



HERBAL DISPATCH INC.

Consolidated Financial Statements

Years Ended December 31, 2025 and 2024
(Expressed in Canadian Dollars)

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INDEPENDENT AUDITOR'S REPORT

April 23, 2026
Edmonton, Alberta

To the Shareholders of Herbal Dispatch Inc.

Opinion

We have audited the consolidated financial statements of Herbal Dispatch Inc. and its subsidiaries (the Company), which comprise the consolidated statements of financial position as at December 31, 2025 and 2024, and the consolidated statements of operations, shareholders' equity and cash flows for the years then ended, and notes to the consolidated financial statements, including material accounting policy information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as at December 31, 2025 and 2024, and the consolidated financial performance and consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards (IFRS).

Basis for Opinion

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

Material Uncertainty Relating to Going Concern

We draw your attention to Note 1 in the consolidated financial statements, which indicates that the Company incurred a net loss during the year ended December 31, 2025. As stated in Note 1, these events or conditions, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Key Audit Matters

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

In addition to the matter described in the Emphasis of Matter - Material Uncertainty Related to Going Concern section, we have determined that matters described below to be the key audit matters to be communicated in our auditor's report.

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Independent Auditor's Report to the Shareholders of Herbal Dispatch Inc. *(continued)*

Existence and accuracy of inventory

We refer to the consolidated financial statement summary of material accounting policy information in Note 2 and related disclosure in Note 4.

At December 31, 2025, the Company reported inventory of \$2,563,122. The Company holds a wide range of inventory items, including packaging, ingredients and cannabinoids and finished goods. The Company carries out an annual physical inventory count, which is essential for ensuring the existence and accuracy of the inventory reported in the financial statements. The risk of material misstatement in inventory could be due to errors or inconsistencies in the physical count process, or discrepancies between the physical count and inventory records.

To address the risk of material misstatement on inventory, our audit procedures included, amongst other procedures:

- Attending the physical inventory count at the Company's principal location to observe the count procedures and ensure that the process was conducted in accordance with the company's internal policies.
- Evaluating the impact of any discrepancies noted between the physical count and the recorded inventory balances, including performing additional reconciliations and adjustments.
- Reviewing inventory cutoff procedures to ensure that items sold before year-end were properly excluded from the year-end inventory balance, and that items received before the count were properly included.
- Performing substantive procedures by selecting a sample of inventory items, performing physical test counts to verify their existence and accuracy and comparing the results to the inventory records.

We assessed the adequacy of the Company's disclosures.

Evaluation of Impairment of Intangible Assets and Goodwill

We refer to the consolidated financial statement summary of material accounting policy information in Note 2 and related disclosures in Notes 6 and 8.

At December 31, 2025, the Company reported intangible assets of \$2,595,933 and goodwill of \$1,748,458. For the purpose of impairment testing, intangible assets and goodwill are allocated to the group of cash generating units (CGUs), which represent the lowest level within the Company at which these assets are monitored for internal management purposes. The recoverable amount is based on the greater of the CGU group's fair value less cost to sell (FVLCS) and its value-in-use (VIU). The Company's significant estimates used in determining the FVLCS include projected future sales, profit margins and earnings and discount rate.

Evaluation of impairment was considered as a key audit matter, due to the size of the balance and significant management judgement is required for the assessment. This matter represented an area of significant risk of material misstatement given the magnitude of the balance and high degree of estimation uncertainty in determining the recoverable amount. Significant auditor judgement was required to evaluate the evidence supporting the Company's significant estimates due to the sensitivity of the recoverable amount to minor changes in these estimates.

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Independent Auditor's Report to the Shareholders of Herbal Dispatch Inc. *(continued)*

To address the risk for material misstatement of goodwill and intangibles, our audit procedures included, amongst other procedures:

- Evaluating the analyses and calculations made by management with respect to the impairment at year end and evaluate the possibility of impairment.
- Performing sensitivity analysis over the input variables in managements analysis to determine the impact of fluctuations in the estimates.
- Performing a look back analysis over management's forecasting history and abilities to project future growth and profitability.
- Assessing the compliance of Company's accounting policies with applicable accounting standards.

We assessed the adequacy of the Company's disclosures.

Other Information

Management is responsible for the other information. The other information comprises the information, other than the consolidated financial statements and our auditor's report thereon, which includes Management's Discussion and Analysis.

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

We obtained Management's Discussion and Analysis prior to the date of this auditor's report. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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

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

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

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

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

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

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Independent Auditor's Report to the Shareholders of Herbal Dispatch Inc. *(continued)*

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

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

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

Kingston Ross Pasmak LLP

Kingston Ross Pasmak LLP

Chartered Professional Accountants

Herbal Dispatch Inc.

Consolidated Statements of Financial Position

As at December 31, 2025 and 2024

(expressed in Canadian dollars, unless otherwise noted)

	2025	2024
Assets		
Current assets:		
Cash	\$ 197,138	\$ 274,786
Trade and other receivables (Note 3)	493,901	526,584
Prepaid expenses and deposits	558,224	200,635
Inventory (Note 4)	2,563,122	1,598,470
Total current assets	3,812,385	2,600,475
Long-term assets		
Property and equipment (Note 5)	35,322	55,636
Intangible assets (Note 6)	2,595,933	2,849,380
Right of use asset (Note 5)	262,997	389,236
Royalty receivable (Note 7)	-	272,340
Goodwill (Note 8)	1,748,458	1,748,458
Total assets	\$ 8,455,095	\$ 7,915,525
Liabilities and shareholders' equity		
Current liabilities		
Accounts payable and accrued liabilities	\$ 3,327,713	\$ 3,363,902
Deferred revenue	389,249	125,245
Current portion of right of use lease (Note 9)	140,792	123,073
Loans payable (Note 10)	1,300,509	250,000
Total current liabilities	5,158,263	3,862,220
Long-term liabilities		
Right of use lease (Note 9)	174,491	315,284
Loans payable (Note 10)	86,820	961,319
Total liabilities	5,419,574	5,138,823
Shareholders' equity		
Share capital (Note 11)	79,173,418	77,167,778
Contributed surplus	3,810,639	3,715,993
Deficit	(79,948,536)	(78,107,069)
Total shareholders' equity	3,035,521	2,776,702
Total liabilities and shareholders' equity	\$ 8,455,095	\$ 7,915,525

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

On behalf of the Board:

"Philip Campbell"
CEO and Director

"Herb Dhaliwal"
Director

Herbal Dispatch Inc.

Consolidated Statements of Operations

For the years ended December 31, 2025 and 2024

(expressed in Canadian dollars, unless otherwise noted)

	2025	2024
Revenue:		
Sales	\$ 16,508,349	\$ 12,048,203
Excise duties	(4,384,322)	(2,124,729)
Net revenue (Note 15)	12,124,027	9,923,474
Cost of sales	9,369,120	7,928,677
Gross profit	2,754,907	1,994,797
Expenses:		
General and administration (Note 18)	2,747,592	2,244,412
Selling and marketing (Note 18)	735,256	797,127
Share based compensation (Note 13)	94,646	42,591
Depreciation & amortization (Notes 5, 6)	407,817	404,466
	3,985,311	3,488,596
Loss from operations	(1,230,404)	(1,493,799)
Other expenses (income)		
Interest expense	305,218	288,675
Fair value adjustment of royalty receivable (Note 7)	272,340	195,510
Gain on settlement of debt	-	(19,912)
Realization of currency translation (Note 2d)	-	820,310
Gain on foreign exchange	(95)	(10,966)
Accretion expense	33,600	5,633
	611,063	1,279,250
Net loss	(1,841,467)	(2,773,049)
Other comprehensive income		
Currency translation adjustment (Note 2d)	-	820,310
Comprehensive loss	\$ (1,841,467)	\$ (1,952,739)
Basic and diluted loss per share	\$ (0.02)	\$ (0.04)
Weighted average number of common shares outstanding	90,549,041	78,943,902

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

Herbal Dispatch Inc.

Consolidated Statements of Shareholders' Equity

As at December 31, 2025 and 2024

(expressed in Canadian Dollars, unless otherwise noted)

	Common Shares		Contributed Surplus	Accumulated other comprehensive loss	Deficit	Shareholders' Equity
	Number	\$	\$	\$	\$	\$
Balance, December 31, 2023	73,627,699	76,760,128	3,635,443	(820,310)	(75,334,020)	4,241,241
Shares issued – private placement (<i>Note 11</i>)	8,153,000	407,650	-	-	-	407,650
Share based compensation (<i>Note 13</i>)	-	-	42,591	-	-	42,591
Convertible debenture – equity (<i>Note 10</i>)	-	-	37,959	-	-	37,959
Currency translation adjustment (<i>Note 2d</i>)	-	-	-	820,310	-	820,310
Net loss for the year	-	-	-	-	(2,773,049)	(2,773,049)
Balance, December 31, 2024	81,780,699	77,167,778	3,715,993	-	(78,107,069)	2,776,702
Shares issued – private placement (<i>Note 11</i>)	41,564,220	2,005,640	-	-	-	2,005,640
Share based compensation (<i>Note 13</i>)	-	-	94,646	-	-	94,646
Net loss for the year	-	-	-	-	(1,841,467)	(1,841,467)
Balance, December 31, 2025	123,344,919	79,173,418	3,810,639	-	(79,948,536)	3,035,521

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

Herbal Dispatch Inc.

Consolidated Statements of Cash Flows

For the years ended December 31, 2025 and 2024

(expressed in Canadian Dollars, unless otherwise noted)

	2025	2024
Cash provided by (used for):		
Operating activities:		
Net loss	\$ (1,841,467)	\$ (2,773,049)
Items not affecting cash:		
Share based compensation	94,646	42,591
Depreciation & amortization	407,817	404,466
Fair value adjustment of royalty receivable	272,340	195,510
Gain on settlement of debt	-	(19,912)
Realization of currency translation	-	820,310
Gain on foreign exchange	(95)	(10,966)
Accretion expense	33,600	5,633
	(1,033,159)	(1,335,417)
Changes in non-cash working capital balances:		
Trade and other receivables	32,683	177,734
Prepaid expenses and deposits	(357,589)	(61,505)
Inventory	(964,652)	(356,031)
Accounts payable and accrued liabilities	(36,095)	1,166,827
Deferred revenue	264,004	34,345
Cash used in operating activities	(2,094,808)	(374,047)
Investing activities:		
Purchase of property and equipment	(7,817)	(21,883)
Cash used in investing activities	(7,817)	(21,883)
Financing activities:		
Advances of loans payable	848,960	930,468
Repayment of loans payable	(706,550)	(780,468)
Issuance of common shares	2,005,640	407,650
Repayment of right of use lease liability	(123,073)	(107,114)
Cash provided by financing activities	2,024,977	450,536
Change in cash	(77,648)	54,606
Effect of exchange rate changes on cash	-	(2,212)
Cash, beginning of period	274,786	222,392
Cash, end of period	\$ 197,138	\$ 274,786

Supplemental cash flow information (Note 14)

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

HERBAL DISPATCH INC.

Notes to the Consolidated Financial Statements

Years Ended December 31, 2025 and 2024

(Expressed in Canadian Dollars, unless otherwise noted)

Note 1 – Nature of operations and going concern

Herbal Dispatch Inc. (“Herbal Dispatch” or the “Company”) is a leading operator of cannabis e-commerce platforms in Canada, delivering quality medical and recreational products to discerning consumers at competitive prices. Its flagship marketplace has earned trust as a premier destination for exclusive access to small-batch craft cannabis and a wide selection of curated cannabis products. The Company is also actively expanding through exports to international markets.

The Company was incorporated under the Business Corporations Act (British Columbia) on May 30, 2013 under the name Ascent Industries Corp. (“Ascent”). On May 15, 2020 the Company changed its name to Luff Enterprises Ltd. and on January 20, 2023, the Company changed its name to Herbal Dispatch Inc. The Company’s head office and principal address is located at Suite 1801 – 808 Nelson Street, Vancouver, British Columbia V6Z 2H2.

The common shares of the Company trade on the Canadian Securities Exchange (the “Exchange”) under the trading symbol “**HERB**”.

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) on a going concern basis, which assumes that the Company will continue to operate for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of business. In the year ended December 31, 2025, the Company incurred a comprehensive loss of \$1,841,467 (\$1,952,739 for the year ended December 31, 2024). The continuation of the Company as a going concern will be dependent on the ability of the Company to achieve positive cash flow from operations and/or obtain necessary equity or other financing. The ability of the Company to be successful in obtaining additional future financing cannot be predicted at this present time. As a result, there is material uncertainty related to these conditions that may cast significant doubt on the entity’s ability to continue as a going concern.

These consolidated financial statements do not include any adjustments to the amounts and classification of assets and liabilities that might be necessary should the Company be unable to continue as a going concern.

Note 2 – Summary of material accounting policy information

a) Statement of compliance and basis of presentation

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS), as issued by the International Accounting Standards Board on a going concern basis. These consolidated financial statements were approved and authorized for issue by the Board of Directors of the Company on April 23, 2026.

On February 23, 2024, the Company consolidated the common shares issued in the capital of the Company on the basis of 10 pre-consolidated common shares for 1 post-consolidated common share. As a result, the number of shares outstanding have been adjusted and restated for all periods presented to reflect the effect of the share consolidation. The Company’s outstanding warrants, options, and other convertible securities have also been adjusted on the same basis with respect to the underlying common shares exercisable pursuant to the warrants, options, and other convertible securities, with proportionate adjustments being made to applicable exercise or conversion prices, as applicable.

HERBAL DISPATCH INC.**Notes to the Consolidated Financial Statements**

Years Ended December 31, 2025 and 2024

(Expressed in Canadian Dollars, unless otherwise noted)

Note 2 – Summary of material accounting policy information, continued**b) Basis of consolidation**

These consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries. The Company's current active subsidiaries include Rosebud Productions Inc. and Coco Pure Beverage Corp. All inter-company balances and transactions have been eliminated on consolidation.

c) Basis of measurement

The consolidated financial statements have been prepared on a historical cost basis, except for assets classified as held for sale, which are measured at the lower of their carrying amount and fair value less costs to sell, and investment and derivatives, which are measured at fair value through profit or loss.

d) Functional and presentation currency

The consolidated financial statements are presented in Canadian dollars, which is the Company's functional currency.

Foreign currency transactions are translated into Canadian dollars at exchange rates in effect on the date of the transactions. Monetary assets and liabilities denominated in foreign currencies at the consolidated statement of financial position date are translated to Canadian dollars at the foreign exchange rate applicable at that date. Realized and unrealized exchange gains and losses are recognized in the consolidated statements of operations. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

The assets and liabilities of foreign operations are translated into Canadian dollars at period end exchange rates. Income and expenses, and cash flows of foreign operations are translated into Canadian dollars using average exchange rates. Exchange differences resulting from the translation of foreign operations are recognized in other comprehensive income and accumulated in equity.

As at December 31, 2024, the Company no longer had any foreign operations and all currency translation amounts previously accumulated in other comprehensive loss were fully recognized in the consolidation statement of operations during the year ended December 31, 2024.

e) Cash

Cash includes cash deposits in financial institutions and other deposits that are readily convertible into cash.

HERBAL DISPATCH INC.**Notes to the Consolidated Financial Statements**

Years Ended December 31, 2025 and 2024

(Expressed in Canadian Dollars, unless otherwise noted)

Note 2 – Summary of material accounting policy information, continued**f) Inventory**

Inventories of ingredients, purchased cannabis products, finished goods and packaging materials are initially measured at cost and subsequently at the lower of cost and net realizable value. Net realizable value is determined as the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale. Cost is determined using the average cost basis.

The Company reviews inventory for obsolete, redundant and slow-moving goods and any such inventories are written down to net realizable value.

g) Property and equipment and right of use asset

Property and equipment are stated at cost, net of accumulated amortization and/or accumulated impairment losses, if any. Such cost includes the cost of replacing component parts of the property and equipment and borrowing costs for long-term construction projects if the recognition criteria are met.

For the years ended December 31, 2025 and 2024, depreciation was calculated on a straight-line basis over the estimated useful life of the assets on a pooled basis, as is consistent with industry practice. Management estimates those useful lives to be:

- Computer equipment – 2 to 4 years
- Production equipment – 4 years

An item of property and equipment and any significant part initially recognized is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the consolidated statement of operations when the asset is derecognized. The assets' residual values, useful lives and methods of depreciation are reviewed at each financial year end and adjusted prospectively, if appropriate.

Property and equipment acquired, but not available for use are not amortized until they are available for use.

Right of use assets are recorded on a present value basis at inception of the lease and amortized on a straight-line basis over the life of the lease. The cost of asset is adjusted for any re-measurement of the lease liability and is less any accumulated depreciation and accumulated impairment losses, if any.

HERBAL DISPATCH INC.**Notes to the Consolidated Financial Statements**

Years Ended December 31, 2025 and 2024

(Expressed in Canadian Dollars, unless otherwise noted)

Note 2 – Summary of material accounting policy information, continuedh) Intangible assets and goodwill

Intangible assets are recorded at cost less accumulated amortization and impairment losses, if any. Intangible assets acquired in a business combination are measured at fair value at the acquisition date. Amortization is provided on a straight-line basis over their estimated useful lives. Intangible assets that have indefinite useful lives are not subject to amortization and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. The estimated useful lives, residual values, and amortization methods are reviewed at each year end, and any changes in estimates are accounted for prospectively.

Goodwill arises from business combinations and is generally determined as the excess of the fair value of the consideration transferred, plus the fair value of any non-controlling interests in the acquiree, over the fair value of the net assets acquired and liabilities assumed as of the acquisition date. Goodwill and intangible assets acquired in a business combination and determined to have an indefinite useful life are not amortized but tested for impairment at least annually or more frequently if events and circumstances exists that indicate that a goodwill impairment test should be performed. The Company has selected December 31 as the date to perform the annual impairment test.

For the periods ended December 31, 2025 and 2024, amortization was calculated on a straight-line basis over the following estimated useful lives:

- Cannabis licenses - 20 years
- Customer platforms - 10 years
- Trademark – 10 years

HERBAL DISPATCH INC.**Notes to the Consolidated Financial Statements**

Years Ended December 31, 2025 and 2024

(Expressed in Canadian Dollars, unless otherwise noted)

Note 2 – Summary of material accounting policy information, continued**i) Right of use lease**

At inception of a contract, the Company assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for considerations. To assess whether a contract conveys the right to control the use of an identified asset, the Company assesses whether:

- The contract involves the use of an identified asset and should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified;
- The Company has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and
- The Company has the right to direct the use of the asset. The Company has this right when it has the decision-making rights that are most relevant to changing how and for what purpose the asset is used. In rare cases where the decision about how and for what purpose the asset is used is predetermined, the Company has the right to direct the use of the asset if either:
 - The Company has the right to operate the asset; or
 - The Company designed the asset in a way that predetermines how and for what purpose it will be used.

At inception or on reassessment of a contract that contains a lease component, the Company allocates the consideration in the contract to each lease component on the basis of their relative stand-alone prices. However, for the leases of buildings in which it is a lessee, the Company has elected not to separate non-lease components and account for the lease and non-lease components as a single lease component.

Right of use leases are capitalized at the commencement of the lease at the fair value of lease payments and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses. The right of use asset is depreciated over the shorter of the lease term or the useful life of the underlying asset and is subject to impairment testing if there is an indicator of impairment.

The lease liability is initially measured at the present value of lease payments unpaid at commencement date, discounted by the implicit rate in the lease or an incremental borrowing rate. Interest expense on lease liabilities is recognized in the statement of operation.

The Company has elected to recognize the lease payments associated with short term leases and leases for which the underlying asset is of low value as an expense on a straight-line basis over the lease term.

HERBAL DISPATCH INC.**Notes to the Consolidated Financial Statements**

Years Ended December 31, 2025 and 2024

(Expressed in Canadian Dollars, unless otherwise noted)

Note 2 – Summary of material accounting policy information, continued**k) Impairment of non-financial assets**

The carrying amount of the Company's non-financial assets is reviewed at each financial reporting date to determine whether there is any indication of impairment. If such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. An impairment loss is recognized when the carrying amount of an asset or its cash generating unit ("CGU") exceeds its recoverable amount. Impairment losses are recognized in profit or loss.

The recoverable amount of an asset or CGU is the greater of its fair value less cost to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects the current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is only reversed if there is an indication that the impairment loss may no longer exist and there has been a change in the estimates used to determine the recoverable amount, however, not to an amount higher than the carrying amount that would have been determined had no impairment loss been recognized in previous years. Assets that have an indefinite useful life are not subject to depreciation and are tested annually for impairment.

l) Share capital

Transaction costs directly attributable to the issuance of common shares are recognized as a deduction from equity. The proceeds from the exercise of stock options or warrants together with amounts previously recorded in contributed surplus over the vesting periods are recorded as share capital. Share capital issued for nonmonetary consideration is recorded at an amount based on the fair market value of the shares on the date of issue.

m) Share-based compensation

The fair value of options is determined using the Black–Scholes option pricing model which incorporates all market vesting conditions. The number of options expected to vest is reviewed and adjusted at the end of each reporting period such that the amount recognized for services received as consideration for the equity instruments granted shall be based on the number of equity instruments that eventually vest.

n) Comprehensive loss

Comprehensive loss consists of loss and other comprehensive income (OCI). OCI represents changes in shareholder's equity during a period arising from transactions and other events and circumstances from non-owner sources and includes unrealized gains and losses on financial assets classified as available for sale and foreign currency translation.

HERBAL DISPATCH INC.**Notes to the Consolidated Financial Statements**

Years Ended December 31, 2025 and 2024

(Expressed in Canadian Dollars, unless otherwise noted)

Note 2 – Summary of material accounting policy information, continuedo) Loss per share

The Company calculates basic loss per share using the weighted average number of common shares outstanding during the year. Diluted loss per share is the same as basic loss per share, as the issuance of shares on the exercise of stock options and share purchase warrants is anti-dilutive.

p) Business acquisitions

Business acquisitions are accounted for using the acquisition method. The cost of a business acquisition is measured at the fair value of the aggregate consideration transferred, measured at the acquisition date. All acquisition costs are expensed as incurred in general and administration expenses. Any acquisition consideration payable is measured at fair value at the acquisition date. Any subsequent changes to acquisition consideration payable are recognized in profit or loss.

q) Revenue recognition

The Company generates revenue primarily from the sale of cannabis and cannabis related products. The Company uses the following five-step contract-based analysis of transactions to determine if, when and how much revenue can be recognized:

1. Identifying the contract with a customer
2. Identifying the performance obligation(s) in the contract
3. Determining the transaction price
4. Allocating the transaction price to the performance obligation(s) in the contract
5. Recognizing revenue when or as the Company satisfies the performance obligation(s)

Revenue from the sale of cannabis and cannabis related products are generally recognized when control over the goods has been transferred to the customer. Payment for wholesale transactions is due within a specified time period as permitted by the underlying agreement and the Company's credit policy upon the transfer of goods to the customer. Payment for consumer transactions are typically made at the time the product is ordered. The Company generally satisfies its performance obligation and transfers control to the customer upon delivery to the customer. Revenue is recorded at the estimated amount of consideration to which the Company expects to be entitled.

When the Company receives payment from customers for products that have not yet been received by the customer, these payments are reported as deferred revenue until such time as the related revenue is recognized.

The Company also generates revenue by providing packaging and processing services. Revenue is recognized once service is provided and complete.

HERBAL DISPATCH INC.**Notes to the Consolidated Financial Statements**

Years Ended December 31, 2025 and 2024

(Expressed in Canadian Dollars, unless otherwise noted)

Note 2 – Summary of material accounting policy information, continued**r) Income taxes**

Tax expense recognized in profit or loss comprises the sum of current and deferred taxes not recognized in other comprehensive income or directly in equity.

Current income taxes

Current tax assets and/or liabilities comprise those claims from, or obligations to, fiscal authorities relating to the current or prior reporting periods that are unpaid at the reporting date. Current tax is payable on taxable profit, which differs from profit or loss in the financial statements. Calculation of current tax is based on tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period.

Deferred income taxes

Deferred taxes are calculated using the liability method on temporary differences between the carrying amounts of assets and liabilities and their tax bases. Deferred tax assets and liabilities are calculated, without discounting, at tax rates that are expected to apply to their respective period of realization, provided they are enacted or substantively enacted by the end of the reporting period. Deferred tax assets are recognized to the extent that it is probable that they will be able to be utilized against future taxable income. Deferred tax assets and liabilities are offset only when the Company has a right and intention to offset current tax assets and liabilities from the same taxation authority.

Changes in deferred tax assets or liabilities are recognized as a component of income tax expense in profit or loss, except where they relate to items that are recognized in other comprehensive income or directly in equity, in which case the related deferred tax is also recognized in other comprehensive income or equity, respectively.

s) Financial instruments**Financial assets*****Initial recognition and measurement***

Financial assets are classified at amortized cost, at fair value through other comprehensive income (FVOCI) or fair value through profit or loss (FVTPL). The determinant of the classification of the financial asset is based on the entity's business model for managing the financial asset and the contractual cash flow characteristics of the financial asset. The Company determines the classification of its financial assets at initial recognition.

All financial assets are recognized initially at fair value plus, in the case of assets not at fair value through profit or loss, directly attributable transaction costs.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the marketplace (regular way trades) are recognized on the trade date.

HERBAL DISPATCH INC.**Notes to the Consolidated Financial Statements**

Years Ended December 31, 2025 and 2024

(Expressed in Canadian Dollars, unless otherwise noted)

Note 2 – Summary of material accounting policy information, continueds) Financial instruments, continued

The Company's financial assets include cash, trade and other receivables, and royalty receivable.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets unless it is measured at amortized cost or at fair value through other comprehensive income. The Company can make an irrevocable election at initial recognition for particular investments in equity instruments that would otherwise be measured at fair value through profit or loss to present subsequent changes in fair value in other comprehensive income.

The Company has designated royalty receivable at fair value through profit or loss upon initial recognition.

Amortized cost

Financial assets are measured at amortized cost if the two following conditions are met:

- The financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

The Company has designated cash and trade and other receivables at amortized cost.

Fair value through other comprehensive income

Financial assets measured at fair value through other comprehensive income is permitted if the two following conditions are met:

- The financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

The Company has not designated any financial assets at fair value through other comprehensive income upon initial recognition.

HERBAL DISPATCH INC.

Notes to the Consolidated Financial Statements

Years Ended December 31, 2025 and 2024

(Expressed in Canadian Dollars, unless otherwise noted)

Note 2 – Summary of material accounting policy information, continued

s) Financial instruments, continued

Derecognition

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognized when one of the following conditions is met:

- The rights to receive cash flows from the asset have expired; or
- The Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Company has transferred substantially all the risks and rewards of the asset, or (b) the Company has neither transferred nor retained substantially all the risks and rewards of the asset but has transferred control of the asset.

When the Company has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement and has neither transferred nor retained substantially all of the risks and rewards of the asset nor transferred control of it, the asset is recognized to the extent of the Company's continuing involvement in it. In that case, the Company also recognizes an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Company has retained.

Impairment of financial assets

The Company recognizes a loss allowance for expected credit losses on all financial assets. The expected credit loss model requires a loss allowance to be recognized on the financial asset regardless of whether an actual loss event has occurred.

The expected credit loss model presents three stages of credit loss allowances that must be assessed on all financial assets acquired by the Company. At the reporting date, if the credit risk of a financial asset has not significantly changed from initial recognition, an allowance for that financial instrument at an amount equal to a 12-month expected credit losses is recognized (Stage 1). Once the financial assets credit risk significantly increases from initial recognition, a lifetime expected credit loss will be recognized (Stage 2). At Stage 2 the interest revenue from the asset will continue to be calculated on the carrying value of the asset before impairments. If the credit quality of the financial asset deteriorates, the lifetime expected loss will continue to be recognized, however the interest revenue will now be calculated on the net amortized carrying value after deducting the loss allowance (Stage 3).

The assessment of significant increases in credit loss is completed at the reporting date and considers historical events, current market conditions and supportable information about future economic conditions that is available without undue cost or effort, that is indicative of significant increases in credit risk since initial recognition. Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganization and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

HERBAL DISPATCH INC.**Notes to the Consolidated Financial Statements**

Years Ended December 31, 2025 and 2024

(Expressed in Canadian Dollars, unless otherwise noted)

Note 2 – Summary of material accounting policy information, continued**s) Financial instruments, continued**

The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognized in general and administrative expenses in the consolidated statements of operations. Interest income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recorded as part of finance income in profit or loss. Loans together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realized or has been transferred to the Company. If in a subsequent year the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognized, the previously recognized impairment loss is increased or reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery is recognized in profit or loss.

Financial liabilities*Initial recognition and measurement*

Financial liabilities are classified as financial liabilities at fair value through profit or loss, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Company determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings, carried at amortized cost. This includes directly attributable transaction costs.

The Company's financial liabilities include accounts payable and accrued liabilities, and loans payable.

Subsequent measurement

The subsequent measurement of financial liabilities depends on their classification as follows:

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss. Financial liabilities are classified as measured at fair market value if they are acquired for the purpose of selling in the near term. Gains or losses on liabilities at fair value are recognized in profit or loss.

The Company has not designated any financial liabilities as fair value through profit or loss.

Amortized cost

After initial recognition, interest bearing loans and borrowings are subsequently measured at amortized cost using the effective interest rate method. Gains and losses are recognized in profit or loss when the liabilities are derecognized as well as through the effective interest rate method amortization process. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate method (EIR). The EIR amortization is included in finance costs in profit or loss.

HERBAL DISPATCH INC.**Notes to the Consolidated Financial Statements**

Years Ended December 31, 2025 and 2024

(Expressed in Canadian Dollars, unless otherwise noted)

Note 2 – Summary of material accounting policy information, continueds) Financial instruments, continued

The Company's financial liabilities measured at amortized cost include accounts payable and accrued liabilities, and loans payable.

*Derecognition*Offsetting of financial instruments

Financial assets and financial liabilities are offset, and the net amount reported in the consolidated statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the assets and settle the liabilities simultaneously.

Fair value of financial instruments

The fair value of financial instruments that are traded in active markets at each reporting date is determined by reference to quoted market prices or dealer price quotations (bid price for long positions and ask price for short positions), without any deduction for transaction costs. For financial instruments not traded in an active market, the fair value is determined using appropriate valuation techniques. Such techniques may include using recent arm's length market transactions, reference to the current fair value of another instrument that is substantially the same, or a discounted cash flow analysis or other valuation models.

An analysis of fair values of financial instruments and further details as to how they are measured are provided in Note 20.

t) Material accounting judgements, estimates and assumptions

The preparation of the Company's consolidated financial statements in conformity with IFRS requires management to make judgements, estimates, and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised, if the revision affects only that period, or in the period of the revision and future periods, if the revision affects both current and future periods.

Significant judgements estimates and assumptions that have the most significant effect on the amounts recognized in the financial statements are described below.

HERBAL DISPATCH INC.**Notes to the Consolidated Financial Statements**

Years Ended December 31, 2025 and 2024

(Expressed in Canadian Dollars, unless otherwise noted)

Note 2 – Summary of material accounting policy information, continued**t) Material accounting judgements, estimates and assumptions, continued***Significant judgements***a. Fair value of financial instruments**

The individual fair values attributed to the different components of a financing transaction, notably convertible debt and loans, are determined using valuation techniques. The Company uses judgement to select the methods used to make certain assumptions and in performing the fair value calculations in order to determine (a) the values attributed to each component of a transaction at the time of their issuance; (b) the fair value measurements for certain instruments that require subsequent measurement at fair value on a recurring basis; and (c) for disclosing the fair value of financial instruments subsequently carried at amortized cost. These valuation estimates could be significantly different because of the use of judgement and the inherent uncertainty in estimating the fair value of these instruments that are not quoted in an active market. The assumptions regarding the fair value of financial instruments are disclosed in Note 20.

b. Business acquisitions

In a business acquisition, judgment is exercised in determining whether the transaction meets the definition of a business combination or is an acquisition of assets. The Company evaluates whether the acquired set of activities and assets includes an input, a process and an output as required under IFRS 3.

c. Going concern assumption

The Company exercises judgement in determining its ability to continue to operate for the foreseeable future and to be able to discharge its liabilities in its normal course of business. The Company assesses its current and forecasted cash and working capital balances to make this determination.

*Significant estimates***a. Convertible instruments**

Convertible loans are compound financial instruments which are accounted for separately by their components: a financial liability and an equity instrument. The financial liability, which represents the obligation to pay coupon interest on the convertible notes in the future, is initially measured at its fair value and subsequently measured at amortized cost. The residual amount is accounted for as an equity instrument at issuance. The identification of convertible notes components is based on interpretations of the substance of the contractual arrangement and therefore requires judgement from management. The separation of the components affects the initial recognition of the convertible debenture at issuance and the subsequent recognition of interest on the liability component. The determination of the fair value of the liability is also based on a number of assumptions, including contractual future cash flows, discount rates and the presence of any derivative financial instruments.

HERBAL DISPATCH INC.**Notes to the Consolidated Financial Statements**

Years Ended December 31, 2025 and 2024

(Expressed in Canadian Dollars, unless otherwise noted)

Note 2 – Summary of material accounting policy information, continued**t) Material accounting judgements, estimates and assumptions, continued***Significant estimates, continuation***b. Deferred tax assets**

Deferred tax assets, including those arising from tax loss carry-forwards, require management to assess the likelihood that the Company will generate sufficient taxable earnings in future periods to utilize recognized deferred tax assets. Assumptions about the generation of future taxable profits depend on management's estimates of future cash flows. In addition, future changes in tax laws could limit the ability of the Company to obtain tax deductions in future periods. To the extent that future cash flows and taxable income differ significantly from estimates, the ability of the Company to realize the net deferred tax assets recorded at the reporting date could be impacted.

c. Share based payments and warrants

All equity-settled, share based awards and share purchase warrants issued by the Company are fair valued using the Black-Scholes option-pricing model or other fair value techniques. In assessing fair value of equity-based compensation, estimates have to be made regarding the expected volatility in share price, option life, dividend yield, risk-free rate and estimated forfeitures at the initial grant date.

d. Leased assets

Leases require assumptions and estimates in order to determine the value of the right of use asset and lease liabilities. Judgement must be applied when determining the implicit and incremental rates of borrowing, as applicable. Judgement must also be applied as to whether renewal options are reasonably certain of being exercised and whether periods covered by an option to terminate are reasonably certain of not being exercised.

e. Inventory valuation

Management has applied judgement in the determination of the net realizable value of its inventory. Management estimates net realizable value by estimating selling prices in the ordinary course of business less estimated cost of completion and estimated cost necessary to make the sale.

f. Estimated useful lives and depreciation of property and equipment, intangible assets and impairment of non-financial assets

Depreciation of property and equipment and intangible assets is dependent upon estimates of useful lives which are determined through the exercise of judgement. The assessment of any impairment of these assets is dependent upon estimates of recoverable amounts that take into account factors such as economic and market conditions and the useful lives of assets.

HERBAL DISPATCH INC.**Notes to the Consolidated Financial Statements**

Years Ended December 31, 2025 and 2024

(Expressed in Canadian Dollars, unless otherwise noted)

Note 2 – Summary of material accounting policy information, continued**t) Material accounting judgements, estimates and assumptions, continued****g. Business acquisitions**

In a business acquisition, the Company may acquire assets and assume certain liabilities of an acquired entity. Estimates are made as to the fair value of property and equipment, intangible assets, and goodwill, among other items. In certain circumstances, such as the valuation of property and equipment and intangible assets acquired, the Company may rely on independent third-party valuers. The determination of these fair values involves a variety of assumptions, including revenue growth rates, expected operating income, discount rates, and earnings multiples.

h. Impairment of goodwill and intangible assets

Management believes that the methodology used to identify CGU(s) and test impairment of goodwill and intangible assets, involves a significant number of judgments and estimates. Many of the factors used in determining whether goodwill and intangible assets is impaired are outside of management's control and inherently uncertain. Therefore, actual results could differ from those estimated. As well, it is reasonably likely that assumptions and estimates will change in future periods that could have a significant impact on the recoverable amount of a CGU, which could result in an impairment loss.

The recoverable amount is most sensitive to the discount rate used in the discounted cash flow model as well as the expected future cash flows and the growth rate used for extrapolation purposes. To arrive at cash flow projections, the Company uses estimates of economic and market information over the projection periods, including growth rates in revenue, estimates of changes in gross margins, cash expenditures, and future changes in working capital requirements. For further information on the Company's assessment of goodwill at December 31, 2025, refer to Note 8.

u) Measurement uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year. The Company based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of the Company. Such changes are reflected in the assumptions when they occur.

v) Recent adoptions

The following amendments became effective on January 1, 2025 and did not have a material impact on the Company's financial statements:

- Effective January 1, 2025, the Company adopted the IASB's August 2023 amendment to IAS 21, Lack of Exchangeability. This amendment clarifies the requirement for entities to estimate the spot exchange rate when a currency is determined to lack exchangeability. The Company assessed the adoption and concluded that it did not have a material impact.
- Effective January 1, 2025, the Company adopted the Canadian Sustainability Disclosure Standards ("CSDS"). CSDS 1, General Requirements for Disclosure of sustainability related Financial Information and CSDS 2, Climate-related Disclosures. The Company assessed the adoption and concluded that they did not have a material impact.

HERBAL DISPATCH INC.**Notes to the Consolidated Financial Statements**

Years Ended December 31, 2025 and 2024

(Expressed in Canadian Dollars, unless otherwise noted)

Note 2 – Summary of material accounting policy information, continued**w) Future Adoptions**

- IFRS 18 “Presentation and Disclosure in Financial Statements” has been issued to replace IAS 1 “Presentation of Financial Statements”. IFRS 18 establishes a revised structure for the consolidated statements of income with the intention to improve comparability across entities. IFRS 18 is effective for annual reporting periods beginning on or after January 1, 2027 and will be applied retroactively. The Company is currently evaluating the impact of adopting IFRS 18 on the consolidated financial statements.
- IASB has issued amendments to IFRS 9 “Financial Instruments” relating to the classification and measurement of financial instruments. These amendments clarify aspects of SPPI (solely payments of principal and interest), the classification of financial assets with non-recourse features and contractually linked instruments and the derecognition of financial liabilities. These amendments are effective for annual periods beginning on or after January 1, 2026 with early application permitted. The Company is currently evaluating the impact of these amendments.

Note 3 – Trade and other receivables

	December 31 2025 \$	December 31 2024 \$
Trade receivables, net ⁽¹⁾	486,120	471,037
Other receivables	7,781	55,547
Total receivables	493,901	526,584

(1) Net of expected credit losses of \$65,904 (2024 - \$14,000).

The aging analysis of trade receivables is as follows:

	Total \$	1-30 \$	31-60 \$	61-90 \$	91+ \$
December 31, 2025	486,120	327,340	139,735	15,224	3,821
December 31, 2024	471,037	258,035	115,858	54,969	42,175

Information about the Company’s exposure to credit risks for trade and other receivables is included in Note 20.

HERBAL DISPATCH INC.**Notes to the Consolidated Financial Statements**

Years Ended December 31, 2025 and 2024

(Expressed in Canadian Dollars, unless otherwise noted)

Note 4 – Inventory

	December 31 2025 \$	December 31 2024 \$
Packaging	368,084	436,860
Ingredients and cannabinoids	1,355,280	745,392
Finished goods	839,758	416,218
Total inventory	2,563,122	1,598,470

Inventory expensed in direct costs for the year ended December 31, 2025 was \$8,867,324 (year ended December 31, 2024 - \$7,140,572).

Note 5 – Property and equipment and right of use asset

	Computer equipment \$	Production equipment \$	Right of use asset \$	Total \$
Cost				
December 31, 2023	9,848	77,337	631,193	718,378
Additions	-	21,883	-	21,883
December 31, 2024	9,848	99,220	631,193	740,261
Additions	-	7,816	-	7,816
December 31, 2025	9,848	107,036	631,193	748,077
Accumulated depreciation				
December 31, 2023	3,425	25,227	115,719	144,371
Depreciation	2,837	21,943	126,238	151,018
December 31, 2024	6,262	47,170	241,957	295,389
Depreciation	2,837	25,293	126,239	154,369
December 31, 2025	9,099	72,463	368,196	449,758
Net book value				
December 31, 2024	3,586	52,050	389,236	444,872
December 31, 2025	749	34,573	262,997	298,319

HERBAL DISPATCH INC.**Notes to the Consolidated Financial Statements**

Years Ended December 31, 2025 and 2024

(Expressed in Canadian Dollars, unless otherwise noted)

Note 6 – Intangible assets

	Licenses \$	Customer Platform \$	Trademark \$	Total \$
Cost				
December 31, 2023	1,832,000	1,605,000	13,476	3,450,476
December 31, 2024	1,832,000	1,605,000	13,476	3,450,476
December 31, 2025	1,832,000	1,605,000	13,476	3,450,476
Accumulated depreciation				
December 31, 2023	125,950	220,687	1,011	347,648
Depreciation	91,600	160,500	1,348	253,448
December 31, 2024	217,550	381,187	2,359	601,096
Depreciation	91,600	160,500	1,348	253,448
December 31, 2025	309,150	541,687	3,706	854,543
Net book value				
December 31, 2024	1,614,450	1,223,813	11,117	2,849,380
December 31, 2025	1,522,850	1,063,313	9,770	2,595,933

HERBAL DISPATCH INC.**Notes to the Consolidated Financial Statements**

Years Ended December 31, 2025 and 2024

(Expressed in Canadian Dollars, unless otherwise noted)

Note 7 – Royalty receivable

	December 31 2025 \$	December 31 2024 \$
Opening balance	272,340	453,357
Gain on foreign exchange	-	14,493
Fair value adjustment	(272,340)	(195,510)
Ending balance	-	272,340

The Company previously had a loan receivable owing from Enhanced Pet Sciences Corporation (“EPS”), which consisted of a principal balance of USD \$536,995 plus accrued interest, incurred at a rate of 8% per annum. The loan receivable had been past due and in default since December 31, 2022. In the first quarter of 2024, the Company commenced litigation against EPS and the guarantors of the loan. As part of EPS’s defence strategy, EPS then filed a counter suit against the Company in the State of Kentucky for unspecified damages pertaining to an unfulfilled lease agreement and failed negotiations related to a potential plan of arrangement between the two companies in early 2020. EPS has also alleged that the loan should be considered an advance of funds for transition steps in the plan of arrangement and not be enforceable against EPS or its guarantors.

In 2024, the Company settled all litigation claims between the Company and EPS regarding its outstanding loan receivable owing from EPS as well as all other matters of dispute between the parties. As part of the settlement, the Company’s loan receivable was replaced by a royalty agreement receivable whereas the Company will receive royalty payments in an amount equal to five percent of all of EPS’s gross sales until the Company has received total payments equal to CAD \$850,000 (the Target Amount). The royalty payments shall be made on a quarterly basis within 30 days of the end of each calendar quarter.

In conjunction with the settlement agreement, EPS also granted to the Company the right (the “Call Option”) to convert any portion of the remaining royalty payments owing into up to a maximum of 1,700,000 common shares (the “Target Shares”) of EPS at a deemed price of \$0.50 per share (the “Strike Price”). The number of Target Shares shall be reduced by one share of stock for every Strike Price EPS has paid to the Company in royalty payments. The Strike Price may be adjusted downwards in certain circumstances, including if EPS issues new common shares at a price lower than the Strike Price that exceeds 5% of its outstanding common shares at the time. The Call Option shall expire upon full repayment of the Target Amount by EPS.

Any remaining unpaid balance of the Target Amount shall be paid by EPS on or before July 19, 2027, unless extended, at the option of EPS, for an additional three years. If EPS exercises its option to extend the payment deadline, the outstanding balance owing at the time the deadline is extended shall be increased by 10% and an additional 250,000 common shares of EPS shall be added to the original amount of the Target Shares. EPS may prepay the Target Amount at any time.

As at December 31, 2024, the Company recognized the royalty receivable at its estimated fair value of \$272,340 (Note 20) and reported a fair value loss adjustment of \$195,510. As at December 31, 2025, the Company recognized an additional fair value loss adjustment of \$272,340 and reduced the carrying amount to \$nil, given the significant credit risk associated with the royalty receivable and the low likelihood that a substantial amount of payments under the royalty receivable will be received.

In addition, the Company holds common shares in EPS. This investment is also currently valued at \$nil due to the significant uncertainty that any value will be realized from this investment in the future.

HERBAL DISPATCH INC.

Notes to the Consolidated Financial Statements

Years Ended December 31, 2025 and 2024

(Expressed in Canadian Dollars, unless otherwise noted)

Note 8 – Goodwill

In accordance with its accounting policies, the Company conducts a goodwill impairment test in the fourth quarter of each fiscal year, or more frequently if circumstances indicate that impairment may have occurred. The Company allocates goodwill to its CGU(s). The CGU(s) are defined as the smallest identifiable group of assets that generate cash inflows that are largely independent of the cash inflows from other assets or groups of assets. Other factors are also considered, including how management monitors the Company's operations. The Company has determined that it currently operates in one CGU.

At December 31, 2025 and 2024, the Company performed its annual impairment tests for goodwill and concluded that there was no impairment of goodwill as the recoverable amounts of its CGU(s) were higher than the carrying amounts. Herbal Dispatch determines the recoverable amount for its CGU(s) on the basis of fair value less costs to sell (FVLCS). The FVLCS was determined by discounting the expected future cash flows generated from the Company's continuing use of its CGU(s). The discounted cash flow model calculates the present value of the estimated future cash flows of the CGU(s).

Estimating future cash flows requires judgment, considering past and actual performance as well as expected developments in the Company's market and in the overall macro-economic environment. The calculation of FVLCS was based on the following key assumptions:

- Cash flows were projected based on experience, actual operating results and the business plan forecasts for the next three years;
- The terminal growth rate was estimated to be 2.0% and was based on management's best estimate of the long-term growth rate of its CGU after the forecast period, considering future economic forecasts;
- The discount rate of 23.2% reflects the size, risk profile and circumstances of the Company and is based on experience and the industry-weighted average cost of capital; and
- The tax rates used in determining the future cash flows are those substantively enacted at the valuation date.

Management believes that the methodology used to identify CGU(s) and test impairment of goodwill, which involves a significant number of judgments and estimates, provides a reasonable basis for determining whether an impairment loss has occurred. Many of the factors used in determining whether or not goodwill is impaired are outside of management's control and inherently uncertain. Therefore, actual results could differ from those estimated. As well, it is reasonably likely that assumptions and estimates will change in future periods that could have a significant impact on the recoverable amount of a CGU, which could result in an impairment loss.

HERBAL DISPATCH INC.**Notes to the Consolidated Financial Statements**

Years Ended December 31, 2025 and 2024

(Expressed in Canadian Dollars, unless otherwise noted)

Note 9 – Obligations under right-of-use lease

Effective February 1, 2023, the Company entered into a five-year lease agreement for a property, which resulted in a right of use asset and liability of \$631,193 being recognized. The Company recognizes its obligations under the right of use lease at the present value of future lease payments due. The obligations under the right of use lease at December 31, 2025 incur interest at a discount rate of 8.7% per annum and is repayable in current monthly blended principal and interest payments of \$12,091, and matures in January 2028. This lease liability corresponds with a right of use asset with a net book value of \$262,997 (December 31, 2024 – \$389,236).

Future minimum lease payments required over the five years for obligations under right of use lease were as follows:

	December 31 2025 \$	December 31 2024 \$
Within one year	162,717	156,400
Thereafter	183,499	346,216
Total minimum lease payments	346,216	502,616
Less: amount representing interest	(30,933)	(64,259)
Present value of minimum lease payments	315,283	438,357
Less: current portion	(140,792)	(123,073)
	174,491	315,284

During the year ended December 31, 2025, the Company recognized \$126,238 of depreciation related to right of use assets (year ended December 31, 2024 - \$126,238).

Note 10 – Loans payable

	December 31 2025 \$	December 31 2024 \$
Debenture A	436,562	420,872
Debenture C	498,358	480,447
Loans payable	392,409	-
Other loans	-	250,000
CEBA loan	60,000	60,000
	1,387,329	1,211,319
Less: current portion	(1,300,509)	(250,000)
	86,820	961,319

HERBAL DISPATCH INC.**Notes to the Consolidated Financial Statements**

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Note 10 – Loans payable, continued**Debenture A**

The Company has an outstanding unsecured convertible debenture in the principal amount of \$438,000 (the “Debenture A”) owing to a company controlled by a director and shareholder of the Company. The Debenture A has a coupon rate of 14% per annum, payable monthly, and a maturity date of January 31, 2026. The Debenture A is also convertible, at the holder’s option into common shares of the Company at \$0.06 per share, and at the Company’s election, during any period where the trading price of the Company’s common shares is \$0.12 or greater for a period of 20 consecutive trading days.

The amended Debenture A was discounted to its net present value using a yield rate of 18%. The debt discount balance of \$17,725 is being amortized over the term of the debenture using the effective interest rate.

Subsequent to December 31, 2025, the Company extended the maturity date for the Debenture A until January 31, 2028.

Debenture C

The company has an outstanding unsecured convertible debenture (the “Debenture C”) with a principal amount of \$500,000 owing to a director and shareholder of the Company. The Debenture C has a coupon rate of 14% per annum, payable monthly, and a maturity date of January 31, 2026. The Debenture C is also convertible, at the holder’s option into common shares of the Company at \$0.06 per share, and at the Company’s election, during any period where the trading price of the Company’s common shares is \$0.12 or greater for a period of 20 consecutive trading days.

The Debenture C was discounted to its net present value using a yield rate of 18%. The debt discount balance of \$20,234 is being amortized over the term of the debenture using the effective interest rate.

Subsequent to December 31, 2025, the Company extended the maturity date for the Debenture C until January 31, 2028.

Loans payable

In March 2025, the Company completed a debt financing for gross proceeds of \$600,000. The debt financing carries a two-year term, incurs interest at a rate of 18.0% per annum and is repayable in equal monthly instalments of \$29,955. The loans payable are secured by a general security agreement over all of the present and after-acquired property of the Company. A closing fee of \$12,000 and other financing costs of \$4,570 were also incurred in connection with the transaction and deducted against the gross proceeds received. Of the total debt financing, \$100,000 of the initial principal amount was owing to the President and Chief Executive Officer of the Company.

Other short-term loans

Other loans at December 31, 2024 consisted of short-term loans in the amount of \$250,000, which consisted of \$75,000 from an arm’s length party and \$175,000 from two separate directors of the Company. Each loan incurs interest at a rate of 0.075% per day plus an initial discount of 0.65% at the time of issuance. The short-term loans were repaid during the year ending December 31, 2025.

HERBAL DISPATCH INC.**Notes to the Consolidated Financial Statements**

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Note 10 – Loans payable, continued**CEBA loan**

In conjunction with a business acquisition, the Company assumed a loan of \$60,000 received from the Canada Emergency Business Account ("CEBA"). The CEBA loan bears interest at 5.0% per annum with a maturity date of December 31, 2026.

Note 11 – Share capital

<i>Authorized – Unlimited common shares with no par value</i>	Number of shares	Amount \$
Issued and outstanding at December 31, 2023	73,627,699	76,760,128
Activity during the year ended December 31, 2024:		
Shares issued – private placement	8,153,000	407,650
Issued and outstanding at December 31, 2024	81,780,699	77,167,778
Activity during the year ended December 31, 2025:		
Shares issued – private placement	41,564,220	2,005,640
Issued and outstanding at December 31, 2025	123,344,919	79,173,418

Equity private placement - 2025

Effective October 15, 2025, the Company closed a non-brokered equity private placement (the "2025 Private Placement"), with the sale of 41,564,220 units (each a "2025 Unit") at a price of \$0.05 per 2025 Unit, for aggregate proceeds of \$2,078,211.

Each 2025 Unit subscribed for under the 2025 Private Placement consisted of one common share, and one-half common share purchase warrant (each full common share purchase warrant, a "2025 Warrant"), with each 2025 Warrant transferable and exercisable for one common share at a price of \$0.08 per share for a period of 24 months from the date of issuance. Directors and officers of the Company subscribed for an aggregate of 6,814,420 2025 Units as part of the 2025 Private Placement.

In connection with the closing of the 2025 Private Placement, the Company incurred finder's fees to qualified arm's length finders, legal fees and other transaction costs of \$72,571 in cash and through the issuance of 599,900 2025 Warrants.

The gross proceeds were fully allocated to share capital based on the market value of the Company's common shares of \$0.09 at the closing of the 2025 Private Placement. As the residual method was applied, a value of \$nil was assigned to the 2025 Warrants. Proceeds from the 2025 Private Placement were used for working capital purposes.

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Note 11 – Share capital, continued**Equity private placement - 2024**

On May 8, 2024, the Company completed a non-brokered equity private placement (the "2024 Private Placement") of 8,153,000 units (each a "2024 Unit") for gross proceeds of \$407,650. Each 2024 Unit consisted of one common share and one common share warrant (a "2024 Warrant") with each 2024 Warrant entitling the holder thereof to acquire one common share for a period of two years at an exercise price of \$0.06 per common share. Directors and officers of the Company subscribed for an aggregate of 4,453,000 2024 Units as part of the 2024 Private Placement.

The gross proceeds were fully allocated to share capital based on the market value of the Company's common shares of \$0.05 at the closing of the 2024 Private Placement. As the residual method was applied, a value of \$nil was assigned to the 2024 warrants. Proceeds from the Private Placement were used for working capital purposes.

Note 12 – Share purchase warrants

	Amount	Weighted Average Exercise Price per Share \$
Balance as at December 31, 2023	2,765,600	0.50
Issued: equity private placement	8,153,000	0.06
Warrants expired	(2,765,600)	0.50
Balance as at December 31, 2024	8,153,000	0.06
<i>Issued:</i>		
Debt financing (<i>Note 10</i>)	3,000,000	0.065
Equity private placement (<i>Note 11</i>)	20,782,110	0.080
Finder fee warrants (<i>Note 11</i>)	599,900	0.080
Balance as at December 31, 2025	32,535,010	0.074

In conjunction with the debt financing completed in March 2025, the lenders were issued 3,000,000 warrants, each entitling the holder to acquire one common share of the Company at an exercise price of \$0.0650 per share. The warrants will expire on March 19, 2029. The gross proceeds were fully allocated to the loans payable as the Company assessed that the interest rate of 18.0% approximated current market rates for such debt instruments without the warrant feature. As the residual method was applied, a value of \$nil was assigned to the warrants.

The following table summarizes the warrants that were outstanding as at December 31, 2025:

Exercise Price	Number of Warrants	Expiry Date
\$0.06	8,153,000	May 8, 2026
\$0.08	21,382,010	October 15, 2027
\$0.065	3,000,000	March 19, 2029

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(Expressed in Canadian Dollars, unless otherwise noted)

Note 13 – Share-based compensation

The Company has adopted a stock option plan and a restricted share unit (“RSU”) plan for the benefit of its directors, officers, employees and other key personnel. The stock option plan provides that the option terms and price shall be fixed by the directors subject to the price restrictions and other requirements of the Exchange. Common shares reserved for issuance pursuant to the RSU plan and the stock option plan, on a combined basis, shall not exceed 10% of the Company’s issued and outstanding common shares, from time to time.

Stock options

The Company recorded the following activity related to stock options during the years ended December 31, 2025 and 2024:

	Amount	Weighted Average Exercise Price per Share \$
Balance, December 31, 2023	40,000	0.20
Stock options issued	6,100,000	0.05
Stock options forfeited	(100,000)	0.05
Balance, December 31, 2024	6,040,000	0.05
Stock options forfeited	(300,000)	0.05
Stock options expired	(40,000)	0.05
Balance, December 31, 2025	5,700,000	0.05

The following table summarizes the options that were outstanding as at December 31, 2025:

Exercise Price	Number of Options	Expiry Date
\$0.05	5,700,000	August 21, 2029

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Note 13 – Share-based compensation, continued**Stock Option Grant**

On August 21, 2024, the Company granted a total of 6,100,000 stock options of the Company to certain directors, officers, employees and consultants of the Company in accordance with the Company's stock option plan. Each option is exercisable to acquire one common share of the Company at an exercise price of \$0.05 per share. The options shall vest in equal annual tranches over a period of 3 years from the date of grant and will expire on August 21, 2029. Of the stock options granted, 1,200,000 options were granted to independent directors and 1,300,000 options were granted to executive officers of the Company.

During the year ended December 31, 2025, the Company recorded share based compensation expense of \$94,646 (2024 - \$42,591). The compensation expense was calculated based on the fair value of each stock option on the date of the grant using the Black-Scholes option pricing model. The valuation assumptions used in valuing the stock options granted were as follows:

Stock options granted August 21, 2024	
Expected life (years)	5.0
Expected volatility	77%
Dividend rate	-
Risk-free interest rate	2.92%
Fair value per option granted (\$)	0.03

Note 14 – Supplemental cash flow information

Year ended December 31,	2025	2024
	\$	\$
Interest paid	243,589	174,623

Note 15 – Segmented information

The Company generates revenue in one reportable segment: cannabis and cannabis related products. All of the Company's business activities, property and equipment, intangible assets and goodwill are located in Canada. Disaggregated revenue information by sales channel is disclosed as follows:

Year ended December 31,	2025	2024
	\$	\$
Net revenue		
Direct to consumer medical sales	1,554,188	1,490,887
Recreational cannabis sales	7,156,372	4,694,547
Export sales	1,748,174	2,903,968
Packaging and processing services	1,665,293	834,072
Total net revenue	12,124,027	9,923,474

HERBAL DISPATCH INC.**Notes to the Consolidated Financial Statements**

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Note 16 – Related party transactions

Balances and transactions between the Company and its wholly owned and controlled subsidiaries have been eliminated on consolidation and are not disclosed in this note. Details of the transactions between the Company and other related parties are disclosed below:

	December 31 2025 \$	December 31 2024 \$
Salaries, benefits and management fees	199,123	225,314
Directors' fees	81,000	111,258
Share based compensation	59,154	17,746
Total compensation to key management	339,277	354,318

The amounts disclosed in the table are the amounts recognized as an expense related to key management personnel and directors during the respective reporting periods. During the year ended December 31, 2025, the Company also incurred interest expense of \$141,272 (year ended December 31, 2024 - \$142,447) related to convertible debentures and other loans from directors of the Company.

During the year ended December 31, 2025, the Company purchased \$570,435 of inventory processing services (year ended December 31, 2024 - \$18,246), respectively, from a supplier of which a director and shareholder of the Company owns 15% of the common shares.

As at December 31, 2025, amounts owing to key management personnel and directors included in trade and other payables was \$14,000 (2024 - \$334,502).

Note 17 – Income taxes

Deferred income taxes reflect the tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax values. The unrecognized deductible temporary differences were as follows:

	December 31 2025 \$	December 31 2024 \$
Property and equipment and intangible assets	(520,513)	(517,793)
Right of use asset and other	13,286	5,121
Losses and other tax credits carried forward	19,621,124	20,064,336
	19,113,897	19,551,664
Unrecognized deferred tax asset	(19,113,897)	(19,551,664)
Deferred tax asset	-	-

HERBAL DISPATCH INC.**Notes to the Consolidated Financial Statements**

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Note 17 – Income taxes, continued

The Company had non-capital loss carry-forwards of approximately \$72.0 million at December 31, 2025, which may be carried forward to apply against future year income tax for Canadian income tax purposes, subject to final determination by taxation authorities, expiring between 2036 and 2045. The Company did not recognize any net deferred tax assets related to its non-capital losses due to the uncertainty that sufficient taxable income will be generated in the future to utilize these losses.

The following table reconciles the expected income tax expense (recovery) at the estimated effective tax rate to the amounts recognized in the consolidated statements of operations for the years ended December 31, 2025 and 2024.

	December 31 2025 \$	December 31 2024 \$
Loss before income taxes	(1,841,467)	(2,773,049)
Statutory tax rate	27.00%	27.00%
Expected income tax expense (recovery)	(497,196)	(748,723)
Increase (decrease) related to:		
Non-deductible items	25,569	12,012
Deferred income tax assets not recognized	471,627	736,711
Total income tax expense	-	-

Note 18 – Operating Expenses

	December 31 2025 \$	December 31 2024 \$
General and Administrative		
Personnel	1,464,556	1,420,177
Professional service fees	719,370	463,836
Other operating expenses	563,666	360,399
	2,747,592	2,244,412
Sales and Marketing		
Personnel	153,980	213,231
Advertising, promotions and selling costs	581,276	583,896
	735,256	797,127

HERBAL DISPATCH INC.**Notes to the Consolidated Financial Statements**

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Note 19 – Capital Management

The Company's objectives when managing capital are to ensure that there are adequate capital resources to safeguard the Company's ability to continue as a going concern and to maintain adequate levels of funding to support its ongoing operations and development. The Company's capital consists of items included in shareholders' equity and debt, which was as follows:

	December 31 2025 \$	December 31 2024 \$
Current portion of loans payable	1,300,509	250,000
Loans payable	86,820	961,319
Funded debt	1,387,329	1,211,319
Shareholders' equity	3,035,521	2,776,702
Total capital	4,422,850	3,988,021

The Company manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the Company's underlying assets. In order to maintain or adjust its capital structure, the Company may issue new shares or seek additional debt financing to ensure that it has sufficient working capital to meet its short-term business requirements.

HERBAL DISPATCH INC.**Notes to the Consolidated Financial Statements**

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Note 20 – Financial Instruments

The financial instruments recognized on the consolidated statement of financial position are comprised of cash, trade and other receivables, royalty receivable, accounts payable and accrued liabilities and loans payable.

Fair value

The carrying values of cash, trade and other receivables, accounts payable and accrued liabilities, approximate their fair values due to the short-term nature of these instruments.

In evaluating fair value information, considerable judgment is required to interpret the market data used to develop the estimates. The use of different market assumptions and different valuation techniques may have a material effect on the estimated fair value amounts. Accordingly, the estimates of fair value presented herein may not be indicative of the amounts that could be realized in a current market exchange.

Fair value measurements of the royalty receivable, and loans payable are as follows:

	Carrying Amount	Fair Value Measurements		
		Level 1	Level 2	Level 3
		\$	\$	\$
December 31, 2025				
Royalty receivable	-	-	-	-
Loans payable	1,387,329	-	1,387,329	-
December 31, 2024				
Royalty receivable	272,340	-	-	272,340
Loans payable	1,211,319	-	1,211,319	-

Level 1 – unadjusted quoted prices in active markets for identical assets or liabilities. An active market for an asset or liability is a market in which transactions for the asset or liability occur with sufficient frequency and volume to provide pricing information on an ongoing basis.

Level 2 – quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

As at December 31, 2025 and December 31, 2024, the Company measured its loans payable at Level 2 fair value as there is no active market for these items.

Level 3 – unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

The fair value of the royalty receivable and equity investment in EPS and was measured utilizing Level 3 inputs, which included several assumptions related to the uncertainty of collection and the time it will take to eventually collect the royalty receivable from EPS. The estimated recoverable amount of the royalty receivable was reduced to \$nil at December 31, 2025 due to the significant uncertainty that any value will be realized from this investment in the future.

HERBAL DISPATCH INC.**Notes to the Consolidated Financial Statements**

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Note 20 – Financial Instruments, continued***Risk Management***

The Company is exposed to risks of varying degrees of significance from its use of financial instruments which could affect its ability to achieve its strategic objectives for growth and stakeholder returns. The principal risks to which the Company is exposed, and the actions taken to manage them, are described below.

Credit Risk

Credit risk is the risk of a potential loss to the Company if a customer or third party to a financial instrument fails to meet its contractual obligations. The Company's exposure to credit risk from its cash is very limited as it holds its cash with highly rated financial institutions.

The Company has moderate exposure to credit risk related to its trade and other receivables. The risk exposure is limited to its carrying amount at the balance sheet date. The Company provides credit to its business customers in the normal course and has established credit evaluation and monitoring processes to mitigate this credit risk. Credit risk is assessed on a case-by-case basis and a provision is recorded where required.

At December 31, 2025, one customer balance made up 37% of total trade receivables (2024 – 51%)

Interest Rate Risk

Interest rate risk is the risk that the value of a financial instrument and associated cash flows might be adversely affected by a change in interest rates. In seeking to minimize the risks from interest rate fluctuations, the Company manages exposure through its normal operating and financing activities. The Company has obtained primarily fixed rate debt which limits its exposure to interest rate fluctuations.

Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations associated with financial liabilities. The Company manages liquidity risk through the management of its capital structure. The Company's approach to managing liquidity is to ensure that it will have sufficient liquidity to settle obligations and liabilities when due.

At December 31, 2025 the undiscounted contractual obligations related to financial liabilities were as follows:

	Less than 1 year \$	1-5 Years \$	Total \$
Accounts payable and accrued liabilities	3,327,713	-	3,327,713
Loans payable	1,300,509	86,820	1,387,329

HERBAL DISPATCH INC.**Notes to the Consolidated Financial Statements**

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Note 20 – Financial Instruments, continued***Foreign Currency Risk***

The Company currently holds only minimal amounts of cash denominated in USD. As a result, the Company is currently not subject to significant foreign currency risks associated with its financial instruments.

Note 21 – Subsequent events**Grant of Restricted Share Units**

On January 1, 2026, the Company granted an aggregate of 2,760,000 restricted share units ("RSUs") to certain officers, directors, employees, and consultants of the Company. The RSUs vest in three equal installments on July 1, 2026, January 1, 2027, and July 1, 2027, respectively. Each RSU represents the right to receive, upon vesting and subject to the terms of the Company's stock option plan and restricted share unit plan, one common share in the capital of the Company.

Extension of Convertible Debentures

In January 2026, the Company amended the terms of the Debenture A and Debenture C to extend the maturity date from January 31, 2026, to January 31, 2028. All other terms of the debentures remain the same with the interest rate being 14% per annum, the conversion price being \$0.06 per share, and the threshold price being CAD\$0.12 per share.