AVICANNA

RHO PHYTO

MyMedi.ca
MEDICAL CANNABIS CARE

AUREUS
SANTA MARTA

AVICANNA INC.

MANAGEMENT'S DISCUSSION AND ANALYSIS

YEARS ENDED DECEMBER 31st, 2024 AND 2023

March 31st, 2025

Special Note Regarding Forward-Looking Statements

This management's discussion and analysis ("MD&A") of Avicanna Inc. ("Avicanna" or the "Company") contains "forward-looking information" within the meaning of Canadian securities legislation ("forward-looking statements"). These forward-looking statements are made as of the date of this MD&A and the Company does not intend, and does not assume any obligation, to update these forward-looking statements, except as required under applicable securities legislation. Forward-looking statements relate to future events or future performance and reflect management's expectations or beliefs regarding future events. In certain cases, forward-looking statements can be identified by the use of words such as "plans", "expects" or "does not expect", "is expected", "budget", "scheduled", "estimates", "forecasts", "intends", "objective", "predict", "anticipates" or "does not anticipate", or "believes", or variations of such words and phrases or statements that certain actions, events or results "may", "will", "could", "would", "should", "might" or "will be taken", "occur" or "be achieved" or the negative of these terms or comparable terminology. In this document, certain forward-looking statements are identified by words including "may", "future", "expected", "intends" and "estimates". By their very nature forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance, or achievements of the Company to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements. The Company provides no assurance that forward-looking statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. Accordingly, readers should not place undue reliance on forward-looking statements.

The Company's anticipated future operations are forward-looking and are subject to certain risks and uncertainties. Although the Company believes that the expectations reflected in these forward-looking statements are reasonable, undue reliance should not be placed on them as actual results may differ materially from the forward-looking statements. Such forward-looking statements are estimates reflecting the Company's best judgment based upon current information and involve several risks and uncertainties, and there can be no assurance that other factors will not affect the accuracy of such forward-looking statements. See "Risk Factors" below.

This MD&A was prepared by management as of April 14, 2025, and is supplemental to and should be read in conjunction with the Company's consolidated financial statements (the "Financial Statements") for the year ended December 31, 2024, and the accompanying notes thereto. The information contained in this MD&A is presented as of the date of the MD&A and is current to that date unless otherwise stated. The results reported herein have been derived from consolidated financial statements prepared in accordance with the International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board.

All amounts are expressed in Canadian dollars unless otherwise noted.

This MD&A is intended to assist the reader in better understanding operations and key financial results as of the date of this report. The Financial Statements and this MD&A have been reviewed and approved by the Company's Board of Directors as of April 14, 2025.

INTRODUCTION

This MD&A, which should be read in conjunction with our Financial Statements and the notes thereto, provides additional information on our business, current developments, financial condition, cash flow and results of operations. It is organized as follows:

Part I – Business Overview. This section provides a general description of our business, which we believe is important in understanding the results of our operations, financial condition, and future trends.

Part II – Results of Operations. This section provides an analysis of operations for the year ended December 31, 2024.

Part III – Financial Liquidity and Capital Resources. This section provides an analysis of our cash flow and outstanding debt and commitments, inclusive of the amount of financial capacity available to fund our ongoing operations and future commitments.

Part IV – Critical Accounting Policies and Estimates. This section identifies those accounting policies that are considered important to our results of operations and financial condition and require significant management estimates.

PART I – BUSINESS OVERVIEW

The Business Overview is presented, and current, as at the date of this MD&A.

Avicanna is a commercial-stage international biopharmaceutical company focused on the advancement and commercialization of cannabinoid-based products and formulations for the global medical and pharmaceutical market segments. Avicanna has an established scientific platform including R&D and clinical development leading to the commercialization of more than thirty proprietary, evidence-based finished products and supporting four commercial stage business pillars.

Medical Cannabis formulary (RHO Phyto™): The formulary offers a diverse range of proprietary products including oral, sublingual, topical, and transdermal deliveries with varying ratios of cannabinoids, supported by ongoing patient and medical community education. RHO Phyto is an established brand in Canada currently available nationwide across several channels and expanding into new international markets.

Medical cannabis care platform (MyMedi.ca): MyMedi.ca is a medical cannabis care platform formed with the aim to better serve medical cannabis patients' needs and enhance the medical cannabis patients' journey. MyMedi.ca is operated by Northern Green Canada Inc. and features a diverse portfolio of products and bilingual pharmacist-led patient support programs. MyMedi.ca also provides specialty services to distinct patient groups such as veterans and collaborates with public and private payers for adjudication and reimbursement. MyMedi.ca provides educational resources to the medical community to facilitate the incorporation of medical cannabis into health care regimens.

Pharmaceutical pipeline: Leveraging Avicanna's scientific platform, vertical integration, and real-world evidence, Avicanna has developed a pipeline of proprietary, indication-specific candidates that are in various stages of clinical development. These cannabinoid-based drug candidates aim to address unmet medical needs in the areas of dermatology, chronic pain, and various neurological disorders.

Active pharmaceutical ingredients (Aureus Santa Marta™): Active pharmaceutical ingredients ("API") supplied by the Company's majority owned subsidiary Santa Marta Golden Hemp SAS ("SMGH") is a commercial-stage business dedicated to providing various forms high-quality CBD, THC and CBG flower and API to the Company's international partners for use in the development and production of food, cosmetics, medical, and pharmaceutical products. The business unit also forms part of the Company's supply chain and is a source of reliable input products for its consumer retail, medical cannabis, and pharmaceutical products globally.

Q4 AND SELECT FULL YEAR 2024 HIGHLIGHTS

- **Financial Highlights:**
  - **Annual Revenue:** Achieved record revenue of $25.5 million for the year ended December 31, 2024, supported by $6.6 million in revenue for the fourth quarter. This reflects a robust 52% year-over-year growth from 2023, driven by both Canadian and international business segments.
  - **Gross Profit Growth:** Reported a year-over-year gross profit of $12.9 million, representing a significant increase of 94% compared to 2023.
  - **Gross Margin Improvement:** Enhanced gross margin to 51% in 2024, up from 40% in 2023. This improvement is attributed to comprehensive optimization efforts and a notable increase in licensing and service revenue.
  - **Adjusted EBITDA:** Annual adjusted EBITDA improved by 68% year-over-year, narrowing the loss to $1.4 million for the twelve-month period ended December 31, 2024, compared to a loss of $4.3 million in 2023.
  - **Debt Repayment:** The Company has fully repaid the outstanding principal balance of $1.3 million on its Non-Convertible Debentures issued in August 2023.

- **Canadian Commercial Advancements:** The Company completed the year with 42 commercial SKUs and 136 commercial listings. The Company sold approximately 200,685 wholesale units for the twelve-month period ended December 31, 2024, compared to 186,172 wholesale units in the same period in 2023. This represents an increase of 8% in total wholesale finished goods sold.

- **Avicanna Completes First Delivery of Proprietary Topical Products to Multinational Pharmaceutical Company:** The products include 3% CBD localized cream and the 2% CBD and 0.5% CBG transdermal gel utilizing the Company's patented deep tissue technology. The 3% CBD localized cream, as well as the 2% CBD and 0.5% CBG transdermal gel products completed human irritation and real-world evidence studies. Avicanna previously disclosed the exclusive supply agreement for the products to a multinational pharmaceutical company, which required pre-requisite testing and analysis for registration under cosmetics regulations prior to importation into the German market for their initial launch.

- **Initiation of Medical Cannabis Real World Evidence Study by MyMedi.ca:** The prospective, non-interventional, observational study aims to enroll 1,000 patients across the country to understand the potential therapeutic use of medical cannabis and potential impact of medical cannabis on pain, sleep, anxiety, depression, and epilepsy. The study is led by Dr. Hance Clarke, President of The Canadian Pain Society and the CCIC.

- **Completion of Study in Patients with Epidermolysis Bullosa at The Hospital for Sick Children Evaluating Wound Healing, Pain, and Itch ("Study"):** The Study led by Elena Pope, MD, M.Sc., FRCPC, Head of Dermatology at The Hospital for Sick Children in Toronto, evaluated the tolerability and efficacy of RHO Phyto™ branded Ultra CBD Topical Cream in patients with epidermolysis bullosa. 55% of patients enrolled in the Study reported improvements in wound healing, 45% displayed wound stability. The RHO Phyto™ branded Ultra CBD Topical Cream is an oil based 3% CBD localized cream developed with the goal to target such dermatological conditions.

- **Completion of Topical Gel Observational Real-World Evidence Study in Patients with Musculoskeletal Pain and Inflammation ("RWE Study"):** The RWE Study evaluated patient-reported efficacy of the RHO Phyto CBG Transdermal Gel containing 2% CBD and 1% CBG on a range of clinical conditions including arthritis, osteoarthritis, rheumatoid arthritis, fibromyalgia, muscle and joint pain, localized pain, and post-surgical pain. The RWE Study reported a meaningful improvement in overall Musculoskeletal Health Questionnaire scores ($p<0.001$) as compared from baseline to one month, specifically, there was a 35.4% improvement reported in health-related domains including symptoms, physical functioning, daily activities and work.

- **Avicanna Obtained its First Indication-specific Drug Registration with Trunerox™ in Colombia:** Trunerox™ was approved in Colombia by the Colombian National Institute of Drug and Food Surveillance (El Instituto Nacional de Vigilancia de Medicamentos y Alimentos – "INVIMA") as a drug for the treatment of severe seizures related to Lennox-Gastaut Syndrome and Dravet Syndrome. The approval allows Avicanna to manufacture and commercialize Trunerox™ in Colombia for the approved indications which are two rare epileptic disorders classified as epileptic encephalopathies. Trunerox™ is Avicanna's proprietary oral formulation with 10% cannabidiol (CBD) and is manufactured under Good Manufacturing Practices utilizing CBD manufactured at Avicanna's majority owned subsidiary Santa Marta Golden Hemp SAS. Trunerox™ has not been approved as a drug in Canada by Health Canada.

- **USPTO Issued Patents including No. US 12,064,461 B2 and No. US 11,998,632 B2:** This covers Avicanna's deep penetrating topical cannabinoid composition and methods for treating musculoskeletal inflammation and pain and the Company's **"**SEDDS" or the self-emulsifying drug delivery system technology for oral cannabinoid composition and methods of treating neuropathic pain.

2025 HIGHLIGHTS

- **Avicanna Announces Scientific and Medical Affairs Collaboration with Vectura Fertin Pharma:** The collaboration with Vectura Fertin Pharma, a subsidiary of Phillip Morris International aims to facilitate research and medical affairs initiatives related to medical cannabis in Canada. The collaboration will prioritize engagement with the Canadian medical community, patients, patient advocacy groups, and insurers to gain insights into the challenges associated with accessing medical cannabis. Additionally, the collaboration will leverage Avicanna's medical cannabis platform, including MyMedi.ca with the aim of improving access and patient support.

STRATEGY AND OUTLOOK

Summary of Commercial Activities by Geography

Canada

The Canadian market continues to be the focus of operations and the most significant revenue driver where the Company has established the infrastructure and proof of concept for its intellectual property and business units which the Company believes can be scaled and expanded internationally. The Company's commercial platform operates as an asset light model leveraging seven strategic manufacturing relationships with Canadian licensed producers to manufacture 42 proprietary products. The Company continues to demonstrate growth in products sales, active SKUs, and commercial listings. Total commercial listings increased to 136, with 96 medical cannabis listings and 40 adult-use listings.

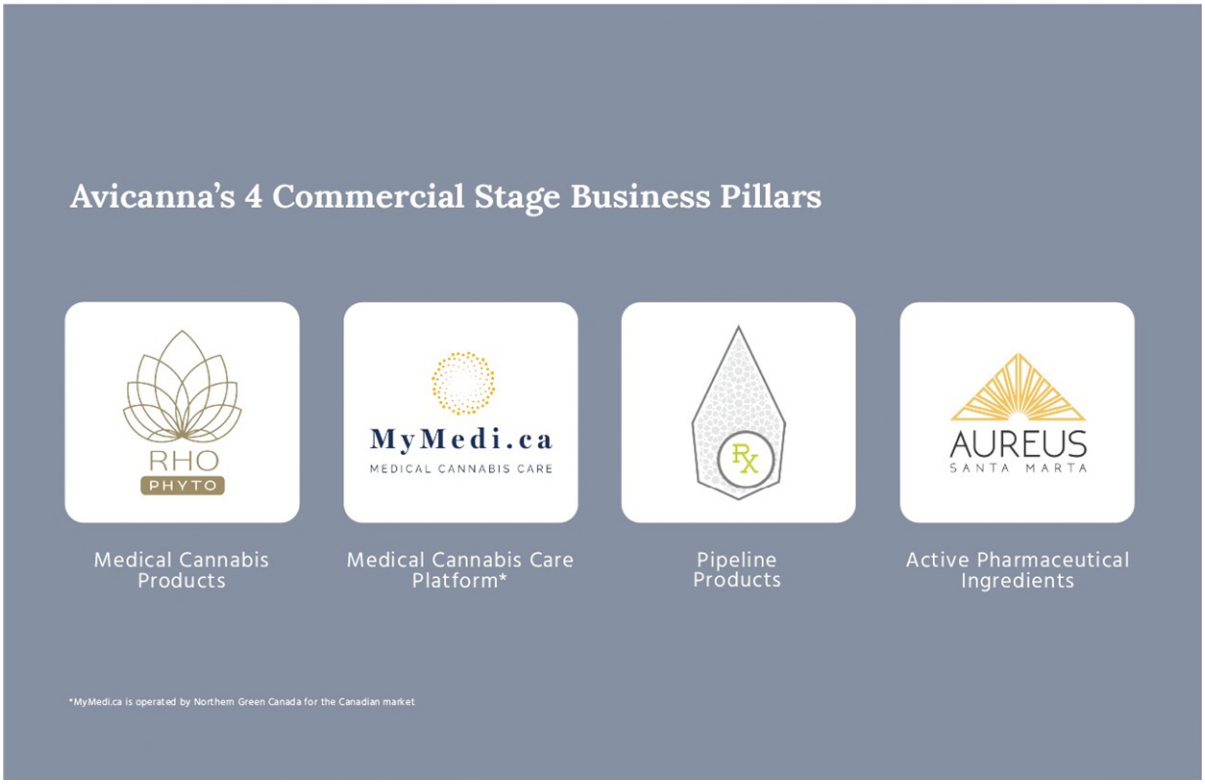
In late 2023 the Company launched and integrated MyMedi.ca, operated by Northen Green Canada Inc. MyMedi.ca has taken a leadership position in the medical cannabis space in Canada, with an objective to offer patients and the medical community a comprehensive platform including proprietary products and patient support programs. The Company generated over $21.7 million in gross revenue from MyMedi.ca during the twelve months ending December 31, 2024. In addition, the Company had product sales of 85,680 units of Avicanna products on MyMedi.ca during 2024. MyMedi.ca also provided a platform for education and collaboration with the medical community including hospitals such as Sunnybrook's Odette Cancer Centre which dispenses the Company's RHO Phyto products on-site, as well as various private and public insurance providers. MyMedi.ca also worked with eight worker safety boards including the Workplace Safety and Insurance Board.

International

Internationally, the Company continues to prioritize its operations to focus on developing and advancing various candidates that may become part of the Company's pipeline and to be positioned to respond to the evolving medical cannabis space. The Company's expertise in navigating complex regulatory processes for its commercialization efforts internationally has resulted in commercial exports to 22 countries. The Company's international operations are preparing for the manufacturing of its proprietary cosmetic and pharmaceutical finished products including Trunerox™ which obtained marketing authorization in Colombia earlier this year. Trunerox™ is expected to be commercialized in Colombia and into other Central American, Caribbean, and South American markets in 2025. Trunerox™ is not approved by Health Canada as a drug in Canada. Trunerox™ is not promoted or offered for sale in Canada.

Additionally, the Company's international efforts centered around cultivating and manufacturing its active pharmaceutical ingredients business through growth of the Aureus™ brand, which now has been exported to 19 international markets and has been the API of record for three pharmaceutical marketing authorizations including Trunerox™. During 2024 the Company substantially improved its agronomy and post-harvest capabilities in Colombia resulting in the expansion of the Aureus™ products to include premium organic flower for potential exports to developed medical markets in Europe and Australia.

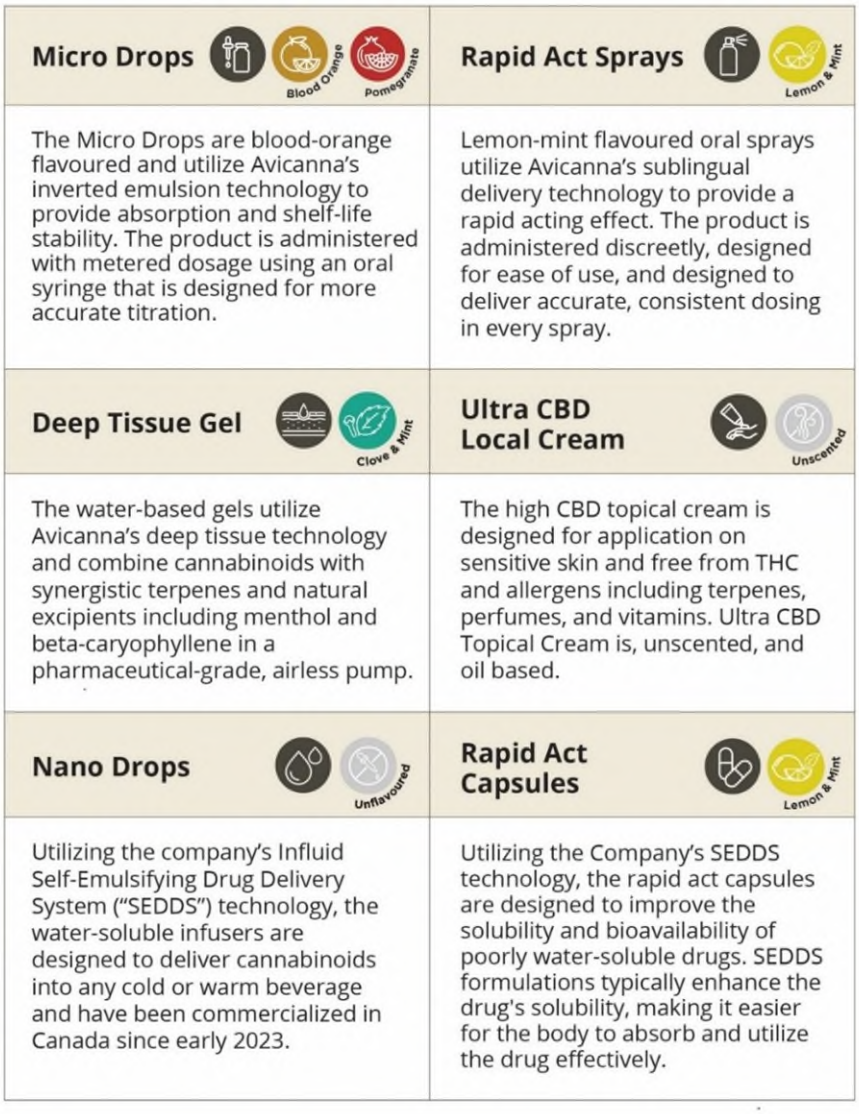
Overview of the Four Commercial Business Pillars



Medical Cannabis products and RHO Phyto™:

The formulary of proprietary medical cannabis products marketed are under the RHO Phyto™ brand, and offer a range of scientifically driven formulations in a variety of formats including oral, sublingual, topical, and transdermal with varying ratios of cannabinoids including CBD, THC and CBG.

Proprietary formulations and products:



MyMedi.ca medical cannabis care platform:

MyMedi.ca is Avicanna's online medical cannabis care platform that is operated by NGC in Canada and features a diverse portfolio of products from select Canadian licensed producers. The platform's offerings include bilingual, pharmacist-led patient support programs and educational resources. MyMedi.ca also provides specialty services to distinct patient groups such as veterans and collaborates with public and private payers for adjudication and reimbursement. MyMedi.ca launched August 1, 2023, on closing of the Company's successful acquisition of the Medical Cannabis by Shoppers business, a subsidiary of Shoppers Drug Mart. MyMedi.ca provides medical cannabis access and support nationwide across Canada to tens of thousands with medical cannabis authorization from a healthcare provider. MyMedi.ca is operated by Northern Green Canada Inc.

MyMedi.ca's unique features:

- Offers a multi-brand assortment of 200+ SKUs from over 50 leading medical cannabis brands – in contrast to most other medical cannabis companies that predominantly limit offerings to their own brands.

- Training, medical education and resources including the Company's own Avicenna Academy and the Canadian Consortium for the Investigation of Cannabinoid ("CCIC") Syllabus' accredited programs.

- Established infrastructure for insurance reimbursement services through 17 private insurance providers and public institutions including eight provincial worker safety boards and dedicated formularies with preferred vendors.

Medical affairs and patient support programs:

The Company's established Medical Affairs personnel and platform offers education, training, and patient support. Medical Affairs collaborates with Canadian and international medical and scientific communities. Medical Affairs also encompasses research initiatives with the various academic and industry persons and institutions in research aimed at generating data and increasing scientific and medical knowledge in the evolving field of medical cannabis and cannabinoid-based medicine. Medical Affairs efforts also include:

- Healthcare provider, clinic and hospital outreach, education and training programs.
- Development and delivery of harm reduction strategies for HCP's and patients.
- Pharmacist led consultations.
- Observational real-world evidence studies and clinical development support.
- Collaborations with Patient Advocacy Groups.

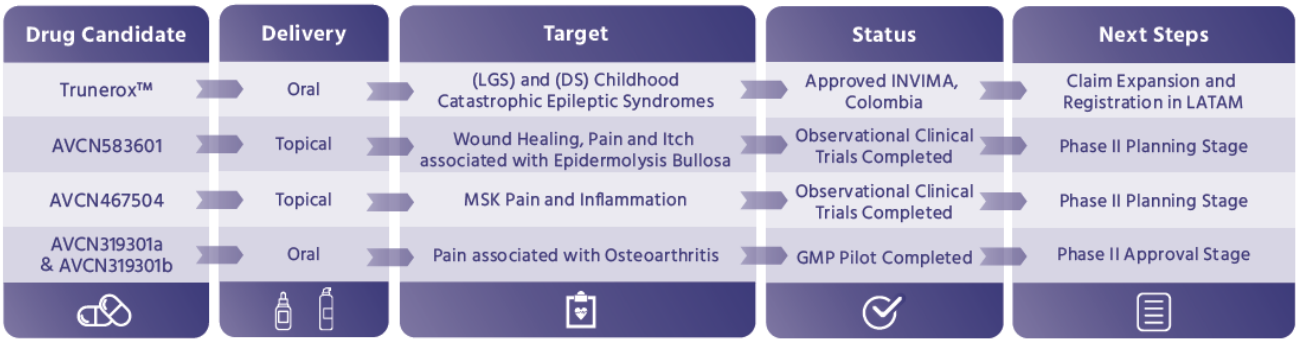
Pharmaceutical pipeline:

The Company's pharmaceutical preparations and indication-specific drug candidates are in various stages of clinical development and registration around the world. The pipeline of indication-specific drug candidates are designed to address unmet needs in various areas, including neurology, depression, sleep, and dermatology. The drug candidates are supported by the Company's scientific research & development and ongoing observational real world evidence studies. Certain pharmaceutical preparations and drug candidates are in various stages of submission-application-registration across several Latin American countries.

Potential marketing authorization and commercial pathways:

- **Near term:** Regulatory approvals, in South and Central America, including RDC 327 in Brazil and INVIMA in Colombia.
- **Long term:** Regulatory applications and approvals to be initiated in North America and Europe with various health regulatory agencies including FDA, EMA and Health Canada.

Selected candidates and programs:



***Lennox Gastaut Syndrome (LGS), Dravet Syndrome (DS), Musculoskeletal pain (MSK)**

Trunerox™

Trunerox™ is the Company's proprietary 10% CBD (THC-free) formulation. Trunerox™ received regulatory approval in Colombia, in February 2024, from the Colombian National Institute of Drug and Food Surveillance (El Instituto Nacional de Vigilancia de Medicamentos y Alimentos – INVIMA) allowing Avicanna to manufacture and commercialize Trunerox® for the treatment of severe seizures related to Lennox-Gastaut Syndrome ("LGS") and Dravet Syndrome ("DS") in Colombia. Trunerox™ has not been approved as a drug in Canada by Health Canada.

LGS and DS are two rare epileptic disorders classified as epileptic encephalopathies. Trunerox™ is manufactured under good manufacturing practices ("GMP") utilizing CBD manufactured at SMGH. According to the World Health Organization, approximately 50 million people worldwide have epilepsy, a common neurological condition globally with nearly 139 per 100,000 people impacted[1].

The Company anticipates Trunerox™ to be commercialized in Colombia in 2025 where the product is expected to be covered by insurance. The Company is also submitting applications for Trunerox™ to receive regulatory approval which will then pave the way to commercialization in various other Central American, South American, and Caribbean countries.

Summary of scientific platforms

With more than nine years of R&D, preclinical and clinical development with cannabinoids, Avicanna established a scientific platform to develop its intellectual property portfolio. Avicanna's dedication to product development and scientific research and evaluating the potential role of cannabinoids for therapeutic benefit has been at the core of the Company's vision since its inception. The Company has successfully developed and delivered more than thirty commercial products in a variety of industries and markets. Avicanna owns all related intellectual property, formulations, trademarks, and all associated methodologies to its products.

Pre-clinical and clinical development

Avicanna continues to collaborate with leading universities and hospitals on various preclinical and clinical projects. With researchers, we successfully obtained eight peer-reviewed government grants supporting our research projects over the past few years. All formulations developed, and the data generated in these collaborations with researchers are owned by Avicanna.

[1] World Health Organization. (2024, February 7). Epilepsy Fact Sheet. https://www.who.int/news-room/factsheets/detail/epilepsy.

Real-world evidence studies

The commercial availability of RHO Phyto products in Canada led to the inclusion of these medical cannabis products in several real-world evidence ("RWE") studies on specific therapeutic indications and patient populations. Data derived from RWE studies in Canada was a component of an overarching imperative to minimize risk and maximize efficacy from research and development, optimization of formulations, enhancement of clinical protocols, prioritization of trials and scientific and data-backed educational materials.

- **University Health Network's Medical (UHN) Medical Cannabis Real World Evidence Study through MyMedi.ca**: The prospective, non-interventional, observational study is aimed to enroll 1,000 patients across the country to understand the potential therapeutic use of medical cannabis and potential impact of medical cannabis on pain, sleep, anxiety, depression, and epilepsy. The study is led by Dr. Hance Clarke President of The Canadian Pain Society and the Canadian Consortium of the Investigation of Cannabinoids and being conducted with the support of the MyMedi.ca Patient Support Team. The study was originally initiated by Medical Cannabis by Shoppers and was part of Avicanna's commitment to provide continuation of care to the platforms' patients but also the advancement of medical research. Avicanna's medical cannabis care platform MyMedi.ca will be providing the necessary infrastructure, patient support, and education for all participating HCPs nationwide. Utilizing validated questionnaires, the study seeks to understand the potential impact of various medical cannabis products and evaluate the change in use of concomitant medication over a 24-week duration. Participating patients will have access to the platform's products including Avicanna's own RHO Phyto formulary in addition to products from select licensed producers that are supporting the study.

- **Hospital for Sick Children - epidermolysis bullosa:** Avicanna's dermatology drug candidate was included in real world evidence study measuring pain, itch and wound healing related to dermatological condition. The study was conducted by Dr. Elena Pope. As a part of a long-term collaboration with the Hospital for Sick Children, the study explored tolerability and efficacy of the cream in patients with epidermolysis bullosa, including 20 patients (14 male and 6 female) with various subtypes of epidermolysis bullosa. Early results from the study found that after one month of daily application, 55% of the patients reported improvements in wound healing, while 65% and 50% of the patients self-reported improvement in itch and pain scores. Avicanna will continue to evaluate the possibility of pharmaceutical development with the EB cream after completion of the study.

- **Santé Cannabis - musculoskeletal pain and inflammation:** The real-world evidence study focused on the CBG Transdermal Gel in study participants with arthritis including osteoarthritis, rheumatoid arthritis, fibromyalgia, muscle and/or joint pain, localized pain, post-surgical pain, muscular and/or structural injuries. The first arm of the study evaluated CBG Transdermal Gel as an adjuvant treatment with oral cannabinoids. The study found that 35% of patients demonstrated a meaningful improvement in overall Musculoskeletal Health Questionnaire Scores including such health-related domains as physical functioning, physical well-being, symptoms and confidence to manage symptoms. An additional arm of the study was added to compare the use of CBG transdermal gel alone versus oral methods.

Active Pharmaceutical Ingredients (Aureus Santa Marta™):

The Aureus™ brand is the Company's line of active pharmaceutical ingredient (API), including CBD, CBG and THC manufactured through SMGH. The cannabis raw materials supplied by SMGH, form part of the Company's supply chain and are a source of reliable input for its consumer retail, medical cannabis, and pharmaceutical preparations and pipeline globally. SMGH is also dedicated to providing consistent, high-quality sources of input materials to the various companies (operating in a variety of industries) that purchase the API from Avicanna. SMGH received Good Agricultural, and Collection Practices ("GACP") and Organic certifications under the United States Department of Agriculture National Organic Program ("USDA") for its hemp cultivars. SMGH has exported Aureus™ branded products into 19 different countries for research and manufacturing purposes. The SMGH facility contains approximately 300,000 sqft of cultivation space with an extraction capacity of 300kg. The current annual yield is approximately 26,400 kg. During 2024 the Company improved internal practices and enhanced the infrastructure at SMGH to expand its portfolio of Aureus branded products with premium organic flower to meet the growing demand of medical cannabis flower in Europe and Australia. The Company is currently producing premium CBD, CBG and THC flower and expects to commence exports during 2025.

PART II – RESULTS OF OPERATIONS

The following table contains selected consolidated financial information as of, and for year ended December 31, 2024, and the two prior annual periods:

Selected Consolidated Financial Information ***Statement of Financial Position*** *(Canadian Dollars)*	**2024**	**2023**	**2022**
Current assets	$ 7,641,172	$ 8,460,356	$ 7,064,418
Non-current assets	12,475,760	13,510,752	10,554,813
Current liabilities	9,269,222	12,381,604	11,405,259
Non-current liabilities	$ 1,106,096	$ 1,617,393	$ 2,755,322

Statement of Operations and Comprehensive loss for the year ended *(Canadian Dollars)*	**2024**	**2023**	**2022**
Revenue	$ 25,459,215	$ 16,791,483	$ 4,047,881
Gross profit	12,898,312	6,658,692	1,115,341
Operating Expenses	(17,578,454)	(15,038,327)	(12,644,228)
Operating Loss	(4,680,142)	(8,379,635)	(11,528,887)
Net loss and comprehensive loss	(4,731,386)	(6,629,861)	(14,400,024)
Loss per share - basic and diluted	$ (0.04)	$ (0.08)	$ (0.24)

The changes in the above table are discussed in greater detail in the sections below.

Revenues

We report revenues in two geographic segments: Canada and International. Canada includes sales arising from Company's medical products, revenue generated from the licensing of intellectual property and research and development services and revenue from sales through MyMedi.ca. International includes sales of the Company's API to customers worldwide, all grown and developed in Colombia and revenue generated from the licensing of intellectual property and research and development services, all developed in Colombia and serving customers outside of Canada.

	Year ended December 31			
Revenue by Segment *(Canadian Dollars)*	**2024**	**2023**	**Change ($)**	**Change (%)**
Canada	$ 23,536,568	$ 16,427,064	$ 7,109,504	$ 43%
International	1,922,647	364,419	1,558,228	428%
Net Revenue	**$ 25,459,215**	**$ 16,791,483**	**$ 8,667,732**	**$ 52%**

Canadian net revenue totaled $23,536,568 for the year ended December 31, 2024, compared to $16,427,064 for the year ended December 31, 2023. Sales from MyMedi.ca represent the bulk of this revenue, making up $21 million of the total. The substantial increase over the prior year was a direct result of the acquisition of Medical Cannabis by Shoppers, and the introduction of the Company's e-commerce platform MyMedi.ca. Revenues from International sources were $1,922,647 for the year ending December 31, 2024, compared to $364,419 for the year ended December 31, 2023. This substantial growth is driven by new licensing and supply agreements. The Company has met milestones in these collaboration agreements resulting in additional revenue.

Key revenue metrics

The following table summarizes the number of SKUs of the Company's products listed for sale (the "Listings") in the Canadian market, the total units sold in the Canadian market and provides a summary of the international revenue streams for the year ended December 31, 2024, and 2023.

	December 31			
Key Revenue Metrics	**2024**	**2023**	**Change (#)**	**Change (%)**
Canadian Revenue Channels				
Medical* (Listings)	96	81	15	19%
Adult use** (Listings)	40	52	-12	-23%
Canadian finished goods sold (units)	200,685	186,172	14,513	8%
International Revenue Channels				
Finished products sold (units)	33,050	4,157	28,893	695%
Sale of API (kg)	109	81	28	35%
Sale of Flower (Kg)	55	0	55	100%

* Listings for medical equals the number of SKU's available for sale nationwide.

** Listings for adult use equals the number of SKU's available for sale in a particular province. For greater clarity, the same SKU available in 2 provinces counts as 2 Listings.

For the year ended December 31, 2024, the Company sold 200,685 units in Canadian channels, compared to 186,172 units for the year ended December 31, 2023, an 8% increase. API sales in international channels were 109.3 kg for the year ended December 31, 2024, compared to 81 kg for the year ended December 31, 2023, a 26% increase. The Company also recognized its first sale of dried flower (55 KG) during the year. International finished product sales were 33,050 units, compared to 4,157 units for the year ended December 31, 2023, a 695% increase.

Gross Margin

The following outlines the gross margin by segment for the years ended December 31, 2024, and 2023:

	Years ended December 31			
Gross Margin by Segment *(Canadian Dollars)*	**2024**	**2023**	**Change ($)**	**Change (%)**
Canada	$ 11,624,823	$ 7,362,292	$ 4,262,531	58%
Gross margin %	49%	45%		4%
International	$ 1,273,489	$ (703,600)	$ 1,977,089	(281%)
Gross margin %	66%	(193%)		259%
Consolidated Gross Margin	**$ 12,898,312**	**$ 6,658,692**	**$ 6,239,620**	**(94%)**

Gross margin in Canada for the year ended December 31, 2024, was $11,624,823, representing 49% of revenue, compared to $7,362,292 for the year ended December 31, 2023, representing 45% of revenue. Margins in Canada increased due to the addition of the Company's sales on the MyMedi.ca platform, which has higher margins compared to the manufacturing and sale of the Company's products and improvements production costs of the Company's products in all channels. Gross margin for international streams totaled $1,273,489 for the year ended December 31, 2024, compared to a loss of ($703,600) for the year ended December 31, 2023. International sales for the year were comprised of product sales, services and licensing and service fees, therefore resulting in a high gross margin.

Operating Expenses

The following table presents operating expenses for the years ended December 31, 2024, and 2023:

Operating Expenses *(Canadian Dollars)*	Year ended December 31, 2024	2023	Change ($)	Change (%)
General and administrative expenses				
Office and general	$ 3,809,990	$ 3,264,843	$ 545,147	17%
Selling, marketing and promotion	3,188,840	2,159,092	1,029,748	48%
Consulting fees	944,891	802,436	142,455	18%
Professional fees	790,898	1,013,713	(222,815)	(22%)
Salaries and wages	5,757,672	4,317,920	1,439,752	33%
Research and development	178,157	330,662	(152,505)	(46%)
Share based compensation	1,572,390	1,942,819	(370,429)	(19%)
Depreciation and amortization	853,737	777,288	76,449	10%
Expected credit loss	481,879	429,554	52,325	12%
Total Operating Expenses	**$ 17,578,454**	**$ 15,038,327**	**$ 2,540,127**	**17%**

Office and general expenses

For the year ended December 31, 2024, the Company incurred office and general expenses totaling $3,809,990, compared to $3,264,843, for the year ended December 31, 2023. The bulk of these costs relate to operating the MyMedi platform. The Company saw a small increase in 2024 largely due to the overall increase in operations in Canada. 2024 was the first full year of MyMedi's operations following the August 2023 acquisition.

Selling, marketing and promotion

Selling, marketing and promotion expenses totaling $3,188,840 for the year ended December 31, 2024, compared to $2,159,092 for the year ended December 31, 2023. Marketing costs increased in the current period due to fees paid to physicians and clinics for patient education related to MyMedi.ca, which provides a significant resource for patient outreach and growth.

Consulting fees

For the year ending December 31, 2024, the Company incurred consulting expenses totaling $944,891, compared to $802,436 for the year ended December 31, 2023. Consulting expenses were comprised of third-party consultants, service providers, and investor relations services. The Company incurred additional consulting costs in the current year related primarily to investor relations and capital markets.

Professional fees

For the year ended December 31, 2024, the Company incurred professional fees of $790,808, compared to $1,013,713 for the year ended December 31, 2023. During the year ended December 31, 2023, fees were higher due largely to specific events requiring additional professional fees, such as the extension and amendments to the convertible debentures and the acquisition of Medical Cannabis by Shoppers.

Salaries and wages

For the year ended December 31, 2024, the Company incurred salaries and wages of $5,757,672, compared to $4,317,920 for the year ended December 31, 2023, respectively. With the launch of MyMedi.ca in August of 2023, the Company added several employees in Q3 and Q4 of 2023, resulting in overall higher salaries throughout 2024.

Research and development

For the year ended December 31, 2024, the Company incurred research and development expenses of $178,157 compared to $330,662 for the year ended December 31, 2023, respectively. The primary expense is rent and usage fees to utilize lab space for continued R&D and product development. The higher costs in 2023 compared to 2024 were tied directly to specific projects ongoing at the time.

Share-based compensation

For the year ended December 31, 2024, the Company incurred share-based compensation expenses of $1,572,390 compared to $1,942,819 for the year ended December 31, 2023, respectively. In 2023, the Company issued options and RSUs to executives and directors in lieu of salaries, fees and cash bonuses. RSU's and options continue to be granted to executives and directors.

Depreciation and amortization

Depreciation and amortization for the year ended December 31, 2024, was $853,737, compared to $777,288 for the year ended December 31, 2023. The increase in depreciation is due to the addition of assets in the second and third quarter of 2023. These included intangible assets acquired through the Medical Cannabis by Shoppers, and the IT and e-commerce build-out of MyMedi.ca.

Expected credit loss

For the year ended December 31, 2024, the Company recognized an expected credit loss of $481,879, compared with $429,554 in the prior year. The loss recognized in the current year was an estimate based on historical collections, aged receivables, and bad debts. Additionally, the Company identified certain aged receivables which were held by customers which the Company concluded would not be able to meet their obligations.

Other income (expenses)

The following table presents other income (expenses) for the year ended December 31, 2024, and 2023:

	Year ended December 31,			
Other Income (Expenses) *(Canadian Dollars)*	**2024**	**2023**	**Change**	**Change (%)**
Foreign exchange loss	$ 472,007	$ (28,351)	$ 500,358	1,765%
Gain on disposal of capital assets	(665)	2,812	(3,477)	(124%)
Gain on revaluation of derivative liability	-	56,785	(56,785)	(100%)
Gain on fair value of royalty liability	769,868	-	769,868	100%
Other income	154,898	215,642	(60,744)	(28%)
Interest expense	(195,554)	(305,112)	109,558	(36%)
Accretion	(138,093)	(305,144)	167,051	(55%)
Total Other Income	**$ 1,062,461**	**$ (363,368)**	**$ 1,425,829**	**(392%)**

Other income and expenses were $1,062,461 for the year ended December 31, 2024, respectively, compared to $363,368 for the year ended December 31, 2023. The largest item in other income and expenses in 2024 is the gain on the fair value of the royalty liability of $769,868. In addition, the Company recorded other income related to tax refunds in the international businesses, as well as interest and accretion related to loans and convertible debentures. All loans matured fully in August of 2024, therefore these costs decreased in the current year.

Adjusted EBITDA

The following table presents Adjusted EBITDA for the years ended December 31, 2024, and 2023:

	Year ended December 31,			
Adjusted EBITDA *(Canadian Dollars)*	**2024**	**2023**	**Change**	**Change (%)**
Net comprehensive loss	$ (4,731,386)	(6,629,861)	$ 1,898,475	(29%)
Exchange differences on translation	1,113,705	(2,113,142)	3,226,847	(153%)
Share-based compensation	1,572,390	1,942,819	(370,429)	(19%)
Depreciation and Amortization	853,737	777,288	76,449	10%
Expected credit loss	481,879	429,554	52,325	12%
Interest expense	195,554	305,112	(109,558)	(36%)
Foreign exchange loss	(472,007)	28,351	(500,358)	(1765%)
Other income, net	(154,898)	(215,642)	60,744	(28%)
Accretion expense	138,093	305,144	(167,051)	(55%)
Gain in fair value of royalty liability	(769,868)	-	(769,868)	100%
Gain on fair value of derivative liability	-	(56,785)	56,785	(100%)
Unrealized changes in biological assets	717,830	701,601	16,229	2%
Inventory impairment	(310,643)	260,258	(570,901)	(219%)
Adjusted EBITDA	**$ (1,365,614)**	**(4,293,654)**	**$ 2,899,689**	**(68%)**

[1]Adjusted EBITDA is a non-IFRS measure and is calculated as the reported net loss, adjusted to exclude impairments, share-based compensation, amortization, other (income) and expense.

The Adjusted EBITDA loss for the year ended December 31, 2024, was ($1,365,614), as compared to ($4,293,654) for the year ended December 31, 2023. The significant improvement was due to the introduction of the MyMedi.ca platform, which contributed substantial revenue in the current year. While operating expenses also increased substantially, the Company identified efficiencies and cost savings opportunities to reduce the expense increase in comparison to the revenue increase.

Summary of Quarterly Results

The following tables present our quarterly results of operations for the eight consecutive three-month periods up to December 31, 2024. These tables should be read with the Financial Statements and related notes. Information is prepared upon the same basis as the audited consolidated financial statements. The operating results for any quarter are not necessarily indicative of the results for any future quarters or for a full year.

	Quarter Ended			
2024 Quarterly Results *(Canadian Dollars)*	**December 31, 2024**	**September 30, 2024**	**June 30, 2024**	**March 31, 2024**
Net revenues	$ 6,616,855	$ 6,273,949	$ 6,122,751	$ 6,445,660
Net comprehensive loss	(440,094)	(922,007)	(2,808,068)	(498,238)
Loss per share	$ (0.01)	$ (0.01)	$ (0.01)	$ (0.01)

	Quarter Ended			
2023 Quarterly Results *(Canadian Dollars)*	**December 31, 2023**	**September 30, 2023**	**June 30, 2023**	**March 31, 2023**
Net revenues	$ 6,053,433	$ 6,252,950	$ 3,314,872	$ 1,170,218
Net comprehensive loss	(2,388,943)	(1,025,605)	(1,297,301)	(1,918,012)
Loss per share	$ (0.01)	$ (0.01)	$ (0.02)	$ (0.03)

PART III – FINANCIAL LIQUIDITY AND CAPITAL RESOURCES

The Company's primary liquidity and capital requirements are allocated to capital expenditure, inventory, working capital and general corporate purposes. The Company had a cash balance of $448,028 as of December 31, 2024. The Company's ability to fund operating expenses and capital expenditures will depend on its future operating performance, and its ability to raise capital which will be affected by general economic conditions, financial, regulatory, and other factors, including factors beyond the Company's control.

Management continually assesses liquidity in terms of the ability to generate sufficient cash flow to fund the business. Net cash flow was affected by the following items: (i) operating activities, including the level of trade receivables, accounts payable, accrued liabilities and unearned revenue and deposits; (ii) investing activities, including the purchase of property and equipment; and (iii) financing activities, including debt financing and the issuance of capital stock.

The following table provides a summary of the cash flows for the year ended December 31, 2024, and 2023:

	Year ended December 31,			
Statement of cash flow *(Canadian Dollars)*	**2024**	**2023**	**Change**	**Change (%)**
Net cash (used in) provided by:				
Operating activities	$ (2,547,108)	$ (1,404,218)	$ (1,142,890)	81%
Investing activities	(402,574)	(3,047,216)	2,644,642	(87%)
Financing activities	3,407,430	3,554,472	(147,042)	(4%)
Effect of exchange rate changes	(486,918)	180,120	(667,038)	(370%)
Net increase (decrease)	457,748	(896,962)	1,354,710	(151%)
Cash, beginning of year	477,198	1,194,040	(716,842)	(60%)
Cash, at year end	**$ 448,028**	**$ 477,198**	**$ (29,170)**	**(6%)**

Cash used in operations during the year ended December 31, 2024, was ($2,547,108), an increase from the year ended December 31, 2023, in which cash used in operations was ($1,404,218). The reduction in operating cash flows is largely due to substantial working capital applied to reduce aged payables.

Net cash used in investing activities totaled ($402,574) for the year ended December 31, 2024, compared to ($3,047,216) for the year ended December 31, 2023. Capital expenditures have been light in 2024, however in 2023, the Company had closed the acquisition of MyMedi and therefore added significant capital assets, particularly intangible assets as a result.

Net cash provided by financing activities totaled $3,407,430 for the year ended December 31, 2024, down from $3,554,472 for the year ended December 31, 2023. The Company completed three financings in 2024, however a large portion of the proceeds were utilized to pay down the outstanding debt of approximately $1.3 million.

The following table provides information about the Company's financing from the public and private sources during the years ended December 31, 2024, and, 2023, and the actual use of proceeds from those financings compared to the intended use of proceeds from the offerings. The remaining cash received from financing raised was allocated to general corporate and working capital needs and is dependent on the cash flow requirements of the current year.

Date	Type	Gross Proceeds	Initially Intended Use of Proceeds	Actual Use of Proceeds
March 20, 2023	Private Placement offering	$1,238,492 (Net proceeds of $1,226,392)	The Company's stated intended use of the net proceeds was for general working capital and buildout of MyMedi.ca platform.	As of the date of this MD&A, all funds have been fully deployed in their originally intended use.
August 2, 2023	Loan Payable	$1,455,000 (Net proceeds of $1,431,000)	The Company's stated intended use of the net proceeds was for buildout of MyMedi.ca platform and repayment of matured convertible debentures.	As of the date of this MD&A, all funds have been fully deployed in their originally intended use.
December 4, 2023	Private Placement offering	$888,128 (Net proceeds of $857,426)	The Company's stated intended use of the net proceeds was for general working capital related to the MyMedi.ca platform.	As of the date of this MD&A, all funds have been fully deployed in their originally intended use.
April 18, 2024	Private Placement offering	$2,125,584 (Net proceeds of $2,098,584)	The Company's stated intended use of the net proceeds was for general working capital related to the MyMedi.ca platform.	As of the date of this MD&A, all funds have been fully deployed in their originally intended use.
August 28, 2024	Private Placement offering	$1,986,208 (Net proceeds of $1,927,605)	The Company's stated intended use of the net proceeds was for general working capital related to the MyMedi.ca platform and repayment of non-convertible debentures.	As of the date of this MD&A, all funds have been fully deployed in their originally intended use.
November 4, 2024	Private Placement offering	$800,010 (Net proceeds of $777,510)	The Company's stated intended use of the net proceeds was for general working capital related to the MyMedi.ca platform.	As of the date of this MD&A, there was no change in the intended use of proceeds.

March 2023, Private Placement

On March 20, 2023, the Company closed a non-brokered private placement. Under this offering the Company issued an aggregate of 3,096,230 units at a price of $0.40 per unit for aggregate proceeds of approximately $1.24 million. Each of these units was comprised of one common share and one-half common share purchase warrant, each of which is exercised into one common share at a price of $0.50 per share until March 20, 2026.

August 2023 Loan Payable

On August 2, 2023, the Company issued non-convertible debentures for the principal of $1,455,000, incurring 18% interest for a term of 12 months, with the principal and interest due at the maturity date.

December 2023, Private Placement

On December 4, 2023, the Company announced that it closed a non-brokered private placement. Under this offering the Company issued an aggregate of 2,537,508 units at a price of $0.35 per unit for aggregate proceeds of approximately $888,127. Each of these units was comprised of one common share and one-half common share purchase warrant, each of which is exercisable into one common share at a price of $0.41 per share until December 4, 2026.

April 2024, Private Placement

On April 18, 2024, the Company issued an aggregate of 5,313,959 Units at a price of $0.40 per Unit for net cash proceeds of $2,098,584, comprised of gross proceeds of $2,125,584 less issuance costs of $27,000. Each Unit was comprised of one (1) common share in the capital of the Company and one-half common share purchase warrant. Each whole Warrant is exercisable into one common share in the capital of the Company at a price of $0.55 until April 18, 2027.

August 2024, Private Placement

On August 28, 2024, the Company issued an aggregate of 6,620,692 Units at a price of $0.30 per Unit for net cash proceeds of $1,927,605, comprised of gross proceeds of $1,986,208 less issuance costs of $58,603. Each Unit was comprised of one (1) common share in the capital of the Company and one-half common share purchase warrant. Each whole Warrant is exercisable into one common share in the capital of the Company at a price of $0.40 until August 28, 2027.

November 2024, Private Placement

On November 4, 2024, the Company issued an aggregate of 2,666,701 Units at a price of $0.30 per Unit for net cash proceeds of $777,510, comprised of gross proceeds of $800,010 less issuance costs of $22,500. Each Unit was comprised of one (1) common share in the capital of the Company and one-half common share purchase warrant. Each whole Warrant is exercisable into one common share in the capital of the Company at a price of $0.40 until November 4, 2027.

Off Balance Sheet Arrangements

The Company had no off-balance sheet arrangements.

Related Party Balances and Transactions

Compensation expenses for Avicanna's key management personnel for the year ended December 31, 2024, and 2023 are as follows:

	The year ended December 31			
Related Party Compensation *(Canadian Dollars)*	**2024**	**2023**	**Change $**	**Change %**
Salaries and benefits	$ 670,766	$ 469,728	201,038	43%
Share-based compensation	484,273	519,628	(35,355)	(7%)
Related Party Compensation	**$ 1,155,039**	**$ 989,356**	**165,683**	**17%**

Non-controlling interest contribution liability

The Company recognizes accumulated contributions from certain related parties who represent the minority shareholders of SMGH in the amount of $672,305 (December 31, 2023 - $317,487). The advances relate to minority partners' contributions towards the expansion and operation of the cultivation facilities. The balance owed to this related party is interest free. As these amounts become due, the outstanding balances are converted into common shares of SMGH.

On December 20, 2023, the Company and the minority shareholder of SMGH completed capitalization on $12,362,456 (COP 36,435,608,891) in shareholder contributions in SMGH, including $4,525,411 in contributions from the minority shareholder. The Company and the minority shareholder received an additional 13,611,027 and 13,094,457 shares in SMGH, respectively. As a condition of capitalization, the shares were issued to the Company at a premium resulting in a decrease in the Company's ownership share in SMGH to 51% from 60%, SMGH remains a majority owned subsidiary of the Company.

Outstanding Share Data

The authorized capital of the Company consisted of an unlimited number of common shares (each, a "Common Share"). As of the date of this MD&A, there were 111,860,724 Common Shares issued and outstanding. In addition, there were 8,425,358 Common Shares issuable on the exercise of Stock Options, 20,586,075 Common Shares issuable on the exercise of Warrants, 1,7128,335 Common Shares issuable on the vesting of Restricted Share Units.

Events After the Reporting Period

On March 31, 2025, due to an inability to meet deadlines on certain statutory filings, the Company filed an application with the Ontario Securities Commission ("OSC") for a Management Cease Trade Order ("MCTO"). Approval was granted on April 7, 2025. The MCTO prohibits the Company's management from trading in the securities of the Company until such time as the documents have been filed.

PART IV – CRITICAL ACCOUNTING POLICIES AND ESTIMATES

Our material accounting policies are fully described in Note 3 of the consolidated financial statements. Certain accounting policies require the application of significant judgement by management and, as a result, are subject to an inherent degree of uncertainty. We believe that the following accounting policies and estimates are the most critical to fully understand and evaluate our reported financial position and the results of operations, as they require our most subjective or complex management judgments. The estimates used are based on our historical experience, our observation of trends in the industry, information provided by our customers and information available from other outside sources, as appropriate. Actual results may vary from our estimates in amounts that may be material to the financial statements.

Inventory valuation

Critical judgment. Inventory was valued at the lower cost and net realizable value. The valuation of our inventory balances involved calculating the estimated net realizable value of our inventory and assessing it against the cost. A component of this analysis therefore involved determining whether there is excess, slow-moving, or obsolete inventory on hand.

Assumptions and judgment. When determining whether there is excess, slow-moving, or obsolete inventory, management made assumptions around future demand and production forecasts, which were then compared to current inventory levels. Management also made assumptions around future pricing and considered historical experience and the application of the specific identification method for identifying obsolete inventory.

Impact if actual results differ from assumptions. If the assumptions around future demand for our inventory were more optimistic than actual future results, the net realizable value calculated using these assumptions may be overstated, resulting in an overstatement of the inventory balance.

Biological assets valuation

Critical judgment. In calculating the fair value of the biological assets, management was required to make a number of estimates, including estimating the stage of growth of the cannabis up to the point of harvest, harvesting costs, selling costs, average or expected selling prices and list prices, expected yields for the cannabis plants, and oil conversion factors.

Assumptions and judgment. Management used available market information and transactional data to generate expectations of costs and prices. Estimates on the stage of growth and conversion factors were based on historical information from prior harvests. This information was compiled to determine the fair value of biological assets.

Impact if actual results differ from assumptions. The gain or loss on fair value of biological assets was included as part of gross margin. Differences between assumptions and results will be reflected in the profit and loss.

Estimated useful lives and depreciation and amortization of long-lived assets

Critical estimates. During the purchase or construction of our property and equipment, and during the acquisition or purchase of intangible assets, amounts were capitalized onto the statement of financial position. When the assets are put into service, a useful life is assigned to determine depreciation and amortization expense. Useful lives were determined through the exercise of judgment.

Assumptions and judgment. The useful lives were determined based on the nature of the asset. Management considered information from manufacturers, historical data, and industry standards to estimate the appropriate useful life and salvage value. In certain cases, management may obtain third party appraisals to estimate salvage value.

Impact if actual results differ from assumptions. If actual useful lives differ from the estimates used, the timing of depreciation and amortization expense will be impacted.

Impairment of property and equipment and definite lived intangible assets

Critical estimates. Property and equipment and definite lived intangible assets need to be assessed for impairment when an indicator of impairment exists. If an indicator of impairment exists, further judgement and assumptions will be required in determining the recoverable amount.

Assumptions and judgment. When determining whether an impairment indicator exists, judgement was required in considering the facts and circumstances surrounding these long-lived assets. Management considered whether events such as a change in strategic direction, changes in business climate, or changes in technology would indicate that a long-lived asset may be impaired. When an impairment indicator does exist, judgement and assumptions are required to estimate the future cash flows used in assessing the recoverable amount of the long-lived asset.

Impact if actual results differ from assumptions. If impairment indicators exist and are not identified, or judgement and assumptions used in assessing the recoverable amount change, the carrying value of long-lived assets can exceed the recoverable amount.

Stock-based compensation

Critical estimates. We used the Black-Scholes option pricing model to calculate our share-based compensation expense.

Assumptions and judgment. The option pricing model relied on key inputs such as rate of forfeiture, expected life of the option, the volatility of our share price, and the risk-free interest rate used.

Impact if actual results differ from assumptions. If key inputs differ, the fair value of options will be impacted. A higher fair value of the options will result in higher share-based compensation expense over the vesting period of the option.

Income taxes

Critical estimates. Many of our normal course transactions may have uncertain tax consequences. We used judgment to determine income for tax purposes and this may impact the recognized amount of assets or liabilities, the disclosure of contingent liabilities or the reported amount of revenue or expense and may result in an unrealized tax benefit for transactions that have not yet been reviewed by tax authorities and that may in the future be under discussion, audit, dispute, or appeal.

Assumptions and judgment. We used historical experience, current and expected future outcomes, third-party evaluations and various other assumptions believed to be reasonable in making judgements.

Impact if actual results differ from assumptions. An unrealized tax benefit will be recognized when we determine that it is more likely than not that the tax position is sustainable based on its technical merits. In any case, if the outcome is different from our estimate, it could impact on our income taxes and cash flow.

Provisions

Critical judgment. Accrued liabilities for which the timing and amount of the liability is uncertain.

Assumptions and judgment. Management assessed the likelihood that the liability will be incurred at the financial statement date, however it cannot be confirmed as such. The recording of such liability is based on Management's judgement.

Impact if actual results differ from assumptions. This could result in a timing difference in the recognition of expenses resulting in a difference in the current profit and loss.

Risk Management

Liquidity risk

Liquidity risk is that the Company will not meet its financial obligations as they become due. The Company's exposure to liquidity risk was dependent on the Company's ability to raise additional financing to meet its commitments and sustain operations. The Company mitigated liquidity risk by management of working capital, cash flows and the issuance of share capital.

In addition to the commitments disclosed, the Company was obligated to the contractual maturities of certain undiscounted cash flows. These have been disclosed in note 23 of the financial statements.

Market risk

The market risk is the risk that the fair value or future cashflow of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency rate risk, interest rate risk and other price risk.

Currency risk is the risk to the Company's earnings that arise from fluctuations in foreign exchange rates. The Company was exposed to foreign currency exchange risk as it had substantial operations based in Colombia and record keeping is denominated in a foreign currency. As such the company had foreign currency risk associated with Colombian Pesos.

The interest risk is the risk that the fair value or future cashflow of a financial instrument will fluctuate because of changes in market interest rates. The Company was not exposed to interest rate risk as all borrowing had fixed rates of interest which were not affected by these fluctuations. Loans payable, convertible debentures and lease liabilities were recorded at amortized cost using fixed interest rates.

Due to the nature of the Company's business, the legal and economic climate in which it operates and its present stage of development, the Company is subject to significant risks. Additional risks and uncertainties not presently known to management, or that management currently considers immaterial, may also impair the business and operations.

Factors that could cause actual results to differ materially from those set forth in forward-looking information include, but are not limited to: the future customer concentration; the ability to anticipate future needs of customers; unusual delays to receive regulatory approvals for clinical trials or cultivation quotas; expectations with respect to the competitive landscape of the industry in which Avicanna operates and the Company's present intentions to differentiate its business within that industry; the regulatory framework governing cannabis for recreational and medicinal use in Canada, Colombia, and any other jurisdiction in which the Company may conduct its business in the future; there being no significant delays in the completion of its cultivation facilities; there being no significant delays in the development and commercialization of its products; maintaining sufficient and effective production and R&D capabilities; the Company's ability to analyze customer data; its ability to secure partnerships with manufacturers and distributors in international markets; the ability of its strategic partnerships to effectively operate; its ability to develop a brand to market its products successfully to consumers; future production and supply levels, and future consumer demand levels; the price of cannabis and cannabis related products; continuing to attract and retain key personnel; the demand for the Company's products will grow for the foreseeable future; there being no significant barriers to acceptance of its products in the market; expected number of medical cannabis users and the willingness of physicians to prescribe medical cannabis to patients in the markets in which the Company operates; and, the inability to access financing on commercially attractive terms.

Avicanna's overall performance and results of operations are subject to various risks and uncertainties which could cause actual performance, results and achievements to differ materially from those expressed or implied by forward-looking statements, including, without limitation, the following factors, some of which, as well as other factors, are discussed in the Company's Annual Information Form dated April 11, 2025, for the year ended December 31, 2024 available under the Company's profile on SEDAR+ at www.sedarplus.ca, which risk factors should be reviewed in detail by all readers:

- Avicanna's business segments are heavily regulated in Canada and Colombia.
- The regulatory regime is evolving, and uncertainty exists regarding the impact of the regime on the Company.
- The political environment surrounding the cannabis industry is in flux and subject to change.
- The inability to successfully complete clinical trials or obtain regulatory approval of products.
- Risks of foreign operations generally, including but not limited to agriculture and drug policies, nationalization, expropriation, contractual rights, foreign exchange restrictions, currency fluctuations, export quotas, royalty and tax increases, and risks of loss due to civil strife, acts of war, guerilla activities and insurrections.
- The potential inability to enforce judgments obtained in Canada against any person or company incorporated, continued, or otherwise organized under the laws of a foreign jurisdiction or that resides outside of Canada, even if the party has appointed an agent for service of process.
- The potential inability to obtain or retain licenses required to grow, store, and sell cannabis in Colombia.
- The potential inability to establish and maintain bank accounts.
- Potential involvement in regulatory or agency proceedings, investigations, and audits.
- Compliance with evolving environmental, health and safety laws.
- The potential risk of exposure resulting from the control of foreign subsidiaries in Colombia.
- Potential government policy changes or shifts in public opinion.
- Exposure to foreign exchange risks.
- Inflationary risks based on Colombia's historic experience of double-digit rates of inflation.
- The potential that Colombia will impose repatriation of earnings restrictions in the future.
- Colombian political and economic conditions are subject to intervention and change.
- Constraints on marketing of products.
- The cannabis industry and market are subject to general business risks, and those associated with agricultural and regulated consumer products.
- Competitive conditions, consumer tastes, patient requirements and spending patterns remain relatively unknown. There are no assurances that the cannabis industry and market will continue to exist or grow as anticipated.
- The industry is changing at rapid speeds, and the Company may be unable to keep pace.

- The consumer perception of cannabis can be significantly influenced by scientific research or findings, regulatory investigations, litigation, media, and other publicity.
- Future clinical research into effective medical cannabis therapies could raise concerns regarding, and perceptions relating to cannabis.
- Limited history of operations.
- The inability to retain and attract employees and key personnel.
- Potential for delays in obtaining, or restructuring conditions imposed by regulatory approvals.
- Potential increases in material and labor costs.
- The Company has incurred losses since inception and may continue to incur losses in the future.
- The potential to have trouble developing new products and remaining competitive.
- Potential for adverse environmental conditions, accidents, labor disputes and changes in the regulatory environment.
- Reliance on third-party manufacturers and distributors.
- There can be no assurances of profit generation or immediate results.
- Shareholder dilution pursuant to additional financing.
- Transportation disruptions to the Company's courier services.
- The cost of key inputs is unpredictable.
- Compliance with laws relating to privacy, data protection, and consumer protection.
- Potential for information systems security threats.
- Reliance on key suppliers and skilled labor.
- Inability to effectively implement quality control systems.
- There is a potential for conflicts of interest to arise among key stakeholders.
- Potential inability to sustain pricing models.
- The Company may not be able to successfully identify or complete future acquisitions.
- The Company may be unable to effectively protect personal information.
- Exposure to product recalls, liability claims, regulatory action and litigation based on products.
- The Company may be unable to protect intellectual property in relevant markets.
- The market price for the Common Shares may be volatile and subject to wide fluctuations.
- The Company may not be able to effectively prevent fraud or illegal activities by its employees, contractors, or consultants.
- The Company may not be able to effectively prevent security breaches at its facilities.
- Management may not be able to effectively manage growth.
- Outside factors may harm The Company's reputation.
- The Company may become subject to legal proceedings from time to time.
- Management has limited experience managing public companies.
- The Company may be unable to effectively protect its trade secrets.
- Securities analysts may publish negative coverage.
- The Company's financial statements have been prepared on a going concern basis.
- The Company may be dependent on the performance of its subsidiaries.
- Operating subsidiaries of The Company are not wholly owned.
- There may be future sales of the Common Shares by directors, officers, and principal shareholders.
- Interruptions or changes in the availability or economics of The Company's supply chain; and
- The recent decision by the US Government to levy tariffs on certain Canadian goods and the retaliatory response from the Canadian government has created considerable economic uncertainty, creating financial risk to input costs and revenues.

For a discussion of the risks faced by the Company, please refer to the Company's Annual Information Form for the Year Ended December 31, 2024, and other public filings of the Company, each of which is available under the Company's profile on SEDAR, at *www.sedar.com.*

DISCLOSURE CONTROLS AND INTERNAL CONTROLS

The information provided in this report, including those derived from the Financial Statements, is the management's responsibility. In preparing these statements, estimates are sometimes necessary to determine future values for certain assets or liabilities. Management believes such estimates have been based on careful judgments and have been properly reflected in the accompanying financial statements.

For the period ended December 31, 2024, there were no changes made in the Company’s design of internal controls over financial reporting that have materially affected, or are reasonably likely to materially affect, its internal controls over financial reporting.