AVICANNA

RHO PHYTO

MyMedi.ca MEDICAL CANNABIS CARE

AUREUS SANTA MARTA

AVICANNA INC.

MANAGEMENT'S DISCUSSION AND ANALYSIS

THREE MONTHS ENDED MARCH 31ST, 2026 AND 2025

May 13th, 2026

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 March 31, 2026, and is supplemental to and should be read in conjunction with the Company's consolidated financial statements (the "Financial Statements") for the three months ended March 31, 2026, and the accompanying notes thereto. The information contained in this MD&A is presented as of the date of the MD&A and is current to that date unless otherwise stated. The results reported herein have been derived from consolidated financial statements prepared in accordance with the International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board.

All amounts are expressed in Canadian dollars unless otherwise noted.

This MD&A is intended to assist the reader in better understanding operations and key financial results as of the date of this report. The Financial Statements and this MD&A have been reviewed and approved by the Company's Board of Directors as of May 13, 2026.

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 months ending March 31, 2026.

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 an international biopharmaceutical company specializing in the commercialization of proprietary and evidence-based cannabinoid-based products for the global medical and pharmaceutical market segments. Avicanna has established scientific and medical affairs platforms that support its four commercial stage business pillars and have resulted in the commercialization of more than fifty finished products.

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.

Q1 2026 HIGHLIGHTS

- **Financial Highlights:**
  - **Revenue:** Revenue for the first quarter of 2026 was $6.68 million, representing the highest quarterly revenue in the Company's history and an increase of approximately 6% compared to the first quarter of 2025. Revenue growth was primarily driven by an 11% increase in MyMedi.ca revenue and a 24% increase in product sales in Canada compared to the same period in 2025.
  - **Gross Profit:** The Company achieved gross profit of $3.84 million during the first quarter of 2026, representing a 7% year-over-year increase. Consolidated gross margin improved to 58%, compared to 57% during the comparative period. The Company delivered record gross margins despite a revenue mix shift from higher-margin licensing and services revenue toward product sales during the quarter.
  - **Adjusted EBITDA:** The Company reported an adjusted EBITDA loss of $0.15 million during the quarter, compared to adjusted EBITDA income of $0.43 million during the comparative period. The decrease in adjusted EBITDA was primarily attributable to a revenue mix shift from licensing revenue to product sales and increased general administrative expenses specific to the period.
  - **Working Capital:** The Company reduce its working capital deficit by $0.96 million to $0.32 million, compared to a deficit of $1.28 million during the comparative period. During the quarter, the Company allocated working capital toward reducing accounts payable and increasing inventory levels to support continued commercial growth.
- **Canadian Commercial Growth:** During the first quarter of 2026, the Company continued to advance its Canadian commercial platform through expanded SKUs, channels and product listings, while MyMedi.ca delivered its fourth consecutive quarter of growth. The first quarter of 2026 also marked the highest quarterly unit sales on record for MyMedi, with 220,246 units sold compared to 195,705 units sold during the first quarter of 2025. Sales of Avicanna-branded products through MyMedi increased from 19,662 units in the first quarter of 2025 to 27,960 units in the first quarter of 2026, representing a 42% increase. Across all Canadian commercial channels, including MyMedi, Avicanna-branded product unit sales increased from 36,624 units to 45,419 units, representing 24% growth year-over-year. At the end of the quarter, the Company had 52 commercial SKUs and 170 commercial listings across medical and adult-use channels, representing 24% growth in proprietary commercial SKUs and 26% growth in total listings compared to the first quarter of 2025.

- **Medical Cannabis Real World Evidence Results and Publication in the Canadian Journal of Pain:** The investigator-led Medical Cannabis Real-World Evidence (MCRWE) study that was conducted through the MyMedi.ca platform was led Dr. Hance Clarke, Director of Pain Services at University Health Network (UHN), and has been published in the peer-reviewed Canadian Journal of Pain. The prospective, observational study evaluated patient-reported outcomes among individuals with chronic pain receiving physician-authorized medical cannabis in routine clinical practice. The observational results demonstrated statistically significant improvements from baseline in measures of pain interference and pain intensity, as well as improvements in validated measures of anxiety, depressive symptoms, and overall quality of life over the 24-week observation period.

- **Initiation of a Phase I Dose Finding Clinical Trial with University of Calgary:** The randomized controlled trial will evaluate dose-dependent effects of oral THC on anxiety and stress using Avicanna's proprietary capsules. The Trial is led by Dr. Leah Mayo, Assistant Professor, and supported by Dr. Matthew Hill, Professor at the University of Calgary. Primary endpoints focus on validated psychometric assessments of anxiety and subjective response. Secondary endpoints include measures of mood and intoxication, cardiovascular parameters, circulating stress biomarkers, endocannabinoid system markers, and pharmacokinetic profiling. The Trial is designed to generate high resolution dose response data to better define the therapeutic window of oral THC and to characterize interindividual variability in response. The

Trial utilizes Avicanna's proprietary AVCN319301b THC capsules which utilize the Company's Solid Self-Emulsifying Drug Delivery System (SEDDs) technology.

- **Avicanna Subsidiary SMGH Completes First Commercial Export to Australia.** This marks the first commercial export of organic certified flower for SMGH, the 21st market for SMGH and 24th market for all Avicanna products. The export is a result of the improvements in process development, infrastructure, and quality systems that took place at SMGH and validate its competitive position to produce consistent, standardized cannabis flower at commercial scale, with a focus on cannabinoid-specific chemotypes, traceability, and compliance with Good Agricultural and Collection Practices (GACP) and organic certification standards.

SUBSEQUENT TO Q1 EVENTS & HIGHLIGHTS

- **Changes to the Board of Directors:** Earlier in 2026, the Company underwent evolutionary changes to its Board of Directors through the appointment and re-election of two new, and election of one new, global business leaders with experience spanning capital markets, governance, regulated industries, international commercialization, and pharmaceutical operations. Michael Kott was appointed in January 2026, bringing more than 35 years of experience in international capital markets, corporate finance, governance, and cross-border investments. Ozgur Kilic was appointed in April 2026, with more than 20 years of senior executive experience across global pharmaceutical companies and private equity-backed healthcare businesses, including leadership roles as Chief Executive Officer, Chief Financial Officer, and Chief Operating Officer across multiple international markets. Lisa McCormack was elected by the shareholders in May 2026, with over 25 years of leadership experience in regulated industries, including Founder and Chief Executive Officer of Northern Green Canada.

- **Avicanna Welcomes Initial U.S. Rescheduling of Medical Cannabis & Provided Strategic Update:** The Rescheduling aligns with Avicanna's established pharmaceutical and medical cannabis strategy and supports advancement of R&D, clinical development, and medical affairs initiatives. Avicanna will continue to monitor regulatory developments and assess pathways to leverage its scientific platform, proprietary formulations, and clinical data in support of future U.S. market entry, with a focus on pharmaceutical development and FDA-aligned pathways, evidence-driven and Federal or State level medical cannabis models and strategic partnerships and licensing opportunities**.**

- **Avicanna Announces Agenda for 6th Annual Clinical Symposium on Cannabinoid Therapeutics:** The established forum for evidence-based clinical discussion, interdisciplinary dialogue, and patient considerations and is expanded to two days, live and virtual on June 11-12, 2026, at the MaRS Discovery District, Toronto. Researchers, industry professionals, and healthcare practitioners internationally will convene with an expanded agenda including new research findings, case-based clinical discussions, and multidisciplinary panels focused on prescribing practices, treatment planning, and patient management. The program reflects ongoing interest in the integration of cannabinoid-based therapies into clinical practice, alongside recognition of existing evidence gaps and variability in clinical guidance.

STRATEGY AND OUTLOOK

Summary of Commercial Activities by Geography

Canada

The Canadian market remains the primary focus of the Company and the most significant revenue driver. Within this market, the Company has successfully launched its commercial platform including its products and medical platform which have acted as a successful proof of concept—a foundation that the Company believes is scalable for international expansion. Operating through an asset-light model, the Company leverages strategic manufacturing agreements with Canadian licensed producers to manufacture 52 of its proprietary SKUs that range from different drug delivery systems and cannabinoid ratios. This approach has supported growth in unit sales, SKU activity, and strategic commercial listings. As of March 31, 2026, Avicanna maintains 170 commercial listings, including 96 on medical platforms and 74 in the adult-use sector.

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

Avicanna has continued with its "patient-first" approach by optimizing the MyMedi.ca portfolio with 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) as a preferred vendor. To further strengthen its medical outreach, Avicanna initiated a comprehensive medical affairs campaign in 2025 to enhance education and training among Canadian healthcare professionals across several targeted initiatives. These medical affairs have resulted in deeper engagement with the Canadian medical community, patient groups and other important stakeholders as well as expanded the capabilities, scale and reach of Mymedi.ca.

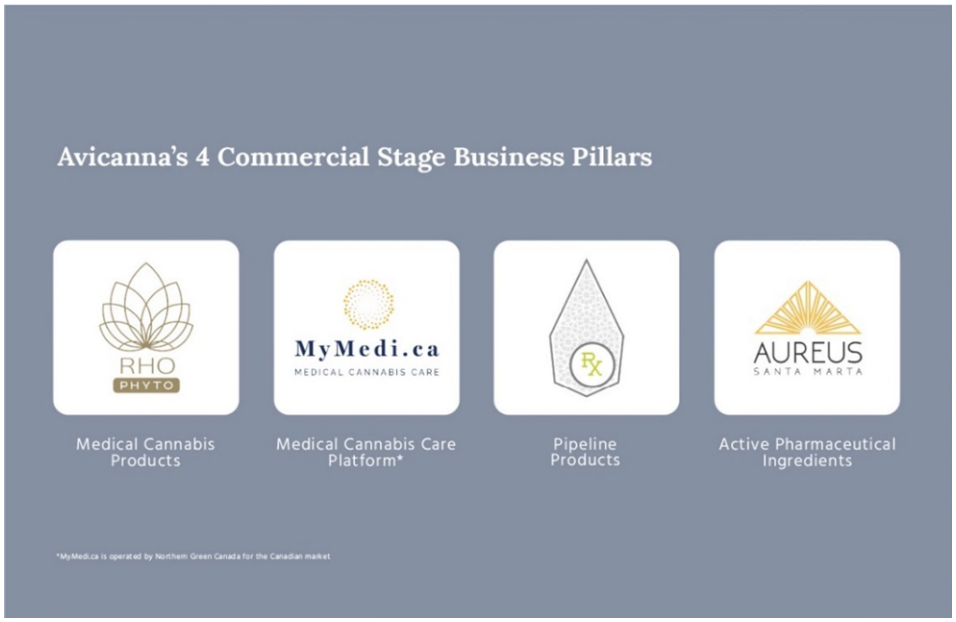
International

Internationally, the Company is developing and advancing commercial pathways 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 24 countries and all 6 continents.

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™ began commercialization in Colombia in December 2025. Trunerox™ is not approved by Health Canada as a drug in Canada.

Additionally, the Company's international efforts include the cultivating and manufacturing its active pharmaceutical ingredients business through growth of the Aureus™ brand, which now has been exported to 21 international markets and has been the API of record for three pharmaceutical marketing authorizations including Trunerox™. During 2025 and the Company substantially improved its agronomy and post-harvest capabilities at Santa Mart Golden Hemp 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™:

RHO Phyto™ is the Company's medical cannabis brand that is available through the MyMedi.ca platform in addition to other medical cannabis platforms and select Canadian hospitals including the Sunnybrook Cancer Center and provincial retail channels. Internationally, the RHO Phyto™ products are available in Barbados and Cayman Islands. 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. The Rho Phyto formulary has had great success on Canadian medical cannabis platforms including MyMedi.ca.

- **Micro Drops:** The Micro Drops are orange flavoured and utilize Avicanna's inverted emulsion technology aimed to provide absorption and shelf-life stability. The product is administered with metered dosing using an oral syringe that is designed for accurate titration.
- **Rapid Act Sprays:** The oral sprays are lemon-mint flavoured and utilize Avicanna's sublingual delivery technology to provide a rapid acting effect. The product is administered discreetly, and designed to deliver accurate, consistent dosing in every spray.
- **Deep Tissue Gel:** The water-based gels utilize Avicanna's deep tissue technology and combines cannabinoids with synergistic terpenes and natural excipients including menthol and beta- caryophyllene in a pharmaceutical-grade, airless pump.
- **Ultra CBD local Cream:** The Ultra 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:** The nano-emulsion technology is designed for instant dispersion and dissolution of cannabinoids which can be utilized for titration in drug delivery and beverages.
- **Rapid Act Capsules:** The nano-emulsion technology is designed for instant dispersion and dissolution of cannabinoids with accurate and consistent dosing in the form of capsules.
- **Pipeline:** Extensive pipeline of proprietary products with controlled dosing and drug delivery including gummies and tablets that are expected to enter the Canadian market during 2026.

MyMedi.ca Medical Cannabis Care Platform:

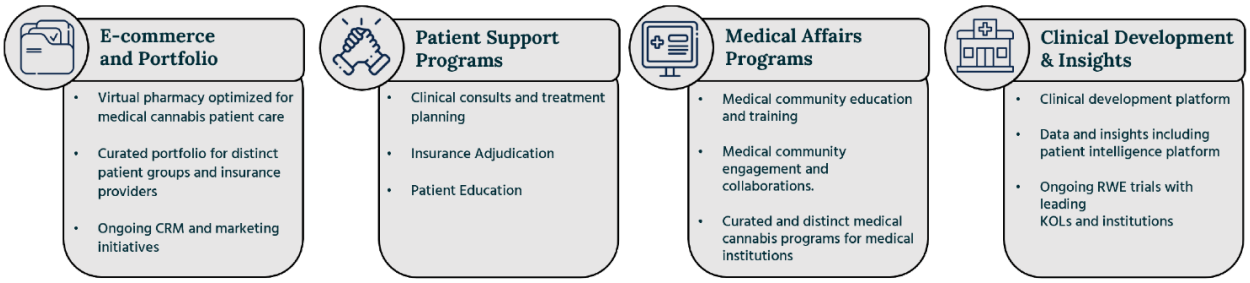
MyMedi.ca is the Company's online medical cannabis care platform that is operated by Northern Green Canada and features a diverse portfolio of products from select Canadian licensed producers. The platform's offerings include bilingual, pharmacist-led patient support programs and educational resources. 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 acquisition of 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.

Unique Features of MyMedi.ca:

- **Diverse marketplace:** Offers a multi-brand assortment of 230+ SKUs from over 65+ leading medical cannabis brands – in contrast to most other medical cannabis companies that predominantly limit offerings to their own brands.

- **Medical affairs:** Training, medical education and resources including the Company's own Avicenna Academy and the Canadian Consortium for the Investigation of Cannabinoid Syllabus' accredited programs.

- **Insurance enabling infrastructure:** For adjudication and 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:

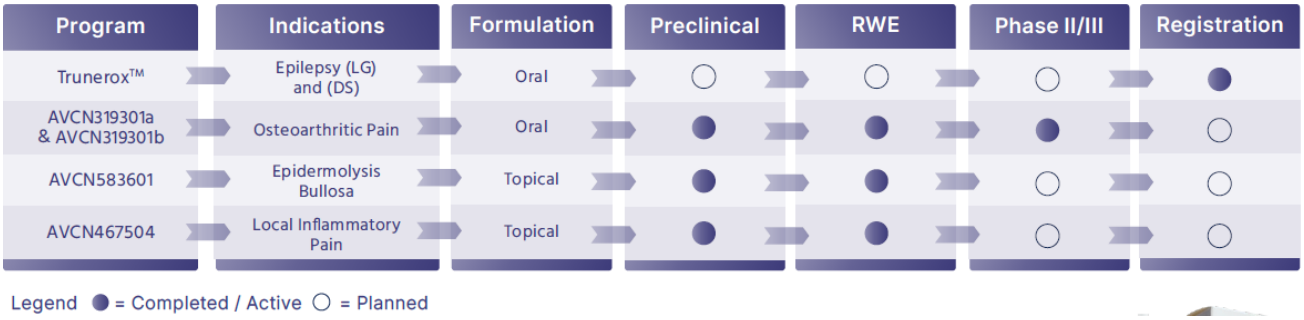
The Company's established Medical Affairs personnel and platform offer education, training, and patient support. Medical Affairs collaborates with Canadian and international medical and scientific communities. Medical Affairs also encompasses research initiatives with the various academic persons and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

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

Pharmaceutical Preparations and Pipeline:

The Company's pharmaceutical preparations and indication-specific drug candidates are 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 are in various stages of submission-application-registration across several Latin American countries.

Selected Candidates and Programs:



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

Trunerox™

Trunerox™ is the Company's proprietary 10% CBD (THC-free) formulation 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].

Trunerox™ was commercialized in Colombia in early 2026 by Avicanna LATAM. Avicanna LATAM also anticipates Trunerox commercialization in other countries in Central America, South America and the Caribbean.

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 has been at the core of the Company's vision since its inception. The Company successfully developed and delivered more than fifty 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

The Company continues to collaborate with leading universities and hospitals on various preclinical and clinical projects. With researchers, we successfully obtained eight peer-reviewed government grants supporting our research projects over the past few years. All the formulations developed, and data generated in collaboration with researchers remain the Company'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.

- **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 the Company's commitment to provide continuation of care to the platforms' patients but also the advancement of medical research. The 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.

Randomized Controlled Trials

- **Phase I - University of Calgary THC Dose-finding Clinical Trial:**
  The randomized, double-blind, placebo-controlled, crossover Phase I study is designed to enroll 25 healthy adult participants to characterize the dose-dependent effects of oral THC on anxiety, stress reactivity, and physiological

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

biomarkers. The study is being led by Dr. Matthew Hill and Dr. Leah Mayo at the University of Calgary, Cumming School of Medicine, with investigational product support from Avicanna Inc. using the Company's proprietary Solid SEDDS oral capsule formulations. The study aims to generate controlled pharmacodynamic and safety data to better understand the acute effects of oral THC across multiple dose levels and to inform optimal dose selection for future clinical development programs. Participants will receive single oral doses of THC at escalating levels alongside placebo across separate study visits under controlled laboratory conditions, with comprehensive monitoring of subjective, physiological, and biochemical responses. Utilizing validated psychometric assessments, cardiovascular monitoring, circulating stress biomarkers, endocannabinoid system markers, and pharmacokinetic profiling, the study seeks to define the therapeutic window of oral THC and characterize interindividual variability in response. The findings are expected to contribute to the advancement of evidence-based cannabinoid research.

- **Phase II - University Health Network COPE Osteoarthritis Pain Clinical Trial:**
  The randomized, double blind, placebo controlled, three arm parallel group internal pilot trial is designed to enroll 100 adult participants with hip and, or knee osteoarthritis to evaluate the feasibility and preliminary effectiveness of oral cannabinoid therapy on pain and functional outcomes. The study is being led by Dr. Hance Clarke at University Health Network, Toronto General Hospital, in collaboration with investigators at Women's College Hospital and McGill University Health Centre, with investigational product support from Avicanna Inc. using the Company's proprietary oral capsule formulations. The trial aims to assess the feasibility of recruitment, protocol adherence, and completion of patient reported outcome measures, while also exploring the impact of CBD and THC on pain interference and quality of life. Participants will be randomized to receive either CBD, THC, or placebo, with individualized dose titration followed by a maintenance period over an eight-week treatment duration. Utilizing validated patient reported outcome measures, the study seeks to evaluate changes in pain severity, functional interference, and overall, well-being, while also capturing safety and tolerability data in a real world reflective clinical population. As a decentralized trial with centralized follow up, the study incorporates remote data collection and patient engagement strategies to improve retention and data completeness.

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 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 and Organic certifications under the United States Department of Agriculture National Organic Program 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 2025, 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 March 31, 2026, and the two prior annual periods as well as the statement of operations and comprehensive income for the three months ended March 31, 2026, March 31, 2025 and March 31, 2024:

Selected Consolidated Financial Information			
Statement of Financial Position *(Canadian Dollars)*	**March 31, 2026**	**December 31, 2025**	**December 31, 2024**
Current assets	$ 8,385,931	$ 7,897,442	$ 7,641,172
Non-current assets	13,694,687	13,345,680	12,475,760
Current liabilities	8,707,202	9,179,298	9,269,222
Non-current liabilities	$ 583,019	$ 677,519	$ 1,106,096

Statement of Operations and Comprehensive loss for the quarter ended *(Canadian Dollars)*	**March 31, 2026**	**March 31, 2025**	**March 31, 2024**
Net revenue	$ 6,680,030	$ 6,324,201	$ 6,445,660
Gross margin	3,838,356	3,604,067	2,995,813
Operating expenses	(4,147,373)	(3,509,873)	(3,885,735)
Operating loss	(309,017)	94,194	(889,922)
Net comprehensive loss/gain	(214,653)	876,331	(498,238)
Loss per share – basic and diluted	$ -	$ -	$ (0.01)

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

Revenues

Avicanna reports revenue 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, research and development services and 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.

	Three Months ended March 31,			
Revenue by Segment *(Canadian Dollars)*	**2026**	**2025**	**Change $**	**Change %**
Canada	$ 5,991,948	$ 5,316,346	$ 675,602	13%
International	688,082	1,007,855	(319,773)	-32%
Net Revenue	**$** 6,680,030	**$** 6,324,201	**$** 355,829	6%

Canadian net revenue totaled $5,991,948 for the three months ended March 31, 2026, compared to $5,316,346 for the three months ended March 31, 2025. MyMedi revenue increased significantly year over year by 11.5%, as a result of greater focus on medical affairs initiatives. License revenue in Canada also increased by 67% compared to the first quarter of 2025. Revenue from international sources was $688,082 for the three months ended March 31, 2026, compared to $1,007,855, for the comparative period of the prior year. The International decrease relates to one particular licensing customer whose contract was fulfilled in the first quarter of 2025. The Company continues to work with this customer and admits that international licensing revenue will continue to have peaks and troughs quarter to quarter.

Key revenue metrics

The following table summarizes the number of SKUs of the Company's products listed for sale (the "Listings") in the Canadian market, the total units sold in the Canadian market, and a summary of the international revenue streams for the three months ended March 31, 2026, and 2025.

Key Revenue Metrics	Three Months Ended March 31, 2026	2025	Change (#)	Change (%)
Canadian Revenue Channels				
Total Listings	170	135	35	+26%
Canadian finished goods sold (units)	45,419	36,624	8,795	+24%
International Revenue Channels				
Finished products sold (units)	0	1,000	(1,000)	-100%
Sale of API (kg)	59	54	5	+9%
Sale of Flower (KG)	20	0	20	+100%

For the three months ended March 31, 2026, the Company sold 45,419 units in Canadian channels, compared to 36,624 units for the comparative period in 2025, representing a 24% increase. API sales in international channels were 59 kg for the three months ended March 31, 2026, compared to 54 kg for the three months ended March 31, 2025. This represents an 8% increase. Regarding flower sales, 20 kg were sold for the three months ended March 31, 2026, whereas no flower sales were recorded during the same period in 2025.

Gross Margin

The following outlines the gross margin by segment for the three months ended March 31, 2026, and 2025:

Gross Margin by Segment *(Canadian Dollars)*	**Three Months Ended March 31, 2026**	**2025**	**Change ($)**	**Change %**
Canada	$ 3,056,600	$ 2,596,847	$ 459,753	18%
Gross margin %	*51%*	*49%*		
International	$ 781,756	$ 1,007,220	$ (225,464)	-22%
Gross margin %	*114%*	*94%*		
Total Gross Profit	**$ 3,838,356**	**$ 3,604,067**	**$ 234,289**	**7%**
Gross margin %	***58%***	***57%***		

Gross profit in the Canadian market for the three months ended March 31, 2026, was $3,056,600, representing 51% of revenue, compared to $2,596,847 for the three months ended March 31, 2025, representing 49% of revenue. Gross margins in Canada were positively impacted by an increase in the proportion of Avicanna's proprietary product sold through MyMedi. Gross profit for the international markets totaled $781,756 for the quarter ending March 31, 2026, compared to $1,007,220 for the comparative period in 2025. The gross margin greater than 100% of revenue is a result of adjustments to the fair value of biological assets included in inventory sold which were previously impaired, as well as unrealized changes in the fair value of biological assets.

Operating Expenses

The following table presents operating expenses for the three months ended March 31, 2026, and 2025:

Operating Expenses *(Canadian Dollars)*	Three Months Ended March 31, 2026	2025	Change $	Change %
General and administrative expenses				
Office and general	$ 833,007	$ 843,493	$ (10,486)	-1%
Selling, marketing and promotion	958,453	787,888	170,565	22%
Consulting fees	208,588	88,133	120,455	137%
Professional fees	266,846	41,689	225,157	540%
Salaries and wages	1,630,443	1,297,297	333,146	26%
Research and Development	15,994	51,072	(35,078)	-69%
Share based compensation	68,744	207,308	(138,564)	-67%
Depreciation and amortization	165,298	192,993	(27,695)	-14%
Total Operating Expenses	**$ 4,147,373**	**$ 3,509,873**	**$ 637,500**	**18%**

Office and general expenses

For the three months ended March 31, 2026, the Company incurred office and general expenses totaling $833,007, a slight decrease compared to $843,493 for the three months ended March 31, 2025.

Selling, marketing and promotion

Selling, marketing and promotion expenses increased to $958,453 for the three months ended March 31, 2026 compared to $787,888 for the three months ended March 31, 2025. The increase was a result of increased MyMedi medical affairs initiatives and customer growth costs.

Consulting fees

For the three months ended March 31, 2026, the Company incurred consulting expenses totaling $208,588, compared to $88,133 for the three months ended March 31, 2025. Consulting expenses were comprised of third-party consultants, service providers, and investor relation services. The increase relates to seeking out expansion of international opportunities in the US and at SMGH.

Professional fees

For the three months ended March 31, 2026, the Company incurred professional fees of $266,846, compared to $41,689 for the three months ended March 31, 2025. Professional fees relate most significantly to audit and tax professionals which are most significant in the first quarter of the year. The increase is a result of an immaterial error of $219,156, disclosed in the third quarter of 2025 whereby professional fees were understated in the period ending March 31, 2025, and later expensed in the period ending September 30, 2025. After accounting for this error professional fees were relatively flat year over year.

Salaries and wages

For the three months ended March 31, 2026, the Company incurred salaries and wages of $1,630,443, compared to $1,297,297 for the three months ended March 31, 2025. Salaries and wages increased for the year, with headcount in Canada increasing due to new medical affairs initiatives, a ramp up in operations at SMGH, and general rate increases. A bonus accrual has also been accounted for in the period ending March 31, 2026, as compared to March 31, 2025.

Research and development

For the three months ended March 31, 2026, the Company incurred research and development expenses of $15,994, compared to $51,072 for the three months ended March 31, 2025. The Company has implemented cost-cutting efficiencies wherever possible, bringing initiatives in house, thus reducing research costs.

Share-based compensation

For the three months ended March 31, 2026, the Company incurred share-based compensation expense of $68,744, compared to $207,308 for the three months ended March 31, 2025. The decrease was due to the Company's requirement to pause the issuance of securities until the approval of the Omnibus plan during the annual meeting of the shareholders on May 7th 2026.

Depreciation and amortization

Depreciation and amortization for the three months ended March 31, 2026, was $165,298 compared to $192,993 for the three months ended March 31, 2025. Depreciation has decreased as assets become fully amortized without significant new asset purchases, therefore diminishing the total expense over time.

Other Income (Expenses)

The following table presents other income and (expenses) for the three months ended March 31, 2026, and 2025:

	Three Months Ended March 31,			
Other Income (Expenses) *(Canadian Dollars)*	**2026**	**2025**	**Change $**	**Change %**
Foreign exchange gain (loss)	$ (5,643)	$ (9,165)	$ 3,522	$ -38%
Other income	41,384	21,317	20,067	94%
Interest expense	(15,619)	(29,790)	14,171	-48%
Accretion	-	(1,835)	1,835	-100%
	$ 20,122	**$ (19,473)**	**$ 39,595**	**-203%**

Other income and expenses were $20,122 for the three months ended March 31, 2026, compared to a loss of $19,473 for the three months ended March 31, 2025.

Adjusted EBITDA

The following table presents Adjusted EBITDA for the three months March 31, 2026, and 2025:

	Three Months Ended March 31,			
Adjusted EBITDA *(Canadian Dollars)*	**2026**	**2025**	**Change $**	**Change %**
Net comprehensive loss	$ (214,653)	882,646	$ (1,097,300)	$ -124%
Exchange differences on translation	(74,242)	(807,925)	733,684	-91%
Share-based compensation	68,744	207,308	(138,564)	-67%
Depreciation and Amortization	165,298	192,993	(27,695)	-14%
Interest expense	15,619	29,790	(14,171)	-48%
Transaction costs	97,437	-	97,437	100%
Foreign exchange loss	5,643	9,165	(3,522)	-38%
Other income, net	(41,384)	(21,317)	(20,067)	94%
Accretion expense	-	1,835	(1,835)	-100%

Unrealized changes in biological assets	(179,997)	(65,567)	(114,430)	100%
Inventory impairment	5,941	2,887	3,054	106%
Adjusted EBITDA	**$ (151,594)**	**431,815**	**$ (583,409)**	**$ -135%**

[1]Adjusted EBITDA is a non-IFRS measure and is calculated as the reported net comprehensive loss, adjusted to exclude exchange translation differences, share-based compensation, depreciation and amortization, estimated credit loss, interest expense, transaction related costs (legal, diligence etc.), foreign exchange loss, other (income) and expense, accretion expense, gain on fair value of royalty liability, unrealized changes in biological assets, deferred tax expense and impairments.

The adjusted EBITDA loss for the three months ended March 31, 2026, was ($151,594), as compared to the income of $431,815 for the three months ended March 31, 2025. The reduction in adjusted EBITDA is largely a result of sales mix shift to product sales from licensing, increased general and administrative expenses partially offset by the immaterial error of $0.27 million discovered in the period ending September 30, 2025, but relating to the period ending March 31, 2025.

Summary of Quarterly Results

The following tables present our quarterly results of operations for the eight consecutive three-month periods up to March 31, 2026. These tables should be read with the Financial Statements and related notes. Information is prepared on the same basis as the audited consolidated financial statements. The operating results for any quarter are not necessarily indicative of the results for any future quarters or for a full year.

	Quarter Ended			
Quarterly Results *(Canadian Dollars)*	**March 31, 2026**	**December 31, 2025**	**September 30, 2025**	**June 30, 2025**
Net revenues	$ 6,680,030	$ 6,496,088	$ 6,396,822	$ 6,157,309
Net comprehensive gain (loss)	(214,653)	(2,204,138)	(582,380)	(850,991)
Net comprehensive gain (loss) per share	$ (0.00)	$ (0.02)	$ (0.01)	$ 0.01

	Quarter Ended			
Quarterly Results *(Canadian Dollars)*	**March 31, 2025**	**December 31, 2024**	**September 30, 2024**	**June 31, 2024**
Net revenues	$ 6,324,201	$ 6,616,855	$ 6,273,949	$ 6,122,751
Net comprehensive gain (loss)	876,331	(440,094)	(922,007)	(2,871,047)
Net comprehensive gain (loss) per share	$ 0.01	$ (0.01)	$ (0.01)	$ (0.03)

PART III – FINANCIAL LIQUIDITY AND CAPITAL RESOURCES

The Company's primary liquidity and capital requirements were for capital expenditures, working capital and general corporate purposes. The Company had a cash balance of $372,103 on March 31, 2026. The Company's ability to fund operating expenses and capital expenditures will depend on the future operating performance, and the 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 three months ended March 31, 2026, and 2025:

Three Months Ended March 31,				
Statement of cash flow *(Canadian Dollars)*	**2026**	**2025**	**Change**	**Change (%)**
Net cash (used in) provided by:				
Operating activities	$ (956,363)	$ (17,685)	$ (938,678)	5,308%
Investing activities	(12,991)	(140,025)	127,034	-91%
Financing activities	1,484,782	30,632	1,454,150	4,747%
Net increase (decrease) in cash and cash equivalents	(423,955)	135,809	(559,764)	-412%
Effect of exchange rate changes on cash	515,428	(127,078)	642,506	-506%
Cash, beginning of year	280,630	448,028	(167,398)	-37%
Cash, at year end	**$ 372,103**	**$ 456,759**	**$ (84,656)**	**-19%**

Cash used in operations during the three months ended March 31, 2026, was ($956,363), compared to the three months ended March 31, 2025, in which cash used was ($17,685). The significant reduction is a result of the net loss as described above, as well as the change in non-cash operating elements of working capital as the Company decreased accounts payable, and increased inventory and prepaid assets.

Net cash used in investing activities totaled ($12,991) for the three months ended March 31, 2026, compared to ($140,025) for the three months March 31, 2025. Capital expenditure continues to be light. Purchases in 2025 consisted of production equipment and construction at the Company's SMGH facility in Colombia.

Net cash provided by financing activities totaled $1,484,782 for the three months ended March 31, 2026, increased from $30,632 for the three months ended March 31, 2025. The increase is a result of the proceeds from issuance of common shares via a non-brokered private placement.

The following table provides information about the Company's financing from the public and private sources during the three months ended March 31, 2026, and the year ended December 31, 2025, 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
July 16, 2025	Private Placement Offering	$1,000,000 (Net proceeds of $1,000,000)	The Company's stated intended use of the net proceeds was working capital related	As of the date of this MD&A, all funds have been fully deployed in their originally intended use.
February 10, 2026	Private Placement Offering	$1,550,000 (Net proceeds of $1,550,000)	The Company's stated intended use of the net proceeds was working capital related	As of the date of this MD&A, all funds have been fully deployed in their originally intended use.

July 2025, Private Placement

On July 16, 2025, the Company issued an aggregate of 4,000,000 Units at a price of $0.25 per Unit for net 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.

February 2026, Private Placement

On February 10, 2026, the Company issued an aggregate of 7,750,001 Units at a price of $0.20 per Unit for net cash proceeds of $1,550,000. 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 $0.25 until February 10, 2029.

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 months ended March 31, 2026, and 2025 are as follows:

	Three Months ended March 31,			
Related Party Compensation *(Canadian Dollars)*	**2026**	**2025**	**Change $**	**Change %**
Salaries and benefits	$ 161,250	$ 162,535	$ (1,285)	-1%
Share-based compensation	-	39,150	(39,150)	-100%
	$ 161,250	$ 201,685	**$** (40,435)	-100%

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 $79,425 as of March 31, 2026 (December 31, 2025 - $141,526). 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 125,791,870 Common Shares issued and outstanding. In addition, there were 7,676,158 Common Shares issuable on the exercise of Stock Options, 13,449,606 Common Shares issuable on the exercise of Warrants, 1,346,604 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. 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.

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

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

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

Risk Management

Liquidity risk

Liquidity risk is the risk 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 18 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 the Company holds no loans or debentures as at March 31, 2026.

RISK FACTORS

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, 2025, dated March 31, 2026. 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 Procedures ("DC&P")

Disclosure controls and procedures are designed to provide reasonable assurance that information required to be disclosed by the Company in its annual filings, interim filings and other reports filed or submitted under applicable securities legislation is recorded, processed, summarized and reported within the time periods specified under such legislation, and that such information is accumulated and communicated to management, including the Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure.

Management, with the participation of the Chief Executive Officer and Chief Financial Officer, evaluated the effectiveness of the Company's DC&P as at December 31, 2025. Based on this evaluation, and because of the material weakness in internal control over financial reporting described below, management concluded that the Company's DC&P were not effective as at December 31, 2025.

Internal Control over Financial Reporting ("ICFR")

Internal control over financial reporting is designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS Accounting Standards. Management is responsible for establishing and maintaining adequate ICFR.

Management, with the participation of the Chief Executive Officer and Chief Financial Officer, evaluated the effectiveness of the Company's ICFR as at December 31, 2025 using the COSO Internal Control – Integrated Framework (2013). Based on this evaluation, and because of the material weakness described below, management concluded that the Company's ICFR was not effective as at December 31, 2025.

Material Weakness in ICFR

Management identified a material weakness in ICFR related to the design and operation of entity-level controls over financial reporting. Specifically, the Company did not design and maintain controls sufficient to support the consistent execution, documentation and monitoring of key controls across the financial reporting process.

This material weakness is pervasive in nature and affects multiple components of the Company's internal control system, including:

• control environment, including governance, accountability, and resourcing and segregation of duties necessary to support sustainable financial reporting controls;

• risk assessment, including processes to identify and assess financial reporting risks, including significant estimates and non-routine transactions, and to translate those risks into appropriate control requirements;

• control activities, including appropriately designed and consistently executed period-end financial reporting controls, including controls over journal entries, reconciliations, and management review controls performed with an appropriate level of precision;

• information and communication, including controls over the completeness and accuracy of information used in the performance of controls, as well as documentation and evidence standards; and

• monitoring activities, including ongoing monitoring of control performance and timely remediation of identified deficiencies.

As a result of this material weakness, there is a reasonable possibility that a material misstatement of the Company's annual or interim financial statements would not be prevented or detected on a timely basis.

Remediation Plan

Management is developing a remediation plan intended to address the material weakness described above. Management is in the process of implementing the remediation plan as of March 31, 2026.

Planned remediation actions are expected to include:

• enhancing internal control governance, including clearer control ownership and accountability within the financial reporting process;

• strengthening the financial reporting risk assessment process, including the identification of significant accounts, estimates and non-routine transactions and the documentation of related control activities;

• improving the design and implementation of key period-end financial reporting controls, including controls over journal entries, account reconciliations and management review controls performed with an appropriate level of precision;

• strengthening segregation of duties within the finance function and implementing compensating controls where full segregation of duties is not practicable; and

• establishing enhanced monitoring activities, including periodic evaluation of control design and the future testing of operating effectiveness.

Management expects that the remediation process will take time to implement and evaluate. The material weakness will not be considered remediated until the relevant controls have been fully implemented and management concludes, through testing, that the controls are designed and operating effectively for a sufficient period of time.

Inherent Limitations

DC&P and ICFR, no matter how well designed and operated, have inherent limitations and can provide only reasonable, not absolute, assurance regarding the reliability of financial reporting and the preparation of financial statements.

Changes in ICFR

There were no changes in the Company's internal control over financial reporting during the period ending March 31, 2026 that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.