as preparations were made to shut the greenhouse down.

Gross Profit (Loss)

Gross profit increased \$4,754 to \$3,459, or a 12% gross margin, for the year ended December 31, 2024, from a gross loss of \$1,295, or a (5%) gross margin, for the year ended December 31, 2023. The improvement in gross margin was due primarily to the lower cost of sales.

Selling, General and Administrative Expenses

Selling, general and administrative expenses for the year ended December 31, 2024 increased \$1,111, or 60%, to \$2,949 from \$1,839 for the year ended December 31, 2023. The increase was primarily due to a recovery of prior period legal costs associated with vendor settlements for the year ended December 31, 2023.

Net Income (Loss) From Continuing Operations

Net income from continuing operations for the year ended December 31, 2024 was \$1,818 compared to a net loss of \$9,492 for the year ended December 31, 2023. The improvement in net loss was primarily due to a higher gross margin and a favorable vendor settlement relating to the partial recovery of operational losses from the ToBRFV infestation of \$4,015.

Adjusted EBITDA From Continuing Operations

Adjusted EBITDA from continuing operations for the year ended December 31, 2024 improved to \$7,742 from \$399 for the year ended December 31, 2023. The improvement was due to the favorable vendor settlement of \$4,015 as described above and improvements in gross margin. See the reconciliation of Adjusted EBITDA from continuing operations to net (loss) income in “Non-GAAP Measures—Reconciliation of Net Loss to Adjusted EBITDA from Continuing Operations.”

LIQUIDITY AND CAPITAL RESOURCES

Capital Resources

As of December 31, 2025, we had \$86,252 in cash, cash equivalents, and restricted cash, and \$95,851 of working capital, compared to \$24,631 in cash, cash equivalents and restricted cash and \$53,800 of working capital as of December 31, 2024. Subsequent to year end, we paid \$14 million on February 26, 2026 to the Canadian Revenue Agency for our expected 2025 income tax liability, as well as two months of its 2026 income tax installments. We believe that our existing cash, cash generated from our operating activities, together with availability under the Pure Sunfarms Secured Credit Facilities (defined below), will provide sufficient liquidity to meet our working capital needs, repayments of our long-term debt, future contractual obligations and planned capital expenditures for the next 12 months. An additional potential source of liquidity is access to capital markets for additional equity or debt financing. We intend to use our cash on hand for daily operational funding requirements.

<i>(in thousands of U.S. dollars unless otherwise noted)</i>	Maximum	Outstanding as of December 31, 2025
FCC Term Loan	\$ 15,855	\$ 15,855
Pure Sunfarms Term Loan Facility	\$ 17,799	\$ 17,799
Pure Sunfarms Revolving Credit Facility	C	
	\$ 10,000	\$ —

The Company is required to comply with financial covenants. At December 31, 2025, the Company was compliant with all of its financial covenants.

At December 31, 2024, the Company was not in compliance with financial covenants related to the fixed charge coverage ratio under the FCC Term Loan (as defined below) and the PSF Term Loan (as defined below), for which the Company received waivers. On April 10, 2025, the Company entered into an Amended and Restated Credit Agreement (the “A&R Credit Agreement”) with FCC as the lender, which amended and restated the FCC Term Loan. Among other things, the A&R Credit Agreement replaced the current financial covenants with more favorable financial covenants. Under the Pure Sunfarms Secured Credit Facilities (as defined below) entered into on April 17, 2025, the Company is also required to maintain certain financial covenants. We can provide no assurance that we will be in compliance, or receive a waiver, for any non-compliance of the financial covenants. See “Risk Factors—Business and Operational Risk Factors—We are subject to restrictive covenants under our Credit Facilities.”

Accrued interest payable on all long term-debt as of December 31, 2025 and 2024 were \$166 and \$271, respectively. These amounts are included in accrued liabilities in the accompanying Consolidated Statements of Financial Position.

FCC Term Loan

The Company has a term loan financing agreement with Farm Credit Canada (“FCC”), a Canadian creditor (the “FCC Term Loan”). The non-revolving variable rate term loan has a maturity date of May 3, 2027 and balances of \$15,855 and \$20,821 on December 31, 2025 and 2024, respectively. The outstanding balance is repayable by way of monthly installments of principal and interest, with the balance and any accrued interest to be paid in full on May 3, 2027. As of December 31, 2025 and 2024, borrowings under the FCC Term Loan agreement were subject to interest rates of 7.45% and 8.12% per annum, respectively.

As collateral for the FCC Term Loan, the Company has provided a promissory note, a first mortgage on the VFF-owned Delta 1 and Monahans greenhouses, and general security agreements over its assets. In addition, the Company has provided full recourse guarantees and has granted security interests in respect of the FCC Term Loan. The carrying value of the assets and securities pledged as collateral as of December 31, 2025 and 2024 was \$84,653 and \$77,682, respectively.

On April 10, 2025, the Company entered into the A&R Credit Agreement with respect to the FCC Term Loan. Among other things, the A&R Credit Agreement (i) adds the Company as a new borrower, (ii) adds VF Clean Energy, Inc. as a new guarantor, and (iii) replaces the fixed charged ratio covenant with a more favorable liquidity ratio covenant.

Pure Sunfarms Loans

On April 17, 2025, the Company entered into a secured credit facility with a Canadian chartered bank as administrative agent with an aggregate borrowing capacity of C\$37.4 million, consisting of a maximum C\$10.0 million revolving credit facility (the "Pure Sunfarms Revolving Credit Facility"), and a C\$27.4 million term loan facility (the "Pure Sunfarms Term Loan Facility", and collectively with the Pure Sunfarms Revolving Credit Facility, the "Pure Sunfarms Secured Credit Facilities"). The Pure Sunfarms Secured Credit Facilities are secured by the Delta 2 and Delta 3 greenhouse facilities. The Pure Sunfarms Secured Credit Facilities will be used for working capital and other general corporate purposes, and were used to replace, and repay remaining outstanding balances on, the Company's (i) Pure Sunfarms Loans and (ii) the PSF Revolving Line of Credit. The credit and guarantee agreements related to the Pure Sunfarms Loans and the PSF Revolving Line of Credit were likewise terminated.

The Pure Sunfarms Revolving Credit Facility can be drawn for advances of up to C\$10.0 million. The outstanding amount of the Pure Sunfarms Term Loan Facility was \$17,799 as of December 31, 2025 and is repayable, on a quarterly basis, in an amount equal to C\$1.0 million. Any amount remaining unpaid will be due and payable in full on the maturity date, which is on February 7, 2028.

The loans under the Pure Sunfarms Secured Credit Facilities accrue interest at a rate equal to, at the Company's option, (a) the Canadian Prime Rate plus the applicable margin, or (b) the Canadian Overnight Repo Rate Average plus the applicable margin. The applicable margin for the Pure Sunfarms Secured Credit Facility is determined based upon the leverage ratio.

The Pure Sunfarms Secured Credit Facilities also contain customary covenants, customary representations and warranties, affirmative covenants, financial covenants and events of default.

Prior to April 2025, Pure Sunfarms had a credit facility with the Business Development Bank of Canada (the "BDC Facility"), a non-revolving credit facility (the "PSF Non-Revolving Facility") and a term loan (the "PSF Term Loan") with two Canadian chartered banks (collectively, with the BDC Facility, the PSF Non-Revolving Facility, and the PSF Term Loan the "Pure Sunfarms Loans"). In addition, Pure Sunfarms had a revolving line of credit (the "PSF Revolving Line of Credit") with a Canadian chartered bank. As described above, on April 17, 2025, Pure Sunfarms replaced the Pure Sunfarms Loans and the PSF Revolving Line of Credit with the Pure Sunfarms Secured Credit Facilities.

On February 20, 2026, the Company amended the Pure Sunfarms Secured Credit Facilities which increased loan commitments by CAD \$15 million and extended existing maturities by one year to February 2029. The incremental debt financing comes in the form of a delayed draw term loan, from which the Company drew an initial CAD \$5 million on February 20, 2026. All other terms of the Pure Sunfarms Secured Credit Facilities remain unchanged.

Summary of Cash Flows

<i>(in Thousands)</i>	For the Year Ended December 31,		
	2025	2024	2023
Cash beginning of year	\$ 24,631	\$ 35,291	\$ 21,676
Net cash flow provided by (used in):			
Operating activities	58,112	13,728	7,633
Investing activities	(18,614)	(7,326)	(3,317)
Financing activities	(6,351)	(9,526)	14,137
Discontinued operations	26,322	(6,295)	(5,232)
Net cash (decrease) increase for the year	59,469	(9,419)	13,221
Effect of exchange rate changes on cash	2,152	(1,241)	394
Cash, end of the year	\$ 86,252	\$ 24,631	\$ 35,291

Operating Activities

For the years ended December 31, 2025 and 2024 and 2023 cash flows provided by (used in) operating activities were \$58,112, \$13,728, and \$7,633, respectively. The operating activities for 2025 consisted of \$19,856 in changes of non-cash working capital items and \$38,256 in changes before working capital items, the operating activities for 2024 consisted of (\$97) in changes of non-cash working capital items and \$13,825 in changes before working capital items, the operating activities for 2023 consisted of \$1,254 in changes in non-cash working capital items and \$6,379 in changes before non-cash working capital items. The improvement in 2025 from 2024 was primarily due to higher sales for Canadian Cannabis at a higher margin and the first year sales from Cannabis Netherlands. The improvement in 2024 from 2023 was primarily due to higher sales for Canadian Cannabis.

Investing Activities

For the years ended December 31, 2025, 2024, and 2023, cash flows used in investing activities were \$18,614, \$7,326, and \$3,317, respectively. The investing activities for the year ended December 31, 2025 consisted primarily of capital expenditures of \$11,624 made for the Cannabis Netherlands Phase II indoor cultivation facility and \$6,594 in capital expenditures to support the Canadian Cannabis, U. S. Cannabis, and Produce operations. The investing activities in 2024 consisted primarily of \$6,061 in capital expenditures for Cannabis Netherlands and \$1,108 in capital expenditures to support the Produce, Canadian Cannabis, and U.S. Cannabis operations. The investing activities for the year ended December 31, 2023 primarily consisted of \$3,604 invested in capital expenditures to support the Canadian Cannabis, U.S. Cannabis operations, and Produce operations, partially offset by the collection of a promissory note.

Financing Activities

For the years ended December 31, 2025, 2024, and 2023 cash flows provided by (used in) financing activities were (\$6,351), (\$9,526), and \$14,137, respectively. The financing activities for the year ended December 31, 2025 consisted of net repayments on borrowings of \$7,865, proceeds from the exercise of warrants and options of \$5,031, and share repurchases of (\$2,971). The financing activities for the year ended December 31, 2024 consisted primarily of debt repayments of (\$5,709) and cash used for the acquisition of an additional 10% ownership interest in Rose LifeScience and additional 15% ownership interest in Leli of (\$3,817). The financing activities for the year ended December 31, 2023 cash flows provided by financing activities consisted of \$23,335 in proceeds from the 2023 Equity Offering net of issuance costs, \$83 in proceeds from the exercise of stock options offset by debt repayment of (\$9,281).

Contractual Obligations and Commitments

We expect to meet our contractual obligations and commitments through the use of our working capital and our other available liquidity sources as described above. We currently do not have any material cash requirements in the near future, other than the completion of the Cannabis Netherlands Phase II indoor cultivation facility and the conversion of half of our Delta 2 greenhouse to cannabis cultivation, as well as our long-term debt repayment obligations as described above.

In addition, we currently have material long-term debt and lines of credit that we rely on to meet the financing needs of the Company. The long-term debt and lines of credit have interest rate terms that may be affected by rising interest rates which can impact the cost of capital for the Company. For the sensitivity of our borrowing costs to fluctuations in interest rates, see “Item 7A – Qualitative and Quantitative Disclosures About Market Risk – Interest Rate Risk” below for additional information.

Non-GAAP Measures

References in this Management’s Discussion and Analysis to “Adjusted EBITDA from continuing operations” are to earnings before interest, taxes, depreciation, and amortization (“EBITDA”), as further adjusted to exclude foreign currency exchange gains and losses, share-based compensation, gains and losses on asset sales and the other adjustments set forth in the table below. In addition, we present below “Adjusted EBITDA from continuing operations – Constant Currency” which excludes the effect of foreign currency rate fluctuations. See “—Constant Currency” below. Adjusted EBITDA from continuing operations and Adjusted EBITDA from continuing operations - Constant Currency are measures of operating performance that are not recognized under GAAP and do not have a standardized meaning prescribed by GAAP. Therefore, these non-GAAP measures may not be comparable to similar measures presented by other issuers. Investors are cautioned that our non-GAAP measures should not be construed as an alternative to net income or loss determined in accordance with GAAP as an indicator of our performance. Our non-GAAP measures are used as additional measures to evaluate the operating and financial performance of our segments. Management believes that our non-GAAP measures are important measures in evaluating the historical performance of the Company because it excludes items that do not reflect our business performance.

Reconciliation of Net Income to Adjusted EBITDA from Continuing Operations

The following table reflects a reconciliation of net income (loss) from continuing operations to Adjusted EBITDA from continuing operations, as presented by the Company:

<i>(in thousands of U.S. dollars)</i>	For the Year Ended December 31,		
	2025 ⁽¹⁾	2024 ⁽¹⁾	2023 ⁽¹⁾
Net income (loss) from continuing operations	\$ 20,988	\$ (27,942)	\$ (33,076)
Add:			
Amortization and depreciation	16,379	16,723	14,090
Foreign currency exchange (gain) loss	(1,677)	2,635	(740)
Interest expense, net	1,541	2,451	3,478
Provision for income taxes	10,371	(1,662)	7,451
Share-based compensation	1,741	3,747	3,111
Deferred financing fees	116	10	136
Goodwill and intangible impairments ⁽²⁾	—	11,939	14,020
Other impairments	217	439	—
Other expense, net	101	17	(67)
Adjustments attributable to non-controlling interest	75	(983)	(925)
Adjusted EBITDA from continuing operations ⁽³⁾	\$ 49,852	\$ 7,374	\$ 7,478

Notes:

- (1) For the years ended December 31, 2025, 2024, and 2023, Rose LifeScience's financial results are fully consolidated in the financial results of the Company with the minority non-controlling interest presented in net (income) loss attributable to non-controlling interests, net of tax. For the year ended December 31, 2025, 2024 and 2023 Leli's financial results are fully consolidated in the financial results of the Company with the minority non-controlling interest presented in net (income) loss attributable to non-controlling interests, net of tax.
- (2) For the year ended December 31, 2024, impairments included impairments to goodwill of \$10,039 and intangible assets of \$1,900. For the year ended December 31, 2023, impairments included impairments to goodwill of \$11,300 and intangible assets of \$2,720. See "Critical Accounting Policies, Estimates and Judgments" below for more information.
- (3) Adjusted EBITDA from continuing operations is not a recognized earnings measure and does not have a standardized meaning prescribed by GAAP. Therefore, Adjusted EBITDA from continuing operations may not be comparable to similar measures presented by other issuers. Management believes that Adjusted EBITDA from continuing operations is a useful supplemental measure in evaluating the performance of the Company because it excludes items that do not reflect our business performance. Adjusted EBITDA from continuing operations includes the Company's 70% interest in Rose LifeScience through March 31, 2024, 80% interest in Rose LifeScience beginning on April 1, 2024, 85% interest in Leli through September 22, 2024, and our 100% interest in Leli beginning on September 23, 2024.

Reconciliation of Segmented Net (Loss) Income to Adjusted EBITDA from Continuing Operations

The following table reflects a reconciliation of segmented net loss to Adjusted EBITDA from continuing operations, as presented by the Company:

	For the Year Ended December 31, 2025						
<i>(in thousands of U.S. dollars)</i>	Produce	Cannabis Canada ⁽¹⁾	Cannabis U.S.	Clean Energy	Cannabis Netherlands ⁽¹⁾	Corporate	Total
Net income (loss) from continuing operations	\$ 1,240	\$ 26,241	\$ (782)	\$ 1,027	\$ 1,280	\$ (8,018)	\$ 20,988
Add:							
Amortization and depreciation	3,881	10,826	192	—	1,351	129	16,379
Foreign currency exchange loss	(132)	(100)	—	—	(1)	(1,444)	(1,677)
Interest expense (income), net	1,506	722	—	—	(2)	(685)	1,541
Provision for (recovery of) income taxes	56	9,363	—	286	666	—	10,371
Share-based compensation	18	380	81	—	5	1,257	1,741
Deferred financing fees	—	116	—	—	—	—	116
Other impairments	—	—	217	—	—	—	217
Other expense, net	97	—	4	—	—	—	101
Adjustments attributable to non-controlling interest	—	75	—	—	—	—	75
Adjusted EBITDA from continuing operations ⁽³⁾	<u>\$ 6,666</u>	<u>\$ 47,623</u>	<u>\$ (288)</u>	<u>\$ 1,313</u>	<u>\$ 3,299</u>	<u>\$ (8,761)</u>	<u>\$ 49,852</u>
	For the Year Ended December 31, 2024						
<i>(in thousands of U.S. dollars)</i>	Produce	Cannabis Canada ⁽¹⁾	Cannabis U.S.	Clean Energy	Cannabis Netherlands ⁽¹⁾	Corporate	Total
Net income (loss) from continuing operations	\$ 1,818	\$ (2,814)	\$ (13,333)	\$ 755	\$ (1,164)	\$ (13,204)	\$ (27,942)
Add:							
Amortization and depreciation	3,258	11,790	204	—	1,275	196	16,723
Foreign currency exchange (gain) loss	317	42	—	—	—	2,276	2,635
Interest expense (income), net	2,232	629	—	16	—	(426)	2,451
Provision for (recovery of) income taxes	100	(1,537)	—	—	(391)	166	(1,662)
Share-based compensation	—	166	79	—	—	3,502	3,747
Deferred financing fees	—	10	—	—	—	—	10
Goodwill and intangible impairments ⁽²⁾	—	—	11,939	—	—	—	11,939
Other impairments	—	—	439	—	—	—	439
Other expense, net	17	—	—	—	—	—	17
Adjustments attributable to non-controlling interest	—	(1,004)	—	—	21	—	(983)
Adjusted EBITDA from continuing operations ⁽³⁾	<u>\$ 7,742</u>	<u>\$ 7,282</u>	<u>\$ (672)</u>	<u>\$ 771</u>	<u>\$ (259)</u>	<u>\$ (7,490)</u>	<u>\$ 7,374</u>

	For the Year Ended December 31, 2023						Total
	Produce	Cannabis Canada ⁽¹⁾	Cannabis U.S.	Clean Energy	Cannabis Netherlands ⁽¹⁾	Corporate	
<i>(in thousands of U.S. dollars)</i>							
Net (loss) income from continuing operations	\$ (9,492)	\$ 3,098	\$ (13,828)	\$ (186)	\$ (1,217)	\$ (11,451)	\$ (33,076)
Add:							
Amortization and depreciation	3,300	9,123	335	—	1,081	251	14,090
Foreign currency exchange (gain) loss	(2)	(64)	19	—	—	(693)	(740)
Interest expense (income), net	2,309	2,021	(24)	—	—	(828)	3,478
Provision for (recovery of) income taxes	4,284	1,430	—	—	(48)	1,785	7,451
Share-based compensation	—	61	317	—	—	2,733	3,111
Deferred financing fees	—	136	—	—	—	—	136
Goodwill and intangible impairments ⁽²⁾	—	—	14,020	—	—	—	14,020
Other (income) expense, net	—	(89)	22	—	—	—	(67)
Adjustments attributable to non-controlling interest	—	(952)	—	—	27	—	(925)
Adjusted EBITDA from continuing operations ⁽³⁾	<u>\$ 399</u>	<u>\$ 14,764</u>	<u>\$ 861</u>	<u>\$ (186)</u>	<u>\$ (157)</u>	<u>\$ (8,203)</u>	<u>\$ 7,478</u>

Notes:

- (1) For the years ended December 31, 2025, 2024, and 2023, Rose LifeScience's financial results are fully consolidated in the financial results of the Company with the minority non-controlling interest presented in net (income) loss attributable to non-controlling interests, net of tax. For the years ended December 31, 2025, 2024 and 2023, Leli's financial results are fully consolidated in the financial results of the Company with the minority non-controlling interest presented in net (income) loss attributable to non-controlling interests, net of tax.
- (2) For the year ended December 31, 2024, impairments included impairments to goodwill of \$10,039 and intangible assets of \$1,900. For the year ended December 31, 2023, impairments included impairments to goodwill of \$11,300 and intangible assets of \$2,720. See "Critical Accounting Policies, Estimates and Judgments" below for more information.
- (3) Adjusted EBITDA from continuing operations is not a recognized earnings measure and does not have a standardized meaning prescribed by GAAP. Therefore, Adjusted EBITDA from continuing operations presented for these segments may not be comparable to similar measures presented for comparable segments by other issuers. Management believes that Adjusted EBITDA from continuing operations is a useful supplemental measure in evaluating the performance of the Company because it excludes items that do not reflect our business performance. Adjusted EBITDA from continuing operations includes the Company's 70% interest in Rose LifeScience through March 31, 2024, 80% interest in Rose LifeScience beginning on April 1, 2024, 85% interest in Leli through September 22, 2024, and our 100% interest in Leli beginning on September 23, 2024.

Constant Currency

To supplement the consolidated financial statements presented in accordance with U.S. GAAP, we have presented constant currency adjusted financial measures for sales, cost of sales, selling, general and administrative, other income (expense), operating (loss) income, loss from consolidated entities, net loss, and Adjusted EBITDA from continuing operations for the year ended December 31, 2025 and 2024, which are considered non-GAAP financial measures. We present constant currency information to provide a framework for assessing how our underlying operations performed excluding the effect of foreign currency rate fluctuations. To present this information, current and comparative prior period income statement results in currencies other than U.S. dollars are converted into U.S. dollars using the average exchange rates from the annual comparative period rather than the actual average exchange rates in effect during the respective current periods. All growth comparisons relate to the corresponding periods. We have provided this non-GAAP financial information to aid investors in better understanding the performance of our segments without taking into account the effect of exchange rate fluctuations.

The non-GAAP financial measures presented in this Quarterly Report should not be considered as a substitute for, or superior to, the measures of financial performance prepared in accordance with U.S. GAAP.

The tables below set forth certain measures of consolidated results from continuing operations on a constant currency basis for the year ended December 31, 2025 compared with the year ended December 31, 2024 on an as reported and constant currency basis (in thousands):

	As Reported				As Adjusted for Constant Currency ⁽¹⁾		
	For The Year Ended December 31,		As Reported Change		For The Year Ended December 31,	Constant Currency Change	
	2025	2024	\$	%	2025	\$	%
Sales	\$ 215,937	\$ 195,907	\$ 20,030	10%	\$ 219,276	\$ 23,369	12%
Cost of sales	(128,255)	(150,106)	21,851	15%	(130,122)	19,984	13%
Selling, general and administrative expenses	(60,293)	(61,748)	1,455	2%	(60,998)	750	1%
Other income (expense), net	4,187	(1,279)	5,466	427%	4,166	5,445	426%
Goodwill and intangible impairments	—	(11,939)	11,939	100%	—	11,939	100%
Other impairments	(217)	(439)	222	0%	(217)	222	0%
Operating income (loss)	31,359	(29,604)	60,963	206%	32,105	61,709	208%
Income (loss) including non-controlling interests	20,988	(27,942)	48,930	175%	20,793	48,735	174%
Net income (loss)	32,441	(35,851)	68,292	190%	32,992	68,843	192%
Adjusted EBITDA from continuing operations - Constant Currency ⁽²⁾	49,852	7,374	42,478	6%	49,859	42,485	6%

Notes:

- (1) Assumes a constant exchange rate of C\$1.00 = US\$0.7301 (the CDN/U.S. average exchange rate for the year ended December 31, 2024) for each of the years ended December 31, 2025 and 2024.
- (2) Adjusted EBITDA from continuing operations - Constant Currency is not a recognized earnings measure and does not have a standardized meaning prescribed by GAAP. Therefore, Adjusted EBITDA from continuing operations - Constant Currency may not be comparable to similar measures presented by other issuers. Management believes that Adjusted EBITDA from continuing operations - Constant Currency is a useful supplemental measure in evaluating the performance of the Company because it excludes non-recurring and other items that do not reflect our business performance. Adjusted EBITDA from continuing operations includes the Company's 70% interest in Rose LifeScience through March 31, 2024, 80% interest in Rose LifeScience beginning on April 1, 2024, 85% interest in Leli through September 22, 2024, and our 100% interest in Leli beginning on September 23, 2024.

The table below sets forth certain measures of consolidated results from continuing operations on a constant currency basis for the year ended December 31, 2024 compared to the year ended December 31, 2023 on an as reported and constant currency basis (in thousands):

	As Reported				As Adjusted for Constant Currency ⁽¹⁾		
	For The Year Ended December 31,		As Reported Change		For The Year Ended December 31,	Constant Currency Change	
	2024	2023	\$	%	2024	\$	%
Sales	\$ 195,907	\$ 163,109	\$ 32,798	20%	198,160	\$ 35,051	21%
Cost of sales	(150,106)	(115,157)	(34,949)	(30%)	(151,887)	(36,730)	(32%)
Selling, general and administrative expenses	(61,748)	(56,714)	(5,034)	(9%)	(62,261)	(5,547)	(10%)
Other expense, net	(1,279)	(2,843)	1,564	55%	(1,292)	1,551	55%
Goodwill and intangible impairments	(11,939)	(14,020)	2,081	(10 0%)	(11,939)	2,081	(10 0%)
Other impairments	(439)	—	(439)	(10 0%)	(439)	(439)	(10 0%)
Operating loss	(29,604)	(25,625)	(3,979)	(16%)	(29,658)	(4,033)	(16%)
Loss including non-controlling interests and before equity losses	(27,942)	(33,076)	5,134	16%	(27,973)	5,103	15%
Net loss	(35,851)	(34,798)	(1,053)	(3%)	(35,857)	(1,059)	(3%)
Adjusted EBITDA from continuing operations - Constant Currency ⁽²⁾	7,374	7,478	(104)	1%	7,337	(141)	2%

Notes:

- (1) Assumes a constant exchange rate of C\$1.00 = US\$0.7689 (the CDN/U.S. average exchange rate for the year ended December 31, 2023) for each of the years ended December 31, 2024 and 2023.
- (2) Adjusted EBITDA from continuing operations - Constant Currency is not a recognized earnings measure and does not have a standardized meaning prescribed by GAAP. Therefore, Adjusted EBITDA from continuing operations - Constant Currency may not be comparable to similar measures presented by other issuers. Management believes that Adjusted EBITDA from continuing operations - Constant Currency is a useful supplemental measure in evaluating the performance of the Company because it excludes items that do not reflect our business performance. Adjusted EBITDA from continuing operations - Constant Currency includes the Company's 70% interest in Rose LifeScience since acquisition, 85% interest in Leli since acquisition.

Recent Accounting Pronouncements Not Yet Adopted

See Note 1, "Business, Basis of Presentation and Significant Accounting Policies – New Accounting Pronouncements," of the notes to the consolidated financial statements included in Part II, Item 8 "Financial Statements and Supplementary Data" of our Annual Report for additional information about new accounting pronouncements.

Critical Accounting Policies, Estimates and Judgments

Our discussion and analysis of our financial condition and results of operations are based upon our Consolidated Financial Statements, which have been prepared in accordance with U.S. GAAP. The preparation of these consolidated financial statements requires us to make estimates and judgments that affect the reported amounts of assets, liabilities, sales and expenses and related disclosure of contingent assets and liabilities. We base our estimates on historical experience and various other assumptions that we believe to be reasonable under the circumstances, including the potential future effects of macroeconomic trends and events, such as inflation and interest rate levels; supply chain disruptions; uncertainty from potential recessionary effects; climate-related matters; market, industry and regulatory factors; global events, and public health matters. These estimates form the basis for making judgments about our operating results and the carrying values of assets and liabilities, that are not readily apparent from other sources. Given that management estimates, by their nature, involve judgments regarding future uncertainties, actual results could differ materially from these estimates if conditions change or if certain key assumptions used in making these estimates ultimately prove to be inaccurate. Our accounting policies and critical accounting estimates are reviewed periodically by the Audit Committee of the Board of Directors.

We believe that our accounting estimates pertaining to the valuations of goodwill and intangible assets are the most critical in the preparation of our consolidated financial statements as they require significant or complex judgment and estimates on the part of management. Actual results could, however, vary materially from these accounting estimates.

Refer to Note 1 - Business, Basis of Presentation and Significant Accounting Policies in the notes to the audited consolidated financial statements, which is included in this Annual Report on Form 10-K, for a more detailed discussion of our significant accounting policies and critical accounting estimates.

Assessment for Indicators of Impairment

Goodwill

Year Ended December 31, 2025

Cannabis – Canada – Goodwill

There were no impairment indicators for the period ended December 31, 2025.

Year Ended December 31, 2024

Cannabis – Canada – Goodwill

The fair value of the reporting unit was determined based on a discounted cash flow projections from budgets approved for 2025, which was extended to 2029 with a compound annual revenue growth rate of 7.5% from 2025 to 2029, followed by terminal growth rate of 3%. Management concluded that the fair value was higher than its carrying amount by approximately \$9,740 as of December 31, 2024 and therefore no impairment to goodwill was required.

The significant assumptions applied to the determination of the fair value are described below:

- **Post-tax discount rate:** An increase of approximately 0.3% in the discount rate would result in the fair value being equal to the carrying value, and each additional 0.5% increase would result in an impairment of approximately \$13,219.
- **Terminal growth rate:** A decrease in approximately 0.6% in the terminal growth rate would result in the fair value being equal to the carrying value, and each additional 0.5% decrease would result in an impairment of approximately \$6,957.
- **Forecasted Revenues:** A decrease in forecasted revenues by approximately 4.1% would result in the fair value being equal to the carrying value, and each additional 5% decrease would result in an impairment of approximately \$12,523.
- **Net working capital:** Net working capital requirements are approximately 29.8% of revenue. An increase of approximately 3.8% in net working capital investment would result in the fair value being equal to the carrying value, and each additional 5% increase would result in an impairment of approximately \$12,523.

Cannabis – Canada – Brand

The fair value of the brand was determined based on a discounted cash flow projection, covering a five-year period. Specifically, the Company utilized a relief from royalty valuation technique to arrive at the fair value of the brand. Management concluded that the fair value was higher than its carrying value of \$3,270 by approximately \$626 as of December 31, 2024 and therefore, no impairment to brand was allocated to the reporting unit.

The significant assumptions applied to the determination of the fair value are described below:

- **Post-tax discount rate:** An increase in the discount rate by approximately 1.5% would result in the fair value being equal to the carrying value, and each additional 1% increase in the discount rate would result in an impairment of approximately \$348.
- **Royalty rate:** An incremental royalty rate of 3.5% of revenues was applied to brand-specific revenues. A decrease to the incremental royalty rate by approximately 0.2% would result in the recoverable amount being equal to the carrying value.
- **Future revenues:** A decrease in future revenues by 4% would result in the fair value being equal to the carrying value, and each additional 10% decrease in the future revenues would result in an impairment of approximately \$1,252.

Cannabis - U.S.

At June 30, 2024, when the Company considered qualitative factors in assessing impairment indicators, it concluded that the Company's U.S. - Cannabis segment more likely than not was impaired. The Company reviewed the reportable segment's assets, including goodwill and intangible assets. Based on recent historical performance during the quarter which underperformed relative to budget, a revised June 30, 2024 forecast which resulted in a shortfall compared to the March 31, 2024 forecast, the new restrictions on CBD sales in an additional eight states at July 1, 2024, and the proliferation of unregulated hemp-derived products on the market which continues to challenge market share for the CBD industry, the Company concluded that as of June 30, 2024, the fair value of the brand intangible asset and goodwill was fully impaired and an impairment charge to goodwill of \$10,039 and a charge to intangibles of \$1,900 was recorded to the U.S. Cannabis reporting unit.

Cannabis - U.S. - Goodwill

The fair value of the reporting unit was determined based on a discounted cash flow projection using projections for the remainder of 2024 to 2028 with an average revenue growth rate of 6% between 2025 to 2028, followed by a terminal growth rate of 2%. Management concluded that as of June 30, 2024, the fair value was lower than its carrying amount and as a result, an impairment charge to goodwill of \$10,039 was recorded to the reporting unit.

The significant assumptions applied to the determination of the fair value are described below:

- **Post-tax discount rate:** A market participant post-tax discount rate applied to the after-tax forecast cash flows was 12%. A decrease of 1% to the discount rate, would not result in a material change to the impairment charge.
- **Terminal growth rate:** An increase of 1% in the terminal growth rate would not result in a material change to the impairment charge.
- **Future cash flows:** An increase in future cash flows by 10% would not result in a material change to the impairment charge.

Cannabis – U.S. Brand

The fair value of the brand was determined based on a discounted cash flow projection. Specifically, the Company utilized a relief from royalty valuation technique to arrive at the fair value of the brand. Management concluded that as of June 30, 2024, the fair value was lower than its carrying value of \$1,900 as the notional brand maintenance costs exceeded the incremental royalty of 3.5%. Therefore, an impairment charge to the brand intangible of \$1,900 was allocated to the reporting unit.

Inventories

Inventories are valued at the lower of cost or net realizable value. The cost of inventory includes capitalized production costs, including labor, materials, post-harvest costs and depreciation. Inventoriable costs are expensed to cost of goods sold on the Consolidated Statement of Operations in the same period as finished products are sold. The amount of any write-down of inventories to net realizable value and all losses of inventories are recognized as an expense in the period when the write-down or loss occurs. Inventory write-downs for the year ended December 31, 2024 were \$11,038 which consisted of older manufactured products which required incremental rework costs that were higher than the resell value of the finished goods, so it was concluded to write off this inventory rather than to continue incurring incremental costs to sell it. There were no inventory impairments recognized for the year ended December 31, 2025.

Revenue Recognition

The Company's produce and cannabis revenue transactions consist of a single performance obligation to transfer promised goods at a fixed price. Quantities to be delivered to the customer are determined at a point near the date of delivery through purchase orders received from the customer. The Company recognizes revenue when it has fulfilled a performance obligation, which is typically when the customer receives the goods. Revenue is measured as the amount of consideration the Company expects to receive in exchange for transferring the goods. The amount of revenue recognized is measured at the fair value of the consideration received or receivable, reduced for excise duty, returns, and other customer credits, such as trade discounts and volume rebates. Payment terms are consistent with terms standard to the markets the Company serves.

Direct-to-consumer product sales for loyalty members contain two distinct performance obligations for which the Company allocates the transaction price based on the relative stand-alone value of each performance obligation, such that both revenue related to the delivery of the underlying purchased goods and deferred revenue for loyalty points issued to the customer are recognized based on the allocated consideration of value, after giving consideration to loyalty point breakage. The loyalty liability represents a performance obligation to provide goods for free or at a discount to loyalty members in exchange for the redemptions of points earned from past activities.

Judgment is required in determining whether the Company is the principal or agent in certain transactions. We evaluate the presentation of revenue on a gross or net basis based on whether we control the service provided to the end-user and are the principal (i.e. “gross”), or we arrange for other parties to provide the service to the end-user and are an agent (i.e. “net”).

For each identified performance obligation in the contract with the customer, we assess whether our agency or the third-party supplier is the principal or agent. We control the specified services before transferring those services to the customer and act as the principal if we are primarily responsible for fulfilling the promise to provide the specified good or service, have inventory risk, or discretion in establishing pricing. For performance obligations in which we act as principal, we record the gross amount billed to the customer within total revenue and the related incremental direct costs incurred as billable expenses.

If the third-party supplier, rather than the Company, is primarily responsible for the performance and deliverable to our customer, then we generally act as the agent and solely arrange for the third-party supplier to provide services to the customer. For performance obligations for which we act as the agent, we record our revenue as the net amount of our gross billings less pass-through expenses charged to a customer.

Revenue received from shipping and handling fees is reflected in net sales. Shipping and handling costs are included in cost of sales as incurred or at the time revenue is recognized for the related goods, whichever comes first.

Year Ended December 31, 2023

As of December 31, 2023, when the Company considered qualitative factors in assessing impairment indicators it concluded that the Company's U.S. - Cannabis segment more likely than not was impaired. The Company tested that segment's assets, including goodwill and intangible assets for impairment.

Cannabis - U.S. - Goodwill

The fair value of the reporting unit was determined based on a discounted cash flow projection from budgets approved by senior management for 2024 to 2029 with an average revenue growth rate of 8% over 6 years, followed by terminal growth rate of 4.1%. Management concluded that as of December 31, 2023, the fair value was lower than its carrying amount and as a result, an impairment charge to goodwill of \$11,300 was allocated to the reporting unit.

The significant assumptions applied to the determination of the fair value are described below:

- Post-tax discount rate: A market participant post-tax discount rate applied to the after-tax forecast cash flows was 11%. An increase of 1% to the discount rate, would increase the impairment by approximately \$1,700.
- Terminal growth rate: A decrease of 0.5% in the terminal growth rate would increase the impairment by approximately \$700.
- Future cash flows: A decrease in future cash flows by 10% would increase the impairment by approximately \$1,300.

Cannabis – U.S. – Brand

The fair value of the brand was determined based on a discounted cash flow projection. Specifically, the Company utilized a relief from royalty valuation technique to arrive at the fair value of the brand. An average revenue growth rate of 8% was used over 6 years, followed by terminal growth rate of 4.1%. Management concluded that as of December 31, 2023, the fair value was lower than its carrying amount and as a result, an impairment charge to the brand intangible of \$2,720 was allocated to the reporting unit.

The significant assumptions applied to the determination of the fair value are described below:

- Post-tax discount rate: A market participant post-tax discount rate applied to the after-tax forecast cash flows was 11%. An increase of 1% to the discount rate, would increase the impairment by approximately \$200.
- Royalty rate: An incremental royalty rate of 3.5% of revenues was applied to brand-specific revenues. A decrease to the incremental royalty rate by 0.5% would increase the impairment to brand by \$1,600.
- Future revenues: A decrease in future revenues by 10% would increase the impairment by approximately \$200.

Cannabis – Canada – Goodwill

The fair value of the reporting unit was determined based on a discounted cash flow projection from budgets approved for 2024, which was extended to 2027 with a compound annual revenue growth rate of 16% from 2024 to 2027, followed by terminal growth rate of 4%. Management concluded that the fair value was higher than its carrying amount by approximately \$2,565 as of December 31, 2023 and therefore no impairment to goodwill was required.

The significant assumptions applied to the determination of the fair value are described below:

- Post-tax discount rate: An increase of approximately 0.07% in the discount rate would result in the fair value being equal to the carrying value, and each additional 0.5% increase would result in an impairment of approximately \$18,858.
- Terminal growth rate: A decrease in approximately 0.1% in the terminal growth rate would result in the fair value being equal to the carrying value, and each additional 0.5% decrease would result in an impairment of approximately \$17,350.
- Future cash flows: A decrease in the future cash flows before net working capital by approximately 1.0% would result in the fair value being equal to the carrying value, and each additional 5% decrease would result in an impairment of approximately \$16,595.
- Net working capital: Net working capital ranges between 40% and 45% of revenue. An increase of 6% in net working capital investment would result in the fair value being equal to the carrying value, and each additional 5% increase would result in an impairment of approximately \$3,017.

Cannabis – Canada – Brand

The fair value of the brand was determined based on a discounted cash flow projection, covering a four-year period. Specifically, the Company utilized a relief from royalty valuation technique to arrive at the fair value of the brand. Management concluded that the fair value was higher than its carrying value of \$3,545 by approximately \$453 as of December 31, 2023 and therefore, no impairment to brand was allocated to the reporting unit.

The significant assumptions applied to the determination of the fair value are described below:

- Post-tax discount rate: An increase in the discount rate by 1% would result in the fair value being equal to the carrying value, and each additional 1% increase in the discount rate would result in an impairment of approximately \$302.
- Royalty rate: An incremental royalty rate of 3.5% of revenues was applied to brand-specific revenues. A decrease to the incremental royalty rate by 0.12% would result in the recoverable amount being equal to the carrying value.
- Future revenues: A decrease in future revenues by 12% would result in the fair value being equal to the carrying value, and each additional 10% decrease in the future revenues would result in an impairment of approximately \$317.

ITEM 7A. QUALITATIVE AND QUANTITATIVE DISCLOSURES ABOUT MARKET RISK

Interest Rate Risk

As of December 31, 2025, our variable interest rate debt was primarily related to our Credit Facilities and Term Loans. Outstanding borrowings under our Credit Facility and Term Loans bear interest at either the (a) Secured Overnight Financing Rate (“SOFR”) or (b) Canadian Prime Rate, as defined in the agreement, plus an applicable margin. As of December 31, 2025, we had approximately \$33,654 in aggregate principal amounts of our Term Loans with a weighted average interest rate of 6.0%. The current interest rates for outstanding revolving loans under our Credit Facility and Term Loans reflect basis point decreases of approximately 2.4% over the comparable period in 2024.

Our interest expense is affected by the overall interest rate environment. Our variable rate interest debt subjects us to risk from increases in prevailing interest rates. This risk increases in the current inflationary environment, in which the Federal Reserve may increase interest rates, resulting in an increase in our variable interest rates and related interest expense. An additional 50 basis point increase in the applicable interest rates under our Credit Facility and Term Loan would have increased our interest expense by approximately \$186 and \$222 for the years ended December 31, 2025 and 2024, respectively.

While we cannot predict our ability to refinance existing debt or the significance of the impact that interest rate movements will have on our existing debt, management evaluates our financial position on an ongoing basis.

Foreign Exchange Risk

As of December 31, 2025 and 2024, the Canadian/U.S. foreign exchange rate was C\$1.00 = US\$0.7156 and C\$1.00 = US\$0.7301, respectively. Assuming that all other variables remain constant, an increase of \$0.10 in the Canadian dollar would have the following impact on the ending balances of certain statements of financial position items at December 31, 2025 and 2024 with the net foreign exchange gain or loss directly impacting net income (loss).

	<u>December 31, 2025</u>	<u>December 31, 2024</u>
Financial assets		
Cash and cash equivalents	\$ 6,086	\$ 2,260
Trade receivables	3,799	3,557
Inventories	5,165	3,929
Prepaid and deposits	321	198
Financial liabilities		
Trade payables and accrued liabilities	(7,301)	(4,025)
Loan payable	(2,466)	(2,883)
Net foreign exchange gain	<u>\$ 5,604</u>	<u>\$ 3,036</u>

Our exposure to foreign exchange risk and the impact of foreign exchange rates are monitored by the Company's management but generally the Company tries to match its sales (trade receivables) and vendor payments (trade payables) such that the net impact is not material.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

The financial statements required by this item are included beginning on page 90 of this Annual Report on Form 10-K. See also Item 15, "Exhibits, Financial Statement Schedules."

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

ITEM 9A. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

Disclosure controls and procedures are controls and other procedures that are designed to ensure that information required to be disclosed by us in the reports we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified by the U.S. Securities and Exchange Commission's rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to provide reasonable assurance that information required to be disclosed by us in the reports we file or submit under the Exchange Act is accumulated and communicated to management, including the Chief Executive Officer and Principal Financial and Accounting Officer, as appropriate, to allow timely decisions regarding required disclosure.

As required by Rule 13a-15(b) under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), our management, including our Chief Executive Officer and Chief Financial Officer, evaluated the effectiveness of our disclosure controls and procedures as of the end of the period covered by this Annual Report on Form 10-K. Based upon that evaluation, our Chief Executive Officer and Chief Financial Officer concluded that, as of the end of the period covered by this Annual Report on Form 10-K, our disclosure controls and procedures were effective at a reasonable assurance level.

Management's Report on Internal Control Over Financial Reporting

Management is responsible for establishing and maintaining adequate internal control over financial reporting as defined in Rules 13a-15(f) and 15d-15(f) of the Exchange Act. Our internal control over financial reporting is a process designed under the supervision of our Principal Executive Officer and Principal Financial Officer to provide reasonable assurance regarding the reliability of financial reporting and the preparation of our financial statements for external reporting purposes in accordance with accounting principles generally accepted in the United States of America.

The Company's management, with participation of the Principal Executive Officer and Principal Finance Officer, under the oversight of our Board of Directors, conducted an assessment of the effectiveness of our internal control over financial reporting as of December 31, 2025 using the framework established in Internal Control — Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on this assessment, management has concluded that the Company's internal control over financial reporting was effective as of December 31, 2025.

Our independent registered public accounting firm, KPMG LLP, who audited our financial statements included in this Form 10-K, has issued its report on the effectiveness of our internal control over financial reporting as of December 31, 2025, which is included herein.

Remediation of Material Weakness Identified as of December 31, 2024

As disclosed in Part II Item 9A Controls and Procedures in our Annual Report on Form 10-K for the fiscal year ended December 31, 2024, we identified material weaknesses in internal control over financial reporting as the Company (i) did not effectively design and implement internal controls related to our information technology general controls (“ITGCs”) in the areas of user access and program change-management over the information technology (“IT”) system that is utilized to support the Produce segment’s financial reporting processes. Specifically, under our existing ITGCs, we determined that there were insufficient controls to limit user access to this system and to enable oversight of changes being made to the financial inputs under this system; and (ii) did not effectively design and implement internal controls over the review, approval, and documentation of manual journal entries by individuals separate from the preparer at our Produce segment which resulted in the unmitigated risk of management override of manual journal entries.

During the quarter ended March 31, 2025, the Company’s management designed and implemented corrective actions to remediate the control deficiencies that contributed to the material weaknesses.

The remediation actions included:

Information Technology

- Enhanced risk assessment and control identification procedures for our Produce segment’s system environment;
- Enhanced existing controls to address the design and operation of IT general controls within our Produce segment’s IT environment in order to, among other things, limit privileged user access; and
- Implemented controls around timely identification and review of system access and changes. Enhancing and maintaining policy documentation underlying IT general controls to promote knowledge transfer upon personnel and function changes.

Journal Entries

- Enhanced existing controls to ensure that manual journal entries recorded in our financial records are properly reviewed and approved, preventing the potential for management override of controls.

During the year ended December 31, 2025, the Company completed our testing of the operating effectiveness of the implemented controls and found them to be effective. Based on the steps implemented, management concluded that we had remediated the previously disclosed material weaknesses as of March 31, 2025.

In connection with the transaction to privatize certain assets and operations of its Produce segment to Vanguard Food, LP on May 30, 2025, management of the Company made the decision to pause the ITGCs implemented in Q1 2025 from June 29 to August 12, 2025. During this period, the newly implemented controls were not operating and the previously identified material weakness existed. As of the time of this filing, the controls implemented during the quarter ended March 31, 2025 have been reestablished. Accordingly, management concluded that we had remediated the previously disclosed material weakness as of December 31, 2025.

Changes in Internal Control Over Financial Reporting

Except for the changes in connection with our implementation of the remediation plan and the remediation of our previously identified material weakness as discussed above, there have been no other changes in our internal control over financial reporting that occurred during the quarter ended December 31, 2025 that have materially affected, or are reasonably likely to materially affect, the Company’s internal control over financial reporting.

Inherent Limitations of Internal Controls

Our management, including the Principal Executive Officer and Principal Financial Officer, does not expect that our disclosure controls and procedures or our internal control over financial reporting will prevent or detect all error and all fraud. A control system, no matter how well designed and operated, can provide only reasonable, not absolute, assurance that the control system’s objectives will be met.

Further, because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that misstatements due to error or fraud will not occur or that all control issues and instances of fraud, if any, within our company have been detected. These inherent limitations include the realities that judgments in decision-making can be faulty and that breakdowns can occur because of simple error or mistake. The design of any system of controls is based in part on certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions. Projections of any evaluation of controls effectiveness to future periods are subject to risks. Over time, controls may become inadequate because of changes in conditions or deterioration in the degree of compliance with policies or procedures.

ITEM 9B. OTHER INFORMATION

During the quarter ended December 31, 2025, no director or officer (as defined in Rule 16a-1(f) promulgated under the Exchange Act) of the Company adopted or terminated a "Rule 10b5-1 trading arrangement" or "non-Rule 10b5-1 trading arrangement" (as each term is defined in Item 408 of Regulation S-K).

ITEM 9C. DISCLOSURE REGARDING FOREIGN JURISDICTIONS THAT PREVENT INSPECTIONS

None.

PART III

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

The information required to be furnished by this Item 10 is incorporated herein by reference to the definitive proxy statement for our annual meeting of shareholders (the “2026 Proxy Statement”) to be filed within 120 days of December 31, 2025 (subject to any applicable extension period to the extent such 120th date is not a business day).

The information required by this item regarding delinquent filers pursuant to Item 405 of Regulation S-K will be included under the caption “Delinquent Section 16(a) Reports” in the 2026 Proxy Statement and is incorporated herein by reference.

The Company adopted a code of ethics that applies to all our employees, officers, and directors, including our Chief Executive Officer and Chief Financial Officer. The Code of Ethics and Whistleblowing Policy (“Code”) is available on our Company website at <http://www.villagefarms.com> under the Governance section of our Investors page. The Code covers whistle blowing and provides an anonymous means for employees and officers to report violations of the Code and other corporate policies. The Company has also developed the Insider Trading Policy to provide guidelines on employee trading in the Company’s securities. The Insider Trading Policy is designed to promote compliance with insider trading laws, rules and regulations and any applicable listing standards. Any amendments to the Insider Trading Policy, Code, or information about any waivers granted to directors or executive officers with respect to the Code, will be posted on the Company’s website.

ITEM 11. EXECUTIVE COMPENSATION

The information required to be furnished by this Item 11 is incorporated herein by reference to the 2026 Proxy Statement to be filed within 120 days of December 31, 2025 (subject to any applicable extension period to the extent such 120th date is not a business day).

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

The information required to be furnished by this Item 12 is incorporated herein by reference to the 2026 Proxy Statement to be filed within 120 days of December 31, 2025 (subject to any applicable extension period to the extent such 120th date is not a business day).

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE

The information required to be furnished by this Item 13 is incorporated herein by reference to the 2026 Proxy Statement to be filed within 120 days of December 31, 2025 (subject to any applicable extension period to the extent such 120th date is not a business day).

ITEM 14. PRINCIPAL ACCOUNTING FEES AND SERVICES

The information required to be furnished by this Item 14 is incorporated herein by reference to the 2026 Proxy Statement to be filed within 120 days of December 31, 2025 (subject to any applicable extension period to the extent such 120th date is not a business day).

PART IV.

ITEM 15. EXHIBITS, FINANCIAL STATEMENT SCHEDULES

(a) Documents filed as part of this report.

1. Financial Statements.

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2. Financial Statement Schedules.

All schedules are omitted because they are not applicable, or the required information is shown in the Financial Statements or notes thereto.

(b) Exhibits

The following exhibits are filed as part of, or incorporated by reference into, this report:

- 3.1 Articles of Continuance (incorporated by reference to Exhibit 3.1 of the Company's Annual Report on Form 10-K filed on March 9, 2023).
- 3.2 By-Law No. 4 of Village Farms International, Inc. (incorporated by reference to Appendix D of the Company's Proxy Statement, filed on April 19, 2022)
- 4.1 Description of Common Shares (incorporated by reference to Exhibit 4.1 of the Company's Annual Report on Form 10-K filed on March 9, 2023).
- 4.2 Securityholders' Agreement, as amended and restated on December 31, 2009 (incorporated by reference to Exhibit 4.3 of the Company's Annual Report on Form 10-K filed on April 1, 2020)
- 4.3 Form of Warrant (incorporated by reference to Exhibit 4.1 to the Company's Current Report on Form 8-K filed on September 10, 2020).
- 4.4 Form of Warrant (incorporated by reference to Exhibit 4.1 to the Company's Current Report on Form 8-K filed on January 30, 2023).
- 10.1 Credit Facility Agreement by and between Village Farms Canada Limited Partnership and Farm Credit Canada, dated March 28, 2013 (incorporated by reference to Exhibit 10.2 of the Company's Annual Report on Form 10-K filed on April 1, 2020)
- 10.2 Amendment to Credit Agreement by and between Village Farms Canada Limited Partnership and Village Farms, L.P. and Farm Credit Canada, dated March 24, 2016 (incorporated by reference to Exhibit 10.4 of the Company's Annual Report on Form 10-K filed on April 1, 2020)
- 10.3 Amendment and Restated Credit Agreement by and between Village Farms International, Inc. and Village Farms, L.P. and Farm Credit Canada, dated March 31, 2025 (incorporated by reference to Exhibit 10.1 of the Company's Quarterly Report on Form 10-Q filed on May 12, 2025).
- 10.4 Second Amended and Restated Credit Agreement by and between Village Farms Canada Limited Partnership and Village Farms, L.P. and Bank of Montreal, dated May 24, 2024 (incorporated by reference to Exhibit 10.2 to the Company Quarterly Report on Form 10-Q filed on August 8, 2024) ^
- 10.5 Form of Indemnification Agreement (incorporated by reference to Exhibit 10.6 to the Company Annual Report on Form 10-K filed on March 13, 2024). +
- 10.6 Credit Agreement, dated as of February 7, 2019, by and between Pure Sun Farms Corp., Bank of Montreal and Farm Credit Canada. (incorporated by reference to Exhibit 10.10 of the Company's Annual Report on Form 10-K filed on March 16, 2021).
- 10.7 First Amended and Restated Credit Agreement, dated as of March 30, 2020, by and between Pure Sun Farms Corp., Bank of Montreal, Farm Credit Canada and Canada Imperial Bank of Commerce. (incorporated by reference to Exhibit 10.11 of the Company's Annual Report on Form 10-K filed on March 16, 2021).
- 10.8 Second Amendment and Restated Credit Agreement, dated as of June 30, 2020, by and between Pure Sunfarms Corp., Bank of Montreal, Farm Credit Canada and Canada Imperial Bank of Commerce. (incorporated by reference to Exhibit 10.12 of the Company's Annual Report on Form 10-K filed on March 16, 2021).
- 10.9 Third Amended and Restated Credit Agreement, dated as of March 15, 2021, by and between Pure Sunfarms Corp., Bank of Montreal, Farm Credit Canada and Canadian Imperial Bank of Commerce. (Incorporated by reference to Exhibit 10.17 of the Company's Annual Report on Form 10-K/A on March 18, 2021).

- 10.10 Fourth Amended and Restated Credit Agreement, dated as of May 5, 2023, by and between Pure Sunfarms Corp., Bank of Montreal, Farm Credit Canada and Canadian Imperial Bank of Commerce (incorporated by reference to Exhibit 10.1 of the Company's Quarterly Report on Form 10-Q filed on May 10, 2023).
- 10.11 Fifth Amended and Restated dated as of February 20, 2026, by and between Pure Sunfarms Corp., Bank of Montreal, Farm Credit Canada and Canadian Imperial Bank of Commerce^
- 10.12 First Supplemental Credit Agreement, dated May 30, 2020, by and between Pure Sunfarms Corp., Bank of Montreal and Farm Credit Canada. (incorporated by reference to Exhibit 10.13 of the Company's Annual Report on Form 10-K filed on March 16, 2021).
- 10.13 First Supplemental Credit Agreement, dated October 30, 2020, by and between Pure Sunfarms Corp., Bank of Montreal and Farm Credit Canada. (incorporated by reference to Exhibit 10.14 of the Company's Annual Report on Form 10-K filed on March 16, 2021).
- 10.14 Credit Agreement, dated as of April 17, 2025, by and between Pure Sun Farms Corp., a Canadian chartered bank, and Farm Credit Canada (incorporated by reference to Exhibit 10.2 of the Company's Quarterly Report on Form 10-Q filed on May 12, 2025)
- 10.15 BDC Loan Agreement, dated December 30, 2020, by and between Pure Sunfarms Corp. and Bank of Montreal. (incorporated by reference to Exhibit 10.15 of the Company's Annual Report on Form 10-K filed on March 16, 2021).
- 10.16 Membership Interest Purchase Agreement by and among Village Farms International, Inc. Balanced Health Botanicals, LLC and the Members of Balanced Health Botanicals, LLC, dated August 16, 2021 (incorporated by reference to Exhibit 10.17 of the Company's Annual Report on Form 10-K/A filed on March 13, 2022).^
- 10.17 Share Purchase Agreement by and among Village Farms International, Inc., ROSE LifeScience Inc. and the shareholders of ROSE LifeScience, dated November 15, 2021 (incorporated by reference to Exhibit 2.1 of the Company's Current Report on Form 8-K filed on November 19, 2021). ^
- 10.18 Unanimous Shareholder Agreement by and among Village Farms International, Inc., ROSE LifeScience Inc. and the shareholders of ROSE LifeScience, dated November 15, 2021 (incorporated by reference to Exhibit 2.2 of the Company's Current Report on Form 8-K filed on November 19, 2021) ^
- 10.19 First Amendment to Unanimous Shareholder Agreement by and among Village Farms International, Inc., ROSE LifeScience Inc. and the shareholders of ROSE LifeScience, dated December 21, 2022 (incorporated by reference to Exhibit 10.18 of the Company's Annual Report on Form 10-K filed on March 9, 2023).
- 10.20 Framework Agreement Regarding Partnership and Membership Interests, Contributions, and Exchanges by and Among Village Farms International, Inc., Village Farms Canada Limited Partnership, and Village Farms, L. P; Vanguard Food GP LLC, Vanguard Food LP, Vanguard Food Holdings LLC, Vanguard Food LLC, and Vanguard Produce Canada ULC; and Kennedy Lewis Capital Partners Master Fund II LP; and Sweat Equities SPV LLC dated May 12, 2025 (incorporated by reference to the Exhibit 2.1 to the Company's Form 8-K/A filed with the SEC on May 22, 2025).
- 10.21 Amended and Restated Limited Partnership Agreement of Vanguard Food LP, dated May 30, 2025 (incorporated by reference to the Exhibit 10.2 to the Company's Quarterly Report on Form 10-Q filed with the SEC on August 11, 2025).
- 10.22 Amended and Restated Limited Liability Company Agreement by and among Vanguard Food GP LLC, Sweat Equities SPV LLC, Kenedy Lewis Capital Partners Master Fund II LP, and Village Farms International Inc., dated May 30, 2025 (incorporated by reference to the Exhibit 10.3 to the Company's Quarterly Report on Form 10-Q filed with the SEC on August 11, 2025).
- 10.23 Transition Service Agreement by and Among Village Farms International, Inc., Village Farms, L.P., Village Farms Canada Limited Partnership, Vanguard Food LP, Vanguard Food GP LLC, Vanguard Food Holdings LLC, Vanguard Food LLC, and Vanguard Produce Canada ULC, dated May 30, 2025 (incorporated by reference to the Exhibit 10.4 to the Company's Quarterly Report on Form 10-Q filed with the SEC on August 11, 2025).
- 10.24 Marfa Sublease Agreement between Agro Power Development, Inc. and Vanguard Food LLC., dated May 30, 2025 (incorporated by reference to the Exhibit 10.5 to the Company's Quarterly Report on Form 10-Q filed with the SEC on August 11, 2025).

- 10.25 Sales, Marketing & Distribution Agreement, by and among Village Farms Canada Limited Partnership and Vanguard Produce Canada ULC, dated May 30, 2025 (incorporated by reference to the Exhibit 10.6 to the Company's Quarterly Report on Form 10-Q filed with the SEC on August 11, 2025).
- 10.26 Amended and Restated Share-based Compensation Plan dated March 15, 2021 and adopted June 10, 2021 (incorporated by reference to Appendix D of the Company's Proxy Statement filed on May 7, 2021).+
- 10.27 Village Farms International, Inc. Share-based Compensation Plan adopted on December 31, 2009 (incorporated by reference to Exhibit 10.1 to the Company's Annual Report on Form 10-K filed on April 1, 2020).+
- 10.28 Employment Agreement, dated as of September 1, 2023, by and between Stephen C. Ruffini and the Company (incorporated by reference to Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q filed on November 8, 2023).
- 10.29 Employment Agreement, dated as of July 13, 2020, by and between Michael A. DeGiglio and the Company (incorporated by reference to Exhibit 10.1 of the Company's Current Report on Form 8-K filed on July 14, 2020).+
- 10.30 Employment Agreement by and between Village Farms, L.P. and Michael A. DeGiglio, dated August 15, 2024 (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed on August 19, 2024). +
- 10.31 Employment Agreement by and between Bret Wiley and the Company, dated June 1, 2018 (incorporated by reference to Exhibit 10.9 of the Company's Annual Report on Form 10-K filed on April 1, 2020).+
- 10.32 Employment Agreement, dated as of October 20, 2023, by and between Orville Bovenschen and the Company (incorporated by reference to Exhibit 10.2 of the Company's Quarterly Report on Form 10-Q filed on November 8, 2023).+
- 10.33 Employment Agreement dated as of June 25, 2024, by and between Ann Gillin Lefever and the Company (incorporated by reference to Exhibit 10.1 of the Company's Current Report on Form 8-K filed on June 28, 2024).+
- 19.1 Insider Trading Policy (incorporated by reference to Exhibit 19.1 to the Company Annual Report on Form 10-K filed on March 13, 2024).
- 21.1 List of Subsidiaries.
- 23.1 Consent of Independent Registered Public Accounting Firm KPMG, LLP
- 23.2 Consent of Independent Registered Public Accounting Firm PricewaterhouseCoopers LLP
- 24.1 Powers of Attorney (included on signature page).
- 31.1 Certification of Principal Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
- 31.2 Certification of Principal Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
- 32.1 Certification of Principal Executive Officer Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
- 32.2 Certification of Principal Financial Officer Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
- 97.1 Clawback Policy (incorporated by reference to Exhibit 97.1 to the Company Annual Report on Form 10-K filed on March 13, 2024).
- 101.INS Inline XBRL Instance Document - the instance document does not appear in the Interactive Data File as its XBRL tags are embedded within the Inline XBRL document
- 101.SCH Inline XBRL Taxonomy Extension Schema With Embedded Linkbase Documents
- 104 Cover page formatted as inline XBRL and contained in Exhibit 101

+ Indicates management contract or compensatory plan.

^ Certain confidential portions of this exhibit have been redacted pursuant to Item 601(b)(10) of Regulation S-K. The Company agrees to furnish to the Securities and Exchange Commission a copy of any omitted portions of the exhibit upon request.

ITEM 16. FORM 10-K SUMMARY

None.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized on the 12th day of March 2026.

Village Farms International, Inc.

By: /s/ Michael A. DeGiglio

Name: Michael A. DeGiglio

Title: Chief Executive Officer and
Director

KNOW ALL PERSONS BY THESE PRESENTS, that each person whose signature appears below constitutes and appoints Michael A. DeGiglio and Stephen C. Ruffini, and each of them, his or her true and lawful attorneys-in-fact and agents, with full power of substitution and resubstitution, for him or her and in his or her name, place and stead, in any and all capacities, to sign any and all amendments to this report, and to file the same, with all exhibits thereto, and other documents in connection therewith, with the Securities and Exchange Commission, granting unto said attorneys-in-fact and agents, and each of them, full power and authority to do and perform each and every act and thing requisite and necessary to be done in connection therewith, as fully to all intents and purposes as he or she might or could do in person, hereby ratifying and confirming all that said attorneys-in-fact and agents, or either of them, or their or his substitutes or substitute, may lawfully do or cause to be done by virtue hereof.

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities on March 12, 2026.

<u>Signature</u>	<u>Title</u>
<u>/s/ Michael A. DeGiglio</u> Michael A. DeGiglio	Chief Executive Officer and Director (Principal Executive Officer)
<u>/s/ Stephen C. Ruffini</u> Stephen C. Ruffini	Chief Financial Officer and Director (Principal Financial and Accounting Officer)
<u>/s/ John R. McLernon</u> John R. McLernon	Director, Chair
<u>/s/ John P. Henry</u> John P. Henry	Director
<u>/s/ Dave Holewinski</u> David Holewinski	Director
<u>/s/ Christopher C. Woodward</u> Christopher C. Woodward	Director
<u>/s/ Carolyn Hauger</u> Carolyn Hauger	Director
<u>/s/ Kathleen M. Mahoney</u> Kathleen M. Mahoney	Director

Report of Independent Registered Public Accounting Firm

To the Board of Directors and Shareholders
Village Farms International, Inc.:

Opinion on the Consolidated Financial Statements

We have audited the accompanying consolidated statements of financial position of Village Farms International, Inc. and subsidiaries (the Company) as of December 31, 2025 and 2024, the related consolidated statements of operations and comprehensive income (loss), stockholders' equity and mezzanine equity, and cash flows for each of the years in the two-year period ended December 31, 2025, and the related notes (collectively, the consolidated financial statements). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2025 and 2024, and the results of its operations and its cash flows for each of the years in the two-year period ended December 31, 2025, in conformity with U.S. generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the Company's internal control over financial reporting as of December 31, 2025, based on criteria established in *Internal Control – Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission, and our report dated March 12, 2026 expressed an unqualified opinion on the effectiveness of the Company's internal control over financial reporting.

Basis for Opinion

These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that our audits provide a reasonable basis for our opinion.

Critical Audit Matter

The critical audit matter communicated below is a matter arising from the current period audit of the consolidated financial statements that was communicated or required to be communicated to the audit committee and that: (1) relates to accounts or disclosures that are material to the consolidated financial statements and (2) involved our especially challenging, subjective, or complex judgments. The communication of a critical audit matter does not alter in any way our opinion on the consolidated financial statements, taken as a whole, and we are not, by communicating the critical audit matter below, providing a separate opinion on the critical audit matter or on the accounts or disclosures to which it relates.

Evaluation of goodwill impairment indicators

As discussed in Notes 1 and 6 to the consolidated financial statements, the Company's goodwill balance was \$44,365 thousand as of December 31, 2025. Goodwill is tested for impairment annually or when events or changes in circumstances indicate that the carrying value of a reporting unit exceeds its fair value. The Company generally elects to utilize the optional qualitative assessment for goodwill and considers external and internal factors, including overall financial performance and relevant entity-specific factors, as part of this assessment. At December 31, 2025 the Company concluded that no impairment indicators existed as no events or circumstances occurred that would, more likely than not, reduce the fair value of the reporting units to be below their carrying amounts.

We identified the evaluation of goodwill impairment indicators as a critical audit matter. The evaluation of potential impairment indicators, including overall financial performance and market capitalization required a higher level of subjective auditor judgment. These potential impairment indicators could have a significant effect on the Company's qualitative assessment and the determination of whether further quantitative analysis of goodwill impairment was required.

The following are the primary procedures we performed to address this critical audit matter. We evaluated the design and tested the operating effectiveness of the internal control related to the Company's assessment of potential impairment indicators. We evaluated the Company's qualitative assessment for its reporting units by:

- comparing the Company's market capitalization to their overall book value
- comparing the actual financial performance of the reporting unit to the prior year projected financial information used in the prior year quantitative goodwill impairment analysis

/s/ KPMG LLP

We have served as the Company's auditor since 2024.

Orlando, Florida

March 12, 2026

Report of Independent Registered Public Accounting Firm

To the Board of Directors and Shareholders of Village Farms International, Inc.

Opinion on the Financial Statements

We have audited the consolidated statements of operations and comprehensive income (loss), of changes in shareholders' equity and mezzanine equity and of cash flows of Village Farms International, Inc. and its subsidiaries (the Company) for the year ended December 31, 2023, including the related notes (collectively referred to as the consolidated financial statements). In our opinion, the consolidated financial statements present fairly, in all material respects, the results of operations and cash flows of the Company for the year ended December 31, 2023 in conformity with accounting principles generally accepted in the United States of America.

Basis for Opinion

These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's consolidated financial statements based on our audit. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit of these consolidated financial statements in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud.

Our audit included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audit also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that our audit provides a reasonable basis for our opinion.

/s/PricewaterhouseCoopers LLP

Chartered Professional Accountants
Vancouver, Canada

March 13, 2024, except for the effects of the change in composition of reportable segments and change in segment profit measure discussed in note 14 (not presented herein) to the consolidated financial statements appearing under item 15 of the Company's 2024 annual report on Form 10-K, as to which the date is March 13, 2025, and except for the effects of discontinued operations discussed in note 10 to the consolidated financial statements, as to which the date is March 12, 2026.

We served as the Company's auditor from 2006 to 2024.

Report of Independent Registered Public Accounting Firm

To the Board of Directors and Shareholders
Village Farms International, Inc.:

Opinion on Internal Control Over Financial Reporting

We have audited Village Farms International, Inc. and subsidiaries' (the Company) internal control over financial reporting as of December 31, 2025, based on criteria established in *Internal Control – Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission. In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2025, based on criteria established in *Internal Control – Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the consolidated statements of financial position of the Company as of December 31, 2025 and 2024, the related consolidated statements of operations and comprehensive income (loss), stockholders' equity and mezzanine equity, and cash flows for each of the years in the two-year period ended December 31, 2025, and the related notes (collectively, the consolidated financial statements), and our report dated March 12, 2026 expressed an unqualified opinion on those consolidated financial statements.

Basis for Opinion

The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audit also included performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

Definition and Limitations of Internal Control Over Financial Reporting

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ KPMG LLP

Orlando, Florida
March 12, 2026

Village Farms International, Inc.
Consolidated Statements of Financial Position
(In thousands of United States dollars, except share data)

	December 31, 2025	December 31, 2024
ASSETS		
<i>Current assets</i>		
Cash and cash equivalents	\$ 81,189	\$ 24,631
Restricted cash	5,063	—
Trade receivables, net	23,151	22,160
Inventories, net	41,519	41,256
Other receivables	324	247
Prepaid expenses and deposits	3,191	2,806
Current assets of discontinued operations (Note 10)	—	24,919
Total current assets	<u>154,437</u>	<u>116,019</u>
<i>Non-current assets</i>		
Property, plant and equipment, net	185,712	175,226
Investments	6,276	2,656
Goodwill	44,365	42,315
Intangibles, net	23,647	25,105
Deferred tax asset	694	1,005
Right-of-use assets	4,066	4,372
Other assets	3,899	2,178
Non-current assets of discontinued operations (Note 10)	—	20,430
Total assets	<u>\$ 423,096</u>	<u>\$ 389,306</u>
LIABILITIES		
<i>Current liabilities</i>		
Line of credit	\$ —	\$ 4,000
Trade payables	15,747	11,254
Current maturities of long-term debt	4,885	8,142
Accrued sales taxes	8,695	8,740
Accrued loyalty program	541	1,029
Accrued liabilities	13,419	8,972
Lease liabilities - current	1,198	1,060
Income tax payable	12,151	51
Other current liabilities	1,950	1,053
Current liabilities of discontinued operations (Note 10)	—	17,918
Total current liabilities	<u>58,586</u>	<u>62,219</u>
<i>Non-current liabilities</i>		
Long-term debt	28,769	32,420
Deferred tax liability	18,494	19,940
Lease liabilities - non-current	3,855	4,199
Other liabilities	3,330	2,196
Non-current liabilities of discontinued operations (Note 10)	—	4,374
Total liabilities	<u>113,034</u>	<u>125,348</u>
Commitments and contingencies (Note 12)		
MEZZANINE EQUITY		
Redeemable non-controlling interests	10,164	9,953
SHAREHOLDERS' EQUITY		
Common stock, no par value per share - unlimited shares authorized; shares issued and outstanding at December 31, 2025 and 112,337,049 shares issued and outstanding at December 31, 2024.	115,722,312	
	392,380	387,349
Additional paid in capital	29,374	30,604
Accumulated other comprehensive loss	(9,281)	(18,932)
Retained earnings	(112,575)	(145,016)
Total shareholders' equity	<u>299,898</u>	<u>254,005</u>
Total liabilities, mezzanine equity and shareholders' equity	<u>\$ 423,096</u>	<u>\$ 389,306</u>

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

Village Farms International, Inc.
Consolidated Statements of Operations and Comprehensive Income (Loss)
For the Years Ended December 31,
(In thousands of United States dollars, except share and per share data)

	2025	2024	2023
Sales	\$ 215,937	\$ 195,907	\$ 163,109
Cost of sales	(128,255)	(150,106)	(115,157)
Gross profit	87,682	45,801	47,952
Selling, general and administrative expenses	(60,293)	(61,748)	(56,714)
Interest expense	(2,704)	(3,365)	(4,495)
Interest income	1,163	914	1,018
Foreign exchange gain (loss)	1,555	(2,843)	602
Other income	4,173	4,015	32
Goodwill and intangible asset impairments	—	(11,939)	(14,020)
Other impairments	(217)	(439)	—
Income (loss) before taxes and loss from equity method investments	31,359	(29,604)	(25,625)
(Provision for) recovery of income taxes	(10,371)	1,662	(7,451)
Income from equity method investments	—	—	—
Income (loss) from continuing operations	20,988	(27,942)	(33,076)
Income (loss) from discontinued operations, net of tax	11,117	(7,702)	(1,743)
Income (loss) including non-controlling interests	32,105	(35,644)	(34,819)
Less: net loss (income) attributable to non-controlling interests, net of tax	336	(207)	21
Net income (loss) attributable to Village Farms International, Inc. shareholders	<u>\$ 32,441</u>	<u>\$ (35,851)</u>	<u>\$ (34,798)</u>
Basic income (loss) per share attributable to Village Farms International, Inc. shareholders from:			
Continuing operations	\$ 0.19	\$ (0.25)	\$ (0.30)
Discontinued operations	0.10	(0.07)	(0.02)
Basic income (loss) per share attributable to Village Farms International, Inc. shareholders	<u>\$ 0.29</u>	<u>\$ (0.32)</u>	<u>\$ (0.32)</u>
Diluted income (loss) per share attributable to Village Farms International, Inc. shareholders from:			
Continuing operations	\$ 0.18	\$ (0.25)	\$ (0.30)
Discontinued operations	0.09	(0.07)	(0.02)
Diluted income (loss) per share attributable to Village Farms International, Inc. shareholders	<u>\$ 0.27</u>	<u>\$ (0.32)</u>	<u>\$ (0.32)</u>
Weighted average number of common shares used in the computation of loss per share (in thousands):			
Basic	113,283	111,370	108,728
Diluted	118,545	111,370	108,728
Income (loss) including non-controlling interests	\$ 32,105	\$ (35,644)	\$ (34,819)
Other comprehensive income (loss):			
Foreign currency translation adjustment	10,198	(16,265)	4,237
Comprehensive income (loss) including non-controlling interests	42,303	(51,909)	(30,582)
Less: comprehensive (income) loss attributable to non-controlling interests	(206)	665	(436)
Comprehensive income (loss) attributable to Village Farms International, Inc. shareholders	<u>\$ 42,097</u>	<u>\$ (51,244)</u>	<u>\$ (31,018)</u>

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

Village Farms International, Inc.
Consolidated Statements of Changes in Shareholders' Equity and Mezzanine Equity
For the Years Ended December 31, 2025, 2024 and 2023
(In thousands of United States dollars, except for shares outstanding)

	Number of Common Shares (in thousands)	Common Stock	Additional Paid In Capital	Accumulated Other Comprehensiv e (Loss) Income	Retained Earnings	Non- controlling Interest	Total Permanent Shareholders ' Equity	Mezzanine Equity
Balance at December 31, 2022	91,789	\$ 372,429	\$ 13,372	\$ (8,371)	\$ (74,367)	\$ 767	\$ 303,830	\$ 16,164
Shares issued in public offering, net of issuance costs	18,350	14,207	—	—	—	—	14,207	—
Warrants issued in public offering	—	—	9,128	—	—	—	9,128	—
Shares issued on exercise of stock options	100	83	—	—	—	—	83	—
Share-based compensation	10	—	3,111	—	—	—	3,111	—
Cumulative translation adjustment	—	—	—	4,831	—	72	4,903	(666)
Net (loss) income	—	—	—	—	(34,798)	(190)	(34,988)	169
Balance at December 31, 2023	<u>110,249</u>	<u>\$ 386,719</u>	<u>\$ 25,611</u>	<u>\$ (3,540)</u>	<u>\$ (109,165)</u>	<u>\$ 649</u>	<u>\$ 300,274</u>	<u>\$ 15,667</u>
Share-based compensation	2,088	630	3,117	—	—	—	3,747	—
Acquisition of redeemable non- controlling interest	—	—	2,193	—	—	—	2,193	(5,209)
Acquisition of non-controlling interest	—	—	(317)	—	—	(489)	(806)	—
Cumulative translation adjustment	—	—	—	(15,392)	—	—	(15,392)	(873)
Net (loss) income	—	—	—	—	(35,851)	(160)	(36,011)	368
Balance at December 31, 2024	<u>112,337</u>	<u>387,349</u>	<u>30,604</u>	<u>(18,932)</u>	<u>(145,016)</u>	<u>—</u>	<u>254,005</u>	<u>9,953</u>
Shares Repurchased	(813)	—	(2,971)	—	—	—	(2,971)	—
Share-based compensation	700	—	1,741	—	—	—	1,741	—
Shares issued on exercise of stock options	792	817	—	—	—	—	817	—
Shares issued on exercise of warrants	2,816	4,646	—	—	—	—	4,646	—
Shares surrendered for taxes	(110)	(432)	—	—	—	—	(432)	—
Cumulative translation adjustment	—	—	—	9,651	—	—	9,651	547
Net income (loss)	—	—	—	—	32,441	—	32,441	(336)
Balance at December 31, 2025	<u>115,722</u>	<u>\$ 392,380</u>	<u>\$ 29,374</u>	<u>\$ (9,281)</u>	<u>\$ (112,575)</u>	<u>\$ —</u>	<u>\$ 299,898</u>	<u>\$ 10,164</u>

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

Village Farms International, Inc.
Consolidated Statements of Cash Flows
For the Years Ended December 31,
(In thousands of United States dollars)

	2025	2024	2023
Cash flows provided by (used in) operating activities:			
Income (loss) from continuing operations including non-controlling interests	\$ 20,988	\$ (27,942)	\$ (33,076)
Adjustments to reconcile loss including non-controlling interests to net cash provided by (used in) operating activities:			
Depreciation and amortization	16,379	16,723	14,090
Amortization of deferred charges	116	10	136
Interest expense	2,704	3,365	4,495
Interest paid on long-term debt	(2,779)	(4,203)	(4,700)
Unrealized foreign exchange loss	13	233	64
Goodwill and intangible asset impairments	—	11,939	14,020
Inventory and other impairments	217	10,961	—
Non-cash lease expense	951	731	1,193
Share-based compensation	1,741	3,747	3,111
Deferred income taxes	(2,074)	(1,739)	7,046
Changes in non-cash working capital items	19,856	(97)	1,254
Net cash provided by operating activities from continuing operations	<u>58,112</u>	<u>13,728</u>	<u>7,633</u>
Cash flows (used in) provided by investing activities:			
Purchases of property, plant and equipment	(18,219)	(7,168)	(3,604)
Purchases of intangibles	(395)	(158)	—
Equity investment	—	—	(548)
Repayment of note receivable	—	—	835
Net cash used in investing activities from continuing operations	<u>(18,614)</u>	<u>(7,326)</u>	<u>(3,317)</u>
Cash flows (used in) provided by financing activities:			
Proceeds from borrowings	19,295	—	—
Repayments on borrowings	(27,160)	(5,709)	(9,281)
Purchase of non-controlling interest	—	(3,817)	—
Proceeds from issuance of common stock and warrants	—	—	24,772
Issuance costs	—	—	(1,437)
Share repurchases	(2,971)	—	—
Proceeds from exercise of warrants and stock options	5,031	—	83
Other financing activities	(546)	—	—
Net cash used in (provided by) financing activities from continuing operations	<u>(6,351)</u>	<u>(9,526)</u>	<u>14,137</u>
Discontinued Operations			
Net cash (used in) provided by operating activities from discontinued operations	(8,388)	(3,381)	(2,318)
Net cash provided by (used in) investing activities from discontinued operations	38,710	(2,914)	(2,914)
Net cash used in financing activities from discontinued operations	(4,000)	—	—
Net cash flows provided by discontinued operations	<u>26,322</u>	<u>(6,295)</u>	<u>(5,232)</u>
Effect of exchange rate changes on cash and cash equivalents	2,152	(1,241)	394
Net increase (decrease) in cash, cash equivalents and restricted cash	61,621	(10,660)	13,615
Cash, cash equivalents and restricted cash, beginning of period	24,631	35,291	21,676
Cash, cash equivalents and restricted cash, end of period	\$ 86,252	\$ 24,631	\$ 35,291
Supplemental disclosure of non-cash activities:			
Non-Cash - investing and financing activities			
Operating lease right-of-use assets	\$ 691	\$ 117	\$ 5,578
Operating lease liabilities	\$ 691	\$ 117	\$ 5,578
Supplemental cash flow information			
Income Taxes Paid	\$ 93	\$ —	\$ —

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

VILLAGE FARMS INTERNATIONAL, INC.
Notes to Consolidated Financial Statements
(In thousands of United States dollars, except share and per share amounts and unless otherwise noted)

1. BUSINESS, BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES

Nature of Business

Village Farms International, Inc. ("VFF" and, together with its subsidiaries, the "Company", "we", "us", or "our") is a corporation existing under the Ontario Business Corporations Act. VFF's principal operating subsidiaries as of December 31, 2025 were Pure Sunfarms Corp. ("Pure Sunfarms"), Balanced Health Botanicals, LLC ("Balanced Health"), Leli Holland B.V. ("Leli"), Village Farms Canada Limited Partnership ("VFCLP"), Village Farms, L.P., and VF Clean Energy, Inc. ("VFCE"). VFF also owns an 80% interest in Rose LifeScience Inc. ("Rose").

The address of the registered office of VFF is 79 Wellington Street West, Suite 3300, Toronto, Ontario, Canada, M5K 1N2.

The address of the principal executive office of VFF is 90 Colonial Center Pkwy, Lake Mary, Florida, United States, 32746.

VFF's wholly owned subsidiary, Pure Sunfarms, is a vertically integrated licensed producer and supplier of cannabis products sold to customers throughout Canada and internationally. Through its 80% ownership interest of Rose, the Company has a substantial presence in the Province of Quebec as a cannabis supplier, producer and commercialization expert. The Company's wholly owned subsidiary, Balanced Health, develops and sells high quality, cannabidiol ("CBD") based products including ingestible, edible and topical applications within the U.S. Its wholly owned subsidiary, Leli, is a vertically integrated licensed producer and supplier of cannabis products sold to coffee shops in the Netherlands. VFF owns and operates sophisticated, highly intensive agricultural greenhouse facilities in British Columbia, where it produces premium-quality tomatoes.

Basis of Presentation and Principles of Consolidation

The accompanying consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States ("U.S. GAAP"), and include VFF and its subsidiaries and include the accounts of all majority owned subsidiaries over which the Company exercises control and, when applicable, entities in which the Company has a controlling financial interest. All significant intercompany balances and transactions have been eliminated in consolidation. Other parties' interests in entities that VFF consolidates are reported as non-controlling interests within equity, except for mandatorily redeemable non-controlling interests, which are classified as temporary mezzanine equity. Net income or loss attributable to non-controlling interests is reported as a separate line item below net income or loss. Investments in entities for which the Company does not have a controlling financial interest, but over which it has the ability to exert significant influence, are accounted for under the equity method of accounting. For equity investees in which the Company has an undivided interest in the assets, liabilities and profits or losses of an unincorporated entity, but does not exercise control over the entity, the Company consolidates its proportional interest in the accounts of the entity. When appropriate, prior year amounts are reclassified to conform with the current period presentation.

As of December 31, 2025, the Company determined that certain assets that had been disposed of met the criteria for discontinued operations presentation. For all periods presented, the operating results associated with the assets disposed of have been reclassified into net income (loss) from discontinued operations, net of income taxes, in the Consolidated Statements of Operations and Comprehensive Income (Loss). The associated assets and liabilities have been reflected as current and long-term assets and liabilities of discontinued operations in the Consolidated Statements of Financial Position, and the cash flows from the Company's discontinued operations are presented in the Consolidated Statements of Cash Flows for all periods presented.

Certain prior period balances related to the Company's reportable segments and discontinued operations have been reclassified to conform to the current presentation in the financial statements and accompanying notes. The notes to the Consolidated Financial Statements are presented on a continuing operations basis unless otherwise noted. Refer to Note 10 Discontinued Operations and Disposals for additional information on the Company's discontinued operations.

Translation of Foreign Currencies

The assets and liabilities of foreign subsidiaries with a functional currency other than the U.S. dollar are translated into U.S. dollars at period-end exchange rates, with resulting translation gains or losses included within other comprehensive income or loss. Revenue and expenses are translated into U.S. dollars at average rates of exchange during the applicable period. Substantially all of the Company's foreign operations use their local currency as their functional currency. For foreign operations for which the local currency is not the functional currency, the operation's non-monetary assets are remeasured into U.S. dollars at historical exchange rates. All other accounts are remeasured at current exchange rates, with both gains or losses from remeasurement and currency gains or losses from transactions executed in currencies other than the functional currency included in foreign exchange gain (loss).

In these consolidated financial statements, "\$" means U.S. dollars and "C\$" means Canadian dollars, unless otherwise noted.

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The exchange rates used to translate from Canadian dollars to U.S dollars is shown below:

	As of December 31,		
	2025	2024	2023
Spot rate	0.7294	0.6957	0.7543
For the year ended	0.7156	0.7301	0.7410

Management Estimates

The preparation of consolidated financial statements in accordance with U.S. GAAP requires the use of estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. These estimates are based on historical experience and various other assumptions that management believes to be reasonable under the circumstances, including the potential future effects of macroeconomic trends and events, such as inflation and interest rate levels; supply chain disruptions; uncertainty from potential recessionary effects; climate-related matters; market, industry and regulatory factors, including permitting issues; global events, such as the ongoing military conflict in Ukraine as well as potential tariff wars; and public health matters. These estimates form the basis for making judgments about the Company’s operating results and the carrying values of assets and liabilities that are not readily apparent from other sources. While management believes that such estimates are reasonable when considered in conjunction with the Company’s consolidated financial position and results of operations taken as a whole, actual results could differ materially from these estimates.

General Economic, Regulatory and Market Conditions

The Company has experienced, and may continue to experience, direct and indirect negative effects on its business and operations from negative economic, regulatory and market conditions, including inflationary effects on fuel prices, labor and materials costs, elevated interest rates, potential recessionary impacts and supply chain disruptions that could negatively affect demand for new projects and/or delay existing project timing or cause increased project costs. The extent to which general economic, regulatory and market conditions could affect the Company’s business, operations and financial results is uncertain as it will depend upon numerous evolving factors that management may not be able to accurately predict, and, therefore, any future impacts on the Company’s business, financial condition and/or results of operations cannot be quantified or predicted with specificity.

Significant Accounting Policies

The following is a summary of significant accounting policies followed in the preparation of the accompanying consolidated financial statements.

Revenue Recognition

The Company’s produce and cannabis revenue transactions consist of a single performance obligation to transfer promised goods at a fixed price. Quantities to be delivered to the customer are determined at a point near the date of delivery through purchase orders received from the customer. The Company recognizes revenue when it has fulfilled a performance obligation, which is typically when the customer receives the goods. Revenue is measured as the amount of consideration the Company expects to receive in exchange for transferring the goods. The amount of revenue recognized is measured at the fair value of the consideration received or receivable, reduced for excise duty, returns, and other customer credits, such as trade discounts and volume rebates. Payment terms are consistent with terms standard to the markets the Company serves.

Direct-to-consumer product sales for loyalty members contain two distinct performance obligations for which the Company allocates the transaction price based on the relative stand-alone value of each performance obligation, such that both revenue related to the delivery of the underlying purchased goods and deferred revenue for loyalty points issued to the customer are recognized based on the allocated consideration of value, after giving consideration to loyalty point breakage. The loyalty liability represents a performance obligation to provide goods for free or at a discount to loyalty members in exchange for the redemptions of points earned from past activities.

Judgment is required in determining whether the Company is the principal or agent in certain transactions. We evaluate the presentation of revenue on a gross or net basis based on whether we control the service provided to the end-user and are the principal (i.e. “gross”), or we arrange for other parties to provide the service to the end-user and are an agent (i.e. “net”).

For each identified performance obligation in the contract with the customer, we assess whether our agency or the third-party supplier is the principal or agent. We control the specified services before transferring those services to the customer and act as the principal if we are primarily responsible for fulfilling the promise to provide the specified good or service, have inventory risk, or discretion in establishing pricing. For performance obligations in which we act as principal, we record the gross amount billed to the customer within total revenue and the related incremental direct costs incurred as billable expenses.

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If the third-party supplier, rather than the Company, is primarily responsible for the performance and deliverable to our customer, then we generally act as the agent and solely arrange for the third-party supplier to provide services to the customer. For performance obligations for which we act as the agent, we record our revenue as the net amount of our gross billings less pass-through expenses charged to a customer.

Revenue received from shipping and handling fees is reflected in net sales. Shipping and handling costs are included in cost of sales as incurred or at the time revenue is recognized for the related goods, whichever comes first.

The following table disaggregates the Company's net revenue by major source for the years ended:

Classification	December 31, 2025	December 31, 2024	December 31, 2023
Cannabis:			
Branded ⁽¹⁾	\$ 98,931	\$ 111,951	\$ 91,914
Non-Branded	24,857	28,827	15,457
International	37,893	6,137	4,600
U.S. Cannabis	14,439	17,390	20,330
Netherlands Cannabis	9,858	—	—
Other	2,029	1,941	2,059
Produce	26,295	28,909	28,749
Energy	1,635	752	—
Total Revenue	\$ 215,937	\$ 195,907	\$ 163,109

- (1) Branded revenues are shown net of excise tax on products. For the years ended December 31, 2025, 2024, and 2023, excise tax on products was \$59,950, \$71,953, and \$58,015, respectively.

Redeemable Non-Controlling Interest

Non-controlling interest (“NCI”) in subsidiaries that are redeemable for cash or other assets outside of our control are classified as temporary mezzanine equity, outside of equity and liabilities. Initial measurement is at acquisition date fair value and subsequent measurement is at the greater of the carrying value or the redemption value. Changes in the redemption value are recognized immediately as they occur and the carrying amount of the redeemable NCI is adjusted to equal the redemption value at the end of each reporting period. This method views the end of the reporting period as if it were also the redemption date for the instrument. Increases or decreases in the estimated redemption amount are recorded with corresponding adjustments against equity and are reflected in the computation of earnings per share. However, the amount presented in temporary equity should be no less than the initial amount reported in temporary equity for the instrument.

Income Taxes

The Company uses the asset and liability method of accounting for income taxes. Temporary differences arising between the tax basis of an asset or liability and its carrying amount on the Consolidated Statement of Financial Position are used to calculate future income tax assets and liabilities. This method also requires the recognition of deferred tax benefits, such as net operating loss carryforwards. Valuation allowances are recorded as appropriate to reduce deferred tax assets to the amount considered likely to be realized. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to the taxable income (losses) in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the date of enactment of the change. A tax benefit from an uncertain tax position is recognized only if we believe it is more likely than not that the position will be sustained on its technical merits. If the recognition threshold for the tax position is met, only the portion of the tax benefit that we believe is greater than 50 percent likely to be realized is recorded.

Cash and Cash Equivalents

Cash and cash equivalents consist of cash deposits held with banks, and other highly liquid short-term interest-bearing securities with maturities at the date of purchase of three months or less.

Restricted Cash

Restricted cash, as of December 31, 2025, includes cash held in indemnity escrow with a financial institution (Note 10).

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Notes to Consolidated Financial Statements
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Trade Receivables and Allowance for Credit Losses

Trade accounts receivable are recorded at the point control transfers and represent the amount of consideration we expect to receive in exchange for transferred goods and do not bear interest. We establish provisions for expected lifetime losses on accounts receivable at the time a receivable is recorded based on historical experience, customer credit quality and forecasted economic conditions. We regularly review our accounts receivable balances and the allowance for credit loss and establish or adjust the allowance as necessary using the specific identification method. We also evaluate the aggregation and risk characteristics of receivable pools and develop loss rates that reflect historical collections, current forecasts of future economic conditions over the time horizon we are exposed to credit risk, and payment terms or conditions that may materially affect future forecasts.

Inventories

Inventories are valued at the lower of cost or net realizable value. The cost of inventory includes capitalized production costs, including labor, materials, post-harvest costs and depreciation. Inventoriable costs are expensed to cost of goods sold on the Consolidated Statement of Operations in the same period as finished products are sold. The amount of any write-down of inventories to net realizable value and all losses of inventories are recognized as an expense in the period when the write-down or loss occurs.

Long-Lived Assets

The Company's long-lived assets consist primarily of property, plant and equipment and finite-lived intangible assets. Purchased property and equipment is recorded at cost, or, if acquired in a business combination, at the acquisition date fair value. Depreciation and amortization of property and equipment is computed using the straight-line method or declining balance method over the estimated useful lives of the respective assets. Leasehold improvements are depreciated over the shorter of the term of the lease or the estimated useful lives of the improvements. Expenditures for repairs and maintenance are charged to expense as incurred. Expenditures for betterments and major improvements that extend the life of the related assets are capitalized and depreciated over the remaining useful lives of the assets. The carrying amounts of assets sold or retired and the related accumulated depreciation are eliminated in the year of disposal. Gains or losses, net, from the sale of property and equipment are included within other income (expense). Depreciation of property, plant and equipment is determined on the straight-line method or declining balance method over the following useful lives of the assets:

Classification	Estimated Useful Lives
Leasehold and land improvements	5-20 years
Buildings	4-30 years
Machinery and equipment	3-30 years

The Company's intangible assets are purchased and acquired through business combinations and have both finite and infinite useful lives. Finite-lived intangible assets are amortized over their useful lives, which are generally based on contractual or legal rights, using the straight-line method. Amortization of finite-lived intangible assets is determined on the straight-line method over the following useful lives of the assets:

Classification	Estimated Useful Lives
Licenses	5-22 years
Brand and trademarks	Indefinite
Customer relationships	10 years
Computer software	3-5 years

Long-lived assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of the asset may not be recoverable. Long-lived assets are grouped with other assets to the lowest level to which identifiable cash flows are largely independent of the cash flows of other groups of assets and liabilities. Management assesses the recoverability of the carrying cost of the assets based on a review of projected undiscounted cash flows. If an asset is held for sale, management reviews its estimated fair value less cost to sell. Fair value is determined using pertinent market information, including appraisals or broker's estimates, and/or projected discounted cash flows. In the event an impairment loss is identified, it is recognized based on the amount by which the carrying value exceeds the estimated fair value of the long-lived asset.

During the years ended December 31, 2025, 2024 and 2023 there were no material impairments of long-lived assets.

Business Combinations

The determination of the fair value of net assets acquired in a business combination requires estimates and judgments of future cash flow expectations for the acquired business and the related identifiable tangible and intangible assets. Fair values of net assets acquired are calculated using expected cash flows and industry-standard valuation techniques. For current assets and current

VILLAGE FARMS INTERNATIONAL, INC.
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liabilities, book value is generally assumed to equal fair value. Goodwill is the amount by which consideration paid exceeds the fair value of acquired net assets. A bargain purchase gain results when the fair value of an acquired business' net assets exceeds its purchase price. Acquisition costs are expensed as incurred and are included within general and administrative expenses in the consolidated statements of operations.

Due to the time required to gather and analyze the necessary data for each acquisition, U.S. GAAP provides a "measurement period" of up to one year in which to finalize these fair value determinations. During the measurement period, preliminary fair value estimates may be revised if new information is obtained about the facts and circumstances existing as of the date of acquisition, or based on the final net assets and working capital of the acquired business, as prescribed in the applicable purchase agreement. Such adjustments may result in the recognition of, or an adjustment to the fair values of, acquisition-related assets and liabilities and/or consideration paid, and are referred to as "measurement period" adjustments. Measurement period adjustments are recorded to goodwill. Other revisions to fair value estimates that relate to facts and circumstances that occurred subsequent to the date of acquisition are reflected as income or expense, as appropriate.

Leases

In the ordinary course of business, the Company enters into agreements that provide financing for machinery and equipment and for other of its facility, vehicle and equipment needs. The Company reviews all agreements to determine if a leasing arrangement exists. When a leasing arrangement is identified, a determination is made at inception as to whether the lease is an operating or a finance lease. A lease exists when a contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. In determining whether a lease exists, the Company considers whether a contract provides both the right to obtain substantially all of the economic benefits from the use of an asset and the right to direct the use of the asset. Right-of-use assets and lease liabilities are recognized at the lease commencement date based on the present value of the minimum future lease payments over the expected term of the lease. The Company's lease assets are primarily concentrated in facilities, vehicles, machinery and equipment.

Leases with an initial term of twelve months or less are classified as short-term leases and are not recognized in the consolidated balance sheets unless the lease contains a purchase option that is reasonably certain to be exercised, or unless it is reasonably certain that the equipment will be leased for greater than twelve months. The volume of lease activity for leases with an initial term of twelve months or less varies depending upon the number of ongoing projects at a given time, as well as the location and type of equipment required in connection with those projects. Lease payments for short-term leases are recognized on a straight-line basis over the lease term, and primarily relate to equipment used on construction projects, for which the rentals are based on daily, weekly or monthly rental rates, and typically contain termination for convenience provisions. Lease determinations are reassessed in the event of a change in lease terms. The Company has a limited number of sublease, equipment and other leasing arrangements, which are not considered material to the consolidated financial statements.

As of December 31, 2025, the Company's leases have remaining lease terms of up to 6 years. Lease agreements may contain renewal clauses, which, if elected, generally extend the term of the lease for one to five years for both equipment and facility leases. Certain lease agreements may also contain options to purchase the leased property and/or options to terminate the lease. In addition, lease agreements may include periodic adjustments to payment amounts for inflation or other variables, or may require payments for taxes, insurance, maintenance or other expenses, which are generally referred to as non-lease components. The Company accounts for non-lease components together with the related lease components for all classes of leased assets. The Company's lease agreements do not contain significant residual value guarantees or material restrictive covenants. Asset retirement obligations related to the termination of leases are not material to the financial statements.

Lease term, discount rate, variable lease costs and future minimum lease payment determinations require the use of judgment, and are based on the facts and circumstances of each lease. Economic incentives, intent, past history and business need are among the factors considered to determine if renewal and/or purchase options are reasonably certain to be exercised. The majority of the Company's lease agreements do not explicitly state the discount rate implicit in the lease, therefore, the Company generally uses an incremental borrowing rate to determine the value of its lease obligations. The incremental borrowing rate represents the rate of interest that would be paid to borrow on a collateralized basis over a similar term. The Company determines its incremental borrowing rate using a portfolio approach based on information available as of the lease commencement date, including applicable lease terms and the current economic environment.

Finance Leases

Finance lease assets are recorded within property and equipment, with a corresponding amount recorded within the Company's debt obligations. Finance lease expense is composed of depreciation expense on the leased asset and interest on the lease

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liability. Additions to finance leases are included within the supplemental disclosures of non-cash information in the consolidated statements of cash flows.

Operating Leases

Operating lease right-of-use assets and liabilities are recorded on the consolidated balance sheets, with the related lease expense recognized over the term of the lease on a straight-line basis. Operating lease expense is recorded as rent expense, primarily within costs of revenue. Fixed costs for operating leases are composed of initial base rent amounts plus any fixed annual increases. Variable costs for operating leases consist primarily of common area maintenance expenses and taxes for facility leases. Certain of the Company's operating leases may contain purchase options, for which the purchase option price is generally considered to be at fair market value. From time to time, the Company may terminate a lease before the end of the lease term. Payments related to such early lease terminations are generally recorded within general and administration expenses.

Goodwill and Indefinite-Lived Intangible Assets

The Company has goodwill and indefinite-lived intangible assets that have been recorded in connection with its acquisitions of businesses. Goodwill and indefinite-lived intangibles are allocated to reporting units and tested for impairment annually as of December 31 each year and when events or changes in circumstances indicate that the carrying value of a reporting unit exceeds its fair value. The Company generally elects to utilize the optional qualitative assessment for goodwill to determine whether it is more likely than not that the carrying value of a reporting unit is higher than its fair value. If it is determined that the fair value is more likely than not to be lower than the carrying value, a quantitative goodwill impairment test is performed by determining the fair value of the reporting unit. The fair value of a reporting unit is determined using either the income approach utilizing estimates of discounted future cash flows or the market approach utilizing recent transaction activity for comparable properties. These approaches are considered level 3 fair value measurements. If the carrying amount of the reporting unit exceeds its fair value, an impairment loss is recognized in an amount equal to that excess, limited to the total amount of goodwill allocated to that reporting unit. The Company did not record impairment charges against goodwill and indefinite-lived intangible assets for the year ended December 31, 2025. During the years ended December 31, 2024 and 2023 the Company recorded impairment charges against goodwill and indefinite-lived intangible assets. For additional information refer to *Note 6. Goodwill and Intangible Assets*.

Segment Reporting

Our operating segments are reported in a manner consistent with internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Chief Executive Officer ("CEO"). The Company has identified five operating segments – Cannabis-Canada, Cannabis-U.S., Cannabis-Netherlands (previously Leli), Produce, and Clean Energy.

Fair Value Measurements

Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. We utilize a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value into three broad levels. The following is a brief description of those three levels:

Level 1: Observable inputs based on quoted prices (unadjusted) 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. These include quoted prices for similar assets and liabilities in active markets, or quoted prices for identical assets and liabilities in markets that are not active.

Level 3: Unobservable inputs that reflect our own assumptions.

For its investments, the Company has elected the practicability exception to fair value measurement, under which the investment is measured at cost, less impairment, plus or minus any observable price changes of an identical or similar investment.

Share-Based Compensation

The Company grants stock options and restricted stock ("RSU") to certain employees and directors.

Compensation costs for awards of stock-based compensation settled in shares are determined based on the fair value of the share-based instrument at the time of grant and are recognized as expense over the vesting period of the share-based instrument. The Company recognizes forfeitures as they occur.

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Stock options generally vest over three years (33% per year following the grant date) and expire after ten years. Each tranche in an award is considered a separate award with its own vesting period. The fair value of each tranche is measured at the date of grant using the Black-Scholes option pricing model. Compensation expense is recognized over the tranche's vesting period by increasing additional paid-in capital based on the number of awards expected to vest. The number of awards expected to vest is reviewed at least annually, with any impact recognized immediately.

RSU grants will be settled using the Company's own equity if the performance standard is met. The equity-settled share-based compensation is measured at the fair value of the Company's Common Shares as at the grant date in accordance with the terms of the Company's Stock Compensation Plan. The fair value determined at the grant date is charged to income when performance-based or time-based vesting conditions are met, based on the number of RSUs that will eventually be converted to Common Shares, with a corresponding increase in equity (see noted)

Advertising

Advertising costs are recognized when incurred and are presented within selling, general and administrative costs in the Consolidated Statements of Operations. The Company supports its products with advertising to build brand awareness of the Company's various products in addition to other marketing programs executed by the Company's marketing teams. Advertising costs for the years ended December 31, 2025, 2024, and 2023 were \$3,349, \$4,125, and \$4,942, respectively.

Other Income (Expense)

Other income for the years ended December 31, 2025, 2024, and 2023 include favorable settlements of \$4,240, \$3,536 and \$0, respectively, relating to the partial recovery of operational losses from the Tomato Brown Rugose Fruit Virus infestation.

Comprehensive Income (Loss)

Comprehensive income or loss is a measure of net income and other changes in equity that results from transactions other than those with shareholders. Comprehensive income or loss and related accumulated comprehensive income or loss balances consist of net income, foreign currency translation adjustments, primarily from fluctuations in foreign currency exchange rates of the Company's foreign subsidiaries with a functional currency other than the U.S. dollar and net income or loss attributable to non-controlling interests.

Recently Adopted Accounting Pronouncements

In December 2023, the FASB issued ASU 2023-09, *Income Taxes (Topic 740): Improvements to Income Tax Disclosures*. This ASU requires that an entity annually disclose specific categories in the rate reconciliation and provide additional information for reconciling items that meet a quantitative threshold (if the effect of those reconciling items is equal to or greater than 5 percent of the amount computed by multiplying pretax income or loss by the applicable statutory income tax rate) as well as income taxes paid disaggregated by jurisdiction. The amendments in this update were effective for all entities for fiscal years beginning after December 15, 2024. The Company adopted this guidance for the fiscal year ended December 31, 2025. The amendments in this ASU were applied prospectively. This ASU only impacted our disclosures with no impact to our results of operations, cash flows, and financial condition.

New Accounting Pronouncements

Income Statement—Reporting Comprehensive Income—Expense Disaggregation Disclosures

In November 2024, the FASB issued ASU 2024-03, *Income Statement – Reporting Comprehensive Income – Expense Disaggregation Disclosures*. The ASU requires a public business entity to provide disaggregated disclosures of certain categories of expenses on an annual and interim basis including purchases of inventory, employee compensation, depreciation, and intangible asset amortization for each income statement line item that contains those expenses. The guidance is effective for annual disclosures for fiscal years beginning after December 15, 2026, and subsequent interim periods with early adoption permitted, and requires retrospective application to all prior periods presented in the financial statements. We are currently evaluating the impact this new guidance will have on our disclosures upon adoption and expect to provide additional detail and disclosures under this new guidance.

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2. INVENTORIES

Inventories consisted of the following:

Classification	December 31, 2025	December 31, 2024
Cannabis:		
Raw materials	\$ 5,852	\$ 6,372
Work-in-process	10,599	7,052
Finished goods	20,227	21,872
Packaging	2,965	3,100
Produce:		
Crop inventory	1,876	2,860
Inventory	\$ 41,519	\$ 41,256

During the year ended December 31, 2024, the Company recognized \$10,436 of inventory impairments relative to its net realizable value. This inventory consisted of older manufactured products which required incremental rework costs that were higher than the resell value of the finished goods, so it was concluded to write off this inventory rather than incurring incremental costs to sell it. There were no inventory impairments recognized for the years ended December 31, 2025 and 2023.

3. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment consisted of the following:

Classification	December 31, 2025	December 31, 2024
Land	\$ 14,040	\$ 13,451
Leasehold and land improvements	9,388	8,799
Buildings	188,464	180,091
Machinery and equipment	58,672	55,637
Construction in progress	22,410	10,971
Less: Accumulated depreciation	(107,262)	(93,723)
Property, plant and equipment, net	\$ 185,712	\$ 175,226

Depreciation expense on property, plant and equipment, was \$13,133, \$13,437 and \$10,804 for the years ending December 31, 2025, 2024 and 2023, respectively.

Capitalized interest was \$188 and \$1,029 for the years ended December 31, 2025 and 2024, respectively.

4. ACQUISITIONS

Rose Acquisition - Put/Call Option

On November 15, 2021, the Company entered into a Share Purchase Agreement (the “Purchase Agreement”) with Rose and other parties, including the shareholders of Rose (collectively, the “Rose Sellers”), for the acquisition of a 70% interest in Rose pursuant to the terms of the Purchase Agreement.

Two of the co-founders of Rose (the “Management Shareholders”), who were among the Rose Sellers of Rose in the Acquisition, remained in their current roles with Rose post-Acquisition and initially retained a non-voting 30% interest in Rose (the “Retained Interest”). In conjunction with the Acquisition, Village Farms and the Management Shareholders entered into a unanimous shareholders agreement (the “USA”) providing Village Farms with a call option to acquire 66% of the Retained Interest between December 31, 2024 and April 16, 2025 or upon the occurrence of certain liquidity events with respect to Village Farms (the “Call Option”). As part of the Call Option, Village Farms could also acquire 34% of the Retained Interest between December 31, 2023 and March 31, 2024. A put right has also been granted to the Management Shareholders to require Village Farms to complete the acquisition of the Retained Interest upon their death or disability or the occurrence of certain liquidity events with respect to Village Farms (the “Put Option”, and together with the Call Option, the “Put/Call Option”). The price for the Put/Call Option was set at a multiple solely based on Rose’s adjusted EBITDA performance of the applicable prior calendar year.

The consideration for the acquisition of the Retained Interest may, at Village Farms’ sole discretion, be payable solely in cash or in a pre-determined combination of cash and Village Farms shares based on a formula similar to that used for the issuance of the Village Farms shares comprising part of the Purchase Price.

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On May 29, 2024, the Company entered into a Share Purchase Agreement with Rose and non-controlling shareholders for the acquisition of an additional 10% interest in Rose for a total cash purchase price of approximately \$3,016, which resulted in a reduction of mezzanine equity of \$5,209 and an increase in additional paid in capital of \$2,193. The Company's ownership interest in Rose is now 80%.

Leli Holland B.V. ("Leli")

In September 2021, the Company entered into an option agreement whereby the Company received the irrevocable right to acquire an 80% ownership interest (the "Option Agreement") in Netherlands-based Leli Holland B.V. ("Leli") upon payment of EUR50,000 (the "Option"). The Option Agreement allowed for the Company to acquire 80% of Leli's shares for EUR3,950,000, of which EUR950,000 was due and payable to Leli's shareholders upon the exercise of the Option and the remainder due in three equal installments subject to the achievement of certain project development milestones. The option was exercisable at the sole discretion of the Company.

On July 7, 2022, Leli received a license to cultivate cannabis legally in the Netherlands under the Dutch Closed Supply Chain Experiment program ("the Program"). On July 19, 2022, the Company exercised the Option to purchase 80% of Leli, plus an additional 5% interest, for total cash consideration of \$4,693.

The acquisition has been accounted for as an asset acquisition and the full consideration paid has been allocated to the license and accounted for as an intangible asset that will be amortized over a period of 5 years which is consistent with the term of the program. There were no other assets or liabilities acquired in the acquisition.

On September 24, 2024, the Company acquired the remaining 15% equity ownership interest in Leli for a total cash purchase price of approximately \$801, which resulted in a reduction of non-controlling interest of \$489 and a decrease in additional paid in capital of \$317. The Company's ownership interest in Leli is now 100%.

5. INVESTMENTS

Vanguard Food, LP

On May 30, 2025, the Company closed on a transaction with Vanguard Food, LP ("Vanguard") to privatize certain assets and operations of its Produce segment (the "Transaction") (Note 10). As part of the Transaction, the Company received a 37.9% equity ownership interest in Vanguard with an estimated fair value of \$3,530, included in investments within the Consolidated Statements of Financial Position. We account for our investment in Vanguard under the equity method of accounting in accordance with ASC 323, Investments – Equity Method and Joint Ventures. Under the equity method of accounting, the initial investment is recorded at cost and the investment is subsequently adjusted for, among other things, its proportionate share of earnings or losses. However, given the capital structure of the Vanguard arrangement, we apply the Hypothetical Liquidation Book Value ("HLBV") method to determine the allocation of profits and losses since our liquidation rights and priorities, as defined by the Amended and Restated Limited Partnership Agreement of Vanguard Food LP (the "Vanguard LPA"), differ from our underlying ownership interest. The HLBV method calculates the proceeds that would be attributable to each partner in an investment based on the liquidation provisions of the Vanguard LPA if the partnership was to be liquidated at book value as of the balance sheet date. Each partner's allocation of income or loss in the period is equal to the change in the amount of net equity they are legally able to claim based on a hypothetical liquidation of the entity at the end of a reporting period compared to the beginning of that period, adjusted for any capital transactions. Based on the terms of the Vanguard LPA and related Transaction documents, we recorded income on equity method investments attributable to Vanguard of \$0 for the year ended December 31, 2025.

6. GOODWILL AND INTANGIBLES ASSETS

At the end of each reporting period, the Company assesses whether events or changes in circumstances have occurred that would indicate an impairment. The Company considers external and internal factors, including overall financial performance and relevant entity-specific factors, as part of this assessment.

During the years ended December 31, 2025, 2024, and 2023, the Company considered qualitative factors in assessing for impairment indicators for the Company's U.S. and Canadian Cannabis segments. As part of this assessment, the Company considered both external and internal factors, including overall financial performance and outlook.

At December 31, 2025 the Company concluded that no impairment indicators existed as no events or circumstances occurred that would, more likely than not, reduce the fair value of the reporting units to be below their carrying amounts.

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Throughout 2024 and 2023, the Company experienced macroeconomic challenges, decreases in market capitalization, decreases in transaction multiples, and continued ambiguity in federal regulations with respect to the U.S. CBD market.

Year Ended December 31, 2024

Cannabis – Canada – Goodwill

The fair value of the reporting unit was determined based on a discounted cash flow projections from budgets approved for 2025, which was extended to 2029 with a compound annual revenue growth rate of 7.5% from 2025 to 2029, followed by terminal growth rate of 3%. Management concluded that the fair value was higher than its carrying amount by approximately \$9,740 as of December 31, 2024 and therefore no impairment to goodwill was required.

The significant assumptions applied to the determination of the fair value are described below:

- Post-tax discount rate: An increase of approximately 0.3% in the discount rate would result in the fair value being equal to the carrying value, and each additional 0.5% increase would result in an impairment of approximately \$13,219.
- Terminal growth rate: A decrease in approximately 0.6% in the terminal growth rate would result in the fair value being equal to the carrying value, and each additional 0.5% decrease would result in an impairment of approximately \$6,957.
- Forecasted Revenue: A decrease in forecasted revenue by approximately 4.1% would result in the fair value being equal to the carrying value, and each additional 5% decrease would result in an impairment of approximately \$12,523.
- Net working capital: Net working capital requirements are approximately 29.8% of revenue. An increase of approximately 3.8% in net working capital investment would result in the fair value being equal to the carrying value, and each additional 5% increase would result in an impairment of approximately \$12,523.

Cannabis – Canada – Brand

The fair value of the brand was determined based on a discounted cash flow projection, covering a five-year period. Specifically, the Company utilized a relief from royalty valuation technique to arrive at the fair value of the brand. Management concluded that the fair value was higher than its carrying value of \$3,270 by approximately \$626 as of December 31, 2024 and therefore, no impairment to brand was allocated to the reporting unit.

The significant assumptions applied to the determination of the fair value are described below:

- Post-tax discount rate: An increase in the discount rate by approximately 1.5% would result in the fair value being equal to the carrying value, and each additional 1% increase in the discount rate would result in an impairment of approximately \$348.
- Royalty rate: An incremental royalty rate of 3.5% of revenues was applied to brand-specific revenues. A decrease to the incremental royalty rate by approximately 0.2% would result in the recoverable amount being equal to the carrying value.
- Future revenues: A decrease in future revenues by 4% would result in the fair value being equal to the carrying value, and each additional 10% decrease in the future revenues would result in an impairment of approximately \$1,252.

Cannabis - U.S.

At June 30, 2024, when the Company considered qualitative factors in assessing impairment indicators, it concluded that the Company's U.S. - Cannabis segment more likely than not was impaired. The Company reviewed the reportable segment's assets, including goodwill and intangible assets. Based on recent historical performance during the quarter which underperformed relative to budget, a revised June 30, 2024 forecast which resulted in a shortfall compared to the March 31, 2024 forecast, the new restrictions on CBD sales in an additional eight states at July 1, 2024, and the proliferation of unregulated hemp-derived products on the market which continues to challenge market share for the CBD industry, the Company concluded that as of June 30, 2024, the fair value of the brand intangible asset and goodwill was fully impaired and an impairment charge to goodwill of \$10,039 and a charge to intangibles of \$1,900 was recorded to the U.S. Cannabis reporting unit.

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Cannabis - U.S. - Goodwill

The fair value of the reporting unit was determined based on a discounted cash flow projection using projections for the remainder of 2024 to 2028 with an average revenue growth rate of 6% between 2025 to 2028, followed by a terminal growth rate of 2%. Management concluded that as of June 30, 2024, the fair value was lower than its carrying amount and as a result, an impairment charge to goodwill of \$10,039 was recorded to the reporting unit.

The significant assumptions applied to the determination of the fair value are described below:

- Post-tax discount rate: A market participant post-tax discount rate applied to the after-tax forecast cash flows was 12%. A decrease of 1% to the discount rate, would not result in a material change to the impairment charge.
- Terminal growth rate: An increase of 1% in the terminal growth rate would not result in a material change to the impairment charge.
- Future cash flows: An increase in future cash flows by 10% would not result in a material change to the impairment charge.

Cannabis – U.S. Brand

The fair value of the brand was determined based on a discounted cash flow projection. Specifically, the Company utilized a relief from royalty valuation technique to arrive at the fair value of the brand. Management concluded that as of June 30, 2024, the fair value was lower than its carrying value of \$1,900 as the notional brand maintenance costs exceeded the incremental royalty of 3.5%. Therefore, an impairment charge to the brand intangible of \$1,900 was allocated to the reporting unit.

Year Ended December 31, 2023

As of December 31, 2023, when the Company considered qualitative factors in assessing impairment indicators it concluded that the Company's U.S. - Cannabis segment more likely than not was impaired. The Company tested that segment's assets, including goodwill and intangible assets for impairment.

Cannabis - U.S. - Goodwill

The fair value of the reporting unit was determined based on a discounted cash flow projection from budgets approved by senior management for 2024 to 2029 with an average revenue growth rate of 8% over 6 years, followed by terminal growth rate of 4.1%. Management concluded that as of December 31, 2023, the fair value was lower than its carrying amount and as a result, an impairment charge to goodwill of \$11,300 was allocated to the reporting unit.

The significant assumptions applied to the determination of the fair value are described below:

- Post-tax discount rate: A market participant post-tax discount rate applied to the after-tax forecast cash flows was 11%. An increase of 1% to the discount rate, would increase the impairment by approximately \$1,700.
- Terminal growth rate: A decrease of 0.5% in the terminal growth rate would increase the impairment by approximately \$700.
- Future cash flows: A decrease in future cash flows by 10% would increase the impairment by approximately \$1,300.

Cannabis – U.S. – Brand

The fair value of the brand was determined based on a discounted cash flow projection. Specifically, the Company utilized a relief from royalty valuation technique to arrive at the fair value of the brand. An average revenue growth rate of 8% was used over 6 years, followed by terminal growth rate of 4.1%. Management concluded that as of December 31, 2023, the fair value was lower than its carrying amount and as a result, an impairment charge to the brand intangible of \$2,720 was allocated to the reporting unit.

The significant assumptions applied to the determination of the fair value are described below:

- Post-tax discount rate: A market participant post-tax discount rate applied to the after-tax forecast cash flows was 11%. An increase of 1% to the discount rate, would increase the impairment by approximately \$200.

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- Royalty rate: An incremental royalty rate of 3.5% of revenues was applied to brand-specific revenues. A decrease to the incremental royalty rate by 0.5% would increase the impairment to brand by \$1,600.
- Future revenues: A decrease in future revenues by 10% would increase the impairment by approximately \$200.

Cannabis – Canada – Goodwill

The fair value of the reporting unit was determined based on a discounted cash flow projection from budgets approved for 2024, which was extended to 2027 with a compound annual revenue growth rate of 16% from 2024 to 2027, followed by terminal growth rate of 4%. Management concluded that the fair value was higher than its carrying amount by approximately \$2,565 as of December 31, 2023 and therefore no impairment to goodwill was required.

The significant assumptions applied to the determination of the fair value are described below:

- Post-tax discount rate: An increase of approximately 0.07% in the discount rate would result in the fair value being equal to the carrying value, and each additional 0.5% increase would result in an impairment of approximately \$18,858.
- Terminal growth rate: A decrease in approximately 0.1% in the terminal growth rate would result in the fair value being equal to the carrying value, and each additional 0.5% decrease would result in an impairment of approximately \$17,350.
- Future cash flows: A decrease in the future cash flows before net working capital by approximately 1.0% would result in the fair value being equal to the carrying value, and each additional 5% decrease would result in an impairment of approximately \$16,595.
- Net working capital: Net working capital ranges between 40% and 45% of revenue. An increase of 6% in net working capital investment would result in the fair value being equal to the carrying value, and each additional 5% increase would result in an impairment of approximately \$3,017.

Cannabis – Canada – Brand

The fair value of the brand was determined based on a discounted cash flow projection, covering a four-year period. Specifically, the Company utilized a relief from royalty valuation technique to arrive at the fair value of the brand. Management concluded that the fair value was higher than its carrying value of \$3,545 by approximately \$453 as of December 31, 2023 and therefore, no impairment to brand was allocated to the reporting unit.

The significant assumptions applied to the determination of the fair value are described below:

- Post-tax discount rate: An increase in the discount rate by 1% would result in the fair value being equal to the carrying value, and each additional 1% increase in the discount rate would result in an impairment of approximately \$302.
- Royalty rate: An incremental royalty rate of 3.5% of revenues was applied to brand-specific revenues. A decrease to the incremental royalty rate by 0.12% would result in the recoverable amount being equal to the carrying value.
- Future revenues: A decrease in future revenues by 12% would result in the fair value being equal to the carrying value, and each additional 10% decrease in the future revenues would result in an impairment of approximately \$317.

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Goodwill

The following table presents the changes in the carrying value of goodwill by reportable segment:

	Cannabis - Canada	Cannabis - United States	Total
Balance as of December 31, 2023	\$ 45,879	\$ 10,039	\$ 55,918
Foreign currency translation adjustment	(3,564)	—	(3,564)
Impairments	—	(10,039)	(10,039)
Balance as of December 31, 2024	<u>\$ 42,315</u>	<u>\$ -</u>	<u>\$ 42,315</u>
Foreign currency translation adjustment	2,050	—	2,050
Balance as of December 31, 2025	<u>\$ 44,365</u>	<u>\$ -</u>	<u>\$ 44,365</u>

Intangible Assets

Intangibles consisted of the following:

Classification	December 31, 2025	December 31, 2024
Licenses	\$ 18,508	\$ 17,196
Brand and trademarks*	12,678	12,520
Customer relationships	13,137	12,530
Computer software	1,621	2,029
Other*	144	144
Less: Accumulated amortization	(13,191)	(10,064)
Less: Impairments*	(9,250)	(9,250)
Intangibles, net	<u>\$ 23,647</u>	<u>\$ 25,105</u>

*Includes indefinite-lived intangible assets

The expected future amortization expense for definite-lived intangible assets as of December 31, 2025 is as follows:

Fiscal period	
2026	\$ 3,256
2027	3,241
2028	1,880
2029	1,878
2030	1,857
Thereafter	7,963
Intangibles, net	<u>\$ 20,075</u>

Amortization expense for intangibles for the years ended December 31, 2025, 2024 and 2023 were \$3,246, \$3,286 and \$3,141, respectively.

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7. ACCRUED LIABILITIES

	December 31, 2025	December 31, 2024
Received not invoiced	\$ 1,513	\$ 2,151
Accrued payroll	4,212	3,495
Other	7,694	3,326
	<u>\$ 13,419</u>	<u>\$ 8,972</u>

8. LEASES

The Company leases an office building located in Lake Mary, Florida for its corporate headquarters, office and manufacturing spaces in Denver, Colorado for Balanced Health's headquarters and operations, and office and manufacturing space in Drachten, Netherlands for Leli Holland's headquarters and operations. Rose leases a building for headquarters in Montreal, Quebec.

The components of lease related expenses are as follows:

	Year ended December 31,		
	2025	2024	2023
Operating lease expense ^(a)	<u>\$ 1,276</u>	<u>\$ 1,644</u>	<u>\$ 2,137</u>

^(a) Includes short-term and variable lease costs of \$325 and \$913 for the years ended December 31, 2025 and 2024, respectively.

Cash paid for amounts included in the measurement of lease liabilities:

	Year ended December 31,	
	2025	2024
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash flows (fixed payments)	\$ 1,451	\$ 1,452
Operating cash flows (liability reduction)	\$ 1,615	\$ 925

ROU assets obtained in exchange for lease obligations:

Operating leases	\$ 691	\$ 117
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Other information related to operating leases was as follows:

	December 31, 2025
Weighted average remaining lease term:	
Operating leases	4.19
Weighted average discount rate:	
Operating leases	9.08%

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Maturities of lease liabilities as of December 31, 2025 were as follows:

	Operating leases
2026	\$ 1,516
2027	1,313
2028	1,171
2029	1,022
2030	321
Thereafter	579
Total minimum lease payments	5,922
Less amounts representing interest	(869)
Total lease obligation, net of interest	5,053
Less current portion	(1,198)
Long-term portion of lease obligations, net of interest	\$ 3,855

9. LINE OF CREDIT AND LONG-TERM DEBT

	Balance outstanding as of	
	2025	2024
Term Loan - ("FCC Term Loan") - repayable by monthly principal payments of \$164 and accrued interest at Secured Overnight Financing Rate ("SOFR") plus an applicable margin per annum (7.45% at December 31, 2025); matures May 3, 2027	\$ 15,855	\$ 20,821
Term loan - ("Pure Sunfarms Term Loan Facility") - C\$27.4M - repayable by quarterly principal payments of C\$1.0 million and accrued interest at Canadian prime interest or Canadian Overnight Repo Rate Average ("CORRA") plus an applicable margin (4.78% at December 31, 2025), matures February 7, 2028.	17,799	—
Term Loan - ("Pure Sunfarms Non-Revolving Facility") - C\$19.0M - Canadian prime interest rate plus an applicable margin, repayable in quarterly payments equal to 2.50% of the outstanding principal amount, matures February 7, 2026. Terminated on April 17, 2025 and replaced with the "Pure Sunfarms Secured Credit Facilities"	—	6,262
Term loan - ("Pure Sunfarms Term Loan") - C\$25.0M - Canadian prime interest rate plus an applicable margin, repayable in quarterly payments equal to 2.50% of the outstanding principal amount, matures February 7, 2026. Terminated on April 17, 2025 and replaced with the "Pure Sunfarms Secured Credit Facilities"	—	10,436
Term Loan - (Pure Sunfarms "BDC Facility") - non-revolving demand loan repayable by monthly principal payments of C\$52 and accrued interest at Canadian prime interest rate plus an applicable margin, matures December 31, 2031. Terminated on April 17, 2025 and replaced with the "Pure Sunfarms Secured Credit Facilities"	—	3,043
Total	\$ 33,654	\$ 40,562
Less current maturities	4,885	8,142
Total	\$ 28,769	\$ 32,420

As collateral for the FCC Term Loan, the Company has provided a promissory note, a first mortgage on the VFF-owned Delta 1 and Monahans greenhouses, and general security agreements over its assets. In addition, the Company has provided full recourse guarantees and has granted security interests in respect of the FCC Term Loan. The carrying value of the assets and securities pledged as collateral for the FCC Loan as of December 31, 2025 and 2024 was \$84,653 and \$77,682, respectively.

VILLAGE FARMS INTERNATIONAL, INC.

Notes to Consolidated Financial Statements

(In thousands of United States dollars, except share and per share amounts and unless otherwise noted)

On April 10, 2025, the Company entered into an Amended and Restated Credit Agreement (the “A&R Credit Agreement”) with Farm Credit Canada (“FCC”) as the lender, which amended and restated the terms of the FCC Term Loan. Among other things, the A&R Credit Agreement (i) adds the Company as a new borrower, (ii) adds VF Clean Energy, Inc. as a new guarantor, and (iii) provides more favorable financial covenants.

On April 17, 2025, the Company entered into a secured credit facility with a Canadian chartered bank as administrative agent with an aggregate borrowing capacity of C\$37.4 million, consisting of a maximum C\$10.0 million revolving credit facility (the "Pure Sunfarms Revolving Credit Facility"), and a C\$27.4 million term loan facility (the "Pure Sunfarms Term Loan Facility", and collectively with the Pure Sunfarms Revolving Credit Facility, the "Pure Sunfarms Secured Credit Facilities"). The Pure Sunfarms Secured Credit Facilities are secured by the Delta 2 and Delta 3 greenhouse facilities. The Pure Sunfarms Secured Credit Facilities were used to replace, and repay remaining outstanding balances on, the Company's (i) Pure Sunfarms Term Loan, (ii) the Pure Sunfarms Non-Revolving Facility, (iii) the BDC Facility, and (iv) the PSF Revolving Line of Credit. The credit and guarantee agreements related to the Pure Sunfarms Loan, the Pure Sunfarms Non-Revolving Credit Facility, the BDC Facility, and the PSF Revolving Line of Credit were terminated.

The outstanding amount of the Pure Sunfarms Term Loan Facility will be repayable, on a quarterly basis, in an amount equal to C\$1.0 million. Any amount remaining unpaid will be due and payable in full on the maturity date, which is on February 7, 2028.

The loans under the Pure Sunfarms Secured Credit Facilities will accrue interest at a rate equal to, at the company's option, (a) the Canadian Prime Rate plus the applicable margin, or (b) the Canadian Overnight Repo Rate Average plus the applicable margin. The applicable margin for the Pure Sunfarms Secured Credit Facility is determined based upon Pure Sunfarms leverage ratio. The Pure Sunfarms Secured Credit Facilities can be drawn for advances of up to C\$10.0 million.

The Pure Sunfarms Secured Credit Facilities also contain customary covenants, customary representations and warranties, affirmative covenants, financial covenants and events of default.

The Company is required to comply with financial covenants. At December 31, 2025, the Company was compliant with all of its financial covenants.

The weighted average interest rate on short-term borrowings as of December 31, 2025 and 2024 was 6.0% and 8.22%, respectively.

Accrued interest payable on all long term-debt as of December 31, 2025 and 2024 was \$166 and \$271, respectively, and these amounts are included in accrued liabilities in the consolidated statements of financial position.

The aggregate annual principal maturities of long-term debt for the next five years and thereafter are as follows:

2026	\$ 4,885
2027	16,812
2028	11,957
2029	—
2030	—
Thereafter	—
	<u>\$ 33,654</u>

10. DISCONTINUED OPERATIONS AND DISPOSALS

On May 30, 2025, the Company closed on a transaction with a newly-formed holding company, Vanguard Food, LP (“Vanguard”), backed by private investment firms, to privatize certain assets and operations of its Produce segment (the "Transaction"). As part of the Transaction, the Company received \$40 million in cash proceeds, subject to working capital adjustments, and common units representing a 37.9% equity ownership interest in Vanguard with an estimated fair value of \$3.5 million. In accordance with ASC 810-10-40, the Company recognized a gain upon deconsolidation of the Produce operations, based on the fair value of consideration received and fair value of Vanguard common units, less the carrying amount of net assets disposed. The gain on sale was recorded based on available data and management estimates as of

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December 31, 2025 and is subject to post-closing selling price adjustments which could result in further adjustments to the gain on sale. The following table outlines the calculation of the initial gain on sale of the Transaction:

Cash proceeds	\$	35,000
Cash held in indemnity escrow (Restricted cash)		5,000
Fair value of Vanguard common units		3,530
Carrying value of lease to Vanguard		1,245
Estimated future distributions for working capital adjustments and other obligations		(4,290)
Less: Carrying value of net assets disposed		(20,500)
Gain on sale	\$	<u>19,985</u>

The Company concluded the Transaction met the criteria under ASC 205-20 to be classified as discontinued operations because the Transaction represented a strategic shift in the Company's business model that had a major effect on the Company's operations and financial results. Accordingly, the Consolidated Statements of Operations and Comprehensive Income (loss) and the Consolidated Statements of Financial Position have been adjusted for all prior periods to reflect the historical results as discontinued operations.

Details of the net income (loss) from discontinued operations, net of tax, were as follows for the years ended December 31:

	2025	2024	2023
Sales	\$ 62,643	\$ 140,273	\$ 122,493
Cost of sales	(66,176)	(138,674)	(121,020)
Gross loss	(3,533)	1,599	1,473
Selling, general and administrative expenses	(5,151)	(9,287)	(8,787)
Interest expense	(7)	(14)	(14)
Other Income	—	—	5,585
Gain on sale of assets	19,985	—	—
Income (loss) from discontinued operations before income taxes	11,294	(7,702)	(1,743)
Provision for income taxes	(177)	—	—
Net income (loss) income from discontinued operations, net of tax	<u>\$ 11,117</u>	<u>\$ (7,702)</u>	<u>\$ (1,743)</u>

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The following table summarizes the assets and liabilities of the discontinued operations as of December 31:

	2025	2024
ASSETS		
<i>Current assets</i>		
Trade receivables, net	\$ —	\$ 11,505
Inventories, net	—	11,881
Other Receivables	—	80
Prepaid expenses and deposits	—	1,453
Total current assets of discontinued operations	<u>—</u>	<u>24,919</u>
<i>Non-current assets</i>		
Property, plant and equipment, net	—	15,037
Right-of-use assets	—	5,393
Total non-current assets of discontinued operations	<u>—</u>	<u>20,430</u>
Total assets of discontinued operations	<u>\$ —</u>	<u>\$ 45,349</u>
LIABILITIES		
<i>Current liabilities</i>		
Trade payables	\$ —	\$ 13,245
Accrued liabilities	—	3,236
Lease liabilities - current	—	1,437
Total current liabilities of discontinued operations	<u>—</u>	<u>17,918</u>
<i>Non-current liabilities</i>		
Lease liabilities - non-current	—	4,374
Total liabilities of discontinued operations	<u>\$ —</u>	<u>\$ 22,292</u>

11. FINANCIAL INSTRUMENTS

Financial assets and liabilities are recognized on the consolidated statements of financial position at fair value in a hierarchy for those assets and liabilities measured at fair value on a recurring basis.

At December 31, 2025 and 2024, the Company's financial instruments included cash and cash equivalents, restricted cash, trade receivables, other receivables, line of credit, trade payables, income tax payables, accrued liabilities, lease liabilities, and long-term debt. The carrying value of cash, cash equivalents, and restricted cash, trade receivables, other receivables, trade payables, income tax payables, and accrued liabilities approximate their fair values due to the short-term maturity of these financial instruments. The carrying value of line of credit, lease liabilities, and long-term debt approximate their fair values due to the short-term nature of these instruments or the use of market interest rates for debt instruments.

There were no financial instruments categorized as Level 3 at December 31, 2025 and December 31, 2024, other than the minority investments discussed below. There were no transfers of assets or liabilities between levels during the years ended December 31, 2025 and 2024, respectively.

12. COMMITMENTS AND CONTINGENCIES

In the normal course of business, the Company and its subsidiaries may become defendants in certain employment claims and other litigation. The Company records a liability when it is probable that a loss has been incurred and the amount is reasonably estimable. The Company is not involved in any defendant legal proceedings other than routine litigation arising in the normal course of business, none of which the Company believes will have a material adverse effect on the Company's business, financial condition or results of operations.

13. RELATED PARTY TRANSACTIONS AND BALANCES

The Company leases its Rose office building from a Company employee who also owns a minority interest in Rose. For the years ended December 31, 2025, 2024 and 2023, the Company paid C\$253, C\$277 and C\$213, respectively to lease this office space.

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(In thousands of United States dollars, except share and per share amounts and unless otherwise noted)

One of the Company's former employees is related to a member of the Company's executive management team and received approximately \$99, \$165, and \$118 in salary and benefits during the years ended December 31, 2025, 2024 and 2023, respectively.

On May 29, 2024, the Company entered into a Share Purchase Agreement with Rose and non-controlling shareholders, both of which were company employees, for the acquisition of an additional 10% interest in Rose for a total cash purchase price of approximately \$3,016 (note 4).

The Company has entered into a Transition Services Agreement with Village Fresh, a Vanguard subsidiary, to provide certain transition services for specified fees and a multi-year Sales, Marketing & Distribution Agreement with Village Fresh, which sets forth the terms, conditions, rights and obligations governing the sales, marketing and distribution by Village Fresh of all hydroponically grown tomatoes produced at VFCLP's British Columbia greenhouse growing facilities. The price paid by Village Fresh to the Company is based on amounts paid by Village Fresh's customers, net of a marketing fee. Under this agreement, the Company recorded revenues of \$21,999 for the year ended December 31, 2025 and had outstanding receivables of \$637 as of December 31, 2025.

14. INCOME TAXES

The components of the provision for (recovery of) income tax for the years ended December 31, 2025, 2024 and 2023 are as follows:

	2025		
	Current	Deferred	Total
Canadian	\$ 12,099	\$ (2,394)	\$ 9,705
US Federal	—	—	—
US State	—	—	—
Netherlands	346	320	666
	<u>\$ 12,445</u>	<u>\$ (2,074)</u>	<u>\$ 10,371</u>

	2024		
	Current	Deferred	Total
US Federal	\$ —	\$ 1,201	\$ 1,201
US State	47	—	47
Canadian	30	(2,940)	(2,910)
	<u>\$ 77</u>	<u>\$ (1,739)</u>	<u>\$ (1,662)</u>

	2023		
	Current	Deferred	Total
US Federal	\$ —	\$ 3,000	\$ 3,000
US State	34	—	34
Canadian	371	4,046	4,417
	<u>\$ 405</u>	<u>\$ 7,046</u>	<u>\$ 7,451</u>

The provision for (recovery of) income taxes reflected in the consolidated statements of operations for the years ended December 31, 2025, 2024 and 2023 differs from the amounts computed at the federal statutory tax rates. The principal differences between the statutory income tax (recovery) and the effective provision for (recovery of) income taxes are summarized in the below tables. The Company has adopted the guidance in ASU 2023-09 on a prospective basis.

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The following table reflects the rate reconciliation for the current year under the new guidance. Rate reconciliations for the comparative periods are presented below the current year table under the prior guidance.

Year Ended December 31, 2025																																																																																						
Income before taxes and loss from equity method investments	\$	31,359																																																																																				
<table style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th colspan="3" style="text-align: center; border-bottom: 1px solid black;">Year Ended December 31, 2025</th> </tr> <tr> <th style="width: 60%;"></th> <th style="text-align: right; width: 10%;">Amount</th> <th style="text-align: right; width: 30%;">Percent</th> </tr> </thead> <tbody> <tr> <td>Canada Federal Statutory Tax</td> <td style="text-align: right;">\$ 4,817</td> <td style="text-align: right;">15.4%</td> </tr> <tr> <td>State and Local Income Taxes⁽¹⁾</td> <td style="text-align: right;">4,560</td> <td style="text-align: right;">14.5%</td> </tr> <tr> <td>Foreign Tax Effects</td> <td></td> <td></td> </tr> <tr> <td>United States</td> <td></td> <td></td> </tr> <tr> <td>Statutory tax rate difference between United States and Canada</td> <td style="text-align: right;">(343)</td> <td style="text-align: right;">-1.1%</td> </tr> <tr> <td>State and Local Income Taxes, net of Federal Income Tax Effect</td> <td style="text-align: right;">(120)</td> <td style="text-align: right;">-0.4%</td> </tr> <tr> <td>Sec. 162m Compensation Limitation</td> <td style="text-align: right;">340</td> <td style="text-align: right;">1.1%</td> </tr> <tr> <td>Nontaxable or Nondeductible Items</td> <td style="text-align: right;">(191)</td> <td style="text-align: right;">-0.6%</td> </tr> <tr> <td>Changes in Valuation Allowance</td> <td style="text-align: right;">1,292</td> <td style="text-align: right;">4.1%</td> </tr> <tr> <td>Other</td> <td style="text-align: right;">(122)</td> <td style="text-align: right;">-0.4%</td> </tr> <tr> <td>Netherlands</td> <td></td> <td></td> </tr> <tr> <td>Statutory tax rate difference between Netherlands and Canada</td> <td style="text-align: right;">107</td> <td style="text-align: right;">0.3%</td> </tr> <tr> <td>Deferred Adjustment</td> <td style="text-align: right;">244</td> <td style="text-align: right;">0.8%</td> </tr> <tr> <td>Other</td> <td style="text-align: right;">167</td> <td style="text-align: right;">0.5%</td> </tr> <tr> <td>Effect of Changes in Tax Laws or Rates Enacted in the Current Period</td> <td style="text-align: right;">—</td> <td style="text-align: right;">0.0%</td> </tr> <tr> <td>Effect of Cross-Border Tax Laws</td> <td style="text-align: right;">—</td> <td style="text-align: right;">0.0%</td> </tr> <tr> <td>Tax Credits</td> <td style="text-align: right;">(211)</td> <td style="text-align: right;">-0.7%</td> </tr> <tr> <td>Changes in Valuation Allowance</td> <td style="text-align: right;">(58)</td> <td style="text-align: right;">-0.2%</td> </tr> <tr> <td>Nontaxable or Nondeductible Items</td> <td></td> <td></td> </tr> <tr> <td>Stock Based Compensation Expense</td> <td style="text-align: right;">247</td> <td style="text-align: right;">0.8%</td> </tr> <tr> <td>Other Perms</td> <td style="text-align: right;">(88)</td> <td style="text-align: right;">-0.3%</td> </tr> <tr> <td>Changes in Unrecognized Tax Benefits</td> <td style="text-align: right;">—</td> <td style="text-align: right;">0.0%</td> </tr> <tr> <td>Other Adjustments</td> <td></td> <td></td> </tr> <tr> <td>Tax Rate Change</td> <td style="text-align: right;">(406)</td> <td style="text-align: right;">-1.3%</td> </tr> <tr> <td>Other Adjustments</td> <td style="text-align: right;">136</td> <td style="text-align: right;">0.4%</td> </tr> <tr> <td>Effective Tax</td> <td style="text-align: right; border-top: 1px solid black; border-bottom: 3px double black;">\$ 10,371</td> <td style="text-align: right; border-top: 1px solid black; border-bottom: 3px double black;">33.1%</td> </tr> </tbody> </table>			Year Ended December 31, 2025				Amount	Percent	Canada Federal Statutory Tax	\$ 4,817	15.4%	State and Local Income Taxes ⁽¹⁾	4,560	14.5%	Foreign Tax Effects			United States			Statutory tax rate difference between United States and Canada	(343)	-1.1%	State and Local Income Taxes, net of Federal Income Tax Effect	(120)	-0.4%	Sec. 162m Compensation Limitation	340	1.1%	Nontaxable or Nondeductible Items	(191)	-0.6%	Changes in Valuation Allowance	1,292	4.1%	Other	(122)	-0.4%	Netherlands			Statutory tax rate difference between Netherlands and Canada	107	0.3%	Deferred Adjustment	244	0.8%	Other	167	0.5%	Effect of Changes in Tax Laws or Rates Enacted in the Current Period	—	0.0%	Effect of Cross-Border Tax Laws	—	0.0%	Tax Credits	(211)	-0.7%	Changes in Valuation Allowance	(58)	-0.2%	Nontaxable or Nondeductible Items			Stock Based Compensation Expense	247	0.8%	Other Perms	(88)	-0.3%	Changes in Unrecognized Tax Benefits	—	0.0%	Other Adjustments			Tax Rate Change	(406)	-1.3%	Other Adjustments	136	0.4%	Effective Tax	\$ 10,371	33.1%
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- (1) Provincial taxes in British Columbia made up the majority (greater than 50 percent) of the tax effect in this category.

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	Years Ended	
	2024	2023
Loss from continuing operations before income taxes	\$ (29,604)	\$ (25,625)
Tax (recovery) calculated at US federal tax rates	(6,217)	(5,381)
State tax adjustments	(364)	(457)
Non-deductible items	920	1,100
True up of prior year income tax estimates	(39)	318
Deferred adjustment	(135)	32
Tax rate differences on deferred items	(318)	(34)
Change in tax rates	71	135
Change in valuation allowance	4,414	11,745
Other	6	(7)
(Expense) recovery of income taxes	<u>\$ (1,662)</u>	<u>\$ 7,451</u>

The statutory tax rate in effect in Canada and the United States for the years ended December 31, 2025, 2024 and 2023 was 27% and 21%, respectively.

The blended effective tax rate for 2025 was 33.1% compared to 5.6% and (29.1%) in 2024 and 2023, respectively.

Deferred income taxes reflect the net tax effects of temporary differences between the carrying amount of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes.

The deferred tax assets and liabilities presented on the consolidated statements of financial position are net amounts corresponding to their reporting jurisdiction. The deferred tax assets and liabilities presented in the note disclosure are grouped based on asset and liability classification without consideration of their corresponding reporting jurisdiction.

Significant components of the Company's net deferred income taxes at December 31, 2025 and 2024 are as follows:

	2025	2024
Deferred tax assets:		
Other assets	\$ 7,222	\$ 6,683
Long-term debt	645	928
Tax losses: Non-capital and farm losses	35,283	37,563
Provisions: Debt and unit issuance costs	42	415
Tax Losses: Capital Losses	426	129
Intangibles	5,536	6,409
Lease liability	965	1,023
Valuation allowance	(47,425)	(50,032)
	<u>2,694</u>	<u>3,118</u>
Deferred tax liabilities:		
Joint venture shares	(2,462)	(2,346)
Cash adjustment	(9,800)	(10,506)
Right-of-use Assets	(755)	(843)
Property, plant and equipment	(7,477)	(8,358)
	<u>(20,494)</u>	<u>(22,053)</u>
Net deferred tax liabilities	<u>\$ (17,800)</u>	<u>\$ (18,935)</u>

In assessing the ability to realize deferred tax assets, management considers whether it is more likely than not that some portion or all of the deferred tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences become deductible. Management considers the scheduled reversal of deferred tax liabilities, projected future taxable income, and tax planning strategies in making this assessment. Based upon available positive and negative evidence and future taxable income, the Company has recorded a valuation allowance on its deferred tax assets for the years ended December 31, 2025 and 2024 of \$47,425 and \$50,032, respectively.

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Included in the schedule of deferred tax assets and liabilities above are US federal net operating loss carryforwards of approximately \$108,220 and \$119,095 as of December 31, 2025 and 2024, respectively, which will begin to expire in 2031. At the state level, the Company has a combined state net operating loss carry forwards of approximately \$39,937 and \$46,416 as of December 31, 2025 and 2024, respectively, which will begin to expire in 2029. The Canadian Federal Non-Capital Loss carry forwards are C\$50,767 and C\$50,337 as of December 31, 2025 and 2024, respectively, which will begin to expire in 2027. The Canadian Provincial Non-Capital Loss carry forwards are C\$9,579 and C\$7,948, as of December 31, 2025 and 2024, respectively, which will begin to expire in 2036. The Netherlands Federal Non-Capital Losses carry forward is EUR\$0 and EUR\$1,122 as of December 31, 2025 and 2024, respectively.

The amounts of cash taxes paid (refunds received) by the Company for the year ended December 31, 2025 is as follows:

Canada federal Taxes	\$	14
State and local taxes		
British Columbia		11
Ontario		25
Quebec		—
Foreign Taxes		
United States Federal		—
Texas		43
Total income taxes paid (refunded)	<u>\$</u>	<u>93</u>

At December 31, 2025 and 2024, the balance of uncertain tax benefits is zero. The Company does not anticipate that the amount of the uncertain tax benefit will significantly increase within the next 12 months. The Company recognizes accrued interest related to uncertain tax benefits and penalties as income tax expense. As of December 31, 2025 and 2024, there are no recognized liabilities for interest or penalties.

The Company is subject to taxation in Canada and its provinces, the U.S. and various states, as well as the Netherlands. As of December 31, 2025, the Company's tax years for 2022, 2023 and 2024 are subject to examination by the tax authorities. With few exceptions, as of December 31, 2025, the Company is no longer subject to U.S. federal, state or local examinations by tax authorities for years before 2022 due to the expiration of the statute of limitations.

On July 4, 2025, the One Big Beautiful Bill Act ("OBBBA"), was enacted in the United States. The OBBBA includes, among other things the permanent extension of certain provisions of the U.S. Tax Cuts and Jobs Act of 2017, modifications to the United States' international tax framework, restoration of favorable tax treatment for certain business provisions. The OBBBA contains a variety of effective dates, with certain provisions effective in 2025 and others implemented through 2027. The OBBBA did not have a material impact on the reported results of operations.

15. SEGMENT AND GEOGRAPHIC INFORMATION

The Company regularly monitors its reportable segments to determine if changes in facts and circumstances would indicate whether changes in the determination or aggregation of operating segments are necessary. We believe that segment operating (loss) income is a useful measure because it allows management, analysts, investors, and other interested parties to evaluate the profitability of our business operations before the effects of certain expenses that directly arise from non-operating activities (other income/expense), financing decisions (interest), and tax strategies (income taxes).

Segment reporting is prepared on the same basis that the Company's Chief Executive Officer, who is the CODM, manages the business, makes operating decisions and assesses performance. Management has determined that the Company operates in five reportable segments: Cannabis-Canada, Cannabis-U.S., Cannabis - Netherlands (previously Leli), Produce, and Clean Energy. The Cannabis-Canada segment produces and supplies cannabis products to be sold to provincial governments across Canada, exports to other countries, and other licensed providers. The Cannabis-U.S. segment develops and sells high-quality, CBD-based health and wellness products including ingestible, edible and topical applications in the United States, where it is legal to do so.

The Cannabis - Netherlands segment produces and supplies cannabis products in the Netherlands, to be sold to designated coffee shops. The Produce segment, subsequent to the Transaction, produces premium quality tomatoes in Delta,

VILLAGE FARMS INTERNATIONAL, INC.
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British Columbia, sold through the Vanguard Food Holding, LLC group. The Clean Energy business receives a royalty representing a portion of the renewable natural gas that is sold to one customer pursuant to a long-term contract.

The accounting policies of the segments are the same as those described in the summary of business, basis of presentation and significant accounting policies. The Company evaluates performance for all of its reportable segments based on segment operating income (loss) from operations.

For all of its reportable segments, the CODM uses segment operating income (loss) to allocate resources (including employees, property, and financial or capital resources), predominantly in the annual budget and forecasting process. The CODM considers budget-to-actual variances on a monthly basis for the operating income (loss) when making decisions about allocating capital and personnel to the segments and to assess the performance for each segment by comparing the results with one another.

Discontinued operations are not included in the applicable reportable segments.

The following tables reflect the reconciliation of segment revenue, measures of segments profit or loss, and significant segment expenses reconciled to the consolidated income (loss) before income taxes:

	For the Year Ended December 31, 2025					
	Produce	Cannabis Canada	Cannabis U.S.	Clean Energy	Cannabis Netherlands	Total
Sales to external customers	\$ 26,295	163,710	14,439	1,635	9,858	215,937
Cost of sales	(25,438)	(92,172)	(5,416)	(274)	(4,955)	(128,255)
Selling, general and administrative expenses	(2,792)	(34,872)	(9,585)	(48)	(2,849)	(50,146)
Segment operating (loss) income	\$ (1,935)	\$ 36,666	\$ (562)	\$ 1,313	\$ 2,054	\$ 37,536
Reconciliation of segment operating (loss) income to net loss before taxes and loss from equity method investments						
Other income, net ⁽²⁾						4,187
Other impairments						(217)
Other corporate expenses ⁽³⁾						(10,147)
Income before taxes and income from equity method investments						<u>\$ 31,359</u>

	For the Year Ended December 31, 2024					
	Produce	Cannabis Canada	Cannabis U.S.	Clean Energy	Cannabis Netherlands	Total
Sales to external customers	\$ 28,909	\$ 148,856	\$ 17,390	\$ 752	\$ —	\$ 195,907
Cost of sales	(25,450)	(118,172)	(6,355)	(129)	—	(150,106)
Selling, general and administrative expenses	(2,949)	(34,028)	(11,990)	(38)	(1,555)	(50,560)
Segment operating income (loss)	\$ 510	\$ (3,344)	\$ (955)	\$ 585	\$ (1,555)	\$ (4,759)
Reconciliation of segment operating (loss) income to net loss before taxes and loss from equity method investments						
Other expense, net ⁽²⁾						(1,279)
Impairment of goodwill and intangibles						(11,939)
Other impairments						(439)
Other corporate expenses ⁽³⁾						(11,188)
Loss before taxes and loss from equity method investments						<u>\$ (29,604)</u>

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For the Year Ended December 31, 2023						
	Produce	Cannabis Canada	Cannabis U.S.	Clean Energy	Cannabis Netherlands	Total
Sales to external customers	\$ 28,749	\$ 114,030	\$ 20,330	\$ —	\$ —	\$ 163,109
Cost of sales	(30,044)	(78,090)	(7,002)	(21)	—	(115,157)
Selling, general and administrative expenses	(1,838)	(29,275)	(13,118)	(32)	(1,265)	(45,528)
Segment operating (loss) income	\$ (3,133)	\$ 6,665	\$ 210	\$ (53)	\$ (1,265)	\$ 2,424
Reconciliation of segment operating (loss) income to net loss before taxes and loss from equity method investments						
Other expense, net ⁽²⁾						(2,843)
Impairment of goodwill and intangibles						(14,020)
Other corporate expenses ⁽³⁾						(11,186)
Loss before taxes and loss from equity method investments						<u>\$ (25,625)</u>

- (1) The significant expense categories and amounts align with the segment-level information that is regularly provided to the chief operating decision maker.
- (2) Other income (expense), net is comprised of Interest expense, interest income, foreign exchange (loss) gain, other income (expense).
- (3) Other corporate expenses are comprised of expenses related to centralized corporate functions such as accounting, treasury, information technology, legal, human services, and internal audit expenses.

The following tables summarizes our interest income, interest expense, depreciation and amortization, other significant non-cash items, and expenditures for capital assets by operating segment:

For the Year Ended December 31, 2025								
	Produce	Cannabis Canada	Cannabis U.S.	Clean Energy	Cannabis Netherlands	Segment Totals	Corporate	Consolidate d Totals
Interest income	\$ 65	\$ 412	\$ -	\$ -	\$ -	\$ 477	\$ 686	\$ 1,163
Interest expense	\$ 1,571	\$ 1,133	\$ -	\$ -	\$ -	\$ 2,704	\$ -	\$ 2,704
Depreciation and amortization	\$ 3,881	\$ 10,826	\$ 192	\$ -	\$ 1,351	\$ 16,250	\$ 129	\$ 16,379
Share based compensation	\$ 18	\$ 380	\$ 81	\$ -	\$ 5	\$ 484	\$ 1,257	\$ 1,741
Other significant noncash items:								
Non-cash lease expense	\$ 105	\$ 84	\$ 762	\$ -	\$ -	\$ 951	\$ -	\$ 951
Inventory and other impairments	\$ -	\$ -	\$ 217	\$ -	\$ -	\$ 217	\$ -	\$ 217
Expenditures for segment assets	\$ 766	\$ 5,811	\$ 17	\$ -	\$ 11,625	\$ 18,219	\$ -	\$ 18,219

For the Year Ended December 31, 2024								
	Produce	Cannabis Canada	Cannabis U.S.	Clean Energy	Cannabis Netherlands	Segment Totals	Corporate	Consolidate d Totals
Interest income	\$ 4	\$ 484	\$ -	\$ -	\$ -	\$ 488	\$ 426	\$ 914
Interest expense	\$ 2,237	\$ 1,112	\$ -	\$ 16	\$ -	\$ 3,365	\$ -	\$ 3,365
Depreciation and amortization	\$ 3,258	\$ 11,790	\$ 204	\$ -	\$ 1,275	\$ 16,527	\$ 196	\$ 16,723
Share based compensation	\$ -	\$ 166	\$ 79	\$ -	\$ -	\$ 245	\$ 3,502	\$ 3,747
Other significant noncash items:								
Non-cash lease expense	\$ 127	\$ 86	\$ 518	\$ -	\$ -	\$ 731	\$ -	\$ 731
Impairments of goodwill and intangibles	\$ -	\$ -	\$ 11,939	\$ -	\$ -	\$ 11,939	\$ -	\$ 11,939
Inventory and other impairments	\$ -	\$ 10,522	\$ 439	\$ -	\$ -	\$ 10,961	\$ -	\$ 10,961
Expenditures for segment assets	\$ 809	\$ 261	\$ 37	\$ -	\$ 6,061	\$ 7,168	\$ -	\$ 7,168

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	For the Year Ended December 31, 2023							Consolidate d Totals
	Produce	Cannabis Canada	Cannabis U.S.	Clean Energy	Cannabis Netherlands	Segment Totals	Corporate	
Interest income	\$ 9	\$ 157	\$ 24	\$ -	\$ -	\$ 190	\$ 828	\$ 1,018
Interest expense	\$ 2,318	\$ 2,177	\$ -	\$ -	\$ -	\$ 4,495	\$ -	\$ 4,495
Depreciation and amortization	\$ 625	\$ 11,790	\$ 204	\$ -	\$ 1,275	\$ 13,894	\$ 196	\$ 14,090
Share based compensation	\$ -	\$ 61	\$ 317	\$ -	\$ -	\$ 378	\$ 2,733	\$ 3,111
Other significant noncash items:								
Non-cash lease expense	\$ 497	\$ 118	\$ 578	\$ -	\$ -	\$ 1,193	\$ -	\$ 1,193
Impairments of goodwill and intangibles	\$ -	\$ -	\$ 14,020	\$ -	\$ -	\$ 14,020	\$ -	\$ 14,020
Expenditures for segment assets	\$ 1,514	\$ 914	\$ 218	\$ -	\$ 958	\$ 3,604	\$ -	\$ 3,604

The following tables summarizes our total assets by operating segment for the years ended December 31:

	2025	2024
Assets		
Produce	\$ 48,831	\$ 51,983
Cannabis - Canada	306,886	266,433
Cannabis - United States	5,187	6,728
Clean Energy	207	360
Cannabis Netherlands	23,355	11,093
Total assets for reportable segments	\$ 384,466	\$ 336,597
Corporate	38,630	7,360
Consolidated total	\$ 423,096	\$ 343,957

For years ended December 31, 2025, 2024 and 2023, approximately 7%, 24% and 30%, respectively, of the Company's total sales were in the United States and approximately 71%, 73%, and 67%, respectively, of the Company's total sales were in Canada. In 2025, the Company had three customers that individually represented more than 10% of total sales, comprising of 18.2%, 13.5%, and 10.2%. In 2024, the Company had two customers that individually represented more than 10% of total sales, comprising of 14.1% and 10.2%. In 2023, the Company had one customer that individually represented more than 10% of total sales, comprising of 11.9%.

As of December 31, 2025, the Company's trade receivables included two customers that represented more than 10% of the balance of trade receivables, representing 19.4% and 14.5% of the balance. As of December 31, 2024, the Company's trade receivables included two customers that represented more than 10% of the balance of trade receivables, representing 26.7% and 13.4% of the balance.

The Company's primary operations are in the United States and Canada. The following tables summarizes our assets by geographic location for the years ended December 31:

Total assets	2025	2024
United States	\$ 36,039	\$ 46,922
Canada	363,702	285,942
Netherlands	23,355	11,093
	\$ 423,096	\$ 343,957
Long-lived assets	2025	2024
United States	\$ 28,970	\$ 26,930
Canada	218,582	216,061
Netherlands	21,107	9,866
	\$ 268,659	\$ 252,857

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16. INCOME (LOSS) PER SHARE

Basic net income (loss) per share is computed using the weighted average number of Common Shares outstanding for the period. Basic and diluted net income (loss) per ordinary share is calculated as follows:

(shares in thousands)	For the Years Ended December 31,		
	2025	2024	2023
Numerator:			
Net income (loss) attributable to Village Farms International, Inc. shareholders from continuing operations	\$ 21,324	\$ (28,149)	\$ (33,055)
Income (loss) from discontinued operations, net of tax	<u>\$ 11,117</u>	<u>\$ (7,702)</u>	<u>\$ (1,743)</u>
Denominator:			
Weighted average number of common shares – basic	113,283	111,370	108,728
Effect of dilutive securities – share-based employee options and awards	5,262	—	—
Weighted average number of common shares – diluted	<u>118,545</u>	<u>111,370</u>	<u>108,728</u>
Anti-dilutive options, warrants, and awards ⁽¹⁾	19,280	8,052	8,456
Net income (loss) per ordinary share:			
Basic income (loss) per share attributable to Village Farms International, Inc. shareholders from:			
Continuing operations	\$ 0.19	\$ (0.25)	\$ (0.30)
Discontinued operations	0.10	(0.07)	(0.02)
Basic income (loss) per share attributable to Village Farms International, Inc. shareholders	<u>\$ 0.29</u>	<u>\$ (0.32)</u>	<u>\$ (0.32)</u>
Diluted income (loss) per share attributable to Village Farms International, Inc. shareholders from:			
Continuing operations	\$ 0.18	\$ (0.25)	\$ (0.30)
Discontinued operations	0.09	(0.07)	(0.02)
Diluted income (loss) per share attributable to Village Farms International, Inc. shareholders	<u>\$ 0.27</u>	<u>\$ (0.32)</u>	<u>\$ (0.32)</u>

⁽¹⁾ Options to purchase shares of common stock, warrants, and unvested RSUs are not included in the calculation of net (loss) income per share because the effect would have been anti-dilutive.

17. SHAREHOLDERS' EQUITY AND SHARE-BASED COMPENSATION

On January 30, 2023, the Company closed a public offering (the "Offering") of 18,350,000 Common Shares at a price of US\$1.35 per share together with accompanying warrants to purchase up to 18,350,000 Common Shares, which have an exercise price of US\$1.65 per share (the "Warrants"). The gross proceeds from the Offering were approximately US\$25 million before deducting placement agent fees and other offering expenses payable by the Company. The proceeds from the Offering are being used for general working capital. The accompanying Warrants have an exercise price of US\$1.65 and became exercisable beginning six months from issuance and will expire five years from the date of initial exercisability.

Share-based compensation

The Company's Share-Based Compensation Plan (the "Plan") dated January 1, 2010, was most recently approved by Shareholders on June 10, 2021. The Plan provides that the number of Common Shares reserved for issuance upon the exercise or redemption of awards granted under the Plan is a rolling maximum of ten percent (10%) of the outstanding Common Shares at any point in time. Approximately 3,262 shares remain available for issuance as of December 31, 2025.

Stock options have been granted with an exercise price equal to the fair market value of the common stock on the date of grants and have a ten-year contractual term. The stock options vest ratably over a 3- year period. Compensation expense is recognized over the vesting period, using the graded vesting method, by increasing additional paid-in capital based on the

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number of awards expected to vest. The number of awards expected to vest is reviewed at least annually, with any impact recognized immediately.

The fair market value of stock options is estimated using the Black-Scholes-Merton valuation model and the Company uses the following methods to determine its underlying assumptions: expected volatilities are based on the historical volatilities of the weekly closing price of the Company's common stock; the expected term of options granted is based historical exercises and forfeitures; the risk-free interest rate is based on Canadian Treasury bonds issued with similar life terms to the expected life of the grant; and the expected dividend yield is based on the current annual dividend amount divided by the stock price on the date of grant. Forfeitures are recorded when incurred.

The following key assumptions were used in the valuation model to value stock option grants for each respective period:

	2025	2024	2023
Expected volatility	75.3% - 78.1%	77.2% - 85.8%	85.7% - 87.8%
Dividend	\$nil	\$nil	\$nil
Risk-free interest rate	3.91% - 4.02%	3.08% - 3.71%	2.76% - 4.15%
Expected life	3.5 years	4.4 years	6.5 years
Fair value	\$0.33 - \$0.62	\$0.56 - \$0.62	\$0.44 - \$0.82

Stock option transactions under the Company's plan for the years ended December 31, 2025, 2024 and 2023 are summarized as follows:

	Number of Options	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term (years)	Aggregate Intrinsic Value
Exercisable at December 31, 2022	2,549,401	\$ 5.88	5.46	\$ 133
Granted during 2023	3,492,991	\$ 0.94	9.34	\$ 130
Exercised during 2023	(100,000)	\$ 0.83		\$ 71
Forfeited during 2023	(535,833)	\$ 4.04		
Outstanding at December 31, 2023	6,946,576	\$ 3.50	7.54	\$ 83
Exercisable at December 31, 2023	3,081,262	\$ 6.07	5.44	\$ 1
Granted during 2024	620,000	\$ 0.95	5.96	\$ 0
Forfeited/expired during 2024	(598,167)	\$ 3.32		
Outstanding at December 31, 2024	6,968,409	\$ 3.50	6.79	\$ 90
Exercisable at December 31, 2024	3,081,262	\$ 6.07	5.96	\$ 31
Granted during 2025	450,000	\$ 0.76	5.36	\$ 1,300
Exercised during 2025	(791,829)	\$ 1.03		
Forfeited/expired during 2025	(163,834)	\$ 2.84		
Outstanding at December 31, 2025	6,462,746	\$ 3.42	5.36	\$ 10,869
Exercisable at December 31, 2025	4,615,074	\$ 4.41	5.17	\$ 5,876

The weighted-average grant-date fair value of options granted during the years ended December 31, 2025, 2024 and 2023 was \$0.47, \$0.58 and \$0.71, respectively. The total intrinsic value of options exercised during the years ended December 31, 2025, 2024 and 2023, was \$1,535, \$0 and \$71, respectively.

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A summary of the status of the Company's non-vested stock options, and the changes during the year ended December 31, 2025 is presented below:

	Number of Options	Weighted Average Grant Date Fair Value	Aggregate Intrinsic Value
Non-vested at January 1, 2025	2,479,553	\$ 0.82	
Granted	450,000	\$ 0.47	
Vested	(918,047)	\$ 0.81	
Forfeited	(163,834)	\$ 1.99	
Non-vested at December 31, 2025	<u>1,847,672</u>	<u>\$ 0.63</u>	<u>\$ 4,993</u>

As of December 31, 2025, there was approximately \$1,258 of total unrecognized compensation cost related to non-vested share-based compensation arrangements granted under the stock option plan; that cost is expected to be recognized over a period of three years.

The Company has also issued performance-based or time-based restricted share units to Village Farms employees involved with future developments of the Company. Once a performance or time based target is met and the share units are deemed earned and vested, compensation expense is recognized, based on the fair value of the share units on the grant date.

Performance-based and time based restricted share unit activity for the years ended December 31, 2025, 2024 and 2023 is as follows:

	Number of Performance- based Restricted Share Units	Weighted Average Grant Date Fair Value
Exercisable at December 31, 2022	30,000	\$ 8.31
Issued	(10,000)	\$ 8.31
Forfeited	(20,000)	\$ 8.31
Outstanding at December 31, 2023	—	\$ -
Exercisable at December 31, 2023	—	\$ -
Granted	2,179,884	\$ 0.71
Vested and Issued	(1,479,024)	\$ 1.25
Outstanding at December 31, 2024	700,860	\$ 0.17
Exercisable at December 31, 2024	—	\$ -
Granted	2,812,740	\$ 0.72
Forfeited	(267,216)	\$ 0.60
Vested and Issued	(700,860)	\$ 0.59
Outstanding at December 31, 2025	<u>2,545,524</u>	<u>\$ 0.73</u>
Exercisable at December 31, 2025	<u>—</u>	<u>\$ -</u>

On September 3, 2024, the Company granted 600,000 shares to a director of the Company.

Total share-based compensation for the years ended December 31, 2025, 2024 and 2023 of \$1,741, \$3,747 and \$3,111, respectively, was recorded in selling, general and administrative expenses and the corresponding amount credited to additional paid in capital.

Share buyback program

On September 29, 2025, the Board of Directors authorized a \$10 million share repurchase for up to 5,687,000 of the Company's outstanding common stock. Such purchases may be made on the open market, in private transactions and/or pursuant to purchase plans designed to comply with Rule 10b5-1 under the Securities Exchange Act of 1934, as amended. The Company is not obligated to repurchase any specific number of shares, and the timing and actual number of shares repurchased

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will depend on a variety of factors, including the Company's stock price, general economic, business and market conditions, and alternative investment opportunities. The Company may discontinue any repurchases of its common stock at any time without prior notice. During the year ended December 31, 2025, the Company repurchased 812,923 shares for an aggregate amount of \$2,971 (excluding the 2% Canadian excise tax on stock repurchases). As of December 31, 2025, \$7,041 remains available for repurchases. Shares repurchased by the Company are accounted for when the transaction is settled. As of December 31, 2025, there were no unsettled share repurchases. Direct costs incurred to acquire the shares are included in the total cost of the shares.

Warrants

Warrant activity for the year ended December 31, 2025 was as follows:

	Number of Shares Underlying the Warrants	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term (years)
Outstanding at December 31, 2024	18,350,000	\$ 1.65	3.50
Exercised	(2,816,100)	\$ 1.65	
Issued	—	\$ -	-
Expired	—	\$ -	-
Outstanding at December 31, 2025	<u>15,533,900</u>	\$ 1.65	2.50

18. CHANGES IN NON-CASH WORKING CAPITAL ITEMS

	For the Years Ended December 31,		
	2025	2024	2023
Trade receivables	\$ (3,753)	\$ (3,475)	\$ (2,155)
Inventories	1,144	8,458	(5,013)
Lease liabilities	(1,615)	(925)	(1,150)
Other receivables	4	(6)	9
Prepaid expenses and deposits	(240)	3,246	(754)
Trade payables	6,702	1,433	(1,731)
Accrued liabilities	4,098	(4,824)	5,391
Accrued taxes	11,992	25	3,575
Other assets, net of other liabilities	1,524	(4,029)	3,082
	<u>\$ 19,856</u>	<u>\$ (97)</u>	<u>\$ 1,254</u>

19. SUBSEQUENT EVENTS

The Company evaluated subsequent events and transactions that occurred after the balance sheet date up to the date the financial statements were available to be issued. Based upon this review, the Company did not identify any subsequent events that would have required adjustment or disclosure in the consolidated financial statements, other than set forth below.

On February 20, 2026, the Company amended and extended its Pure Sunfarms Secured Credit Facility, which increased loan commitments with existing lenders by CAD \$15 million and extending maturities one year to February 2029. The incremental debt financing comes in the form of a delayed draw term loan, from which the Company drew an initial CAD \$5 million on February 20, 2026. All other terms of the credit facility loans remain unchanged.

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