

Avicanna Inc.
Condensed Consolidated Interim Financial Statements
Unaudited
For the Three and Nine Months Ended September 30, 2025, and 2024
(Expressed in Canadian dollars, unless otherwise noted)

Avicanna Inc.
Condensed Consolidated Interim Statements of Financial Position
As at September 30, 2025, and 2024
Unaudited
(Expressed in Canadian Dollars, unless otherwise noted)

	Note	September 30, 2025		December 31, 2024	
ASSETS					
Current assets					
Cash		\$ 464,848	\$ 448,028		
Amounts receivable	4	2,502,790	2,748,234		
Prepaid assets		340,375	470,339		
Biological assets	5	114,419	41,128		
Inventory	6	4,440,929	3,933,443		
Total current assets		7,863,361		7,641,172	
Right of use asset	9	-	100,929		
Property and equipment	7	12,288,268	11,171,910		
Intangible assets	8	687,054	868,921		
Goodwill		334,000	334,000		
Total assets		\$ 21,172,683	\$	20,116,932	
LIABILITIES AND SHAREHOLDERS' EQUITY					
Current liabilities					
Trade payables and accrued liabilities		\$ 8,120,815	\$ 7,771,623		
Lease liability – current portion	11	-	109,227		
Deferred revenue – current portion	10	378,001	415,935		
Royalty liability	12	150,132	300,132		
Non-controlling interest contribution liability	13	47,543	672,305		
Total current liabilities		8,696,491		9,269,222	
Deferred revenue	10	772,019	1,106,096		
Total liabilities		9,468,510		10,375,318	
Shareholders' Equity					
Share capital	14	88,929,653	87,000,350		
Warrant reserve	14	12,514,122	12,494,122		
Share-based payment reserve	15	6,907,008	7,040,868		
Accumulated other comprehensive loss		(1,231,332)	(2,132,320)		
Deficit		(104,009,100)	(102,090,161)		
Equity attributable to shareholders of the Company		3,110,351	2,312,859		
Non-controlling interest	16	8,593,822	7,428,755		
Total shareholders' equity		11,704,173		9,741,614	
Total liabilities and shareholders' equity		\$ 21,172,683	\$	20,116,932	

Nature of operations and going concern uncertainty – Note 1

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

Approved by the Board

/s/ Eileen McCormack, Director

/s/ John McVicar, Audit Committee Chair, Director

Avicanna Inc.
Condensed Consolidated Interim Statements of Operations and Comprehensive Loss
For the Three and Nine Months Ended September 30, 2025, and 2024
Unaudited
(Expressed in Canadian Dollars, unless otherwise noted)

	Note	Three months ended September 30, 2025		Nine months ended September 30, 2025	
		2025	2024	2025	2024
Revenue					
Service revenue		\$ 305,518	\$ 694,952	\$ 1,103,796	\$ 934,860
License revenue	10	488,612	103,983	1,328,165	663,500
Product sales		5,602,692	5,475,014	16,446,371	17,244,000
Total Revenue		6,396,822	6,273,949	18,878,332	18,842,360
Cost of goods sold		(3,303,795)	(2,755,827)	(9,036,471)	(8,940,045)
Gross margin before the undernoted		3,093,027	3,518,122	9,841,861	9,902,315
Inventory impairment		156,342	89,123	86,070	(99,034)
Fair value changes in biological assets included in inventory sold		(100,257)	(67,069)	(111,249)	(384,958)
Unrealized gain (loss) on changes in fair value of biological assets		168	29,800	64,336	29,800
Gross margin		3,149,280	3,569,976	9,881,018	9,448,123
Expenses					
General and administrative	18	3,879,657	3,812,053	10,450,530	10,620,783
Share-based compensation	15	433,365	225,222	815,443	1,358,145
Depreciation and amortization	7,8,9	193,891	215,871	578,454	662,378
Expected credit loss	17	15,167	92,830	15,167	266,186
Total Expenses		(4,522,080)	(4,345,976)	(11,859,594)	(12,907,492)
Other income (expenses)					
Foreign exchange gain (loss)		(5,779)	(13,455)	(25,693)	(49,288)
Gain (loss) on disposal of capital assets		-	(879)	-	(879)
Other income		1,502	58,208	35,424	71,998
Interest expense		(5,350)	(29,246)	(37,047)	(176,067)
Accretion expense		(467)	(25,016)	(3,459)	(135,594)
Net loss		\$ (1,382,894)	\$ (786,388)	\$ (2,009,351)	\$ (3,749,199)
Exchange differences on translation of foreign operations		800,514	(135,619)	1,452,311	(542,093)
Net comprehensive gain (loss)		\$ (582,380)	\$ (922,007)	\$ (557,040)	\$ (4,291,292)
Net comprehensive loss attributable to non – controlling interest	16	289,321	113,350	460,911	(610,822)
Net comprehensive loss attributable to Shareholders of the Company		(871,701)	(1,035,357)	(1,017,951)	(3,680,470)
		\$ (582,380)	\$ (922,007)	\$ (557,040)	\$ (4,291,292)
Weighted average number of common shares – basic and diluted		114,640,139	100,824,201	112,773,109	95,454,856
Net loss per share – basic and diluted		\$ (0.01)	\$ (0.01)	\$ (0.01)	\$ (0.04)

The accompanying notes are an integral part of these condensed consolidated interim financial statement

Avicanna Inc.
Condensed Consolidated Interim Statements of Changes in Shareholders' Equity
For the Nine Months Ended September 30, 2025, and 2024
Unaudited
(Expressed in Canadian Dollars, unless otherwise noted)

		Common shares	Warrants	Share-based payment Reserve	Deficit	Accumulated other comprehensive loss	Non-controlling interest	Total
	Note	#	\$	\$	\$	\$	\$	\$
Balance at December 31, 2024		110,215,490	87,000,350	12,494,122	7,040,868	(102,090,161)	(2,132,320)	7,428,755
Share based compensation	15	-	-	-	815,443	-	-	815,443
Issuance of Shares		4,000,000	980,000	20,000	-	-	-	1,000,000
Settlement of RSUs	15	3,591,772	949,303	-	(949,303)	-	-	-
Recapitalization of SMGH	13	-	-	-	-	-	704,156	704,156
Foreign exchange translation		-	-	-	-	900,988	551,323	1,452,311
Net loss		-	-	-	(1,918,939)	-	(90,412)	(2,009,351)
Balance at September 30, 2025		117,807,262	88,929,653	12,514,122	6,907,008	(104,009,100)	(1,231,332)	8,593,822
Balance at December 31, 2023		90,676,969	81,025,495	12,118,194	6,890,762	(98,714,758)	(1,432,197)	8,084,615
Share based compensation	15	-	-	-	1,358,145	-	-	1,358,145
Settlement of RSUs	15	3,982,074	1,232,596	-	(1,232,596)	-	-	-
Issuance of units	14	11,934,651	3,653,337	372,852	-	-	-	4,026,189
Exercise of warrants	14	312,000	173,697	(48,897)	-	-	-	124,800
Foreign exchange translation		-	-	-	-	(256,166)	(285,927)	(542,093)
Net loss		-	-	-	(3,424,304)	-	(324,895)	(3,749,199)
Balance at September 30, 2024		106,905,694	86,085,125	12,442,149	7,016,311	(102,139,062)	(1,688,363)	7,473,793
								9,189,953

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

Avicanna Inc.
Condensed Consolidated Interim Statements of Cash Flows
For the Nine Months Ended September 30, 2025, and 2024
Unaudited
(Expressed in Canadian Dollars)

	Note	For the Nine Months Ended September 30,	
		2025	2024
Cash flows from operating activities			
Net loss		\$ (2,009,351)	\$ (3,749,199)
Depreciation and amortization	7,8,9	578,454	662,378
Accretion of loans and convertible debentures		3,459	135,594
Share-based compensation	15	815,443	1,358,145
Deferred revenue incurred, net of recognized revenue	10	(372,011)	(311,950)
Expected credit losses	17	15,167	266,186
Changes in non-cash operating elements of working capital	19	(21,344)	(667,389)
Cash used in operating activities		(990,183)	(2,306,235)
Cash flows from investing activities			
Purchase of capital assets	7	(247,995)	(95,438)
Proceeds from disposal of capital assets	7	1,075	-
Cash used in investing activities		(246,920)	(95,438)
Cash flows from financing activities			
Payment of lease liability	11	(112,686)	(112,686)
Proceeds from issuance of common shares, net of costs	14	1,000,000	4,026,189
Increase in balance due to related party	13	145,382	357,244
Repayment of loan payable		-	(1,584,445)
Proceeds from exercise of warrants	14	-	124,800
Cash provided by financing activities		1,032,696	2,811,102
Net increase (decrease) in cash		(204,407)	409,429
Effect of foreign exchange differences		221,227	(74,559)
Cash, beginning of period		448,028	477,198
Cash, end of period	\$	464,848	\$ 812,068

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

Avicanna Inc.

Notes to the Condensed Consolidated Interim Financial Statements

For the Three and Nine Months Ended September 30, 2025, and 2024

(Expressed in Canadian dollars, unless otherwise noted)

NOTICE OF NO AUDITOR REVIEW OF CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

Under National Instrument 51-102, Part 4, subsection 4.3(3) (a), if an auditor has not performed a review of the condensed consolidated interim financial statements, they must be accompanied by a notice indicating that the interim financial statements have not been reviewed by an auditor.

The accompanying unaudited condensed consolidated interim financial statements of the Company have been prepared by and are the responsibility of the Company's management.

The Company's independent auditor has not performed a review of these condensed consolidated interim financial statements in accordance with standards established by the Chartered Professional Accountants Canada for a review of interim financial statements by an entity's auditor.

Avicanna Inc.

Notes to the Condensed Consolidated Interim Financial Statements

For the Three and Nine Months Ended September 30, 2025, and 2024

(Expressed in Canadian dollars, unless otherwise noted)

1. NATURE OF OPERATIONS AND GOING CONCERN UNCERTAINTY

Avicanna Inc. (“Avicanna” or the “Company”) was incorporated in Ontario, Canada. The Company is a commercial-stage international biopharmaceutical company focused on the advancement and commercialization of evidence-based 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 that has led to the commercialization of more than thirty proprietary finished products.

The registered office of the Company is located at 480 University Avenue, Suite 1502, Toronto, Ontario. The Company’s common shares are listed under the symbol “AVCN” on the Toronto Stock Exchange (“TSX”); the OTC US exchange under the symbol “AVCNF”; and the Frankfurt Stock Exchange under the symbol “ONN”.

These condensed consolidated interim financial statements have been prepared on a going-concern basis which contemplates that the Company will continue operations for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of business. These condensed consolidated interim financial statements do not give effect to adjustments that would be necessary to the carrying values and classification of assets and liabilities should the Company be unable to continue as a going concern.

As of September 30, 2025, the Company has an accumulated deficit of \$104,009,100 (December 31, 2024 - \$102,090,161), cash of \$464,848 (December 31, 2024 - \$448,028), and a working capital deficit of \$833,130 (December 31, 2024 - deficit of \$1,628,050). Additionally, the Company incurred a net loss after taxes of \$1,382,894 and \$2,009,351 for the three and nine months ended September 30, 2025, respectively and used \$990,183 of cash from operating activities during the period ended on September 30, 2025. In the prior period, the Company incurred a net loss of \$786,388 and \$3,749,199, for the three and nine months ended September 30, 2024, respectively, and used \$2,306,235 of cash from operating activities. The Company will need to raise additional financing to continue operations, product development, and clinical research. Although the Company has been successful in the past in obtaining financing and it believes that it will continue to be successful, there is no assurance that it will be able to obtain adequate financing in the future or that such financing will be available on terms that are advantageous to the Company. These material uncertainties may cast significant doubt as to the Company’s ability to continue as a going concern.

2. BASIS OF PRESENTATION

Statement of compliance

These condensed consolidated interim financial statements have been prepared in accordance with International Accounting Standard 34 – Interim Financial Reporting (“IAS 34”) using accounting policies consistent with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”). Accordingly, certain disclosures normally included in annual financial statements prepared in accordance with IFRS have been omitted or condensed. These condensed consolidated interim financial statements should be read in conjunction with the Company’s audited condensed consolidated interim financial statements for the year ended December 31, 2024.

These condensed consolidated interim financial statements were approved and authorized for issuance by the Company’s Board of Directors on November 14, 2025.

Basis of presentation

These condensed consolidated interim financial statements have been prepared on a historical cost basis except for biological assets and derivative financial instruments, which are measured at fair value through profit and loss, as explained in the accounting policies below. The Company operates in four business segments: three based on geographic region; North America, South America and Rest of World, and Corporate, which is comprised of costs which serve the Company’s global administrative responsibilities.

Functional and presentation currency

These condensed consolidated interim financial statements are presented in Canadian dollars, which is the functional currency of the Company. The functional currency of each subsidiary is presented in the table below.

Avicanna Inc.

Notes to the Condensed Consolidated Interim Financial Statements

For the Three and Nine Months Ended September 30, 2025, and 2024

(Expressed in Canadian dollars, unless otherwise noted)

Basis of consolidation

Subsidiaries are entities controlled by the Company. Control exists when the Company has power, directly or indirectly, over an entity and is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through the power it has. The financial statements of subsidiaries are included in the condensed consolidated interim financial statements from the date that control commences until the date that control ceases. The following is a list of the Company's operating subsidiaries.

Subsidiaries	Jurisdiction of Incorporation	Ownership Interest	Functional currency
Avicanna (UK) Limited ("Avicanna UK")	United Kingdom	100%	British Pound Sterling
Avicanna USA Inc. ("Avicanna USA")	United States of America	100%	United States Dollar
Avicanna LATAM S.A.S. ("LATAM")	Republic of Colombia	100%	Colombian Peso
Santa Marta Golden Hemp S.A.S. ("SMGH")	Republic of Colombia	51%	Colombian Peso
Sigma Analytical Magdalena S.A.S.	Republic of Colombia	60%	Colombian Peso
Sigma Magdalena Canada Inc.	Ontario, Canada	60%	Canadian Dollar
2516167 Ontario Inc. ("MyCannabis")	Ontario, Canada	100%	Canadian Dollar

Intragroup balances, and any unrealized gains and losses or income and expenses arising from transactions with jointly controlled entities, are eliminated to the extent of the Company's interest in the entity.

Subsequent to acquisition, the carrying amount of non-controlling interests is the amount recognized initially, plus the non-controlling interests' share of changes in the capital of the company in addition to changes in ownership interests. Total comprehensive income or loss is attributed to non-controlling interests, even if this results in the non-controlling interests having a deficit balance.

Foreign currency transactions

Foreign currency transactions are translated into Canadian dollars at exchange rates in effect on the date of the transactions. At the end of each reporting period, monetary assets and liabilities denominated in foreign currencies are translated into Canadian dollars at the foreign exchange rate applicable at that period-end date. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Foreign currency differences are generally recognized in profit or loss and presented within gain (loss) on foreign exchange.

Foreign currency translation

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated into Canadian dollars at the exchange rates at the reporting date. The income and expenses of foreign operation are translated into Canadian dollars at the dates of the transactions. Foreign currency differences due to translation are recognized in other comprehensive income ("OCI") and accumulated in the translation reserve, except to the extent that the translation difference is allocated to non-controlling interests ("NCI").

Use of judgments, estimates and assumptions

The preparation of the condensed consolidated interim financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income, and expenses. Actual results may differ from these estimates.

Estimates are based on management's best knowledge of current events and actions that the Company may undertake in the future. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The following are the critical judgments and estimates that management have made in the process of applying the Company's accounting policies and that have the most significant effect on the amounts recognized in the condensed consolidated interim financial statements:

Avicanna Inc.

Notes to the Condensed Consolidated Interim Financial Statements

For the Three and Nine Months Ended September 30, 2025, and 2024

(Expressed in Canadian dollars, unless otherwise noted)

Business combinations

Determining whether an acquisition meets the definition of a business combination or represents an asset purchase requires judgment on a case-by-case basis. As outlined in IFRS 3, the components of a business must include inputs, processes and outputs.

In a business combination, substantially all identifiable assets, liabilities, and contingent liabilities acquired are recorded at the date of acquisition at their respective fair values. One of the most significant areas of judgment and estimation relates to the determination of the fair value of these assets and liabilities, including the fair value of contingent consideration, if applicable. If any intangible assets are identified, depending on the type of intangible asset and the complexity of determining its fair value, the Company may utilize an independent external valuation expert to develop the fair value, using appropriate valuation techniques, which are generally based on a forecast of the total expected future net cash flows. These valuations are linked closely to the assumptions made by management regarding the future performance of the assets concerned and any changes in the discount rate applied.

Biological assets and inventory

In calculating the fair value of the biological assets and inventory, management is 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. Inventories of harvested cannabis are valued at the lower of cost or net realizable value. The Company estimates the net realizable value of inventories, considering the most reliable evidence available at the reporting date. The future realization of these inventories may be affected by market-driven changes that may reduce future selling prices. A change to these assumptions could impact the Company's inventory valuation and gross profit.

Estimated useful life of long-lived assets

Judgment is used to estimate each component of a long-lived asset's useful life and is based on an analysis of all pertinent factors including, but not limited to, the expected use of the asset and in the case of an intangible asset, contractual provisions that enable renewal or extension of the asset's legal or contractual life without substantial cost, and renewal history. If the estimated useful lives were incorrect, it could result in an increase or decrease in the annual amortization expense, and future impairment charges or recoveries.

Impairment of long-lived assets

When there are indications that an asset may be impaired, the Company is required to estimate the asset's recoverable amount. The recoverable amount is the greater of, value in use and fair value less costs to sell. Fair value is determined as the amount that would be obtained from the sale of the asset in an arm's length transaction between knowledgeable and willing parties. Determining the value in use requires the Company to estimate expected future cash flows associated with the assets and a suitable discount rate to calculate present value.

In addition to assessing evidence of possible impairment, the Company also determines whether there is any indication that a previously recognized impairment loss for an asset other than goodwill no longer exists or may have decreased. The Company determines whether there has been a change in the estimate used to determine the asset's recoverable amount since the last impairment loss is recognized.

Fair value measurements

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Company takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date.

Functional currency

The functional currency for each of the Company's subsidiaries is the currency of the primary economic environment in which the respective entity operates. Such determination involves certain judgements to identify the primary economic environment. The Company reconsiders the functional currency of its subsidiaries if there is a change in events and/or conditions which determine the primary economic environment.

Avicanna Inc.

Notes to the Condensed Consolidated Interim Financial Statements

For the Three and Nine Months Ended September 30, 2025, and 2024

(Expressed in Canadian dollars, unless otherwise noted)

Provisions

Provisions are accrued for liabilities with uncertain timing or amounts, if, in the opinion of management, it is both likely that a future event will confirm that a liability had been incurred at the date of the condensed consolidated interim financial statements and the amount can be reasonably estimated. In cases where it is not possible to determine whether such a liability has occurred, or to reasonably estimate the amount of loss until the performance of some future event, no accrual is made until that time. In the ordinary course of business, the Company may be party to legal proceedings which include claims for monetary damages asserted against the Company. The adequacy of provisions is regularly assessed as new information becomes available.

Leases

The Company exercises judgment when contracts are entered into that may give rise to a right-of-use asset that would be accounted for as a lease. Judgment is required in determining the appropriate lease term on a lease-by-lease basis. The Company considers all facts and circumstances that create an economic incentive to exercise a renewal option or to not exercise a termination option at inception and over the term of the lease, including investments in major leaseholds, operating performance, and changed circumstances. The periods covered by renewal or termination options are only included in the lease term if the Company is reasonably certain to exercise that option.

Income tax provisions

Provisions for taxes are made using the best estimate of the amount expected to be paid based on a qualitative assessment of all relevant factors. Judgment is required in determining whether deferred income tax assets and liabilities are recognized on the consolidated statement of financial position. Deferred income tax assets, including those arising from unutilized tax losses, require management to assess the likelihood that the Company will generate future taxable income in order to utilize the deferred income tax assets. Estimates of future taxable income are based on forecasted cash flows from operations or other activities. To the extent that future cash flows and taxable income differ significantly from estimates, the ability of the Company to realize the net deferred income tax assets recorded on the reporting date could be impacted.

The Company reviews the adequacy of these provisions at the end of the reporting period. However, it is possible that at some future date an additional liability could result from audits by taxing authorities. Where the final outcome of these tax-related matters is different from the amounts that were initially recorded, such differences will affect the tax provisions in the period in which such determination is made.

Determination of share-based payments

The estimation of share-based payments (including warrants and stock options) requires the selection of an appropriate valuation model and consideration as to the inputs necessary for the valuation model chosen. The model used by the Company is the Black-Scholes valuation model at the date of the grant. The Company makes estimates as to volatility, the expected life, dividend yield, and the time of exercise, as applicable. The expected volatility is based on the average volatility of share prices of similar companies over the period of the expected life of the applicable warrants and stock options. The expected life is based on historical data. These estimates may not necessarily be indicative of future actual patterns.

3. MATERIAL ACCOUNTING POLICY INFORMATION

These condensed consolidated interim financial statements have been prepared in accordance with the accounting policies adopted in the Company's most recent audited consolidated financial statements for the year ended December 31, 2024.

Avicanna Inc.

Notes to the Condensed Consolidated Interim Financial Statements

For the Three and Nine Months Ended September 30, 2025, and 2024

(Expressed in Canadian dollars, unless otherwise noted)

4. AMOUNTS RECEIVABLE

	September 30, 2025	December 31, 2024
Trade and other receivables	\$ 2,480,440	\$ 2,951,968
Sales tax receivable	485,526	357,857
Expected credit loss provision	(463,176)	(561,591)
Total amounts receivable	\$ 2,502,790	\$ 2,748,234

5. BIOLOGICAL ASSETS

Biological assets consist of cannabis on plants. The changes in the carrying value of biological assets are as follows:

	September 30, 2025	December 31, 2024
Opening balance	\$ 41,128	\$ 83,179
Production costs capitalized	585,690	231,549
Transferred to inventory upon harvest	(516,733)	(269,651)
Foreign exchange translation	4,334	(3,949)
Ending balance	\$ 114,419	\$ 41,128

The Company measures its biological assets at their fair value, less costs to sell. This is determined using a model which estimates the expected harvest yield in grams for plants and seeds currently being cultivated and then adjusts that amount for the expected selling price, less costs to sell per gram. During this period, the Company also cultivated seeds which have been transferred into inventory.

The fair value measurements for biological assets have been categorized as Level 3 fair values based on the inputs to the valuation technique used. The Company's method of accounting for biological assets attributes value accretion on a straight-line basis throughout the life of the biological asset from initial cloning to the point of harvest.

The following table quantifies each significant unobservable input and provides the impact that a 10% increase/decrease in each input would have on the fair value of biological assets.

Assumptions: CBD Isolate	As of September 30, 2025		As of December 31, 2024	
	Input	Effect on Fair Value	Input	Effect on Fair Value
CBD Isolate Yield	4.5%	(\$32,824)	4.6%	(\$4,215)
CBD Isolate Price (USD/KG)	\$1,852	(\$33,005)	\$1,852	(\$4,241)
Weighted average of expected loss of plants until harvest [i]	2.9%	\$150	0.0%	-
Expected yields for cannabis plants (average grams per plant)	153	\$5,122	187	\$920
Weighted average number of growing weeks completed as a percentage of total growing weeks as at period end	52%	\$5,122	12%	\$920
Estimated fair value less costs to complete and sell (per gram) [ii]	(\$0.11)	\$4,058	(\$0.10)	\$550
After harvest cost to complete and sell (per gram)	\$0.03	\$1,064	\$0.06	\$370

Assumptions: CBD Resin	As of September 30, 2025		As of December 31, 2024	
	Input	Effect on Fair Value	Input	Effect on Fair Value
CBD Resin Yield	9.0%	\$160,429	7.5%	\$30,331
CBD Resin Price (USD/KG)	1,759	\$160,429	1,759	\$30,331
Weighted average of expected loss of plants until harvest [i]	2.9%	\$48	4.1%	\$4
Expected yields for cannabis plants (average grams per plant)	153	\$1,651	81	\$101

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Notes to the Condensed Consolidated Interim Financial Statements

For the Three and Nine Months Ended September 30, 2025, and 2024

(Expressed in Canadian dollars, unless otherwise noted)

Weighted average number of growing weeks completed as a percentage of total growing weeks as at period end	52%	\$1,651	14%	\$101
Estimated fair value less costs to complete and sell (per gram) [ii]	\$0.08	\$2,715	\$0.05	\$349
After harvest cost to complete and sell (per gram)	\$0.03	\$1,064	\$0.06	\$450

[i] Weighted average of expected loss of plants until harvest represents loss via plants that do not survive to the point of harvest. It does not include any financial loss on a surviving plant.

[ii] The estimated fair value less costs to complete and sell (per gram/unit) represents the expected sales price for the Company's active ingredients including isolate and resins less the remaining costs to complete and sell that product as finished product which is inclusive of all production activities.

These estimates are subject to volatility in market prices and several uncontrollable factors, which could significantly affect the fair value of biological assets in future periods.

The Company estimates the harvest yields for cannabis at various stages of growth. As of September 30, 2025, it is expected that the Company's cannabis plants biological assets will yield approximately 2,196,757 grams of dry cannabis (December 31, 2024 – 614,000 grams).

The Company's estimates are, by their nature, subject to change, and differences from the anticipated yield will be reflected in the gain or loss of biological assets in future periods.

An unrealized gain (loss) on biological assets of \$168 and \$64,336 was included in costs of goods sold for the three months and nine months ended September 30, 2025, respectively (September 30, 2024 – gain of \$29,800 and \$29,800 respectively).

6. INVENTORY

	Capitalized Cost	Biological assets fair value adjustment	Impairment	Carrying Value
Harvested Cannabis				
Seeds	\$ 81,646	\$ -	\$ (81,646)	\$ -
Wet Flower	503,131	-	(1,433)	501,698
Dried Flower	477,941	1,978,839	(1,756,297)	700,482
	1,062,718	1,978,839	(1,839,376)	1,202,180
Active Pharmaceutical Ingredients				
Work in process	468,680	376,266	(441,762)	403,184
Finished goods	18,141	-	-	18,141
	486,821	376,266	(441,762)	421,325
Supplies and consumables				
Finished goods	813,278	-	(11,898)	801,380
	2,031,866	-	(15,823)	2,016,044
September 30, 2025	\$ 4,394,683	\$ 2,355,105	\$ (2,308,859)	\$ 4,440,929

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	Capitalized Cost	Biological assets fair value adjustment	Impairment	Carrying Value
Harvested Cannabis				
Seeds	\$ 74,478	\$ -	\$ (74,478)	\$ -
Wet Flower	123,580	(95,470)	-	28,110
Dried Flower	460,622	1,912,390	(1,889,318)	483,693
	658,680	1,816,920	(1,963,796)	511,803
Active Pharmaceutical Ingredients				
Work in process	530,482	652,315	(641,615)	541,182
Finished goods	6,603	-	(6,603)	-
	537,085	652,315	(648,218)	541,182
Supplies and consumables	828,913	-	(10,764)	818,149
Finished goods	2,076,686	-	(14,377)	2,062,309
December 31, 2024	\$ 4,101,364	\$ 2,469,235	\$ (2,637,155)	\$ 3,933,443

The value of inventory transferred to cost of goods sold during the three and nine months ended September 30, 2025, was \$3,303,795 and \$9,036,471, respectively (September 30, 2024 - \$2,755,827 and \$8,940,045, respectively).

7. PROPERTY AND EQUIPMENT

	Equipment \$	Land \$	Construction in Progress \$	Infrastructure and Buildings \$	Total \$
Cost					
December 31, 2024	5,025,754	6,591,102	476,171	1,526,768	13,619,795
Additions	148,586	-	98,409	-	247,995
Disposals	(1,075)	-	-	-	(1,075)
Foreign exchange translation	443,813	694,416	50,167	150,502	1,338,898
September 30, 2025	5,617,078	7,285,518	625,747	1,677,270	15,205,613
Accumulated Depreciation					
December 31, 2024	2,053,444	-	-	394,441	2,447,885
Depreciation	228,974	-	-	66,684	295,658
Foreign exchange translation	139,141	-	-	34,661	173,802
September 30, 2025	2,421,559	-	-	495,786	2,917,345
Net Book Value					
December 31, 2024	2,972,310	6,591,102	476,171	1,132,327	11,171,910
September 30, 2025	3,195,519	7,285,518	625,747	1,181,484	12,288,268

During the three months and nine months ended September 30, 2025, the Company recognized depreciation expense on its property and equipment of \$99,380 and \$295,658, respectively (September 30, 2024 - \$98,560 and \$311,183, respectively).

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8. INTANGIBLE ASSETS

	Customer Relationships	Ecommerce Platform	Licenses and Permits	Software Licenses	Intellectual Property	Total
	\$	\$	\$	\$	\$	\$
Cost						
December 31, 2024	761,327	968,932	44,917	108,486	172,192	2,055,854
Additions	-	-	-	-	-	-
Foreign exchange translation	-	-	4,734	12,533	8,660	25,927
September 30, 2025	761,327	968,932	49,651	121,019	180,852	2,081,781
Accumulated Amortization						
December 31, 2024	316,994	599,940	44,917	108,486	116,596	1,186,933
Addition	93,000	76,940	-	-	11,927	181,867
Foreign exchange translation	-	-	4,734	12,533	8,660	25,927
September 30, 2025	409,994	676,880	49,651	121,019	137,183	1,394,727
Net Book Value						
December 31, 2024	444,333	368,992	-	-	55,596	868,921
September 30, 2025	351,333	292,052	-	-	43,669	687,054

During the three and nine months ended September 30, 2025, the Company recognized amortization on its intangible assets of \$60,622 and \$181,867, respectively (September 30, 2024 - \$83,422 and \$250,266, respectively).

9. RIGHT OF USE ASSETS

As of September 30, 2025, and December 31, 2024, the Company's right of use assets consisted of the following:

		September 30, 2025	December 31, 2024
Cost			
Opening balance	\$	392,297	\$ 392,297
Additions		-	-
Ending balance	\$	392,297	\$ 392,297
Accumulated Amortization			
Opening balance	\$	291,368	\$ 156,919
Depreciation		100,929	134,449
Ending balance	\$	392,297	\$ 291,368
Net Book Value	\$	-	\$ 100,929

10. DEFERRED REVENUE

	September 30, 2025	December 31, 2024
Opening balance	\$ 1,522,031	\$ 1,937,964
Revenue recognized	(372,011)	(415,933)
Ending Balance	\$ 1,150,020	\$ 1,522,031

[i] On November 26, 2019, the Company entered into a license agreement (the "License Agreement") with LC2019, Inc. ("LC2019") pursuant to which the Company has agreed to license certain proprietary formulations and brand elements to LC2019 for

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commercialization in the United States and the Company transfers brand/trademark as well as intellectual property related to product development. As ongoing activities are required to maintain the brand, the license to the brand/ trademark would be considered a right to access and therefore would be recognized over time. In addition, given the license is for cannabis related to product development, the Company meets the criteria for right of use of intellectual property and recognize at a point in time. However, IFRS 15 states that revenue cannot be recognized for a license that provides a right to use intellectual property before the period during which the customer is able to use and benefit from the license. As cannabis remains federally illegal in the US, there exists restrictions in the benefits that the Company can derive from this license. Consequently, the revenue derived from the above license has been recorded as deferred revenue to be recognized into revenue evenly over a period of ten years. In relation to this contract, the Company recognized \$94,500 and \$283,500 as license revenue for the three and nine months ended September 30, 2025, respectively (September 30, 2024 - \$94,500 and \$283,500, respectively).

[ii] On April 10, 2022, the Company entered into an exclusive license and supply agreement with a South American pharmaceutical company (the “Licensee”). The agreement provides the Licensee with the right to use the Company’s intellectual property (“IP”) to promote, market and sell the Company’s products within Licensee’s designated territory for an initial period of five years, commencing on the date of execution. As consideration for the licensing agreement, the Company is to receive a fee of USD\$1,000,000 (\$1,291,255), paid in five tranches; a USD\$100,000 (\$125,955) fee paid on signing of the agreement and the remainder paid in four tranches as the Company met specific milestones in the transfer of IP. The Company originally determined that the fee paid upon signing contains a performance obligation which occurs over a period of time and therefore, revenue was to be recognized straight-line over a five-year period based on the term of the contract. However, the Company has now met all milestones and has no remaining performance obligations. Therefore, the Company deemed it appropriate to recognize the remaining balance of deferred revenue which amounted to an additional \$39,886 of License Revenue during the period. In relation to this contract, the Company recognized \$46,184 and \$58,779 into License Revenue for the three and nine months ended September 30, 2025, respectively (September 30, 2024 - \$6,298 and \$18,893, respectively).

[iii] On April 22, 2022, the Company entered into an exclusive license and supply agreement with a Brazilian pharmaceutical company (the “Licensee”). The agreement provides the Licensee with the right to use the Company’s IP to promote, market and sell the Company’s products within the Licensee’s designated territory for an initial period of 5 years, commencing on the date of execution. As consideration for the licensing agreement, the Company is to receive a fee of USD\$250,000 (\$322,814), paid in three tranches; a USD\$50,000 (\$63,713) fee paid on signing of the agreement and two USD\$100,000 (\$129,125) as the Licensee meets specific milestones. The Company originally determined that the fee paid upon signing contained a performance obligation which occurs over a period of time and therefore, revenue was to be recognized straight-line over a five-year period based on the term of the contract. However as there remains no further milestones to be met nor any remaining performance obligation, the Company deemed it appropriate to recognize the remaining balance of deferred revenue which totalled \$20,176 of License Revenue during the period. In relation to this contract, the Company recognized \$23,362 and \$29,734 into License Revenue for the three and nine months ended September 30, 2025, respectively (September 30, 2024 - \$3,186 and \$9,557, respectively).

11. LEASE LIABILITY

As of September 30, 2025, and December 31, 2024, the lease liability consisted of the following:

	September 30, 2025	December 31, 2024
Opening balance	\$ 109,227	\$ 245,610
Interest incurred on lease liability	3,459	13,865
Lease payments	(112,686)	(150,248)
Ending balance	\$ -	\$ 109,227
Lease liability – current portion	-	109,227
Lease liability – noncurrent portion	-	-

The Company lease of its corporate offices ended on September 30, 2025. The Company is currently in the process of negotiating a renewal of the lease but at this time is month to month while the negotiation process takes place. The weighted average discount rate for the three and nine months ended September 30, 2025, was 8% percent (September 30, 2024 – 8%).

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12. ROYALTY LIABILITY

	September 30, 2025	December 31, 2024
Opening balance	\$ 300,132	\$ 1,070,000
Payments	(150,000)	-
Change in fair value	-	(769,868)
Ending Balance	\$ 150,132	\$ 300,132

On July 31, 2023, the Company closed the acquisition of Medical Cannabis by Shoppers Drug Mart. As partial consideration for the acquisition, the Company entered into a Royalty Agreement whereby, Shoppers Drug Mart Inc. (the “Vendor”) receives an earn-out payment of 15% of net revenue from the acquired customers, for a period of one year following the closing date and 10% of net revenue for a period of one year following the first anniversary of the closing date. Net revenue is defined in the acquisition agreement as revenue with less discounts, cost of goods sold, shipping, and clinic education fees. Royalty payments are to be paid quarterly beginning on August 1, 2023.

The obligation has been accounted for as a financial liability recorded at amortized cost. The fair value of this obligation was determined using valuation models that require estimation of future earnings, future net cash flows, and discount rates. This was calculated using a discounted cash flow model which estimates approximately 2% to 3% annual sales growth, a customer attrition rate of approximately 30% annually, and a discount rate of 20%. The discount rate was determined based on the Company’s capital structure and assessing comparable peers within the Company’s industry.

During the year ended December 31, 2024, a gain on the fair value of \$769,868 was recorded. The change in the fair value of the liability was based on actual results and customer attrition. As of September 30, 2025, no further fair value changes were recorded.

13. RELATED PARTY TRANSACTIONS

The Company defines key management personnel as the Chief Executive Officer, Chief Legal Officer, and Chief Financial Officer. The following outlines salaries and shared based compensation paid to key management personnel:

	For the three months ended September 30,		For the nine months ended September 30,	
	2025	2024	2025	2024
Salaries	\$ 149,266	\$ 215,075	\$ 466,717	\$ 513,060
Stock-based compensation	92,537	22,639	219,168	320,624
	\$ 241,803	\$ 237,714	\$ 685,885	\$ 833,684

Non-controlling interest contribution liability

The Company recognized accumulated contributions from certain related parties who represent the minority shareholders of SMGH in the amount of \$47,543 (December 31, 2024 - \$672,305). 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.

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Changes in the balances are disclosed in the following table:

	September 30, 2025	December 31, 2024
Opening Balance	\$ 672,305	\$ 317,487
Additions	145,382	312,469
Capitalized	(704,156)	-
Foreign exchange	(65,988)	42,349
Ending Balance	\$ 47,543	\$ 672,305

14. SHARE CAPITAL**Authorized and outstanding share capital:**

The authorized share capital of the Company consists of an unlimited number of common shares and an unlimited number of preferred shares with no par value. As of September 30, 2025, the Company had 117,807,262 common shares issued and outstanding (December 31, 2024 – 110,215,490).

[i] On July 16, 2025, the Company issued an aggregate of 4,000,000 Units (the “Units”) at a price of \$0.25 per Unit for cash proceeds of \$1,000,000. 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 \$0.30 until July 16, 2028.

The proceeds were allocated between the common shares and the warrants by determining the fair value of the warrants, and allocating the residual to the common shares as follows:

Common shares	\$ 980,000
Warrants	20,000
	\$ 1,000,000

The fair value of the common share purchase warrants was determined using the Black-Scholes option pricing model with a market price per common share of \$0.25, a risk-free interest rate of 2.81%, an expected annualized volatility of 21% and expected dividend yield of 0%.

Warrant Reserve

As of September 30, 2025, the following warrants were outstanding and exercisable:

	Warrants	Weighted average exercise price
	#	\$
Outstanding as of December 31, 2023	25,388,438	0.73
Warrants issued	7,649,435	0.45
Warrants exercised	(312,000)	0.40
Warrants expired	(8,409,875)	1.34
Outstanding as of December 31, 2024	24,316,498	0.43
Warrants issued	2,000,000	0.30
Warrants expired	(8,494,320)	0.42
Outstanding as of September 30, 2025	17,822,178	0.43

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The following table is a summary of the Company's warrants outstanding and exercisable as of September 30, 2025:

Exercise price range \$	Number outstanding #	Weighted average remaining life (years)	Weighted average exercise price \$
0.55	2,735,729	0.66	0.08
0.50	2,988,055	0.55	0.08
0.41	1,371,033	0.30	0.03
0.40	7,272,361	1.69	0.16
0.35	1,455,000	0.29	0.03
0.30	2,000,000	0.62	0.03
	17,822,178	4.12	0.43

15. SHARE BASED PAYMENT RESERVE AND COMPENSATION

The Company has established a Long-Term Omnibus Compensation Plan (the "Omnibus Plan") for directors, officers, employees, and consultants of the Company. The Company's Board of Directors determines, among other things, the eligibility of individuals to participate in the Option Plan and the term, vesting periods, and the exercise price of options and share units granted to individuals under the Omnibus Plan.

Each option converts into one common share of the Company on exercise. No amounts are paid or payable by the individual on receipt of the option. The options carry neither the right to dividends nor voting rights. Options may be exercised at any time from the date of vesting to the date of their expiry. Each share unit converts into a single common share of the Company on the vesting date. No amounts are payable on receipt of the share unit or at vesting.

The Company's Omnibus Plan provides that the number of common shares reserved for issuances of options may not exceed 10%, and the number of common shares reserved for the issuance of share units must not exceed 4% of the number of common shares outstanding. If any options or share units terminate, expire, or are cancelled, as contemplated by the Omnibus Plan, the number of options or share units so terminated, expired, or cancelled shall again be available under the Omnibus Plan.

Share-based compensation is comprised of the following:

	For the three months ended September 30, 2025		For the nine months ended September 30, 2025		For the nine months ended September 30, 2024	
Stock options	\$	101,036	\$	68,154	\$	108,024
Restricted Stock Units		332,329		157,068		707,419
	\$	433,365	\$	225,222	\$	815,443
						\$ 1,358,145

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Employee and non-employee options*[i] Measurement of fair values*

The fair value of share options granted during the period ended September 30, 2025, and the year ended December 31, 2024, was estimated at the date of grant using the Black Scholes option pricing model using the following range of inputs:

	2025	2024
Grant date share price	\$0.25 - \$0.26	\$0.26 - \$0.30
Exercise price	\$0.30 - \$0.33	\$0.33 - \$0.39
Expected dividend yield	0%	0%
Risk-free interest rate	2.70% - 2.81%	3.37% - 3.43%
Expected option life	3 - 5 years	5 years
Expected volatility	20.67% - 20.71%	20.04% - 20.06%

Expected volatility was estimated by using the historical volatility of the Company's publicly traded common shares. The expected option life represents the period that options granted are expected to be outstanding. The risk-free interest rate is based on Canada government bonds with a remaining term equal to the expected life of the options.

[ii] Options Issued and Outstanding

	Options	Weighted average exercise price
	#	\$
Outstanding on December 31, 2023	3,100,358	1.76
Options issued	4,887,500	0.36
Options expired	(37,500)	0.40
Options cancelled and forfeited	(60,000)	0.90
Outstanding on December 31, 2024	7,890,358	0.59
Options issued	645,000	0.33
Options expired	(752,200)	0.38
Options cancelled and forfeited	(272,000)	2.92
Outstanding on September 30, 2025	7,511,158	0.51

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The following table is a summary of the Company's share options outstanding as of September 30, 2025:

Exercise price range	Options Outstanding		Options Exercisable		
	Number outstanding	#	Weighted average remaining life (years)	Weighted average exercise price \$	Number exercisable #
\$ 0.30	300,000		0.17	0.01	125,000
0.31	85,000		0.05	0.00	85,000
0.33	2,547,500		1.30	0.11	2,133,750
0.35	350,000		0.18	0.02	350,000
0.37	40,000		0.01	0.00	40,000
0.38	412,500		0.14	0.02	175,000
0.39	1,550,000		0.71	0.08	775,000
0.40	275,000		0.03	0.01	300,000
0.45	400,000		0.17	0.02	400,000
0.47	410,000		0.16	0.03	410,000
0.60	475,000		0.14	0.04	237,500
1.00	415,000		0.08	0.06	415,000
1.24	2,500		0.00	0.00	2,500
1.39	8,000		0.00	0.00	8,000
2.50	67,608		0.03	0.02	67,608
2.75	151,500		0.01	0.06	151,500
5.00	1,550		0.00	0.00	1,550
8.00	20,000		0.00	0.02	20,000
	7,511,158		3.18	0.51	5,697,408

During the three and nine months ended September 30, 2025, the Company recognized a total share-based compensation expense relating to options of \$101,036 and \$108,024, respectively (September 30, 2024 – \$68,154 and \$213,017, respectively).

Restricted Stock Units

The fair value of restricted stock units ("RSUs") granted is based on the market price of the Company's publicly traded common shares on the grant date.

The following table summarized the continuity of the Company's RSUs:

	Restricted stock units #	Weighted average issue price \$
Outstanding on December 31, 2023	1,768,902	0.32
RSUs issued [i]	4,063,562	0.28
RSUs vested [ii]	(4,625,169)	0.31
RSUs forfeited	(45,000)	0.31
Outstanding on December 31, 2024	1,162,295	0.32
RSUs issued [i]	3,585,312	0.26
RSUs vested [ii]	(3,591,772)	0.27
RSUs forfeited	(258,333)	0.27
Outstanding on September 30, 2025	897,502	0.27

- [i] During the nine months ended September 30, 2025, 3,585,312 restricted stock units were issued. The grant price of the issued units ranged from \$0.25 to \$0.26. Of the units issued, 2,736,155 vested immediately and the remainder vest over two years.
- [ii] During the nine months ended September 30, 2025, 3,591,772 restricted stock units vested with a fair value range of \$0.25 to \$0.48 per unit.

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During the three and nine months ended September 30, 2025, the Company recognized a total share-based compensation expense relating to restricted stock units of \$332,329 and \$707,419, respectively (September 30, 2024 - \$157,068 and \$1,145,129, respectively).

During the period Management identified an immaterial error related to share-based compensation in the first and second quarters of 2025 which resulted in an understatement of share-based compensation expense for each three month period of \$150,056 and \$52,745, respectively. The correcting adjustment of \$202,801 was recorded in the three-month period ending September 30, 2025.

16. NON-CONTROLLING INTEREST

The net change in non-controlling interest is as follows:

	September 30, 2025	December 31, 2024
Opening Balance	\$ 7,428,755	\$ 8,084,615
Capitalization of non-controlling interest contributions (note 13)	704,156	-
Foreign translation	551,323	(413,582)
Net loss attributed to non-controlling interest	(90,412)	(242,278)
Ending Balance	\$ 8,593,822	\$ 7,428,755

17. FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS

Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations and arises principally from deposits with banks and outstanding receivables. The Company does not hold any collateral as security but mitigates this risk by dealing only with what management believes to be financially sound counterparties and, accordingly, does not anticipate significant loss for non-performance.

As of September 30, 2025, \$2,480,440 in trade and other receivables remained outstanding (December 31, 2024 – \$2,951,968). The Company applies the simplified approach to providing for expected credit losses as prescribed by IFRS 9, which permits the use of lifetime expected loss provision for all trade receivables. The loss allowance is based on the Company's historical collection and loss experience and incorporates forward-looking factors, where appropriate.

During the three and nine months ended September 30, 2025, the Company has recognized an estimated credit losses of \$15,167 and \$15,167, respectively (September 30, 2024 - \$92,830 and \$266,186, respectively).

Liquidity risk

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

In addition to the commitments disclosed, the Company is obligated to the following contractual maturities of undiscounted cash flows:

	Carrying amount	Contractual cash flows	Year 1	Year 2	Year 3 +
Trade payables and accrued liabilities	\$ 8,120,815	\$ 8,120,815	\$ 8,120,815	-	\$ -
Lease liability	-	-	-	-	-
Royalty liability	150,132	150,132	150,132	-	-
	\$ 8,270,947	\$ 8,270,947	\$ 8,270,947	-	\$ -

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The due to related party balance of \$47,543 as of September 30, 2025 is not intended to be repaid. As these amounts become due, the outstanding balances are converted into common shares of SMGH, consistent with current ownership splits.

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

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

Interest risk

Interest rate 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 is not exposed to interest rate risk as all borrowings have fixed rates of interest which are not affected by these fluctuations. Loan payable, convertible debentures, and lease liability are recorded at amortized cost using fixed interest rates.

Other price risk

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices of the Company's cannabis products (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

Fair values

The carrying values of cash, amounts receivable, amounts payable, current portion of loan payable, royalty liability and convertible debentures, approximate the fair values due to the short-term nature of these items. The risk of material change in fair value is not considered to be significant due to the short-term nature. It is not practicable to estimate the fair value of the non-controlling interest contribution liability, due to the nature of this liability. The Company does not use derivative financial instruments to manage this risk.

Financial instruments recorded at fair value on the condensed consolidated interim statement of financial position are classified using a fair value hierarchy that reflects the significance of the inputs used in making the measurements.

The hierarchy prioritizes the inputs used by the Company's valuation techniques. A level is assigned to each fair value measurement based on the lowest-level input significant to the fair value measurement in its entirety. The Company categorizes its fair value measurements according to a three-level hierarchy as disclosed in Note 21 to the Consolidated Financial Statements for the year ended December 31, 2024. The hierarchy prioritizes the inputs used by the Company's valuation techniques. A level is assigned to each fair value measurement based on the lowest-level input significant to the fair value measurement in its entirety.

The Company performs valuations of financial items for financial reporting purposes, including level 3 fair values, in consultation with third party valuation specialists for complex valuations. Valuation techniques are selected based on the characteristics of each instrument, with the overall objective of maximizing the use of market-based information.

The fair value hierarchy requires the use of observable market inputs whenever such inputs exist. A financial instrument is classified to the lowest level of the hierarchy for which a significant input has been considered in measuring fair value. Warrant reserves and Share-based payment reserves are classified as level 2 financial instruments. As of September 30, 2025, and December 31, 2024, there were no level 3 financial instruments.

As of September 30, 2025, and December 31, 2024, there were no financial instruments recognized at fair value through profit and loss.

Avicanna Inc.**Notes to the Condensed Consolidated Interim Financial Statements**

For the Three and Nine Months Ended September 30, 2025, and 2024

(Expressed in Canadian dollars, unless otherwise noted)

18. GENERAL AND ADMINISTRATIVE EXPENSES

	For the three months ended September 30,		For the nine months ended September 30,	
	2025	2024	2025	2024
Office & General	\$ 827,747	\$ 971,591	\$ 2,564,457	\$ 2,573,199
Selling marketing and promotion	867,608	956,359	2,388,140	2,474,915
Consulting fees	150,668	291,962	369,541	728,317
Professional fees	457,036	33,495	680,535	257,319
Salaries and wages	1,544,501	1,491,412	4,248,152	4,414,819
Research and development	32,097	67,234	199,705	172,214
	\$ 3,879,657	\$ 3,812,053	\$ 10,450,530	\$ 10,620,783

During the three and nine months ended September 30, 2025, as part of its inventory costing process, the Company capitalized \$210,331 and \$465,674 of salaries to inventory and biological assets, respectively (September 30, 2024, \$87,368 and \$197,743 respectively).

During the period Management identified immaterial errors related to professional fees in the first and second quarters of 2025. This was a result of clerical errors which understated professional fees and accrued liabilities by \$219,156 in the first quarter and \$114,942 in the second quarter of 2025. This resulted in an adjustment of \$334,099 in the three-month period ending September 30, 2025.

19. CHANGE IN NON-CASH OPERATING ELEMENTS OF WORKING CAPITAL

	For the three months ended September 30,		For the nine months ended September 30,	
	2025	2024	2025	2024
Amounts receivable	\$ 270,138	\$ (672,664)	\$ 230,277	\$ (67,448)
Biological assets	(49,425)	(1,315)	(73,291)	43,216
Inventory	(120,672)	(417,448)	(507,486)	588,907
Prepaid assets	(25,583)	(61,393)	129,964	(74,191)
Customer Deposits	-	143,164	-	143,164
Accounts payable	102,236	1,120,950	199,192	(1,301,036)
	\$ 176,694	\$ 111,294	\$ (21,344)	\$ (667,389)

20. SEGMENT REPORTING

Operating segments are determined based on internal reporting that is regularly reviewed by the chief operating decision maker (“CODM”) for the purpose of allocating resources to the segment and for assessing its performance. As of September 30, 2025, the Company determined that it has three operating segments, two organized by geographical area: Canada and International, and Corporate, comprised of costs which serve the Company’s global administrative responsibilities.

Avicanna Inc.**Notes to the Condensed Consolidated Interim Financial Statements**

For the Three and Nine Months Ended September 30, 2025, and 2024

(Expressed in Canadian dollars, unless otherwise noted)

Canada includes sales of the Company's pharmaceutical and health products as well as revenue generated from the licensing of intellectual property and research and development services, all developed in Canada and serving customers within Canada. International includes sales of the Company's pharmaceutical and health products, and sales of API to customers worldwide, all grown and developed in Colombia.

	Canada	International	Corporate	Total
As at, and for the nine months ended, September 30, 2025				
Statement of Financial Position				
Current assets	\$ 3,872,443	\$ 3,990,918	\$ -	\$ 7,863,361
Non-current assets	1,071,286	12,238,036	-	13,309,322
Current liabilities	7,738,903	946,382	-	8,685,285
Non-current liabilities	772,019	-	-	772,019
Statement of Operations and Comprehensive Income (Loss)				
Revenue	\$ 17,207,331	\$ 1,671,001	\$ -	\$ 18,878,332
Gross margin	8,303,765	1,577,253	-	9,881,018
Operating expenses	(9,277,436)	(1,759,111)	(823,047)	(11,859,594)
Net income (loss) before tax	(692,963)	(493,342)	(823,047)	(2,009,351)