AVICANNA

RHO PHYTO

MyMedi.ca
MEDICAL CANNABIS CARE

AUREUS
SANTA MARTA

AVICANNA INC.

MANAGEMENT'S DISCUSSION AND ANALYSIS

THREE AND SIX MONTHS ENDED JUNE 30th, 2025 AND 2024

August 13th, 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 August 13, 2025, and is supplemental to and should be read in conjunction with the Company's consolidated financial statements (the "Financial Statements") for three and six months ended June 30, 2025, and June 30, 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 on August 13, 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 three and six months ended June 30, 2025, and 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 the Company'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.

Q2 2025 AND SUBSEQUENT HIGHLIGHTS

- **Financial highlights:**
    - **Revenue:** The Company generated revenue of $6.16 million and $12.48 million for the three- and six-month periods ended June 30, 2025, representing a 1% increase and a 1% decrease, respectively, compared to the corresponding periods in 2024.

    - **Gross Profit and Margin:** Gross profit for the second quarter was $3.13 million, with a six-month total of $6.73 million, translating to gross margins of 51% and 54%, respectively—up from 47% in the prior-year periods. This improvement was primarily driven by increased service and licensing revenue from international markets.

    - **Adjusted EBITDA:** For the second quarter, the Company reported an adjusted EBITDA loss of $0.25 million and an adjusted EBITDA gain of $0.18 million for the six-month period. This marks a notable improvement from the same periods in 2024, when adjusted EBITDA losses were $0.44 million and $0.42 million, respectively. The improvement reflects both reduced operating expenses and enhanced consolidated gross margins.

- **Canadian commercial advancements:** The company completed the second quarter with 50 commercial SKUs and 147 commercial listings representing a 19% increase in total SKUs and a 9% growth in total listings from Q1 2025. The Company sold 50,789 units during the second quarter, a 21% increase against the comparable period in 2024.

- **Avicanna Announces Sponsorship of Pilot Phase II Clinical Study Osteoarthritis Pain:** The multicenter, blinded, randomized placebo-controlled investigator-initiated study, will be led by Dr. Hance Clarke and conducted at University Health Network. The study will analyze effectiveness of Avicanna's proprietary Oral Cannabis Extracts for Osteoarthritic and is Avicanna's first Placebo Controlled, Blinded Randomized Multicenter Trial" RCT". The study is funded by a Canadian Institutes of Health Research ("CHIR") grant and is sponsored by Avicanna, which is providing its proprietary CBD and THC capsules produced under Good Manufacturing Practices ("GMP") for the trial.

- **Successful Symposium on Cannabinoid-based Medicine during June 2025:** The symposium, which was held at the MaRS Discovery District in Toronto, brought key opinion leaders and health care providers to explore cannabinoid-based R&D, medicine, and clinical adoption. The symposium, which was limited to health care practitioners and researchers, covered a range of topics including emerging evidence and practical clinical applications of cannabinoid-based medicine and featured key opinion leaders, clinicians, researchers, and scientists from various academic, research and clinical organizations and hospitals and industry.

- **Avicanna announces US patent and trademark office issuance of new patent covering topical cannabinoid compositions for clear skin:** The issued patent, No. US 12,343,315 B2, covers a topical gel formulation that is comprised of cannabinoids in combination with other agents and in reference to its potential in treating and preventing skin diseases and conditions including, but not limited to, acne, wrinkles, rosacea and erythema.

STRATEGY AND OUTLOOK

Summary of Commercial Activities by Geography

Canada

The Canadian market remains Avicanna's primary focus and most significant revenue driver. Within this market, the Company has successfully established the infrastructure and proof of concept for its intellectual property and business units—a foundations that Avicanna believes are scalable for international expansion. Operating through an asset-light model, the Company leverages 11 strategic manufacturing agreements with Canadian licensed producers to manufacture 50 of its proprietary SKUs. This approach has supported growth in product sales, SKU activity, and strategic commercial listings. As of June 30, 2025, Avicanna maintains 147 commercial listings, including 100 on medical platforms and 47 in the adult-use sector.

In late 2023, the Company launched MyMedi.ca, operated by Northern Green Canada Inc., which has emerged as a leading medical cannabis platform in Canada. MyMedi.ca offers a comprehensive patient-centric ecosystem that integrates proprietary products with tailored support programs for both patients and healthcare professionals.

In early 2025, Avicanna continued its "patient-first" approach by optimizing the MyMedi.ca portfolio with innovative new products from Avicanna's pipeline and curated selections from other Canadian licensed producers. The platform also served as a key vehicle for education and collaboration with the medical community. Notable partnerships include Sunnybrook's Odette Cancer Centre, which dispenses Avicanna's RHO Phyto products on-site, and various public and private insurance providers. Additionally, MyMedi.ca worked with eight provincial worker safety boards, including the Ontario Workplace Safety and Insurance Board (WSIB). To further strengthen its medical outreach, Avicanna initiated a comprehensive medical affairs campaign in the first quarter of 2025 to enhance education and training among Canadian healthcare professionals across several targeted initiatives.

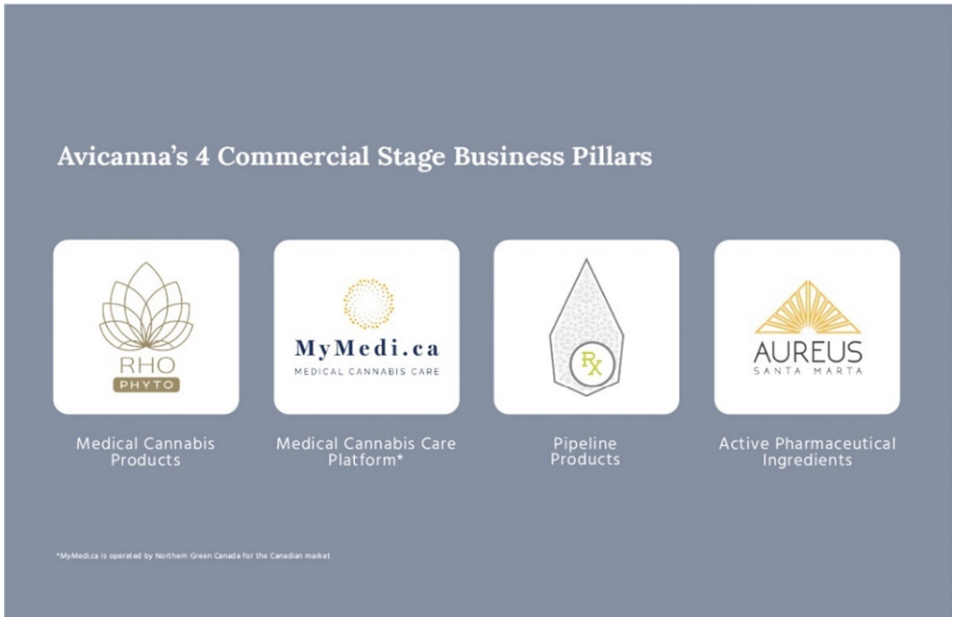
International

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, specifically Avicanna LATAM SAS, are preparing for the manufacturing of its proprietary cosmetic and pharmaceutical finished products including Trunerox™ which obtained marketing authorization in Colombia in 2024. 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.

Micro Drops	**Rapid Act Sprays**
The Micro Drops are blood-orange flavoured and utilize Avicanna's inverted emulsion technology to provide absorption and shelf-life stability. The product is administered with metered dosage using an oral syringe that is designed for more accurate titration.	Lemon-mint flavoured oral sprays utilize Avicanna's sublingual delivery technology to provide a rapid acting effect. The product is administered discreetly, designed for ease of use, and designed to deliver accurate, consistent dosing in every spray.
Deep Tissue Gel	**Ultra CBD Local Cream**
The water-based gels utilize Avicanna's deep tissue technology and combine cannabinoids with synergistic terpenes and natural excipients including menthol and beta-caryophyllene in a pharmaceutical-grade, airless pump.	The high CBD topical cream is designed for application on sensitive skin and free from THC and allergens including terpenes, perfumes, and vitamins. Ultra CBD Topical Cream is, unscented, and oil based.
Nano Drops	**Rapid Act Capsules**
Utilizing the company's Influid Self-Emulsifying Drug Delivery System ("SEDDS") technology, the water-soluble infusers are designed to deliver cannabinoids into any cold or warm beverage and have been commercialized in Canada since early 2023.	Utilizing the Company's SEDDS technology, the rapid act capsules are designed to improve the solubility and bioavailability of poorly water-soluble drugs. SEDDS formulations typically enhance the drug's solubility, making it easier for the body to absorb and utilize the drug effectively.

MyMedi.ca medical cannabis care platform:

MyMedi.ca is Avicanna's online medical cannabis care platform that is operated by Northern Green Canada Inc. 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, 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 220+ 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 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.

Medical Symposium on cannabinoid-based medicine in the healthcare system:

A part of the Company's Medical Affairs plans includes Avicanna's Annual Medical Symposium on Cannabinoid-based Medicine in the Healthcare System. This year the event which is titled "Bridging Science and Clinical Practice: A Gathering of Thought Leaders in Cannabinoid Medicine" was a live and virtual symposium held on June 6th, 2025, at the MaRS Discovery District, Toronto. The Symposium was open to healthcare practitioners and researchers and included various speakers covering a variety of topics-ranging from emerging evidence to current clinical practices on the practical application of cannabinoid-based medicine. The speakers included Canadian and international key opinion leaders, clinicians, and scientists from leading academic, research, and clinical organizations.

Modules	Topic & Guest Speakers
Medical Cannabis Research & Innovations	Potential Role of Cannabigerol – Dr. Carrie Cutler *(PhD, Executive Associate Professor. Director, Experimental Psychology Doctoral Program, Co-Director, Center for Cannabis Policy, Research, & Outreach (CCPRO), Department of Psychology Washington State University)* Cannabinoids in Management of Arthritis – Dr. Jason McDougall *(PhD, Depts. Pharmacology and Anaesthesia, Dalhousie University)*
Challenges Faced by Patients & Breaking Barriers for Access	Unique use cases of Medical Cannabis – Dr. Carlo De Angelis *(PharmD, Clinician Scientist - Oncology Pharmacy, Department of Pharmacy Sunnybrook Odette Cancer Centre, University of Toronto)* Building Better Educational Paradigms – Dr. Daniel Bear *(PhD, Medical cannabis Director, Humber Centre for Social Innovation, Humber Polytechnic)*
Pain & Harm Reduction	Substitution & Harm Reduction in High-Risk Populations – Dr. Zach Walsh *(PhD, RPsych, Professor, Psychology The Universityof British Columbia, Affiliated Scientist, BC Centre on Substance Use)* Opioid-cannabinoid Interactions & Role of Opioids – Dr. Kelly Dunn *(PhD, MBA, Director, Kahlert Institute for Addiction Medicine, Professor of Psychiatry and Neurobiology, University of Maryland)*
Medical Cannabis in Clinical Care	Cannabis Use among Older Adults – Dr. Baumbusch *(RN, PhD, FCAN, FAAN Professor UBC School of Nursing)* Cannabinoids in Psychiatry – Dr. Katzman *(BSc, MD, FRCPC, S.T.A.R.T. Clinic for the Mood and Anxiety Disorders, Northern Ontario School of Medicine & Psychology, Lakehead University)* Cannabis in Epilepsy – Dr. Lewis *(MD, FRCPC, North Toronto Neurology, University Of Toronto, Pediatrics)*

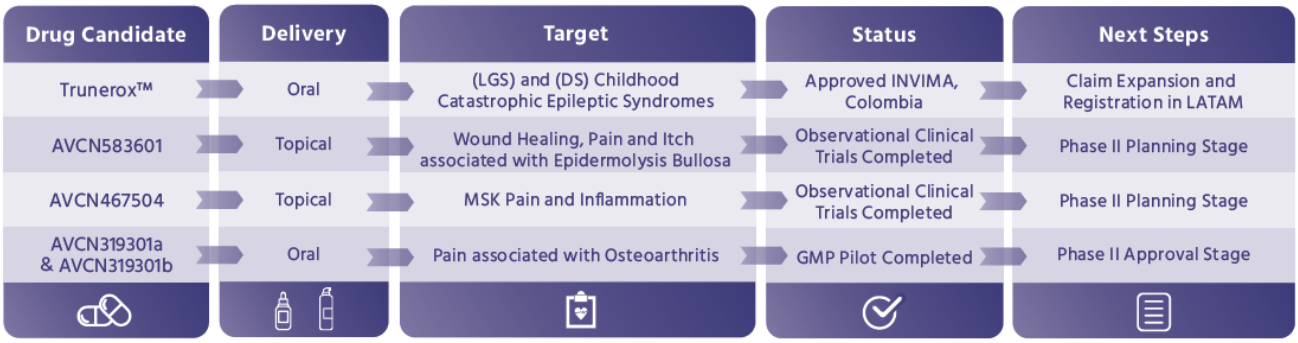
Pharmaceutical products and pipeline:

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

Potential marketing authorization and commercial pathways:

- **Near term:** Pharmaceutical approvals (South and Central America) including RDC 327 in Brazil and INVIMA in Colombia.
- **Long term:** North American and European pharmaceutical approvals including FDA, EMA and Health Canada.

Selected candidates and programs:



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

Trunerox™

Trunerox™ is the Company's proprietary 10% CBD (THC-free) formulation and its first indication-specific approved drug. Trunerox™ received drug 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"). Trunerox™ has not been approved as a drug in Canada by Health Canada. Trunerox™ is not available or offered for sale in 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].

Avicanna LTAM anticipates Trunerox™ to be commercialized in Colombia in late 2025 where the product is expected to be covered by insurance. Avicanna LATAM also anticipates Trunerox commercialization in other Central American, South American, and Caribbean countries in an expedited manner based upon INVIMA's certification by the Pan American Health Organization.

Summary of scientific platform

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 evaluating the potential role of cannabinoids for therapeutic benefit had been at the core of the Company's vision since its inception. The Company 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

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

over the past few years. All the formulations developed, and data generated in collaboration with researchers remain Avicanna's intellectual property.

Real-world evidence studies on RHO Phyto formulations

The commercial availability of RHO Phyto products in Canada led to the inclusion of these medical cannabis products in several real-world evidence ("RWE") trials on specific therapeutic indications and patient populations. Data derived from RWE trials 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.

On-going Studies:

- **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 being 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.

Recently completed Studies:

- **Epidermolysis bullosa:** Avicanna's dermatology drug candidate was included in the recently completed real world evidence study measuring pain, itch and wound healing. Led by Dr. Elena Pope, and 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. 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.

- **Musculoskeletal pain and inflammation:** The real-world evidence study led by Sante Cannabis focused on the Avicanna's CBG Transdermal Gel was studied in a real-world evidence study on participants with arthritis including osteoarthritis, rheumatoid arthritis, fibromyalgia, muscle and/or joint pain, localized pain, post-surgical pain, muscular and/or structural injuries. 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.

Active Pharmaceutical Ingredients (Aureus Santa Marta™):

The Aureus™ brand is the Company's line of active pharmaceutical ingredients (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 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 Square feet 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 commenced exporting in 2025.

PART II – RESULTS OF OPERATIONS

The following table contains selected consolidated financial information as of, and for the three and six months ended, June 30, 2025, and the two prior comparable periods:

Selected Consolidated Financial Information			
Statement of Financial Position *(Canadian Dollars)*	**June 30, 2025**	**December 31, 2024**	**December 31, 2023**
Current assets	$ 7,680,610	$ 7,641,172	$ 8,460,356
Non-current assets	12,792,449	12,475,760	13,510,752
Current liabilities	8,721,740	9,269,222	12,381,604
Non-current liabilities	$ 898,130	$ 1,106,096	$ 1,617,393

Statement of Operations and Comprehensive loss for the three months ended *(Canadian Dollars)*	**June 30, 2025**	**June 30, 2024**	**June 30, 2023**
Net revenue	$ 6,157,309	$ 6,122,751	$ 3,314,872
Gross profit	3,127,671	2,882,334	1,488,015
Operating expenses	(3,827,641)	(4,675,781)	(3,347,550)
Operating loss	(699,970)	(1,793,447)	(1,859,535)
Net comprehensive loss	(850,991)	(2,871,047)	(1,297,301)
Loss per share – basic and diluted	$ (0.01)	$ (0.03)	$ (0.02)

Statement of Operations and Comprehensive loss for the six months ended *(Canadian Dollars)*	**June 30, 2025**	**June 30, 2024**	**June 30, 2023**
Net revenue	$ 12,481,510	$ 12,568,411	$ 4,485,090
Gross margin	6,731,738	5,878,147	2,075,971
Operating expenses	(7,337,514)	(8,561,516)	(6,297,304)
Operating loss	(605,776)	(2,683,369)	(4,221,333)
Net comprehensive loss	25,340	(3,369,285)	(3,215,313)
Loss per share – basic and diluted	$ -	$ (0.04)	$ (0.04)

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 the 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 sale of finished products, licensing of intellectual property and research and development services, all developed in Colombia and serving customers outside of Canada.

Revenue by Segment *(Canadian Dollars)*	**Three Months ended June 30,**		**Six Months ended June 30,**	
	2025	**2024**	**2025**	**2024**
Canada	$ 5,835,629	$ 5,975,320	$ 11,151,975	$ 11,981,619
International	321,680	147,431	1,329,535	586,792
Net Revenue	**$** 6,157,309	**$** 6,122,751	**$** 12,481,510	**$** 12,568,411

Canadian net revenue totaled $5,835,629 for the three months ended June 30, 2025, compared to $5,975,320 for the three months ended June 30, 2024. Canadian net revenue for the six months ended June 30, 2025, was $11,151,975 compared to $11,981,619 for the six months ended June 30, 2024. The Company actively invests in brand awareness, and customer and patient education and expansion of its portfolio into new retail locations to increase sales across Canadian segments. Revenues from international sources was $321,680 and $1,329,535 for the three and six months ended June 30, 2025, compared to $147,431 and $586,792 for the three and six months ended June 30, 2024. International revenue continues to be driven by API and finished product sales in addition to licensing and service agreements initiated in 2024.

Key revenue metrics

The following table summarizes the number of SKUs of the Company's products listed for sale (the "Listings") in the Canadian markets, the total units sold in the Canadian market and provides a summary of the international revenue streams when comparing the three-months ended June 30, 2025, to the same period in 2024.

Key Revenue Metrics	Three Months Ended June 30,		Six Months Ended June 30,	
	2025	2024	2025	2024
Canadian Revenue Channels				
Medical* (Listings)	100	90	100	90
Adult use** (Listings)	47	55	47	55
Canadian finished goods sold (units)	50,789	41,743	89,416	99,654
International Revenue Channels				
Finished products sold (units)	1,000	1,050	2,000	2,097
Sale of API (kg)	59	42	113	69

* Listings for medical equals the number of SKUs available for sale nationwide in Canada.

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

For the three and six month periods ending June 30, 2025, the Company sold 50,789 and 89,416 units in Canadian channels, compared to 41,743 and 99,654 units for the comparable periods of 2024. This represents a 22% increase and a 10% decrease, respectively. Finished product sales in the International segment were 1,000 and 2,000 units for the three and six month periods ending June 30, 2025. This is in comparison to 1,050 and 2,097 units in 2024, representing a slight decrease of 5% in both periods. API sales in international channels was 59 kg and 113 kg for the three and six

month periods ending June 30, 2025, compared to 42 kg and 69 kg for the three and six months ending June 30, 2024, resulting in a 40% and 64% increase in each respective period.

Gross Margin

The following outlines the gross margin by segment for the three and six months ended June 30, 2025, and 2024:

Gross Margin by Segment *(Canadian Dollars)*	Three Months ended June 30,		Six Months ended June 30,	
	2025	**2024**	**2025**	**2024**
Canada	$ 2,891,675	$ 2,938,540	$ 5,488,522	$ 5,837,237
Gross margin %	*50%*	*49%*	*49%*	*49%*
International	$ 235,996	$ (56,206)	$ 1,243,216	$ 40,910
Gross margin %	*73%*	*(38%)*	*94%*	*7%*
Total Gross Profit	**$ 3,127,671**	**$ 2,882,334**	**$ 6,731,738**	**$ 5,878,147**
Gross margin %	***51%***	***47%***	***54%***	***47%***

Gross margin in the Canadian market for the three and six months ended June 30, 2025, was $2,891,675 and $5,488,522, representing 50% and 49% respectively, compared to $2,938,540 and $5,837,237 for the same periods in 2024. Gross margin for the international markets totaled 235,996 and $1,243,216 for the three and six months ended June 30, 2025, compared to ($56,206) and $40,910 for three and six months ended June 30, 2024. International sales for the first half of 2025 were comprised predominantly of licensing and service fees, which do not have any associated cost of sales, therefore resulting in a higher gross margin.

Operating Expenses

The following table presents operating expenses for the three and six months ended June 30, 2025, and 2024:

Operating Expenses *(Canadian Dollars)*	Three Months ended June 30,		Six Months ended June 30,	
	2025	**2024**	**2025**	**2024**
General and administrative expenses				
Office and general	$ 893,217	$ 1,116,891	$ 1,736,710	$ 2,210,975
Selling, marketing and promotion	732,644	797,732	1,520,532	1,518,556
Consulting fees	130,740	217,132	218,873	436,355
Professional fees	181,810	117,853	223,499	223,824
Salaries and wages	1,406,354	1,213,038	2,703,651	2,314,040
Research and Development	116,536	56,260	167,608	104,980
Share based compensation	174,770	796,623	382,078	1,132,923
Depreciation and amortization	191,570	222,263	384,563	446,507
Expected credit loss	-	137,989	-	173,356
Total Operating Expenses	**$ 3,827,641**	**$ 4,675,781**	**$ 7,337,514**	**$ 8,561,516**

Office and general expenses

For the three and six months ended June 30, 2025, the Company incurred office and general expenses totaling $893,217 and $1,736,710, respectively, compared to $1,116,891 and $2,210,975, for the three and six months ended June 30, 2024. The Company experienced a significant decrease in expenses as a result of concentrated efforts to deliver on cost-saving opportunities.

Selling, marketing and promotion

Selling, marketing and promotion expenses totaled $732,644 and $1,520,532 for the three and six month periods ending June 30, 2025, compared to $797,732 and $1,518,559 for three and six month periods ending June 30, 2024. Marketing costs related to education and training costs of the medical community were quite flat in both comparison periods.

Consulting fees

For the three and six months ended June 30, 2025, the Company incurred consulting expenses totaling $130,740 and $218,873, respectively, compared to $217,132 and $436,355 for the three and six months ended June 30, 2024. Consulting expenses were comprised of third-party consultants, service providers, and investor relation services. As part of the Company's continued cost-saving efforts, many of these services were shifted in-house resulting in lower overall costs. As well, capital markets expenses decreased significantly as no capital raise was required in the first half of 2025.

Professional fees

For the three and six months ended June 30, 2025, the Company incurred professional fees of $181,810 and $233,499, compared to $117,853 and $223,824 for the three and six months ended June 30, 2024. For the three months ended June 30, 2025, professional fees were higher due largely to legal expenses and timing of audit fees

Salaries and wages

For the three and six months ended June 30, 2025, the Company incurred salaries and wages of $1,406,354 and $2,703,651, respectively, compared to $1,213,038 and $2,314,040 for the three and months ended June 30, 2024, respectively. Salaries and wages increased with headcount in Canada due to new medical affairs initiatives, a ramp up in operations at SMGH, and a larger proportion of bonuses being paid out in cash rather than share based compensation.

Research and development

For the three and six months ended June 30, 2025, the Company incurred research and development expenses of $116,536 and $167,608, respectively, compared to $56,260 and $104,980 in the same quarter of the prior year. The primary expense is rent and usage fees to utilize lab space for continued R&D and product development.

Share-based compensation

For the three and six months ended June 30, 2025, the Company incurred share-based compensation expenses of $174,769 and $382,077, respectively, compared to $796,623 and $1,132,923 in the same quarter in the prior year. The Company issued options and RSUs to executives and directors in lieu of salaries, fees and cash bonuses in 2024. RSU's and options continue to be granted to executives and staff as annual grants and bonuses, however the quantity has decreased from 2024 resulting in a significantly lower expense.

Depreciation and amortization

Depreciation and amortization for the three and six months ended June 30, 2025, was $191,570 and $384,563, respectively, compared to $222,263 and $446,507 for the three and six months ended June 30, 2024. Depreciation has decreased as assets become fully amortized without significant new asset purchases, therefore diminishing the total expense over time.

Expected credit loss

For the three and six months ended June 30, 2025, the Company recognized an expected credit loss of $nil and $nil, compared with $137,989 and $173,356 the same quarter of the prior year. The Company did not identify any accounts at a credit risk in the current quarter, and due to significant losses recorded in 2024, no additional estimation of potential losses is deemed necessary at this time.

Other income (expenses)

The following table presents other income and (expense) for the three and six months ended June 30, 2025, and 2024:

	Three months ended June 30,		Six months ended June 30,	
Other Income (Expenses) *(Canadian Dollars)*	**2025**	**2024**	**2025**	**2024**
Foreign exchange loss	$ (10,749)	$ (25,727)	$ (19,914)	$ (35,833)
Gain on disposal of capital assets	-	-	-	-
Gain on revaluation of derivative liability	-	-	-	-
Other income	12,605	3,342	33,922	13,790
Interest expense	(1,907)	(72,581)	(31,697)	(146,821)
Accretion	(1,157)	(56,770)	(2,992)	(110,578)
	$ (1,208)	**$ (151,736)**	**$ (20,681)**	**$ (279,442)**

Other income and expenses were ($1,208) and ($20,681) and for the three and six months ended June 30, 2025, respectively, compared to ($151,736) and ($279,442) for the three and six months ended June 30, 2024. In the prior year, the bulk of other expenses were comprised of interest and accretion related to loans and convertible debentures. All loans matured fully in August of 2024.

Adjusted EBITDA

The following table presents Adjusted EBITDA for the three and six months ended June 30, 2025, and 2024:

	Three months ended June 30,		Six months ended June 30,	
Adjusted EBITDA *(Canadian Dollars)*	**2025**	**2024**	**2025**	**2024**
Net comprehensive loss	$ (850,990)	(2,808,068)	$ 25,341	$ (3,306,306)
Exchange differences on translation	149,813	862,885	(651,797)	343,495
Share-based compensation	174,769	796,623	382,077	1,132,923
Depreciation and Amortization	191,570	222,263	384,563	446,507
Estimated credit loss	-	137,989	-	173,356
Interest expense	1,907	72,581	31,697	146,821
Foreign exchange gain	10,749	25,727	19,914	35,833
Other income, net	(12,605)	(3,342)	(33,922)	(13,790)
Accretion expense	1,157	56,770	2,992	110,578
Loss on revaluation of derivative liability	-	-	-	-
Unrealized changes in biological assets	12,391	37,140	(53,176)	317,889
Inventory impairment	67,385	157,122	70,272	188,157
Adjusted EBITDA	**$ (253,854)**	**(442,310)**	**$ 177,961**	**$ (424,537)**

[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 three months ended June 30, 2025, was ($253,854), as compared to the loss of ($442,310) for the three months ended June 30, 2024. The significant improvement is due to the Company's continued efforts to lower operating costs, identify efficiencies and improve working capital with the goal of attaining operational self-sufficiency. The Company has actively worked to amend contracts and streamline suppliers to achieve these goals.

Summary of Quarterly Results

The following tables present our quarterly results of operations for the eight consecutive three-month periods up to June 30, 2025. These tables should be read with the Financial Statements and related notes. We prepared the information on the same basis as our audited consolidated financial statements. Our operating results for any quarter are not necessarily indicative of the results for any future quarters or for a full year.

	Quarter Ended			
2025 Quarterly Results *(Canadian Dollars)*	**June 30, 2025**	**March 31, 2025**	**December 31, 2024**	**September 30, 2024**
Net revenues	$ 6,157,309	$ 6,324,201	$ 6,616,855	$ 6,273,949
Net comprehensive loss	(850,991)	876,331	(440,094)	(922,007)
Loss per share	$ (0.01)	$ -	$ (0.01)	$ (0.01)

	Quarter Ended			
2024 Quarterly Results *(Canadian Dollars)*	**June 30, 2024**	**March 31, 2024**	**December 31, 2023**	**September 30, 2023**
Net revenues	$ 6,122,751	$ 6,445,660	$ 6,053,443	$ 6,252,950
Net comprehensive loss	(2,871,046)	(498,238)	(2,388,943)	(1,025,605)
Loss per share	$ (0.03)	$ (0.01)	$ (0.02)	$ (0.01)

PART III – FINANCIAL LIQUIDITY AND CAPITAL RESOURCES

The Company's primary liquidity and capital requirements were for capital expenditure, inventory, working capital and general corporate purposes. The Company had a cash balance of $207,639 on June 30, 2025. 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 six months ended June 30, 2025, and 2024:

	Six Months ended June 30,			
Statement of cash flow *(Canadian Dollars)*	**2025**	**2024**	**Change**	**Change (%)**
Net cash (used in) provided by:				
Operating activities	$ (147,660)	$ (2,086,097)	$ 1,938,436	-93%
Investing activities	(224,293)	(46,853)	(177,440)	379%
Financing activities	21,117	2,175,867	(2,154,750)	-99%
Effect of exchange rate changes on cash	110,447	(31,904)	142,352	-446%
Net increase (decrease) in cash and cash equivalents	(350,837)	42,917	(393,960)	-914%
Cash, beginning of year	448,028	477,198	(29,170)	-6%
Cash, at quarter end	**$ 207,639**	**$ 488,417**	**$ (280,778)**	**-57%**

Cash used in operations during the six months ended June 30, 2025, was ($147,660), a substantial improvement from the six months ended June 30, 2024, in which cash used was ($2,086,097). The significant improvement is a result of net loss decreasing by 79%, going from (2,962,811) in 2024 to (626,457) in 2025. Other factors include share-based compensation decreasing from $1,132,923 in 2024 to $382,078 in 2025 and a decrease in non-cash operating elements of working capital, which went from ($778,682) in 2024 to ($82,871) in 2025. Accretion expense and expected credit loss also decreased significantly in 2025 compared to 2024.

Net cash used in investing activities totaled ($244,293) for the six months ended June 30, 2025, compared to ($46,853) for the six months ended June 30, 2024. Capital expenditures continue to be light, purchases in 2025 comprised of production equipment and construction at the Company's SMGH facility in Colombia. Improvements to the facility relate to creating increased capacity required for licensing and supply agreements.

Net cash provided by financing activities totaled $21,117 for the six months ended June 30, 2025, down from $2,175,867 for the six months ended June 30, 2024. Cash flow in 2025 comprised of contributions from the minority shareholder of SMGH, all of which contributed to capital asset purchases. No proceeds from the issuance of common shares were required in the first half of 2025, as compared to $2,098,585 raised in the first half of 2024.

The following table provides information about the Company's financing from the public and private sources during the six months ended June 30, 2025, and year ended December 31, 2024, and the actual use of proceeds from those financings compared to the intended use of proceeds from the offerings. The remaining cash related to financings raised for general corporate and working capital needs are prorated based timing of funds raised and the current years cash flow.

Date	Type	Gross Proceeds	Initially Intended Use of Proceeds	Actual Use of Proceeds
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 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 28, 2024	Loan Payable	$1,986,208 (Net proceeds of $1,927,605)	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.
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 MyMedi.ca platform	As of the date of this MD&A, all funds have been fully deployed in their originally intended use.

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 has no off-balance sheet arrangements.

Related Party Balances and Transactions

Compensation expenses for Avicanna's key management personnel for the three and six months ended June 30, 2025, and 2024 are as follows:

	Three months ended June 30,		Six months ended June 30,	
Related Party Compensation *(Canadian Dollars)*	**2025**	**2024**	**2025**	**2024**
Salaries and benefits	$ 154,916	$ 165,159	$ 317,451	$ 297,985
Share-based compensation	87,481	278,393	126,631	356,443
	$ 242,397	$ 443,552	**$** 444,082	**$** 654,428

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 $nil as of June 30, 2025 (December 31, 2024 - $592,607). 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 June 25, 2025, the Company and the minority shareholder of SMGH completed a capitalization of a total of $1,462,944 (COP $4,318,615,628) in shareholder contributions in SMGH, including $704,156 in contributions from the minority shareholder. The Company and the minority shareholder received an additional 2,078,668 and 1,994,612 shares in SMGH, respectively. 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 117,807,262 Common Shares issued and outstanding. In addition, there were 8,288,658 Common Shares issuable on the exercise of Stock Options, 20,480,609 Common Shares issuable on the exercise of Warrants, 1,033,866 Common Shares issuable on the vesting of Restricted Share Units.

PART IV – CRITICAL ACCOUNTING POLICIES AND ESTIMATES

Our material accounting policies are fully described in Note 3 of the Company's most recent audited consolidated financial statements for the year ended December 31, 2024. 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 go 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 needed 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.

Derivative liability fair value measurement

Critical estimates. The derivative liability was measured at fair value through net income (loss) using Level 3 inputs.

Assumptions and judgment. The valuation technique required assumptions and judgement around the inputs to be used. Specifically, there was a high degree of subjectivity and judgement in evaluating the determination of the expected share price volatility inputs. Historical and peer group volatility levels were used to provide a range of expected volatility inputs.

Impact if actual results differ from assumptions. An increase or decrease in the share price volatility will result in an increase or decrease in fair value. Fair value estimates were sensitive to the expected volatility inputs.

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 this could impact on our income taxes and cash flow.

Provisions

Critical judgment. Accrued for liabilities or 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

Market risk is the risk that the fair value or future cash flows 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.

Interest risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company was not exposed to interest rates as all borrowing had fixed rates of interest which were not affected by these fluctuations. Loan payable, convertible debentures and lease liability 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 are discussed in the Company's Annual Information Form for the year ended December 31, 2024, dated April 11, 2025. These are 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.

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.

As of June 30, 2025, 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.